



Canadian Space  
Agency

Agence spatiale  
canadienne



# **Canadian Space Agency**

**2012-2013**

**Quarterly Financial Report**

**For the Quarter Ended September 30, 2012**

## Management Statement for the Quarter Ended September 30, 2012

### 1. Introduction

This quarterly financial report has been prepared by management as required by section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by the Treasury Board. This quarterly financial report should be read in conjunction with the [Main Estimates](#)<sup>1</sup>, Supplementary Estimates A, the previous quarterly report for the current year, as well as with *Canada's Economic Action Plan 2012 (Budget 2012)*.

### 1.2 Mandate and Program Activities

The mandate of the Canadian Space Agency (CSA) is *to promote the peaceful use and development of space, to advance the knowledge of space through science and to ensure that space science and technology provide social and economic benefits for Canadians*.

More information is available on the CSA's [mandate](#) and Program Activities in the [Report on Plans and Priorities](#)<sup>1</sup>.

<sup>1</sup> *The financial data presented as planned expenditures in the Main Estimates and the Report on Plans and Priorities (RPP) for the current year may differ from the authorities available presented in the Quarterly Financial Report (QFR). The RPP data includes estimated adjustments to the Main Estimates for the entire year, whereas the QFR presents only the authorities granted to date through the Estimates process (i.e. the Main Estimates and the Supplementary Estimates).*

### 1.3 Basis of Presentation

This quarterly financial report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes the CSA's spending authorities granted by Parliament and those used by the CSA, consistent with the [Main Estimates](#) and Supplementary Estimates voted to date for the 2012-2013 fiscal year. This quarterly financial report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

As part of the Parliamentary business of supply, the Main Estimates must be tabled in Parliament on or before March 1 preceding the new fiscal year. Budget 2012 was tabled in Parliament on March 29, after the tabling of the Main Estimates on February 28, 2012. As a result the measures announced in Budget 2012 could not be reflected in the 2012-2013 Main Estimates.

For fiscal year 2012-2013, frozen allotments will be established by Treasury Board authority in departmental votes to prohibit the spending of funds already identified as saving measures in Budget 2012. In future years, the changes to departmental authorities will be implemented

through the Annual Reference Level Update, as approved by Treasury Board, and reflected in the subsequent Main Estimates tabled in Parliament.

The authority of Parliament is required before moneys can be spent by the Government. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes.

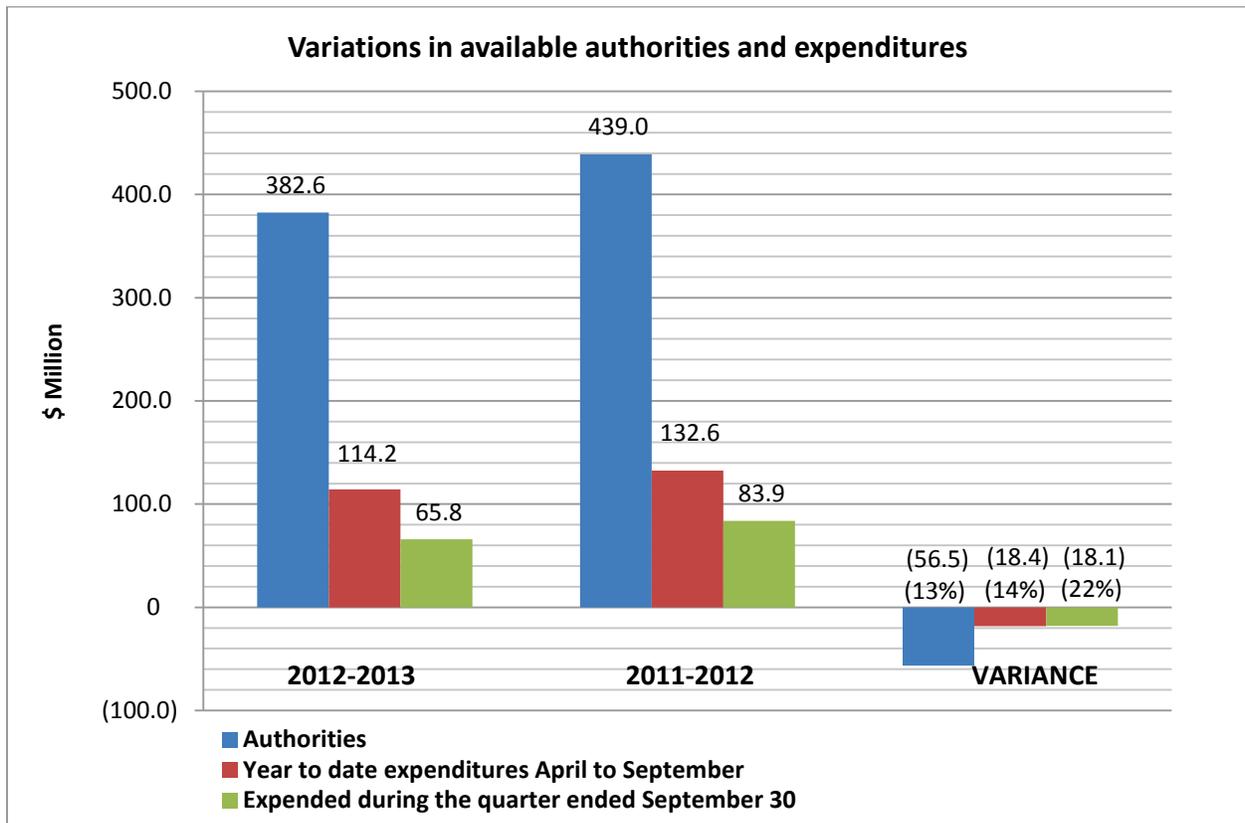
The CSA uses the full accrual method of accounting to prepare and present its annual financial statements, which are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis, that is, a partial accrual method of accounting. Expenditure basis accounting thus includes disbursements, but also some expenditures incurred for salaries and salary allowances.

