FINANCE

1. OVERVIEW

MISSION

The mission of the Department of Finance is to foster an environment for stable, effective and efficient government by:

1. Acquiring and managing the necessary financial resources to ensure delivery of programs and services to residents in an affordable, sustainable and accountable manner.
2. Maintaining a fair and stable taxation regime that meets the needs of individuals and businesses, supports a strong economy, and is responsive to economic, social and environmental matters.
3. Managing the information resources of the government.
4. Managing liquor distribution and sales, and enforcing liquor legislation and regulations.

GOALS

1. A strong sustainable financial position for the Government of the Northwest Territories.
2. The fiscal regime of the Northwest Territories supports a stable political environment and a strong economy that is able to address key social, economic and environmental initiatives.
3. The Government of the Northwest Territories has the fiscal and financial information and analysis necessary to support policy development and decision making.
4. The Government of the Northwest Territories' assets and liabilities are managed effectively.
5. The Government of the Northwest Territories is organized for maximum efficiency.
6. The Department of Finance is responsive to client needs.
7. Public confidence in the prudence and integrity of the Government of the Northwest Territories is maintained through a financially open and accountable government.

PROPOSED BUDGET ($000)

Total Operating Expenses	$78,306
Compensation & Benefits	$13,258
Grants & Contributions	$52,880
Other O&M	$10,128
Amortization	$2,040
Infrastructure Investment	$925

PROPOSED POSITIONS

Headquarters (HQ)	98 positions
Regional/Other Communities	9 positions
Regional/Other Communities- Liquor Revolving Fund	13 positions

KEY ACTIVITIES

- Deputy Minister's Office
- Fiscal Policy
- Budget, Treasury and Debt Management
- Office of the Comptroller General
- Office of the Chief Information Officer
- Liquor Revolving Fund

STRATEGIC ACTIONS

The Department will take the following actions in support of the government's strategic initiatives:

Refocusing Government

- Manage the Cost of Government
  - Financial & Procurement Shared Services

- Strengthen Service Delivery
  - Knowledge Management Strategy Renewal
  - Support to non-government organizations

1. EMERGING ISSUES

Economic Environment

The economic environment the NWT faces is challenging. The economy of the NWT is growing but struggling to return to its pre-recession levels of activity. In 2010 real Gross Domestic Product (GDP) of the NWT is forecast to grow 9.5 per cent from 2009 but even with such strong growth it is expected to remain 16.5 per cent below its 2007 level.

In the labour market, the number of persons employed in June 2010 increased from a low of 21,500 in December 2009 to 22,900 in June 2010 but is below its level in June 2007 of 24,100.

Retail trade during the first quarter of 2010 was 3.6 per cent above the first quarter of 2009 but 6.3 per cent below retail sales in the first quarter of 2008. Wholesale trade during the first quarter of 2010 was 0.9 per cent below the first quarter of 2009 and 6.9 per cent below the first quarter of 2008.

Diamond production, as reported by two of the three mines, increased by almost 2 per cent from the fourth quarter of 2009, but is 15 per cent below production levels for the first quarter of 2009.

Fiscal Environment

GNWT revenues are expected to grow, on average, by about 4.5 per cent annually over the four-year period from 2011-12 to 2014-15, with an average of 75 per cent of those revenues expected to come from federal transfers. The revenue forecasts are based on the premise that the economic recovery will be slow and NWT employment, corporate profits and government revenues will recover even more slowly and no additional federal revenues are expected beyond the increases called for in federal legislation.

The 2009-10 and 2010-11 GNWT Budgets laid out a fiscal strategy designed to support the NWT economy through the downturn and included record levels of investment in infrastructure. However, it was recognized that this level of investment is not sustainable on an ongoing basis, and as such the strategy calls for operating surpluses in subsequent years and a much lower level of capital spending.

To achieve operating surpluses for each year of the Business Planning period, the GNWT's fiscal strategy calls for the following:

- Starting in 2011-12, expenditure growth (both forced growth and new investments) will be capped at 3 per cent annually, or about $32 million. Reductions may be identified through program reviews that could allow adjustments to these targets.
- From 2012-13 on: capital investment will be held at $75 million.
- Further realignment of program expenditures will be identified through program reviews.
- Short term debt will be incurred, and some long term debt may be considered, but will be sustainable within the *Fiscal Responsibility Policy*.

On April 1, 2010, the GNWT took over the assets and liabilities of the Deh Cho Bridge. The GNWT requested that the federal government increase the $500 borrowing limit to ensure that the GNWT retained some flexibility in its fiscal framework to respond to future revenue or expenditure shocks. The request resulted in federal Cabinet approval of a temporary increase in the borrowing limit to $575 million effective April 29, 2010 to March 31, 2015, when the limit will return to $500 million.

The federal government has also indicated their intention to undertake a review of the accounting practices within the borrowing limits established for all three territories. The outcome of this review, which will be completed with the territorial governments, could affect the amount of borrowing room available to the GNWT.

Funding under Territorial Formula Financing (TFF), the Canada Health Transfer and the Canada Social Transfer is set by federal legislation until March 31, 2014. Federal/Provincial/Territorial Finance Ministers have agreed that officials should begin to discuss issues related to renewal of these transfers. Preliminary discussions with the federal government and other territories have begun to investigate any changes that should be made to TFF.

A third roundtable discussion on GNWT revenue options is tentatively scheduled for October, with participants from the previous roundtables invited to provide their input to proposed tax initiatives, including a possible carbon tax. The Department will again invite NWT residents to submit their comments. A new carbon tax could encourage energy conservation in the NWT through reduced use of fossil fuel to mitigate climate change due to greenhouse gas emissions. The revenues generated from the tax could flow back to residents and businesses through other tax reductions. To facilitate the discussion, the Department is preparing a background document for release in September 2010.

The GNWT continues to discuss devolution of the management of non-renewable resources with Canada and NWT Aboriginal governments. Should a devolution agreement be reached, the GNWT and Aboriginal governments will receive some revenue from non-renewable resource royalties. While negotiations continue, the actual transfer of program authority and revenues will not occur in 2011-12.

The GNWT, Canada and a number of Aboriginal groups are currently discussing self-government agreements. Such agreements may include provisions for transferring GNWT funding and some tax room to future Aboriginal governments. The Department provides support to the GNWT negotiating and implementation teams with respect to taxation jurisdiction and other financial transfer matters.

Modern Management

Modern Management is a reform focused on the sound management of resources and effective decision-making. Its focus goes beyond the financial accountability that was traditionally associated with the comptrollership activity and involves not only financial officers, but also includes all departmental managers. Modern management aspects of comptrollership seek to ensure:

- A stronger focus on ethical behaviour,
- The adoption of formal risk management practices,
- Improved accountability and stewardship of resources, and
- A greater focus on the results being achieved for the dollars spent through integrated performance information, both financial and non-financial.

Enabling modern management practices within the GNWT is a long-term commitment that will require ongoing support and active departmental participation. The degree to which modern management principles become an integral part of the GNWT business culture will directly impact the ultimate success of the overarching management reforms. A supporting framework of legislation, policy, information systems and skilled government staff are critical components of a modern management environment. The Department has begun building this framework by undertaking a re-write and modernization of the *Financial Administration Act* with corresponding changes to the policies, directives and procedures that support the Act. The replacement in 2009 of the GNWT's 25 year-old financial information system with the new System for Accountability and Management (SAM) and increased use of its enhanced capabilities has provided managers and decision makers with better tools to support the GNWT's information, analytical, reporting and business requirements.

A current initiative to introduce Financial Shared Services to the GNWT will create shared financial processing centres in Headquarters and the Regions.

Looking into the future, and building upon the modern management framework that has been introduced, the Department, in partnership with GNWT departments, will be looking to strengthen the existing capabilities of our public service so that better decisions are made, better service provided to clients, and effective measures and reports on results are available to the public and stakeholders. Advancement of this objective will require managerial and professional capacity development along with the acceptance of new and changing responsibilities. It will also require the development of systems, policies and controls that better support the reporting of integrated performance information, risk based management practices, appropriate accountabilities and an ethics and values foundation that enables managers and staff to choose the right course of action when faced with ethical dilemmas.

Achieving a desired state of modern management within the GNWT will at times be resource intensive but the benefits will be realized over a prolonged period of time. Therefore it is critical that the focus be on the end goal rather than on shorter term results and payback.

Technology

Rapid advances continue to be made in information and communications technology throughout the world that are changing the way we do business and live our lives. Improvements to northern communications infrastructure mean that most northerners now have access to high-speed internet connectivity. This, combined with the next generation of northern youth comfortable with technology, will result in increased expectations for access to GNWT programs and services online.

Technology is increasingly viewed as a crucial enabler in overcoming the challenges of delivering a broad range of programs and services to a population with diverse needs spread over a large geographic area. A coordinated effort is needed to ensure that the use of these technologies across government is done both efficiently and effectively and that access to basic infrastructure, particularly data networks, is universally available. This level of coordination not only has to occur across the GNWT but involve all other stakeholders, particularly the federal and territorial governments.

