



# **15<sup>th</sup> Legislative Assembly of the Northwest Territories**

## **Standing Committee on Accountability and Oversight**

Report on the 2006-2007  
Pre-Budget Review Process

Chair: Mr. Kevin Menicoche

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Northwest  
Territories

Legislative Assembly

Standing Committee on Accountability and Oversight

February 3, 2006

SPEAKER OF THE LEGISLATIVE ASSEMBLY

Mr. Speaker:

Your Standing Committee on Accountability and Oversight is pleased to provide its Report on the 2006-2007 Pre-Budget Review Process and commends it to the House.

A handwritten signature in cursive script that reads "K Menicoche".

Kevin Menicoche, MLA  
Chairperson





**STANDING COMMITTEE ON  
ACCOUNTABILITY AND OVERSIGHT  
REPORT ON THE 2006-2007  
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 its 2006-2007 Pre-Budget Review. This report covers both the Committee's review of the 2006-2009 Draft Business Plans, which took place in September 2005, and also its review of the 2006-2007 Draft Main Estimates, which took place in January 2006.

During this budget cycle, changes were introduced with the goal of increasing the level of public debate and involvement in the budget process. The first change was the implementation of pre-budget public consultations, which the Committee undertook late in the summer of 2005. 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.

The second change was to the process Committees use to review the Draft Main Estimates. In the past, Committees have met with Ministers over a two-week period leading up to the budget session to review the Draft Main Estimates for each of the Departments in detail. Committee Members were concerned that much of the discussion during these reviews was redundant and should be taking place in the Legislative Assembly, where it would be on the public record, rather than in closed-door meetings. This year, the Draft Main Estimates review was shortened to a meeting of approximately two days between the Standing Committee on Accountability and Oversight and the Minister of Finance. The primary purpose of this meeting was to give Committee Members an opportunity to receive information on changes made to the budget since last September's Draft Business Plans, while leaving the detailed department-by-department review for the Legislative Assembly. It is hoped that this new approach will lead to more energetic and informative budget debates on the floor of the House.

### **DEPARTMENT OF THE EXECUTIVE**

Members of the Accountability and Oversight Committee had an opportunity to meet with the Premier on September 20, 2005 to review the Draft Business Plan for the Department of the Executive.

Members also received a briefing from the Minister of Finance on January 17, 2006 outlining the changes to the budget for the Executive since the Committee reviewed the Draft Business Plan in September.



Committee Members made note that the Department is proposing to spend \$13,197,000 in Operations Expense for the fiscal year 2006-2007.

Committee Members offer the following comments on issues arising out of the review of the 2006-2007 Draft Main Estimates and budget-planning cycle.

### **Socio-Economic Impact Fund**

On July 18, 2005 the Government of Canada announced their intent to establish a \$500 million Socio-Economic Impact Fund (SEIF) to mitigate the impacts of the Mackenzie Gas Project (MGP) on communities located along the proposed pipeline route. This fund came about as a result of a collaborative effort between regional Aboriginal Leaders and the GNWT to encourage the Federal Government to acknowledge the costs, both social and economic, that NWT communities face as a result of the pipeline construction.

The 2006-2007 Budget includes funding for a new Senior Advisor position, to coordinate GNWT involvement with the Socio-Economic Impact Fund. The Standing Committee has significant concerns about the Socio-Economic Impact Fund and does not support the new position at this time.

The Committee believes it is premature to propose this position in the 2006-2007 Draft Main Estimates. Although the fund was announced in July, federal legislation to enable the money to flow was not passed prior to dissolution of Parliament. There is no guarantee that the new Conservative government will follow through with this agreement. In response to questions put to the Conservative Party about its support for the fund and its willingness to pass the necessary legislation as quickly as possible, the Conservative Leader declared support for "the general principles and objectives of the Socio-Economic Impact Fund". Members are not convinced that enabling legislation will be passed imminently. So, although Members see merit in the GNWT having a seat at the table that would see the fund distributed, they see no urgency and therefore recommend that Government refrain from creating a Socio-Economic Impact Senior Advisor position until such time as there is parliamentary assurance.

The Committee is also opposed to the GNWT taking on administrative costs to oversee the allocation of the SEIF and certainly does not support funding a new position to coordinate GNWT involvement in that context. It is the Committee's position that all administrative costs should be borne by the Federal Government and included in the Socio-Economic Impact Fund Agreement.

