

KEVIN O'REILLY—MLA FRAME LAKE
Capital Budget Carryovers
Committee of the Whole—2019-2020 Operating Budget Review
Dept. of Infrastructure—February 22, 2019

MR. O'REILLY: Thanks, Mr. Chair. I want to follow up on some of the questions by my colleague, the MLA for Yellowknife North, on carryovers.

In the business plan that is posted to the Department of Finance website, 2017-2018, almost 50 percent of the capital infrastructure projects managed by Infrastructure were carried over. I did hear the discussion about trying to better manage this issue into the future, but is there actually a formal tracking system that the department now has in place to track carryovers? Thanks, Mr. Chair.

CHAIRPERSON (Mr. McNeely): Thank you, Mr. O'Reilly. Deputy Minister Guy.

MR. GUY: Thank you, Mr. Chair. The information that I have is that, in 2018-2019, our client-managed capital carryovers was approximately 37 percent of the total GNWT Infrastructure carryover for 2018-2019. We have been doing a lot of work to improve on those results. I spoke to a lot of those details.

On the client-managed capital, which I believe the question was about, yes, we track each and every project. At the project management level, we have a tracking system in place. They are discussed regularly at the regional operations level, and at the regional project management level, progress on each project is tracked and monitored on a regular basis. We have an internal tracking system in place. Thank you, Mr. Chair.

CHAIRPERSON (Mr. McNeely): Thank you, Deputy Minister Guy. Mr. O'Reilly.

MR. O'REILLY: Thanks, Mr. Chair. I am glad to hear that there is a client-based project tracking system. I take it by that, then, it is individual projects where Infrastructure is managing these projects for other departments. Is that rolled up in some way across the whole government, and does it include the infrastructure projects that the department itself is undertaking? Thanks, Mr. Chair.

CHAIRPERSON (Mr. McNeely): Thank you, Mr. O'Reilly. Deputy Minister Guy.

MR. GUY: Thank you, Mr. Chair. We also track the ones that we deliver on behalf of our own department, particularly on the roads and the highways projects that are tracked within the Transportation Division. They keep track of that there, and it is rolled up through asset management. Thank you, Mr. Chair.

CHAIRPERSON (Mr. McNeely): Thank you, Deputy Minister Guy. Mr. O'Reilly.

MR. O'REILLY: Thanks, Mr. Chair. I understand that this isn't wrapped up into one figure, and we see that in the business plan itself. The deputy minister talked about the figure for 2017-2018, I guess.

In that tracking, is there a way of breaking down the reasons for the carryovers as well? If we understand the reasons why there are so many carryovers, then we can start to address the cause. Are the reasons identified more than just the dollar figures? Thanks,

Mr. Chair.

CHAIRPERSON (Mr. McNeely): Thank you, Mr. O'Reilly. Deputy Minister Guy.

MR. GUY: Thank you, Mr. Chair. Certainly, when we see a project not progressing as planned, that would lead to a carryover, we track the reasons. If it is an issue around program design, in the client department, we would track that. If it is a reason around a contractor issue, whether it is a delayed winter road or a weather-related delay, we do track those types of issues.

Some of the carryovers are driven by the budgeting cycle in itself because of when the project gets approved, and by the time that procurement proceeds and we get through the award stage, there can be a bit of a lag that builds a carryover that usually disappears towards the end of the project, so where the project is in its actual cycle contributes to carryovers.

Some of the things I have spoken about in the past is just even project progression. Some projects, the larger ones, you can have monthly billings in the \$2- to \$3-million range when they are under full construction. It can be as simple as the contractor getting his progress payment claim in one month versus the next one. When we get to year end, whether that money is accounted for and the carryovers are not, after we passed the cut-off for payment, that money goes into the new year and it gets carried over. So there are lots of details, I guess, associated with it that can cause a carryover.

The ones we really focus on are the ones that are around projects that aren't proceeding on schedule and not proceeding, because our goal is to get public infrastructure on the ground and service for program delivery and for the public's use as quickly as possible once it is approved. Thank you, Mr. Chair.

