



16th Legislative Assembly of the Northwest Territories

Standing Committee on Government Operations

Report on the Review of the
2008-2009 Draft Main Estimates

Chair: Mr. Kevin Menicoche

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SPEAKER OF THE LEGISLATIVE ASSEMBLY

Mr. Speaker:

Your Standing Committee on Government Operations is pleased to provide its Report on the Review of the 2008-2009 Draft Main Estimates and commends it to the House.

Kevin Menicoche, MLA
Chairperson

STANDING COMMITTEE ON GOVERNMENT OPERATIONS

REPORT ON THE REVIEW OF THE 2008-2009 DRAFT MAIN ESTIMATES

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STANDING COMMITTEE ON GOVERNMENT OPERATIONS

REPORT ON THE REVIEW OF THE 2008-2009 DRAFT MAIN ESTIMATES

INTRODUCTION

The Standing Committee on Government Operations is pleased to present its report on its Review of the Draft Main Estimates for 2008-2009. Since the 16th Legislative Assembly was elected in October 2007, the time frame of this transition year did not allow for a full budget circle review that would typically involve the review of Business Plans. Instead, the 16th Assembly approved an Interim Appropriation in February 2008 followed by Main Estimates to be introduced in the May/June session.

In an attempt to better align Government expenditures with anticipated revenues, the GNWT proposes reductions for the Draft 2008-2009 Main Estimates. The Government also included Strategic Investments that should support the vision, goals and priorities set by the 16th Legislative Assembly.

The Standing Committee on Government Operations is responsible for the oversight of the Departments of the Executive, Finance, Human Resources and the Financial Board Secretariat. The Committee has met with Ministers between April 1 and April 8, 2008 to review the Draft Main Estimates for each of the Departments in detail.

During these meetings Committee Members repeatedly expressed their concerns regarding the Government decision-making process leading to the proposed reductions and position eliminations. The Committee felt that Members were not sufficiently consulted and provided with details to make informed decisions on the proposed Strategic Investments and how they relate back to the vision, goals and priorities of the 16th Assembly.

On March 31, 2008 the Standing Committee on Priorities and Planning also received a briefing from the Minister of Finance outlining the fiscal framework and fiscal strategy of the Government.

Reductions

Overall the Committee found that it is important to maintain fairness and consistency throughout all Departments when looking for areas of reduction. The Government has to find a balanced approach between position cuts and other

operational cost reductions. The Committee is concerned that the reduction exercise focused too much on the elimination of positions; instead, more emphasis should have been placed on questioning HOW the Departments conduct their day-to-day business.

Committee recognizes that Departments looked at their daily operations, seeking out opportunities to reduce and save expenditures for "Travel" and "Materials and Supplies". The Committee feels that more could be done and encourages the Government to continue seeking out cost savings in day-to-day expenditures, for example, exploring savings through bulk airline ticket purchases.

DEPARTMENT OF FINANCE

Members of the Standing Committee on Government Operations met with the Minister of Finance on April 1, 2008 to review the Draft Main Estimates for the Department of Finance.

Committee Members made note that the Department is proposing to spend \$10,959,000 in Operations Expense in fiscal year 2008-2009.

Committee Members offer the following comments on issues arising out of the review of the 2008-2009 Draft Main Estimates.

Revenue Increase and Stabilization

Committee Members found that in order to create long-term financial stability for the Northwest Territories, the Government should not only look at reducing cost but also explore options for revenue increases.

The Committee suggested that the Minister looks into the following options:

- The creation of a "heritage/trust fund" that would allow for progress in the negotiations about Resource Revenue Sharing. Such a heritage or trust fund would generate savings for future generations. The GNWT could also transfer portions of potential future surpluses into this trust. Trust fund models to be considered for this undertaking would be Norway and Alaska.
- Other members felt that fluctuations and adjustments of the GNWT's revenues are too high and suggested the creation of a "revenue stabilization fund". The goal of such a fund is to offset fluctuations in GNWT revenues from Canada, namely grants, transfer payments, Corporate Income Tax (CIT), and Personal Income Tax (PIT).

