Office of Infrastructure of Canada

Quarterly Financial Report for the quarter ended June 30, 2023

Statement outlining results, risks and significant changes in operations, personnel and programs

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 as well as *Budget 2023*.

The key to building Canada for the 21st century is a strategic and collaborative long-term infrastructure plan that builds economically vibrant, strategically planned, sustainable and inclusive communities. Infrastructure Canada (INFC) works closely with all orders of government and other partners to enable investments in social, green, public transit and other core public infrastructure, as well as trade and transportation infrastructure.

Further information on INFC's mandate, responsibilities, and programs can be found in INFC's 2023-24 Main Estimates.

Basis of Presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes INFC's spending authorities granted by Parliament and those used by INFC consistent with the Main Estimates and Supplementary Estimates for the 2023-24 fiscal year (FY). 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 monies 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.

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

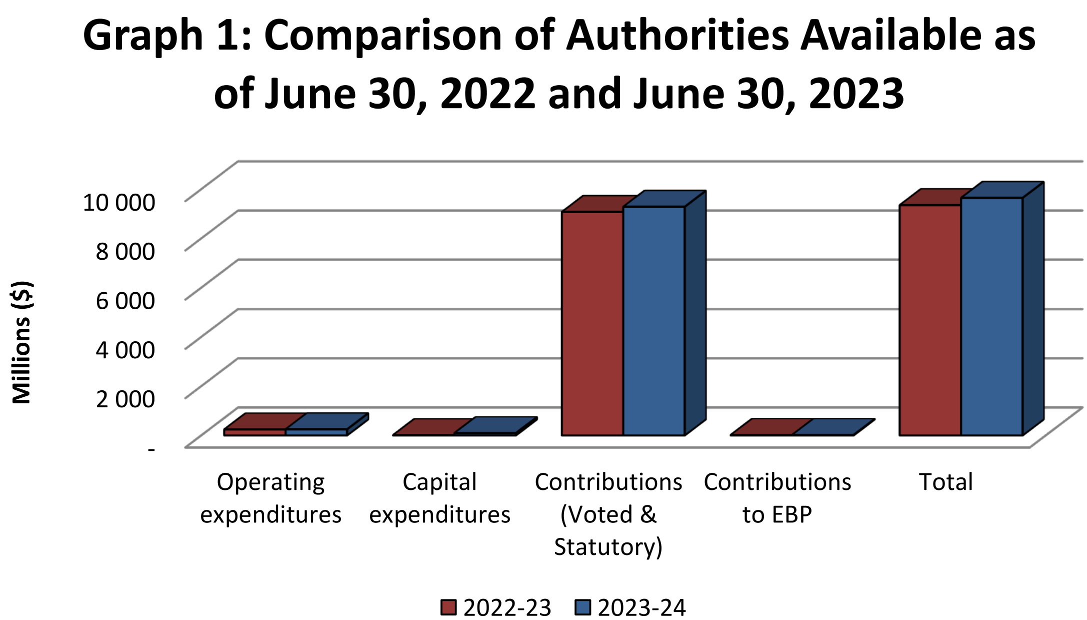
In the past, INFC has worked in collaboration with other federal departments and agencies to deliver some of its transfer payment programs (collectively known as federal delivery partners) and that remains accurate for the 2023-24 fiscal year.

It should be noted that this quarterly report has not been subject to an external audit or review.

Highlights of Fiscal Quarter and Fiscal Year-to-Date Results

This section highlights the significant items that contributed to the change in resources available for use from 2022-23 to 2023-24 and in actual expenditures from 2022-23 to 2023-24 as at June 30th (first fiscal quarter).

Authorities



As shown in the Statement of Authorities, INFC's total authorities available for 2023-24 are $9.6 billion as of the end of Quarter 1 (Q1) and represent a $0.29 billion increase compared to the same quarter in the prior year (PY).