When, and if, the SEIF goes ahead, it will not flow through the Government of the Northwest Territories. Nonetheless, Members agree with the Government that it is in the interest of NWT residents for the GNWT to be at the table. The GNWT has an important role to assist with the coordination and effective use of all

funding intended to mitigate the negative impacts of development, irrespective of its source. The GNWT also has a level of expertise to lend to the process.

However, the Committee feels very strongly that the case could and should be made to the federal government that the SEIF must include a contribution to the GNWT for reasonable administrative costs. The fund is ample enough that the Committee sees no reason it add a financial burden to the GNWT.

Finally, Committee believes it is excessive to create a position that will exclusively oversee one single federal fund, especially since funding will not flow through the GNWT. Members see this as inefficient use of scarce resources. The GNWT is faced with fiscal restraint. Legislators are being forced to make difficult decisions about how to best use scarce resources. Managers are being asked to make do with less. The creation of this position, as presented in the 2006-2007 Draft Main Estimates, is not acceptable. The work could be done by current GNWT employees. The GNWT already has eight staff at the Mackenzie Valley Pipeline Office in Hay River, whose mandate is to focus on government-wide coordination, planning and strategy formulation, to maximize the benefits and to mitigate the adverse impacts of the development of the proposed Mackenzie Gas Project. Moreover, the 2006-2007 Draft Main Estimates proposes four new Regional Superintendents for the Department of the Executive. Committee Members consider these new positions well placed to be the local liaison between the GNWT and the regions on the SEIF rollout.

#### **Recommendation**

**The Standing Committee on Accountability and Oversight recommends that the Government delete the proposed Socio-Economic Impact Fund Senior Advisor Position.**

#### **Extraordinary Funding Initiatives and Impacts on GNWT Responsibilities**

The Standing Committee on Accountability and Oversight, along with counterparts on the Standing Committee on Governance and Economic Development, notes that there are an increasing number of new or extraordinary funds becoming available to regions and communities for a variety of programs and projects, worth a considerable sum of money. The SEIF is worth \$500 million over ten years. The Federal Gas Tax will flow \$37.5 million to community governments for new infrastructure funding over a five-year period beginning in 2005. The Municipal and Rural Infrastructure Fund will provide joint federal-territorial community infrastructure funding of \$32 million over five years, \$16 million from the Federal Government and \$16 million from the GNWT, while tax-based communities are expected to contribute another \$7 million. The



Community Capacity Building Initiative includes \$35 million to communities, as a result of the Northern Strategy Agreement.

Irrespective of the source of the funds, or their criteria, communities' decisions to make use the funds available to them will impact upon the responsibilities and priorities of the GNWT. As communities and regions begin to access these funds, identify their priorities and move forward with projects, the Committee perceives a need for the GNWT to have a clear position on how the choices made by the communities will affect GNWT responsibilities.

Rather than creating a new position exclusively to oversee the SEIF, the Committee suggests it would be a better use of resources for the new Regional Superintendents of the Executive to coordinate all extraordinary funds, to ensure there are no competing interests, duplication or downloading of responsibilities.

### **Resource Development Impacts**

The Standing Committee on Accountability and Oversight takes very seriously the responsibility of the GNWT to ensure that all residents of the NWT are prepared to take advantage of opportunities presented by economic development, and that adverse social impacts of development are mitigated *in all communities*. The Committee is concerned that the Socio-Economic Impact Fund only addresses the needs of regions directly along the proposed pipeline route. Committee points out that the impacts of large-scale development are felt throughout the territory, including smaller communities that are not directly on the proposed route. The same is true of the larger centres: Hay River, Fort Smith and Yellowknife. Committee urgently reminds the GNWT of its responsibility to all NWT communities.

### **Coordinating Role for Government-Wide Initiatives**

During the review of the 2006-2009 Draft Business Plan, the Standing Committee on Accountability and Oversight noted that the Department of the Executive was taking on increasing responsibility for coordinating government-wide initiatives. The Committee suggested it would be preferable that the Department whose mandate makes them best suited takes lead responsibility to coordinate initiatives that involve more than one Department. For example, the Committee recommended that MACA would be better suited to take the lead for Canada Games 2007, because of its mandate for sports and recreation. Similarly, the responsibility for International Polar Year should rest with a department with expertise in the area of research and the environment, for example, the Department of Energy and Natural Resources.

The Committee recommended that the Executive review its coordinating role in government-wide initiatives very carefully and consider if a program department



with expertise specific to the initiative could take the lead for inter-departmental coordination.