In anticipation of the demand, both internal and external, for technology enabled program delivery, the GNWT must ensure that it is in a position to respond. By continuing to refine the management of the GNWT's information resources we can improve the quality of information available for the management of the organization. Information must also be viewed as any other resources (e.g. human or financial) and managed throughout its lifecycle – from acquisition to disposition. Technology can be employed to ensure that the correct information is being captured, delivered to the right people at the right time, and disposed of when no longer required. Technology can also be employed to enhance the delivery of GNWT programs and services. This is currently being demonstrated in the areas of Telemedicine and Distance Education and is likely to be increasingly used in the future. Engagement of other key stakeholders is critical to address costs, particularly the provision of costly broadband network infrastructure.

NWT residents also have an expectation that their personal information that is held in trust by the GNWT is managed with the highest expectations of security and privacy. With increasing amounts of personal data being retained in electronic formats that are both portable and readily replicated, the associated security risks must be managed with all due diligence.

Finance

Program Cost Drivers

Insurance

The general liability insurance market is stable at present, with rates also holding stable from last year. The property insurance market continues with its increased emphasis on accurate replacement values for insured assets, and saw modest decreases in rates, overall. The construction insurance market has hardened slightly and will continue to be competitive; new issues regarding major renovations to existing structures have increased some premium charges. Underwriting information will continue to be of critical importance in securing competitive rates.

The completion of the Insurance Valuation Assessment and Risk Retention Review by the GNWT's insurance brokers this year has offered some potential opportunities for savings through the creation of a $5,000,000 Self Insured Fund for specified losses and claims. Further review and cost projections will be completed in 2011-12.

The Property Replacement Cost program has completed its first cycle, establishing accurate replacement cost values for most major GNWT infrastructure. The program continues, beginning with the re-appraisal of highest value structures to ensure values remain accurate.

Borrowing and Interest Rates

GNWT borrowing costs will be impacted by both interest rates and the principal amounts borrowed.

The GNWT is preparing for the return of a short term borrowing pattern last seen more than a decade ago. Under the pattern, borrowing would begin near the midpoint of the fiscal year, and growing gradually until the end of the fiscal year. The borrowed amounts would then be repaid at the start of the next fiscal year. Borrowing costs will increase as the period of borrowing grows longer and as a result of higher interest rates forecast. Effective April 1, 2010, the GNWT was required to assume the long term debt associated with the Deh Cho Bridge project. While the financial impact of the project has been recorded in the GNWT Public Accounts on a consolidated basis since the 2007-08 fiscal year, the debt and associated assets will now be recorded on a non-consolidated basis. The debt will therefore count against the GNWT's authorized borrowing limit.

Interest rates started to increase in June 2010. Rates had been at historic lows since April 2009. It is anticipated the Bank of Canada will continue to gradually remove the stimulus provided after the Canadian economy entered a recession the last quarter of 2008. Uncertainty surrounding world economic recovery will be a factor in the pace and direction for setting rates in the future.

Territorial Power Subsidy Program

The Territorial Power Subsidy Program (TPSP) was designed to support the development of northern business and encourage private home ownership in the Northwest Territories by providing for equitable power rates for small commercial enterprises and private residential power customers. In accordance with this policy, the TPSP was established to provide a subsidy to NWT residents and small commercial enterprises residing in communities where power rates are higher than those in Yellowknife. The subsidy was based on the cost differential between Yellowknife power rates and those of the community up to: 700kWh/month for residential customers and 1000kWh/month for small commercial customers.

In December 2008, the Ministerial Energy Coordinating Committee (MECC) released the Public Discussion Paper, *A Review of Electricity Regulation, Rates and Subsidy Programs in the Northwest Territories.* The paper outlined the interest of the GNWT in seeking comments, advice and recommendations on how electricity is provided to NWT residents, including an analysis of the

GNWT Commercial and Residential TPSP, to assess their effectiveness in ensuring that NWT residents and businesses have access to affordable power, and develop options for change, if required.

In February of 2009, the Committee to Review Electricity Regulation, Rate Setting and the Power Subsidy Program (the Committee) was appointed. One of the stated objectives of the Committee was to examine the GNWT Commercial and Residential TPSP, analyze their effectiveness in ensuring that NWT residents and businesses have access to affordable power, and develop options for change, if required.

The Minister responsible for the MECC tabled the results of the Committee's review "Creating a Brighter Future: A Review of Electricity Regulation, Rates and Subsidy Programs in the Northwest Territories" in the Legislative Assembly in November 2009. The GNWT in turn tabled a comprehensive response titled "Efficient, Affordable and Equitable: Creating a Brighter Future for the Northwest Territories' Electricity System" May 2010.

Effective in late 2010 the TPSP thresholds will change for residents to 1,000kWh/month from September to March and to 600kWh/month for all other months. The subsidy will continue to be available to all communities with electricity rates higher than Yellowknife and the subsidy will continue to reduce the rate for subsidized portion to the same rate as Yellowknife. The new thresholds will result in changes to how the energy providers' systems must calculate their bills as well. In addition, a $3 million contribution, in 2010-11 and 2011-12, will be provided to the Northwest Territories Power Corporation to reduce the fuel and low-water stabilization fund balances.

Effective April 1, 2011 the commercial portion of the TPSP will be discontinued and a program targeting energy conservation and efficiency will be implemented in its stead. As the commercial portion of the existing subsidy allows for a carry back of 5 years when submitting bills, the actual end date to submit eligible bills will have to be determined and advertised appropriately when a cutoff date is established.

The TPSP has historically been offset to some degree through a dividend to the GNWT. The GNWT's response includes forgoing the dividend for the 2010-2011 and 2011-2012 fiscal years.

2. 2011-12 PLANNING INFORMATION

The detailed description of planned activities for the department includes the following sections:

a) **Fiscal Position and Budget** provides information on the department's operation expenses and revenues.

b) **Key Activities** describes the department's major programs and services, including strategic activities, as well as results to date and measures.

c) **Infrastructure Investments** gives an overview of the department's infrastructure investments to date and activities planned for 2011-12.

d) **Legislative Initiatives** provides a summary of the department's legislative initiatives during the 16th Legislative Assembly as well as initiatives planned for 2011-12.

e) **Human Resources** includes overall statistics and position reconciliations, information on capacity building activities as well as departmental training and development.

f) **Information Systems and Management** describes department-specific information and management systems as well as major initiatives planned for 2011-12.

a) Fiscal Position and Budget

DEPARTMENTAL SUMMARY

OPERATION EXPENSE SUMMARY

REVENUE SUMMARY

LIQUOR REVOLVING FUND

The Liquor Revolving Fund was established pursuant to the *Liquor Act* and provides working capital to finance the operations of the Liquor Licensing Board, the Liquor Commission and Liquor Licensing and Enforcement. The Liquor Licensing Board holds compliance hearings when violations of the *Liquor Act* and Regulations are brought forward by Enforcement. The Board also issues liquor licenses and permits. Liquor Licensing and Enforcement is responsible for the enforcement of the Act and provides training to licensees and permit holders on their obligations under the Act. Communities wishing to exercise their options under the *Liquor Act* receive assistance from Licensing and Enforcement. The Liquor Commission is responsible for the purchase, warehousing, distribution and sale of all alcoholic beverages in the Northwest Territories. The operations of the Board, the Commission and Liquor Licensing and Enforcement are funded by the sale of alcoholic beverages.

Note 1: Any discrepancies between the 2008-09 Actual "Net Revenue" amounts reported above and the 2008-09 Actual "Liquor Commission Net Revenues" reported in the Revenue Summary are primarily due to accounting policy differences with respect to Tangible Capital Asset thresholds and amortization methods of the NWT Liquor Commission and the GNWT.

b) Key Activities

DEPUTY MINISTER'S OFFICE

Description

The Deputy Minister's Office includes the Office of the Deputy Minister/Secretary of the Financial Management Board, the Policy and Planning Branch and the Financial Services Branch.

The duties and responsibilities of the Deputy Minister of Finance/Secretary of the Financial Management Board are conducted as described in the *Financial Administration Act* (FAA). In addition, this Division directs the support of the Financial Management Board and provides financial and administrative leadership for the Government of the Northwest Territories.

The Policy and Planning Division is responsible for developing and maintaining departmental policies, the department's budget management program, records management program, the provision of information systems and information management support to the department and coordinating the department's involvement in the self-government process.

The Financial Services Division is responsible for providing a full suite of expenditure management services to the Departments of Finance, Executive, Human Resources and Aboriginal Affairs and Intergovernmental Relations.

Major Program and Services 2011-12

Overall

Public Private Partnerships (P3)
The GNWT P3 policy and management framework review and approval processes will be completed and the policy implemented.

Financial Administration Act
The drafting of the new legislation and new or revised Regulations, Policies and Directives will be completed.

Northern Employee Benefits Services (NEBS) Pension Plan
Determine and, where appropriate, implement solutions to the governance, regulatory and financial issues affecting the NEBS Pension Plan.

Four Year Business Plan Update

Results to Date

Public Private Partnerships (P3)
Government direction was to review and update the existing GNWT P3 policy and guidelines ensuring that the review clearly establishes the objectives of the GNWT in its use of P3's. A draft P3 policy and detailed management framework has been developed and provided to Standing Committee for input into the policy.

As well as being a significant investment by the government, a P3 project is unique with respect to the timing of when an appropriation is considered for the project by the Legislative Assembly. Through the traditional capital planning process, appropriation authority is received prior to the asset being constructed. Under a P3 approach, appropriation authority is received after the asset is constructed and available for use.

