



## 1. Statement of Policy

The Government of the Northwest Territories is committed to responsible spending and controlled expenditure growth while focusing on necessary infrastructure investments required to support the goals and priorities of each Legislative Assembly. The Government is committed to plan for and realize sufficient operating surpluses to finance annual infrastructure investments and meet debt servicing payments on any amounts borrowed.

The Government is committed to prudent borrowing and debt management in order to ensure long-term fiscal sustainability and will not incur debt to a level where debt servicing payments are outside the provisions of this policy.

## 2. Principles

The Government of the Northwest Territories will adhere to the following principles when implementing this Policy:

- (1) Public debt should be maintained at fiscally sustainable levels to ensure the delivery of programs and services is not adversely impacted;
- (2) Financial risks should be managed prudently; and
- (3) A fiscal decision making system that is rational, fair, efficient, credible, transparent and accountable should be maintained.

## 3. Scope

This Policy applies to all departments of the Government of the Northwest Territories, public agencies and other reporting bodies that are part of the Government Reporting Entity (GRE).

## 4. Definitions

Borrowing – as defined by section 2 of the *Northwest Territories Borrowing Limits Regulations* made under the *Northwest Territories Act*

Debt – the total amount of money that government, a public agency or other reporting body owes to its creditors

Net Debt – the excess of liabilities over financial assets



Debt servicing Costs - debt interest plus any incidental costs associated with the administration of the debt

Debt Servicing Payments - principal repayments, in addition to debt servicing costs

Government – means departments as defined in the *Financial Administration Act*

Government Reporting Entity – the entity constituted by all departments, public agencies and other bodies as defined in the *Financial Administration Act*

Infrastructure – is an infrastructure expenditure as defined in the *Financial Administration Act*

Long-Term Debt – debt with terms greater than one year

Operating Surplus – the excess of revenue over operating expenses for the fiscal year

Other Reporting Body – a body other than a department or public agency, as defined in the *Financial Administration Act*

Public Agency – a body as defined in the *Financial Administration Act*

Self-liquidating Investments – investments that generate immediate or direct benefit or revenue stream

Self-sustaining Loans – loans issued which are repayable under defined payment terms

Short-Term Debt – debt with terms of one year or less

## 5. Authority and Accountability

### (1) General

This Policy is issued under the authority of the Executive Council, on the recommendation of the Financial Management Board. The authority to make exceptions and approve revisions to this Policy rests with the



Executive Council on the recommendation of the Financial Management Board.

Authority and accountability is further defined as follows:

- **Chair of the Financial Management Board**  
The Chair of the Financial Management Board is accountable to the Executive Council for the implementation of this policy.
- **Secretary of the Financial Management Board**  
The Secretary of the Financial Management Board is accountable to the Chair of the Financial Management Board for the administration of this Policy.

### (2) Specific

#### a) Financial Management Board

The Financial Management Board:

- may approve borrowing by government, a public agency or other reporting body; and
- will establish guidelines for implementing, managing and reporting on the provisions of this policy.

#### b) Minister of Finance

The Minister of Finance:

- may recommend borrowing by government, a public agency or other reporting body to the Financial Management Board;
- may propose any amendments or additions to this policy to the Executive Council;
- will ensure the responsible management of debt and borrowing in accordance with the provisions of this policy, the *Financial Administration Act*, and the *Northwest Territories Act* including the *Northwest Territories Borrowing Limits Regulations* and the Federal Order in Council restricted total borrowing limit by the Government Reporting Entity;
- will develop an annual borrowing plan for the Government Reporting Entity, along with the annual Estimates; and



- will report annually on the debt management results of the Government Reporting Entity in the annual Consolidated Public Accounts.

c) Ministers

A Minister responsible for a department or public agency may propose borrowing to the Minister of Finance. The Minister responsible, subject to the recommendation of the Minister of Finance, may then seek approval of the Financial Management Board.

### 6. Provisions

#### (1) Borrowing Purposes – Government

Government will only seek authorization to borrow for the following purposes:

- a) Short-term – operational requirements
- b) Long-term – infrastructure investments
- c) Long-term - self-liquidating investments
- d) Short-term/Long-term – self-sustaining loan programs

#### (2) Borrowing Purposes – Public Agencies and Other Reporting Bodies

Public agencies and other reporting bodies may seek approval to borrow for the same purposes as Government above, or for other reasons approved by the public agency's responsible Minister, the Minister of Finance and the Financial Management Board in accordance with the *Financial Administration Act*.

