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Building *Nunavut* Together
Nunavut iiquatigiingniq
Bâtir le *Nunavut* ensemble

Mid-Year Fiscal Report 2023-2024

Prepared by:
Department of Finance
October 2023
Iqaluit, Nunavut

The 2023-2024 Main Estimates, Budget Address, the 2024-2026 Business Plans and Mid Year report are available electronically in all official languages on our website:

www.gov.nu.ca/en/departement-finance

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2023-2024 Mid Year Report
October 2023
Iqaluit, Nunavut

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PURPOSE

Purpose

The Government of Nunavut (GN) presents its budget for each Department every year, usually in the Winter Sitting of the Legislative Assembly, through the Main Estimates. The Main Estimates provide details of all projected expenditures and expected revenues for the GN's fiscal year from April 1 to March 31.

After the conclusion of each Fiscal Year, the Minister of Finance tables the Public Accounts in the Fall sitting of the Legislative Assembly. The Public Accounts are a set of consolidated financial statements which present a detailed summary of actual revenues and expenditures for all GN departments, agencies, corporations, organizations, and funds for the year. These statements are prepared on an accrual basis and in line with Canadian public sector accounting standards (PSAS).

The GN has prepared this Mid-Year Report to increase transparency and accessibility of financial information between the tabling of the Main Estimates and the Public Accounts as there is not a lot of easily accessible or publicly available financial information to gauge the progress of the government's spending.

About this document:

The Mid-Year Report presents a snapshot of changes to the GN's budget or financial situation which occurred in the first half of the fiscal year including additional appropriations, changes in the value of assets (additions, write-offs and write-downs), investing activity, and updated revenue projections.

While the Mid-Year Report is meant to provide additional transparency and to supplement the GN's budgeting process, it does not replace the Main Estimates or Public Accounts.

The Mid-Year Report reflects the information in the GN's financial system at the end of September. As a set point in time, this document presents revenues and expenditures on a cash basis – the money we have actually spent and the revenue we have actually received and recorded by the end of September. It is not possible to present this information on an accrual basis without adding a considerable additional administrative work on departments and significant time delay in the preparation of this report. Because this document is prepared on a cash basis, the revenues and expenditures in it are not directly comparable to the presentation in the Main Estimates or the Public Accounts, which are both presented on an accrual basis.

A copy of this report, along with the GN's other budget documents and the Public Accounts, is available in each of Nunavut's official languages through our website: www.gov.nu.ca/Finance.

EXECUTIVE SUMMARY

As of the end of September 2023, the Government of Nunavut's (GN) total approved budget was \$2.547 billion, including a revised Operations and Maintenance Budget of \$2.036 billion and a revised capital budget of \$510.495 million, including all carryovers and supplementary appropriations. This is an increase of about \$187 million from the original total appropriation of \$2.360 billion presented in the 2023-24 Main Estimates.

The GN routinely signs funding agreements with external organizations or governments, mostly with the Government of Canada. Although these agreements increase our revenues, they usually come with an obligation to spend the money in a particular way or on a specific project. When we include these third-party revenues, total approved funding is about \$2.844 billion.

Expected revenues have increased only marginally by about \$8.49 million since the publishing of the Main Estimates, mainly due to transfers under third-party funding agreements which have increased from \$413.8 million to \$434 million and some other minor revisions to various revenue streams. Third-party agreements have been an ongoing budgeting challenge for the GN, as we are often unaware of agreements at the beginning of the year or we have not finalized the agreement so we cannot record them in our Main Estimates. Third-party agreements are often heavily contingent on priorities of other organizations which are outside of the GN. Revenue generated by the GN saw a reduction of about \$900 thousand or about 0.3% over the period.

Since the approval of the capital budget in March 2023, the GN has passed three supplementary appropriation Bills in the Legislative Assembly. Supplementary funding requests were necessary to address expenditures relating to increased costs of capital projects due to the impact of global supply chain challenges and other cost increases.

At the time of this report, total actual government expenses incurred to date were \$1.003 billion in Operations and Maintenance and \$58.15 million in capital projects. GN departments are projecting to carryover a total of \$144.9 million in Capital and a shortfall of \$32.95 million in Operations and Maintenance. These numbers are expected to change as the fiscal year progresses.