For these two reasons, as well as to be responsive to the principles of consensus government, a mechanism in the P3 process to allow meaningful and formal consultation to take place with the Regular Members where formal support can be provided for a project before it proceeds through the P3 procurement process is required.

To address this, the proposed policy includes a provision to refer all P3 projects that are considered appropriate for formal review and assessment to Standing Committee. However, the actual approach to be used for this referral has yet to be finalized.

Financial Administration Act

A legislative proposal to amend the FAA is under development. A significant amount of the background and preparatory work for the legislation drafting instructions has been addressed during the development of the legislative proposal. Work on completing the instructions will be undertaken immediately after the final submission of the draft legislative proposal. They will, of course, be subject to change pending feedback from the review and approval process.

The degree of change required through the processes of reviewing and approving the legislative proposal, and the time required to draft the legislation will be the next major time drivers for this project going forward. Realistically, the delays in completing the draft legislative proposal have affected the overall plan to have legislation available for tabling in October 2010. A more realistic target to have the legislation completed and available for tabling will be dependent on the length and outcomes of the review process and the availability of resources to complete the legislative drafting.

NEBS Pension Plan

An interim arrangement to provide protection from creditors for the pension entitlements of Northwest Territories members of the NEBS Pension Plan was finalized and as a result, the *Northern Employee Benefits Services Pension Plan Protection Act* was given assent in March 2009.

Finance Reorganization

The major activities to implement the consolidation of the Department of Finance and the Financial Management Board Secretariat were completed in 2009, including the approval of an Establishment Policy for the new department, the incorporation of the new structure into the 2009-10 Main Estimates, Business Plans and the finalization of office moves. The amalgamation also created a Financial Services operation within the Department located in headquarters, Inuvik, Fort Smith and Fort Simpson. The Financial Services operation serves the Department of Executive, Human Resources, Aboriginal Affairs and Intergovernmental Relations and Finance.

In October 2009, the Department tabled its Strategic Action Plan 2009-2012 in order to provide multi-year direction for the Department. The Department of Finance is also part of a government-wide pilot to develop a departmental Human Resource Plan during 2010.

KEY ACTIVITY 1: FISCAL POLICY

Description

Fiscal Policy is responsible for providing research, analysis and recommendations on the fiscal policies of the government; monitoring economic conditions as they affect the government's fiscal position; providing macroeconomic research and policy advice; providing analysis and advice on Canadian and NWT tax policies; monitoring and advising on intergovernmental fiscal relations; and preparing the annual budget address. The Division also provides technical support for the Minister and Deputy Minister of Finance in federal-provincial-territorial discussions and represents the GNWT on intergovernmental Finance committees.

Major Program and Service Initiatives 2011-12

Overall

The Division continues to examine the GNWT's tax policy to better match its revenue structure with the government's economic, social and environmental objectives. The outcome of the roundtable in October 2010 will impact whether the Department will be evaluating the possibility of introducing a carbon tax to further the goals of reducing the NWT's dependence on fossil fuels and the territory's greenhouse gas emissions. Work will be coordinated with the update of the NWT Greenhouse Gas Strategy.

The Division continues its work to develop an efficient fee review procedure, requiring them to be regularly adjusted for inflation.

Heritage Fund

As a result of public consultations held in April 2010, legislation will be proposed to create a Heritage Fund to set aside income from the development of the territory's resources to fund long-term investments in infrastructure or financial assets.

Federal Transfers

Legislation for some major federal transfer programs, including Canada Health Transfer, Canada Social Transfer, Territorial Formula Financing and Equalization ends March 31, 2014. Federal, provincial and territorial finance officials are in discussions concerning how best to improve these programs starting the 2014-15 fiscal year.

Self-government negotiations will continue over the planning period. Fiscal Policy will assist in financial negotiations.

Discussions towards a Devolution Agreement will continue, led by the Department of the Executive. Fiscal Policy will assist in financial negotiations, particularly those related to the determination of net fiscal benefit from the transfer of non-renewable resource revenues.

The Department will continue monitoring the indicators developed for the Macroeconomic Framework and work towards increased awareness of the framework within the GNWT.

Four Year Business Plan Update

Results to Date

Revenue Options

The Department held a second roundtable on revenue options in October 2009 with participants representing a wide range of NWT business, labour and social organizations to discuss the GNWT's fiscal challenges and options with respect to the taxation mix. The ideas received from the meeting helped guide longer term work on the fiscal structure of the NWT. In the January 2010 budget, small increases in property taxes, tobacco taxes and liquor prices were announced to ensure these tax rates kept up with inflation.

NWT Heritage Fund

The creation of a Heritage Fund to set aside income to fund long-term investments in infrastructure or financial assets would allow NWT residents to receive long-term benefits from the development of the territory's resources was proposed in the 2010-11 budget. Web-based public consultations concluded on April 30, 2010 and proposals are being developed.

Measures Reporting

Measure 1 – Regular, accurate forecasts of revenue are prepared

- Regular forecasts of revenues have been prepared. Corporate income tax revenues continue to be volatile and therefore difficult to forecast, however the Department is working with the Canada Revenue Agency and Finance Canada to improve ongoing reporting.

Measure 2 – Self-government and devolution negotiations progress within constraints of approved financial mandates of the GNWT

- Both Self-Government and devolution negotiations are continuing.

Measure 3 – Number of changes to the investment criteria of the Macroeconomic Policy Framework

- Macroeconomic progress has been monitored and a reporting mechanism is being developed. Areas of strength and weaknesses will be identified.

Measure 4 – Fiscal independence

- GNWT own-source revenues represent about 25 per cent of total revenues.

Measure 5 – Personal tax rates

- The GNWT maintains personal tax rate lower than the average of Canadian provinces and territories.

Measure 6 - Corporate income tax rates

- The GNWT maintains corporate income tax rates lower than the average of Canadian provinces and territories.

KEY ACTIVITY 2: BUDGET, TREASURY AND DEBT MANAGEMENT

Description

The Budget, Treasury and Debt Management Branch is responsible for the management of the government's financial resources to ensure that public funds are properly budgeted and monitored, that the return on investments is maximized, and the government's cash and debt management costs are minimized within required risk parameters. The branch is also responsible for supporting the operations of the Financial Management Board (FMB), licensing and regulating insurance companies, agents, brokers and adjusters operating in the NWT, administering legislated tax programs, and administering the GNWT's insurance and self-insurance programs.

Major Program and Service Initiatives 2011-12

Overall

Risk Management & Insurance

The Department will continue initiatives to identify alternative risk financing options for the Insurance and Self Insurance programs, for promoting risk awareness within the GNWT, and for reducing the GNWT's risk profile.

The completion of the Insurance Valuation Assessment and Risk Retention Review by the GNWT's insurance brokers in 2010 has offered some potential opportunities for savings through the creation of a $5,000,000 Self Insured Fund for specified losses and claims. Further review and cost projections will be completed in 2011-12, with recommendations prepared for 2012-13.

The Property Replacement Cost program will continue, selecting specified high value buildings for appraisal to ensure accurate replacement cost figures are maintained.

A Property Impairment Reporting Program is being developed to formalize security and life safety impairment reporting at GNWT facilities in consultation with the Office of the Fire Marshal, Public Works and Services and client departments. Formal implementation is forecast for 2011-12.

Payroll Tax Administration

An initiative is in process to review and confirm the balances of all active payroll tax files. Approximately 48 per cent of the files have been reviewed since April 1, 2009. Completion is forecast for the 2011-12 year.

Petroleum Products Tax Act

This Act has existed substantially unchanged since it was promulgated in 1988. Since then, the fuel tax environment in the NWT has been subject to substantial changes, and the Act requires a re-drafting to reflect the current environment. The final legislative proposal and drafting instructions will be developed and upon acceptance, final drafting instructions will be submitted to legislative drafter.

Strategic Initiatives

Support to non-government organizations

GNWT support to Non-Government Organizations (NGOs) will be stabilized by clarifying and/or enhancing the draft Program Manager's Guide and development of a Plain Language User Guide for NGOs. This also includes working with the Department of the Executive to help develop funding criteria for NGOs.

Finance will continue to engage the Working Group to review and assess other tools and resources that could be developed to provide continued support to the NGO sector.

Four Year Business Plan Update

Results to Date

The Petroleum Products Tax Act
A draft recommendation report has been completed and reviewed by the Steering Committee and the final recommendation report is being prepared for submission to Cabinet.

Risk Management & Insurance
The Insurance Valuation Assessment and Risk Retention Review by the GNWT's insurance brokers in 2010 have been completed. The report has offered some potential opportunities for savings through the creation of a $5,000,000 Self Insured Fund for specified losses and claims. Further review and cost projections will be completed in 2011-12, with recommendations going forward prepared for 2012-13.

Borrowing Plan
A draft Borrowing Plan has been developed for review and approval to fund the cash deficit that is being forecasted over the next for the six years 2010-11 to 2015-16. A medium term loan will likely be needed to fund the cash shortfall expected to persist across the six year period, which is approximately $40 million. The remaining varying cash deficit will be funded by borrowing from the investment pool which will increase the rate of return to participants and in the short term money market.