This quarterly financial report has not been subject to an external audit. However, it has been reviewed by the members of the Audit Committee, who are satisfied with its presentation and content.

## 2. Highlights of Quarterly Financial Results

This section highlights the significant factors that contributed to the changes to the authorities available for the fiscal year, as well as to the year to date and actual expenditures for the quarter ended September 30, 2012.

The following graph provides an overview of variations in available authorities and expenditures. Additional details on these variations are provided in sections 2.1 and 2.2 as well as in the appended annexes.



Totals may not add due to rounding.

## 2.1 Significant Changes in Authorities (Total Vote Available for Use) between fiscal 2011-2012 and 2012-2013

The total vote available for use by the CSA for the year ending March 31, 2013 is \$382.6 million and represents a decrease of \$56.5 million over the same period for the previous year. The most significant changes are as follows :

Authorities (in thousands of dollars)	2012-13	2011-12	Variance	%
Vote 25 - Operating expenditures	171,675	249,963	(78,288)	-31%
Vote 30 - Capital expenditures	163,230	121,345	41,885	35%
Vote 35 - Grants and contributions	36,597	56,223	(19,626)	-35%
Budgetary statutory authorities	11,050	11,509	(459)	-4%
<b>Total authorities</b>	<b>382,552</b>	<b>439,040</b>	<b>(56,487)</b>	<b>-13%</b>

The following factors are key in explaining the decrease of \$78.3 million in Vote 25 - Operating Expenditures :

- ✓ A \$55.0 million decrease in the budget allocated to the Economic Action Plan initiatives announced in Budget 2009, whose funding ended in 2011-2012.
- ✓ A \$6.1 million budget decrease over the previous fiscal year represents the CSA's vote that was transferred to the new Shared Services Canada organization.
- ✓ The residual variance consists of multiple variations inherent to the management of the Canadian Space Program (CSP) resources. They result from the fact that the budgetary needs by vote are not linear from one year to another requiring budget transfers between votes or reprofiling of funds in another fiscal year.

