Office of Infrastructure of Canada

Quarterly Financial Report for the quarter ended September 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 housing, 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 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.

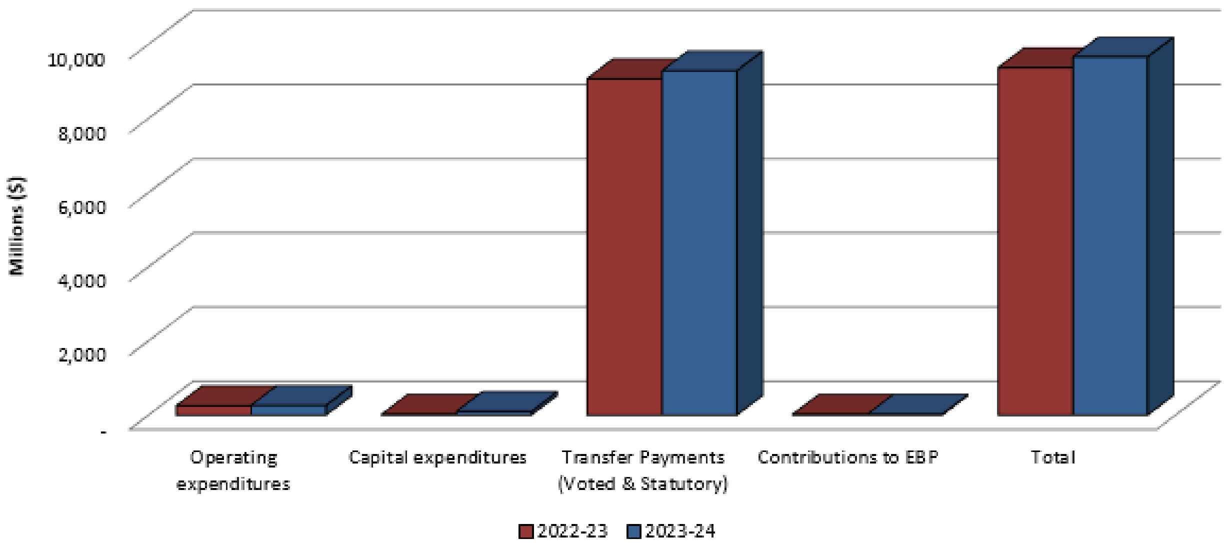
It should be noted that this quarterly report has not been subject to an external audit or review.

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 September 30th (second fiscal quarter).

Authorities

Graph 1: Comparison of Authorities Available as of September 30, 2022 and September 30, 2023



As shown in the Statement of Authorities, INFC's total authorities available for 2023-24 are $9.7 billion as of the end of Quarter 2 (Q2) and represent a $0.3 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 September 30, 2023	
Authorities	**Increase/(Decrease) vs. Prior Year-to-date** (000's)
Operating Expenditures	8,388
Capital Expenditures	75,359
Transfer Payments (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.
- **Transfer Payments (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 Q2 were $2.403 billion, compared to $2.396 billion reported in the same period of 2022-23, representing an increase of 0.3%. The source of the relative increase is demonstrated in the tables, graphs and analysis below.

Graph 2: Comparison of Total Expenditures as of September 30, 2022 and September 30, 2023

