

### **Government Renewal**

Mr. Speaker, in February during the delivery of the Budget Speech I said it was time to use creativity and innovation to find internal efficiencies. Since then, our government has had to respond to the COVID-19 pandemic and in my last two fiscal updates since the onset of COVID-19, I have again said that now is the time to use creativity and use this moment of heightened awareness around our fiscal situation to consider how we want to emerge from the pandemic as a government and as a Territory.

The Department of Finance's mandate is to "obtain, manage and control the financial resources required to implement the Government of the Northwest Territories' policies and programs". Those responsibilities are not new; neither are our many fiscal challenges. We are going to use the current climate of recovery and renewal as an opportunity to reimagine how we obtain, manage and control those financial resources.

Mr. Speaker, over multiple Legislative Assemblies the data shows patterns of budgeting and spending that have impaired the long-term sustainability of the GNWT: our expenditures and the public service continue to grow; our planning is often reactive instead of proactive; and the significant capital investments which the

territory absolutely needs have driven up our short-term debt. The COVID-19 pandemic has added to these fiscal pressures, and the GNWT needs a stable fiscal footing to support the territory's recovery. We are far from alone in these challenges; other governments have similar challenges and, fortunately, new ways of budgeting government finances have emerged to respond.

The Department of Finance is planning to shift the way our budget is developed. The Government Renewal Initiative will rely on value-driven budgeting principles to review GNWT programs and services department by department and allocate resources to areas that are most critical and valuable to residents. Value-based budgeting, also known as priority-based budgeting, is both the idea that underlies the building of the budget as well as the method. It is founded on the common sense idea that government financial resources should be allocated based on how effectively programs and services give value to residents.

This is a fundamental shift from how budgets are currently developed, where a large focus is on incremental increases and decreases from the year before. Using incremental budgeting, most of the budget is not actually subject to the same level of scrutiny as new spending and it can be difficult to respond to new or changing priorities. Incremental budgeting is more about where we have been; but now we want to shift to define our fiscal foundation by where we want to go.

Some of the key principles of this approach are to:

- Provide better transparency to territorial priorities, and how services and programs contribute to those priorities;
- Prioritize and allocate budgets at the program and service level;
- More directly question past spending patterns;
- Evaluate the true cost and benefit of programs and services as part of budget development, rather than only looking at incremental changes; and
- Build more accountability for results into funding decisions.

Mr. Speaker, this is a significant undertaking. Over the next few months, the Department of Finance will finalize the framework for how Government Renewal will be implemented early in the new year. We have already established the strategic priorities of the 19<sup>th</sup> Legislative Assembly and are actively working on additional priority needs resulting from COVID-19 in our Emerge Stronger work. With those priorities in mind, we will undertake an evidence-based evaluation of where government resources are spent. For a budget development process that is based on the values of our residents to be meaningful engagement with my fellow Members of the Legislative Assembly is critical. The work will be difficult. Defining and ranking often competing priorities is challenging. But that is the work of governing. Applying the work of priority and value balancing to government budgeting is an opportunity to better reflect the diversity of the values and needs of all residents of the NWT. This is an opportunity to work together to ensure the

government continues to have the resources required to deliver the programs and services that are important to the residents of the NWT.

I stated in June and it holds true, “if ever we needed creative problem solving to achieve responsive and effective results, it is now.” I am confident that the Government Renewal Initiative will bring out this creative problem solving and help us maximize effectiveness, support the Territory’s pandemic recovery and build a sustainable foundation for the future of the NWT.

Thank you, Mr. Speaker.