



National
Defence

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CANADIAN
ARMED FORCES

Quarterly Financial Report (QFR)

for the quarter ended June 30, 2024



Attention: Erratum

Date: November 18, 2024

Location: Table 1: Statement of authorities (unaudited), Total available for use for the year ending March 31, 2025, Non-budgetary Authorities.

Revision: “Non-budgetary Authorities 77,191 thousands of dollars” replaces “Non-budgetary Authorities 71,191 thousands of dollars”.

Rationale for the revision: The original amount reported was incorrect.

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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](#) in the form and manner prescribed by the Treasury Board. This report should be read in conjunction with the [Main Estimates – 2024–25 Estimates](#) and [Supplementary Estimates \(A\), 2024-25](#). This report has not been subject to an external audit or review.

Our North, Strong and Free: A Renewed Vision for Canada is Canada's updated defence policy that seeks to strengthen the foundations of the military as well as deter and defeat new and accelerating threats with new capabilities. The renewed vision is focused on meeting these challenges by:

- **Asserting Canadian Sovereignty:** The top priority of the Canadian Armed Forces (CAF) is the defence of Canada and Canadians with the overall objective of ensuring Canada's military has the people, equipment, training and infrastructure needed to detect, deter and defeat threats in, over and approaching Canada – in the air, on land, on and under the sea, and in space and cyberspace.
- **Defending North America:** Prioritizing the defence of Canada also contributes to deterring and defeating threats to the continent that is shared with the United States, Canada's closest ally.
- **Advancing Canada's Global Interests and Values:** The international order that underpins Canada's security and prosperity is endangered by the forces of competition and instability. To help safeguard Canada, the CAF will continue to make valuable contributions to global efforts to deter major power conflict, confront terrorism and insurgency, and address instability.
- **A Strategic Approach to National Security:** Instability at home and abroad is increasing quickly. Canada will adapt its approach to security and defence to be prepared for these challenges that will include unanticipated developments, with technological disruption and geopolitical shocks complicating the ability to plan. Canada will therefore adapt faster and in a more integrated manner to ensure the advancement of Canadian interests and remain secure and prosperous in years to come.

The Department continues to carry out its mandate to achieve results related to seven core responsibilities. A summary description of these core responsibilities can be found in the [Departmental Plan 2024–25](#).

1.1. Basis of presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying statement of authorities includes the Department's spending authorities granted by Parliament and the Treasury Board Secretariat which are used by the Department consistent with the *Main Estimates* and the *Supplementary Estimates (A)* for the 2024-25 fiscal year. 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 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 Department uses the full accrual method of accounting to prepare and present its annual consolidated departmental financial statements, which are part of the departmental results reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis. The main difference between the quarterly financial reports and the consolidated departmental financial statements is the timing of when revenues and expenses are recognized. The quarterly financial report includes revenues only when the money is received and expenses only when the money is paid out. The consolidated departmental financial statements report revenues when they are earned and expenses when they are incurred. In the latter case, revenues are recorded even if cash has not been received and expenses are incurred even if cash has not yet been paid out.

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

This section provides financial highlights and explanations for differences between the fiscal-quarter and fiscal-year-to-date results for the quarter ended on June 30, 2024, and the results of the same period last year.

2.1. Statement of authorities

When compared to those of the same period of the previous year, the Department's year-to-date budgetary authorities available for use have increased by \$4,094.0 million. As reflected in [Table 1: Statement of authorities](#), the total budgetary authorities available for the year increased from \$26,505.3 million in 2023–24 to \$30,599.3 million in 2024–25. Major reasons for the changes are outlined below.

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Year-to-date variances in authorities available for use (in millions of dollars)

