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CORRECTIONAL SERVICE CANADA



Quarterly Financial Report

FOR THE QUARTER ENDED DECEMBER 31, 2025

ISSN: 2818-2065



Correctional Service
Canada

Service correctionnel
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1. Introduction

This quarterly 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 report should be read in conjunction with the [Main Estimates](#). This report has not been subject to an external audit or review.

The purpose of the federal correctional system, as defined by law, is to contribute to the maintenance of a just, peaceful and safe society by carrying out sentences imposed by courts through the safe and humane custody and supervision of offenders; and by assisting the rehabilitation of offenders and their reintegration into the community as law-abiding citizens through the provision of programs in penitentiaries and in the community (*section 3 of the Corrections and Conditional Release Act*). A summary description of the Correctional Service of Canada's (CSC) program activities can be found in [Part II of the Main Estimates](#) and the [Departmental Plan 2025 to 2026](#).

1.1 Basis of presentation

This quarterly report has been prepared using an expenditure basis of accounting. The accompanying [Statement of Authorities](#) includes CSC's spending authorities granted by Parliament and those used by the organization, consistent with the [Main Estimates](#) and [Supplementary Estimates](#) (as applicable). This quarterly 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.

The authority of Parliament is required before money can be spent by the Department. 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.

CSC uses the full accrual method of accounting to prepare and present its annual departmental financial statements that are part of the departmental results reporting process. However, the spending authorities voted by Parliament remain on a cash expenditure basis.

CSC has an active Revolving Fund (CORCAN) that is included in the statutory authorities of the enclosed [Statement of Authorities](#). CORCAN's purpose is to aid in the safe reintegration of offenders into Canadian society by providing employment and training opportunities to offenders incarcerated in federal penitentiaries and, for brief periods, after they are released into the community. CORCAN has a continuing non-lapsing authority from Parliament to make payments out of the Consolidated Revenue Fund for working capital, capital acquisitions and temporary financing of accumulated operating deficits, the total of which is not to exceed \$5.0 million.

2. Highlights of fiscal quarter and fiscal year-to-date (YTD) results

The following graph provides a comparison of the net budgetary authorities and expenditures as of December 31, 2025, and December 31, 2024, for CSC's combined operating, capital and budgetary statutory authorities.

Figure 1: Comparison of net budgetary authorities and expenditures as of December 31, 2025, and December 31, 2024

