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| Issue Date: August 15, 2019 | Amended Date: September 20, 2020 | Responsible Agency: Expenditure Management, Office of the Comptroller General | Directive No: 890 |
| Chapter: Control of Expenditures | | | |
| Directive Title: MANAGEMENT AND CONTROL OF GOVERNMENT'S BORROWING LIMIT | | | |

1. POLICY

The Government must not exceed the authorized borrowing limit that represents the maximum amount of the aggregate of all borrowings set by the Governor in Council pursuant to subsection 27(4) of *Nunavut Act*, and must comply with the *Borrowing Authorization Act* and the Nunavut Borrowing Limit Regulations under the *Nunavut Act*.

The Government, through the Financial Management Board (FMB), must adequately manage and control the approval of all planned use and the available balance of the borrowing limit. The Expenditure Management division of the Department of Finance and the Office of the Comptroller General assist the FMB in carrying out these duties.

Organizations included in the government reporting entity must identify and report to Expenditure Management all their current borrowings and other arrangements that fall under the scope of the borrowing limit and must obtain the FMB approval for all planned new or revised borrowings, contracts or other financial arrangements that may affect the Government's borrowing limit.

2. DEFINITIONS

Borrowing

Based on section 2 (1) of the Nunavut Borrowing Limits Regulations, each of the following constitutes or is deemed to constitute borrowing by the Government:

- a) an obligation incurred as a result of any loan of money received, including a loan made by the issuance and sale of bonds, debentures, notes or any other evidence of indebtedness;

- b) an obligation incurred as a result of any capital lease entered into where the initial value of obligation, exceeds the tangible capital asset threshold used for Public Accounts reporting;
- c) a liability incurred as a result of any sale-leaseback transaction if the Government acquires a leased tangible capital asset; and
- d) a contingent liability incurred as a result of any loan guarantee provided by the Government.

Capital lease

Capital lease is a lease of a capital asset that transfers substantially all the risks and benefits of ownership to the government. The asset is recorded as an asset of the government, and the obligation to pay is recorded as a liability.

Government Reporting Entity

The government reporting entity, as defined in the CPA Canada Public Sector Accounting Standards, comprises government components and organizations controlled by government.

The government reporting entity, for the purpose of the annual consolidated financial statement, includes all government departments, revolving funds and the public agencies listed in *Schedule A* and *Schedule B* of the *Financial Administration Act* (i.e., all territorial corporations and other public agencies, except for the Workers' Safety and Compensation Commission).

3. DIRECTIVE

The Government is required to ensure that it is fulfilling its responsibility of not exceeding the authorized borrowing limit. In order to accomplish this, it requires all organizations included in the government reporting entity to identify and report to Expenditure Management all current and proposed capital leases and borrowings, as defined in this directive, and obtain the FMB approval for planned and revised borrowings, capital leases, financial transactions or arrangements prior to incurring any obligation that may fall under the scope of the borrowing limit.

This directive applies to all government departments, public agencies or other reporting bodies that are part of the government reporting entity for the purposes of Public Accounts.

4. PROVISIONS

- 4.1. All organizations included in the government reporting entity (i.e., departments, revolving funds, territorial corporations and other public agencies) must:
- a) identify and report to Expenditure Management all capital leases and other arrangements that fall under the scope of the borrowing limit (including interest-free loans, capital leasing, financing, guarantees, indemnities, alternative financial arrangements or other transactions); and
 - b) submit all planned and revised capital leases, borrowings and other transactions or arrangements that may affect the borrowing limit to the FMB for review and approval in advance of the related contractual or other arrangements being signed. All planned and revised borrowings of territorial corporations whose borrowings are guaranteed by the Government must be approved by the FMB.
- 4.2. Expenditure Management shall define and communicate to all organizations included in the government reporting entity the nature, extent and timing of information to be submitted in order to prudently manage and control the use and balance of the borrowing limit.
- 4.3. All organizations included in the government reporting entity shall provide appropriate information to Expenditure Management on their planned and current use of the borrowing limit, and report any changes in a timely manner.
- 4.4. Expenditure Management is responsible for updating information on the use and available balance of the borrowing limit and providing this information to senior management of the Department of Finance as and when needed.
- 4.5. The *Borrowing Authorization Act* stipulates that the Commissioner may borrow money to ensure that the Consolidated Revenue Fund is sufficient to meet disbursements lawfully authorized to be made from it. Borrowing under this Act is intended as short-term financing to meet operational cash flow requirements and not long term capital financing as defined in Section 2 (1) of the Nunavut Borrowing Limits Regulations. The borrowed amount may not exceed \$175 million at any time. If the Government borrows money under the *Borrowing Authorization Act*, the borrowed amount must be included under the borrowing limit set pursuant to subsection 27(4) of



Nunavut Act. The current amount of the borrowing limit is indicated in Appendix A.

- 4.6. The Office of the Comptroller General shall be consulted for resolution of any issues that arise in determining what constitutes a planned or actual use of the borrowing limit (e.g., capital leases, guarantees, and alternative financial arrangements).
- 4.7. The Public Accounts shall include summary disclosure of the use and availability of the borrowing limit as at the fiscal year-end.



Appendix A

On September 20, 2020, the Governor General in Council, pursuant to subsection 27(4) of the *Nunavut Act*, set the maximum amount of the aggregate of all borrowings at **\$750 million**; [P.C. 2020-0662].