

**PROVINCE OF MANITOBA  
FINANCIAL MANAGEMENT STRATEGY  
REPORT ON OUTCOMES  
FOR THE YEAR ENDED  
MARCH 31, 2011**

For more information visit [www.manitoba.ca](http://www.manitoba.ca)

Budget 2010 included the fourth Financial Management Strategy (FMS) for the Province of Manitoba. The annual FMS sets out the government's priorities for financial management, one or more measurable outcomes for each priority area, and objectives for each measurable outcome for the current year and for the future. For 2010/11, the FMS continued to focus on priority areas identified in prior years and reflects the implementation of Manitoba's Five-Year Economic Plan.

FINANCIAL MANAGEMENT PRIORITY	MEASURABLE OUTCOMES
<b>Transparency, Accountability and Fiscal Discipline</b>	<ul style="list-style-type: none"> <li>• Summary Net Income</li> <li>• Maintaining Accountability for Core Government Expenditure and Revenue</li> </ul>
<b>Stable and Affordable Government</b>	<ul style="list-style-type: none"> <li>• Credit Ratings</li> <li>• Expenditures as a Percentage of Gross Domestic Product (GDP)</li> <li>• Strengthening the Management of Public Resources</li> </ul>
<b>Managing Debt</b>	<ul style="list-style-type: none"> <li>• Debt Retirement</li> <li>• Net Debt to GDP Ratio</li> </ul>
<b>Infrastructure and Capital Asset Renewal</b>	<ul style="list-style-type: none"> <li>• Capital Investments</li> </ul>
<b>Performance Measurement</b>	<ul style="list-style-type: none"> <li>• Continued Development of Performance Measurement Capacity</li> </ul>

This Report demonstrates the government's commitment to ensuring transparency and accountability by providing the public with the opportunity to assess the success of the government's performance, by providing the results of the measurable outcomes from the original strategy.

Discussion related to the financial management priority areas, the measurable outcomes and results within each area are presented with descriptive narrative, historical trends, and current and longer-term objectives.

## ■ PRIORITY AREA: TRANSPARENCY, ACCOUNTABILITY AND FISCAL DISCIPLINE

Government has implemented a number of measures to ensure financial transparency and accountability while maintaining fiscal discipline over the past number of years. The measures include: fully adopting GAAP<sup>1</sup> compliant summary financial statements as of March 31, 2005; the transition to Summary Budgeting and Reporting in 2007/08 to present

<sup>1</sup> generally accepted accounting principles

comprehensive information on the total cost of providing programs and services to Manitobans and how the GRE operates as a whole; the introduction of a FMS requirement in the annual budget and the release of a report on outcomes within six months of the end of each fiscal year; transitioning quarterly reporting to a summary basis, consistent with GAAP and as provided in the Budget and Public Accounts; and extending the employer's share of current service contributions to all employees.

The commitment to transparency, accountability and fiscal discipline continued with the implementation of Manitoba's Five-Year Economic Plan in Budget 2010.

### **Measurable Outcome: Summary Net Income**

Governments around the world were affected by the market downturn, the worst global recession since the end of the Second World War. Manitoba's stable and diverse economy helped our province fare better than most in meeting the challenges of the past year, however no quick solutions existed for the issues we faced.

Budget 2010 was the first year of the five-year economic plan to restore balance and return to surplus by 2014/15. In 2010/11 the focus was on continued economic stimulus and job creation, protecting key services and responsible management of public funds. Projects were undertaken to upgrade needed infrastructure to create jobs and investments were made in vital front-line services to continue to improve health care, education and training, policing and supports for families.

The government is committed to balancing summary net income over the longer term. In 2010/11, we followed the plan and implemented a number of cost reduction initiatives to manage salary costs including: negotiation of a zero salary increase for the civil service, reduction of ministerial salary levels by 20% and not increasing salaries for members of the Legislative Assembly, their staff and senior government officials.

Discretionary operating expenditures were reduced in 2010/11 and government slowed delivery of new initiatives.

