



Canadian Space
Agency

Agence spatiale
canadienne



Canadian Space Agency

2012-2013

Quarterly Financial Report

For the Quarter Ended June 30, 2012

Management Statement for the Quarter Ended June 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](#)¹, Supplementary Estimates A, 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](#)¹.

¹ *The financial data presented as 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 obtained 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 2012-13 Main Estimates.

In 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 savings 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.

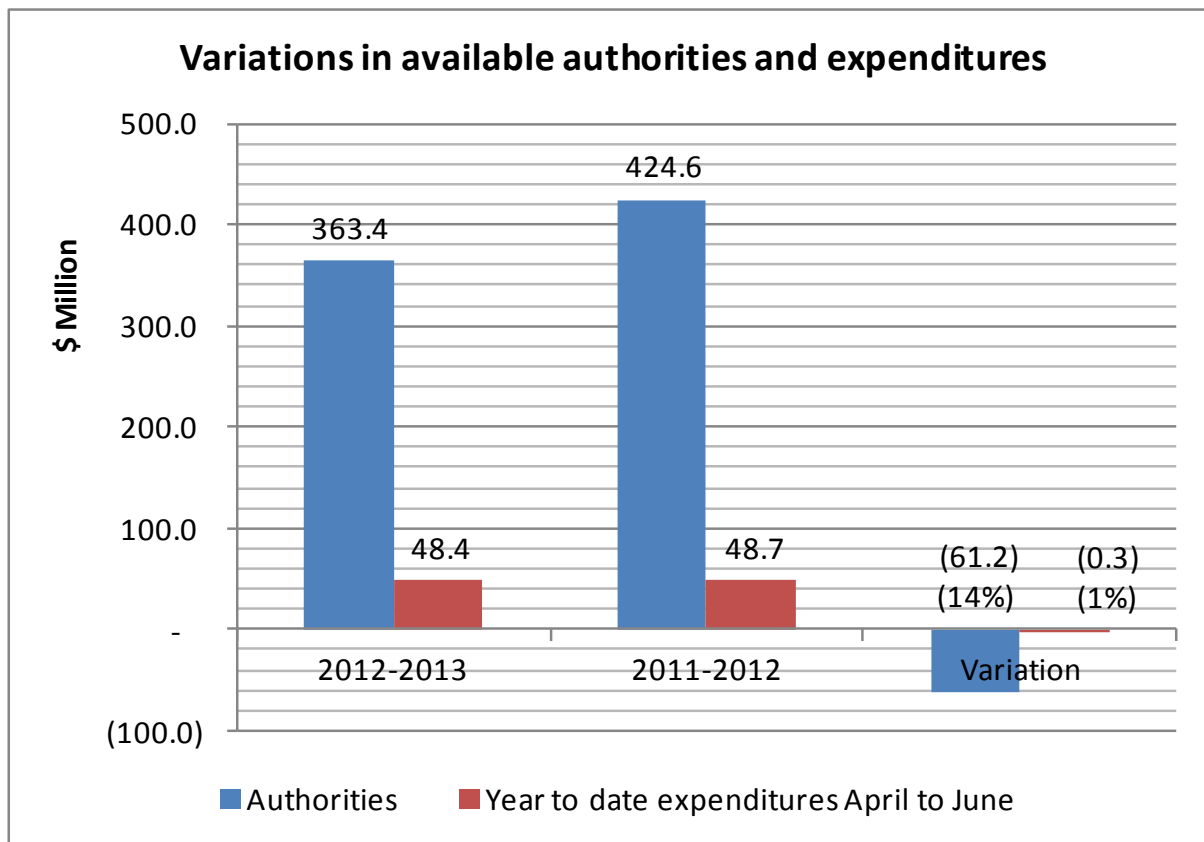
The CSA uses the full accrual method of accounting to prepare and present its annual financial statements, which are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis, that is, a partial accrual method of accounting. 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 actual expenditures for the quarter ended June 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.



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 \$363.4 million and represents a decrease of \$61.2 million (-14%) over the same period for the previous year. The most significant changes are as follow :

Authorities (in thousands of dollars)	2012-13	2011-12	Variance	%
Vote 25 - Operating expenditures	163,210	242,734	(79,524)	-33%
Vote 30 - Capital expenditures	152,535	114,159	38,376	34%
Vote 35 - Grants and contributions	36,597	56,223	(19,626)	-35%
Budgetary statutory authorities	11,044	11,500	(456)	-4%
Total budgetary authorities	363,386	424,616	(61,230)	-14%

The following factors are key in explaining the decrease of \$79.5 million in Vote 25 - Operating Expenditures :

- ✓ A \$55.0 million decrease in the revised 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 vote that was transferred to the new Shared Services Canada organization.

The following factors are key in explaining the increase of \$38.4 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 development of the Radarsat Constellation Mission (RCM).
- ✓ 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 of over the previous fiscal year for purposes of the Canada/European Space Agency (ESA) Cooperation Agreement was attributable to changes in the ESA's implementation of various programs in which Canada participates.