The following factors are key in explaining the increase of \$41.9 million in Vote 30 - Capital Expenditures :

- ✓ A \$36.2 million budget increase over the previous fiscal year as a result of additional budgets allocated over five years under Budget 2010 to continue the development of the Radarsat Constellation Mission (RCM).
- ✓ A \$3.5 million budget increase in the development project portfolio resulting from the reprofiling of funds from unused risk envelopes from 2011-2012 to 2012-2013 and delays in certain tasks.
- ✓ A \$1.0 million budget decrease over the previous fiscal year represents the CSA vote that was transferred to the new Shared Services Canada organization

The following factors are key in explaining the decrease of \$19.6 million in Vote 35 - Grants and Contributions :

- ✓ An \$18.6 million budget decrease over the previous fiscal year for purposes of the Canada / European Space Agency (ESA) Cooperation Agreement was attributable to changes in ESA's implementation of various programs in which Canada participates.

## 2.2 Significant Changes in Year To Date and Quarterly Expenditures (Votes Used)

Year to date and quarterly expenditures for the quarter ended September 30, 2012 are \$114.2 and \$65.8 million respectively and represent a decrease of \$18.4 and \$18.1 million compared to the same period for the previous year.

### Expenditures by Vote

Expenditures and expenditure variations by vote for the quarter ended September 30 :

Expenditures (in thousands of dollars)	Year To Date Expenditures			Quarterly Expenditures		
	2012-13	2011-12	Variance	2012-13	2011-12	Variance
Vote 25 - Operating expenditures	66,009	88,677	(22,668)	37,912	54,033	(16,121)
Vote 30 - Capital expenditures	23,786	21,434	2,352	14,798	20,672	(5,874)
Vote 35 - Grants and contributions	18,885	16,725	2,160	10,327	6,298	4,029
Budgetary statutory authorities	5,532	5,751	(219)	2,774	2,876	(102)
<b>Total budgetary expenditures</b>	<b>114,212</b>	<b>132,587</b>	<b>(18,375)</b>	<b>65,811</b>	<b>83,879</b>	<b>(18,068)</b>

The decrease in the use of Vote 25 – Operating Expenditures, of \$22.7 million for year to date expenditures and \$16.1 million for quarterly expenditures over the same period in the previous fiscal year is mainly explained by the decrease in operating activities stemming from the administrative services review (i.e. the transfer of resources for the creation of Shared Services Canada) and by the implementation of the decisions announced in Budget 2012 relating to the Deficit Reduction Action Plan (DRAP). The end of funding from the Economic Action Plan announced in Budget 2009 also explains the year to date and quarterly decrease for 2012-2013.

The quarterly decrease of \$5.9 million in the use of Vote 30 – Capital Expenditures is mainly due to the variations in payment schedules and in the project development lifecycle, which is an inherent characteristic of the Canadian Space Plan. Invoice payments relating to the development phase of the RCM as well as the acquisition of material with extended procurement lead time explains the 2012-2013 \$2.4 million cumulative increase.

The increase of \$2.2 and \$4.0 million in year to date and quarterly expenditures for Vote 35 – Grants and Contributions is mainly attributable to the variations in payment schedules of ESA and the Class Grant and Contribution Program to Support Research, Awareness and Learning in Space Science and Technology.

## **Expenditures by Standard Object**

Expenditures and expenditure variations by standard object  
 for the quarter ended September 30:

<b>Expenditures</b> <i>(in thousands of dollars)</i>	<b>Year To Date Expenditures</b>			<b>Quarterly Expenditures</b>		
	<b>2012-13</b>	<b>2011-12</b>	<b>Variance</b>	<b>2012-13</b>	<b>2011-12</b>	<b>Variance</b>
Personnel	40,257	42,699	(2,442)	19,257	20,127	(870)
Transportation and communications	1,847	3,069	(1,222)	979	1,718	(739)
Information	515	805	(290)	296	584	(288)
Professional and special services	34,249	60,628	(26,379)	22,374	49,258	(26,884)
Rentals	936	914	22	591	475	116
Repair and maintenance	300	966	(666)	146	507	(361)
Utilities, materials and supplies	1,173	1,883	(710)	861	1,411	(550)
Acquisition of land, buildings, works	0	0	0	0	0	0
Acquisition of machinery and equipment	13,586	2,217	11,369	8,829	1,440	7,389
Transfer payments	18,885	16,725	2,160	10,327	6,298	4,029
Other subsidies and payments	2,464	2,681	(217)	2,151	2,061	90
<b>Total budgetary expenditures</b>	<b>114,212</b>	<b>132,587</b>	<b>(18,375)</b>	<b>65,811</b>	<b>83,879</b>	<b>(18,068)</b>

The \$2.4 and \$0.9 million year to date and quarterly expenditure decrease for the Personnel standard object is mainly owing to workforce reductions arising from recent government-wide reviews and the pay disbursement schedule.

