

FINANCIAL MANAGEMENT STRATEGY REPORT ON OUTCOMES

FOR THE YEAR ENDED MARCH 31, 2017

Manitoba Finance

General Inquiries:

Room 109, Legislative Building

Winnipeg, Manitoba R3C 0V8

Phone: 204-945-5343

Fax: 204-945-1640

Email: DMFIN@leg.gov.mb.ca

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alternate format upon request.

FINANCIAL MANAGEMENT PRIORITIES

The Financial Management Strategy (FMS) for the Province of Manitoba 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 2016/17, the FMS focused on the following priority areas:

FINANCIAL MANAGEMENT PRIORITY	MEASURABLE OUTCOMES
Restoring Fiscal Discipline	<ul style="list-style-type: none"> • Meeting Budget Targets • Stabilizing the Net Debt to GDP Ratio
Jobs and Economic Growth	<ul style="list-style-type: none"> • Strategic Infrastructure Investments • Employment Growth

This Report helps to ensure transparency and accountability by providing the public with the opportunity to assess the success of the government's performance based on measurable outcomes from the original strategy.

Discussion related to the financial management priority areas and the measurable outcomes and results within each area are presented in the content of Budget 2016, historical trends, and current and longer-term objectives.

■ PRIORITY AREA – RESTORING FISCAL DISCIPLINE

Manitobans have a right to expect that their government uses public revenues effectively and efficiently to deliver high quality government programs and services at a reasonable and sustainable cost. The government's common sense approach to restoring fiscal discipline includes:

- controlling spending growth
- respecting value of taxpayers' money
- eliminating waste and duplication
- ensuring public funding delivers value for money
- creating a culture of smart shopping through competitive tendering of government contracts

Measurable Outcome – Meeting Budget Targets

Summary budget reporting and core government reporting are both important to provide transparency and accountability with respect to the province's financial management.

The core government outlook provides information on core government activities – the revenues and expenses of government departments that are under the direct control of the Legislative Assembly. These are where the day-to-day decisions are made that ultimately determine the success of the government's strategies, plans and programs.

CORE GOVERNMENT	2016/17 Budget	2016/17 Actual	Variance
	(Millions of Dollars)		
Revenue	12,578	12,743	165
Expenditure	13,538	13,440	(98)
Year-end Adjustment/Lapse	<u>(70)</u>	<u>-</u>	<u>70</u>
Net Result for the Year	<u><u>(890)</u></u>	<u><u>(697)</u></u>	<u><u>193</u></u>

The Summary Budget brings together the results for not just core government, but also all the Government Business Enterprises (GBEs), such as Manitoba Hydro and Manitoba Public Insurance; health authorities; social service authorities; school divisions and other entities that are controlled by the provincial government. As such, the summary results provide an important overview of the financial position of the Province.

SUMMARY GOVERNMENT	2016/17 Budget	2016/17 Actual	Variance
	(Millions of Dollars)		
Revenue	15,490	15,723	233
Expenditure	16,551	16,487	(64)
Year-end Adjustment/Lapse	<u>(150)</u>	<u>-</u>	<u>150</u>
Net Income (Loss)	<u><u>(911)</u></u>	<u><u>(764)</u></u>	<u><u>147</u></u>

Initiatives undertaken to support increased emphasis on delivering better value within available resources include:

- ✓ issuing Mandate letters to government ministers on May 3, 2016 to ensure clarity of expectations
- ✓ keeping annual core spending growth below 3%; actual core spending growth was 2.6%
- ✓ reducing the number of departments from 18 to 12 to eliminate \$4 million wasted through overlap and duplication of management and administration functions
- ✓ introducing legislation in November 2016 to amalgamate the East Side Road Authority with the Department of Infrastructure
- ✓ introducing legislation in March 2017 to modernize and provide effective governance of Crown Agencies
- ✓ requiring competitive tendering to ensure that untendered contracts are only used in exceptional circumstances
- ✓ conducting a comprehensive Fiscal Performance Review of core government departments
- ✓ receiving three reports on health care services: the Provincial Clinical and Preventive Services Planning for Manitoba: Doing Things Differently and Better (the Peachey Report); Factors Affecting Emergency Department Waiting Room Times in Winnipeg, by the Manitoba Centre for Health Policy; and the Health System Sustainability and Innovation review, which focused on assessing the current state of our health care services and recommended a pathway towards improving the quality and sustainability of our health care system
- ✓ working with front-line workers in all departments to find ways to deliver better results for citizens
- ✓ a tax credit review by the Department of Finance is ongoing. Tax credit changes already introduced in Budget 2017 will generate savings of \$90 million when fully implemented

Measurable Outcome – Stabilizing the Net Debt to GDP Ratio

Net debt is an important indicator of a government's financial position as this highlights how government services will remain affordable in the future. Summary net debt is made up of financial assets (such as cash or investments) minus total liabilities (such as loans or financing). It is the remaining liability that must be financed by future revenues.