This increase is summarized in the table below:

Table 1: Year-to-date change in total authorities as of June 30, 2023	
Authorities	**Increase/(Decrease) vs. Prior Year-to-date** (000's)
Operating Expenditures	4,826
Capital Expenditures	80,062
Contributions (Voted and Statutory)	209,636
Contributions to Employee Benefit Plans (EBP)	(59)

Year-over-year changes are summarized as follows:

- **Operating Expenditures –** The increase is mainly due to funding announced through the Budget 2022 to deliver ventilation projects, the Canada Healthy Communities Initiative and the High Frequency Rail project.
- **Capital Expenditures –** The increase in capital funding is primarily related to the Samuel de Champlain Bridge Corridor project.
- **Contributions (Voted and Statutory)** – The net increase is mainly attributable to the Investing in Canada Infrastructure Program, the Permanent Public Transit Program as well as the indexing of the Canada Community Building Fund; and offset by decreases in the New Building Canada Fund – Provincial-Territorial Infrastructure Component – National and Regional Projects, and Public Transit Infrastructure Fund.
- **Contributions to Employee Benefit Plans –** The variance is minimal.

Expenditure Analysis

Expenditures at the end of Q1 were $0.69 billion, compared to $0.62 billion reported in the same period of 2022-23, representing an increase of 11%. The source of the relative decrease is demonstrated in the tables, graphs and analysis below.

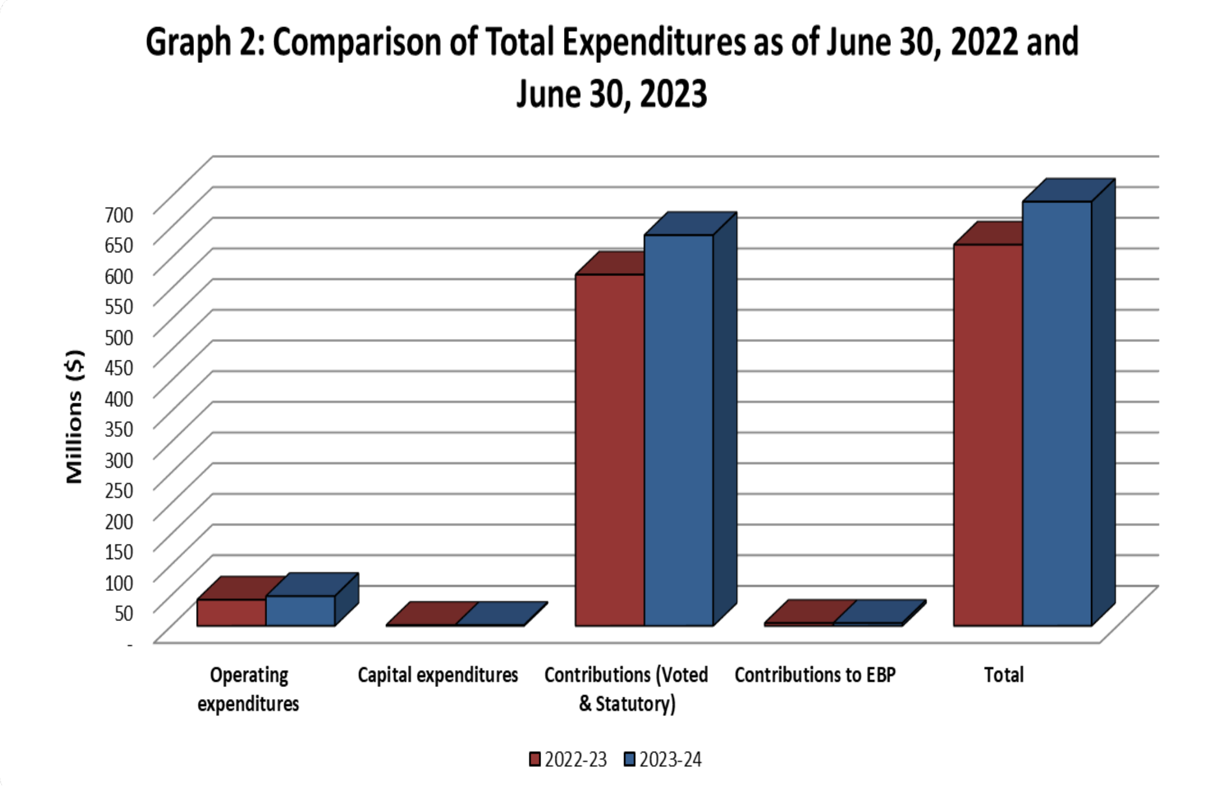
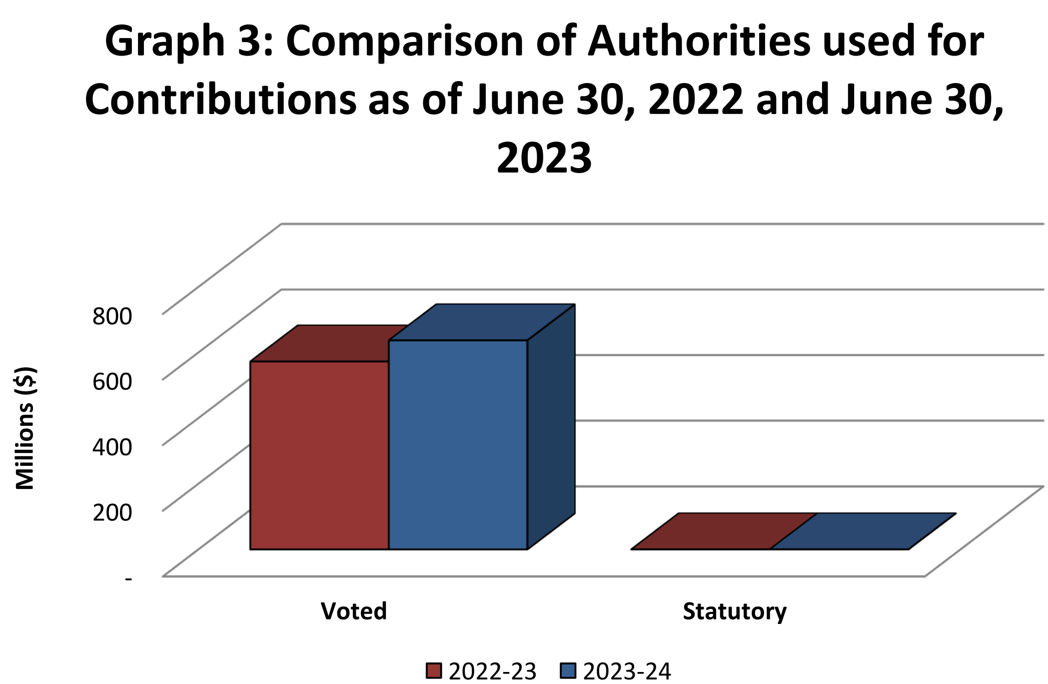


