

**STANDING COMMITTEE ON PUBLIC ACCOUNTS**  
**May 23, 1985**

**Public Hearing: Department of Social Services (continued)**

**MR. CHAIRMAN:** — When we left off yesterday, you had described for our benefit with some detail the system that you had in place for post-audit review — sorry, for pre-audit review. If my memory is correct, we had not dealt in any detail with the question of post-audit review, and I'm not sure if the member from Saskatoon Fairview was finished actually at the time the bell rang.

**MR. WEIMAN:** — Yes, I was . . . (inaudible) . . .

**MR. CHAIRMAN:** — I guess you're right. Would you then describe them for my benefit, what you have done with respect to post-audit review?

**MR. CUNNINGHAM:** — Mr. Chairman, what I hoped I had described yesterday was the process that was in place in 1983-84. And maybe I should go back to what the Provincial Auditor was saying in his report, or at least what we understood he was saying in his report and what we agree with.

The Provincial Auditor was saying that in order to ensure effective control on welfare payments, you need three things: you need a pre-audit review, you need a good application process or process that looks at individual applicants as they come on line, and then you need a good post-audit process.

In 1983-84 and before that, we had a post-audit process, a verification process that was used to conduct random samples on cases and looked at what kind of error rate was prevalent in those random samples. In 1983-84 we took the staff who did that function on a pilot project basis and used them to conduct pre-audit reviews.

And as a result of that pilot project, in 1984-85 we have initiated a pre-audit process, we have the regular application process, and those staff who worked on the pilot project have gone back to the post-audit process, okay, which is a verification process that looks at random sample case reviews on client files.

**MR. CHAIRMAN:** — You're not talking about pre-audit review, are you?

**MR. CUNNINGHAM:** — No. I'm saying the post-audit review is a random sample case review.

**MR. CHAIRMAN:** — What percentage of the cases do you randomly sample?

**MR. CUNNINGHAM:** — About 3 per cent of the cases.

**MR. CHAIRMAN:** — Okay. What does the review consist of?

**MR. CUNNINGHAM:** — The review looks at all the information on file and verifies the information on file through third party checks, through bank checks, through reference back to Unemployment Insurance Commission, or workers' compensation board, or landlords, that kind of thing. In addition to that, there's obviously still the check that the worker himself does in taking a person's application or processing a person's application.

**MR. CHAIRMAN:** — In what percentage of the cases that you do post-audit reviews do you find overpayments? What's your margin of error?

**MR. CUNNINGHAM:** — In the last complete year that we did the post-audit reviews, which was '82-83, the error rate was about 8.4 per cent. That's the dollar error rate — not the number of cases, but the dollar error rate.

**MR. CHAIRMAN:** — Do you know the number of cases?

**MR. CUNNINGHAM:** — In 1982-83 there were 384 random samples conducted.

**MR. CHAIRMAN:** — I'm sorry, I didn't make myself clear. You said that in terms of the dollar there was incorrect payments in 8 per cent of the cases measured by dollar volume. In what percentage of the cases in the case-loads is there an overpayment? It's 8 per cent of the dollars; how many per cent of the people? Do I judge, by the look of your face, this is a long subject?

**MR. CUNNINGHAM:** — Maybe I can clarify what was done in 1982-83. We had approximately 25,000 cases in 1982-83. Random samples were conducted on 384 of those cases.

**MR. CHAIRMAN:** — Okay. I see.

**MR. CUNNINGHAM:** — Okay. On those 384 cases, the percentage dollar error rate that was discovered was 8.4 per cent.

**MR. CHAIRMAN:** — Okay. The total amount you paid out to social service recipients is 172 million in that year?

**MR. CUNNINGHAM:** — Yes.

**MR. CHAIRMAN:** — In terms of dollar amount, that's still a fair hunk of change.

**MR. CUNNINGHAM:** — The estimate is \$12.7 million.

**MR. CHAIRMAN:** — I had a slightly different figure than that. I get 13.774 million. It's not a major issue. It's still quite a hunk of change.

In your view, is there any means by which that error can be reduced further? Or is that about as efficient a level of administration as one can achieve, given the nature of the problem that you're dealing with?

**MR. CUNNINGHAM:** — The steps that we're taking now — putting in place the pre-audit function, the post-audit or verification function, and the automation of the system — will definitely reduce that error rate.

**MR. CHAIRMAN:** — Any other questions on this? The member from Saskatoon Mayfair was first, then the member from Prince Albert. Fairview. I'm sorry.

**MR. WEIMAN:** — I want to get back to that automation. I can recall reading something that when the whole system goes into the automated phase that you could save up to, or what I will call dissipate the paper work, by about 50 per cent. Is that a pretty close estimate, or was that a very hopeful estimate?

**MR. CUNNINGHAM:** — I'm not sure where that estimate came from, but there will be significant reductions in the paper work, yes. I could not provide you an estimate of 50 per cent.

**MR. WEIMAN:** — And following that along, the ones who are doing the paper work are the caseworkers themselves. It's a manual type of operation.

**MR. CUNNINGHAM:** — It is now, yes.

**MR. WEIMAN:** — Which theoretically should free them up to be more aware of overpayments, post-auditing, etc.

**MR. CUNNINGHAM:** — Yes.

**MR. WEIMAN:** — Right? So in that case that number should significantly drop.

**MR. CUNNINGHAM:** — Well that's the basic reason why we are automating the system, is that we want to reduce the overpayments. Yes.

**MR. WEIMAN:** — Okay. You said you couldn't quite agree with the 50 per cent figure. Do you have a round-about figure of what you think it would dissipate by? The actual paper pushing. You must have a target or a goal on that. Well maybe I'll turn it around. That's not a very fair way. Let's go back to the pilot project. What types of results did you get on the pilot project regarding that?

**MR. CUNNINGHAM:** — The pilot project on automation?

**MR. WEIMAN:** — Yes.

**MR. CUNNINGHAM:** — The pilot project on automation is not to start until September of this year.

**MR. WEIMAN:** — Oh, of this year. Oh, I apologize. I'm sorry.

**MR. CUNNINGHAM:** — The pilot project that I was referring to was the pre-audit function that we had initiated.

**MR. WEIMAN:** — Okay. Yes. Well I take that one back. There's no further ones, Ned.

**MR. MEAGHER:** — Okay. I just would like to delve into this pilot project just a wee bit if I could. Was the pilot project confined to a particular area geographically, or was it done right across the province?

**MR. CUNNINGHAM:** — The pre-audit pilot project to which you are referring was done in Regina, Saskatoon, and Prince Albert.

**MR. MEAGHER:** — The three cities. Okay. And how long a period of time did you conduct that project? How long?

**MR. CUNNINGHAM:** — The project started in April of 1983, and was concluded in December of 1984.

**MR. MEAGHER:** — Do you have an estimate of the number of recipients that were affected by this project?

**MR. CUNNINGHAM:** — In the 1984-84 fiscal year, 2,200 cases were . . . (inaudible) . . .

**MR. MEAGHER:** — And what was the percentage of overpayment that you have identified with that project.

**MR. CUNNINGHAM:** — We wouldn't classify what was discovered in that process as overpayments because the potential errors were caught, were discovered before they became overpayments, but we found a potential dollar error rate of about 11.4 per cent using the pre-audit process.

**MR. CHAIRMAN:** — Where did the figure of 11.4 per cent come from?

**MR. CUNNINGHAM:** — During the pre-audit, the pilot project that we implemented, we

discovered potential dollar error rate of about 11.4 per cent.

**MR. CHAIRMAN:** — In the post-audit you found 8 per cent. That was the figure I got from you?

**MR. MEAGHER:** — Pilot project right now — 8.4 per cent is the overall province wide . . .

**MR. CUNNINGHAM:** — The pre-audit function of the pilot project that we initiated was targeted strictly at employable clients because intuitively we feel that the turnover there is the highest, and the potential for error is the highest there . . . (inaudible interjection) . . . The error rate could have potentially been 11.4 per cent. The overpayment could have potentially been 11.4 per cent, but the majority of that was caught because it was a pre-audit function.

**MR. CHAIRMAN:** — . . . (inaudible) . . .

**MR. MEAGHER:** — Well that was going to be my next question — who were they targeted . . . That was going to be my next question is: who did you target the pilot project for and if it were the unemployed employables or what group?

So approximately 2,200 recipients were pre-audited in the pilot project, and about 11.4 per cent was the percentage of potential clients or potential recipients that were identified as not being eligible. Is that correct?

**MR. CUNNINGHAM:** — The potential dollar error rate that was picked up by the pre-audit — 11.4 per cent. You must bear in mind here that the workers, in interviewing those clients, would also have picked up some of those errors. So that may not be the total, or that might not have been the end result, the end overpayment.

**MR. MEAGHER:** — Okay, that's about all I've got to say.

**MR. CHAIRMAN:** — Is your system entirely automated at this point in time? Is that process complete or is it . . . Are you still implementing your systems, your computer program?

**MR. CUNNINGHAM:** — We are presently developing a system. The target is to pilot the system in Regina from the period September 1 to the end of December, this calendar year, and thereafter we intend to put in place the fully automated system across the province by the end of April, 1986.

**MR. CHAIRMAN:** — I'm not sure I have any further questions arising out of the Provincial Auditor's comments. I have some other questions, but let me just check before we get off it, and someone else may have some questions on this.

**MR. MEAGHER:** — Just one more. With respect to Prince Albert, who administer their own, as I understand it, their own program by the city, how are your plans going to affect that city's social services?

**MR. CUNNINGHAM:** — The local unit in P.A. will be on the same system.

**MR. MEAGHER:** — For the city itself?

**MR. CUNNINGHAM:** — Yes.

**MR. MEAGHER:** — I see.

**MR. BUCKNALL:** — Mr. Chairman, if I could just clarify from our standpoint, just for our future reference, Mr. Cunningham. We have commented in the past about the department not doing a measurement at the end of the year as to the effect of a program. And one year you did not do

any post-auditing. You're now saying you have an entitlement control unit. And our concern, I think, still will be how you will measure the productivity of that unit.

In other words, you must be spending X dollars — presumably finding X dollars of errors. And we would like to know how you are going to measure the results of what that unit does, i.e. the total dollar errors and the percentage. And do you have a system in place that, say, you spend \$100,000 auditing this and find \$1 million of errors? Are you going to look at that and say, if we spend 200,000 are we going to find \$2 million worth of errors? And are you going to react to that type of system? And this is similar to our E&H tax concerns.

**MR. CHAIRMAN:** — It's the same question as before.

**MR. BUCKNALL:** — Yes.

**MR. CUNNINGHAM:** — I may need some assistance on this one from the comptroller's office. But when we did the pilot project, using our verification staff to do the pre-audit, that led us to the conclusion that we needed a pre-audit function. The statistics that came out of that review showed very clearly that a pre-audit function was warranted, that the cost of putting in place that sort of service was warranted in terms of the recovery of potential overpayments.

And we will certainly be measuring the service that is provided in the future by that group, by that operation, and by the post-audit function. We'll be doing a feasibility study, essentially, in terms of whether the cost benefit is there and whether we want to increase it or not.

The other thing my colleagues suggest I should add here is that we have in place now a financial management committee that is comprised of officials from our department, officials from the Provincial Auditor's office, and officials from the comptroller's office, that is looking at all areas of financial control in the SAP program and in other programs in the department.

**MR. LUTZ:** — Mr. Chairman, and Mr. Cunningham, a little earlier you mentioned that of 25,000 cases you had done reviews on 384 cases. In my report to the members of the legislature, I make the statement that the department did not issue any reports in this year under review.

Can you tell me what year that was, when you reviewed these 384 cases to get an 8 per cent dollar error rate?

**MR. CUNNINGHAM:** — That was 1982-83.

**MR. LUTZ:** — Then what did you do in '84, which is the year under review?

**MR. CUNNINGHAM:** — In 1983-84 the staff who were doing the post-audit function, or the verification function, were assigned to the pilot project to do the pre-audit function. And as a result of that review we put in place in 1984-85 a permanent pre-audit function.

**MR. LUTZ:** — Further, Mr. Chairman, if I may: when you do these pilot things, do you prepare reports, or do you document your findings, and are they available for examination by external audit?

