

## Departmental Quarterly Financial Report

October – December 2025

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## I. Statement outlining results, risks and significant changes in operations, personnel and program for the quarter ended 31 December 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](#) and [Supplementary 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 31 December 2025.

The following tables provide a comparison of the authorities available for use and the expenditures for the quarters ending 31 December 2024 and 31 December 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 (%)
<b>Vote 1 – Operating expenditures</b>	2,013,369	1,955,339	58,030	3.0
<b>Vote 5 – Grants and contributions</b>	5,787,934	5,713,875	74,059	1.3
<b>Budgetary Statutory authorities</b>	52,089	46,386	5,703	12.3
<b>Total authorities</b>	<b>\$7,853,392</b>	<b>\$7,715,600</b>	<b>\$137,792</b>	<b>1.8%</b>

As at 31 December 2025, total authorities available (i.e. budget) at quarter end were \$138M more (1.8% increase) when compared to amounts available at the same quarter-end the previous year, from \$7,716M in 2024-25 to \$7,853 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 31 December 2024 and 31 December 2025 (in thousands of dollars)**

Expenditures (year-to-date as at quarter end)	2025-26	2024-25	Variance (\$)	Variance (%)
<b>Vote 1 – Operating expenditures</b>	1,284,630	1,501,957	(217,327)	(14.5)
<b>Vote 5 – Grants and contributions</b>	4,503,131	4,292,132	210,998	4.9
<b>Budgetary statutory authorities</b>	38,768	33,709	5,059	15.0
<b>Total expenditures</b>	<b>\$5,826,529</b>	<b>\$5,827,798</b>	<b>(\$1,269)</b>	<b>(0.02)%</b>

Year-to-date expenditures for Veterans Affairs Canada are \$1.3M less (0.02% decrease) when compared to the same timeframe in 2024-25. This decrease can be explained by variances detailed below.

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**Vote 1 - Operating expenditures – decrease of \$217M**

- Overall expenditures to date have decreased, primarily due to lower spending in 2025–26 compared to 2024–25, as most Manuge class action settlement payments were processed in the prior year. While the department did see increased spending, driven mainly by an increase in the number of clients accessing prescription drugs and other Treatment Benefits compared to the same timeframe last year, these were offset by the larger decrease in Manuge.

**Vote 5 - Grant and contribution - increase of \$211M**

- 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 \$5.1M**

- 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 3 2025 (1 October 2025 – 31 December 2025) and Quarter 3 2024 (1 October 2024 – 31 December 2024) (in thousands of dollars).**

<b>Expenditures (used during Quarter 3)</b>	<b>2025-26</b>	<b>2024-25</b>	<b>Variance (\$)</b>	<b>Variance (%)</b>
<b>Vote 1 – Operating Expenditures</b>	483,603	826,149	(342,546)	(41.5)
<b>Vote 5 – Grants and Contributions</b>	1,501,044	1,375,860	125,184	9.1
<b>Budgetary Statutory Authorities</b>	12,932	11,229	1,703	15.2
<b>Total Expenditures</b>	<b>\$1,997,579</b>	<b>\$2,213,238</b>	<b>(\$215,659)</b>	<b>(9.7)%</b>

In-quarter expenditures for Veterans Affairs Canada are \$216M less (9.7% decrease) when compared to the same timeframe in 2024-25. This decrease as compared to the third quarter in 2024-25 can be explained by variances detailed below.

**Vote 1 - Operating Expenditures – decrease of \$343M**

- Overall expenditures to date have decreased, primarily due to lower spending in 2025–26 compared to 2024–25, as most Manuge class action settlement payments were processed in the prior year. While the department did see increased spending, driven mainly by an increase in the number of clients accessing prescription drugs and other Treatment Benefits compared to the same timeframe last year, these were offset by the larger decrease in Manuge.

**Vote 5 - Grant and Contribution - increase of \$125M**

- 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.

#### Personnel

During the third quarter of the 2025–26 fiscal year, Associate Deputy Minister Christine McDowell was named Acting Deputy Minister of Veterans Affairs following the departure of Deputy Minister Paul Ledwell.

#### Commemorative activities

During the third quarter of 2025–26, key milestones and anniversaries were marked through domestic and international programming, including Veterans Week and CAF in the Americas learning events across the country. During Veterans Week 2025, Commemorative Programming and Events as well as International Operations tracked and supported more than 220 Remembrance events including the annual ceremonies at the Canadian National Vimy Memorial and the Beaumont-Hamel Newfoundland Memorial, and the National Remembrance Day ceremony held at the National War Memorial in Ottawa. In addition, nearly 4,000 trees were planted at the Canadian National Vimy Memorial site in France.