#### (3) Infrastructure Financing

Government will restrict infrastructure investments, excluding Public-Private Partnership projects, as follows:

- a) A minimum of fifty per cent (50%) from the operating surpluses generated within the non-consolidated Public Accounts; and
- b) A maximum of fifty per cent (50%) from Government debt.



### **(4) Borrowing Authorization**

The Minister of Finance shall prepare an annual borrowing plan for the Government Reporting Entity along with the annual Main Estimates in accordance with section 107 of the *Financial Administration Act*. The plan will include information and proposed limits on all existing and projected borrowing for the short and long-term.

The aggregate limits on short and long-term borrowings by Government will be disclosed in the annual Main Estimates and will also be included in the *Appropriation Act*. The *Appropriation Act* will be voted on by the Legislative Assembly authorizing limits on short and long-term borrowings, as well as the making of disbursements to pay the principal of amounts borrowed by Government.

### **(5) Affordable Debt**

It is incumbent on the government, public agencies and other reporting bodies to ensure that the extent of its debt and borrowing, including debt associated with Public-Private Partnership projects, is within its means to repay and that debt servicing payments do not adversely impact programs and services.

The Minister of Finance shall ensure the following for Government:

- a) Non-consolidated debt servicing payments shall not exceed five per cent (5%) of total non-consolidated annual revenues; and
- b) Where non-consolidated debt servicing payments exceed five per cent (5%) of total non-consolidated annual revenues, operating surpluses shall be generated in the following two years sufficient to permit principal repayments that will decrease debt servicing payments to five per cent (5%) by the third subsequent year.

### **(6) Debt Repayment**

The Minister of Finance shall ensure that debt management provides for debt repayment as follows:

- a) The repayment term for infrastructure investments will be dependent on the useful life of the asset being acquired;



- b) The repayment of debt for self-liquidating investments is provided for from the new cash inflow generated from those self-liquidating investments; and
- c) Debt incurred to finance self-sustaining loan programs will be repaid with the cash in-flow generated from the repayment of the loans and interest.

### (7) Performance Measures

Proposed increases in total Government Reporting Entity debt must be rated based on affordability using the following measures when being assessed for consideration. All measures are to be assessed on a consolidated basis for the Government Reporting Entity.

- **Debt to Revenue Ratio**

Debt divided by revenue, a measure of the change in debt in proportion to changes in revenue. A decreasing ratio is a positive indicator that the rate of increase in revenue exceeds the rate of increase in debt.

- **Debt per Capita Ratio**

Debt divided by the population, a measure of the debt burden on a per resident basis. A decreasing ratio is a positive indicator of a decreasing debt burden.

- **Debt Servicing Costs as a per cent of Revenue**

Debt servicing costs as a percentage of revenues, a measure of the extent to which revenues are being applied to interest charges rather than to programs and services or tax reduction. A decreasing ratio can indicate an increased ability to borrow.

- **Debt Servicing Payments, as a per cent of Revenue**

Debt servicing payments as a percentage of revenues, a measure of the extent to which revenues are being applied to debt servicing payments rather than to programs and services or tax reduction. A decreasing ratio can indicate an increased ability to borrow.

- **Debt Servicing Payments as a per cent of 3-year moving GDP average**

Debt servicing payments as a percentage of the 3-year moving GDP average, a measure of debt growth in relation to economic growth. A decreasing ratio reflects a consistent improvement in financial position.



- **Net Debt per Capita Ratio**

Net debt divided by the population, a measure of the ability to finance activities and meet obligations on a per resident basis.

- **Credit rating**

A measure of sound fiscal policies, adherence to these policies and current and future debt burden with the goal of maintaining the current investment grade rating.

### **(8) Debt Management Results Reporting and Monitoring**

The Minister of Finance shall ensure that the total debt of the Government Reporting Entity does not exceed the capacity to repay the debt, and shall annually review those criteria.

The Minister of Finance shall report on the results of the previous year borrowing plan within the Main Estimates, which will be tabled in the Legislative Assembly. The Minister of Finance shall also annually report on the debt management results of the Government Reporting Entity in the Consolidated Public Accounts.

### **7. Prerogative of the Executive Council or the Financial Management Board**

Nothing in this Policy shall in any way be construed to limit the prerogative of the Executive Council, or the Financial Management Board to make decisions or take action respecting borrowing outside the provisions of this Policy.

Premier and Chairman of the  
Executive Council