

13th Assembly

Standing Committee on Government Operations

Report on the 1997/98 Main Estimates

Roy Erasmus, M.L.A.,
Chair

January 28, 1997

**THE HONOURABLE SAM GARGAN, M.L.A.
SPEAKER OF THE LEGISLATIVE ASSEMBLY**

Mr. Speaker,

Your Standing Committee on Government Operations has the honour of presenting its Report on the 1997/98 Main Estimates, and commends it to the House.



**Roy Erasmus, M.L.A.
Chair**



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Standing Committee on Government Operations Report on 1997/98 Main Estimates Review

Process

In October 1996, the Standing Committees reviewed the draft business plans of the various government departments. As a result of the reviews, we made recommendations for change and requested more information. Departments then prepared the draft Main Estimates. These were reviewed by the Standing Committees in early December.

On behalf of the Standing Committees, we would like to express our appreciation to the Ministers and their staff. They have spent considerable time preparing these budgets. Many department have made great efforts to provide the information Committees needed in order to make informed decisions.

The Standing Committee on Government Operations also wishes to thank the other Standing Committees for their diligent efforts in reviewing the draft Main Estimates. They worked hard to ensure this difficult budget is as productive as possible for the people of the NWT.

GENERAL COMMENTS

The Standing Committee on Government Operations, along with all other Ordinary Members, began the budget review process with a meeting to reconfirm priorities in October.

The Committee felt it was important to be sure members agreed to a set of basic principles and directions. Having this common background allowed us to look at the business

plans in our separate Standing Committees in a consistent way.

As a first step, we confirmed that we were committed to balancing the budget in 1997/98.

We then reviewed basic principles. We began with the 10 priorities we set as a Caucus just under a year ago. We agreed again to these principles. Securing our financial future continues to be the number one priority. Until we do this, many of the other priorities will be hard to achieve. We agreed that developing a more efficient and effective government structure was our second priority. It is closely linked to our financial situation and is the area we have been focusing on.

Priorities

1. We will secure our financial future.
2. We will develop a more effective and efficient government structure.
3. We will improve social conditions.
4. We will improve economic conditions
5. We will empower communities.
6. We will work towards community wellness.
7. We will make Nunavut and the new western territory a reality.
8. We will take action on aboriginal issues.
9. We will take control of our own future.
10. We will be heard at the national level.

With agreement on the priorities, we then identified broad areas of interest which Members looked for during the Standing Committee reviews of the 1997/98 budgets.

1. *We need to be less dependent on Federal Government revenues.*

We currently receive more than 80% of our revenues through our grant from the Federal Government. We have very little revenue from economic activity.

The Minister of Finance has talked about the difficulty raising new revenues in the past. We do not think the problem is as much revenues as it is facing the challenge to become more effective in how we use that revenue to meet the needs of the people of the Territories.

We should continue to encourage more revenues through promoting economic and job opportunities in areas such as tourism, mining, and the fur industry.

2. *We need to support the development and wellness of our people.*

Members recognize that in order to achieve our priorities, people need to be prepared to contribute to society and the economy. Social and economic development are intrinsically linked. Within the social envelope, we see a need to support efforts in the areas of training, prevention, intervention and rehabilitation. There is a clear need as well for a job strategy so we make sure there are opportunities for northern residents.

3. It is time to reconsider our standards

One area we felt could be looked at was the area of standards. This government has set standards, particularly in terms of community infrastructure entitlements, based on a very healthy financial picture. For example, we provide a broad range of services and infrastructure to very small communities which in the past would have been considered outpost camps. Is it realistic to continue doing this? These types of standards need to be reviewed in light of the financial realities.

Members are also concerned about standards. There seem to be inconsistencies in the standards used for similar services or programs across the government. For example, each department sets its own capital standards. While there may be coordination initially at the community level in determining needs, this seems to break down as departments review needs from their perspective rather than from a community perspective. There are inconsistencies between different departments in the standards or eligibility criteria for similar or related programs. Now that the major work to achieve a balanced budget is in place, it is time to refine programs and services. Part of this effort should be to address standards.

4. We need to look at capital

On capital spending, we raised the possibility of alternate ways of paying for capital. Mr. Todd indicated that the government was looking at the possibility of moving to a system for financing capital projects more like the private sector and some other

governments across the country. We encourage that work to continue as quickly as possible.

In August 1996, the Standing Committee indicated it would be supportive of capital projects which are essential to serve the basic needs of the community. This would include projects such as schools, health centres, housing, basic water/sewer and primary transportation links such as main roads and wharves necessary for supplies. Projects which did not fit these criteria were closely scrutinized by Standing Committees.

In the area of capital, we do have a concern about the fairness and equity of the allocation. Committees looked carefully at this allocation. One particular issue is the discrepancies between the levels of support for tax and non-tax based municipalities .

5. *We can't maintain programs without people to run them.*

The Committee wanted position cuts to be minimized unless there was a definite demonstration that those positions were redundant or unnecessary. When we looked at position cuts, we looked for the associated program cuts as well.

6. *Subsidies/Grants need to make sense*

Members recognize that, in many cases, the primary beneficiaries of subsidies and grants are those living in our smaller communities. We are not looking to take more away from those who have less. However, we agree that there is a need to look at integration and overlap in subsidies.

7. *We need to look at how we support northern businesses*

There are a number of areas which members feel should be addressed in how we support northern businesses. As one Member said, buy north should be a state of mind. However, the reality is that it is not. We do need appropriate policies and procedures to ensure this happens. However, it must be done in a reasonable way.