**MR. CUNNINGHAM:** — Yes, they will be.

**MR. LUTZ:** — Okay. Further to that then, you just mentioned a minute ago that a member of my staff is on a committee. I must confess that I wasn't aware of that. Would you mind telling me who that is?

**MR. CUNNINGHAM:** — Pat Hall.

**MR. LUTZ:** — Pat Hall. This is in area of the computers, for review thereof?

**MR. CUNNINGHAM:** — Yes.

**MR. LUTZ:** — Yes. Okay. I think I would want to make sure that the members of my staff aren't necessarily perceived to be members of your staff. I have no problem with her being consultant on your committee for that purpose. I just wanted to make sure that's who it was. Thank you.

**MR. CHAIRMAN:** — In what percentage of the cases are you able to recover back overpayments?

**MR. CUNNINGHAM:** — In 1983-84, which is the year under review, we recovered 37 per cent of the overpayments.

**MR. CHAIRMAN:** — Okay. That would have been almost exclusively from further . . . because they were still on social assistance, and therefore you could deduct it from future payments? Or were you able to actually sue in court and recover sums?

**MR. CUNNINGHAM:** — The majority of that would be future entitlements — recovery from future entitlements.

**MR. CHAIRMAN:** — I'm wondering if you've ever done a study — really a . . . (inaudible) . . . question to Mr. Bucknall's. I really have the same question: do you people know whether or not it would be cost-efficient to be doing much more extensive post-audit reviews, if you can recover back a third, well, 30 cents out of every dollar you lose? Is it not arguable that you should be doing more extensive post-audit reviews?

In government — if I could just preface with the government — in government we're often reluctant to spend money on people, but not so reluctant to see the money frittered away because we don't have the people to police the system.

**MR. CUNNINGHAM:** — I think the point that has to be made here is that, in the course of a client's stay on assistance, the majority of any errors might result in an overpayment or, indeed, in an underpayment are caught by the worker, his worker.

The extra functions, the outside functions if you will, of pre-audit and post-audit have to be — the value of those functions has to be weighed in terms of how much error is being caught by the worker, and what the potential for extra errors is, what the value of catching that extra problem might be. Cost benefit analyses have to be done in all cases.

**MR. CHAIRMAN:** — In 8 per cent of the cases you found errors. You can recover back one-third of that.

**MR. WEIMAN:** — You recover four million; you're still out eight.

**MR. CHAIRMAN:** — That's right. You recover back four million bucks. It strikes me that you might be able to use a few more hands on deck if you can get back four million bucks from those. If you can get back four million bucks, you might justify hiring a few more hands.

**MR. CUNNINGHAM:** — In 1985-86 we have hired additional staff on both those functions.

**MR. CHAIRMAN:** — May I ask you how many?

**MR. CUNNINGHAM:** — Through new hires and redeployment of other staff, there are about 10 more staff in place doing this kind of work. And I have to emphasis here that the 8.4 per cent applies, not to the number of cases, but to the potential dollar error rate. I'm not saying that 8.4

per cent of the cases are in error. The 8.4 is a potential dollar rate. So that if we obtain \$170 million in welfare payments, the potential overpayment is 8.4 per cent.

**MR. CHAIRMAN:** — Again I want to ask Mr. Bucknall's question. Should you not have in place a system whereby you can determine . . . Should you not be able to determine the point at which additional staff area going to cost you more than they're going to recover, in terms of overpayments; should you not have such a system in place? And if you don't do it — I don't know whether you do or not — do you think you're at that point yet? And if you don't, why don't you have such a system in place?

**MR. CUNNINGHAM:** — There's no doubt that that kind of a review has to be done in terms of any sort of justification for any kind of resource. You have to have a cost benefit analysis done on anything like that for any sort of request for resources.

What the department is doing now is we have the pre-audit function in place, and that will be justified on the basis of a review of the pilot project. It clearly showed that that was needed, to have the post-audit review in place.

And our automation project — the statistics that we gather once the system is automated will give us even better information to determine when additional resources are required and where those additional resources are best placed to reduce the level of overpayment.

**MR. CHAIRMAN:** — I want to say by way, I think, of complimenting the department, that I have not received a lot of complaints about this. Half of all the people who call me, call me about social assistance. That's the nature of my riding.

I like to think of myself as some type of a small-time expert on your department. I get an enormous number of complaints about the workers' compensation. It's not germane here, except to say that if the system is not being properly administered, I sure hear about it, and I get a lot of complaints about workers' compensation not paying claims that are legitimate.

But I haven't received many complaints about your department. So that to the extent that you've been able to tighten up the administration of this system, and I gather that's what you claim to have done and probably claim accurately, it seems to have been done in a fashion which is reasonably fair because I haven't got many complaints about it.

I have been vehemently critical of the welfare reform as a system. I don't expect you people to defend that; that was a policy decision. But in this narrow area of tightening up on overpayments, I have not received a lot of complaints, which suggests that you may have done it in a fashion which is reasonably fair to the clients.

Once in a career, Lloyd, of being critical, I want to say something nice. You'll note that.

Any more questions on this subject of the tightening up on overpayments? I have a few questions on other areas of the public accounts.

Social Services training, I'm going through quickly volume 1 of the *Public Accounts*, gentlemen — I'm sorry, volume 2, page 364. All right, with Social Services training — a very significant underexpenditure. What's the explanation that lies behind that?

**MR. CUNNINGHAM:** — Under that subvote we provide for educational leave for all staff in the department who wish to take that educational leave, and our estimates are based on previous experience. And in the year under review, there were just simply fewer educational leaves that were approved for the staff.

**MR. CHAIRMAN:** — Why were there fewer approved then?

**MR. CUNNINGHAM:** — We have put in place a policy that essentially requires the leave that is being approved for staff to be related to the initiatives or the work that the department is doing. In the past, that policy was not applied as stringently as it is now. For example, in 1985-86 we are responsible for the new young offenders program, and its staff are requesting approval to take educational leave to upgrade their skills to deal with young offenders. We would be more than pleased to look at those kinds of requests. But if they were requesting leave to, say perhaps, take a masters degree in administration or something like that, we would place less priority on that.

**MR. CHAIRMAN:** — It's out of the year under review, and you may refuse to answer it if you wish. What are you expending on Social Services training then in the '84-85 year? What did you spend in that year? Do you know approximately?

**MR. CUNNINGHAM:** — In 1984-85, I'm sorry, I don't have those figures.

**MR. CHAIRMAN:** — Is it a separate vote in the estimates? I don't think it is.

**MR. CUNNINGHAM:** — In 1985-86, that subvote is part of the administration subvote.

**MR. CHAIRMAN:** — Do you know what you have estimated?

**MR. CUNNINGHAM:** — I believe it's \$220,000.

**MR. CHAIRMAN:** — Okay. There was also a significant underexpenditure in the area of child care. At the same time, there were a number of complaints that the child care system was underfunded and not quite what it needs to be. And I'm wondering what lies behind that underexpenditure?

**MR. CUNNINGHAM:** — The child care subvote covers expenditures for foster homes, group homes, that sort of thing.

**MR. CHAIRMAN:** — It's not day care?

**MR. CUNNINGHAM:** — No, it's not day care. And the reason that there was a significant underexpenditure there is that there were simply fewer children coming into the care of the minister.

**MR. CHAIRMAN:** — Do you have an explanation for that?

**MR. CUNNINGHAM:** — We like to think that it's the preventive kinds of programs that the department has put in place over the years to keep children from coming into care.

**MR. CHAIRMAN:** — Right. You give out quite a portion of your budget in grants to a wide variety of different organizations. And it may not be fair to deal with them all as a generic whole, so let's deal with the groups. Day care . . .

**MR. MULLER:** — I have some questions on that.

**MR. CHAIRMAN:** — On day care?

**MR. MULLER:** — No.

**MR. CHAIRMAN:** — On grants as a whole?

**MR. MULLER:** — Grants to employment support program.



**MR. CHAIRMAN:** — Okay. Go ahead, because I passed it over.

**MR. MULLER:** — I was just wondering how cost effective it was, say for instance, Par Industries in Prince Albert where they get grants from Social Services and they hire people. And how is it working, and, in general form, how many of these people actually get back into the main work force, and how do these programs work out in the end? I'm quite interested in that because that's up in my area.

**MR. CUNNINGHAM:** — I don't have statistical information on the number of clients who go through Par, or through some of the other projects that are approved under the employment support program, and what happens to them thereafter. But I can tell you, in the past year we have initiated a process with all of the NGOs with whom we deal that they will be doing what amounts to a self-evaluation of the program that they provide on contract to the Department of Social Services. And those self-evaluations will be used in future, and the NGOs (Non-Governmental Organizations) are fully aware of this — to determine the amount of funding that they receive from the department in future, and whether or not that sort of funding arrangement will continue.

**MR. MULLER:** — The more efficient they are, the more they'll end up with.

**MR. CUNNINGHAM:** — Or the reverse is also true.

**MR. MEAGHER:** — May I interject here? The obvious question that that raises is if they're doing their own assessment, it would certainly be in their best interests to present an assessment that was favourable to their operation. It's sitting on your own jury.

**MR. CUNNINGHAM:** — The process will be: the NGOs will keep the statistics and do their own assessment, but the criteria will be set by the department for those assessments, and certainly the outcome of the review, or the assessment, will be reviewed by the department to determine future funding arrangements.

**MR. GLAUSER:** — While we're just waiting for the chairman here, he made a statement that he didn't altogether agree with the welfare reform. I just would like to tell you that the number of responses I've had to that particular item indicate to me that, particularly as it relates to the low teens and what happened in that particular area, the response was very positive, and it seemed to be overwhelmingly accepted. So I just wanted to pass that on.

**MR. CUNNINGHAM:** — We appreciate that comment.

**MR. CHAIRMAN:** — This is not the place to be discussing welfare reform. It's a policy question. Let me say I agree with you: it's politically popular. But I invite any member who wants to come on a tour of my riding. I'll introduce you to some of the people who are the victims of it. There's a lot of hunger. It's causing a lot of human suffering. Anyway, we do not expect the officials to respond to those sort of comments.

**MR. GLAUSER:** — I thought you were busy on the phone and didn't hear me, so . . . (inaudible) . . .

**MR. CHAIRMAN:** — If I could give you some . . . It was about the trip to Whitehorse. If you haven't made your reservations, for goodness sakes do so, because I was wait-listed when I went to make my reservations.

**MR. GLAUSER:** — Mine are made.

**MR. CHAIRMAN:** — Are they? Okay. I say that to anyone else who's going; don't wait to make your reservations.

**MR. GLAUSER:** — We may not see you there.

**MR. CHAIRMAN:** — Yes. I've got to walk from Vancouver. Anyway, with respect to the grants, and I'll begin with the day care grants — quite a sum of money is given out here. Some of these grants are to be used for particular purposes. What follow-up is done with the grants? What follow-up is done to make sure the money is not misapplied? And what follow-up is done to see how effective the money is? To what extent do you do your own studies to see how effectively this money is being spent?

It's not a question that's particularly directed to Social Services. I made a point of asking it of all departments. Over half of all the moneys we take in as tax dollars, we simply put a stamp on them and mail them back out to someone else. And it behoves us, I think, to take some steps to try to determine how efficiently that money is being used.

So I ask this of you, as I've asked of everyone else: what steps are you taking to see that the money is being used for the purposes for which it was given? And second question, and to some extent a more difficult one: what steps do you take to see how efficiently the money is being spent? Is it an efficient use of tax dollars?

**MR. CUNNINGHAM:** — In terms of grants to day care, they're essentially two types of grants. One is a start-up grant that is given to a centre or a family home provider to help that agency get started in the business of providing day care. Thereafter, annual equipment grants are given to those agencies to help them buy playthings or other equipment that they need for their facility.

Each year every day care centre and every day care home is licensed, and it undergoes a process to ensure that it is still meeting the standards that are set for day care programming.

**MR. CHAIRMAN:** — Do you do a surprise visit on every day care centre in the province once a year or something? What's your system?

**MR. CUNNINGHAM:** — It's not a surprise visit. The visits are arranged with the providers, or the centres.

In addition to that, it must be emphasized here that in terms of the centres, they are operated by boards. They are set up as non-profit agencies and are operated by the boards. And it really rests with the board to ensure that the facility is operating as efficiently and as effectively as possible, because the day care centre, and indeed the homes, charge a fee for the service that is being provided. And in terms of the centres, the parents are the board. And if they don't agree with the fee that is being charged, they'll see to it that the expenditures that are being made by the centre are redirected or cut back.