Initiative	Operating (Vote 1)	Capital (Vote 5)	Grants and contributions (Vote 10)	Budgetary statutory authorities	Total variances*
Capital equipment and infrastructure projects	216.8	1,062.9	3.1	11.8	1,294.6
Pay administration – Federal public servants and Canadian Armed Forces	1,006.6	0.0	0.0	260.6	1,267.2
International Operations	797.0	131.2	10.8	115.1	1,054.1
Operation and sustainment (fleet maintenance) of military capabilities and operating requirements	357.8	0.0	0.0	0.0	357.8
Funding for military aid to Ukraine	0.0	0.0	300.0	0.0	300.0
North Atlantic Treaty Organization	5.0	0.0	235.8	0.8	241.6
Canadian Armed Forces digital capabilities	101.1	29.2	0.0	2.9	133.2
Advanced short-range missiles and medium range air-to-air missiles	119.9	0.0	0.0	0.0	119.9
Replenishment and sustainment of ammunitions and explosives	115.8	0.0	0.0	0.0	115.8
Heyder-Beattie Class Action	74.3	(0.3)	0.0	0.3	74.3
Funding for Internal Services and Pre-Definition Phases of North American Aerospace Defence Command Modernization Projects	46.3	0.0	0.0	5.5	51.8
Miscellaneous departmental requirements	(19.9)	10.3	27.5	(320.9)	(303.0)
Refocusing Government Spending	(497.2)	(93.5)	(3.5)	(19.2)	(613.4)
Cumulative variance in authorities available for use	2,323.5	1,139.8	573.7	56.9	4,094.0

*A positive variance indicates an increase in year-to-date cumulative authorities available for use in the three-month period ending 30 June 2024 as compared to the same period in 2023–24.

A negative variance indicates a decrease in year-to-date cumulative authorities available for use in the three-month period ending 30 June 2024 as compared to the same period in 2023–24.

Note: Numbers may not add up due to rounding.

The **year-to-date net increase in authorities of \$4,094.0 million** over the first quarter in 2023–24 can be explained by variances in funding for a number of initiatives:

- **Capital equipment and infrastructure projects (increase of \$1,294.6 million)**
The net increase in funding is due to modifications to the multi-year spending profile of major and minor capital equipment and infrastructure projects. These adjustments serve to align financial resources with project acquisition timelines. The increase is mainly related to the Canadian Multi-Mission Aircraft project, the Strategic Tanker Transport Capability project, the Future Fighter Capability project, and the Canadian Surface Combatant project. These increases are partially offset by decreases related to the Arctic and Offshore Patrol Ship project and the Joint Support Ship project.
- **Pay administration – Federal public servants and Canadian Armed Forces (increase of \$1,267.2 million)**
The increase is due to adjustments to the rates of pay and allowances for CAF members and adjustments made to the terms and conditions of service or employment of the federal public administration in various collective agreements.
- **International Operations (increase of \$1,054.1 million)**
The increase is mainly due to receiving funding earlier in the year via the 2024-25 Main Estimates whereas, in 2023-24, funding for International Operations was requested later in the year. Incremental funding includes support for the following international operations: REASSURANCE (central and eastern Europe), UNIFIER (Ukraine), HORIZON (Indo-Pacific region), IMPACT (Iraq), and ARTEMIS (Red Sea, Gulf of Aden, Gulf of Oman, Indian Ocean).
- **Operation and sustainment (fleet maintenance) of military capabilities and operating requirements (increase of \$357.8 million)**
In order to provide ongoing support for operating and capital requirements, the Department received additional funding to offset sustainment growth and the inflationary impact on the defence budget.
- **Funding for military aid to Ukraine (increase of \$300 million)**
Funding to support Ukraine in its efforts to defend its sovereignty from the Russian invasion. In 2023-24, funding was accessed later in the year through Supplementary Estimates (B) and Supplementary Estimates (C).
- **North Atlantic Treaty Organization (increase of \$241.6 million)**
Net increase is due to the collectively adopted North Atlantic Treaty Organization (NATO) 2030 agenda to guide NATO's existing and future activities and reinforce collective defence, for the NATO Climate Change and Security Centre of Excellence, and for the NATO Defence Innovation Accelerator for the North Atlantic.

- **Canadian Armed Forces Digital Capabilities (increase of \$133.2 million)**
Funding for enhancing the technical foundations and strengthening the digital backbone of the CAF. Enhancing the technical foundations will invest in four information technology-related areas: maintaining software, hardware, cyber security, and cloud adoption. Strengthening the digital backbone will invest in improving three areas: data management, enabling data-centric security, and enabling experimentation and innovation.
- **Advanced short-range missiles and medium range air-to-air missiles (increase of \$119.9 million)**
Funding for the procurement of advanced short-range missiles and medium-range air-to-air missiles, including spare parts, training, software, and technical support.
- **Replenishment and sustainment of ammunitions and explosives (increase of \$115.8 million)**
To ensure ammunitions and explosives stocks are at a state of readiness and to replenish donations made to Ukraine.
- **Heyder-Beattie Class Action (increase of \$74.3 million)**
The Heyder-Beattie Class Action sought damages related to gender-based discrimination, sexual assault and sexual harassment. The funding has been used to continue to fulfill obligations and payments under the final agreement, including compensating claimants, the administration of claims, and the implementation of the restorative engagement program. The increase is largely related to the timing of expected payments to claimants.
- **Funding for Internal Services and Pre-Definition Phases of North American Aerospace Defence Command Modernization Projects (increase of \$51.8 million)**
Funding for Canada's continental defence capabilities, including to modernize the NORAD through joint operation with the United States. Funding will be used to progress NORAD modernization by advancing projects in the identification and options analysis phase and for associated internal services.
- **Miscellaneous departmental requirements (decrease of \$303.0 million)**
The net decrease is due to miscellaneous funding variances largely related to statutory authorities. The net decrease in statutory authorities is mainly due to technical adjustments to align the estimated contributions to employee benefit plans for military and civilians to the rates prescribed by the Treasury Board Secretariat.
- **Refocusing Government Spending (decrease of \$613.4 million)**
In support of the Refocusing government spending initiative announced in Budget 2023.