Key Notes:

GN departments are forecasting a shortage of about \$32.95 million in 2023-24 O&M budgets.

The current projected capital carryover from 2023-24 to 2024-25 is almost \$145 million

Third party and Other payments increased by \$9.4 million and Total GN revenue decreased by \$0.9 million

SUMMARY OF REVENUES

DESCRIPTION	Main	Revised	Variance
	Estimates	Estimates	Estimates
	2023-2024	2023-2024	2023-2024
	(\$000)	(\$000)	(\$000)
Revenues from the Government of Canada			
Territorial Formula Financing	1,971,400	1,971,400	-
Transfers under third-party funding agreements ¹	413,809	434,000	20,191
Other transfer payments	141,500	130,700	(10,800)
Total revenues from the Government of Canada	2,526,709	2,536,100	9,391
Revenues generated by the Government of Nunavut			
Taxation revenues			
Personal income tax	34,000	38,100	4,100
Corporate income tax	24,800	18,700	(6,100)
Payroll tax	43,200	42,300	(900)
Tobacco tax	22,100	23,500	1,400
Fuel tax	22,800	19,700	(3,100)
Property tax	14,800	15,100	300
	3,600	3,700	100
Total taxation revenues	165,300	161,100	(4,200)
Other revenues			
Petroleum Products Division, net cost of goods sold	30,419	30,419	-
Liquor and Cannabis Commission, net cost of goods sold	12,236	12,236	-
Staff housing recoveries	21,200	21,300	100
Other	65,000	67,200	2,200
Total other revenues	128,855	131,155	2,300
Recoveries of prior years' expenditures	13,000	14,000	1,000
Total revenues generated by the Government of Nunavut	307,155	306,255	(900)
Transfers under third-party funding agreements (Non Government of Canada)	4,330	4,330	-
Total revenues	2,838,194	2,846,685	8,491

Total government revenue from Government of Canada increased marginally in the revised estimates by \$9.39 million or 0.4%. These were mainly from transfers under third party funding agreements which increased by \$20.2 million while Other transfer payments decreased by \$10.8 million. Revenues generated by the government also decreased by less than \$1 million or less than 0.3%. The over all total revised revenue increased by only \$8.49 million

Two revenue streams continue to be more difficult to forecast than the rest - Corporate Income Tax (CIT) and transfers under third-party funding agreements. Corporate income taxes are difficult because payments to Nunavut are based on Canada's overall CIT projections and then an estimated portion of that is allocated to Nunavut based on the territory's historical share. Differences between actuals and the forecast are settled in future years. A small number of very large firms can cause large swings in the total corporate taxation base in Canada and those fluctuations flow through to Nunavut's revenues.

Revenues received under third party agreements tend to increase by a large amount between the Main Estimates and the end of the year because agreements are often not known or not finalized before the Main Estimates are published. While additional revenues are often a good thing, they often come with offsetting expenses or obligations.

About 89% of the overall GN revenue comes from Canada through the Formula Financing arrangement and other federal transfers. The GN's own source revenue accounts for about 11% of the total revenue.

SUMMARY OF OPERATIONS AND MAINTENANCE EXPENDITURES

DEPARTMENT	<i>Main</i>	<i>Revised</i>	<i>YTD</i>	<i>Projections</i>	<i>Projected</i>
	<i>Estimates</i>	<i>Estimates</i>	<i>Actuals</i>	<i>to Year End</i>	<i>Year End</i>
	2023-2024	2023-2024	2023-2024	2023-2024	variance
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Office of the Legislative Assembly	29,728	29,728	11,768	27,205	2,523
Executive and Intergovernmental Affairs	21,971	21,971	8,881	18,352	3,619
Finance	108,286	108,286	45,118	103,391	4,895
Human Resources	29,111	29,111	8,546	25,982	3,129
Justice	167,183	167,183	48,751	164,770	2,413
Culture and Heritage	27,823	27,823	10,572	24,977	2,846
Education	273,547	273,547	109,317	266,094	7,453
Health	469,574	479,490	211,342	531,094	(51,604)
Environment	25,909	25,909	10,281	23,602	2,307
Community and Government Services	293,797	297,997	123,560	297,806	191
Economic Development and Transportation	98,141	98,141	38,045	96,208	1,933
Family Services	179,474	179,474	79,409	192,131	(12,657)
Nunavut Housing Corporation	257,244	257,244	257,244	257,244	-
Nunavut Arctic College	40,318	40,318	40,318	40,318	-
Total operations and maintenance expenditures	2,022,106	2,036,222	1,003,152	2,069,176	(32,954)