Support to non-government organizations
In March 2009, the Department of Finance hosted a Focus Group to hear directly from NGOs about their concerns and issues with current funding arrangements with GNWT departments. The Focus Group consisted of representatives from twenty-four NGOs, six of which were from a region.

In addition to suggestions to improve the Program Managers Guide and develop a complementary guide for NGOs, common concerns regarding funding arrangements with the GNWT were raised. The themes that emerged were:

- Addressing the inflationary pressures on costs which has eroded the funding NGOs are provided to deliver programs and services
- Improving the relationships between the NGOs and the GNWT
- Providing NGOs better information on GNWT policies and guidelines and improving access to this information
- Simplifying the processes NGOs need to undertake to obtain and report on funding received from the GNWT.

This feedback highlighted that the GNWT will likely need to consider some policy changes in order to stabilize the sector. However, while some of these changes may mean simply providing clearer direction to departments, others will take some time to review and assess.

A Working Group, consisting of NGOs and senior GNWT staff, was established to start the work necessary to finalize the Program Managers Guide. A draft Program Managers Guide was completed in late March 2010. A Plain Language Guide for NGOs will be completed in 2010/11.

Measures Reporting

Measure 1 – Number of Financial Management Board submissions reviewed per year

- 2008-09: 311 documents were reviewed (247 decision items and 64 information items)

- 2009-10: 301 documents were reviewed (243 decision items, 57 information items and 1 chairman's list item). In addition. There were 9 presentations made at FMB.

- 2010-11 – up to the June 29, 2010 FMB meeting: 128 documents have been reviewed (113 decision items, 14 information items and 1 chairman's list item). In addition there have been 2 presentations made at FMB.

Measure 2 – Accurate replacement values for Government Assets

- Accurate replacement values for 151 government assets valued at over $1,000,000 and 16 GNWT owned fuel tank farms have been established, ensuring that accurate values have been submitted to insurers so that the appropriate insurance premium is charged for these assets and that appropriate recovery in the event of damage or loss can be achieved.

- The first cycle of the appraisal program will be completed in 2010-11, with appraisals on 42 assets over $1,000,000. The Property Replacement Cost program will begin again in 2010-11, selecting 8 major value buildings (over $1,000,000) for appraisal for the second time to ensure accurate replacement cost figures are maintained.

Measure 3 – Minimized banking, investment, and borrowing costs

- *Borrowing costs (non-consolidated):*
  - 2008-09 – nil
  - 2009-10 – nil
  - 2010-11 (estimated) – $310,000. The interest costs of $5.4 million associated with the Deh Cho Bridge debt are capitalized as a project cost during the construction phase.
  - 2011-12 (forecast) - $2.3 million plus $5.5 million for Deh Cho Bridge debt.

Measure 4 – Increased tax assessments for non-compliance with tax statutes

- Audit activity has resulted in an additional $680,000 of assessed taxes for 12 months ended June 30, 2010.

Measure 5 – Compliance with the GNWT's Fiscal Responsibility Policy

- The Fiscal Responsibility Policy contains performance criteria on fiscal management and borrowing:

  a) Debt to Revenue – Revenue growth compared to debt growth. A declining ratio is a positive indicator that revenue growth is exceeding the rate of growth of debt.
     - Goal – lowest 4 among provinces/territories
       - 2005-06: 3rd lowest
       - 2006-07: 3rd lowest
       - 2007-08: 3rd lowest
         - 2008-09: not yet available
         - 2009-10: not yet available

b) Debt per Capita – measure of debt burden of NWT residents. A decreasing measure indicates debt burden per person is declining.
  - Goal - lowest 4 among provinces/territories
    - 2005-06: 3rd lowest
    - 2006-07: 3rd lowest
    - 2007-08: 3rd lowest
    - 2008-09: not yet available
    - 2009-10: not yet available

c) Debt Servicing Costs – Interest costs (consolidated)
  - Goal – lowest 3rd among provinces/territories
    - 2005-06: 2nd lowest among provinces/territories
    - 2006-07: 2nd lowest among provinces/territories
    - 2007-08: 2nd lowest among provinces/territories
    - 2008-09: not yet available
    - 2009-10: not yet available

d) Debt Servicing Costs as a per cent of Revenues – measure of burden on revenues to finance debt payments
  - Goal – Cannot exceed 5.0% of revenues
    - 2005-06: 0.36%
    - 2006-07: 0.29%
    - 2007-08: 0.24%
    - 2008-09: 0.59%
    - 2009-10: not yet available

e) Net Debt, as a per cent of GDP – declining percentage indicates economic growth exceeding rate of growth of debt
  - Goal - lowest 4 among provinces/territories
    - 2005-06: 3rd lowest
    - 2006-07: 3rd lowest
    - 2007-08: 3rd lowest
    - 2008-09: not yet available
    - 2009-10: not yet available

f) Net Debt per Capita – indicator of ability to finance activities and meet obligations
  - Goal - lowest 4 among provinces/territories
    - 2005-06: 3rd lowest
    - 2006-07: 3rd lowest
    - 2007-08: 3rd lowest
    - 2008-09: not yet available
    - 2009-10: not yet available

<u>Measure 6 – GNWT Credit Rating</u>

- A measure of sound fiscal policies, adherence to these policies and current and future debt burden:
  - Goal – maintenance of stable investment grade rating
    - 2005-06: Aa3 (Moody's)
    - 2006-07: Aa1 (Moody's)
    - 2007-08: Aa1 (Moody's)
    - 2008-09: Aa1 (Moody's)

- 2009-10: Aa1 (Moody's)
- 2010-11: Aa1 (Moody's)

Measure 7 – Active Payroll Tax Files on March 31

- A measure of the volume of active payroll files at March 31:
  - 2006 2,357
  - 2007 2,352
  - 2008 2,412
  - 2009 2,441
  - 2010 2,417

KEY ACTIVITY 3: OFFICE OF THE COMPTROLLER GENERAL

Description

The Office of the Comptroller General is responsible for the control of the administration of the Consolidated Revenue Fund with respect to the receipt and payment of public money, accounting policy, the financial records of the GNWT, reporting responsibilities, financial analysis, advice and interpretation, internal auditing and related matters.

The Internal Audit Bureau provides an independent, objective assurance and consulting service to improve the GNWT's operations by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal controls and governance processes.

Accounting Services is responsible for the development of corporate accounting procedures and policies, administration and integrity of the government's financial information system, revenue, accounts receivable and accounts payable functions, making territorial power subsidy payments, management of the environmental liability fund, external financing reporting, and providing collections and credit granting functions.

Major Program and Service Initiatives 2011-12

Overall

Public Accounts

In partnership with Departments, an initiative will be taken to increase the effectiveness and timeliness of producing the non-consolidated financial statements of the GNWT and completion of the Public Accounts and the associated audit by the Office of the Auditor General. Increasing exposure of Department staff to the emerging reporting requirements being issued by the Public Standards Accounting Board (PSAB) will be undertaken.

Internal Audit

The Internal Audit Bureau will take an increasing leadership role in supporting Departmental compliance functions as well as introducing risk management concepts to Departmental Managers. Oversight and guidance will continue to be provided by the Audit Committee.

System for Accountability & Management (SAM)

Continuing emphasis will be placed on supporting Departments in gaining proficiency in the use of SAM. Efforts will be focused on assisting Managers to maximize their use of the data contained within the system by training them on the reporting tools that are available from the system. In addition, through the SAM Business Advisory Committee and SAM User Groups, opportunities to improve and streamline processes will be actively pursued.

Strategic Initiatives

Financial and Procurement Shared Services

As part of the Modern Management concept, the *Financial Administrative Renewal Strategy* and the *Financial Administrative Renewal Initiative Project Charter* were approved in 2007. Both the *Strategy* and the *Charter* included the proposal for a Financial Shared Services Center for transaction based activities including aspects of: procurement of goods and services; accounts payable; general ledger; cashier and accounts receivable; financial systems operations; and other financial activities.

The proposed activity is to complete the planning, design and transition activities required to implement a Financial Shared Services Centre (FSSC), including a shared services procurement model (SSPM), for the GNWT and begin implementation in 2011-12. This initiative will be coordinated with Public Works and Services.

The intent of this activity is to provide for a consistent level of service across government that is compliant with GNWT policies through the consolidation of the financial processing and procurement process activities. Departments will maintain responsibility for determining what expenditures they deem necessary to incur and what goods and services they require to meet their program needs. Departments will also maintain the resources and responsibilities to do their own financial planning and analysis.

Implementation plans for a financial shared services model are being developed in 2010-11. These plans include governance structure, service level agreements, service delivery model, resource implications and an implementation schedule. GNWT Departments and the Northwest Territories Housing Corporation have been involved in the planning process.

In 2011-12, the intent is to roll out the first phase of shared services that will focus on regional service centers. Funding for minor office renovations and fit up will be required to support the regional office implementation.

Future years will see the complete implementation of Financial Shared Services across the GNWT.

Four Year Business Plan Update

Results to Date

System for Accountability & Management (SAM)

The financial information system of the GNWT was replaced and the new system, SAM went live on September 1, 2009. The system is fully functioning, and continued training efforts are required to ensure employees are able to use the system correctly.

Enhanced manager training was developed during the summer of 2010-11 and will be provided to all Departments during the fiscal year. Ongoing improvements and emphasis on training tools and aids has been a priority for the Accounting Services Division.