### 5. Approvals by senior officials

Original signed by:

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Christine McDowell  
Acting Deputy Minister  
Halifax, Nova Scotia

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Pierre Tessier  
Chief Financial Officer  
Ottawa, Ontario

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## II. Financial statements

### Veterans Affairs Canada

Quarterly financial report for the quarter ended 31 December 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 31 December 2024	Year-to-date used at quarter-end
<b>Vote 1 - Net operating expenditures</b>	<b>1,955,339</b>	<b>826,148</b>	<b>1,501,958</b>
<b>Vote 5 - Grants and contributions</b>	<b>5,713,875</b>	<b>1,375,860</b>	<b>4,292,133</b>
Statutory authority - Minister's salary and motor car allowance	99	17	66
Statutory authority – Refunds of Previous Years Revenue	0	0	5
Statutory authority - Contributions to employee benefit plans - program	46,090	11,213	33,638
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
<b>Total statutory</b>	<b>46,386</b>	<b>11,230</b>	<b>33,709</b>
<b>Total budgetary authorities</b>	<b>7,715,600</b>	<b>2,213,238</b>	<b>5,827,800</b>
<b>Non-budgetary authorities</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total authorities</b>	<b>7,715,600</b>	<b>2,213,238</b>	<b>5,827,800</b>

\* 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 31 December 2025	Year-to-date used at quarter-end
<b>Vote 1 - Net operating expenditures</b>	2,013,369	483,603	1,284,630
<b>Vote 5 - Grants and contributions</b>	5,787,934	1,501,044	4,503,131
Statutory authority - Minister's salary and motor car allowance	102	31	65
Statutory authority – Refunds of Previous Years Revenue	0	0	0
Statutory authority - Contributions to employee benefit plans - program	51,790	12,901	38,703
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
<b>Total statutory</b>	<b>52,089</b>	<b>12,932</b>	<b>38,768</b>
<b>Total budgetary authorities</b>	<b>7,853,392</b>	<b>1,997,579</b>	<b>5,826,529</b>
<b>Non-budgetary authorities</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total authorities</b>	<b>7,853,392</b>	<b>1,997,579</b>	<b>5,826,529</b>

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

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Quarterly financial report for the quarter ended 31 December 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 31 December 2024	Year-to-date used at quarter-end
01 Personnel	392,095	94,263	293,854
02 Transportation and communications	33,584	11,544	28,878
03 Information	8,383	1,318	1,911
04 Professional and special services	652,463	175,089	452,006
05 Rentals	26,139	4,713	16,490
06 Repair and maintenance	9,798	1,238	2,057
07 Utilities, materials and supplies	354,877	112,976	299,468
08 Acquisition of land, buildings and works	354	0	0
09 Acquisition of machinery and equipment	6,827	640	1,063
10 Transfer payments	5,714,073	1,375,861	4,292,132
11 Public debt charges	0	0	0
12 Other subsidies and payments	517,006	435,596	439,941
<b>Total gross budgetary expenditures</b>	<b>7,715,599</b>	<b>2,213,238</b>	<b>5,827,800</b>
<b>Less revenues netted against expenditures</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total revenues netted against expenditures:</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total net budgetary expenditures</b>	<b>7,715,599</b>	<b>2,213,238</b>	<b>5,827,800</b>

\* 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 31 December 2025	Year-to-date used at quarter-end
01 Personnel	396,796	99,201	302,497
02 Transportation and communications	53,100	13,546	34,103
03 Information	10,949	671	1,695
04 Professional and special services	801,498	240,585	500,459
05 Rentals	45,909	4,757	16,047
06 Repair and maintenance	7,769	1,124	2,216
07 Utilities, materials and supplies	466,667	100,584	366,446
08 Acquisition of land, buildings and works	2,185	1,153	1,153
09 Acquisition of machinery and equipment	6,663	393	514
10 Transfer payments	5,785,679	1,501,044	4,503,131
11 Public debt charges	0	0	0
12 Other subsidies and payments	276,177	34,521	98,268
<b>Total gross budgetary expenditures</b>	<b>7,853,392</b>	<b>1,997,579</b>	<b>5,826,529</b>
<b>Less revenues netted against expenditures</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total revenues netted against expenditures:</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total net budgetary expenditures</b>	<b>7,853,392</b>	<b>1,997,579</b>	<b>5,826,529</b>

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