- The Committee also encouraged the Government to look into alternative means to generate revenue like taxation of minerals and resources, the introduction of a carbon tax or changes to the fuel tax administration. The Committee hopes that alternatives and new initiatives for revenue generation will be presented during the next business-planning cycle.

Operational Review of the Liquor Licensing Board and the Liquor Commission

During the review of the Liquor Revolving Fund, members discussed the operations of the Liquor Commission and Liquor Licensing Board. Members suggested that the GNWT should explore options to make the operations more efficient and consider alternative means for liquor control, licensing, distribution and sales.

Recommendation

The Standing Committee on Government Operations recommends that the Government undertake a functional review of the operations of the Liquor Commission and the Liquor Licensing Board.

FINANCIAL MANAGEMENT BOARD SECRETARIAT

Members of the Standing Committee on Government Operations met with the Minister responsible for the Financial Management Board Secretariat on April 1, 2008 to review the Draft Main Estimates for 2008-2009.

Committee members made note that the Secretariat is proposing to spend \$72,023,000 in Operations Expense in fiscal year 2008-2009, and \$7,500,000 on Capital Projects in fiscal year 2008-2009. The Committee notes that these operation expenditures include the contributions to the Northwest Territories Housing Corporation's Operational Budget.

Committee members offer the following comments on issues arising out of the review of the 2008-2009 Draft Main Estimates.

Audit Bureau

Given the oversight function of FMBS in terms of business conduct of all GNWT departments, the Committee is very concerned about the ongoing vacancy rate of almost 50% within the Audit Bureau. The Committee urges the Government to

address these recruitment and retention issues in a timely manner in order to ensure that the internal audit mandate and functions can be fulfilled. Necessary steps may include a review of how business within the Audit Bureau is conducted and if there are alternative means to fulfill the Audit Bureau's mandate and functions.

Power Subsidy Program

Members expressed their concerns about the rising cost of the Power Subsidy Program and urge the Government to take measures to increase cost efficiency and improve the program delivery overall.

DEPARTMENT OF THE EXECUTIVE

On April 3, 2008, members of the Standing Committee on Government Operations met with the Premier to review the Draft Main Estimates for the Department of the Executive.

Committee members made note that the Department is proposing to spend \$12,976,000 in Operations Expense for the Executive Offices during the fiscal year 2008-2009.

Committee members offer the following comments on issues arising out of the review of the 2008-2009 Draft Main Estimates.

Mandate and Functions of the Executive and the Department of Aboriginal Affairs and Intergovernmental Relations

During the review of the Department of the Executive, the Committee discussed the elimination of Regional Offices and the re-profiling of the remaining two offices into North/South regions. Members recognize that the Regional Offices play an important role in relationship building and communications with Aboriginal and community governments. This function is also carried out by the Intergovernmental Relations division of the Department of Aboriginal Affairs and Intergovernmental Relations, contributing to the Committee's concerns about duplication of functions and mandates between the two Departments. Furthermore, the Devolution Office as part of the Executive also deals with aspects of tri-governmental negotiations and relations.

Members are disappointed that no progress has been made in the negotiations with Canada on Resource Revenue Sharing and Devolution. Self-government, comprehensive agreement negotiations and the implementation of existing agreements are proceeding very slowly. The Committee also had concerns about the capacity of a small, stand-alone Department of Aboriginal Affairs and

Intergovernmental Relations. Pooling resources together would enhance the capacity of the GNWT to proceed with these activities while operating more cost-efficiently. The Committee felt that the number of Senior Management positions in the Executive would allow for absorbing the oversight of the functions of the Department of Aboriginal Affairs and Intergovernmental Relations.

Recommendation

The Standing Committee on Government Operations recommends that the Department of Aboriginal Affairs and Intergovernmental Relations be rolled back into the Executive.

New Proposed Approach to Supplementary Reserve Fund

Members also discussed the Government's proposed new approach to future supplementary appropriations based on a reduction of the Supplementary Reserve Fund from \$25 million to \$10 million dollars. The Committee is concerned about the Cabinet's ability to enforce this approach and to disallow future supplementary appropriations for non-emergency or non-foreseeable funding needs.