Table 2: Year-to-date change in expenditures as of June 30, 2023	
Year-to-date expenditures	**Increase/(Decrease) vs. Prior Year-to-date** (000's)
Operating Expenditures	5,884
Capital Expenditures	(154)
Contributions (Voted and Statutory)	64,426
Contributions to Employee Benefit Plans	(15)

Year-over-year changes are summarized as follows:

- **Operating and Capital Expenditures –** Further details are provided later in this report, by standard object.
- **Contributions (Voted and Statutory) –** Further details by program are provided below.
- **Contributions to Employee Benefit Plans –** The decrease in INFC's contribution to the Employee Benefit Plan is minimal.



Significant changes in year-to-date contribution expenditures between June 2022 and June 2023 were as follows:

Table 3: Year-to-date changes in expenditures by contribution program as of June 30, 2022	
Program Fund	**Increase/(Decrease) vs. Prior Year-to-date** (000's)
Reaching Home: Canada's Homelessness Strategy (RH)	207,692
Investing in Canada Infrastructure Program - COVID-19 Resilience Stream (ICIP-CVRIS)	(109,449)
Disaster Mitigation and Adaptation Fund (DMAF)	(31,630)
Public Transit Infrastructure Fund (PTIF)	(31,215)
Canada Healthy Communities Initiative (CHCI)	(25,795)
Green and Inclusive Community Buildings (GICB)	21,091
New Building Canada Fund-Provincial-Territorial Infrastructure Component-National and Regional Projects (NBCF-PTIC-NRP)	15,089
Investing in Canada Infrastructure Program - Public Transit Infrastructure Stream (ICIP-PTIS)	7,993