The impact of the transfer in responsibilities stemming from the creation of Shared Services Canada is seen in the variance of \$1.2 and \$0.7 million in year to date and quarterly expenditures for the Transportation and communications standard object.

The decrease of \$26.4 and \$26.9 million in year to date and quarterly expenditures for the Professional and special services standard object is partly attributable to the payment schedule related to the RCM project and to the end of the funding from the Economic Action Plan announced in Budget 2009.

The increase of \$11.4 and \$7.4 million year to date and quarterly expenditures for the Acquisition of machinery and equipment standard object is attributable to the acquisition of material with extended procurement lead time for the RCM project.

The explanation for the \$4.0 million increase in quarterly expenditures in the Transfer payment standard object is provided in the previous section for expenditures by vote under Vote 35 – Grants and Contributions.

The explanation for the decrease in year to date and quarterly expenditures for several standard objects, such as Information, Repair and maintenance, Utilities, materials and supplies, is partly due to the implementation of the decisions announced in Budget 2012 relating to the Deficit Reduction Action Plan (DRAP).

### 3. Risks and Uncertainties

- ✓ Characteristics specific to the implementation of the Canadian Space Plan: International cooperation is essential to the implementation of the CSA's programs, because partnerships with other space-faring nations make it possible to share technical expertise, knowledge and infrastructure. The CSA also relies on partnerships with Canadian businesses and universities to turn scientific and technological advances into innovative products and services. The domestic market is relatively small and the viability of Canada's space sector depends on its positioning in international markets. In addition, space projects make use of innovative technology that is sometimes tested for the first time in harsh space conditions.

These specific characteristics of the space sector create a risk of delays in the implementation of projects and therefore risks of postponements of the use of funds.

- ✓ The year to date expenditures for the 2nd quarter of 2012-2013 represent 30 % of our authorities whereas 50 % of our fiscal year has passed. This situation is similar to that of the previous fiscal year and represents no concerns.
- ✓ There are also risks arising from the Canada / ESA Cooperation Agreement, such as variations in amounts payable caused by changes in Gross National Product (GNP) statistics, the depreciation of the Canadian dollar against the euro (exchange rate), inflation and the enforcement of the ESA's industrial policy. These risks have an impact on both costs and cash flow profiles.
- ✓ To mitigate these risks, the CSA regularly reviews its project portfolio, activity plans, schedules and financial management strategies to adjust to changes in the space programs of its key partners (National Aeronautics and Space Administration (NASA), the European Space Agency (ESA) and other space agencies).
- ✓ In Budget 2010, it was announced that departments' salary and operations budgets would be frozen at 2010-2011 levels for fiscal 2011-2012 and 2012-2013. This reduces the flexibility that the CSA requires to adjust its financial strategies for the implementation of the Canadian Space Plan. In order to deal with these restrictions in 2011-2012 and 2012-2013, the CSA carried out an efficiency review, reassigned budgets on the basis of priorities and implemented a salary ceiling.

### 4. Significant Changes in Relation to Operations, Personnel and Programs

During the second quarter of 2011-2012, the Government of Canada established a new organization, Shared Services Canada (SSC), in order to combine the information technology and telecommunications resources of 44 departments and agencies with the purpose of optimizing the use of resources and by achieving significant economies of scale. The financial repercussions of this change are described in section 2.1 – Significant Changes in Authorities and section 2.2 – Significant Changes in Expenditures.

## **5. Budget 2012 Implementation**

This section provides an overview of the savings measures announced in Budget 2012 that will be implemented in order to refocus government and programs, make it easier for Canadians and business to deal with their government and, modernize and reduce the back office.

The CSA will achieve savings of \$29.5 million by fiscal year 2014-2015 through key measures that actively contribute to the Government's overarching plan to return to a balanced budget. Therefore, the CSA will increasingly focus its Programs and support in response to the growing demand for space-based solutions that serve the mandates and operations of Government departments and agencies.

