



National
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CANADIAN
ARMED FORCES

Quarterly Financial Report (QFR)

for the quarter ended December 31, 2024

Canada



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ARMED FORCES

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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, Supplementary Estimates \(A\), 2024–25](#) and [Supplementary Estimates \(B\), 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 used by the Department consistent with the *Main Estimates*, the *Supplementary Estimates (A)* and the *Supplementary Estimates (B)* 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 December 31, 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 \$5,584.3 million (19.2%). As reflected in [Table 1: Statement of authorities](#), the total budgetary authorities available for the year increased from \$29,069.9 million in 2023–24 to \$34,654.2 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	266.8	2,712.8	3.1	17.4	3,000.1
International Operations	784.2	131.0	3.0	106.5	1,024.7
Funding for military aid to Ukraine	0.0	0.0	533.9	0.0	533.9
Operation and sustainment (fleet maintenance) of military capabilities and operating requirements	357.8	0.0	0.0	0.0	357.8
Pay administration – Federal public servants and Canadian Armed Forces	252.7	0.0	0.0	97.5	350.2
Halifax-Class Life Sustainment	270.8	28.4	0.0	2.8	302.0
Advanced short-range missiles and medium range air-to-air missiles	229.2	0.0	0.0	0.0	229.2
North American Aerospace Defence Command Modernization– Science and Technology Initiatives	104.6	74.9	26.8	1.1	207.4
National Procurement Program	202.1	0.0	0.0	0.0	202.1
Canadian Armed Forces digital capabilities	101.1	29.2	0.0	2.9	133.2
North Atlantic Treaty Organization	2.5	0.0	119.8	0.6	122.9
Replenishment and sustainment of ammunitions and explosives	115.8	0.0	0.0	0.0	115.8
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	(144.5)	6.7	26.9	(322.5)	(433.4)
Refocusing Government Spending	(497.2)	(93.5)	(3.5)	(19.2)	(613.4)
Cumulative variance in authorities available for use	2,092.2	2,889.5	710.1	(107.5)	5,584.3

*A positive variance indicates an increase in year-to-date cumulative authorities available for use in the nine-month period ending 31 December 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 nine-month period ending 31 December 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 \$5,584.3 million** over the third quarter in 2023–24 can be explained by variances in funding for a number of initiatives:

Capital equipment and infrastructure projects (increase of \$3,000.1 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, the River-Class Destroyer (previously the Canadian Surface Combatant) project, the Future Aircrew Training Program, and the Joint Support Ship project. These increases are partially offset by decreases related to the Arctic and Offshore Patrol Ship project and the Defence of Canada Fighter Infrastructure project.

International Operations (increase of \$1,024.7 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).

Funding for military aid to Ukraine (increase of \$533.9 million)

Funding to support Ukraine in its efforts to defend its sovereignty from the Russian invasion. In 2023–24, more funding was accessed later in the year through Supplementary Estimates (C).

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.

Pay administration – Federal public servants and Canadian Armed Forces (increase of \$350.2 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.

Halifax-Class Life Sustainment (increase of \$302.0 million)

This funding was approved in Budget 2024 and accessed through the 2024–25 Supplementary Estimates (B) for the continued sustained maintenance of the Halifax-class frigates until the delivery of their replacement - the River-Class Destroyers.

Advanced short-range missiles and medium range air-to-air missiles (increase of \$229.2 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.

North American Aerospace Defence Command Modernization – Science and Technology Initiatives (increase of \$207.4 million)

The funding will support the deepening of expertise and knowledge to inform the development of future capabilities to defend Canada and North America and will be used to fund a suite of science and technology initiatives for the modernization of the North American Aerospace Defence Command (NORAD).

National Procurement Program (increase of \$202.1 million)

This funding was approved in Budget 2024 and accessed through the 2024–25 Supplementary Estimates (B) to support increased levels of activity within the National Procurement Program. National Procurement is responsible for maintaining the operational readiness of approximately 100 existing CAF fleets, including aircraft, ships, tanks, and other military equipment.

Canadian Armed Forces Digital Capabilities (increase of \$133.2 million)

New 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.

North Atlantic Treaty Organization (increase of \$122.9 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.

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.

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.