Members feel that, in particular, the process for negotiated contracts and leases and the ordering/purchasing policies of this government should be reviewed. We must ensure that the level of subsidy provided to northern business is reasonable and makes economic sense. We look forward to the final result of the Business Incentive Policy review.

8. *We need input from all levels of government*

A number of Members have been talking to individuals within the government who have good ideas. It would appear that they were not given ample opportunity to share their first hand knowledge of how we could become more efficient and effective. Members believe that we need to find a way to get the input, not just of senior managers, but of anyone within the organization with a good idea.

There should be an opportunity at the beginning of each business planning cycle to sit together as a caucus and affirm our direction and priorities. For 1998/99, we would suggest that a caucus meeting on priorities be held prior

to targets being set for departments and the detailed work beginning.

The Standing Committees are mandated to review the business plans and main estimates of the government. In order to do this, we must have adequate information. This is particularly important when members are being asked to support major program changes or structural re-organizations. While members do not always want to know the specific details, they must receive information to demonstrate that the department has done careful analysis of the change and understands the impacts of the change, both on specific program clients and on other programs. In most cases, Committees are asking for information which the department must already have to. This is the information we assume they used in justifying the proposed change to their Minister.

Many departments have done an excellent job of providing full information on an issue. This has allowed the Standing Committees to quickly review the information and make a decision on the change proposed. However, the Committees have concerns about the information provided by some departments. The key problems were as follows:

1. some information was superficial and did not clearly demonstrate the need for the program change in question; and
2. information was slow in coming to Committees. In some cases, it has still not arrived.

In fact, the final report from the Standing Committee on Social Programs cannot not be prepared yet because there are two departments in the Social Envelope where information is still outstanding, even after the Minister of Finance has introduced his budget in this House.

The Standing Committee is concerned about the level of detail in the budgets of some departments. In November, we specifically requested that the government provide additional budget detail for Health and Social Services, Education, Culture and Employment and the NWT Housing Corporation. For the majority of members and the public, their opportunity to scrutinize the budgets of most departments comes during the review of the Main Estimates in the House. When a department which controls 20% of the total Government budget shows that budget in three large activities, it is very difficult for people to comment in any productive way on the programs buried within these activities.

The Standing Committee on Social Programs appreciates that the Ministers are willing to provide the necessary level during committee meetings. However, this does not give other Members and the public access to a level of detail which allows informed discussion.

We understand that larger financial breakdowns allow flexibility for the department to deliver programs and services. However, we believe there must be a balance between this flexibility and a more detailed disclosure of the financial allocations within a department. It is not acceptable that the accounting structure for the Departments of Health and Social Services and Education, Culture and Employment leaves 45% of all 1997/98 expenditures hidden in six activities.

The Standing Committee on Government Operations recommends that the Legislative Assembly not consider the budgets of the Departments of Health and Social Services and Education, Culture and Employment until the government tables the proposed 1997/98 budgets for those departments with financial detail to the task level.

Further the Standing Committee recommends that the Legislative Assembly not consider the budget of the NWT Housing Corporation until the government tables the Corporation's proposed 1997/98 budget with financial detail to the division level.

We were disappointed that, aside from the Aurora fund, there is no concrete action arising from the investment search work last summer. We understand that there are some issues which must be dealt with before the other programs can come into place. We hope the Minister of Finance will be in a position shortly to make announcements about the potential investment program opportunities.

A overall concern from the Standing Committee's reviews was about the community empowerment initiative. There is a clear sense that things may be moving more quickly than either the communities or departments can accommodate. The potential for failure or serious problems is there and again, we urge the Government to be cautious and approach community empowerment in a planned and well thought-out manner.

In the Government's response to Footprints 2, there was an indication that the government intends to develop revised business plans which take division into account. The Standing Committees look forward to reviewing those revised plans in May this year.

LEGISLATIVE ASSEMBLY

In reviewing the business plan, the Committee noted that a number of programs have been assumed under the user say/user pay initiative. The Speaker indicated that this initiative will probably result in additional costs to the Assembly beyond what was provided in the transfers from the originating departments. We are concerned about the long term implications of user say/user pay. We will be monitoring this carefully, not just with the Assembly but with all departments.

The Committee noted that the Assembly is preparing for the Electoral Boundaries Commissions for the two new territories. Members are aware of the urgency of this work and the Commissions cannot proceed until decisions regarding the number of ridings is determined at the political level.

LANGUAGES COMMISSIONER

For the first time, the Languages Commissioner appeared before the Standing Committee to explain her business plan. The Committee is pleased with the efforts of the Commissioner to fulfill her mandate.

As part of the business plan, the Commissioner indicated a number of areas she will be working on over the next year. One of these items, establishing a storefront office, involved a significant increase to her budget. Due to the size of the Commissioner's budget, she is unable to absorb such an expenditure. The Committee encourages the Languages Commissioner to pursue creative options, possibly with other small offices, for shared storefront space at a reasonable cost.

WORKERS COMPENSATION BOARD, NWT POWER CORPORATION

These two organizations appeared before the committee during our review of the Main Estimates.

Of particular interest to the Committee in reviewing the Workers Compensation Board were two items: plans for division and the appointment of a new Board Chair. The initial review of the division plans for the Board show that a great deal of thought has gone into the options available. The Committee is pleased with the general direction being proposed by the Board and looks forward to reviewing those plans in more detail in May.

The Committee is also supportive of the move to a half time Board Chair and increasing the responsibilities of the President of the Board. We believe this move is in keeping with improving efficiency and is appropriate given the strong state of the Board.

We also discussed division plans with the NWT Power Corporation. Again, we are supportive of the general concepts presented and look forward to further review of this proposal. We were also pleased with the overall strategic direction proposed by the Corporation for the coming year.