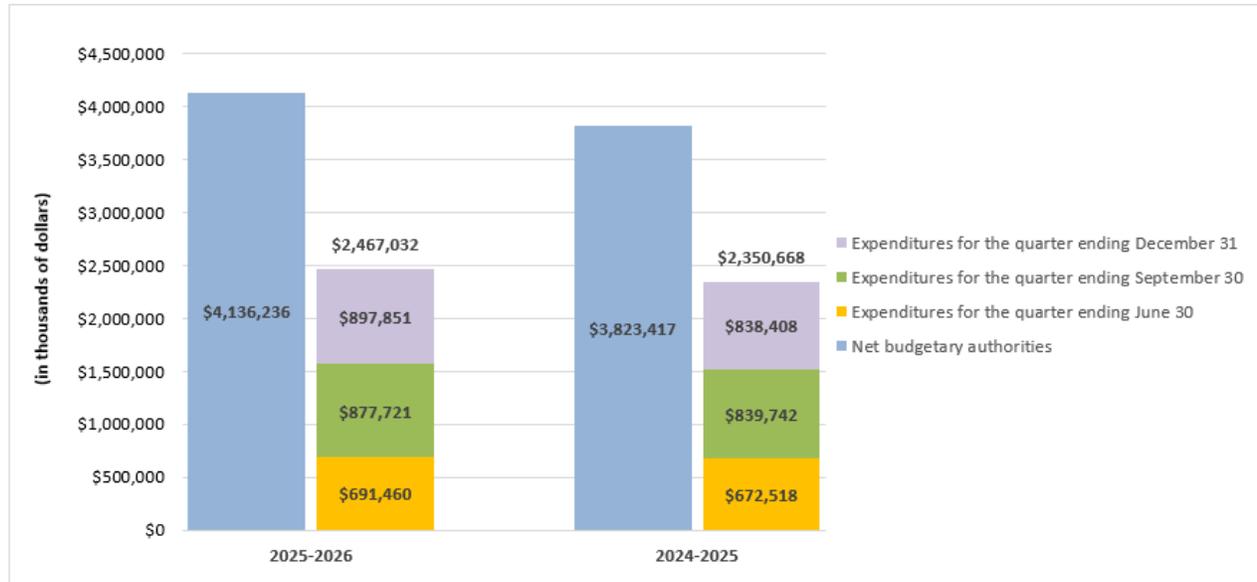


Figure 1 - details

Comparison of net budgetary authorities and expenditures as of December 31, 2025, and December 31, 2024 (in thousands of dollars)

Year	Net Budgetary Authorities	Net Budgetary Expenditures			
		Quarter Ending June 30	Quarter Ending September 30	Quarter Ending December 31	Total
2025-2026	4,136,236	691,460	877,721	897,851	2,467,032
2024-2025	3,823,417	672,518	839,742	838,408	2,350,668

2.1 Significant changes to authorities

As reflected in the [Statement of Authorities](#) for the period ending December 31, 2025, CSC has seen an **increase** in total authorities of **\$312.8 million or 8.2%** for the current fiscal year compared to the previous fiscal year.

Table 1: Comparison of net budgetary authorities for the quarters ended December 31, 2025, and December 31, 2024 (in millions of dollars)

Net authorities available *	2025 to 2026	2024 to 2025	Variance
Vote 1 – Operating expenditures	3,458.8	3,270.5	188.3
Vote 5 – Capital expenditures	377.3	289.5	87.8
Statutory	300.1	263.4	36.7
Total net budgetary authorities	4,136.2	3,823.4	312.8

* Numbers may not add up due to rounding.

Vote 1 - Operating

CSC's Operating Vote **increased by \$188.3 million or 5.8%** compared to the authorities at the end of December 2024, which is attributed to the net effect of the following significant items:

- an **increase of \$189.8 million** related to compensation for the funded portion of collective agreement increases;
- an **increase of \$50.3 million** in funding to cover incremental expenditures due to changes in offender population volumes and price fluctuations;
- an **increase of \$31.3 million** in funding to stabilize operations related to workplace injuries;
- an **increase of \$7.9 million** in the funding received to date from Treasury Board's Vote 30 for Paylist Requirements reimbursements of maternity allowances and severance payments;
- a **decrease of \$62.1 million** related to funding from the operating budget carry forward;
- a **decrease of \$11.8 million** related to Refocusing Government Spending;
- a **decrease of \$11.5 million** related to funding for class action lawsuits; and
- a **decrease of \$5.5 million** for a transfer to Shared Services Canada for the Microsoft 365 E5 Enterprise Standard.

Vote 5 - Capital

CSC's Capital Vote **increased by \$87.8 million or 30.3%** compared to the authorities at the end of December 2024, which is related to the net effect of the following significant items:

- an **increase of \$39.5 million** in funding for the construction of a Health Centre of Excellence;
- an **increase of \$30.4 million** in funding related to the capital budget carry forward;
- an **increase of \$30.0 million** in funding to maintain and repair correctional facilities;
- an **increase of \$3.6 million** in funding to reduce suspension points in correctional facilities; and
- a **decrease of \$17.3 million** related to the reprofile of unused funding from prior years for the completion of capital projects.

Budgetary statutory authorities

CSC's budgetary statutory authorities **increased by \$36.7 million or 13.9%** compared to December 2024, which is mainly related to the department's allocation of the employer's share of the employee benefit plan.