**MR. CHAIRMAN:** — Do you know what percentage of the revenues of the average day care are tax dollars, and what percentage of revenues are taken directly from the clients?

**MR. CUNNINGHAM:** — Oh, by far the larger percentage would be taken from clients. But some of those clients could indeed be subsidized through the subsidy program. But I don't have a good breakdown on that.

**MR. CHAIRMAN:** — Okay. But do you do any follow-up afterwards? I ask this — repeat the question. So you do an inspection under the license. But do you do any follow-up with respect to the grants to ensure that they are used for what they're supposed to be used for?

**MR. CUNNINGHAM:** — In terms of centres, the grant is a small percentage of their revenue, and it's really the centre's board that is responsible to ensure that it's being spent for the purpose for which it is intended. So we don't do any real follow-up in that case unless we have a complaint from the board or from a parent or someone else.

**MR. CHAIRMAN:** — They're relatively . . . Apart from the day care equipment grants, they're relatively small sums of money. I can see that. The day care equipment grants would average 3 or \$4,000. The others would average a couple of hundred. They're relatively small sums of money.

With respect to . . . Let me ask the same question then with respect to grants for community services, which are much larger sums of money. To what extent . . . What steps are taken to ensure that the money's used for the purpose for which it was granted, and what steps are taken to determine whether or not it's an efficient use of tax dollars, your giving these grants?

**MR. CUNNINGHAM:** — The agencies funded under this subvote are subject to the same evaluation process that I mentioned earlier that applies to the agencies funded under the employment support program — that is, that the department contracts with this agency to provide a certain service, and throughout the course of the fiscal year the agency is required to keep statistics and information in terms of the services it provides, so that it can submit that information in a self-evaluation process to the department so that we can determine that the services were indeed provided in the most efficient and effective manner.

And of course we receive financial statements from all of the NGOs that are funded.

**MR. CHAIRMAN:** — Okay. You get financial statements back. You get an evaluation done by the clients themselves — by the NGOs themselves.

**MR. CUNNINGHAM:** — Based on criteria that the department sets. We set the criteria, and the agency keeps the statistics and the information that is required to evaluate, based on that criteria.

**MR. CHAIRMAN:** — The size of the sums . . . Is it wise to be having the clients do their own evaluation? I'm not suggesting that all, or most NGOs, would be dishonest about it. But there's an obvious potential for abuse when they're their own judge and jury, when they're doing their own evaluation. Has the department given any consideration to the department doing evaluations or spot-evaluations, or something of that nature?

**MR. CUNNINGHAM:** — The other process that is in place is the regular budget process whereby the agencies submit their request for funding when they are asking for funding from the government. They submit: here's what we're going to do, and here's how much we expect it's going to cost us to do that. And that budget is reviewed by the department in terms of evaluation of the services that were provided in the previous year. Two items are put together for a complete evaluation of the service being provided, and the dollar funding that is going to be provided for future fiscal years, for the future fiscal year, is set.

So there's a very extensive evaluation process on all the NGOs in place.

**MR. CHAIRMAN:** — Then let me ask you the results, if I might, of the evaluation, in a general term. By and large, do the NGOs make efficient use of the money, inefficient use of the money? That's not the only determination because in some cases they may be the only people capable of delivering the service. We might not be able to do it. But how would you, in general terms, how would you evaluate the efficiency with which they use the money they're given and the effectiveness of their use of the money?

**MR. CUNNINGHAM:** — By and large the NGOs are very efficient and very effective operations.

**MR. CHAIRMAN:** — More so than the public service delivering the service directly?

**MR. CUNNINGHAM:** — It's two different kinds of services. The mandated services are provided by the department and the non-mandated services (if we could phrase it that way) are provided, for the most part, by the NGOs. I'm not sure that you can really compare the two kinds of

services.

**MR. CHAIRMAN:** — Okay. I'm not sure I have any further questions of . . . I don't intend to get into the grants one by one.

There's just one further question, and it arises out of my background. Does the department have in-house lawyers doing legal work for you in the year under review, if you like? Or is that contracted out to private firms?

**MR. CUNNINGHAM:** — We, for the legal services that are provided — in child protection cases or adoption cases or that kind of thing — some work is tendered out to the private sector, and some work is performed by the civil law branch of the Department of Justice. We have no lawyers sitting in the department providing that service at all.

**MR. CHAIRMAN:** — No. Has the mix changed — the percentage of the work contracted out changed over the last few years?

**MR. CUNNINGHAM:** — I don't think so, no.

**MR. CHAIRMAN:** — I don't know how long the officials with you have been in the department . . . You have not been in the department long enough to answer the question, and you might not be able to, but a judge told me that many years ago — this would be the early '60s — the department used to collect maintenance payments for people on social assistance.

They would take an assignment of the maintenance payment from a spouse. The department would collect it, and they paid the client. The client got the total amount of their entitlement, and there was no deduction for the maintenance payment. The department took an assignment and collected the maintenance payment. I was told that was the system in at least the early '60s. I don't know whether Mr. Uhren would know or not, or anyone else.

It struck me as being a far fairer system in the sense that some genuine cases of hardship where a spouse gets a maintenance payment they can't collect, and their welfare is reduced, and usually if you badger the department long enough, they'll increase the entitlement again when you can convince them you can't collect it. But they go for some months without either. And if that system had indeed been in effect, it strikes me as a far fairer system to the recipient.

I asked the question not knowing whether or not you can respond to it. I'm not suggesting it occurred very recently.

**MR. CUNNINGHAM:** — I can tell you that we are working now with the Department of Justice, looking at that whole process, and hope to have something in place sometime this fiscal year.

**MR. CHAIRMAN:** — Okay. I may pick that up again next year then. Any further questions of this department, gentlemen?

**MR. WEIMAN:** — Just a couple of short ones, more out of curiosity than anything else. Page 370, volume 2, grants for community services. The second column, what is the Welfare Rights Centre? I'm not familiar with that one — Welfare Rights Centre, \$177,000.

**MR. CUNNINGHAM:** — It's a trusteeship. They provide trustee services for some of our clients.

**MR. WEIMAN:** — It's not centred, say, in Regina or Saskatoon, it's just a straight . . .

**MR. CUNNINGHAM:** — It is in Regina.

**MR. WEIMAN:** — It is in Regina?

**MR. CUNNINGHAM:** — Yes.

**MR. WEIMAN:** — The other one I was very curious about, for 117,000, was Cornwall Street tutoring project. I'm not sure who they are, what they do.

**MR. CHAIRMAN:** — I introduce them every year in the legislature. They always come down to the legislature, and they're introduced as students. If you can explain what they are, though, go ahead.

**MR. CUNNINGHAM:** — They provide tutoring to children who are in the care of the minister.

**MR. WEIMAN:** — Okay. Taxis, page 391, under salaries, services, gratuities, and travel. Could you explain to me the reason for the usage of taxis, because I'm looking at some of these figures here and they're quite hefty? In fact the travel component adds up to 3 million at the end of it. What is the nature, you know, of using the taxis; for what purposes? This is for the clientele, or is this for the social worker or . . .

**MR. CUNNINGHAM:** — It would be a combination of for the workers, for the staff of the department, for clientele going from place to place. I don't think we have a breakdown of that figure. I could get that.

**MR. WEIMAN:** — There is a taxi allowance then, to the clientele, you're saying?

**MR. CUNNINGHAM:** — If there's a special need, if a client has to go to the hospital, go see a doctor or something . . .

**MR. WEIMAN:** — Mhmm.

**MR. CUNNINGHAM:** — If the client is physically disabled, for example . . .

**MR. CHAIRMAN:** — I would be interested in seeing that breakdown.

**MR. WEIMAN:** — Because the reason I ask that, if that is . . .

**MR. CHAIRMAN:** — Provide 20 copies to the Clerk; we'll distribute them to the committee.

**MR. WEIMAN:** — For instance, I don't know where Jeff's Taxi is, — Jeff's Taxi for \$50,000 — but I would suspect that that would be a smaller community. I don't know a Jeff's Taxi in Saskatoon or Regina or P.A. I don't suspect you know who Jeff's Taxi is either.

**MR. CUNNINGHAM:** — I believe it's in Buffalo Narrows.

**MR. WEIMAN:** — In order to get from point A to point B, Buffalo Narrows is not all that large.

**MR. CUNNINGHAM:** — What we will attempt to do, Mr. Chairman, is take all the taxi services to whom we've paid funds in '83-84 and give you a breakdown of the reasons for those payments. And that may take some time.

**MR. WEIMAN:** — I'm more interested — not in all of them — I'm actually quite interested in the larger ones, like Dauvin Taxi, \$73,000, you know. And as you indicated, Jeff's Taxi in Buffalo Narrows, 50,000; and Buffalo Taxi, 37,000.

**MR. UHREN:** — How about anything over 10,000?

**MR. WEIMAN:** — Yes. Anything over 10,000. And you'll identify location as well?

**A MEMBER:** — Yes, oh yes.

**MR. WEIMAN:** — The reason I asked whether it was for the clientele or for the staff . . . And you'd indicated it was a little bit of each.

**MR. CUNNINGHAM:** — I suspect it's a mixture.

**MR. WEIMAN:** — Because I looked at the CVA outlay — lost it now — Central Vehicle . . . There it is. I'm sorry, Page 391. And I see that the revolving fund regarding CVA vehicles is almost \$1 million of that 3 million. And I would suspect that a lot of it's the staff.

**MR. CHAIRMAN:** — That's the minister and the deputies, and so on, scooting around on the government aircraft, I think.

**MR. WEIMAN:** — No, I'd much appreciate that breakdown, especially those over 10,000. And, as well, include the locations. You know, if there's three taxis in one particular community that have received this, I would like to see that.

**MR. CHAIRMAN:** — Do you want to repeat that for the benefit of the Clerk, so he can make a note of that — what you just asked for?

**MR. WEIMAN:** — We're going to have a breakdown of the costs of the taxis, as to their location and as to their usage, over 10,000 — any taxi firm over \$10,000.

**MR. CHAIRMAN:** — With respect to those northern communities, we were in the northern communities with them. Our caucus was in the northern communities in a series of round-table discussions and I . . . A little bit of knowledge is a dangerous thing. I don't pretend to be an expert.

I was impressed with the transportation problems in the North. You've got a person in Buffalo Narrows, if that's where Jeff's Taxi is. If they've got to go to a doctor's appointment — the doctor may be a bad example — but if they've got to go to Meadow Lake for any of a wide range of services which are only available in Meadow Lake and North Battleford . . . There's no bus. You put them in a taxi, and they scoot down 2 or 300 miles. I don't know what the distance is, but it's quite a distance down a rough road. I can understand why you'd run up \$50,000.

Would it not be cheaper to give him the keys to a G-car? I don't know . . . I suppose treasury board might go into orbit over that, but it would be an awful lot cheaper than putting him in a taxi.

**MR. CUNNINGHAM:** — The problem with that, I think, would be that government cars are assigned to government employees, and it would require the accompaniment of a government employee every time someone . . . a client wanted to use a government vehicle. And the costs of that employee's time and the vehicle itself . . .

**MR. CHAIRMAN:** — Why would it require the accompaniment of a public servant?

**MR. CUNNINGHAM:** — Because vehicles . . . government vehicles can only be used by government employees. And I believe the requirement there is for insurance purposes.

**MR. CHAIRMAN:** — Why can't you change the regulations, instead of spending 50,000 bucks on taxis?

**MR. CUNNINGHAM:** — That's really not under the authority of the Department of Social Services.

**MR. MEAGHER:** — What if they didn't have a driver's licence? What if the client didn't have a

driver's licence?

**A MEMBER:** — There's liable to be a case . . . (inaudible) . . .

**MR. MEAGHER:** — Got impaired on the way down.

**MR. CHAIRMAN:** — You have to have a driver's licence.

**MR. MEAGHER:** — You'd be opening up quite a . . .

**MR. CHAIRMAN:** — Might be. It might not be a practical suggestion.

**MR. WEIMAN:** — The nature of these trips is you're suggesting . . .

**A MEMBER:** — It might be worthwhile for the government to own a taxi company.

**A MEMBER:** — Or a bus.

**MR. WEIMAN:** — Well I'm almost . . . That's what I'm almost pursuing. The nature of these trips, as I understand it, as I understand it, are for medical purposes. You know, you're going from Buffalo Narrows to Meadow Lake, etc. And if I just take these two taxi firms which are located in Buffalo Narrows, there's 70-some thousand dollars there.