At the root of the recommendation was the concern that as government units that provide services to government, such as the Executive, take on increasing responsibility, there is need for additional resources. The cost of government administration is growing at an alarming rate and the Committee sees a need to be cautious. As legislators, we must ensure that any new central administrative initiatives, such as the coordination of a government-wide initiative, are looked at very critically to consider if there are already-existing resources available to take the lead.

Since that time, the Government has embarked on an initiative to improve planning and coordination in government. Committee is generally pleased with the initiative to date. However, as this work moves ahead, Committee Members caution the government that unwarranted administrative growth will not be supported.

#### **Duplication of Mandates and Activities – Executive and the Ministry of Aboriginal Affairs**

The Standing Committee on Accountability and Oversight has been concerned for some time now about the duplication of mandates and activities of the Ministry of Aboriginal Affairs and the Department of the Executive, particularly the office of Intergovernmental Affairs and Strategic Planning. One year ago, during the review of the 2005-2006 Draft Main Estimates, the Committee recommended that the Premier undertake an internal review of the two departments to identify where duplication exists and to come forward with options to address this.

The Committee acknowledges that considerable work has been initiated to improve the planning and coordinating functions of government, including the plan to move the Intergovernmental functions from the Executive into the Ministry of Aboriginal Affairs. The Committee supports this organizational change and hopes that this will lead to increased efficiency and effectiveness in government-to-government negotiations. While implementing this initiative, the Committee again urges the Government to keep in mind there is a need to keep public service growth in check.

Finally, some Members caution that as we move forward to a new era of intergovernmental relationships in a self-government political environment, the significant relationship between the GNWT and Aboriginal Governments must continue to be reflected in the GNWT structure.

## **ABORIGINAL AFFAIRS AND INTERGOVERNMENTAL RELATIONS**

Members of the Accountability and Oversight Committee had an opportunity to meet with the Premier on September 20, 2005 to review the Draft Business Plan for the Ministry of Aboriginal Affairs.

Members also received a briefing from the Minister of Finance on January 17, 2006 outlining the changes to the budget for the Ministry since the Committee reviewed the Draft Business Plan in September.

Committee Members made note that the Ministry is proposing to spend \$7,328,000 in Operations Expense for the fiscal year 2006-2007.

Members also made note of the transfer of the Intergovernmental function from the Executive to the Ministry and the transfer of the Devolution function out of the Ministry into the Executive.

Committee Members offer the following comments on issues arising out of the review of the 2006-2007 Draft Main Estimates and budget-planning cycle.

### **Holding GNWT Negotiations in Regions**

During the review of the 2006-2009 Draft Business Plan, the Standing Committee on Accountability and Oversight voiced its long-standing frustration that land claims and self-government negotiations often occur thousands of miles from the communities that are central to the negotiations. The land and communities are, after all, the essence of the negotiations, and Committee Members feel that negotiations should take place where these negotiations matter most. Although the Committee understands that there are logistical reasons that negotiating tables cannot be moved permanently to the regions, the Committee would like to see negotiations held in the relevant regions, as much as possible.

#### **Recommendation**

**The Standing Committee on Accountability and Oversight recommends that, whenever possible, the GNWT should actively seek to hold self-government and land claim negotiations in the relevant regions and to report back to the Committee on progress during the next business planning cycle.**

### **Core Principles and Objectives**

The Committee was pleased to note during the review of the 2006-2009 Draft Business Plan that the Ministry has turned its attention to the important issue of



how to ensure territory-wide standards are maintained in the self-government political environment.

The Committee points out the importance of ensuring standards are protected within the public tendering processes so as to protect the interests of all companies that do business inside the Northwest Territories, to ensure that taxpayers receive the best value for their money for public procurement and to ensure the rule of law is maintained in public government.

## **FINANCIAL MANAGEMENT BOARD SECRETARIAT**

Members of the Accountability and Oversight Committee had an opportunity to meet with the Minister responsible for the Financial Management Board on September 28, 2005 to review the Draft Business Plan for the Secretariat.

Members also received a briefing from the Minister of Finance on January 17, 2006 outlining the changes to the budget for FMBS since the Committee reviewed the Draft Business Plan in September.

Committee Members made note that the Secretariat is proposing to spend \$18,283,000 in Operations Expense in fiscal year 2006-2007, and \$500,000 on Capital Projects in fiscal year 2006-2007.

Members also note that FMBS has undergone a significant organizational change, with the creation of a stand-alone Human Resource Department.

Committee Members offer the following comments on issues arising out of the review of the 2006-2007 Draft Main Estimates and budget-planning cycle.