2.2. Departmental budgetary expenditures by standard object

When compared to those of the same quarter of the previous fiscal year, the Department's year-to-date total net budgetary expenditures have increased by \$1,148.4 million. As reflected in [Table 2: Departmental budgetary expenditures by standard object](#), the expenditures increased from \$4,810.9 million in 2023–24 to \$5,959.3 million in 2024–25.

Year-to-date variances in net budgetary expenditures (presented by standard object)
(in millions of dollars)

Standard object	2024–25 Year-to-date used at quarter end	2023–24 Year-to-date used at quarter end	Year-to-date variance
Acquisition of machinery and equipment	1,105.1	485.2	619.9
Personnel	3,019.7	2,767.0	252.7
Professional and special services	883.9	715.4	168.5
Acquisition of land, buildings and works	109.1	57.1	52.0
Transfer payments	31.5	0.6	30.9
Utilities, materials and supplies	227.9	201.5	26.5
Other net minor items	582.1	584.2	(2.1)
Total net budgetary expenditures	5,959.3	4,810.9	1,148.4

Note: Numbers may not add up due to rounding.

Year-to-date **net increase of \$1,148.4 million** is attributable mainly to the following:

Acquisition of machinery and equipment (increase of \$619.9 million)

The increase in spending is primarily due to the new contract for the Canadian Multi-Mission Aircraft project for the acquisition of aircrafts, which is in the implementation phase. In addition, payment schedule timing differences for the Joint Strike Fighter has contributed to the increase in spending. Lastly, the Joint Support Ship, Canadian Surface Combatant, and Armoured Combat Support Vehicle projects ramped up compared to the same quarter last year.

Personnel (increase of \$252.7 million)

The increase in spending is primarily due to pay raises for CAF members and various collective agreements ratified for civilian employees, which resulted in an ongoing increase to personnel costs. In addition, military strength was slightly higher in comparison to the same quarter last year.

Professional and special services (increase of \$168.5 million)

The increase in spending is primarily due to the Remotely Piloted Aircraft System and Strategic Tanker Transport Capability projects now in the implementation phase compared to the same quarter last year. In addition, the Canadian Surface Combatant project ramped up, which contributed to the cost increase.

Acquisition of land, buildings and works (increase of \$52.0 million)

The increase in spending is primarily due to the Air Force Expeditionary Capability Project construction in Bagotville, the upgrade of the Dwyer Hill Training Centre in Ottawa and the construction of a new multi-purpose facility in Yellowknife, which are all in the implementation phase. Construction at Bagotville and Cold Lake bases started in Q2 last fiscal year.

Transfer payments (increase of \$30.9 million)

The increase in spending is primarily due to payment timing variance of the NATO Security Investment Program. In addition, the increase is due to changes in foreign exchange rates for Ukraine support payments that occurred last year.

Utilities, materials and supplies (increase of \$26.5 million)

The increase in spending is primarily due to higher fuel prices and increased flying hours compared to the same quarter last year. In addition, fuel payments from year-end were pushed into Q1.

3. Risks and uncertainties

The Department's financial transactions are exposed to a broad range of external financial and economic risks such as inflation, foreign exchange commodity price fluctuations and global supply chain. Currently, the Department is seeing economic risks give rise to increases in costs of goods and services, labour shortages, and supply chain delays. Depending on how these risks unfold, they could lead to significant fluctuations in anticipated spending.

While the Department considers key economic and financial risk factors (including defence-specific inflation and foreign exchange) in developing expenditure strategies, these risks are outside the control of the Department.