It would almost seem to be cheaper for me to buy a little van — you know, have a van that makes a daily, like a minibus route — that makes a daily trip from Buffalo Narrows to Meadow Lake and hire a driver. Monday mornings he leaves Buffalo Narrows at 9, goes to Meadow Lake, and back and forth. When you subtract the cost of the van and the guy's salary to drive it . . .

**MR. MULLER:** — The problem is, as soon as you get to Meadow Lake somebody in Buffalo Narrows is going to have to go to Meadow Lake for some reason, and you're going to have to use the cab anyway.

**MR. WEIMAN:** — My point is: are these people going for a set, scheduled event like a doctor's appointment, or is it an emergency case? I can understand the emergency side.

**MR. UHREN:** — It could be both.

**MR. WEIMAN:** — No, but I can understand the emergency side. Then you want them there like yesterday. But if it's a scheduled doctor's appointment or scheduled event, I think that can be brought into play.

**MR. CHAIRMAN:** — The sums spent on Jeff's Taxi are significant. Fifty thousand bucks, you didn't spend that much on Norcanair — or tin-can-air, as it's affectionately called.

**MR. ENGEL:** — It seems to me that somebody should be getting after the minister in charge of transportation and broaden STC's scope rather than talk about selling the buses. It seems to me that some kind of a bus operation into the North would alleviate a lot of problems.

And there's more hidden costs involved than this because I know from personal experience. I got stuck in a thunderstorm at Lloydminster and wanted to get to Meadow Lake, and the taxi was 120 bucks. You know, and that's not very far, so we waited the storm out. But it's rough if there's no connections, you know.

So I can see where expanding the bus service up there . . . I know my colleague has been lobbying for a bus before the change of government. I'm not talking across the way here.

I think, in general, we can add up and say that there's more costs involved than just running a bus, when you look at the incidental costs. If there wouldn't be a bus service down in my country — for example, that line from Moose Jaw to Shaunavon — what would those people do that haven't got a vehicle? How'd they get out, you know?

And I think the same thing applies in the North. There's a smaller population there and larger distances to cover, but the need to get out is still there. And I think that this is a valid argument for providing bus service in that area.

**MR. MORIN:** — For clarification, the member from Assiniboia-Gravelbourg, there are some community buses up there. La Loche, for example, has a community bus which is basically a large van.

I think a lot of the problem in this taxi thing could be worked out with co-ordination in the utilization of those community buses. I tend to agree with you. If you were running even a major bus up there one day a week or something like that, provided everybody could co-ordinate — or every two or three days or whatever — that they could co-ordinate to get down.

But I'll bet you, if you took an analysis of this, it's like the government vehicles. I imagine your country may be similar, but coming down from the Battlefords to Regina you pass one government car after the other with one person in it. How much money could we save if everybody car pools from Saskatoon to Regina, or maybe even from North Battleford? There may be a tremendous saving with a little organization. But I think your point is valid, you know — especially some small, you know, a minibus or something.

I have another question now, having enlightened my colleagues here. I'd like to go back to the Welfare Rights Centre. If I understood you properly, these are a group of people who act as trustees for welfare recipients?

**MR. CUNNINGHAM:** — That's correct.

**MR. MORIN:** — Would that \$177,000 then be money that they're handling on behalf of clients, or is that payment for services rendered?

**MR. CUNNINGHAM:** — That's fee for service.

**MR. MORIN:** — Is that right? My next question will probably be facetious. How do you get a contract like that . . . (inaudible interjection) . . . It beats a lot of things. How many people would they be administering, for example?

**MR. CUNNINGHAM:** — I didn't have that information at hand.

**MR. MORIN:** — Could you provide it, and could you tell me how many dollars they'd be handling?

**MR. CHAIRMAN:** — They would have, I would think, half a dozen people on staff, per staff. They administer an enormous number. The offices on north Albert — I've been in them — they would have a half a dozen on staff, and the number of cases they would administer would be very significant.

**MR. MORIN:** — I wonder if you could provide us with that information: staff they have; principals in the company, which I'm sure you know — somebody must sign the contract; how many dollars they handle annually; what the fee structure is; those kinds of things.

**MR. CUNNINGHAM:** — We can certainly get that information for the committee. I want to point out here that in terms of trustee services, the cases that those agencies are handling are



very difficult cases, and it's not just a matter of handling the person's money. It's also a matter of helping that person to find accommodation, or to go out and help that person find a job, or to help that person shop for groceries — some very basic living skills that are provided by those agencies.

**MR. MORIN:** — Maybe you could include that as an addendum to your report, the type of things that . . .

**MR. CHAIRMAN:** — Feel free to add any comments of that sort when you give us your report, Mr. Cunningham. The member for Assiniboia-Gravelbourg, you've a question?

**MR. ENGEL:** — I asked my . . .

**MR. CHAIRMAN:** — You've asked yours. Anything else for the good and welfare? Okay. Thank you very much, gentlemen. You've a number of undertakings. We would appreciate receiving those as soon as possible.

We very much appreciate the courteous assistance you have given us. We thank you and look forward to meeting you again next year. I don't think these people have missed a year in many, many years, Mr. Uhren.

### **Public Hearing: Saskatchewan Housing Corporation**

**MR. CHAIRMAN:** — I want to welcome you gentlemen to the public accounts committee, and I want to thank you for coming.

And I'll ask you — general manager, I guess it is — general manager of the Saskatchewan Housing Corporation, Calder Hart, ask you to introduce your officials. I'm told you're president. I'm sorry, I had a notion that general manager wasn't the correct term — the president. I'll ask you to introduce your officials.

**MR. HART:** — Well Mr. Chairman, to my right, Mr. Tom Carter, the executive director of research and policy development; and to my left, Larry Boys, who's the executive director of financial services for the corporation.

**MR. CHAIRMAN:** — Thank you very much. Before I recognize Mr. Meagher, who will be leading this off, I will preface this with comments that are made to everyone. And that is that what is said before the committee is privileged in the sense that nothing which is said here can be used in a libel or slander action or in a criminal action. On the other hand, it is taken down verbatim; assuming we speak in an audible voice, it's taken down verbatim and is readily available for use outside and elsewhere.

With that, I will recognize Mr. Meagher who may have some questions of you. Oh, I had wanted to put a question first. This is the last day for filing your annual report. Do I take it that it's going to be tabled this afternoon?

**MR. HART:** — Yes, Mr. Chairman, it will be tabled this afternoon.

**MR. CHAIRMAN:** — Okay. Take your word for it.

**A MEMBER:** — . . . bring along a copy for us to use.

**A MEMBER:** — That's not the year under review.

**MR. CHAIRMAN:** — Well yes, part of it is the year under review. I'm not sure it's appropriate to be giving it to us, though, before it's tabled in the House.

**MR. ENGEL:** — Well somebody else did. We had a corporation before us before, Mr. Chairman, that brought a copy in the day it was tabled, that we used unofficially.

**MR. CHAIRMAN:** — Yes, we did.

**MR. HART:** — Do you want me to check to see whether the copies are available?

**A MEMBER:** — It would be handy.

**MR. CHAIRMAN:** — Yes. Why don't you do that? The *Public Accounts* contain no information with respect to Crown corporations. I have an extra copy of the '83 annual report. Listen, the chairman is absolutely impartial. He was just the first person to ask. Do you gentlemen have any additional '83 annual reports in here with you?

**MR. JAMES:** — They gave them to me yesterday and I distributed them to the members.

**MR. CHAIRMAN:** — I see. Okay. I'm sorry, Mr. Meagher. You may continue.

**MR. MEAGHER:** — Okay. The Provincial Auditor's report raises a number of questions with respect to the function of the board, and policies, and in a general way decisions that are made by the corporation without the authority of the board. And it raises serious questions of whether or not the expenditures of the corporation, or the policies which are implemented by the corporation, have authority by virtue of the regulations and the Act, the legislative authority to do those things. And I would like to know if you've addressed that general concern in the year under review, and what you've done about it.

**MR. HART:** — Well certainly, Mr. Chairman, Mr. Meagher, I think that has always been a long-standing concern of the housing corporation, simply because of the way the corporation was structured. I think one gets the distinct impression that many times the housing corporation was a vehicle that government was not quite fully sure of how to treat. It is called a treasury board Crown, which in Saskatchewan I think means it's the only treasury board Crown, and I think for those particular reasons its relationship with the government and with treasury board has always been rather unique.

Similarly, I think that that particular frustration has always sort of prevailed on the part of the board — of knowing whether it functioned as a proper board, whether it was an advisory board, whether it was a decision-making board. In point of fact, I think one has to go back to the legislation, and the legislation is quite clear about the role of the board of directors of Sask Housing. The legislation indicates that:

The Saskatchewan Housing Corporation consisting of the members of the board appointed under section 5, is hereby construed as a corporation.

And then on that section 5 it indicates that:

The affairs and business of the corporation shall be conducted by a board of directors consisting of not less than three persons appointed by the Lieutenant Governor in Council.

I think from our standpoint we have tried to move the corporation closer to the meaning of the Act, which is the basis under which we believe the corporation was established in '73.

So the board now meets monthly. It started to meet more regularly in the year under review, now meets monthly, and in point of fact approves all of the conduct of the business of the corporation. I would think that that is an observation that if it obviously didn't appear in the year

under review, will appear or at least has been observed by the Provincial Auditor.

**MR. MEAGHER:** — This concern was reported, apparently, in other years as well, as being a concern of the auditor, and it strikes me as something that is of long standing. I would look forward to the comments next year then, because if in fact policies or programs and expenditures are made by the corporation that, in effect, have no authorization under the Act, it's fairly serious.

**MR. HART:** — Well I think that has always been the issue, that the auditor, I think, has been concerned about, is that the conduct of business without proper board authorization is improper and may be illegal.

I think part of it has been deferred because of its treasury board status. I think the view is: if treasury board approved it, then vis-a-vis the board's actions may be superfluous. In the end there have been actions taken without the board's initial approval. The thing is from our point of view is to properly create a mandate — even if it is something that has been approved by treasury board and/or cabinet, it should also go to the board for ratification to ensure that there is proper conduct.

So I think from our standpoint, we've been trying to move the corporation to that point. I would be surprised if there's any program or project decisions now that would not stand that test — that everything, virtually, is going to the board now. It started in the year under review and certainly in '84, I think, that virtually every item was sent to the board for their approval, recommendation to cabinet, recommendation to treasury board or wherever.

**MR. MEAGHER:** — Well then would it be fair to say that if that process is followed in the area of land acquisition, for an example, where a decision is to purchase land, it couldn't be made without the board's input into it? I'm thinking of the Cut Knife land assembly as an example, where a major expenditure was made by ministerial direction that, at best, is questionable.

**MR. HART:** — Well, I think within the meaning of the Act the board should approve all business of the corporation. And I think within the meaning of the Act that, you know, it is quite clear that the board of directors have to approve all decisions, have to endorse all policies, whether they initiate the policy or simply endorsing it for the conduct of the corporation. I think the legislation is quite clear on the corporation in that respect.

**MR. MEAGHER:** — Well then, in the year under review, in a hypothetical situation, if the assessment was done on a piece of property that the corporation felt they needed for whatever purpose, and the assessment indicated a certain value and a certain requirement, would that property then be purchased, could it be purchased by the corporation at a far greater value or an inflated value without the board's approval?

**MR. HART:** — Well it's difficult for me to answer that question because I can only speak to my time as the chief executive officer for the housing corporation. And during my tenure the corporation has not purchased any land, undertaken any projects, without the concurrence and approval of the board.

I think that there probably have been examples, and again I sort of indicated I think that the unclear role vis-a-vis the minister, vis-a-vis the board, vis-a-vis treasury board, vis-a-vis cabinet, as to what role the housing corporation . . . In point of fact for much of it it would appear that the housing corporation would either take on an ad hoc relationship relative to what minister was running or in charge of the corporation. Some utilize their boards more extensively than others.