2.2 Explanation of significant variances from previous year expenditures

As reflected in the [Statement of Authorities](#) for the period ending December 31, 2025, CSC has seen an **increase** in total net budgetary expenditures of **\$116.4 million or 5.0%** for the current fiscal year compared to the previous fiscal year.

Table 2: Comparison of net budgetary expenditures for the quarters ended December 31, 2025, and December 31, 2024 (in millions of dollars)

Net year-to-date expenditures*	2025 to 2026	2024 to 2025	Variance
Vote 1 – Operating expenditures	2,134.0	1,990.5	143.6
Vote 5 – Capital expenditures	107.4	170.9	(63.5)
Statutory	225.6	189.3	36.3
Total net year-to-date expenditures	2,467.0	2,350.7	116.4

* Numbers may not add up due to rounding.

Vote 1 - Operating

CSC's operating expenditures **increased by \$143.6 million**, compared to the third quarter of 2024 to 2025, mainly due to the following:

- personnel expenditures **increased by \$136.5 million** primarily due to the ratification of Correctional Officer Collective Agreement in February 2025;
- professional and special services **decreased by \$12.1 million** primarily due to a decrease in legal services in 2025-26 compared to 2024-25;
- rental expenditures **decreased by \$7.6 million** primarily due to a decrease in license / maintenance fees for client software expenditures as a result of the transfer of funding to Shared Services Canada; and
- other subsidies and payments **increased by \$25.6 million** primarily due to an increase in court ordered payments.

Vote 5 – Capital

CSC's capital expenditures **decreased by \$63.5 million**, compared to the third quarter of 2024 to 2025, mainly due to the following:

- acquisition of land, buildings and works **decreased by \$42.6 million**, mainly due to delays in construction projects, as well as delays in certain activities and projects caused by the prorogation of the federal government; and
- acquisition of machinery and equipment **decreased by \$17.5 million** primarily due to the essential investments in 2024 to 2025.

Budgetary statutory expenditures

CSC's statutory expenditures **increased by \$36.3 million**, compared to the third quarter of 2024 to 2025, mainly due to an increase in expenditures related to the employer's contributions to the employee benefit plan. This will be adjusted at year-end based on total salary expenditures.

3. Risks and uncertainties

CSC's specific risks, as outlined in CSC's Departmental Plan 2025 to 2026, are the increasingly complex and diverse profile of the offender population, the maintenance of required levels of operational safety and security in institutions and the community, and the potential loss of support of partners delivering critical services and providing resources for offenders.

CSC will address existing financial challenges and will continue working on a modernization plan over the 3 year planning period.

CSC continues to experience ongoing issues related to the Phoenix Pay System. Given the complexity of our workforce coupled with the operational nature of our organization, CSC has experienced a significantly high number of pay related issues. CSC is continuously working internally and with external stakeholders to resolve these issues.

CSC has put in place risk mitigation strategies to address the stated risks. The integrated approach allows CSC to handle risk-related challenges, ensure operational sustainability to fulfill its mandate.

CSC is working on a multi-year savings plan in order to meet the reduction targets resulting from Refocusing Government Spending.

In July 2025, Government of Canada launched a Comprehensive Expenditure Review. As part of this initiative, departments were asked to identify savings of 15% of their allocated budget drawn from planned spending in the 2025 to 2026 Main Estimates. In November 2025, Government of Canada released Budget 2025, which outlines \$13 billion in annual savings by 2028 to 2029 across more than 100 federal organizations as a result of the Comprehensive Expenditure Review. For CSC, Budget 2025 outlined a \$132.2 million reduction by 2028 to 2029. The approved savings will begin to be reflected in the 2026 to 2027 Main Estimates.

4. Significant changes in relation to operations, personnel and programs

There have been no changes to key executives in the third quarter of 2025 to 2026.

