

**2023-2024 Capital Estimates**

Mr. Speaker, later today I will be tabling the 2023-2024 Capital Estimates, which uses a revised approach in budgeting that better aligns the GNWT's planned spending with actual project delivery. Overall, the proposed Capital Estimates include \$328 million in total spending, comprised of \$292.5 million in departmentally managed capital, and \$35.5 million for Housing NWT.

Over the last nine years, the GNWT has proposed capital plans averaging \$405 million per year but the actual average spend was only \$226 million per year. Put simply, the GNWT does not have the capacity to develop all the projects we have been putting into the capital budget in the past few years, nor can the Northwest Territories economy supply the labour and materials necessary to build assets on the schedule and scale proposed in previous GNWT capital plans. This creates unrealistic expectations among residents and communities, does not encourage good planning, and necessitates an unnecessarily large borrowing plan.

This revised approach puts a \$260 million funding cap on departmental capital spending beginning in 2023-2024 and brings the capital budget closer in line with the actual expectations. Infrastructure contributions for community governments and funding for Housing NWT are not included in this cap.

As part of this process, we asked departments to go through their planned investments and reassess what can actually be accomplished within this new funding cap and recognize that previously approved cost estimates and timelines of projects that have not advanced are now dated and will need to be re-visited. This approach was reviewed by an Inter-Departmental Working Group and the new Assist Deputy Minister's Working Committee tasked with overseeing the capital planning process. Going forward, any new project cost

estimates being proposed by departments will be reviewed by a Peer Review Committee, which will provide technical oversight on project planning.

In some instances, we adjusted our investment timeline to move some projects back to the planning stage on the recommendations of the Assistant Deputy Minister's Review Committee. Once unresolved issues that may have been delaying these projects are addressed, these projects will come back through the annual capital planning process for inclusion in the capital plan. We are moving, not cancelling, previously approved projects from long-term planning and have included \$8.7 million in the 2023-2024 Capital Estimates to assist with further project scoping and design such as the Great Bear River Bridge currently proposed as part of the Mackenzie Valley Highway, the Colville Lake school, and a number of long-term care facilities. In short, projects that have lingered on the books, but are not advancing, will now see a better focus placed on problem-solving and planning so that they can in fact be ready to advance.

We are transforming our capital budgeting to encourage sound planning and refocus on projects that will be delivered. Our stronger emphasis on sound planning will also benefit local industries and businesses by allowing them to realistically plan to help deliver GNWT projects. To be clear, funding for smaller capital projects typically delivered by local businesses was not impacted by the \$260 million cap in the 2023-2024 Capital Estimates. This includes small capital projects, retrofits and bio-mass funding, funding for highway bridges, culverts and chip sealing and information management and technology equipment, and deferred maintenance. What has changed is that the more rigorous planning process for large capital projects will help businesses be assured that large capital projects proposed in the 2023-2024 Capital Estimates are truly ready to be built.

Our capital planning process is guided by a process handbook that prioritizes projects based on the protection of people, assets, the environment, and financial investments. Our needs list includes all the projects we envision for our future and reflects our priorities combined with a long-term vision that extends well beyond any single Legislative Assembly. The additional funding included in the capital budget for planning and design

will help decision-makers evaluate when projects should be included in the Capital Estimates for review and approval by this House.

This more realistic approach to capital planning provides a more accurate borrowing plan and more transparency with the Fiscal Responsibility Policy. The Policy requires that at least half of GNWT capital investments are financed by an operating surplus. When capital budgets are larger than what can be delivered, we end up approving a borrowing plan that is too high for our needs, which in turn, sends a negative signal to financial stakeholders, and users of the information published in our budgets.

Mr. Speaker, the 2023-2024 Capital Estimates align realistic spending and achievable timelines and continue to advance mandate priorities agreed to by the 19<sup>th</sup> Legislative Assembly. The new approach that resulted in these proposed estimates will encourage fulsome planning, support more realistic fiscal management and, importantly, focus attention and accountability where it should be; on the delivery of those projects that are in fact shovel ready.

Thank you, Mr. Speaker.