Policies in the Financial Administration Manual (FAM) were amended to reflect any procedural or process changes required as a result of the implementation of SAM. Further amendments will be required with the introduction of a new *Financial Administration Act.*

Financial and Procurement Shared Services

Implementation plans for a financial shared services model are being developed in 2010-11. These plans include governance structure, service level agreements, service delivery model, resource implications and an implementation schedule. GNWT Departments and the Northwest Territories Housing Corporation have been involved in the planning process.

Internal Audits

In the fall of 2009, the Institute of Internal Auditors conducted an External Quality Assessment Review on the Internal Audit Bureau. The resulting report concluded that the Internal Audit Bureau “generally conforms” to the IIA Standards and Code of Ethics. This is highest rating established by the IIA for an internal audit activity.

Measures Reporting

Measure 1 – Percentage of audit time on direct audits, unscheduled audits and professional development

The total available hours were allocated as follows:

Categories	2007-08	2008-09	2009-10
Operational audits	41%	35%	25%
Unscheduled audits	19%	3%	13%
Other indirect hours	19%	24%	19%
Professional Development hours	11%	15%	11%
Information technology audits	7%	20%	29%
Other consulting and audit hours	3%	3%	3%

Measure 2 – Number of audit staff with, or working towards, professional designations

Categories	2007-08	2008-09	2009-10
Staff with professional designation	4	2	7
Staff working on designation	3	3	2

Measure 3 – Number of irregularities

Categories	2007-08	2008-09	2009-10
Irregularities reported	8	6	8
Audit reports issued dealing with irregularities	3	2	3

Measure 4 – Percentage of work plan completed

- 2007-08: 52% of the annual audit work plan was initiated
- 2008-09: 60% of the annual audit work plan was initiated
- 2009-10: 35% of the annual audit work plan was initiated

Measure 5 – Financial system in place, processes transactions and meets needs

- Replacement of the existing financial system occurred on schedule with a “go-live” date of September 1, 2009. An interdepartmental governance structure, a user advisory group, and ongoing user training to ensure the SAM is operating effectively and as intended has been put in place.

Measure 6 – Evidence that financial policies and directives are in place, readily accessible to users and regularly reviewed to keep current

- Financial procedures and directives were reviewed and revised as required to support the implementation of a new financial system. A process of issuing formal interpretations of FAM was instituted in 2010-11 to ensure consistency in application of policy when common issues have been identified.

Measure 7 – Timeliness of the publication of Public Accounts

- Since 2001, on the recommendation of Standing Committee, the Department set a target of August 31 for finalization of the Public Accounts. This timeline was not met for the year ended March 31, 2009. The 2008-09 Public Accounts were not tabled until February 2010. Delays were encountered with completing audits of some of the Government entities that are consolidated in the Public Accounts. In addition, discussions with the Office of the Auditor General on the appropriate disclosure of some financial statement items led to delays.

Measure 8 – Evidence of adequate training sessions to demonstrate that employees are knowledgeable about financial procedures, policies and directives

- Accounting training was deployed in the fall of 2008 with most of the GNWT's financial staff that were identified as requiring either increased capacity or skills refreshers being trained. Follow up sessions for staff that were unavailable and for new staff was suspended until later in 2009-10 due to the training development and delivery required to support the financial system implementation.

  Training development for the new system includes a computer-based learning tool that will allow new employees to be easily trained and existing employees to refresh or expand their skills, as and when required. In addition, classroom training or "web presentations" will supplement the system training, with additional training around the GNWT business processes related to processing financial transactions.

KEY ACTIVITY 4: OFFICE OF THE CHIEF INFORMATION OFFICER

Description

The Office of the Chief Information Officer (OCIO) is the lead for ensuring an effective, comprehensive and current strategy for the development, management and use of the government's information resources in a manner that supports the government's strategic business goals and operational needs. The OCIO is also responsible for the GNWT's telecommunications policy.

Major Program and Service Initiatives 2011-12

Overall

Knowledge Management Strategy (KMS) Implementation

Implementation of the updated KMS will commence in 2011-12 although specific details will not be finalized until the KMS is updated (scheduled for completion in 2010-11). In support of the KMS implementation efforts, $500,000 was approved through the Strategic Initiatives funding process under the "Refocusing Government" initiative.

Strategic Security Plan Implementation

The Strategic Security Plan will allow the GNWT to: protect the electronic information assets of the GNWT, meet user requirements, allow for future enhancements and accommodate change, meet legislative requirements, meet contractual requirements, withstand scrutiny of both internal and external audits and be cost effective and justifiable. The ongoing activities in 2011-12 will include the completion of the environment scan of the GNWT to establish a high-level threat/risk analysis, the prioritization of these risks, and identification of the mitigation measures required. Also planned is a review and update of the current Security Policy and Standards and the accommodation of new requirements in light of the analysis of the environment scan.

Electronic Records and Document Management System (ERDMS)

The ERDMS will be used to store, organize and access electronic business records. A requirements analysis was completed in 2009 with product selection completed in 2010-11. The plan is to identify a GNWT-wide standard for a document management solution (software) and to pilot the system in 2010-11 in one or potentially two departments (if resources permit) that meet system prerequisites. Public Works and Services has been identified as the most likely candidate for the initial pilot implementation, as they have considerable experience with Document Management and Records Management and are the custodians of the GNWT Records Management Program. Remaining departments will be phased in over the following years when they have attained a sufficient level of preparedness and funding has been secured. The system will enhance functionality in the following areas:

- Improve and mitigate corporate risk by providing improved response times when searching/retrieving information with respect to Access to Information and Protection of Privacy (ATIPP) and Discovery requests.
- Reduce duplication across our networks thereby reducing the increasing demands on storage and storage costs.
- Enhance abilities to share information within and across departments.
- Provide savings in office space and equipment, and storage space (physical and virtual).
- Reduce hidden costs such as; time lost searching for records, time spent creating duplicate records, time and costs associated with the transfer of records to offsite storage and time and costs associated with the authorized disposition of public records).
- Ensure compliance with legislative requirements (*Archives Act* and *ATIPP Act*).

GNWT Participation in CRTC Regulatory Hearings

The GNWT's goal is to ensure that the interests of the GNWT and NWT residents are fully considered with respect to any decisions the Canadian Radio-Television and Telecommunications Commission (CRTC) and/or the Government of Canada may take with respect to existing regulated telecommunication services or other services (i.e. wireless, voice-over-internet-protocol (VOIP), internet, and satellite).

The key activities regarding CRTC regulatory matters are:

- Improve GNWT awareness of the CRTC regulatory environment.
- Identify issues of concern to the GNWT arising from CRTC regulatory actions.
- Develop and present the GNWT's positions on such matters at the formal CRTC hearings scheduled for 2011 (if required).

Strategic Initiatives

Knowledge Management Strategy Update

The goal of this initiative is to update the Knowledge Management Strategy (KMS) to better reflect the current needs of the GNWT and to address technological change that has occurred since the strategy was developed in 2002.

A Deputy Minister Steering Committee (DMSC) oversees this project and the OCIO is undertaking the project management responsibilities. The DMSC has recognized the need to align strategic IM/IS/IT planning with the strategic goals of the government and to link technology management, initiatives and related investments to clearly defined service benefits to NWT residents.

To this end, work is underway with the Department of the Executive to coordinate efforts regarding service delivery, particularly the "Improving Services to Rural and Remote Communities" Strategic Initiative, and identifying how this and other initiatives will impact the updated KMS. Because of this coordination effort, additional work and time was required to conduct surveys and undertake related analysis vis-à-vis service expectations in remote and rural communities. This additional work has resulted in the project being delayed by approximately 6 months. To date, an inventory has been developed identifying all GNWT services that are available in NWT communities including how they are delivered to the public (in person, by phone, fax, or online). The Informatics Policy Council (IPC) has also met to identify and agree on the strategic priorities that need to be addressed in the updated strategy.

Security

The implementation of a security management framework is essential to the GNWT in order to ensure that the information assets held in trust by the GNWT are secured in accordance with legislative and policy requirements. In support of this, the following actions (and associated outputs) have been completed:

- Developed a Strategic Security Plan
- Developed an Action Plan
- Assessed and reviewed the GNWT's IT environment

Ongoing efforts in 2010-11 and 2011-12 in support of the Strategic Security Action Plan are focused on:

2010-11: Updating the Security Policy and Standards

In 2009 a government wide, departmental review of legislation and internal policies was undertaken to identify information security requirements. This information has been consolidated and a new Electronic Information Security Policy has been drafted and is scheduled for approval in 2010-11.

A review of the protection of information on mobile devices and removable media has been undertaken and a project to undertake laptop encryption is advancing. Product selection has taken place and implementation across the GNWT will be completed by December 2010.

Completion of this initiative has been delayed due to a vacancy in the Chief Security Officer (CSO) position.

2011-12: Develop a Disaster Recovery and Business Continuity Framework for IS and IT-related operations

This initiative will be completed on schedule upon successful staffing of the CSO position.

Four Year Business Plan Update

Transfer of CRTC Regulatory Responsibility

In 2009-10, a transfer of responsibility for representing territorial interests at CRTC regulatory hearings took place from Public Works and Services to the Finance, with the OCIO undertaking this responsibility. This was a natural transition since the OCIO was already dealing with the federal government with respect to broadband issues and the private sector, on behalf of the GNWT, for cell phone services.