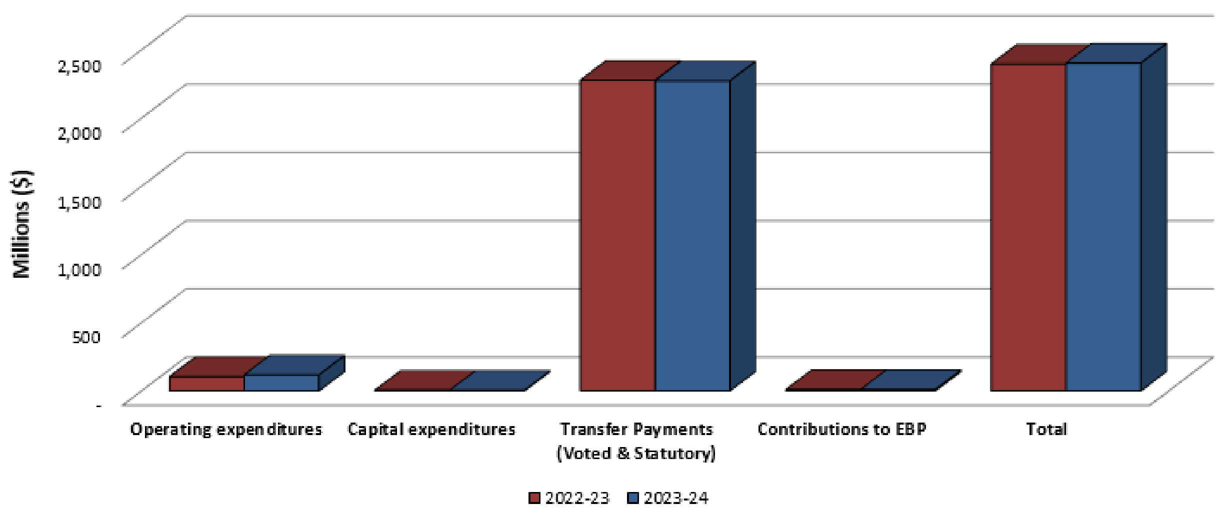
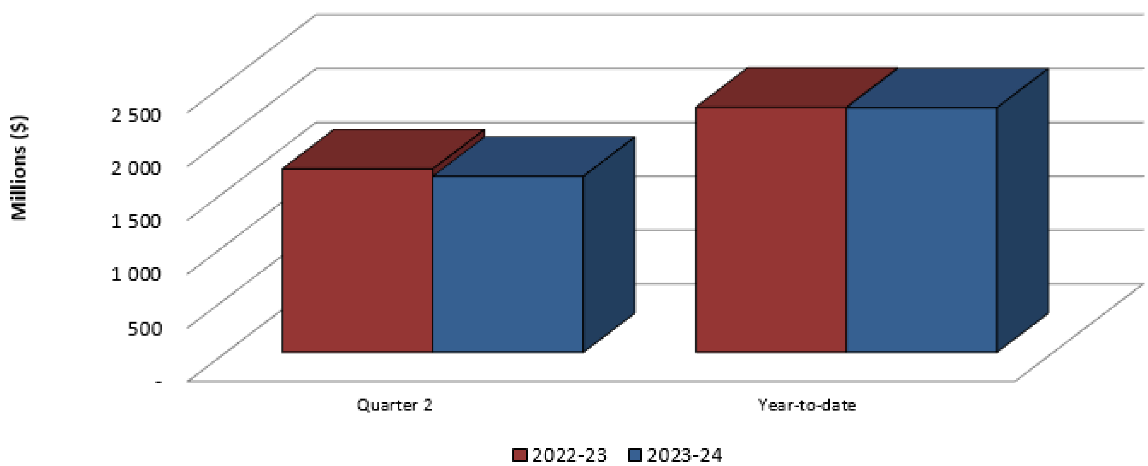


Table 2: Year-to-date change in expenditures as of September 30, 2023	
Year-to-date expenditures	**Increase/(Decrease) vs. Prior Year-to-date** (000's)
Operating Expenditures	13,106
Capital Expenditures	(1,088)
Transfer Payments (Voted and Statutory)	(4,711)
Contributions to Employee Benefit Plans	(29)

Year-over-year changes are summarized as follows:

- **Operating and Capital Expenditures –** Further details are provided later in this report, by standard object.
- **Transfer Payments (Voted and Statutory) –** Further details by program are provided below.
- **Contributions to Employee Benefit Plans –** The variance is minimal.

Graph 3: Comparison of Authorities used for Transfer Payments (Voted and Statutory) as of September 30, 2022 and September 30, 2023



Significant changes in year-to-date transfer payment expenditures between September 2022 and September 2023 were as follows:

Table 3: Year-to-date changes in expenditures by transfer payment program as of September 30, 2023	
Program Fund	**Increase/(Decrease) vs. Prior Year-to-date** (000's)
New Building Canada Fund-Provincial-Territorial Infrastructure Component-National and Regional Projects	122,504
Investing in Canada Infrastructure Program - COVID-19 Resilience Stream	(100,742)
Investing in Canada Infrastructure Program - Public Transit Infrastructure Stream	54,906
Canada Community-Building Fund - Gas Tax Fund	49,325
New Building Canada Fund-National Infrastructure Component	(42,706)
Green and Inclusive Community Buildings	40,586
Disaster Mitigation and Adaptation Fund	(31,292)
Public Transit Infrastructure Fund	(28,263)

Year-over-year changes are summarized as follows:

