Defence Funding Model

Briefing to
NFFN
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National Defence Funding Model

• Multi-year reference levels approved by the Treasury Board each year; funding is accessed through the Estimates process.

• Operating funding is set aside in the Fiscal Framework for:
  – Incremental *Strong, Secure, Engaged* funding, including inflation
  – Increased salary and benefits associated with collective bargaining
  – Incremental costs of major deployments

• Capital funding is set aside in the Fiscal Framework to finance capital requirements associated with *Strong Secure Engaged* but requiring Treasury Board approval to be accessed
Management of our large, complex budget requires competence, diligence and collaboration at all levels.

National Defence Budget 2018-19

- Personnel: Costs associated with salaries and wages.
- Operating & Maintenance: Costs associated with upkeep of facilities and equipment.
- Capital: Costs associated with the construction and acquisition of assets.
- Statutory: Contributions to employee benefit plans (e.g. pensions).

$21.7 billion
National Defence Funding Flexibility

Departmental Authorities

- Grants and Contributions
- Infrastructure (Vote 1)
- Statutory
- National Procurement (Vote 1)
- Salaries
- Capital
- Other Operations and Maintenance

Total by fiscal year in $ billions:

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<tbody>
<tr>
<td>Billions</td>
<td>22.8</td>
<td>21.7</td>
<td>21.4</td>
<td>19.7</td>
<td>20.5</td>
<td>20.0</td>
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<td>23.6</td>
<td>21.7</td>
<td>23.6</td>
<td>26.1</td>
<td>27.1</td>
<td>27.9</td>
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Data for 2024-25 is estimated.

2023-24: Total estimated $31.7 billion.
To meet Canada's defence needs at home and abroad, the Government will allocate over 20 years:

- $553B on a cash basis (*Cost is recorded at the time the bills are paid*)
- $497B on an accrual basis (*Costs are allocated over useful life of an asset*)

SSE will invest $389B on a cash basis for operating expenses over 20 years.

SSE will invest $164B on a cash basis for major capital equipment over 20 years:

- 281 existing projects have been validated and adequately funded
- 52 new projects have been added
• The management of the capital investment fund includes flexibility to adjust funding between projects.

• Funding flexibility can be created through cost efficiencies or cancelling of projects.

• Defence also has the flexibility to request funding through the budget process.
• Costing was led by National Defence ADM Finance/CFO

• Central Agencies and Other Government Departments were involved

• Office of Comptroller General (Treasury Board Secretariat)

• Third Party Review of Costing Methodology
National Defence Reporting

• Consistency of Reporting is critical:
  – Departmental Plan
  – Departmental Report
  – Estimates
  – Public Accounts
  – Investment Plan

• Financial data included in Departmental reports are the responsibility of the CFO

• Performance reporting of the Capital Investment Fund is conducted annually with Finance and Treasury Board of Canada Secretariat

• Parliamentary oversight part of the Estimates process (NDDN and NFFN)
Defence Spending: The Context

- Monies are to be used in the fiscal year in which they are voted by Parliament.
- Monies not spent at year-end expire (unless explicit authority has been granted e.g. carry-forward or reprofiling).
- Departments that overspend are in violation of their authorities (breaking the law). Consequently, Defence prudently plans to spend less than voted amounts; a planned lapse.
- Monies can be moved from one fiscal year to the next but Parliament must still reapprove as part of the estimate process:
  - 2.5% carry-forward
  - Finance authorize reprofile
Defence Spending : The Context

• Since every effort is made at all times to ensure that Parliament’s wishes are respected and that limits are never exceeded, the inevitable result is that a lapse will always occur:
  • **Definition of Lapsed (Variance under)(from 2017-18 Public Accounts):** The amount of the lapse is the total authority available for use in the current year less the total of a) amount used in the current year and b) the amount available for use
  • **A Planned Lapse** is predominantly the reprofile for capital projects and the allowable carry forward and is part of sound financial management
  • **A Residual Lapse** is funding that is not available for future use by the Department