The Department continues to address the financial risks associated with Phoenix pay issues through the implementation of new controls as required and the strengthening of existing ones. The Civilian Quality Assurance program continues to leverage the use of robotic process automation to analyze the current pay environment and lead to more timely corrective actions with the help of compensation agents. Initiatives such as the centralized data entry capability continue to ensure sustained payment accuracy.

The Department's capital acquisition program includes a number of large multi-year acquisition projects, mainly comprising of advanced fighter aircrafts, naval ships and armored vehicles. Delays in contracting and procurement activities or delays in deliveries by suppliers for individual projects can reduce the CAF operational capability and lead to reduced expenditures or budgetary surpluses.

Risks also flow from claims and litigations involving the Department's normal operations. When the Department receives a claim or litigation alleging liability in tort or extra contractual responsibility to cover losses, expenditures or damages, it is analyzed and an appropriate position is developed, based on legal advice. Litigation or settlement may be pursued and these are tracked through the Department's reporting.

The CAF is applying reconstitution measures at the tactical, operational, and strategic levels to restore units to an acceptable level of readiness to excel as a modern and combat-ready military force. This is intended to enable the CAF to adapt quickly to action when called for significant unexpected operational demands, which can occur at any time anywhere around the globe.

Additionally, significant unforecasted operational demands can occur at any time, requiring the Department to respond anywhere in the world. Depending on the extent of the operational demand, the cost of unforecasted operations would be mitigated either through internal reallocations or by requesting incremental funding from the government.

Our North, Strong and Free addresses the pressing need for Canada to adapt to threats against its sovereignty and national security. Despite past investments in military capabilities and budgets, the new policy acknowledges deficiencies in personnel strength, institutional capacity, industrial strength, operational capabilities, force posture, and readiness. Budget constraints and government spending reductions announced in Budget 2023 result in the need for careful consideration to minimize the impact of reductions on CAF readiness as well as the ability to attract, recruit and train new recruits going forward.

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

On April 8, 2024, Canada's new defence policy— *Our North, Strong and Free: A Renewed Vision for Canada* was released, announcing investments of \$8.1 billion over five years and \$73 billion over 20 years. The defence policy provides the Department with new tools to defend Canada, protect North America, and support the international rules and institutions that keep Canadians safe.

On May 1, 2024, the Chief Information Officer Group and the Digital Transformation Office organizations were integrated into a single organization, renamed the Digital Services Group and accountable for delivering the combined mandates through a unified team.

On June 3, 2024, Stefanie Beck, was appointed Deputy Minister of National Defence.

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Approved by:

// Original signed by //

Natasha Kim for
Stefanie Beck
Deputy Minister of National Defence

// Original signed by //

Jonathan Moor CBE FCA CPFA
Chief Financial Officer

Dated: 26 August 2024

Ottawa, Canada

National Defence

Quarterly Financial Report for the Quarter ended June 30, 2024

Table 1: Statement of authorities (unaudited) for the quarter ended June 30, 2024

	Fiscal year 2024-25			Fiscal year 2023-24		
	Total available for use for the year ending	Used during the quarter ended	Year-to-date used at quarter-end	Total available for use for the year ending	Used during the quarter ended	Year-to-date used at quarter-end
	Mar 31, 2025*	Jun 30, 2024	Jun 30, 2024	Mar 31, 2024*	Jun 30, 2023	Jun 30, 2023
Amounts are expressed in thousands of dollars						
Vote 1 - Net Operating expenditures	20,236,302	4,002,021	4,002,021	17,912,762	3,787,277	3,787,277
Vote 5 - Capital expenditures	7,216,408	1,460,255	1,460,255	6,076,583	593,253	593,253
Vote 10 - Grants and contributions	893,526	31,699	31,699	319,809	950	950
Vote 15 - Payments in respect of the long-term disability and life insurance plan for members of the Canadian Forces	446,727	84,366	84,366	446,727	52,685	52,685
Budgetary Statutory Authorities:						
Contributions to employee benefit plans - Members of the Military	1,427,471	289,844	289,844	1,402,014	293,746	293,746
Contributions to employee benefit plans	363,661	90,967	90,967	330,464	82,645	82,645
Spending of Amounts Equivalent to Proceeds from Disposal of Surplus Crown Assets	14,509	0	0	16,205	0	0
Payments under the <i>Supplementary Retirement Benefits Act</i>	500	78	78	550	103	103
Court awards - <i>Crown Liability and Proceedings Act</i>	0	0	0	0	188	188
Payments under Parts I-IV of the Defence Services Pension Continuation Act (R.S.C., 1970, c. D-3)	110	16	16	120	21	21
Minister and Associate Minister of National Defence - Salary and Motor Car Allowance	99	25	25	95	24	24
Total Budgetary statutory authorities	1,806,350	380,930	380,930	1,749,448	376,727	376,727
Total Budgetary Authorities	30,599,313	5,959,271	5,959,271	26,505,329	4,810,892	4,810,892
Non-budgetary Authorities	77,191	39,328	39,328	74,474	33,978	33,978
Total Authorities	30,676,504	5,998,599	5,998,599	26,579,803	4,844,870	4,844,870