Year-over-year changes are summarized as follows:

- **Reaching Home: Canada's Homelessness Strategy (RH) –** $207.7M increase is due to new established reporting timelines between Employment and Social Development Canada (ESDC) and Infrastructure Canada who remains responsible to issue payments on behalf on INFC in line with the established Memorandum of Understanding. As a result, INFC is in a position to post transactions in a more timely manner as of 2023-24.
- **Investing in Canada Infrastructure Program - COVID-19 Resilience Stream (ICIP-CVRIS) –** $109.4M decrease is due to spending against CVRIS projects having peaked at the height of the COVID-19 pandemic. Payments under this stream are expected to continue to decrease.
- **Disaster Mitigation and Adaptation Fund (DMAF) –** $31.6M decrease is due to fewer claims having been received in Q1 of FY 2023-24, mainly from projects in Alberta, Ontario, and Quebec.
- **Public Transit Infrastructure Fund (PTIF) –** PTIF is coming to the end of its lifecycle, with the majority of projects approaching completion by FY 2023-24. $31.2M decrease is due to lower spending forecasts as the program approaches its closure.
- **Canada Healthy Communities Initiative (CHCI)** – $25.8M decrease is due to major payments having been carried out during the pandemic, including in FY 2022-23. CHCI is expected to be brought to an end by FY 2024-25.
- **Green and Inclusive Community Building (GICB)** – As a new program, INFC only started to process GICB claims in Q3 of FY 2022-23 which explains the year-over-year variance of $21.1M.

- **New Building Canada Fund-Provincial-Territorial Infrastructure Component-National and Regional Projects (NBCF-PTIC-NRP) –** $15.1M increase is mainly due to more claims received in Q1 of FY 2023-24, particularly from Quebec and British Columbia.
- **Investing in Canada Infrastructure Program – Public Transit Infrastructure steam (ICIP-PTIS) –** $8.0M increase is mainly due to more claims received in Q1 of FY 2023-24 from Alberta and British Columbia.

Departmental Budgetary Expenditures by Standard Object

The planned Departmental Budgetary Expenditures by Standard Object are set out in the table at the end of this report. Aggregate year-to-date expenditures in 2023-24 increased by $0.07 billion, compared with the same quarter last year. The largest single factor was an increase in transfer payments as explained above.

A breakdown of variances in year-to-date spending by standard object is below:

Table 4: Year-to-date changes in expenditures by standard object as of June 30, 2023

Changes to Expenditures by Standard Object	Increase/(Decrease) vs. Prior Year-to-date (000's)
Personnel	3,896
Transportation and communications	186
Information	109
Professional and special services	765
Rentals	291
Repair and maintenance	608
Utilities, materials and supplies	2
Acquisition of machinery and equipment	67
Acquisition of land, buildings and works	(213)
Transfer payments	64,426
Public debt charges	(67)
Other subsidies and payments	73

The most significant year-over-year changes are summarized as follows:

- **Personnel –** Increase in the number of employees associated with new programs. For example, in Q1 2023-24, INFC completed the transition of the Homelessness Policy Directorate from ESDC to INFC whereby INFC now assumes the responsibility for the regional service delivery of the Reaching Home program.
- **Professional and special services –** The increase between Q1 2022-23 and Q1 2023-24 can be attributable to informatic services that are being acquired to support systems modernization projects.
- **Transfer payments –** Details were previously discussed.

Overall, INFC has spent 7% of its current Total Authorities as of June 30, 2023, compared to 6% at the end of Q1 of the previous fiscal year.

Risks and Uncertainties

As part of the Department's corporate risk management function, the Department regularly monitors and identifies strategic and department-wide risks that may affect the delivery of the Department's mandate and expected results. INFC integrates risk management principles into strategic business planning, results-based management, decision-making and organizational processes to support the achievement of departmental priorities. Risk management at INFC is carried out in accordance with the Treasury Board Secretariat's (TBS) Framework for the Management of Risk, TBS's Guide to Integrated Risk Management, and INFC's Integrated Risk Management Framework.