5. Approvals by senior officials

Approved by:

Original signed by _____
Anne Kelly,
Commissioner

Original signed by _____
Tony Matson,
Chief Financial Officer

Ottawa, Canada
February 24, 2026

6. Statement of authorities (unaudited)

<i>(in thousands of dollars)</i>	Fiscal year 2025 to 2026			Fiscal year 2024 to 2025		
	Total available for use for the year ending March 31, 2026*	Used during the quarter ended December 31, 2025	Year to date used at quarter-end	Total available for use for the year ending March 31, 2025*	Used during the quarter ended December 31, 2024	Year to date used at quarter-end
Vote 1 – Operating expenditures						
Gross operating expenditures	3,462,728	766,081	2,137,332	3,278,744	694,854	1,993,200
Vote-netted revenues	(3,943)	(830)	(3,333)	(8,243)	0	(2,762)
Net operating expenditures	3,458,785	765,251	2,133,999	3,270,501	694,854	1,990,438
Vote 5 – Capital expenditures	377,276	47,103	107,446	289,464	69,027	170,926
Budgetary statutory authorities						
CORCAN gross expenditures	136,280	36,726	94,522	116,424	31,457	86,137
CORCAN revenues	(136,280)	(25,712)	(92,317)	(117,552)	(20,966)	(88,067)
CORCAN net expenditures	0	11,014	2,205	(1,128)	10,491	(1,930)
Spending of proceeds from disposal of surplus Crown assets	2,006	36	36	2,516	485	553
Contributions to employee benefits plans	298,169	74,447	223,341	262,064	63,551	190,655
Refunds of amounts credited to revenues in previous years	0	0	5	0	0	26
Net budgetary statutory authorities	300,175	85,497	225,587	263,452	74,527	189,304
Total budgetary authorities	4,136,236	897,851	2,467,032	3,823,417	838,408	2,350,668
Non-budgetary authorities	45	0	0	45	0	0
Total authorities	4,136,281	897,851	2,467,032	3,823,462	838,408	2,350,668

Note: Numbers may not add up due to rounding.

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

7. Departmental budgetary expenditures by standard object (unaudited)

	<i>Fiscal year 2025 to 2026</i>			<i>Fiscal year 2024 to 2025</i>		
	Planned expenditures for the year ending March 31, 2026	Expended during the quarter ended December 31, 2025	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2025	Expended during the quarter ended December 31, 2024	Year to date used at quarter-end
<i>(in thousands of dollars)</i>						
Expenditures						
Personnel	2,537,532	616,181	1,814,445	2,306,321	558,602	1,642,009
Transportation and communications	29,723	8,229	19,680	30,366	7,673	18,960
Information	989	196	437	579	340	700
Professional and special services	643,078	141,848	342,986	675,267	138,408	360,541
Rentals	44,973	7,693	20,733	50,122	8,970	27,951
Purchased repair and maintenance	42,609	11,551	22,737	34,282	11,931	23,559
Utilities, materials and supplies	226,069	45,414	127,521	227,010	45,353	127,484
Acquisition of land, buildings and works*	248,603	28,887	55,606	221,558	43,021	98,178
Acquisition of machinery and equipment*	76,835	13,615	28,457	55,542	11,688	40,934
Transfer payments	1,700	1,557	2,031	1,620	1,868	2,530
Other subsidies and payments	424,348	49,222	128,049	346,545	31,520	98,651
Total gross budgetary expenditures	4,276,459	924,393	2,562,682	3,949,212	859,374	2,441,497
Less revenues netted against expenditures						
Vote-netted revenues	(3,943)	(830)	(3,333)	(8,243)	0	(2,762)
CORCAN	(136,280)	(25,712)	(92,317)	(117,552)	(20,966)	(88,067)
Total revenues netted against expenditures	(140,223)	(26,542)	(95,650)	(125,795)	(20,966)	(90,829)
Total net budgetary expenditures	4,136,236	897,851	2,467,032	3,823,417	838,408	2,350,668

Note: Numbers may not add up due to rounding.

* These are mainly Vote 5 (Capital) expenditures.