CHAIRPERSON (Mr. McNeely): Thank you, Deputy Minister Guy. Mr. O'Reilly.

MR. O'REILLY: Thanks, Mr. Chair. Yes, I appreciate the reasons provided by the deputy minister, and I think I have heard them before. I want to know, though: does the department systemically track this across all infrastructure projects? Do they categorize the reasons why there are delays across the whole spending that takes place within the department? The project that they manage? It is great that they track this on an individual project by project basis, but do they roll this up so that they can see where the problem areas are, the systemic problems? That is what I am asking the deputy minister: are the systemic problems identified, and are they starting to address them? Thanks, Mr. Chair.

CHAIRPERSON (Mr. McNeely): Thank you, Mr. O'Reilly. Deputy Minister Guy.

MR. GUY: Thank you, Mr. Chair. Certainly, that's the goal of this process, is to find any systematic problems that are leading across more than one project. It is leading to some of those things that we have mentioned earlier today around adding capacity in the area of strategic infrastructure to free up line resources. That was one of those systematic problems we saw.

Also, understanding the capacity challenges at the front lines on the project delivery is one that we have also found was a systematic problem that we are addressing going

forward. We continue to look for those. Some of them are process improvements and how we work with the Department of Finance and things like financial tracking and some of those broader business processes, which we are also looking for systematic challenges there that we can work across departments to address. So that work is going on. Thank you, Mr. Chair.

CHAIRPERSON (Mr. McNeely): Thank you, Deputy Minister Guy. Mr. O'Reilly.

MR. O'REILLY: Thanks, Mr. Chair. Thanks for that description. I don't think I got an answer to the question. I am going to ask this directly to the Minister: can the Minister make a commitment that, in future business plans, there is going to be more than just a dollar amount of the carryovers? That there is going to be some explanation of the reasons for the carryover, categorization of those reasons, and how the department is becoming to address those? If it takes a page or something in the business plans, I think that is time well spent, so that we understand, and his department seems to better understand, why there are carryovers. Can the Minister make that commitment to include that kind of information in the business plans moving forward for his department? Thanks, Mr. Chair.

CHAIRPERSON (Mr. McNeely): Thank you, Mr. O'Reilly. Minister Schumann.

HON. WALLY SCHUMANN: Thank you, Mr. Chair. I think what I can commit to doing is I am going to have to talk to the Minister of Finance because, at the end of the day, the carryover will fall through him. I can commit to having a conversation with the Minister of Finance on if this is something that we can do in future budgeting cycles. Thank you, Mr. Chair.

CHAIRPERSON (Mr. McNeely): Thank you, Minister Schumann. Mr. O'Reilly.

MR. O'REILLY: Thanks, Mr. Chair, and I thank the Minister for agreeing that he is going to talk to his colleague, the Minister of Finance. Look, I don't think this is rocket science. I think that it is probably a paragraph in your business plan. It is a table that shows the carryovers, where they might be occurring, and some reasons why they are happening. I don't know why the Minister of Finance would have to approve that going into a business plan, but if the Minister wants to chat with him and have that, that is great.

I think we need to get to the bottom of why this money is not going out the door on time and understand the reasons why, and develop a plan to address that. I just don't get that comfort level from the Minister that he is going to include that kind of information in business plans moving forward. Thanks, Mr. Chair.

CHAIRPERSON (Mr. McNeely): Thank you, Mr. O'Reilly. Minister Schumann.

HON. WALLY SCHUMANN: Thank you, Mr. Chair. The reason I would say that I would have to talk to the Minister of Finance is because he is the one who dictates the format and the content of the business planning cycle, of what is in here. I guess I could commit to bringing something back in the next cycle, not in super great detail, but I think in a little more detail, probably a little more to my liking than the Member's liking, of what some of these conditions are of why there are so much carryover and variances on these things. Thank you, Mr. Chair.