In the first year of implementation, the CSA will achieve savings of approximately \$7.9 million. Savings will increase to \$24.7 million in 2013-2014 to reach ongoing saving of \$29.5 million by 2014-2015. The related savings in progress will be reflected in Vote 25 – Operating Expenditures and Vote 35 – Grants and contributions.

For the quarter ended September 30th, 2012, the impact of Budget 2012 on the CSA's authorities is nil as the results of Budget 2012 were not reflected in the 2012-2013 Main Estimates. Therefore, for the second quarter, the variances in the Agency's authorities are not related to Budget 2012.

At the end of the second quarter, the reduction to expenditures related to Budget 2012 are reflected in Vote 25 – Operating Expenditures and in several standard objects, such as Information, Repair and maintenance, Utilities, materials and supplies. Other savings related to Budget 2012 will be reflected later in the fiscal year in Vote 25 – Operating Expenditures and Vote 35 – Grants and contributions.

There are no financial risks or uncertainties related to these savings.



# CANADIAN SPACE AGENCY

Appendix 1

## Quarterly Financial Report

For the quarter ended September 30, 2012

Statement of Authorities (unaudited)

Fiscal year 2012-2013 (in thousands of dollars)

	Fiscal Year 2012-2013			Fiscal Year 2011-2012		
	Total available for use** for the year ending March 31, 2013* \$	Used during the quarter ended September 30, 2012 \$	Year to date used at quarter-end \$	Total available for use for the year ending March 31, 2012* \$	Used during the quarter ended September 30, 2011 \$	Year to date used at quarter-end \$
Vote 25: Operating expenditures	171,675	37,912	66,009	249,963	54,033	88,677
Vote 30: Capital expenditures	163,230	14,798	23,786	121,345	20,672	21,434
Vote 35: Grants and contributions	36,597	10,327	18,885	56,223	6,298	16,725
Budgetary statutory authorities	11,050	2,774	5,532	11,509	2,876	5,751
<b>Total authorities</b>	<b>382,552</b>	<b>65,811</b>	<b>114,212</b>	<b>439,040</b>	<b>83,879</b>	<b>132,587</b>

\* Includes only Authorities available for use and granted by Parliament at quarter-end.

\*\* Total available for use does not reflect measures announced in Budget 2012.

The effective budgetary reductions for fiscal 2012-2013 will only be reflected in the 2013-2014 reference levels.

# CANADIAN SPACE AGENCY

Appendix 2

## Quarterly Financial Report

For the quarter ended September 30, 2012

Departmental budgetary expenditures by Standard Object (unaudited)

Fiscal year 2012-2013 (in thousands of dollars)

	Fiscal Year 2012-2013			Fiscal Year 2011-2012		
	Planned expenditures* for the year ending March 31, 2013 \$	Expended during the quarter ended September 30, 2012 \$	Year to date used at quarter-end \$	Planned expenditures for the year ending March 31, 2012 \$	Expended during the quarter ended September 30, 2011 \$	Year to date used at quarter-end \$
<b>Expenditures:</b>						
Personnel	76,440	19,257	40,257	75,393	20,127	42,699
Transportation and communications	5,581	979	1,847	9,693	1,718	3,069
Information	1,140	296	515	2,495	584	805
Professional and special services	187,015	22,374	34,249	235,814	49,258	60,628
Rentals	1,522	591	936	2,208	475	914
Repair and maintenance	3,869	146	300	3,646	507	966
Utilities, materials and supplies	2,814	861	1,173	3,169	1,411	1,883
Acquisition of land, buildings and works	1,207	0	0	1,004	0	0
Acquisition of machinery and equipment	62,893	8,829	13,586	45,332	1,440	2,217
Transfer payments	36,597	10,327	18,885	56,223	6,298	16,725
Other subsidies and payments	3,474	2,151	2,464	4,063	2,061	2,681
<b>Total budgetary expenditures</b>	<b>382,552</b>	<b>65,811</b>	<b>114,212</b>	<b>439,040</b>	<b>83,879</b>	<b>132,587</b>

\*Planned expenditures do not reflect measures announced in Budget 2012.