



15th Legislative Assembly of the Northwest Territories

Standing Committee on Accountability and Oversight

Report on the 2007-2008
Pre-Budget Review Process

Chair: Mr. Jackson Lafferty

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February 9, 2007

SPEAKER OF THE LEGISLATIVE ASSEMBLY

Mr. Speaker:

Your Standing Committee on Accountability and Oversight is pleased to provide its Report on the 2007-2008 Pre-Budget Review Process and commends it to the House.

A handwritten signature in black ink, appearing to be 'J. Lafferty', enclosed within a large, loopy circular flourish.

Jackson Lafferty, MLA
Chairperson

**STANDING COMMITTEE ON
ACCOUNTABILITY AND OVERSIGHT
REPORT ON THE 2007-2008
PRE-BUDGET REVIEW PROCESS**

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REPORT ON THE 2006-2007 PRE-BUDGET REVIEW PROCESS

INTRODUCTION

The Standing Committee on Accountability and Oversight is pleased to present its report on the 2007-2008 Pre-Budget Review. This report covers both the Committee's review of the 2007-2010 Draft Business Plans, which took place in September 2006, and the review of the 2007-2008 Draft Main Estimates, which took place in January 2007.

2007-2008 was the second budget cycle with pre-budget consultations, which the Committee undertook in late summer of 2006. The Committee presented its report on those consultations last October, and looks forward to the tabling of the Government's response later in this sitting.

This was also the second year Committees used a shortened process to review the Draft Main Estimates. Committee Members continue to support this approach as we feel that detailed discussions on the proposed budget should take place in the Legislative Assembly, on the public record, rather than in closed-door meetings.

Our shortened review of the Draft Main Estimates, conducted on January 15, 2007, included a fiscal update from the Minister of Finance, as well as an opportunity to receive information on changes made to the budget since last September's Draft Business Plans.

DEPARTMENT OF EXECUTIVE

The Committee met with the Premier on September 28, 2006 to review the Draft Business Plan for the Department of Executive.

The Committee noted that the Department of Executive is proposing to spend \$13,161,000 in Operations Expense for the fiscal year 2007-2008. This represents a small decrease of \$36,000 from last year's Main Estimates.

Committee Members offer the following comments on issues arising out of the review of the 2007/2008 Draft Main Estimates and budget-planning cycle:

Joint Boards and Agencies Review Initiative

Early in the life of the 15th Assembly, Cabinet and the Standing Committee on Accountability and Oversight had agreed to form a working group to review the NWT Boards and Agencies. As a result of this successful collaboration, a *Boards and Agencies Policy* was adopted in June 2005. The full implementation of this policy will significantly change the mandates/operations of existing boards, as it will establish a Governance Framework for board operations, provide criteria for board classification and a process for creating new boards.

In 2005 the Joint Working Group on Boards and Agencies suggested that a boards and agencies unit be established to fulfill the mandate of the initiative by implementing the *Boards and Agencies Policy* and the *Governance Framework*. Cost estimates to establish this function are \$300,000 for the 2007-2008 fiscal year.

Recommendation

The Standing Committee on Accountability and Oversight recommends that \$300,000 for the establishment of a boards and agencies unit will be included in the budget of the Department of Executive in order to fully implement the Boards and Agencies Policy and Governance Framework as agreed to by the Joint Working Group.

DEPARTMENT OF ABORIGINAL AFFAIRS AND INTERGOVERNMENTAL RELATIONS

The Committee met with the Premier on September 28, 2006 to review the Draft Business Plan for the Department of Aboriginal Affairs and Intergovernmental Relations.

Committee Members noted that the Department of Aboriginal Affairs and Intergovernmental Relations is proposing to spend \$7,450,000 in Operations Expense for the fiscal year 2007-2008. This represents a small increase of \$122,000 or 1.66% from last year's Main Estimates entirely due to forced growth for wages and benefits.

FINANCIAL MANAGEMENT BOARD SECRETARIAT

The Committee met with the Minister responsible for the Financial Management Board on September 19, 2006 to review the Draft Business Plan for the Financial Management Board Secretariat.

Committee Members noted that the Financial Management Board Secretariat is proposing to spend \$18,626,000 in Operations Expense for the fiscal year 2007-2008. This represents a slight increase of \$343,000 since the Main Estimates in 2006-2007. The Secretariat is also proposing to spend \$7,500,000 on Capital Projects in fiscal year 2007-2008 for the replacement of the government wide Financial Information System (FIS).