To calculate the projected variance at year end, departments were asked to add their actual spending to date (YTD Actuals column above) to any reasonably anticipated spending in the rest of the year. With six months of operations left and with accounting adjustments which can be difficult to predict, variances will fluctuate between this report and the fiscal year end.

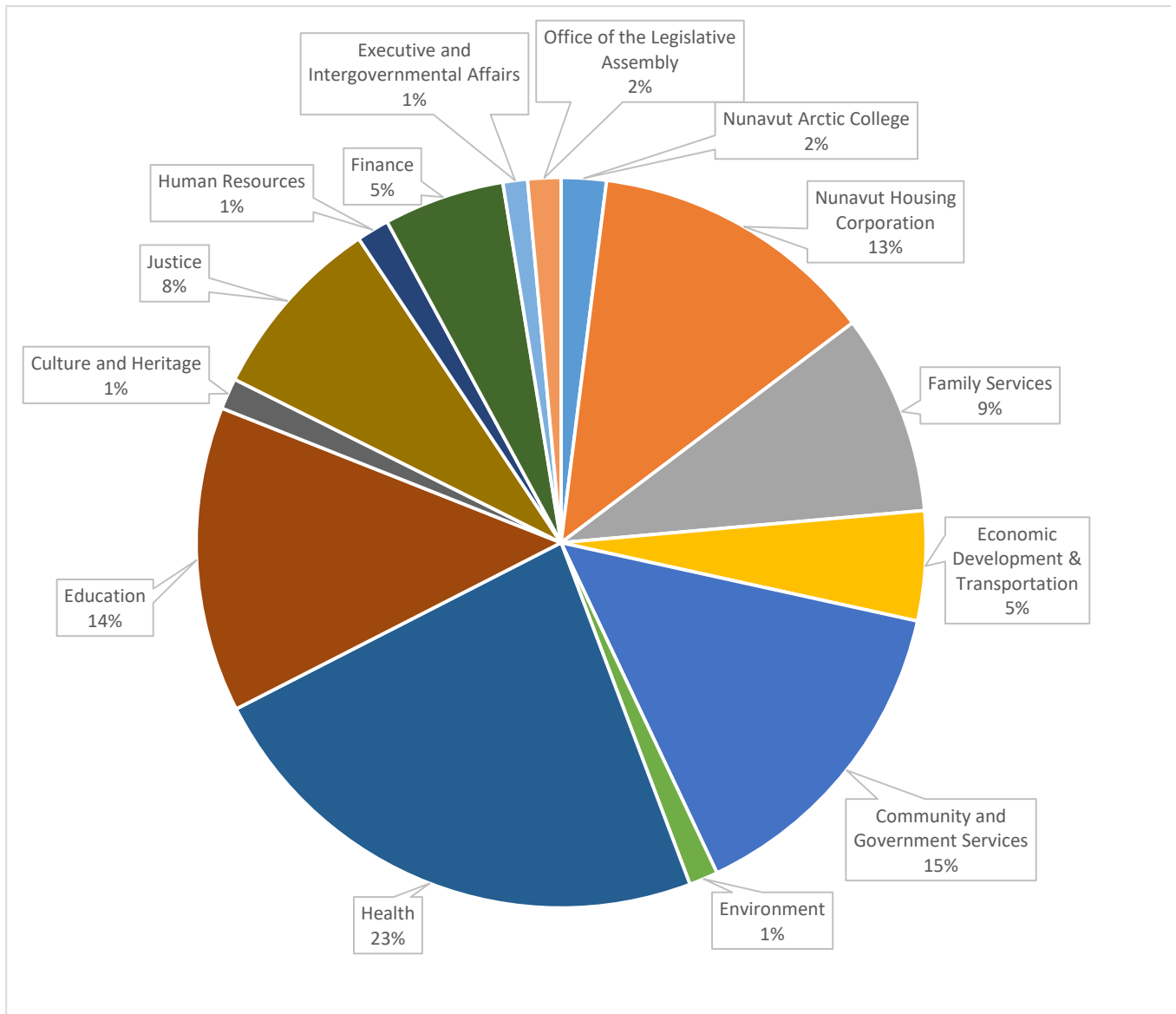
We do not calculate variances for the Nunavut Housing Corporation and Nunavut Arctic College. Both receive appropriations from the Government of Nunavut, but they manage their budgets separate from the rest of the government. Full accounting for both entities will be included in the Government of Nunavut's Consolidated financial