Number of security standards implemented that are International Organization for Standardization (ISO) compliant

The first key step in bringing ISO compliance to the GNWT's information security environment is the implementation of an information security management framework. To date, the OCIO has begun the implementation of a framework that brings information security under explicit management control.

Compliance with ISO standards requires that the GNWT:

- Systematically examine the GNWT's information security risks, taking account of the threats, vulnerabilities and impacts;
- Design and implement a coherent and comprehensive suite of information security controls and/or other forms of risk treatment (such as risk avoidance or risk transfer) to address those risks that are deemed unacceptable; and
- Adopt an overarching management process to ensure that the information security controls continue to meet the organization's information security needs on an ongoing basis.

Work on implementation is a multi-year, ongoing initiative.

Number of GNWT submissions to CRTC regulatory hearings

The OCIO has facilitated the GNWT's participation in two CRTC regulatory hearings in 2009-10 and 2010-11:

1. An application by NorthwesTel to extend their current price cap regulatory framework by two years.
2. The GNWT's participation in the CRTC Notice of Consultation for a major proceeding to review the basic service objective, obligation to serve, and local service subsidy for telephone companies. This proceeding is scheduled for October/November 2010.

Reduced number of GNWT Information Systems projects that exceed original budget projections

Finance

Work is continuing on the use of Portfolio Management tools to more effectively track the costs of both implementing new information systems within the GNWT as well as monitoring the cost of supporting all major systems on an ongoing basis. These tools are being piloted in several departments to determine their utility and suitability for widespread use within the GNWT.

The measurement of project performance for the 2009-10 fiscal year will not be available until later in 2010-11 due to delays encountered in collating project data.

Knowledge Management Strategy

Due to the delays described above affecting the development of the updated KMS, no performance measures have yet been established for this initiative. Details of the anticipated measures are provided in the following section of this document.

ERDMS Implementation Project

The current phase of the ERDMS project scheduled for 2010-11 has been reduced in scope, due to significant increases in the amount of financial and employee resources needed to complete a government-wide implementation. Originally intended to implement 13 departments over a 3-4 year period, the project has now been reduced to implementation of the solution in a single department in 2010-11. The IPC agreed that the pilot department would be Public Works & Services as they have existing experience with electronic document management and are the natural owner of the records management program. Public Works & Services has existing resources in their Information Systems division capable of supporting the implementation within their department. At the same time, the project team will develop the management framework needed to support the longer term implementation and ongoing support of the solution. The measures for this initiative for 2010-11 are:

- Implementation of the ERDMS solution in the pilot department
- User acceptance and utilization of the solution
- Reduction of the number of electronic documents stored by the pilot department
- Reduction in electronic storage requirements resulting from the above
- Reduced time to locate and retrieve electronic documents
- Development of the management framework (i.e. policies, procedures, standards and guidelines) needed to support the longer term implementation and support of the solution across government.

Assessment of these benefits will be undertaken upon the successful completion and operation of the ERDMS solution for a sufficient period of time to establish meaningful performance data.

Measures Reporting

Measure 1 – Knowledge Management Strategy

- The current KMS is being updated to reflect significant changes in both the business environment of the GNWT and the technological changes that have occurred since the development of the original KMS in 2002. Due to project delays, implementation of the updated KMS will now commence in 2011-12.

  As the updated strategy is being developed, performance measures will not be known for several months. However, it is expected that these measures will include determining the value of capital investments in IT, better outcomes (on-time, on-budget) for major IT initiatives, favorable benchmark comparisons for overall IT spending as compared to other governments and the increase in the use of IT for the delivery of programs and services online. A measurement framework is required to clearly demonstrate how IT adds value and ultimately improves GNWT operational efficiency and effectiveness as well as the delivery and accessibility of programs and services to Northerners.

Measure 2 – Strategic Security Plan

- The ongoing implementation of the Strategic Security Plan will result in the following measures for 2011-12:

    - A complete and approved Electronic Information Security Management Framework for the GNWT
    - Improved awareness of the Security Framework by all GNWT staff
    - A working Security Incident Response Plan for the GNWT
    - Ongoing provision of expert advice on security and security-related issues to the GNWT

Measure 3 – CRTC Regulatory Matters

- The ongoing monitoring of and participation in CRTC regulatory matters will result in the following measures:
    - Identification of key issues to both the GNWT specifically and the NWT in general resulting from CRTC regulatory hearings
    - The development of a GNWT position(s) on these issues
    - Participation by the GNWT in the CRTC hearings (if required)

KEY ACTIVITY 5: LIQUOR REVOLVING FUND

Description

The Liquor Revolving Fund is established under the *Liquor Act* and provides working capital to finance the operations of the Liquor Licensing Board, Liquor Licensing and Enforcement and the Liquor Commission.

The Liquor Licensing Board holds compliance hearings when violations of the *Liquor Act* and Regulations are brought forward by Enforcement. The Board also issues liquor licenses and permits.

Liquor Licensing and Enforcement is responsible for the enforcement of the Act and to provide training to licensees and permit holders on their obligations under the Act. Communities wishing to exercise their options under the *Liquor Act* receive assistance from Licensing and Enforcement.

The Liquor Commission is responsible for the purchase, warehousing, distribution and sale of all alcoholic beverages in the Northwest Territories.

The Board, Liquor Commission and Liquor Licensing and Enforcement are funded by the sale of alcoholic beverages.

Major Program and Service Initiatives 2011-12

Overall

Liquor Commission

Investigate liquor store requirements and develop business models that will deliver best results for liquor distribution in each community with liquor store service.

- Contracts for the operation of liquor stores in Hay River, Yellowknife, and Fort Smith will be expiring within the next two years. A new operating model has been chosen for Hay River and is contingent on the availability of an adequate facility on a long term basis. Procurement of the facility and the operating contract are projected to be finalized in the 2011-12 fiscal year.

- The model for the Yellowknife liquor service delivery is being evaluated and a decision on the model is expected in the 2010-11 fiscal year. The procurement process is projected for the first half of the fiscal year 2011-12, in time to replace existing contracts expiring in January 2012.

- The Fort Smith model will be retained and the procurement process is scheduled to be complete by the end of May 2011, in time to replace the existing contract expiring in November 2011.

Research and provide advice on best approaches and options for development of regulations relevant to liquor stores and liquor sales and distribution.

Licensing and Enforcement

The Licensee Handbook and forms will be accessible online and licensees encouraged to use this means of communication where possible.

Continue to educate licensees and their staff on the *Liquor Act* as staff turnover in this type of business is high. Server training will continue to be a tool used to educate licensees and permit holders on the obligations under the liquor act.

Communities will continue to be advised of their options under the *Liquor Act* and will be provided with information on a yearly basis and when required for specific requests.

Four Year Business Plan Update

Results to Date

All licensees were provided with a handbook geared to the classification of license they hold that summarizes the new *Liquor Act* and regulations. The handbook will assist licensees to better understand their obligations under the *Liquor Act*.

Server Training was provided to 97 participants in 2008-09. From April 1, 2009 to March 31, 2010 a total of 232 participants have taken the course.

In 2008-09, inspector training was provided to 27 RCMP members and Inspectors with regard to the new *Liquor Act*. From April 1, 2009 to March 31 2010, total of 47 RCMP members have taken training.

All communities were provided with information on the new *Liquor Act* regarding community options.

Changes to Four Year Plan

The Liquor Revolving Fund has been included as a Key Activity of the Department of Finance.

Measures Reporting

Measure 1 - Liquor net income ratio will be equal to at least 50 percent of gross liquor revenue

- The Liquor Commission achieved a 52 percent net income to gross liquor revenue during the 2009-10 fiscal year. Gross Liquor revenue was $44.8 million, an increase of 0.03 percent over 2008–09. Net income was $23.3 million, 2.9 percent higher than 2008–09 levels.

Five Year Performance Measuring

For the year ending March 31	2010	2009	2008	2007	2006
($000's)					
Gross Sales	44,780	44,649	42,771	39,654	38,776
Gross Profit	28,398	27,460	26,444	24,585	24,200
as a Percentage of Sales	63.4%	61.5%	61.8%	62.0%	62.4%
Net Profit	23,303	22,798	21,880	20,520	20,333
as a Percentage of Sales	52.0%	51.1%	51.2%	51.7%	52.4%
Operating Expense	4,886	4,668	4,568	4,069	3,872
as a percentage of Sales	10.9%	10.5%	10.7%	10.3%	10.0%

Measure 2 - Number of violations by liquor store operators

- Operational compliance with contracts, regulation and legislation by the store and warehouse operators was excellent throughout the year. The operations of all liquor outlets are monitored monthly and visited periodically. Liquor outlets are also subject to inspection by Liquor Inspectors. There were no non compliance issues during the year.

