

**Briefing Note  
2015-16 Budget Process**

**Briefing Note Number:** FIN-002

**Department:** Department of Finance

**Title:** Lower Churchill Project Oversight Committee

**Request Type and Ranking:** 2

		<b>Request Type</b>	<b>Ranking</b>	<b>Funds Reprofiled Y or N</b>
A	Maintain Base plus incremental funding due to planned changes in existing program			
B	Funding for Budget Proposal/Program	X	2	Y

**Corporate Requirements:**

Blue Book Commitment/Throne Speech	N/A
MC or MC and OC required	N/A
Legislative changes required	N/A
Proposed Effective/Implementation Date	April 1, 2015

**Executive Summary of Budget Proposal:**

<b>Component</b>		<b>Brief Description</b>
Target Group		General public and stakeholders
Issue To Be Resolved		Providing public confidence regarding oversight on the Lower Churchill project
Location		Province wide
Environmental Scan	Existing Programs	N/A
Outcome/Targets 2015-16		Improvement in public perception of oversight on the Lower Churchill project
Needs Assessment Completed		No
Base Funding		\$0
2015-16 Incremental Funding Request		\$0
Funds Reprofiled		\$500,000
Full Time Equivalents "FTEs" Requested		N/A
FTEs Identified for Trade-off		N/A

**Description of Budget Proposal/Program:****Target Group/Issue:**

- Target group served by the Lower Churchill Project Oversight Committee (“Committee”):
  - Cabinet
  - General public and stakeholders.
  - Location - province wide.
- Issue: Public confidence in the oversight of the Lower Churchill project expenditures.
  - There has been negative public perception/confidence with Government’s oversight and accountability of the Lower Churchill project expenditures.
  - GNL’s public commitment was to increase oversight and provide additional public information surrounding the project’s expenditures.
  - The Committee was established in fiscal 2014/15 for this purpose.

**Budget Proposal:**

- The Committee monitors the project’s progress with the assistance of a consultant who provides specialized advice in the review and interpretation of cost and schedule information reported by Nalcor to the Committee with respect to the progress on the Muskrat Falls project. Specifically, the consultant interprets and reports on the progress data as measured against the cost and schedule baselines and performs other work as required.
- While the Committee was established under the jurisdiction of the Executive Council, \$500,000 was budgeted in fiscal 2014/15 in Department of Finance (“Finance”) subhead 2.1.04 Financial Assistance and the funds were transferred to Executive Council as expenses were incurred.
- Request is to renew this funding for fiscal 2015/16.

**Background and Analysis:*****Strategic Direction***

- The Government of Newfoundland and Labrador announced the establishment of the Oversight Committee in the House on March 24, 2014. Its purpose is to provide reliable and transparent oversight focusing on project costs, scheduling and risk during the construction phase of the Project.
- Press releases announcing the Committee to consolidate and strengthen existing oversight were issued that same day.

***Budgeting for Results – Outcomes/Targets***

- The Committee is accountable to Cabinet. Its primary objective is to provide reliable and transparent oversight on the cost and schedule performance of the Project and to establish a direct and effective communication channel to Cabinet and the general public on this performance.
- Under its Terms of Reference, the Committee is required to produce quarterly reports for Cabinet and for distribution to the general public on the Project performance.
- The Committee’s oversight and reporting are focused on the following key areas:
  - The Project cost and schedule are well managed;
  - The Project is meeting the cost and schedule objectives; and
  - The cost and schedule risks are being reasonably anticipated and managed.
- Specific Committee activities include:

- Receiving monthly cost and schedule measures reports from Nalcor and examining these against the project plan to determine how the Project cost and schedule progress is measuring against that plan;
  - Where cost or schedule variances are identified, question Nalcor on its mitigation actions and strategies to address such variances;
  - Reviewing work of the Independent Engineer (IE) and Nalcor’s Internal audit, where applicable to the Committee’s mandate, to identify any issues that arise;
  - Undertaking specific projects utilizing its external consultant for the purposes of examining issues such as: whether management processes and controls have been well designed and contracts are being managed diligently.
- The construction phase of the Project is scheduled to continue to June 2018. The Independent Engineer for the Project provides some similar oversight functions, however the IE reports and is accountable to Nalcor and the Government of Canada. If the Committee is not continued, this Oversight function will reside solely with the IE and Nalcor itself with no accountability to the Province and no public reporting requirements.

***Financial Considerations***

- The Committee determined the budget for fiscal 2014/15 would be comprised as noted in the table below.
- Budget breakdown for fiscal 2015/16 has been recommended by the Committee and is recorded similar to prior year at this time for comparison purposes.

Fiscal 2014/15		Fiscal 2015/16	
Main Object	Amount	Main Object	Amount
Salaries	127,000	Salaries	127,000
Employee Benefits	3,000	Employee Benefits	3,000
Transportation & Communication	20,000	Transportation & Communication	20,000
Supplies	8,000	Supplies	8,000
Professional Services	342,000	Professional Services	342,000
	<b>500,000</b>		<b>500,000</b>

- Budget funds remain with Finance and are transferred only when expenditures have been incurred. Any unused budgetary allocation will remain within Finance budget.
- Similar process is recommended for fiscal 2015/16.
- Request is for fiscal 2015/16 only, at this time, and determination will be made during the next year as to the continuance of the Committee.
- The Committee anticipates expenditures for fiscal 14/15 to be approximately \$410,000.

**Other Considerations**

- None

**Priority Ranking: 2**

**Deputy Minister:** \_\_\_\_\_

**Minister:** \_\_\_\_\_