I think from the standpoint of the Act, the Act is quite clear. The board has to approve the business and conduct of the corporation. And I think that it's probably . . . The clear definition is that if the board did not approve a land purchase, you know, that it was an improper transaction.

**MR. MEAGHER:** — Do you have a separation under the old northern administration district, a separate administrative branch for what was at one time known as northern housing? Or is it now under the province-wide . . .

**MR. HART:** — It's province-wide now. We do not have any more northern administration district. There is northern housing, but because we have assimilated the housing branch of the old department of northern Saskatchewan, we're in a situation where the corporation is simply treating it as a portfolio for, you know, the complete province.

**MR. MEAGHER:** — So then would you be able to give me an indication of the status of the mortgages in what was the old northern administration district, the percentage of mortgages in arrears, and write-offs, that sort of information? Or is it now blended into the rest of the province?

**MR. HART:** — Well we have been for I think purposes of trying to assess our relative performance in terms of trying to improve the level of arrears, we've maintained a separation and I could probably give it to you in terms of the more positive outlook, which is the number of accounts making payments.

I think the big problem for us was in essence the fact that many people were not making payments. Some couldn't afford to make the payment. The thing was to develop more of a, I suppose, a habit of making some kind of payment and getting them at least into that habit. So that in 1982, 21 per cent were making payments as a percentage of the number of accounts under administration; in 1983, 31 per cent were making payments; and in 1984, 50 per cent were making payments.

**MR. MEAGHER:** — Are those payments the proper payments or just a payment of some sort?

**MR. HART:** — A payment.

**MR. MEAGHER:** — They may not be current then?

**MR. HART:** — Well, they may not be making a full payment, but what we've been trying to do is getting them making a payment, get the habit built up that they are making some kind of payment as opposed to making nothing, because the arrears that was accumulating under that account was just enormous.

The future fiscal forecast for it down the pike was just, I mean, it probably would have paid us just to write everything off. So we had to start, I think, just developing a proper consumer approach in terms of they've got a service; they've got a facility; and they've got to make a payment. And even if they couldn't afford or in their own perception couldn't afford, then I think it was just an encouragement by us to try to get them to make some kind of payment and then to gradually move them towards their proper payment.

**MR. MEAGHER:** — Do you have any arrangements with the Department of Social Services to have payments made to those people who were recipients of social assistance?

**MR. HART:** — Yes. In the year under review, we initiated a dialogue with the Department of Social Services to try and establish a vendor account where the people on social assistance, and I think we're talking almost . . . Well at least a large proportion of our residents, our clients in the North are on social assistance at one point in time.

The historical performance of the program was that even these people were not providing the shelter component of their social assistance payment to the housing corporation in terms of covering their mortgage. So we worked out a relationship with the Department of Social Services

that would allow them to set up a vendor account so that if, for example, after missing three consecutive payments, Social Services would come in and start making, with the fourth payment, make the payment directly to the housing corporation, and then catch up the three months in arrears that those social assistance recipients had missed, and deduct it from their proceeds or their total payment. So that relationship is in effect currently for mortgages in the North.

**MR. MEAGHER:** — That relationship was established in the year under review?

**MR. HART:** — It was started in the year under review and was implemented in '84. I think it was the spring of '84.

**MR. ENGEL:** — That would account for 50 per cent of the people, bring about making some payment?

**MR. HART:** — Yes.

**MR. ENGEL:** — Sorry to interrupt.

**MR. MEAGHER:** — In the case . . . Getting back to these percentages then, of the 50 per cent in '84 — or '83, there were 31 per cent that were making payments — do you have any indication of what percentage of the payment that should be made are, in fact, being made? Are we talking possibly half, or 25 per cent, or what is the actual percentage of the payment that you should be getting? What is the arrears, in other words, for that year?

**MR. HART:** — The revenues required, it's approximately between 40 and 50 per cent.

**MR. MEAGHER:** — You're receiving between 40 and 50 per cent of the . . .

**MR. HART:** — Of the proper, yes.

**MR. MEAGHER:** — Of the proper amount. And that is just in the old northern administration district?

**MR. HART:** — Yes.

**MR. MEAGHER:** — How many houses, in the year under review, or homes, have you written off for whatever reason — damage, vandalism?

**MR. HART:** — In '83?

**MR. MEAGHER:** — Yes. Do you have that information?

**MR. HART:** — Just a moment. I think we do. We'll have to get that information back to you, Mr. Meagher, I think it's between six and eight. We just are unsure as to whether it's six or eight. The information, I think, came up in Crown corporations. Mr. Blakeney asked the question, and I remember giving it to him at the time, and I think it was either six or eight. I'm not quite sure.

**MR. MEAGHER:** — Well I'd appreciate it if you could get me that information. With respect to the matters that were raised by the Provincial Auditor and this accountability, I just want to make a point, or clarify a point here.

If in fact the corporation desired to purchase some property, it would now be, as a result of your improvements, if you like, or changes, it would now not be possible for your own corporation, your in-house people, to make an assessment of the value of that property and then have the vendor bypass that board and the corporation's own internal processes and make a sale at a

much greater value.

**MR. HART:** — Well I think arising out of some of the difficulties that the corporation had gotten into, the board in '84 actually adopted even much more stringent guide-lines. There were guide-lines that were adopted by the board in '79, but for one reason or another they didn't seem to have much success in terms of being implemented.

The board adopted even more stringent guide-lines with respect to (a), the values and how they're determined. There has to be an appraisal. If there's any question about that appraisal, there's got to be two appraisals. The acquisition could only occur if it was for imminent development. And in point of fact, all those decisions have to go to the board. It is a regular process now, even to take where there is an investigation, let alone the approval.

The board instructed the corporation that in all future land dealings they want to know about it before any commitments, even options, are undertaken by the corporation — decide whether in fact there is a need and that the acquisition being proposed is necessary. So I think from our standpoint the board have imposed upon the corporation much tougher guide-lines than existed previously.

And I would have to say that under those current circumstances it's difficult to see a minister . . . I suppose in my role as chief executive officer I'd be hard pressed to ignore the board, I suppose, if that's what you're saying: is there a situation? The only way that I can see a minister doing it is if he did it out of his own pocket right now because, you know, I think the direction and the instruction from the board is quite clear, and we have to follow that process.

**MR. MEAGHER:** — That's exactly the point I make. It would be very difficult now for the minister then to overrule or to bypass that.

**MR. HART:** — Within the legislation, I can't see that he can do it.

**MR. MEAGHER:** — Or to order the corporation to purchase that property at seven or eight times the value that was established by the board, the board of the corporation, for whatever reason. That would be difficult to do as a result of the . . .

**MR. HART:** — I'd say it's impossible now.

**MR. MEAGHER:** — Because that's a very real concern of a lot of people, that that kind of scenario could develop. And it has implications that are distasteful, at best.

So that's about it, Mr. Chairman, for me.

**MR. HART:** — Mr. Chairman, just seven houses were written off in '83.

**MR. MEAGHER:** — Okay. If I might just ask a couple more questions on that. Were they written off as a result of destruction to the homes?

**MR. HART:** — I would suspect in virtually all instances it would be the destruction of the homes.

**MR. MEAGHER:** — And where were they located? Do you have the breakdown of the locations?

**MR. HART:** — I know there were at least four in La Loche. I don't know where the other units were. We could provide that information.

**MR. MEAGHER:** — No, that's okay, unless some of the members want it.

**MR. CHAIRMAN:** — Any other questions on Sask Housing?

**MR. GLAUSER:** — I just have one that has to do with your land holdings now, and I would like to pick Saskatoon, for instance. I haven't been able to find the numbers for Saskatoon. What are the land holdings in Saskatoon currently, or the year under review?

**MR. HART:** — In the year under review we held 2,500 acres in Saskatoon.

**MR. GLAUSER:** — And that's down from . . .

**MR. HART:** — No, that's not down. That would probably be a little bit up.

**MR. CHAIRMAN:** . . . (inaudible) . . .

**MR. GLAUSER:** — We'll disregard that comment from the chairman, and maybe you can give me more precise . . .

**MR. HART:** — Yes. I don't think there have been any changes. There were some major acquisitions in co-operation with the city of Saskatoon. We have worked out an arrangement with the city of Saskatoon, although I believe the arrangement occurred in '84, wherein we have agreed to the transfer of land to the city at certain development stages. And it will not take on a joint development nature as previously was the arrangement between SHC and its municipal agents. I think the arrangement we reached with Saskatoon very simply is the fact that from now on, as the land becomes ready for development, the city will buy out our share and develop the land on their own.

**MR. GLAUSER:** — Well that's really what I was getting at, but that hasn't . . . Like, that expansion, I know where that is. I know the area. But that's a bit down the road.

**MR. HART:** — Some of it's down the road. Some of it's rather immediate.

**MR. GLAUSER:** — Well you're talking the east, the north-east?

**MR. HART:** — Yes, okay.

**MR. GLAUSER:** — That's what I wanted to . . .

**MR. HART:** — I think there's an immediate phase that they're looking at, if not this year, at least next year. I think part of the thing that we tried to do with Saskatoon is to set up more of a consultative process between the building industry and the city in terms of marketing of lots by the city. And we've caused a formal liaison committee under our agreement to be structured.

There are some things obviously within the city's development policy that we feel needs some reworking, and these are points that people in Saskatoon are already well aware of. So it's a question of trying to set up a focus under which the industry has some involvement.

And we're talking about, for example, in Saskatoon you're dealing with a large number of small builders. They have something like 140, I believe, registered builders in Saskatoon, as opposed to, say, something in the order of under 50 in Regina, for virtually the same portfolio. So I think it's a situation there of trying to identify some of the concerns of those large number of small builders to the city administration, and getting them to do something about it.

You know, I think the city's development policy obviously is articulated over a long, long period of time, and some of it's become rigid; some of it relates to the highly speculative period in the '70s when certain instruments that were developed, particularly that second mortgage instrument which prevents people from, you know, I suppose selling their home in less than five

years without paying some additional payment to the city of Saskatoon.

And so some of those things we'd consider to be not necessarily positive things to facilitate housing production and the housing market. So we've asked that this particular committee look into things like that and recommend back to the city fathers.

**MR. GLAUSER:** — That's being done through the Saskatoon Housing Authority?

**MR. HART:** — No, it's actually being done through . . . They've established a formal liaison committee with the city, comprising Sask Housing, the representatives from the house builders, and representatives from the city, to try and develop a kind of more of a sensitive marketing strategy for the city. I think the city in the past has tended to deal with its land development and land marketing more on a residual basis, as opposed to recognizing the dominant role they really do serve in Saskatoon.

So from that standpoint we've just tried to identify for them that there were these complaints from the building industry and that they should start to deal with them.

**MR. GLAUSER:** — And are those lots, are they being moved at the current market . . .

**MR. HART:** — They will be. I think that the city of Saskatoon has always established a market price in terms of its line assembly lots. I don't think there's any question that they have not kept to the market. That's why, for example, it's difficult to understand why they're, you know, so preoccupied with second mortgage instruments to guard against speculation. Because I think what you're trying to do is you're trying to say, listen, the market should be left to its own devices. You know, there's certainly sufficient land in Saskatoon and, in point of fact, they should open it up.

**MR. GLAUSER:** — Yes. Okay, thank you.

**MR. MULLER:** — I could probably get this through the department, but seeing you're here, there was some old land holdings at Christopher Lake that had insufficient water to make them viable to build on. I was wondering if that land had been disposed of or if the corporation still has it.

**MR. HART:** — We don't have a record of it, Mr. Muller. I would have to say that . . . Would it have been under DNS or under the housing corporation?

**MR. MULLER:** — No, it was under the housing corporation because I had some fellows into my office a couple of years ago and I was looking into it then.

**MR. HART:** — I think I know . . . It's not going to show up there. I think it was purchased for public housing. I'm not sure. I'll have to check the records for you.

**MR. MULLER:** — Okay. Thank you very kindly.

**MR. CHAIRMAN:** — Okay. You can check it and report back to the committee — 20 copies to the Clerk who will distribute it to the committee.

**MR. MORIN:** — Thank you, Mr. Chairman. On page 31 of the auditor's report, Mr. Hart, under number (4) they talk about the corporation earning interest on its activities and applying the proceeds of that interest against programs which may or may not have been voted under the subvotes. I wonder if you can make a couple of comments on that. One, has that been an ongoing policy of the corporation: and two, some general comments about why you do what you do there, or did what you did in '83.