<u>Measure 3 - Number of social responsibility campaigns and programs</u>

- The Liquor Commission supports the responsible use of alcohol through various awareness programs and initiatives. During the 2009-10, the Liquor Commission, partnered with the Department of Health and Social services in the development of a new FASD poster and brochure campaign “No Alcohol during Pregnancy - We can all help prevent FASD”, and continued to support the following existing programs:
  - The campaign “Moderation is always in good taste” was continued in cooperation with nine other Canadian liquor jurisdictions, to support the use of beverage alcohol in moderation.
  - The Techniques of Alcohol Management (TAM) is a Liquor Store Server Training program that has been provided to liquor store staff over the past two years. It is mandatory that all liquor store service personnel receive and demonstrate competence in the service of beverage alcohol in accordance with the TAM program before they can serve customers.
  - The Check 25 program is intended to strengthen controls in place concerning service to minors. The program conditions customers to expect to be asked for proof of identification if they appear to be under the age of 25. The specific forms of identification papers allowed have been standardized.
  - Warnings messaging with regard to the dangers of alcohol consumption during pregnancy were delivered to all retail customers, in the form of warning labels on all beverage containers and paper bags used at the point of sale.
  - In conjunction with Educ’ Alcool, a booklet titled “Be Prepared To Talk To Your Children About Alcohol” was distributed through the liquor stores and sent to medical clinics, schools and drug and alcohol committees throughout the Northwest Territories.
  - In support of MADD Canada, all liquor stores participated in the Red Ribbon Program, “It’s Time to Change the meaning of Tie one on, Drive Safe, Drive Sober”.
  - The Commission participates on the Canadian Liquor Jurisdictions’ Social Responsibility Committee, and strives to provide products that are socially responsible and incorporates responsible messaging into product sales.

<u>Measures 4 - Operations are managed efficiently and comply with legislation, regulation and policy</u>

- The operational structure of the Liquor Commission consists of an administrative staff of nine and a network of seven stores and two warehouses, operated by private contractors. Five of the private agency stores operate with inventory on consignment from the Commission and the two Yellowknife stores purchase inventory directly from the Yellowknife warehouse. Sales to consumers and licensees are incurred through sales by the consignment stores. Sales to private stores are realized through their purchase of liquor products from our warehouse. The cost to deliver the sales and administration throughout the year was 11 per cent of sales revenue, of which 7 per cent was paid as commissions to liquor store and warehouse contractors.

<u>Measure 5 - Education of licensees with regard to the *Liquor Act*</u>

- 100% of the licensees will be provided with a licensee handbook
- 100% of requests from licensees for server training will be delivered within 3 months of the request
- 100% of reported violations will be investigated and responded to within 30 days of the incident during 2009-2010 all targets were met.

<u>Measure 6 - Training of Liquor Inspectors</u>

- 100% of the Inspectors will receive training and will be provided with ongoing support

- 100% of requests from RCMP detachments for inspector training will be provided within 30 days of the request. During 2009-2010 all targets were met.

Measure 7 - Provide advice to communities (community options)

- 100% of the communities who requested advice were acknowledged within 48 hours.

c) Infrastructure Investments

Activity to Date

System for Accountability & Management

The FIS Replacement Project now referred to as the System for Accountability and Management, was a multi-year project with an approved investment of $20,260,000. The go-live date was September 1, 2009. Initial implementation activities such as training and reorganizing to meet new roles required to sustain the system continued until December 2009.

Security Infrastructure Tools

The OCIO has a 2010-11 Capital Budget of $130,000 for the acquisition of Intrusion Detection and Prevention tools (hardware and software) that will provide better protection and reporting around potential malicious intrusions and attempted intrusions in the GNWT's IT environment. An RFP for the acquisition of these tools is planned for late 2010.

Electronic Records and Document Management System

A capital budget of $500,000 was approved for 2009-10 to conduct a detailed analysis across government and determine the common business needs/requirements with respect to electronic records and documents. This phase of the project was completed in April 2010 and involved meeting with over 200 GNWT employees across all departments, including the NWT Housing Corporation and facilitating workshops to determine how information (paper and electronic) is managed today and identifying requirements to be addressed.

The next phase of the project is to identify and select (through a competitive RFP process) a solution that best meets the common needs of the organization. This phase is expected to complete in September 2010. Once the solution has been identified, a pilot implementation will be undertaken likely within the Department of Public Works and Services. Vendor services will be required for the implementation and the initiative is anticipated to be complete in June 2011.

Planned Activities – 2011-12

System for Accountability & Management

Implementation of Peoplesoft modules to support the Shared Services Procurement Model is being proposed pending the provision of funding through the capital planning process. This would include two modules, Strategic Sourcing and Supplier Contract Management that would allow for complete integration of the GNWT's procurement processes with its financial reporting system.

d) Legislative Initiatives

Activity to Date

Financial Administration Act
A legislative proposal to amend the *Financial Administration Act* has been drafted and will be entered into the review process.

Northern Employee Benefits Services (NEBS) Pension Plan
The *Northern Employee Benefits Services Pension Plan Protection Act* was given assent in March 2009 to provide protection from creditors for the pension entitlements of Northwest Territories members of the NEBS Pension Plan.

Income Tax Act
A legislative proposal is being developed to amend the *Income Tax Act* to ensure that the territorial Act maintains the Common Tax Base under the federal *Income Tax Act* pursuant to the Tax Collection Agreement with the federal government. The proposed amendments are housekeeping in nature, and are expected to be introduced in the October 2010 session.

Planned Activities – 2011-12

Financial Administration Act (FAA)
If approved, legislative drafting will be required to amend the FAA to provide for multi-year appropriations for infrastructure expenditures.

If approved, legislative drafting will be required to amend the FAA to align the legislation with the GNWT's current operating environment and best practices; also providing a legislative framework for improved accountability and effective and efficient use of government resources.

Petroleum Products Tax Act
The *Petroleum Products Tax Act* has existed substantially in its present form since it was promulgated in 1988. In the interim, the fuel tax environment in the NWT has been subject to substantial changes, and the Act requires re-drafting to reflect the current environment. The final legislative proposal and drafting instructions will be presented for consideration by Legislative Assembly and Cabinet. Upon acceptance, final drafting instructions will be submitted to legislative drafter.

Heritage Fund
As a result of public consultation in 2010, the Minister of Finance has committed to introduce legislation to create a Heritage Fund to set aside income from the development of the territory's resources to fund long-term investments in infrastructure or financial assets by the end of the 16th Legislative Assembly. This will mean that the Heritage Fund legislation will have to be introduced by the February 2011 Budget Session in order to be considered for passage by the June 2011 session.

Tax Legislation
The Department typically amends legislation in order to implement any tax initiatives in the annual territorial budget. These initiatives generally cannot be known in advance. Amendments to NWT tax legislation may be proposed following revenue consultations.

e) Human Resources

Overall Human Resource Statistics

All Employees

	2010	%	2009	%	2008	%	2007	%
Total	108	100%	109	100%	97	100%	109	100%
Indigenous Employees	48	44%	48	44%	47	49%	49	45%
Aboriginal	26	23%	27	25%	23	24%	24	22%
Non-Aboriginal	22	21%	21	19%	24	25%	25	23%
Non-Indigenous Employees	60	56%	61	56%	50	51%	60	55%

Note: Information as of March 31 each year.

Senior Management Employees

	2010	%	2009	%	2008	%	2007	%
Total	12	100%	11	100%	13	100%	12	100%
Indigenous Employees	5	36%	4	37%	5	39%	5	42%
Aboriginal	1	9%	1	9%	1	8%	1	8%
Non-Aboriginal	4	36%	3	27%	4	31%	4	34%
Non-Indigenous Employees	7	55%	7	64%	8	61%	7	58%
Male	10	83%	9	82%	10	77%	10	83%
Female	2	17%	2	18%	3	23%	2	17%

Note: Information as of March 31 each year.

Non-Traditional Occupations

	2010	%	2009	%	2008	%	2007	%
Total	10	100%	13	100%	11	100%	10	100%
Female	3	30%	4	31%	2	18%	4	40%
Male	7	70%	9	69%	9	82%	6	60%

Note: Information as of March 31 each year.

Employees with Disabilities

	2010	%	2009	%	2008	%	2007	%
Total	108	100%	109	100%	97	100%	109	100%
Employees with disabilities	1	1%	1	1%	1	1%	1	1%
Other	107	99%	108	99%	96	99%	108	99%

Note: Information as of March 31st of each year..

Position Reconciliation

This information differs from the employee information on the preceding page; Human Resource information reflects actual employees as of March 31 each year. The information presented below reflects position expenditures approved through the budget process for each fiscal year.

Active Positions

Summary:

	2010-11 Main Estimates	**Change**	**2011-12 Business Plan**
Total	121	(1)	120
Indeterminate full-time	108	(1)	107
Indeterminate part-time	-	-	-
Seasonal	-	-	-
Liquor Revolving Fund	13	-	13

Adjustments during the Year:

Position	Community	Region	Added/ Deleted	Explanation
Project Manager	Yellowknife	Headquarters	Deleted	Financial Shared Services - Sunset

Other Positions

Summary:

	2010-11 Main Estimates	**Change**	**2011-12 Business Plan**
Total	-	-	-
Indeterminate full-time	-	-	-
Indeterminate part-time	-	-	-
Seasonal	-	-	-

Adjustments During the Year:

Position	Community	Region	Added/ Deleted	Explanation

Other Human Resource Information

One of the stated priorities of the Legislative Assembly is to "improve human resource management within the GNWT through training, career planning, and encouraging innovation by employees." To address this priority, the Department of Human Resources has launched a long-term human resources strategy for the public service entitled, *20/20: A Brilliant North*. Among other initiatives, this strategy provides a framework for the development of departmental human resource plans, including succession plans and affirmative action plans.