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Miscellaneous departmental requirements (decrease of \$433.4 million)

The net decrease is due to miscellaneous funding variances. 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 TBS prescribed rates. In addition, there was a decrease in operating authorities largely due to a smaller Operating Budget Carry Forward in 2024–25 compared to 2023–24.

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 \$2,459.5 million. As reflected in [Table 2: Departmental budgetary expenditures by standard object](#), the expenditures increased from \$19,650.7 million in 2023–24 to \$22,110.2 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	4,425.1	2,861.7	1,563.4
Professional and special services	4,017.9	3,425.0	592.9
Personnel	9,295.3	9,067.9	227.5
Transfer payments	625.1	464.9	160.2
Acquisition of land, buildings and works	562.5	417.1	145.4
Rentals	514.2	477.5	36.6
Repairs and maintenance	1,217.2	1,191.6	25.6
Other subsidies and payments	302.2	518.4	(216.2)
Transportation and communications	563.0	603.2	(40.1)
Other net minor items	786.1	800.1	(14.1)
Revenues netted against expenditures	(198.4)	(176.7)	(21.7)
Total net budgetary expenditures	22,110.2	19,650.7	2,459.5

Note: Numbers may not add up due to rounding.

Year-to-date **net increase of \$2,459.5 million** is attributable mainly to the following:

Acquisition of machinery and equipment (increase of \$1,563.4 million)

The increase in spending is primarily due to timing of payments for Canadian Multi-Mission Aircraft Foreign Military Sales case and for Future Fighter Capability project. In addition, the Armoured Combat Support Vehicles project is in the implementation phase and contract expenditures are increasing. Lastly, the River Class Destroyer project ramped up compared to the same quarter last year.

Professional and special services (increase of \$592.9 million)

The increase in spending is primarily due to the Future Aircrew Training program, as well as the River Class Destroyer project being further advanced compared to the same quarter last year. In addition, multiple projects are in the implementation phase, such as Strategic Tanker Transport Capability, Remotely Piloted Aircraft System, and Logistics Vehicle Modernization project, which are contributing to higher costs. Lastly, expenses for intellectual property licenses further contributed to the rise in spending.

Personnel (increase of \$227.5 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 such as retroactive pay, regular pay, insurance premium rates for military members and pension contributions.

Transfer payments (increase of \$160.2 million)

The increase in spending is primarily driven by expenditures in support of Ukraine to fund military aid packages and initiatives in response to the volatility of the situation. Additionally, the NATO Security Investment Program contributed to higher expenditures. Lastly, spending increased due to the Innovation for Defence Excellence and Security program's realignment.

Acquisition of land, buildings and works (increase of \$145.4 million)

The increase in spending is primarily due to infrastructure construction ramp up in Cold Lake and Bagotville, as well as multiple projects now in the implementation stage this fiscal year.

Rentals (increase of \$36.6 million)

The increase in spending is primarily due to various application/software rental services, and rental of aircraft as part of the Royal Canadian Air Force training. In addition, Op REASSURANCE, Op UNIFIER, Op GLOBE (Haiti and Lebanon), and Op HELIOS (Haiti) contributed to the increase in spending compared to the same quarter last year.

Repairs and maintenance (increase of \$25.6 million)

The increase in spending is primarily due to fluctuations in payments for the Lightweight Torpedo Upgrade project Foreign Military Sales case.

Other subsidies and payments (decrease of \$216.2 million)

The decrease in spending is primarily due to decrease in the Logan Class Action settlement payments. This is offset by an increase in legal payments toward outstanding claimants of the Heyder-Beattie Class Action settlement.

Transportation and communications (decrease of \$40.1 million)

The decrease in spending is primarily due to lower than expected costs for the Wideband Global Satellite Space Vehicle, as well as other internal measures implemented to address contracts related to the Mercury Global telecommunications data services projects.

3. Risks and uncertainties

The Department's financial transactions are exposed to a broad range of external financial, geopolitical 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, and expanded upon in Budget 2024, 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 December 20, 2024, Prime Minister Justin Trudeau announced the appointment of Darren Fisher as the Associate Minister of National Defence.