**MR. HART:** — Well we still do what we do. From the standpoint of the corporation I think that



what you have to do is you have to recognize that the corporation's relationship with the federal government is pretty significant and it has been significant over a long term. I think it goes back to the fact that all of our public housing was initiated under section 40, partnership, of the National Housing Act which specifies 75-25 per cent between the federal and provincial governments.

From the standpoint of the program that you mention, which is section 56(1) of the National Housing Act, our effort under that particular section has been simply to maximize the amount of subsidy dollars being directed to the province by the federal government, and to use that in the most flexible way that we can.

I think it's safe to say that the operations under that particular non-profit vehicle have been inconsistent at the very best. And so what we have tried to do is to draw upon the surpluses that are available to us to either cover off overruns in certain areas, to deal with the operating losses. And so I think the net result of it is that we view the variance between the costs the province pays for money and the cost recognized by the federal government as legitimate revenue by the corporation — revenue on activities.

And I think it's . . . You know, I would certainly question that we're dealing in activity not approved by the board, treasury board, or cabinet. In point of fact, all our activities are — and the legislature — in terms of keeping to our gross budget. But it does give us the flexibility to move around and cover off activities that perhaps were either underbudgeted.

The nature of our business specifies the fact that we try to estimate to the best of our ability what our requirements are going to be. But because of the nature of it, that most of our activity is capital, or operating that is not as predictable, because if we are dealing with rent income or other kinds of situations, or rent of, we can't be actual specific in terms of saying, listen, we're going to give out \$5 million worth of grants, and that's all the money we've got so that's all we can give out. For example, on rent income housing, much of our portfolio is determined by local housing authorities who will decide who's going to live in there, and then, based on the rent of those people, that's the subsidy bill. We can't specify in any given year who those people are going to be.

So I think what we try to do is do it to the best of our ability, and we've always used, I suppose, that surplus, or that gap between what we pay and what the federal government pays us, to cover off a number of activities. Yet we believe, and I think the record will speak to that, is that all of those activities have been approved by all the necessary approval authorities. It's just a question of how those dollars get allocated.

And sometimes there is under-estimation and for various reasons, and I think that when it deals with some of the business conduct of the corporation, I think that's substantially improved. We're not running into the kind of cost overruns we used to run into. We're not running into the kind of deficits that we used to run into. And hopefully we've seen the last of that, and that's all I can say.

I don't know that . . . In the year under review, certainly there would have been some of that early on, and, you know, I can only suggest at this point in time that much of that has been covered off. There will still be the occasional problem with weather, where we've got delays with projects, and the interest clock keeps running, and we'll have to sort of find an avenue, but they will be smaller than larger.

**MR. MORIN:** — Okay. The reason I asked is that it's not mentioned in here that it's been an ongoing problem or an ongoing issue with the auditor. From your comments I gather it would be safe to say it will be an ongoing issue with the auditor, and it arises from the efficiency you're trying to introduce in the corporation.

**MR. HART:** — Well I think there are some structural arguments with the auditor that we, you know, have failed to recognize, or at least failed to agree on. I don't think that's been the result of any kind of animosity. We just have different perceptions about what is intended, or what was intended, and I suppose his interpretation of the Act, of the '73 Act, is one thing, and my interpretation of the '73 Act is quite another. And, you know, I think that that's where we're at. I think we tried to sort of introduce the kinds of changes to the corporation that the auditor has legitimately noted — for example the conduct of the board and ratification there, the kind of contract administration. And his comments were very valid there.

And I think when we talk about operating things, I don't think there's any question that the auditor has had some very legitimate concerns, and we've tried to deal with them to the best of our ability. I think most of the concerns that have been expressed between the auditor and ourselves have to deal with the structural things. And, you know, I know this Act. I was here in Saskatchewan as a federal director when it was brought in, and I know at the time that they were trying to copy the CMHC Act, and I'm pretty familiar with that Act.

And I think that the essence of the government of the day was that they were trying to produce a viable Crown corporation, and yet able to have the flexibility that is possible under the federal Act. So I think what we try to do is get back to that kind of interpretation.

**MR. MORIN:** — Going to your annual report for the year under review, and you make some comments on your task force on senior housing, and I wonder if you could give me a few things: one general comment on how that impacted on the housing corporation in terms of leading to new programs, and the types of comments you received from seniors about the existing programs that related to seniors.

**MR. HART:** — Well, I think the catchword with the task force report was an attempt more to look at the existing programs. I think what we have long felt is that somehow . . . We started some initiatives in the early '70s with various kinds of housing, and for some reason the strongest thing that we ever came up with in senior citizens' housing was the semi-detached unit. I know that there are members of this committee that, for one reason or another, have some concerns about that.

It was also clear to us that most of the vacancies that occurred in the senior citizens' housing were in those semi-units. And I suppose once we started to look at the whole broad spectrum of what kind of programming, as opposed to sort of saying, look, here's what the federal government has available, and here's how we have to clone ourselves. Let's look at what our provincial needs are, and let's decide how we're going to take the federal government on in terms of trying to ensure that we've got a housing, sort of a made-in-Saskatchewan housing policy, as opposed to a made-in-Ottawa, Saskatchewan policy.

And I think when we started to sort of look at that, we knew that there was certain flexibility within the National Housing Act that would allow us to do certain things. Now some of that meant taking CMHC (Canada Mortgage and Housing Corporation) on with respect to operational issues, maximum unit prices, and some of the control features that are built into the National Housing Act.

However, you know, when I was here before, we never did any semis other than some portable units in Rockglen. It was only there to get a handle on what . . . If we had some concerns about the viability of a centre and wanted some operating experience in that centre, we'd put in these portable units so that, if there were sort of ongoing vacancies, then the units could be relocated elsewhere in the province.

When I came back in '83 it was really to much of my surprise that, in point of fact, the semi-units had been built all over the province. And I don't think that was ever the intention. What we really wanted to do, and in point of fact, you know, when I looked at it next, there were

something like 30-some-odd units, all of a semi-detached nature, in Rockglen. You know, once the decision had been made that Rockglen was going to keep its population and be a stable community, then we should have gone to a motel type of accommodation. That's the accommodation that seniors wanted.

And then, given the linkage that we have with Health right now, what we were trying to say is, look, we've got to start developing other kinds of things. We've got home care districts in Saskatchewan. We've got to tie into the level of services. So I think that the whole objective of the task force was to start looking at that and to see where the integration could come with Health and Social Services — what kinds of forms.

And I think that one of the major things that came out of the task force was: we had to get back to building apartment-type projects. The seniors really want to be under one roof where they can visit each . . . I mean, we're dealing with, you know, a realistic climate that says we're going to need indoors facilities at least six months of the year. And, you know, I think that putting them in semis doesn't really do anything, because they're living in either single dwellings now, where they have the problem with the steps. They're concerned about falling and maintenance of yards, and semis don't do anything but continue that.

So what you want is, you want an apartment type of structure where they, you know, don't have to go outside. They can visit their neighbours; they can visit their friends; and in point of fact there's a level of services that can be brought to them.

In my opinion, at least, the major conclusion of the task force had to do with the fact that no more semis should be built. Now when I say no more semis should be built, I think that there will inevitably be certain communities, very small communities, where they won't need 10 units. They may need only four or six, and you may be caught with other kinds of design solutions. And then I think it's up to the architects, and then the corporation and its architectural consultants, to come up with solutions for that.

But certainly, from the standpoint of the recommendations of that task force, enriched housing was a major conclusion. And there've been now, I think there were 13 in '84 that were constructed, and I think they're going to work out very well. And I think we're now reached the point where the exception to the rule will be the semi-detached. And in point of fact all of the projects or virtually all — 90 per cent, 95 per cent of the projects — are going to be enriched housing projects under one roof with facilities there to support home care activities in the region.

And you know, I think that other conclusions were reached pertaining to senior citizens' home repair; the appointment of a senior to the board; getting more integrated housing; from the special care to independent living, and that kind of thing. And those are things that we're working on right now.

But certainly I think that the task force heard from a lot of people, and I think its conclusions were pertinent. And I think most of the 26 recommendations right now are being worked upon, or have been implemented. I'd say probably most of them have been implemented.

And the ones that haven't been implemented, it's simply that, especially some of the designs that we're looking at in Saskatoon and Regina and other centres in the province, in terms of this sort of broad continuum of seniors' accommodation from special care to independent, or from independent to special care, all being concentrated in one facility, that, you know, needs some design work. We've got to be very careful on how we do that. But certainly I think that pointed at a direction, and that direction is being implemented.

**MR. MORIN:** — Okay. I just have a couple more questions, and they relate to your balance sheet on page 17. Your accounts receivable for '83 were down roughly \$10 million from '82. I wonder: one, why is that, and what types of items does Saskatchewan Housing enjoy as

accounts receivable and from whom.

**MR. HART:** — Principally from the federal government. I know that one of the things that concerned me when I first went in — and I went into the corporation in the year under review — was the outstanding accounts receivable from CMHC. And thinking and believing that they can afford it better than we can, we obviously moved to get them to pay their bills.

**MR. MORIN:** — Okay. The next line, grants receivable from the province, again down from almost 10 million in '82 to 400,000 in '83. The same explanation?

**MR. HART:** — Is that the next item — note 8?

**MR. MORIN:** — Yes, note 8. I haven't read the note to the financial statement, and maybe that gives the explanation I'm looking for. I'm just wondering, has the province speeded up their payments and therefore allowed you to operate more on a cash basis than with borrowed money, which would increase your efficiency and reduce your cost of operation overall, or have they cut your grant back by \$10 million?

**MR. HART:** — No, they certainly didn't cut our grant back. It's more an administrative mechanism, Mr. Morin. I think it relates to more the drawing between our fiscal year and the government's fiscal year, and the amount of money that we need in any period of time. And I think the auditor's comment probably deals more with, you know, the ability to sort of develop these retained surpluses that, I think, show up in this report.

So it was more of an administrative mechanism than anything else. You know, we draw according to our needs.

**MR. MORIN:** — Okay. Under your liabilities, the accounts payable, would those accounts be payable to contractors, or local housing authorities, or who?

**MR. HART:** — Both. Yes, and also, of course, our share of the 75-25 relationship on public housing.

**MR. MORIN:** — Following up on that, my particular concern is the contractors. What's your turn-around time on paying their bills? You know, governments have a bad reputation for taking a long time to pay their bills. Are you fairly quick with paying the contractors?

**MR. HART:** — I think we're pretty quick. I haven't heard any complaints. I think we try to get it done within 30 days. I'd be surprised that it takes much longer than that, other than the fact that our construction, of course, the final payments will take whatever the lien period is. I mean, I haven't heard any complaints.

And just to sort of speak to that, I'm just being advised by Mr. Boys that the terms of our contracts actually specify a 15-day turn-around subject to, you know, signing the lien form and that sort of thing. So I'd say we're faster than most because of the type of business that we do. We can't afford to let our contractors get into trouble with their subs.

**MR. MORIN:** — Okay. Well I appreciate that, and that was my concern. The only other comment I have to make is, I'd like to congratulate you on the way that you have obviously handled Saskatchewan Housing Corporation, and the fact that you also indicate a pay-down of \$8 million on your long-term debt, and a dividend or repayment to the Consolidated Fund of \$11 million. And I haven't gone back and compared this to all the other years in Sask Housing, but just from looking at that, that looks like better news than we're used to getting from the corporation. I think that you and your staff should be commended.

**MR. ENGEL:** — Mr. Hart's already alluded to some of the problems we've had down in the

south-west corner. But I see by page 11 that Sask Housing finally got their Ph.D. now. There's a number of units you call PHD (Prairie Housing Development) that's non-profit units.

How do you determine where you're going to put these units? How is that criteria established? If you look at the map there, everything south of Moose Jaw is my constituency there and I see you have three areas where you've decided to build PHDs. How did you determine where you're going to build them and why?

**MR. HART:** — Well I think that the determination of PHD . . . I must confess I was not a big fan of that particular program, or the way that it was being operated.

**MR. CHAIRMAN:** — What is the PHD?

**MR. HART:** — Oh, it's the non-profit — it's called Prairie Housing Development, which was a non-profit agency. And the only non-profit element was that the government was doing it. In point of fact, if there was a need in Gravelbourg or Assiniboia for a housing project, it probably would have been a low-income project. It should have been a properly developed — either a senior's or a family's project under the public housing section.