Effective and Efficient Government

Ideas and initiatives that would contribute to the goal of the 16th Assembly to create an effective and efficient Government were discussed during the meeting with the Premier. At several points, members stressed the importance of keeping the Committee informed and engaged when the GNWT plans new initiatives or major changes.

Reductions

Members also suggested that it is important to give any organizations, outside the GNWT that are effected by the proposed reductions or cuts, early notice of the anticipated changes. Such an approach should be consistent throughout GNWT Departments and not depend on individual Ministers' preferences.

Members were worried that the proposed cuts would affect the regions to a higher degree than the offices at headquarters.

The Committee noted that Phase II of the Family Violence Action Plan is now entering its implementation stage and that the GNWT felt the Family Violence Coordinator position with the Department of the Executive is no longer required.

DEPARTMENT OF HUMAN RESOURCES

Members of the Standing Committee on Government Operations met with the Minister of Human Resources on April 8, 2008 to review the Draft Main Estimates for 2008-2009.

Committee members made note that the Department of Human Resources is proposing to spend \$32,264,000 in Operations Expense in fiscal year 2008-2009.

Overall, the Committee felt that the proposed reductions focus too much on position cuts and not enough on improving business practices and streamlining efficiencies.

Regional Human Resources Services

The Committee made it clear that position cuts should not disproportionately affect the regions.

Members were concerned about the overall Human Resources capacity of the GNWT to service the regions, especially in the field of recruitment and retention for health, social services and education. The Committee stated that the Government must provide support to the regions especially during seasonal hiring requirements, e.g. teachers in the spring or a community nursing pool, and improved physician recruitment for regional and community health facilities.

Affirmative Action Policy

Members pointed to the importance of ensuring that the public service is representative of the population it serves. The Committee urged the Government to consider the affirmative action status of incumbents when positions are proposed for elimination. The Government needs to apply the Affirmative Action Policy and ensure that lay-offs of Aboriginal employees do not exceed their proportional representation within the GNWTs workforce.

Some of the priorities Members look forward to discussing with the Minister of Human Resources include the review of the effectiveness of the existing Affirmative Action Policy and the potential for replacing it with a new employment equity policy. Members were particularly concerned about the under-representation of Aboriginal people in senior management positions.

Medical Travel Assistance and Dental Program Benefits for GNWT Employees

Members were very concerned about the steady increase in expenses for Medical Travel Assistance and the dental program that are part of the benefits of

GNWT employees. The Committee recognizes that these expenditures are the biggest cost driver of the Department of Human Resources' budget.

An analysis of the cost drivers would be a first step, and Members look forward to discussing the review undertaken collaboratively between the Departments of Human Resources and Health and Social Services with the Minister.

Recommendation

The Standing Committee on Government Operations recommends that the Government look at alternative and more cost efficient means to provide Medical Travel Assistance and a dental program as a benefit to GNWT employees.

Maximizing Northern Employment Programs

Committee Members were concerned about several reductions to the Maximizing Northern Employment Programs, in particular cuts to graduate and summer student programs, the Graduate Transition Program and the Social Worker and Teacher Graduate Program.

Members fear that these reductions will have a disproportionate impact on smaller communities and the regions. The Committee questions how the Government will succeed in attracting young northerners in its public service, if programs with a proven track record of success are being cancelled or reduced. Given the demographics of the GNWTs workforce, succession planning and the development of a younger northern workforce are crucial steps towards future sustainability of a GNWT public service.

Capacity and Mandate of the Department of Human Resources

Members also expressed concerns regarding the Department's capacity to fulfill its mandate and functions at the present time. The inherited backlog since the amalgamation of all Human Resources services of the GNWT is still not completely dealt with, and issues with the implementation of the Human Resources Information System took their toll on staff morale of the Department and the overall confidence of GNWT employees.

The Committee urges the Government to look at ways to improve the everyday operation of the Department and its financial and business planning and looks forward to discussing future improvements with the Minister.