There were two O&M supplementary appropriations in the period covered in this report. However, given the new increase in fuel prices, we expect that the Department of Community and Government Services, the Department of Economic Development and Transportation, and the Nunavut Housing Corporation may ask for supplementary funding to address the possible shortfall if they are unable to fund the cost internally.

At the mid-point of the year, all departments other than the Department of Health and Family Services are projecting marginal surpluses. It is common for departmental forecasts to improve, relative to budgets, as we move closer to the end of the year. This typically happens as departments secure funding from third parties, decommit funding which is no longer needed for specific projects, or set accruals for projected expenses. Departments are free to reorganize their budgets, to use surpluses from one area to cover shortfalls in other areas (with some exceptions). If a department expects to overspend its budget, they must seek a supplementary appropriation from the Legislative Assembly.

The Departments of Health and Family Services are currently expecting to exceed their appropriation for the year. Health and Family Services each expect to request supplementary appropriations to cover their operations in this fiscal year. For perspective, Health's expected budget shortfall is about 11 % of their revised budget and Family Services' projected deficit is about 7% of their approved budget. The overall impact of these projected deficits is less than 2% of the total revised estimate. Total expenditures equal about 49% of the approved budget at mid-point of the year.

SUMMARY OF OPERATIONS AND MAINTENANCE BUDGET



SUMMARY OF CAPITAL BUDGET

DEPARTMENT	Capital Estimates 2023-2024 (\$000)	Capital Carryover 2023-2024 (\$000)	Supplementary Capital 2023-2024 (\$000)	Revised Capital 2023-2024 (\$000)
Office of the Legislative Assembly	250	-	-	250
Executive and Intergovernmental Affairs	-	41	-	41
Finance	20,163	14,089	-	34,252
Human Resources	-	-	-	-
Justice	1,350	5,472	-	6,822
Culture and Heritage	1,450	450	-	1,900
Education	47,730	26,237	-	73,967
Health	32,454	16,383	2,513	51,350
Environment	2,550	5,407	-	7,957
Community and Government Services	103,489	77,700	-	181,189
Economic Development and Transportation	16,104	23,060	100	39,264
Family Services	1,900	1,093	-	2,993
Nunavut Housing Corporation	110,510	-	-	110,510
Nunavut Arctic College (included in Finance)	-	-	-	-
Total operations and maintenance expenditures	337,950	169,932	2,613	510,495

When capital projects are not completed in a single fiscal year, the unused funds at year end need to be carried forward to the next year to ensure the project can continue. Some capital carryovers are caused by delays in starting or completing a project, but some projects are multi-year by design. Some carryovers are unavoidable, while others (such as those caused by project delays) should be reduced when possible.

The GN had carryovers of \$169.9 million from 2022-23 to 2023-24, which is about 50% of the 2023-24 Capital Budget, and the largest in the GN's history. Large capital carryovers present a risk because there is limited capacity in the territory to complete projects. If the number of active projects continues to grow, they will be competing for a limited number of resources, including (but not limited to) labour and equipment.

GN departments, including the Nunavut Arctic College, submit a list of capital projects that require carryovers to the Department of Finance following the process established in the GN's Financial Administration Manual (FAM).