It was the vehicle that was used to supposedly provide market rental housing to support the market. And it probably caused us more grief in the smaller centres than it has in terms of having any tangible benefits. Certainly in the urban centres the program was not serving any kind of lower modest income families. We have had, in PHD units in Regina, families earning in excess of \$60,000 living in them. And we tried to rectify some of the problems with that kind of targeting of government programs to people who don't need them.

In respect to the smaller centres, I think the view was always that in some of these smaller centres there was no viable private individual that could build that kind of housing, so government had to have a vehicle that would allow the building of housing in centres where there was no local builder to build this kind of housing.

The only other argument was that there were some modest income families who would use the housing. And in some of those situations neither of those arguments hold and, in point of fact, if there was a need in a community — whether it was Assiniboia, Lafleche, Gravelbourg, wherever, in point of fact there should have been a properly constructed public housing project. And I think that was one of the reasons for winding it up.

**MR. ENGEL:** — Are those units funded 75-25, or 70-30?

**MR. HART:** — No, they're actually financed, The province finances (this is the interest spread that Mr. Morin was talking about) that in point of fact, it's a situation where the federal government . . . We fund the mortgage, and the federal government funds us down to a 2 per cent interest rate. So what they fund is: they fund their perception of a market interest rate and because we, as a province, borrow cheaper, there's a spread on the money.

In other words, if we borrow at 11 per cent, the federal government recognizes 12.5 as a reasonable mortgage rate. What they pay us is they pay us 12.5. Our cost is only 11. They then subsidize from 12.5 down to 2 per cent. We take the money from 11 to 2 per cent; make the payments on the mortgage and pocket the 1.5 in terms of our interest income.

**MR. ENGEL:** — You don't pass that saving on to the renter?

**MR. HART:** — Pardon me?

**MR. ENGEL:** — How do you determine what the rental rates are?

**MR. HART:** — Well it's supposed to be the lower end of market, which is pretty difficult in smaller centres because the market is . . . it's not like, for example, a larger centre where you have a regional, you know, sub-area markets. It's supposedly the lower end of market.

**MR. ENGEL:** — How many units like that do you have in the province?

**MR. HART:** — 2,800, I believe, approximately.

**MR. ENGEL:** — Two thousand, eight hundred?

**MR. HART:** — Yes.

**MR. ENGEL:** — And what would the occupancy of that . . .

**MR. HART:** — Pardon?

**MR. ENGEL:** — What's the occupancy rate on those 2,800 units today?

**MR. HART:** — You mean the vacancy rate?

**MR. ENGEL:** — Pardon?

**MR. HART:** — The vacancy rate. You're talking about . . .

**MR. ENGEL:** — Oh, occupancy or vacancy, either one. Well positive or negative. I was trying to be positive this morning.

**MR. HART:** — Yes, the year under review was 14 per cent. It's improved dramatically since then.

**MR. ENGEL:** — Fourteen percent?

**MR. HART:** — On the year under review. It's improved since then. It's lower now.

**MR. ENGEL:** — You're talking vacancy here?

**MR. HART:** — Yes, vacancy.

**MR. ENGEL:** — Out of this 2,800, there's 14 per cent . . .

**MR. HART:** — Yes. It's now — this is the end of '84. Yes, at the end of '84, the vacancy rate was 8.3 per cent.

**MR. ENGEL:** — Well the problem I had with that one is that — Lafleche, for example, six units built, and I still believe there's only two occupied. What I really wanted is — and I've been approached on this a number of times both by people on town council and people in the community — who decided that those six units should be built? Was that requested by the town or . . .

**MR. HART:** — Well I would assume that in Lafleche the corporation was acting on a request by the town.

**MR. ENGEL:** — That's interesting, because a chain of events led to quite a number of commercial units that are available for sale. And about the time that . . . Well, two businesses closed. I think that made the big difference there. About the same time that those people were trying to sell their units, there were lawns being put in, fences put up, and nice cement driveways, and they're competing with these guys trying to sell theirs. It created a little bit of a

problem. So I thought that was here as all over, but maybe just in a unique centre that it happened to have a stroke of bad luck.

On the other units, on the public housing units, how do you determine the rent there?

**MR. HART:** — On our rent income. It's rent income, a maximum of 25 per cent. There is a sliding scale, but most of our — because of minimum payments and that sort of thing — we're talking approximately 25 per cent of income is the payment.

**MR. ENGEL:** — Is allocated towards that. That should be shelter allowance.

**MR. HART:** — That's correct. Yes.

**MR. ENGEL:** — One more area, Mr. Chairman, if I may, and that is on your rural housing units. I'm impressed that there's so few there because of the number of farmers and rural people building houses.

How do you determine a farmer's income? Do you take his income tax return? Do you take it from the gross sales? How do you determine that, that so few have qualified on a rural housing unit? I see there's approximately 1,000 loans were made and they're fairly small. Say, \$5,000 a loan is about the average, during the year under review. The bottom paragraph, page 10 — households with incomes under 23,000 are eligible for loans up to 10. Is that a rehab . . .

**MR. HART:** — Yes, that's rehabilitation.

**MR. ENGEL:** — Where do they determine the difference between a farm house or a rural house?

**MR. HART:** — No, that's not the building of rural houses. That's rehabilitation of existing houses.

**MR. ENGEL:** — Well but that does apply to rural, as well?

**MR. HART:** — Yes. It is a rural program.

**MR. ENGEL:** — That's more so the case rurally.

**MR. HART:** — Yes.

**MR. ENGEL:** — The problem is that, a guy in the city wants to upgrade his house, he can sell his 900-square-foot house and build a 1,600-square-foot house. On the farm you add on 5 or 600 feet.

**MR. HART:** — But this is only a rural program; it's not an urban program.

**MR. ENGEL:** — But rural to the extent that it applies to small towns.

**MR. HART:** — Yes.

**MR. ENGEL:** — You know, 2,500 . . .

**MR. HART:** — Or less — and less.

**MR. ENGEL:** — So those units like at Assiniboia, for example, where you had 10 RH, are those . . .

**MR. HART:** — No, sorry. The table here is new units started. It doesn't indicate what the rehabilitation, where those rehabilitation grants . . . And as a matter of fact, the . . .

**MR. ENGEL:** — That could be a rural housing, that could be a new house . . .

**MR. HART:** — That's all new houses. This doesn't show the over 1,000 rehab loans that were made. It would be impossible to chart 1,000 centres, you know, across the province. This only talks about new activity. And I think that's the effort with these charts, is just to identify new construction, where the new projects are being built.

**MR. ENGEL:** — The new construction: there's eligibility criteria as well, then?

**MR. HART:** — Yes. Under rural housing it's 22,5.

**MR. ENGEL:** — Income level's the same as rehab, isn't it?

**MR. HART:** — Well, it's actually \$500 more. It's 23 under rehab.

**MR. ENGEL:** — Under new construction there's no eligibility for a grant or a forgivable aspect of it?

**MR. HART:** — No, but the maximum income is 22,5 under rural housing for home ownership, new housing. And the payment is 25 per cent of his income.

**MR. ENGEL:** — But he's going to own that.

**MR. HART:** — He's going to own it, yes. Those are payments to a mortgage, yes.

**MR. ENGEL:** — Those are payments he makes, and the mortgage is determined under that same program that you said, where you're getting the money from the feds, then?

**MR. HART:** — Yes.

**MR. ENGEL:** — Same, where you reinvest it.

**MR. HART:** — No, we don't reinvest it. That's under the partnership program. See, there's two programs, Mr. Engel. One is the section 40 program which has rental and home ownership, and that's a 75-25. There's no interest. All they do is we share the actual cost. The program is the non-profit which is PHD. That's where we get the spread between the interest rates.

**MR. ENGEL:** — Okay. But under the rehab, I'm surprised that they could do it for \$4,500 or \$5,000 a unit. Or is that as big as you made the loans?

**MR. HART:** — Oh no, no, no.

**MR. ENGEL:** — You see, \$4 million for a thousand loans is four . . .

**MR. HART:** — No, no, the loans are up to 10,000 under that program. And of the 10,000, 5,000 is forgivable, based on their income. So there's a sliding scale downward. So from 23,000 downward they have the ability to earn . . . They get a \$10,000 loan, and then they have the ability to earn forgiveness of \$5,000 of that, or 50 per cent.

**MR. ENGEL:** — What percentage of the loans in the year under review, of those 1,000 loans, what percentage of that \$4 million was forgivable? Do you have a breakdown of that number?

**MR. HART:** — Seventy-five per cent of it was forgivable. Obviously people would take only a loan in which they could be assured of getting the maximum, in other words, most of it forgivable. In other words, instead of taking a \$10,000 loan, they were taking an average loan of 4,500, and the average forgiveness was 3,700. So they were ending up with an average repayable



loan of \$759. So for the most part they weren't the maximum forgiveness.

**MR. ENGEL:** — They were taking a loan out for the basis of the grant?

**MR. HART:** — That's right.

**MR. ENGEL:** — That's still in place?

**MR. HART:** — Yes.

**MR. ENGEL:** — The young fellows who are building or remodelling: that will apply to either one?

**MR. HART:** — Yes.

**MR. ENGEL:** — That will apply to new or a remodel.

**MR. HART:** — That's right. Well no, not to a new, just to rehabilitation. That's remodelling existing housing, that particular program.

**MR. ENGEL:** — What have you got in place now that would stimulate new house construction?

**MR. HART:** — In terms of the existing program base, there's just the programs that we had.

**MR. ENGEL:** — Was this a one-shot in '82 and there were . . .

**MR. HART:** — Oh yes, you're talking about Build-a-Home.

**MR. ENGEL:** — Yes.

**MR. HART:** — Yes, that program was an '82-83 program.

**MR. ENGEL:** — And it discontinued since then. You have a figure in your report, I saw some place, that indicated how many housing starts, on a little chart. Those are Sask Housing housing starts, not all housing starts. What page is that on?

**MR. HART:** — That's on page 7. Are you talking about the single-family dwellings?

**MR. ENGEL:** — Yes. That little chart down there.

**MR. HART:** — No. That's the total starts.

**MR. ENGEL:** — Those are just Sask Housing?

**MR. HART:** — No. Those are total single-family starts, yes.

**MR. ENGEL:** — What percentage of those were . . . Well you have it over here. You have 1,000 on the rural one alone.

**MR. HART:** — I can honestly tell you that the charts are going to be a little bigger so that people can read them in the '84 report.

**MR. ENGEL:** — Well there's 4,000 approximately, total, not quite. I'd have to draw a line straight across here; there'd be about . . .

**MR. HART:** — We're talking about single detached dwellings.

**A MEMBER:** — That's 1983.

**MR. ENGEL:** — In '83, yes. Of those, 1,000 were under your rural rehab?

**MR. HART:** — No. Oh, no. This is new construction. The rural rehab is . . .

**MR. ENGEL:** — I'm sorry. I should have said rural housing.

**MR. HART:** — No. As a matter of fact the rural . . . No, no, he's talking about rural housing starts. You're not talking about our starts. Yes, 1,336 units were rural starts in 1983. The program, that Build-a-Home program, did have tremendous success in rural areas. There's no question about it.

**MR. ENGEL:** — One further question. If a person has a house he has built under one of your programs where they have a loan, the only situation would be under your rural housing program, where you're financing a mortgage.

**MR. HART:** — Yes.

**MR. ENGEL:** — Say that a person purchasing a house, what's the maximum to be, 45,000?

**MR. HART:** — No, we really have maximum unit prices that vary across the province. It depends on which area they're in. I think the maximum, yes, is 63,000.

**MR. ENGEL:** — Oh, it's up to 63. The question is: what's the policy regarding it? I had a case where a constituent, and I thought it was a Sask Housing thing, a Sask Power house, and I've found out since that it was a Sask Housing house. Do you have a buy-back provision?

**MR. HART:** — We have a right of first refusal, which is, I think, a little different than a buy-back provision.

**MR. ENGEL:** — Sask Housing actually — Coronach, for example — has a buy-back provision, if an employee is transferred out.