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

Note: Numbers may not add up due to rounding.

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Table 2: Departmental budgetary expenditures by standard object (unaudited) for the quarter ended June 30, 2024

	Fiscal year 2024-25			Fiscal year 2023-24		
	Planned expenditures for the year ending	Expended during the quarter ended	Year-to-date used at quarter-end	Planned expenditures for the year ending	Expended during the quarter ended	Year-to-date used at quarter-end
	Mar 31, 2025	Jun 30, 2024	Jun 30, 2024	Mar 31, 2024	Jun 30, 2023	Jun 30, 2023
Amounts are expressed in thousands of dollars.						
Expenditures:						
Personnel	\$ 12,429,180	\$ 3,019,697	\$ 3,019,697	\$ 11,227,419	\$ 2,766,989	\$ 2,766,989
Transportation and communications	\$ 750,527	\$ 136,505	\$ 136,505	\$ 726,447	\$ 155,464	\$ 155,464
Information	\$ 32,873	\$ 3,184	\$ 3,184	\$ 26,837	\$ 4,281	\$ 4,281
Professional and special services	\$ 5,680,905	\$ 883,864	\$ 883,864	\$ 5,007,161	\$ 715,413	\$ 715,413
Rentals	\$ 790,353	\$ 166,721	\$ 166,721	\$ 670,343	\$ 149,240	\$ 149,240
Repair and maintenance	\$ 2,204,242	\$ 235,556	\$ 235,556	\$ 1,965,731	\$ 245,307	\$ 245,307
Utilities, materials and supplies	\$ 1,386,974	\$ 227,937	\$ 227,937	\$ 1,236,036	\$ 201,453	\$ 201,453
Acquisition of land, buildings and works	\$ 828,887	\$ 109,082	\$ 109,082	\$ 705,757	\$ 57,082	\$ 57,082
Acquisition of machinery and equipment	\$ 5,514,817	\$ 1,105,086	\$ 1,105,086	\$ 4,619,234	\$ 485,241	\$ 485,241
Transfer payments	\$ 894,136	\$ 31,494	\$ 31,494	\$ 320,479	\$ 550	\$ 550
Public debt charges	\$ 3,555	\$ 588	\$ 588	\$ 3,675	\$ 848	\$ 848
Other subsidies and payments	\$ 421,506	\$ 72,831	\$ 72,831	\$ 352,851	\$ 62,583	\$ 62,583
Total gross budgetary expenditures	\$ 30,937,955	\$ 5,992,545	\$ 5,992,545	\$ 26,861,970	\$ 4,844,451	\$ 4,844,451
Less Revenues netted against expenditures:						
Recoveries from Members	\$ (154,697)	\$ (25,985)	\$ (25,985)	\$ (168,688)	\$ (25,559)	\$ (25,559)
Recoveries from OGDs	\$ (13,748)	\$ (237)	\$ (237)	\$ (11,075)	\$ (811)	\$ (811)
Recoveries from Other Governments/UN/NATO	\$ (69,781)	\$ (2,747)	\$ (2,747)	\$ (93,659)	\$ (819)	\$ (819)
Other Recoveries	\$ (100,416)	\$ (4,305)	\$ (4,305)	\$ (83,219)	\$ (6,371)	\$ (6,371)
Total Revenues netted against expenditures	\$ (338,642)	\$ (33,274)	\$ (33,274)	\$ (356,641)	\$ (33,560)	\$ (33,560)
Total net budgetary expenditures	\$ 30,599,313	\$ 5,959,271	\$ 5,959,271	\$ 26,505,329	\$ 4,810,891	\$ 4,810,891

Note: Numbers may not add up due to rounding.