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: 20 February 2025

Ottawa, Canada

National Defence

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Table 1: Statement of authorities (unaudited) for the quarter ended December 31, 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*	Dec 31, 2024	Dec 31, 2024	Mar 31, 2024*	Dec 31, 2023	Dec 31, 2023
Amounts are expressed in thousands of dollars						
Vote 1 - Net Operating expenditures	21,766,836	4,853,849	13,732,326	19,674,598	5,208,373	13,558,891
Vote 5 - Capital expenditures	8,962,331	2,801,943	6,204,573	6,072,854	1,888,392	3,753,518
Vote 10 - Grants and contributions	1,654,233	458,558	625,686	944,128	330,667	464,734
Vote 15 - Payments in respect of the long-term disability and life insurance plan for members of the Canadian Forces	446,728	117,336	322,436	446,728	112,694	282,436
Budgetary Statutory Authorities:						
Contributions to employee benefit plans - Members of the Military	1,427,735	312,652	948,797	1,573,859	321,321	1,050,600
Contributions to employee benefit plans	372,802	90,950	272,864	330,763	82,660	247,957
Spending of Amounts Equivalent to Proceeds from Disposal of Surplus Crown Assets	22,814	367	755	26,193	270	349
Payments under the <i>Supplementary Retirement Benefits Act</i>	500	53	226	550	140	399
Court awards - <i>Crown Liability and Proceedings Act</i>	0	934	2,385	0	284,053	291,680
Payments under Parts I-IV of the Defence Services Pension Continuation Act (R.S.C., 1970, c. D-3)	110	12	48	120	29	81
Minister and Associate Minister of National Defence - Salary and Motor Car Allowance	99	25	74	95	24	71
Total Budgetary statutory authorities	1,824,060	404,993	1,225,149	1,931,580	688,497	1,591,137
Total Budgetary Authorities	34,654,188	8,636,679	22,110,170	29,069,888	8,228,623	19,650,716
Non-budgetary Authorities	77,191	(10,012)	35,772	74,474	(2,254)	38,445
Total Authorities	34,731,379	8,626,667	22,145,942	29,144,362	8,226,369	19,689,161

*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 December 31, 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	Dec 31, 2024	Dec 31, 2024	Mar 31, 2024	Dec 31, 2023	Dec 31, 2023
Amounts are expressed in thousands of dollars.						
Expenditures:						
Personnel	13,168,957	3,110,774	9,295,339	12,582,414	3,233,562	9,067,877
Transportation and communications	783,178	144,424	563,033	762,059	240,626	603,168
Information	65,554	4,558	13,381	28,043	4,461	16,142
Professional and special services	6,324,764	1,768,871	4,017,884	5,158,057	1,496,379	3,425,030
Rentals	801,117	173,805	514,151	702,343	175,483	477,531
Repair and maintenance	2,344,358	513,978	1,217,226	2,051,176	509,971	1,191,611
Utilities, materials and supplies	1,409,944	293,306	770,724	1,309,628	305,645	782,017
Acquisition of land, buildings and works	939,681	241,896	562,544	705,757	202,320	417,138
Acquisition of machinery and equipment	7,072,681	1,916,044	4,425,092	4,665,718	1,439,132	2,861,673
Transfer payments	1,654,843	458,060	625,098	944,798	330,837	464,914
Public debt charges	3,577	739	1,955	3,840	622	1,988
Other subsidies and payments	424,176	98,301	302,181	512,696	370,077	518,356
Total gross budgetary expenditures	34,992,830	8,724,756	22,308,608	29,426,529	8,309,115	19,827,445
Less Revenues netted against expenditures:						
Recoveries from Members	(154,697)	(39,795)	(105,543)	(168,688)	(40,076)	(104,204)
Recoveries from OGDs	(13,748)	(6,281)	(8,271)	(11,075)	(4,367)	(7,548)
Recoveries from Other Governments/UN/NATO	(69,781)	(12,058)	(28,206)	(93,659)	(17,872)	(20,605)
Other Recoveries	(100,416)	(29,943)	(56,418)	(83,219)	(18,177)	(44,372)
Total Revenues netted against expenditures:	(338,642)	(88,077)	(198,438)	(356,641)	(80,492)	(176,729)
Total net budgetary expenditures	34,654,188	8,636,679	22,110,170	29,069,888	8,228,623	19,650,716

Note: Numbers may not add up due to rounding.