In June 2010 balanced budget legislation was amended to require that during the economic recovery period, at least \$600 million of the balance in the fiscal stabilization account must be applied to the amortization of increases in the general purpose debt, including related interest expense, attributed to negative net results in core government. A draw of \$96 million was made for the payment of debt (\$90 million) and interest (\$6 million) in 2010/11 to meet this legislated requirement.

## **Measurable Outcome: Maintaining Accountability for Core Government Expenditure and Revenue**

To ensure transparency and accountability, the government continues to report on the results for core government expenditures and revenues for that fiscal year. Actual results for 2010/11 reflect an improvement in the core government net result from budget.

Core government revenue was \$10,550 million, an increase of \$332 from Budget 2010. Core expenditures were higher than budget as a result of pressures to maintain vital services including justice—\$20 million, child and family services—\$23 million, persons with disabilities—\$18 million, and employment and income assistance—\$15 million. The province also accelerated the transfer of \$30 million to the City of Winnipeg, primarily for operating assistance. In total, expenditures were \$10,890 million. After a transfer of \$35 million from the Fiscal Stabilization Account, expenditure exceeded revenue by \$305 million.

Further details on core government are included in Volume 3 of Public Accounts and information on key performance measures may be found in the annual reports for each department.

## **■ PRIORITY AREA: STABLE AND AFFORDABLE GOVERNMENT**

Continuous improvements in the way government operates and delivers services helps keep Manitoba programs affordable. Providing affordable public services means using public revenues effectively and efficiently.

### **Measurable Outcome: Credit Ratings**

Manitoba continues to maintain its reputation for fiscal responsibility. The province's measured approach to paying down debt and the pension liability, and dealing with the needs in health care and other vital program areas has been acknowledged by credit rating agencies. This performance has been reflected in the credit rating upgrades Manitoba received from Moody's Investors Service and Standard & Poor's through 2007, and through the reaffirmation of Manitoba's credit quality by rating agencies in 2009 and 2010. The credit rating agencies acknowledged the challenging economic conditions that faced all Canadian provinces and the reaffirmation of our credit ratings reflects our past achievements on the gradually declining debt

burden, strong financial results, financial liquidity as well as the five-year economic plan to return to surplus.

<b>Credit Rating Agency</b>	<b>2004 Actual</b>	<b>2005 Actual</b>	<b>2006 Actual</b>	<b>2007 Actual</b>	<b>2008 Actual</b>	<b>2009 Actual</b>	<b>2010 Actual</b>
DBRS	A(high)	A(high)	A(high)	A(high)	A(high)	A(high)	A(high)
Moody's	Aa2	Aa2	Aa2	Aa1	Aa1	Aa1	Aa1
Standard & Poor's	AA-	AA-	AA-	AA-(positive)	AA (stable)	AA	AA

NOTE: In addition to the rating improvements above, in 2006 DBRS upgraded the Short-term Debt rating to R-1 mid

### **Measurable Outcome: Expenditures as a Percentage of Gross Domestic Product (GDP)**

Maintaining a stable and affordable government means managing the growth in spending to meet increasing demands for quality services in areas such as health, education and services for families. An effective measure of appropriate spending is the ratio of total expenditures as a percentage of GDP.

Budget 2010 projected a 25.4% expenditure to GDP ratio and the actual result for 2010/11 is 25.2%, which is in line with the budget projection and is slightly lower than the ratio of 25.6% for the prior year. Actual results, shown in the table below, range from 24.1% to 25.2% reflecting the stability in the ratio over the last five years.

	<b>2010/11 Actual</b>	<b>2009/10 Actual</b>	<b>2008/09 Actual</b>	<b>2007/08 Actual</b>	<b>2006/07 Actual</b>
Per cent of GDP					
Core Government Programs	19.9	20.3	19.1	18.7	18.8
Other Reporting Entities	3.9	3.5	3.4	4.0	3.7
Debt Servicing Costs	1.4	1.5	1.6	1.8	1.8
<b>Total Expenditures</b>	<b>25.2</b>	<b>25.2</b>	<b>24.1</b>	<b>24.4</b>	<b>24.2</b>

NOTE: Numbers may not add due to rounding.