The tables below indicate statistics on departmental human resource activities with respect to summer students, interns and transfer assignments for the 2010-11 fiscal year. The published data reflects staffing actions in these areas as of August 3, 2010.

Summer Students				
Total Students	Indigenous Employees (Aboriginal + Non Aboriginal	Indigenous Aboriginal	Indigenous Non-Aboriginal	Non-Indigenous
8	8	5	3	0

Interns				
Total Interns	Indigenous Employees (Aboriginal + Non Aboriginal	Indigenous Aboriginal	Indigenous Non-Aboriginal	Non-Indigenous
0	0	0	0	0

Transfer Assignments				
Total Transfer Assignments	Indigenous Employees (Aboriginal + Non Aboriginal	Indigenous Aboriginal	Indigenous Non-Aboriginal	Non-Indigenous
7	3	1	2	4

Activities Associated with Staff Training & Development

The Department allocated financial resources and identifies training and development opportunities for employees to demonstrate its commitment to the professional growth of staff. Examples include:

- Two representatives from the Department attended the annual Canadian Risk and Insurance Management Society convention in 2009 to take advantage of the industry training opportunities offered there and will again attend in September 2010.
- Seven employees have been accepted into the Management Leadership Development Program for 2010-11.
- An employee was approved short-term education leave to complete a Diploma in Accelerated Accounting that will contribute to the employee's longer term goal of advancing her career and provide professional expertise and increased capacity in a regional office.
- An employee completed the University Of Alberta School Of Business Senior Managers Development Program for potential career advancement into senior management.
- All Department employees completed some form of the PeopleSoft Financials training as a result of the implementation of SAM.
- An employee of the Department obtained a professional accounting designation.

f) Information Systems and Management

Overview

System for Accountability& Management (SAM)

The Department is responsible for the operation of the GNWT's System for Accountability and Management which is the government's financial information system. The system is integrated with Peoplesoft Human Capital Management system which is operated by the Department of Human Resources. In addition the system interfaces with several stand alone financial systems in various departments. The system also capture information associated with procurement activities before the GNWT actually enters into any contractual obligations.

As SAM is a corporate information system, the Department has instituted an inter-departmental Executive Steering Committee to oversee the strategic planning and direction of the system. An interdepartmental SAM Business Advisory Committee provides ongoing operational advice to the management group responsible for maintaining the system. In addition, a user group has been established to maintain ongoing feedback on the performance of the system and opportunities for improvement.

Planned Activities: 2011-12

System for Accountability & Management

A proposed initiative for 2011-12 is the implementation of two Peoplesoft modules included in the original scope of the replacement project which had been deferred. The two modules are Strategic Sourcing and Supplier Contract Management. These two modules will provide a fully integrated corporate procurement process and allow for complete integration of the "procure to pay" process and eliminate legacy systems including the contract information system, Public Works and Services' Internal Services system and possibly the Contracts Registry.

The Supplier Contract Modules will provide the GNWT with the ability to create and manage all contract documents used in any purchasing activity. In addition, it will provide document management capabilities so that staff can create, edit and manage the written document using Microsoft Word. The system also provides a structured method to develop the contract clause library and supports tracking to better manage the life cycle and approval process for documents.

Strategic Sourcing provides for integration of all documents related to a particular contract. When a contract is awarded the deliverables that were included in the tender or RFP are transferred to the final contract, including contract-specific agreement clauses that can be included in the final contract document.

These two modules are fully integrated within the SAM system which means that information created when goods or services are requisitioned carries through to these modules which support the tendering and contracting process. The information then integrates with the payment process so that again information carries through and is used to facilitate timely payment to suppliers and accurate posting to the expenditure accounts of the GNWT.

The functionality will be available to all GNWT departments and the NWT Housing Corporation.

Project & Portfolio Management

The OCIO will continue efforts to provide consistent Project Management tools and Application

Lifecycle Management tools and processes for departments in 2011-12. A current pilot project within Health and Social Services, Environment and Natural Resources/Industry, Tourism and Investment's Shared Services and the Technology Services Centre (TSC) will be expanded in 2011-12 to include remaining departments interested in using the product to help gain control of the management of their departmental projects and applications. This will include roll out of a common training curriculum for new users as well as creation of common reports and interfaces to help departments see trends, do better forecasting and planning both within the IS/IT divisions as well as for the departmental business plans.

The technology to be used is delivered through a Software-as-a-Service (SaaS) delivery model, whereby the GNWT purchases the "service" from a vendor for a monthly fee per user. This reduces the need for large capital expenditures to purchase and maintain the software in-house. The product does not capture any personal or sensitive information, and therefore no ATIPP or security concerns are raised. This delivery model presents a very economical solution at a reasonable price. Departments are expected to pay for their individual license costs through their operations budgets. The OCIO pays for its individual licenses on an annual basis, and the ongoing investment for the OCIO is estimated at $6,000.

3. FUTURE STRATEGIC DIRECTION

Modern Management

Public governments are facing increasing pressures to adapt their comptrollership and management practices as a result of changes that are occurring within the business environments they administer. The GNWT management environment has been significantly impacted by changes in:

- Technology: resulting in the use and reliance upon electronic information systems in support of corporate administration functions (Human Resources, Financial Management, Procurement, etc).
- Knowledge and Risk Management: resulting in the need for increased information and knowledge by decision makers to effectively manage government programs and services.
- Public Expectations: resulting in increasing expectations with respect to transparency, accountability and program effectiveness; and
- Business Relationships: as seen in the increasing complexity of the business relationships that we have with other jurisdictions, Aboriginal governments, Public/Private partnerships, or through development initiatives such as the secondary diamond industry.

In response to the changing business environment, the GNWT has embarked on an administrative renewal initiative in support of modern management practices that will ensure: a stronger focus on ethical behaviour; the adoption of formal risk management practices; improved accountability and stewardship of resources, and a focus on the results being achieved for the dollars spent.

Administrative renewal initiatives being advanced include:

1. The renewal of the Knowledge Management Strategy (KMS). Through the original KMS, the GNWT outlined its commitment to improve the delivery of programs and services through better information and knowledge management. It is recognized that the existing KMS is dated, and a renewal initiative is underway, as described in other sections of this Business Plan.
2. The future management and direction of the public service. The Department of Human Resources has recently released a corporate human resource strategic plan for the Northwest Territories public service that will guide the public service towards becoming the employer of choice in the NWT.
3. Adopting the modern management approach to financial management functions and includes:
    a. re-writing and modernizing the *Financial Administration Act* with corresponding changes to financial policies, procedures and directives;
    b. taking advantage of the enhanced tool made available with the implementation of SAM that better supports the GNWT's informational, analytical, reporting and business requirements;
    c. moving towards a financial shared services delivery model and updating the KMS.

Building on the modern management framework, the Department of Finance, along with GNWT departments, will need to continue to strengthen the existing capabilities of our public service so that better decisions are made, better service is provided to clients, and effective measures and reports on results are available to the public and stakeholders.

A supporting framework of legislation, policy, information systems and skilled government staff are critical components of a modern management environment. Advancing modern management will require continued improvements to systems, policies and controls that support the reporting of integrated performance information, risk based management practices, appropriate accountabilities and an ethics and values foundation that enables managers and staff to choose the right course of action when faced with ethical dilemmas.

Enabling modern management practices within the GNWT is a long-term commitment that will require ongoing support and active departmental participation. The degree to which modern management principles become an integral part of the GNWT business culture will directly impact the ultimate success of the overarching management reforms.

Fiscal Sustainability

The GNWT has historically been, and remains, highly dependent on the federal government for the majority of its revenues. The NWT's vast size, small and dispersed population, and challenging climate make the cost of delivering services and building infrastructure many times the value of its tax base. Although the economy has grown substantially in the last decade, historically, linkages between the resource sector and the rest of the economy have not been strong. Together with the lack of jurisdiction over non-renewable resources, this has limited the Government's capacity to invest in initiatives that will generate the long-term economic, social and environmental returns that will, over time, increase the territory's self-reliance.

To this end, the Department of Finance will need to play a critical role in developing and implementing fiscal strategies that will enable the GNWT to achieve its goals.

On the revenue side, this will mean continuing to present tax policy options that strike the appropriate balance between revenue needs, economic growth and environmental sustainability and that provide incentives for individuals to live and work in the NWT. It will mean working with other departments, governments and Aboriginal and private sector partners to develop and implement strategies that will create a future economy for the NWT that is balanced, diversified and sustainable. This will include finding opportunities to create economies of scale and lower costs through an expanded population base. It will also mean continuing to pursue devolution and resource revenue sharing and to prepare for the eventual transfer of these responsibilities and revenues to the NWT.

Recognizing that fiscal independence is a long-term goal, the Department will need to continue to work with the federal government to ensure that fiscal transfers are adequate and appropriate. While the GNWT cannot incur debt to a level where debt service costs are unaffordable or reduce program and service budgets, some debt specifically that which supports infrastructure, may be required to sustain economic growth.

Given that expenditure demands are expected to continue to outpace revenue growth, the Department will need to continue to play a leadership role in assisting decision makers to establish affordable frameworks for spending and investment that reflect government priorities and assist departments in managing their expenditure and resource requirements.