The Committee offers the following comments:

Growth of the Public Service

Members have repeatedly expressed concerns regarding the growth of the public service, especially with the recent news that the NWT's population may be decreasing. The creation of new positions that do not provide frontline services is of particular concern.

Members recognize that at this point in the life of the 15th Legislative Assembly, it is too late to conduct a full review of the GNWT workforce. However, we believe that the next Government should consider undertaking a zero-based review of GNWT positions early in its mandate.

Recommendation

The Standing Committee on Accountability and Oversight recommends that the Government include in its transition document a recommendation that the next Government undertake a zero-based review of public service positions early in its mandate.

Funding to Frontline Organizations

During the 2006 pre-budget consultations, the Committee was disappointed to find out that pressing issues for frontline organizations, such as the need for better funding arrangements, improved partnerships and support have not improved much since last year. Even though the government established new Third Party Funding Criteria to provide guidelines to GNWT departments, little has changed, with inconsistencies persisting and few multi-year funding arrangements in place.

The Committee recognizes that funding must be distributed equitably amongst organizations, allowing them increased financial and program stability based on predictable funding arrangements.

Frontline organizations have repeatedly raised concerns regarding insufficient project funds, lack of forced growth funding, lack of funding to provide wage parity, training and adequate supervision and support for staff, inadequate project administration and core funds and delayed receipt of funding from signed contracts and contribution agreements. Furthermore, the lack of multi-year funding results in insecurity and the inability to do longer range program and operational planning or to participate in policy and program development and consultations.

Government needs to be mindful that volunteer boards with representation from across the NWT govern these frontline organizations. The lack of certainty and security for their commitments to staff, office space and clients wears them out, as does the burden of annual audits, contracts and contribution negotiations. The GNWT should be demonstrating support and good faith towards these volunteers.

While the increase in funding for community justice committees, forced growth allocation to the first tier health and social services sector frontline organizations, and multi-year funding agreements with a few organizations are steps in the right direction, more is needed. There are also concerns about unequal treatment of organizations based on whether they are in a contribution agreement or have a contract arrangement with the Government.

The Government needs to live up to its commitments to improve the support for frontline organizations, including the full implementation of the Third Party Accountability Framework, the completion of binding government-wide policies and the revision of the *Financial Administration Act* and regulations. Most importantly, the Government needs to fully engage in the Finance Action Working Group that was created through Volunteer NWT to improve coordination between GNWT departments and Non Government Organizations.

Failure to address these concerns sooner has brought many frontline organizations to a crisis point. It is not acceptable for the Government to halt all action now and label this a transition issue for the next Government. Proposed revisions to the *Financial Administration Act* and associated regulations and policies should be ready for the next Government to consider by the time this Government leaves office.

Recommendation

The Standing Committee on Accountability and Oversight recommends that the GNWT continue to work to fully implement the Third Party Accountability Framework, develop required legislation and policies and engage with the Finance Action Working Group to improve coordination between departments and frontline organizations.

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DEPARTMENT OF HUMAN RESOURCES

The Committee met with the Minister of Human Resources on September 20, 2006 to review the Draft Business Plan for the Department of Human Resources.

The Committee noted that the Department of Human Resources is proposing to spend \$31,591,000 in Operations Expense in fiscal year 2007-2008. This represents an increase of \$2,354,000 or 8.05% since the 2006-2007 Main Estimates due to increased cost for salaries and benefits, medical travel for GNWT employees, database administration and Peoplesoft licensing.

The Department of Human Resources is also proposing to spend \$217,000 on Capital Projects in fiscal year 2007-2008. This amount will be used to complete the Peoplesoft human resources management system upgrade.

DEPARTMENT OF FINANCE

The Committee met with the Minister of Finance on September 19, 2006 to review the Draft Business Plan for the Department of Finance.

Committee Members noted that the Department is proposing to spend \$11,461,000 in Operations Expenses in fiscal year 2007-2008. This substantial increase of \$3,508,000 or 44.11% since the 2006-2007 Main Estimates is mostly (\$3,200,000) due to the increase of short-term interest expenses beside higher costs for insurance premiums and salaries and benefits.

Committee Members offer the following comments on issues arising out of the review of the 2007-2008 Draft Main Estimates and budget-planning cycle:

Financial Relationship with Canada

The Standing Committee believes that the NWT has a bright future. However, its ability to use the unfolding opportunities to the benefit of the population will also depend on the GNWT's capacity to make timely investments in infrastructure and people. Therefore, the Committee continues to support the Finance Minister in his efforts to secure a fair formula financing arrangement with Canada, and to have the arbitrarily imposed borrowing limit of \$300 million increased.