Aside from carryovers, two departments received supplementary capital appropriations in 2023-24 totalling \$2.613 million. Supplementary capital appropriations are generally needed when a new project is added into the capital plan after it was approved or when a project becomes more expensive than originally anticipated.

SUMMARY OF CAPITAL EXPENDITURES

DEPARTMENT	Capital Estimates 2023-2024 (\$000)	Revised Estimates 2023-2024 (\$000)	Year-End Projection 2023-2024	Variance to Revised Budget
Office of the Legislative Assembly	250	250	15	235
Executive and Intergovernmental Affairs	-	41	41	-
Finance	20,163	34,252	12,819	21,433
Human Resources	-	-	-	-
Justice	1,350	6,822	6,822	-
Culture and Heritage	1,450	1,900	1,900	-
Education	47,730	73,967	39,204	34,763
Health	32,454	51,350	51,350	-
Environment	2,550	7,957	7,957	-
Community and Government Services	103,489	181,189	104,612	76,577
Economic Development and Transportation	16,104	39,264	27,398	11,866
Family Services	1,900	2,993	2,993	-
Nunavut Housing Corporation	110,510	110,510	110,510	-
Nunavut Arctic College (included in Finance)	-	-	-	-
Total operations and maintenance expenditures	337,950	510,495	365,621	144,874

The approved 2023-24 Capital Estimates was \$337.95 million. Since then, over \$172.55 million has been approved through the various supplementary appropriations. This comprises of \$169.93 million in capital carryovers and \$2.61 million of additional funding approved by the Legislative Assembly.

At mid-year, GN departments have spent \$58.2 million and committed an additional \$75.8 million. Departments are projecting that they will spend about \$365.6 million of the \$510.5 million available in 2023-24. If these projections hold, we will see capital carryovers of about \$144.9 million from 2023-24 to 2024-25.

However, year-end adjustments, accruals and project delays can be difficult to predict in advance. We expect the carryover amount to fluctuate between now and the end of the year. The current forecast of \$144.9 million in carryovers from this year to next is down from the \$169 million carried over from 2022-23. If this trend holds, it is a positive sign that some of the 'backlog' of projects caused by the pandemic are progressing or being completed.

SUMMARY OF DEBTS

DESCRIPTION	Approved Debt	Actual Debts	Variance
	April	September	
	2023-2024	2023-2024	
	(\$000)	(\$000)	(\$000)
QEC Term Loan Facility Guaranteed by the GN	179.5	163.2	16.3
NHC Long term Debt Guaranteed by the GN	5.4	5.4	0.0
Nunavut Energy Management Program	17.9	17.1	0.8
Total Long Term Debt	202.8	185.8	17.1
QEC and NDC Bank Credit Facility and Overdraft (Guaranteed by GN)	10.1	10.1	-
Total GN Debt and Guaranteed Debt	212.9	195.8	17.1
Capital Leases			
GN Capital lease obligations	41.8	38.1	3.7
Total Capital Leases	41.8	38.1	3.7
Total Debts and Capital Leases	254.6	233.9	20.8
Iqaluit Airport (P3)	147.7	146.6	1.1
Total Debt with Capital leases and Airport projections	402.3	380.4	21.8
Authorized Borrowing Limit	750.0	750.0	-
Available Borrowing	347.7	369.6	21.8

The Government of Nunavut is legally authorized to borrow up to \$750 million. We refer to this amount as our borrowing limit or 'debt cap'. Borrowing, capital leases, and loans for public agencies which are guaranteed by the GN all count against the debt cap.

Approved debt refers to amounts which we have allocated to third parties, such as the GN's Public Agencies. Actual debts are the amounts of approved debt that these third parties have drawn on under the approved limits. While total approved debts are not counted against our debt cap if they are not fully utilized, we treat them as unavailable for planning purposes.

As of March 31, 2022, the Governor General in Council of Canada, pursuant to subsection 27(4) of the Nunavut Act, approved the Government of Nunavut borrowing up to \$750 million. The available borrowing limit of the GN increased by \$21.8 million over the period.

