

Departmental Quarterly Financial Report

July – September 2025

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I. Statement outlining results, risks and significant changes in operations, personnel and program for the quarter ended 30 September 2025

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](#) and [Supplementary Estimates](#).

A summary description of Veterans Affairs Canada's (VAC) program activities can be found in [Part II of the Main Estimates](#).

As a result of the Government's expenditure management cycle, there are often fluctuations by quarter and between fiscal years when comparing budgets and expenditures. This is primarily a result of the quasi-statutory nature of the Department's programs, which are demand-driven and based on need and entitlement. In other words, Veterans who meet the eligibility criteria for VAC's programs, are paid as they apply for benefits.

We build our annual budget to respond to Veterans in need of benefits and services. A key part of this process is forecasting, which helps ensure there is enough funding for all eligible Veterans who are likely to need help in a given year.

Basis of presentation

This quarterly report has been prepared using an expenditure basis of accounting. The accompanying Statement of Authorities includes VAC's spending authorities granted by Parliament and those used by the Department, consistent with the [Main Estimates](#) for the 2025-26 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 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.

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When Parliament is dissolved for the purposes of a general election, section 30 of the Financial Administration Act authorizes, under certain conditions, the preparation of a special warrants to be signed by the Governor General authorizing payments to be made out of the Consolidated Revenue Fund. Special warrants are deemed to be an appropriation for the fiscal year in which they are issued.

Special warrants issued during the first quarter (Q1) 2025-2026 were included in the total appropriations in Main Estimates 2025-26.

The Department 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 an expenditure basis.

The quarterly report has not been subject to an external audit but has been reviewed by the Departmental Audit Committee.

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

This section highlights the significant elements that contributed to the changes in Authorities available (i.e. budget) for the fiscal year, as well as the year-to-date expenditures for the quarter ended 30 September 2025.

The following tables provide a comparison of the authorities available for use and the expenditures for the quarters ending 30 September 2024 and 30 September 2025 for the Department.

2.1 Statement of authorities

2.1.1 Changes in fiscal year-to-date authorities available

Table 1: Changes in year-to-date authorities available for the year ending 31 March 2026 (in thousands of dollars):

Authorities (available at quarter-end)	2025-26	2024-25	Variance (\$)	Variance (%)
Vote 1 – Operating expenditures	2,001,405	1,911,190	90,215	4.7
Vote 5 – Grants and contributions	5,785,481	4,800,622	984,859	20.5
Budgetary Statutory authorities	51,904	46,220	5,684	12.3
Total authorities	\$7,838,790	\$6,758,032	\$1,080,758	16.0%

As at 30 September 2025, total authorities available (i.e. budget) at quarter end were \$1,081M more (16.0% increase) when compared to amounts available at the same quarter-end the previous year, from \$6,758M in 2024-25 to \$7,839M in 2025-26.

Much of this increase in total authorities can be attributed to an increase in client demand for many of our benefits and services, combined with increased production capacity to meet this increase in demand.

2.1.2 Changes in year-to-date expenditures

Table 2: Changes in year-to-date expenditures used as of 30 September 2024 and 30 September 2025 (in thousands of dollars)

Expenditures (year-to-date as at quarter end)	2025-26	2024-25	Variance (\$)	Variance (%)
Vote 1 – Operating expenditures	801,027	675,811	125,216	18.5
Vote 5 – Grants and contributions	3,002,087	2,916,272	85,815	2.9
Budgetary statutory authorities	25,836	22,480	3,356	14.9
Total expenditures	\$3,828,950	\$3,614,563	\$214,387	5.9%

Year-to-date expenditures for Veterans Affairs Canada are \$214M more (5.9% increase) when compared to the same timeframe in 2024-25. This increase can be explained by variances detailed below.

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Vote 1 - Operating expenditures – increase of \$125M

- This rise can be attributed to an increase in the number of clients accessing prescription drugs and other Treatment Benefits compared to the same timeframe last year. Variations may also occur as a result of billing cycles and processes for certain programs and services. Overall, year-to-date expenditures are in line with current forecasts.
- This increase is also due to payments made in regards to the Manuge class action settlement agreement. This class action sought damages as a result of alleged miscalculation of the annual adjustment of basic pension under the Pension Act from 2003 to present, resulting in underpayment to class members.