### **Contract Registry**

During the review of FMBS's Draft Business Plan, the Committee had the opportunity to raise the possibility of moving the Contract Registry from the Department of Industry, Tourism and Investment to the Financial Management Board Secretariat.

The Committee notes a number of reasons to support transferring the Contract Registry Program. First, some Members note that the Secretariat's Establishment Policy clearly states, "the Chairman of the Financial Management Board shall have charge of and be responsible for developing financial and contract policies, systems and procedures required in support of government operations". The Committee further remarked that the Secretariat's 2006-2009 Draft Business Plan notes that Expenditure and Procurement Management is being considered for delivery through the 'Service Centre' concept. Finally, the

Committee points to a recent report on best practices for public procurement that recommends FMBS would be the better suited to oversee the contract registry.

#### **Recommendation**

**The Standing Committee on Accountability and Oversight recommends that the Financial Management Board Secretariat work with Industry, Tourism and Investment to consider the option of moving the contract registry from ITI to FMBS and report back to the Committee on the pros and cons of this move during the next business planning cycle.**

#### **Human Resource Department**

Members of the Accountability and Oversight Committee had an opportunity to meet with the Minister responsible for the Financial Management Board on September 28, 2005 to review the Draft Business Plan for the Centralized Human Resource Unit, prior to the creation of the new stand-alone Department of Human Resources.

The Standing Committee on Accountability and Oversight met with the Finance Minister on January 17<sup>th</sup> to be briefed on major changes within the new stand-alone Department.

Committee Members made note that the Department is proposing to spend \$29,237,000 in Operations Expense in fiscal year 2006-2007, and \$500,000 on Capital Projects in fiscal year 2006-2007.

Members note that consolidation of human resources is finalized with the creation of the stand-alone Department of Human Resources. Important policy issues relating to human resources and the future direction of the public service had previously been put on the backburner while the prerequisite organizational change took place. Now that reorganization is complete, Members look forward to turning their attention to this matter. Some of the priorities Members look forward to discussing with the Minister responsible for the Human Resource Department include: employment equity and the importance of attaining a public service that is representative of the population it serves; the changing demographic of the public service and the need for secession planning; and attaining increased efficiency and effectiveness in government administration.

#### **DEPARTMENT OF FINANCE**

Members of the Accountability and Oversight Committee had an opportunity to meet with the Minister of Finance on September 28, 2005 to review the Draft Business Plan for the Department of Finance.



Members also received a briefing from the Minister of Finance on January 17, 2006 outlining the changes to the budget for the Department since the Committee reviewed the Draft Business Plan in September.

Committee Members made note that the Department is proposing to spend \$7,953,000 in Operations Expense in fiscal year 2006-2007.

Committee Members offer the following comments on issues arising out of the review of the 2006-2007 Draft Main Estimates and budget-planning cycle.

### **Borrowing Limit and the Fiscal Responsibility Policy**

The borrowing limit for the GNWT is arbitrarily set at \$300 million by Order in Council of the Federal Cabinet. The Standing Committee on Accountability and Oversight notes with concern that the current Fiscal Framework projects that the GNWT will exceed the arbitrarily imposed borrowing limit, often referred to as the 'debt wall', in late 2007-2008.

During the last business planning cycle, the Standing Committee on Accountability and Oversight supported the Finance Minister's initiative to establish a Fiscal Responsibility Policy to replace the arbitrary debt limit. Since that time, the GNWT's fiscal situation has taken a turn for the worse, making the need to establish the Fiscal Responsibility Policy all the more urgent.

The Standing Committee on Accountability and Oversight continues to offer strong support for the Government's efforts to advance the Fiscal Responsibility Policy with the Federal Government. The Committee believes it is a positive step to move away from the arbitrarily established debt limit, and to establish a borrowing limit that recognizes the GNWT's capacity to finance debt. Not only is this consistent with practices in other jurisdictions, but moreover, it places responsibility on the GNWT to be accountable for its own debt management.

### **Formula Financing**

During the review, the Committee noted the Federal Government has extended the interim approach to formula financing for another fiscal year while it waits for the delayed report from the Expert Panel. The Finance Minister advised the Committee of the Government's intention to increase efforts to move the GNWT's position forward, especially on the key issue of resource revenue sharing. The Committee sees the change in government in Ottawa and the Council of Federation report on Fiscal Imbalance as opportunities to raise the profile of GNWT.

The Standing Committee strongly supports the Finance Minister to be aggressive in his lobbying efforts.