- **New Building Canada Fund-Provincial-Territorial Infrastructure Component-National and Regional Projects (NBCF-PTIC-NRP) –** an increase of $122.5 million mainly due to more claims received in 2023-24, particularly from Quebec, British Columbia, Alberta and New Brunswick.
- **Investing in Canada Infrastructure Program – COVID-19 Resilience Stream (ICIP-CVRIS)** – a decrease of $100.7 million mainly due to CVRIS agreements having been primarily executed at the height of the COVID-19 pandemic, including 2022-23. Payments under this stream are expected to continue to decrease.
- **Investing in Canada Infrastructure Program – Public Transit Infrastructure Stream (ICIP-PTIS)** – an increase of $54.9 million mainly due to more claims received in 2023-24, particularly from Ontario and Alberta.
- **Canada Community-Building Fund (CCBF) –** an increase of $49.3 million related to the indexing of the CCBF.
- **New Building Canada Fund-National Infrastructure Component (NBCF-NIC) –** a decrease of $42.7 million mainly due to less claims received in 2023-24, particularly from British Columbia and New Brunswick, offset by a small increase from Quebec.
- **Green and Inclusive Community Buildings (GICB) –** an increase of $40.6 million due to a higher volume of claims as a result of this new program only having started in 2022-23.
- **Disaster Mitigation and Adaptation Fund (DMAF) –** a decrease of $31.3 million due to fewer claims received in 2023-24, mainly from projects in Ontario, Alberta, and Quebec.
- **Public Transit Infrastructure Fund (PTIF) –** a decrease of $28.3 million due to lower spending forecasts as the program approaches the end of its lifecycle with the majority of projects approaching completion by 2023-24.

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 $7.3 million, compared with the same quarter last year. The largest single factor was an increase in personnel payments, which is the result of new funding as well as economic increases related to newly ratified collective bargaining agreements.

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 September 30, 2023	
Changes to Expenditures by Standard Object	**Increase/(Decrease) vs. Prior Year-to-date** (000's)
Personnel	12,782
Transportation and communications	282
Information	16
Professional and special services	(643)
Rentals	272
Repair and maintenance	(36)
Utilities, materials and supplies	11
Acquisition of machinery and equipment	(798)
Acquisition of land, buildings and works	168
Transfer payments	(4,711)
Public debt charges	(168)
Other subsidies and payments	104

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

- **Personnel –** The increase is mainly due to employee growth associated with new programs announced through Budget 2022 to deliver ventilation projects, the Canada Healthy Communities Initiative, and the High Frequency Rail project, as well as economic increases from newly ratified collective agreements.
- **Professional and special services –** The decrease is mainly attributable to the timing of invoicing related to the Réseau Express Métropolitain (REM) project, as well as contracts associated with the Green and Inclusive Community Buildings (GICB) program not being renewed this fiscal year.

- **Acquisition of machinery and equipment –** The decrease in expenditures is mainly due to the purchase of equipment in Q2 of 2022-23 to accommodate employee growth.
- **Transfer payments –** Details were previously discussed.

Overall, INFC has spent 25% of its current Total Authorities as of September 30, 2023, compared to 26% at the end of Q2 in 2022-23.

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 Management Accountability Framework (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.

INFC has launched the 2023-24 CPR update process during Q2 taking into context the current fiscal and operational environment.

Significant Changes in Relation to Operations, Personnel and Programs

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

- Following a new cabinet appointment in July of 2023, INFC now supports and delivers on the mandate of Honourable Sean Fraser, Minister of Housing, Infrastructure and Communities. This appointment combines the Housing and Infrastructure portfolios under the leadership of a single minister.

While INFC will increase its focus on harmonization of policy functions across the department (i.e. housing and homelessness) with regular infrastructure policy development in order to ensure an integrated approach, it will also need to adapt to new ways of working as well as for its employees to gain new skills and competencies to undertake the work in the immediate and longer term. INFC will continue its effort to attract and recruit employees through adaptable and innovative talent sourcing strategies, and retain employees by investing in their professional development to meet business requirements, all while focusing on employee well-being. Initiatives to create an inclusive and barrier-free workplace will continue to be supported in order to ensure INFC is a workplace of choice, made up of a workforce representative of the Canadians we serve.

INFC is committed to making infrastructure investments that support housing outcomes, 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 developing and launching a suite of new programming, resource management practices and sound financial stewardship are front and center in ensuring successful delivery. To support program delivery, INFC is undertaking the following initiatives:

- Facilitate the planning and/or implementation of new programming to the INFC Portfolio.
    - Lead federal housing policy and program development that is integrated with the infrastructure portfolio to increase housing supply overall, address housing needs, and support access to housing that is affordable, safe and strategically oriented near transit, employment, services and amenities to meet the diverse needs of all Canadians.
- Support INFC's operational requirements and growth through a hybrid work model by leveraging its regional footprint.
- Mature corporate processes, planning and reporting functions; including results reporting, budgeting and forecasting while promoting opportunities for automation and/or increasing efficiency.

Finally, it is important to note that personnel changes this quarter include the appointment of Michelle Baron as INFC’s Assistant Deputy Minister of Corporate Services and Chief Financial Officer as of September 2023. Mrs. Baron has held the position interim since March, 2023, and was previously the Director General of Finance & Administration and Deputy Chief Financial Officer.

Approval by Senior Officials

Approved by:

Kelly Gillis Deputy Head	Michelle Baron Chief Financial Officer

Signed at Ottawa, Canada