**MR. HART:** — You mean Sask Power.

**MR. ENGEL:** — Sask Power.

**MR. HART:** — Yes.

**MR. ENGEL:** — Sask Power will buy that house. And if a neighbour has a house that they financed their mortgage through Sask Housing and they're transferred out, is that same program available or . . .

**MR. HART:** — Well, we have a right of first refusal. We can elect to buy the unit and to maintain the program, or we can just say, no, we refuse to exercise the right of first refusal.

**MR. ENGEL:** — And they then would have to find another mortgagee, mortgage company, to take over the balance of the . . .

**MR. HART:** — Not the mortgage. They'd have to find another vendor, I would assume, if they're moving out. They will have to sort of sell it on the market.

**MR. ENGEL:** — So you wouldn't have any program in place that would recognize their sweat equity. Let's say they did improvements and finished off the . . .

**MR. HART:** — Oh, if we decide to exercise our right of first refusal and buy the unit, then we

would recognize what equity they had in the unit.

**MR. ENGEL:** — . . . (inaudible) . . . but I'll pursue that further, that individual case. Thanks for your . . .

**MR. LUTZ:** — Mr. Chairman, I'm pleased that certain of the points we have made in here have been awarded the status of legitimacy versus what else you could refer to the others. However, I would like to tell you that this entire thing is predicated on the process of accountability to the House, not to the federal CMHC, not to anybody else. And as long as the legislature wishes to vote 12 different appropriations for Sask Housing, we will probably continue to report this stuff where they are permitted to retain funds from whatever source to do other things.

**MR. CHAIRMAN:** — I was going to interject by saying . . . interject myself into the speakers' list here. We had a discussion about this before you folks came in, with the officials of the Provincial Auditor's staff and with the officials of the Department of Finance.

I think the conclusion was that the problem is not particularly one that can be solved in a sense by the Saskatchewan Housing Corporation, in the sense you are acting within existing . . . the Act and existing in the treasury board regulations. I think it was agreed, however, by the committee and by the officials that that is not a very good process of saving money and then turning it into an \$18 million slush fund. That's not a very tight control system, which is, I gather . . . I've obviously editorialized a bit, but that in a sense is what you did. You've kept an \$18 million surplus . . .

**MR. HUNT:** — Mr. Chairman, if I may interject. I believe it is related to a difference of opinion we've had over the interpretation of section 36 of the Act. When it calls for the funding of operations, our solicitor has advised that that requires them to take into account any of this financing or arbitrage income, and net that against the administration costs.

If they were to do that, then they wouldn't have to come forward with requests for the funding of capital-cost overruns and losses and this sort of thing, as a consequence of that interpretation. So our interpretation of the Act is consistent with this particular call for more information being provided. Now I think there's, you know, there's obviously a difference . . .

**MR. CHAIRMAN:** — There's obviously not complete agreement on that.

**MR. HUNT:** — It's not clear. The interpretation is perhaps not as clear as it could be. And I believe Mr. Benson was referring to that earlier, in the sense that the legislature may in fact look in the future to preventing the corporation or not permitting it to use as income, but at least be specific with respect to what they should be doing.

**MR. HART:** — Mr. Chairman, I have a couple of comments on this. And I think it just relates to . . . And certainly I'm not . . . I wasn't with the province 12 years ago when the Act was developed. However, I was with the federal government and we were providing some measure of support to the province in the development of this Act.

I think at the time, if I can just deal perhaps with the intent of one of your previous colleagues, Mr. Wood, who I think was trying to develop an Act that had maximum degree of flexibility, recognizing the fact that he was also going to become the real estate developer or at least the residential real estate developer of the government, that he wanted an Act that ensured the ability to do what was necessary.

In point of fact, he had to relate it to proper real estate environment. In point of fact, you do have cost overruns. Everybody has cost overruns. The question is whether you were going to hamstring the corporation so tight that in point of fact the corporation could not carry out a mandate without going back, either to the legislature or through special warrant, to get these

adjustments every time those kinds of things happened.

When they happen, I think there is accountability under the current structure. And I think one of the things that we have reached with Finance — and I'm surprised if Finance is saying that they do not agree with what the corporation is saying — and one of the things that we've come to a conclusion with Finance is that whatever the surplus is that's generated from the operations, is turned back to the provincial finance minister at the end of the year. And that is in point of fact what's happening.

So it's not like the corporation is developing a slush fund. In point of fact it has its operations . . .

**MR. CHAIRMAN:** — . . . (inaudible) . . .

**MR. HART:** — Well I think that from our stand . . .

**MR. CHAIRMAN:** — Probably inspired the Rovers — song by the Rovers. Man, what a party!

**MR. HART:** — I think what we've been trying to do is try to develop, you know, a process that says, listen, during the year under review, whatever that year will be, we were more efficient, less efficient, or whatever, but there will be performance standards under which the government and the legislature can review the activities of the corporation — review them on proper business principles — and either the corporation was a responsible or less responsible real estate developer. And I think that we have to get ourselves into a situation that that's really our business. And we've got to have the ability to deal with that. That's why the government of the day decided to set up a Crown corporation. They could quite easily have gone with a ministry of housing. They did not. And I think that having been here at the time, I think that was the motivation.

Now if there's any desire by this government to change that, then fine, they can change it. But I think looking back to the motivation of the day, I think it was quite clear what they were trying to do. The question that that now is causing some difficulties because the corporation was able to find vehicles for generating revenue, I think is a situation where the accountability for that revenue is measured at the end of the fiscal year and any surplus funds are turned back to the provincial finance minister, to the Consolidated Fund.

So from that standpoint I believe the accountability is there and in point of fact we're not involved in any scurrilous activity other than the activity that is identified under our programs. And in point of fact if some of those estimates, because we are in the real estate business, are over or under, there's got to be that flexibility to deal with them.

**MR. CHAIRMAN:** — The members of this committee are avid watchdogs of the public's tax dollars. When you say you're not doing anything scurrilous, members of this committee check that sort of thing very carefully.

Mr. Benson, I was going to let you in for . . .

**MR. BENSON:** — Yes. I just wanted to clarify. I think the argument is not really what you're talking about there, Mr. Hart, it's more . . . I think what Mr. Lutz is raising is that if it's intended that there be some flexibility built into the funding for the corporation, that that could be gotten around simply by making one appropriation to the corporation, and that in turn then would leave the corporation with the flexibility to move funds around as it saw fit.

I think that's the argument that's being raised. And it comes over an interpretation difference over section 36. And my understanding was like a year ago that the corporation was undertaking to have that resolved by way of clarification, either clarifying the order in council in terms of how the grants are supposed to be provided, and . . .

**MR. HART:** — Yes, we have achieved that. I think, Mr. Chairman, I think that while . . . You know, I'm not trying to suggest just because we're so tied in to the federal government that what the federal government does should necessarily dictate that we follow that course 100 per cent. What I am saying is that, simply, our excess revenues are generated for the most part by the federal government. For the most part, we're unable to estimate that by the time we are required to submit budgets.

We obviously do our best at maximizing the amount of funds recoverable, retrievable from the federal government. As a matter of fact, we probably work overtime. And I think the figures will be borne out in the '84 annual report that where we can slide things through on a section 40 basis, we darned well do that. And I think that our record will be shown to be pretty impressive in that light.

But we have submitted — and I believe that it has been executed in terms of our funding mechanism, has it not?

**A MEMBER:** — The order in council has gone through.

**MR. HART:** — Larry, why don't you just explain it to the committee?

**MR. BOYS:** — I believe one of the purposes of the new order in council was to clarify the purpose of the operating grant. And that's been done. I can just read a section of this:

Such amounts of money as are appropriate and are required for the operation of the Saskatchewan Housing Corporation for the purpose of covering net administration expenses . . .

That one always seemed to be one of the issues, as to whether it was an operating grant or a grant to cover the net administration expenses of the corporation. So we have tried to clarify that through this order in council, 242-85.

**MR. GLAUSER:** — It's not particularly on this issue unless anybody else has any comment. I suppose my only comment on that particular issue is that it's nice to see us arguing over surpluses, like, of that magnitude, so it's great to see.

The question I really have has to do with what came up in Crown corporations, and I believe you don't have to answer this if you don't want to because it is something that is currently happening, and I imagine . . . There's an inquiry. And what prompted my question was as a result of Mr. Meagher's line of questioning, having to do with a particular land purchase. And I believe that inquiry report has been completed, and I was wondering if that is going to be made public.

**MR. HART:** — Well I think that is the minister's decision, and I think the minister is dealing with that right now. So I would suspect that it's going to be public. My understanding was the inquiry, when I was with the minister, was that he was directed by the Crown corporations committee to review and to report back. And I think that he will be reporting back to Crown corporations if he hasn't already done so.

**MR. GLAUSER:** — Okay. Thank you.

**MR. MORIN:** — Mr. Chairman, my only comment was going to be similar to the member for Mayfair in that I would hope that the Provincial Auditor would be forced to make this kind of a comment about every Crown corporation that we deal with, that they're too efficient and effective in the use in the money that they manage to save from that which is appropriated to them. And I would hope that every year here in public accounts, and I plan to be here for a number of years because I enjoy the work in committee, but I would hope that every year we're

forced to take a half an hour, or an hour, or some period of time to discuss the fact that the Crown corporations are just operating so darned efficiently that they're making too much money and they're applying that surplus so well that we just don't know how to deal with it. And I hope that this is an ongoing problem.

**MR. CHAIRMAN:** — All right. Are there any other government members who wish to pat themselves on the back before we conclude this?

**MR. GLAUSER:** — I beg to differ with the chairman in that it has nothing to do with the government, and these people are operating certainly at arm's length, and they've got their board now, and it seems to me that the government has nothing to do with that, but strictly operations of the board.

**MR. MORIN:** — And the chairman would know that a very excellent prominent Liberal has just been appointed to that board, so there's clearly no patronage involved.

**MR. CHAIRMAN:** — Actually, I wasn't aware of that. We have . . . Unless there are some other questions . . . I don't want to rush the work of the committee. We have 10 minutes, and I would like to knock off Rural Development. They came yesterday; they've been sitting here all day today; and I'm reluctant to bring them back. I've sent STC home. But I would like to knock off Rural Development. So anybody got some burning questions on Sask Housing, fine. If not, perhaps we'd better knock off Rural Development before the day runs out.

I want to thank the witnesses very much. I do want to thank, in particular, you people for the forthright fashion in which you have discussed the affairs of the corporation. Some of the witnesses who have come before the committee come with the purpose in mind of giving as little information as can be given — yes, evasive and so on. You people were very forthcoming. It assists the work of the committee, and I appreciate that and I thank you for it.

Now I want a little in camera session before we get to Rural Development.

**A MEMBER:** — Can we sit after . . .

**MR. CHAIRMAN:** — I can't. We will have rural affairs, Agriculture — bring on the beef — Agriculture, and STC. And that will probably fill up the morning. What else did we plan? We planned none of these for next Wednesday. What did we plan?

**MR. JAMES:** — SCI, Sask Power, and Finance.

**MR. CHAIRMAN:** — Okay. Well I guess put the few Crown corporations on 15 minute stand-by. Do you want to be reminded of who is the lead critic? With respect to Agriculture, it's Mr. Engel. With respect to Rural Development, it's Mr. Katzman — I ask the Clerk to remind him. With respect to SGI, it is Mr. Morin. With respect to Sask Power, it is Mr. Young. He hasn't been here in a coon's age. Is he ill or something?

**A MEMBER:** — Well, he's still recovering from that.

**MR. CHAIRMAN:** — Maybe we better get ourselves another critic then for Sask Power.

**A MEMBER:** — No, he'll be okay by then.

**MR. CHAIRMAN:** — Think he'll be back for Thursday, or Wednesday? Okay. And for ministry of Finance, again, it's Mr. Engel. Okay. What time do you want to meet? Do you want to start again at . . .

**MR. ENGEL:** — Which other one have you got on there?

**MR. CHAIRMAN:** — You're also the critic for Finance. You were before.

**MR. JAMES:** — Agriculture, and you wanted Finance back, I believe.

**MR. CHAIRMAN:** — Okay, the zero Bills committee I guess is meeting. What time do you want to start on Wednesday next?

**A MEMBER:** — 8:45.

**MR. CHAIRMAN:** — Regular time — not this 8 o'clock business? Okay, 8:45 it is.

The committee adjourned at 10:55 a.m.