Vote 5 - Grant and contribution - increase of \$86M

- VAC's expenditures fluctuate each year due to the demand-driven nature of its programs which are based on Veterans' needs and entitlements.
- Increases for this period are attributed to the cumulative increase in clients accessing our programs that have a lifelong benefit, combined with the Department's efforts to align production capacity with this increased demand. This has resulted in more benefits being paid to Veterans and their families, in a timely manner. Year-to-date expenditures are in line with current forecasts.

Budgetary statutory authorities – increase of \$3.4M

- Expenditures are being recorded based on initial budgets. They will be updated at the end of the fiscal year to reflect the actual salary costs.

Fiscal Quarter

2.1.3 Changes in Expenditures – Quarter to Quarter Comparison

Table 3: Changes in Expenditures used during Quarter 2 2025 (1 July 2025 – 30 September 2025) and Quarter 2 2024 (1 July 2024 – 30 September 2024) (in thousands of dollars).

Expenditures (used during Quarter 2)	2025-26	2024-25	Variance (\$)	Variance (%)
Vote 1 – Operating Expenditures	455,369	346,075	109,293	31.9
Vote 5 – Grants and Contributions	1,536,323	1,200,589	335,734	28.0
Budgetary Statutory Authorities	12,927	11,238	1,689	15.0
Total Expenditures	\$2,004,619	\$1,557,902	\$446,717	28.7%

In-quarter expenditures for Veterans Affairs Canada are \$447M more (28.7% increase) when compared to the same timeframe in 2024-25. This increase as compared to the second quarter in 2024-25 can be explained by variances detailed below.

Vote 1 - Operating Expenditures – increase of \$109M

- This quarter saw an increase in the number of clients accessing prescription drugs and other Treatment Benefits compared to the same quarter last year. Quarterly variations may also occur as a result of billing cycles and processes for certain programs and services. Overall, year-to-date expenditures are in line with current forecasts.
- This increase can also be attributed to payments made in regards to the Manuge class action settlement agreement. This class action sought damages as a result of alleged miscalculation of the annual adjustment of basic pension under the Pension Act from 2003 to present, resulting in underpayment to class members.

Vote 5 - Grant and Contribution - increase of \$336M

- VAC's expenditures fluctuate each year due to the demand-driven nature of its programs which are based on Veterans' needs and entitlements.
- Increases for this quarter are attributed to the cumulative increase in clients accessing our programs that have a lifelong benefit, combined with the Department's efforts to align production capacity with this increased demand. This has resulted in more benefits being paid to Veterans and their families, in a timely manner. Year-to-date expenditures are in line with current forecasts.

Budgetary statutory authorities – increase of \$1.7M

- Expenditures are being accrued based on opening authorities. Expenditures will be adjusted at fiscal year-end based on actual salary costs.

3. Risks and uncertainties

VAC is committed to enhancing the health and well-being of Veterans and their families. The Department recognizes that its ability to fulfill this mandate is closely tied to the effective management of risk. Strong risk management practices allow VAC to respond proactively to change and uncertainty, using risk-based information to support informed decision-making, optimize resource allocation, and ultimately deliver better outcomes for Canadians.

More information on the risks facing the Department and the mitigation strategies in place can be found on [VAC's website](#).

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

Mandate commitments

The Department continues to experience growing demand for many programs and services. We remain focused on reducing the existing backlog, improving wait times for disability benefits, enhancing service and program delivery for Veterans and their families, and ensuring the delivery of high-quality services through efficient and cost effective operations.

Commemorative activities

During the second quarter of 2025–26, key milestones and anniversaries were marked through domestic and international programming, including the 80th anniversary of Victory in the Pacific and the End of the Second World War, the Korean War Armistice, Peacekeepers Day, and CAF in the Americas events. On 1 July 2025, International Operations also supported a Newfoundland and Labrador delegation in a private ceremony at the Caribou Memorial and attended the annual Battles of the Somme and Beaumont-Hamel ceremony.

5. Approvals by senior officials

Original signed by:

Christine McDowell
Acting Deputy Minister
Halifax, NS
XX November 2025

Pierre Tessier
Chief Financial Officer
Ottawa, ON
XX November 2025

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II. Financial statements

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Quarterly financial report for the quarter ended 30 September 2024

Statement of authorities (*unaudited*)