2.2 Significant Changes in Expenditures (Votes Used)

The vote used for the quarter ended June 30, 2012 totaled \$48.4 million and represent a decrease of \$0.3 million (-1%) compared to the same period for the previous year.

Expenditures by Vote

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

Expenditures (in thousands of dollars)	2012-13	2011-12	Variance	%
Vote 25 - Operating expenditures	28,097	34,644	(6,547)	-19%
Vote 30 - Capital expenditures	8,988	762	8,226	1,080%
Vote 35 - Grants and contributions	8,558	10,427	(1,869)	-18%
Budgetary statutory authorities	2,758	2,875	(117)	-4%
Total budgetary expenditures	48,401	48,708	(307)	-1%

The \$6.5 million decrease in the use of Vote 25 – Operating 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 part of the variance of -19%.

The increase 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. Thus, invoice payments relating to the development phase of the RCM as well as the acquisition of material with extended procurement lead time explains the \$8.2 million variance (1,080%).

The \$1.9 million decrease in the use of Vote 35 – Grants and Contributions is mainly attributable to the ESA's implementation of various programs in which Canada participates under the Canada/ESA Cooperation Agreement, as well as the appreciation of the Canadian dollar against the Euro.

Expenditures by Standard Object

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

Expenditures (in thousands of dollars)	2012-13	2011-12	Variance	%
Personnel	21,000	22,572	(1,572)	-7%
Transportation and communications	868	1,351	(483)	-36%
Information	219	221	(2)	-1%
Professional and special services	11,875	11,370	505	4%
Rentals	345	439	(94)	-21%
Repair and maintenance	154	459	(305)	-66%
Utilities, materials and supplies	312	472	(160)	-34%
Acquisition of land, buildings and works	0	0	0	0%
Acquisition of machinery and equipment	4,757	777	3,980	512%
Transfer payments	8,558	10,427	(1,869)	-18%
Other subsidies and payments	313	620	(307)	-50%
Total budgetary expenditures	48,401	48,708	(307)	-1%

The \$1.6 million 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 can be seen in the -36 % variance in the standard object expenditures for Transportation and communications.

The explanation for the \$3.9 million increase in quarterly expenditures in the Acquisition of machinery and equipment standard object is provided in the previous section for expenditures by vote under Vote 30 – Capital Expenditures.

Contrary to the same period in the previous fiscal year, fewer cooperation agreements were implemented during the first quarter (roughly \$3 million). This explains the negative variance in a number of standard objects: Rentals, Repair and maintenance, and Utilities, materials and supplies, for example.

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 a risk of postponement of the use of funds.

- ✓ There are also risks arising from the Canada/ESA Cooperation Agreement, such as variations in amounts payable caused by changes in GDP 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 this risk, 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 in 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, 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 expenditures for the CSA as a whole for the first quarter of 2012-2013 are slightly lower than those for the same quarter of the previous year. The related savings in progress are reflected in Vote 25 – Operating Expenditures and Vote 35 – Grants and contributions.

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

Approval by Senior Officials

Approved by,

The original version was signed by
Steve MacLean, August 24, 2012

Steve MacLean	Date
President	
Longueuil, Quebec	

The original version was signed by
Marie-Claude Guérard, August 24, 2012

Marie-Claude Guérard, CGA	Date
Chief Financial Officer	
Longueuil, Quebec	

CANADIAN SPACE AGENCY

Appendix 1

Quarterly Financial Report

For the quarter ended June 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 June 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 June 30, 2011 \$	Year to date used at quarter-end \$
Vote 25: Operating expenditures	163,210	28,097	28,097	242,734	34,644	34,644
Vote 30: Capital expenditures	152,535	8,988	8,988	114,159	762	762
Vote 35: Grants and contributions	36,597	8,558	8,558	56,223	10,427	10,427
Budgetary statutory authorities	11,044	2,758	2,758	11,500	2,875	2,875
Total authorities	363,386	48,401	48,401	424,616	48,708	48,708

* 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.

CANADIAN SPACE AGENCY

Appendix 2

Quarterly Financial Report

For the quarter ended June 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 June 30, 2012 \$	Year to date used at quarter-end \$	Planned expenditures for the year ending March 31, 2012 \$	Expended during the quarter ended June 30, 2011 \$	Year to date used at quarter-end \$
Expenditures:						
Personnel	73,720	21,000	21,000	75,393	22,572	22,572
Transportation and communications	5,479	868	868	9,693	1,351	1,351
Information	1,140	219	219	2,495	221	221
Professional and special services	181,276	11,875	11,875	227,210	11,370	11,370
Rentals	1,416	345	345	2,093	439	439
Repair and maintenance	3,869	154	154	3,461	459	459
Utilities, materials and supplies	2,640	312	312	3,009	472	472
Acquisition of land, buildings and works	1,207	0	0	1,004	0	0
Acquisition of machinery and equipment	52,762	4,757	4,757	39,972	777	777
Transfer payments	36,597	8,558	8,558	56,223	10,427	10,427
Other subsidies and payments	3,280	313	313	4,063	620	620
Total budgetary expenditures	363,386	48,401	48,401	424,616	48,708	48,708

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