

**THE HONOURABLE CAROLINE WAWZONEK
MINISTER OF FINANCE**

Capital Budget Carry-overs

Madam Speaker, I have a Return to Written Question asked by the Member for Kam Lake on October 15, 2020, regarding capital budget carry-overs.

The Member asked for information about the amount of the capital budget that the Government of the Northwest Territories has carried over in each of the last five years.

Madam Speaker, in response to the Member's question, later today, at the appropriate time, I will table a summary of the total annual capital carry-over by category.

Additionally, the Member asked for a description of the reasons for the carry-overs, by category. It is worth noting for a capital project to be considered for carry-over, it must meet specific eligibility criteria under the *Financial Administration Act* and Financial Administration Manual:

- The amount requested for carry-over must be lapsed in the previous fiscal year; and
- A contractual obligation must exist, or substantial work has commenced on the project and cannot be completed in the planned timeframe.

Madam Speaker, over the past five years, capital carry-overs have been requested for a variety of reasons. There are some common reasons why projects experience delays, including:

- delays due to the regulatory and environmental assessment process;
- delays due to delivery times for materials and supplies and timing issues due to barge deliveries of materials;
- delays due to unfavorable weather that had a significant impact on the project delivery dates;
- delays in the procurement process including the time required to develop and release tenders, project scope changes, bids in excess of approved budgets, and time required to negotiate final contract value;
- projects substantially completed, but final contract payments withheld until deficiencies have been corrected by the contractor;
- multi-year projects that required additional time for consultation with Indigenous partners, community governments and other stakeholders;
- delays due to negotiations with stakeholders on land use;
- delays due to time required to obtain land use permits and geotechnical survey results; and
- specific to the 2019-2020 capital carry-over requests, delays as a result of COVID-19, including the redeployment of contractor resources and GNWT employees.

While lengthy, this list is not exhaustive, as each project is unique and there may be other more specific reasons in addition to these general examples.

In the Member's third question, she asked whether the reasons identified for a project to be carried-over point to internal or external capacity challenges within the Northwest Territories.

Madam Speaker, the detailed explanations provided by departments for capital project delays point to more than just internal or external capacity challenges. In some instances, delays in delivery of materials and supplies have had significant impacts on capital project timelines, which are often outside the control of either the contractor, or the GNWT project management staff. Negotiations with stakeholders and external parties also impact project delivery timelines, and are not within the control of the project management team.

The short construction season in the NWT impacts also contractors' ability to complete projects on time. Any delays, internal or external, have an impact on project timelines, which is intensified by the short construction season.

Finally, the Member has asked what gaps the Government of the Northwest Territories has been able to identify to facilitate spending government capital dollars.

Madam Speaker, the capital carry-over process is a key mechanism used by the GNWT to facilitate capital spending; funding cannot transfer from one year to the next as the *Financial Administration Act* does not provide for multi-year appropriations. Using the carry-over process allows overall project budgets to remain unchanged; it is just spread over more fiscal years than was previously appropriated.

This process reflects the reality of capital projects, the delays are often unavoidable and outside of the control of either the contractor or the project manager, and that

projects are not often complete on the last day of the fiscal year. The capital carry-over process ensures that funding committed by the GNWT to be spent is available to be spent in the appropriate fiscal year.

As mentioned earlier, the criteria required to be met for the Financial Management Board to recommend a carry-over, includes two specific criteria that an equal amount is lapsed, and that a contract is in place, or substantial work is completed. This ensures that departments do not continue to carry-over projects indefinitely, as there must be a plan for expenditure.

Thank you, Madam Speaker.