Fiscal year 2024-25

<i>(in thousands of dollars)</i>	Total available for use for the year ended 31 March 2025*	Used during the quarter ended 30 September 2024	Year-to-date used at quarter-end
Vote 1 - Net operating expenditures	1,911,190	346,075	675,811
Vote 5 - Grants and contributions	4,800,622	1,200,589	2,916,272
Statutory authority - Minister's salary and motor car allowance	99	25	50
Statutory authority – Refunds of Previous Years Revenue	0	0	5
Statutory authority - Contributions to employee benefit plans - program	45,924	11,213	22,425
Statutory authority - Veterans insurance actuarial liability adjustment	175	0	0
Statutory authority - Returned soldiers insurance actuarial liability adjustment	10	0	0
Statutory authority - Re- establishment credits under Section 8 of the <i>War Services Grants Act</i>	2	0	0
Statutory authority - Repayments under Section 15 of the <i>War Services Grants Act</i>	10	0	0
Total statutory	46,220	11,238	22,480
Total budgetary authorities	6,758,032	1,557,902	3,614,563
Non-budgetary authorities	0	0	0
Total authorities	6,758,032	1,557,902	3,614,563

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

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Statement of Authorities (*unaudited*)

Fiscal year 2025-26

<i>(in thousands of dollars)</i>	Total available for use for the year ending 31 March 2026*	Used during the quarter ended 30 September 2025	Year-to-date used at quarter-end
Vote 1 - Net operating expenditures	2,001,405	455,369	801,027
Vote 5 - Grants and contributions	5,785,481	1,536,323	3,002,087
Statutory authority - Minister's salary and motor car allowance	103	26	34
Statutory authority – Refunds of Previous Years Revenue	0	0	0
Statutory authority - Contributions to employee benefit plans - program	51,604	12,901	25,802
Statutory authority - Veterans insurance actuarial liability adjustment	175	0	0
Statutory authority - Returned soldiers insurance actuarial liability adjustment	10	0	0
Statutory authority - Re- establishment credits under Section 8 of the <i>War Services Grants Act</i>	2	0	0
Statutory authority - Repayments under Section 15 of the <i>War Services Grants Act</i>	10	0	0
Total statutory	51,904	12,927	25,836
Total budgetary authorities	7,838,790	2,004,619	3,828,950
Non-budgetary authorities	0	0	0
Total authorities	7,838,790	2,004,619	3,828,950

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

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Quarterly financial report for the quarter ended 30 September 2024

Departmental budgetary expenditures by standard object (unaudited)

Fiscal year 2024-25

Expenditures (in thousands of dollars)	Planned expenditures for the year ended 31 March 2025*	Expended during the quarter ended 30 September 2024	Year-to-date used at quarter-end
01 Personnel	387,535	102,870	199,592
02 Transportation and communications	33,225	8,899	17,334
03 Information	5,633	406	592
04 Professional and special services	615,851	147,396	276,918
05 Rentals	26,132	7,721	11,777
06 Repair and maintenance	9,798	742	818
07 Utilities, materials and supplies	354,851	89,145	186,492
08 Acquisition of land, buildings and works	354	0	0
09 Acquisition of machinery and equipment	6,827	252	423
10 Transfer payments	4,800,820	1,200,589	2,916,272
11 Public debt charges	0	0	0
12 Other subsidies and payments	517,006	(118)	4,345
Total gross budgetary expenditures	6,758,032	1,557,902	3,614,563
Less revenues netted against expenditures	0	0	0
Total revenues netted against expenditures:	0	0	0
Total net budgetary expenditures	6,758,032	1,557,902	3,614,563

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

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Departmental budgetary expenditures by standard object (unaudited)

Fiscal year 2025-26

Expenditures (in thousands of dollars)	Planned expenditures for the year ending 31 March 2026*	Expended during the quarter ended 30 September 2025	Year-to-date used at quarter-end
01 Personnel	395,520	99,611	203,297
02 Transportation and communications	50,648	11,463	20,557
03 Information	10,940	950	1,024
04 Professional and special services	800,498	154,032	259,874
05 Rentals	36,041	5,704	11,290
06 Repair and maintenance	7,769	1,001	1,091
07 Utilities, materials and supplies	466,690	148,815	265,863
08 Acquisition of land, buildings and works	2,165	0	0
09 Acquisition of machinery and equipment	6,663	74	121
10 Transfer payments	5,785,679	1,536,323	3,002,087
11 Public debt charges	0	0	0
12 Other subsidies and payments	276,177	46,646	63,746
Total gross budgetary expenditures	7,838,790	2,004,619	3,828,950
Less revenues netted against expenditures	0	0	0
Total revenues netted against expenditures:	0	0	0
Total net budgetary expenditures	7,838,790	2,004,619	3,828,950

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