The Corporate Risk Profile (CRP) is an important component of risk management as it is the primary document that describes the key risk information that should be considered in organizational decision-making and the achievement of departmental priorities. This document also serves as a cornerstone for implementing and monitoring risk responses to effectively address risks that could impede the success of INFC's priorities. INFC updates its CRP yearly and revamps it every three years or when warranted as a result of significant changes in risk and threats or opportunities to the department. This may include significant changes in mandate, changes to priorities and departmental direction, operational objectives and other factors such as changing economic, political and environmental conditions that directly impact the department.

During the 2022-23 CRP update process, INFC's Financial Management Risk which pertained to the department's capacity to establish sustainable tools and processes for decision-making on the Flow of Funding was removed from the list of INFC's top corporate risks given that improvements have been made in the recent years, with continued positive results under this MAF Area of Management. INFC has worked with provinces and territories to introduce improvements to the flow of funding processes to better align authorities of existing programs to expenditures and improve predictability of high materiality projects. It also used lessons learned from legacy programs to introduce additional flexibilities in the design of new programs such as flexibility in funding mechanism and basis of payments. Further, mandatory biannual reporting requirements and claim frequencies are being directly imbedded within agreement templates for new programs which will likely accelerate the claims process once agreements are approved and improve forecasting accuracy. These efforts should yield important impacts over the coming years.

Significant Changes in Relation to Operations, Personnel and Programs

Infrastructure Canada continues to grow and evolve. Since the last Quarterly Financial Report, the following significant changes have taken place within the department:

- INFC secured $15M over 4 years to launch Canada's first National Infrastructure Assessment to help identify needs and priorities for Canada's built environment. Infrastructure Canada has launched a process to establish an advisory body to lead this work, this historic assessment will foster long-term economic growth and competitiveness, improve social inclusion and quality of life, and help achieve net zero emissions by 2050.
- INFC secured $580M over 4 years for the Reaching Home top-up and Action Research on Chronic Homelessness (ARCH) initiative that will inform the development of a broader strategy to eliminate chronic homelessness nation-wide.
- INFC secured $107M over 5 years to launch the new Veteran Homelessness Program, with support from Veterans Affairs Canada, in 2023-24. The Program will provide services and rent supplements to Veterans experiencing homelessness in partnership with community organizations.
- INFC Secured $596M over 10 years to implement the Supporting Climate Resilient Infrastructure component of the National Adaptation Strategy. These investments will ensure that decision-makers are equipped to identify key risks to their infrastructure assets and to determine locally appropriate solutions to make communities more resilient to climate change.

In Budget 2022, the Government announced the launch of a comprehensive Strategic Policy Review, with the objective of generating savings of $6 billion from 2024-25 to 2026-27 and $3 billion annually by 2026-27. Budget 2023 augments these commitments to achieve ongoing savings of $4.5 billion annually by 2026-27 and announced a reduction of $500 million to organizations' travel budgets and spending on professional services starting in 2023-24 and ongoing savings of $1.7 billion annually by 2024-25. INFC is committed to achieving the refocusing targets. Further information will be available in the 2024-25 Departmental Plan.

INFC is committed to making infrastructure investments that support economic growth and job creation, help combat the effects of climate change, and build inclusive communities. As current programs are winding down and the department turns its attention towards launching a suite of new programming, resource management practices and sound financial stewardship are key and center in ensuring successful delivery. To support program delivery, INFC is undertaking the following initiatives:

- Support INFC's operational requirements and growth through a hybrid work model.
- Facilitate the planning and/or implementation of new programming to the INFC Portfolio.
- Mature corporate processes, planning and reporting functions; including results reporting, budgeting and forecasting while promoting opportunities for automation and/or increasing efficiency.

Approval by Senior Officials

Approved by:

Kelly Gillis Deputy Head	Michelle Baron Chief Financial Officer

Signed at Ottawa, Canada