The net debt to GDP ratio measures changes in net debt against the growth of the economy. A stable net debt to GDP ratio is a good indication that the province is managing its debt responsibly.

Some amount of public debt is necessary for the timely and efficient delivery of required services and infrastructure. Prudent debt management means managing the amount of debt to stay within reasonable and predictable limits that reflect the ability of the provincial economy to support it. An effective measure of appropriate public debt is the comparison between net debt and the size of the provincial economy, measured as a percentage of GDP.

In Budget 2016, the net debt to GDP ratio was forecast to be 33.8%; the actual net debt to GDP ratio at March 31, 2017 was 33.7%.

Net Debt to GDP

	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Actual
	Per cent of GDP				
Summary Net Debt	26.4	27.6	30.5	32.5	33.7

Note: Prior year numbers are restated

■ PRIORITY AREA – JOBS AND ECONOMIC GROWTH

Measurable Outcome – Strategic Infrastructure Investments

Investments in strategic infrastructure support the provincial economy, generate employment, and boost productivity over the long term, further strengthening the economy. However, it is important to ensure that investment decisions are financially sustainable over the long term and are assessed to provide the best value for money.

The government committed to spending at least \$1 billion annually on strategic infrastructure – roads and bridges, flood protection, hospitals, schools, universities and colleges, as well as municipal projects and other infrastructure. Strategic infrastructure investment in 2016/17 was as follows:

	2016/17 Budget	2016/17 Actual
	(Millions of Dollars)	
Core Government Infrastructure		
Roads, Highways, Bridges, Flood Protection and Parks		
Highways and Bridges	542	521
Water Related Capital	45	36
Parks, Cottages and Camping	12	8
Subtotal	<u>599</u>	<u>565</u>
Capital Grants, Maintenance and Preservation		
Building Manitoba Fund* – Capital Grants	284	288
Maintenance and Preservation – Highways	144	151
Maintenance and Preservation – Water	10	10
Subtotal	<u>438</u>	<u>449</u>
Core Government Infrastructure Total	<u>1,037</u>	<u>1,014</u>
Other Provincial Infrastructure		
Health	442	343
Education	241	135
Housing	120	108
Northern Affairs Communities	15	3
Other Provincial Infrastructure Total	<u>818</u>	<u>589</u>
Total Strategic Infrastructure	<u><u>1,855</u></u>	<u><u>1,603</u></u>

* Building Manitoba Fund net of transit operating grants

Measurable Outcome – Employment Growth

Manitoba has the most stable labour market in Canada, with modest changes from year to year in annual growth rates and an unemployment rate that was second lowest among the provinces at March 31, 2017. Our labour market growth reflects the growth in the economy, with the supply of labour growing at about the same rate as the growth in jobs.

Initiatives undertaken in 2016 to grow the economy include:

- ✓ joining the New West Partnership with the other three western provinces in November 2016 to reduce trade barriers and open up new opportunities for Manitoba companies
- ✓ investing over \$1.6 billion in strategic infrastructure
- ✓ taking initial steps to reduce red tape for municipalities and third-party proponents and moving toward making Manitoba the first province to deliver a truly functional, single-window model while ensuring an expanded ‘fair say’ for municipalities through greater flexibility and autonomy
- ✓ establishing a Premier’s Enterprise Team to engage business leaders and entrepreneurs in a review of how we encourage investment in our province
- ✓ continuing investment in tourism marketing and development through a 96/4 tourism funding model
- ✓ engaging Indigenous leaders to develop a framework for meaningful ongoing consultation and build strong, mutually beneficial relationships
- ✓ consulting with business and education leaders to strengthen partnerships with the private sector to increase funding for students pursuing higher education