## Measurable Outcomes: Strengthening the Management of Public Resources

Sound management and use of public resources are key to making government more effective. Government has made strategic decisions on the prioritization of expenditures to ensure that tax dollars are used effectively and efficiently.

For 2010/11 over 60% of the departments in core government carefully managed their allocated resources resulting in an under-expenditure, offset by increased funding requirements in some vital services including justice and family services.

The government supports continuous internal review and reform to provide Manitobans with affordable, innovative and effective public service operations, programs and services.

### ■ PRIORITY AREA: MANAGING DEBT

In the last decade, the government has implemented many specific initiatives to ensure sound fiscal management. These include: measures to pay down debt, addressing the unfunded pension liability, funding the employer's share of current service pension entitlements and ensuring that all capital investments are amortized and all related costs are fully reflected in annual appropriations for core government.

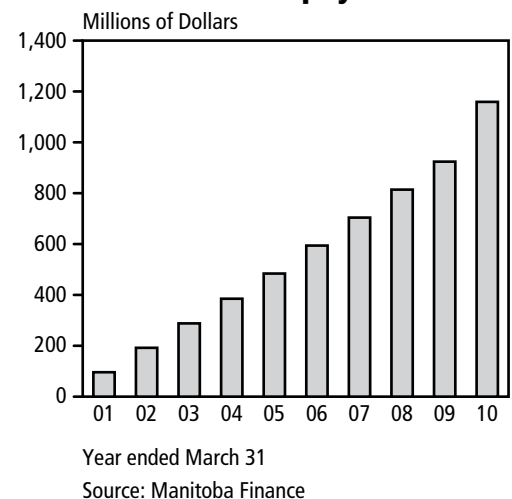
#### Measurable Outcome: Debt Retirement

In the last decade, the government established a plan to retire the general purpose debt and to eliminate the pension liability. Over ten years the government has committed \$1.2 billion to address general purpose debt and pension obligations.

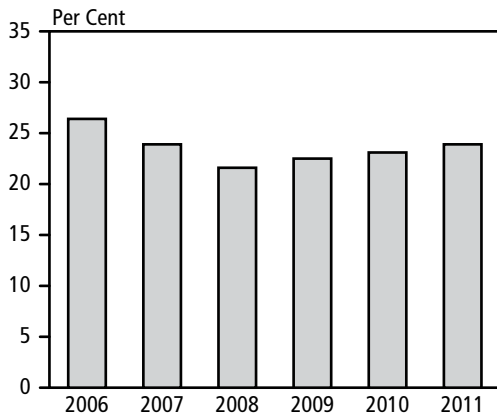
Since 1999 the debt servicing costs have declined by over 55%, from 13.2¢ of every dollar of summary revenue collected to 5.9¢ in 2010/11.

In June 2010 balanced budget legislation was amended to include a provision that during the economic recovery period, at least \$600 million of the balance in the fiscal stabilization account must be applied to the amortization of increases in the general purpose debt, including related interest expense, attributed to negative net results in core government. A draw of \$90 million was made for the payment of debt in 2010/11 to meet this legislated requirement. A further \$145 million was transferred from the Debt Retirement Account for the same purpose.

#### Cumulative Debt Repayment



### Net Debt as a Percentage of GDP



Year ended March 31

Source: Public Accounts, March 31, 2011

Although the economic and fiscal reality has required the government to make adjustments in required debt payments, the government is committed to the ultimate goal of eliminating the general purpose debt and the remaining unfunded pension liabilities over time.

### Measurable Outcome: Net Debt to GDP Ratio

The Net Debt to GDP ratio is an important indicator of a government's financial position highlighting the affordability of future government service. Summary net debt represents the difference between the GRE's total liabilities less its financial assets<sup>2</sup> – it reflects the residual liability that must be financed by future revenues. Net debt may grow in absolute terms from time to time, as needed investments in tangible capital assets – assets like the Red River Floodway, highway infrastructure and economic stimulus investments – are made. These forward looking investments help support Manitoba's economic performance. It is important therefore to measure changes in net debt against the growth of the economy, as measured by the nominal GDP.

Over the last several years, the government has successfully managed an overall downward trend in the Net Debt to GDP ratio, lowering the ratio from 32.9% in 1999/2000 to 26.4% in 2005/06 and to 24.0% in 2010/11, while continuously making much needed investments in Manitoba infrastructure. Budget 2010 noted that as a result of the decision to make significant investments in infrastructure projects to create jobs and stimulate the economy in both 2009/10 and 2010/11, the net debt to GDP ratio was forecast to increase to 26.8% for 2010/11. The actual ratio of 24.0% for 2010/11 is an improvement from the 2010 Budget and represents a slight increase from the actual ratio of 23.2% for 2009/10.

Although Manitoba's ratio will likely rise as the government makes needed investments in infrastructure and capital asset renewal, the five-year economic plan projects the return to a downward trend as the government remains committed to reducing the net debt to GDP ratio over the longer term.

<sup>2</sup> Financial assets are assets such as cash, investments, loans and accounts receivable that could be readily converted to cash.



## ■ PRIORITY AREA: INFRASTRUCTURE AND CAPITAL ASSET RENEWAL

Building and upgrading Manitoba's infrastructure has been a priority. In November 2008, the government committed to a four-year \$4.7 billion infrastructure plan to fund key infrastructure projects that create jobs and training opportunities across the province.

### Measurable Outcome: Capital Investments

Resources were provided in 2010 for continued upgrading of Manitoba's roads and highways, wastewater treatment plants, expanding health facilities across the province, building and restoring much needed social housing, modernizing post-secondary institutions and public schools and completion of the Red River Floodway.

The timing of cost-shared economic stimulus projects resulted in some expenditures being delayed, however expenditures on major tangible capital assets in 2010/11 were \$1.3 billion. Major program areas are highlighted in the adjoining table.

## ■ PRIORITY AREA: PERFORMANCE MEASUREMENT

Improving the way government manages performance by measuring both financial and non-financial performance outcomes enhances both transparency and accountability. Outcomes-based reporting provides information on the actual impacts, benefits or changes experienced as a result of a program or government service.

### Measurable Outcome: Continued Development of Performance Measurement Capacity

Eight principles to guide measurement and reporting for the government departments and major Crown corporations were established to provide ongoing guidance in measuring performance:

1. The organization's public purpose is explained.
2. The organization's priorities relate to overall government priorities.
3. Each organizational priority has objectives and actions to achieve them.
4. Measures are developed with outcomes in mind, focusing on a few critical aspects of performance.
5. Financial and non-financial information are linked.
6. The strategic context for the plan and reported results is discussed.
7. Performance information looks forward and backward in time.

## Infrastructure and Capital Asset Renewal

2010/11 Investments – Major Program Areas

	\$ Millions
Roads and Highways (including preservation)	529
Universities, Colleges and Public Schools	164
Health Facilities	188
Manitoba Floodway Expansion and Water Related Infrastructure	85
Housing (including third party contributions)	106
Assistance to Third Parties	118
Public Service Buildings	93
Parks and Campground Infrastructure	14

8. Information is clear, relevant, credible and balanced.

In 2010/11, work continued on strengthening departmental capacity to measure, monitor and evaluate the effectiveness and efficiency of programs through workshops and training modules on performance measurement and management as well as the creation of a performance management community of practice across the government. Performance management defines desired outcomes; allocates resources appropriately; measures progress along the way; and reports on the achievement of outcomes with comparative data.

Key performance measures will continue to be included in every government department's annual report to complement the financial results and provide Manitobans with meaningful and useful information about government activities and their impact on the province and its citizens. Performance reporting information is also included in the annual reports and various specialized reports of many other entities in the GRE.

## ■ SUMMARY

The government is committed to enhancing transparency and accountability of financial reporting and integrating it with reporting on non-financial information. Government will continue to report annually on the priority areas and outcomes established in the FMS in order for the public to assess the success of the government's performance in the effective, efficient and economic use of public funds.



