

# **FINANCIAL MANAGEMENT STRATEGY REPORT ON OUTCOMES**

**FOR THE YEAR ENDED MARCH 31, 2016**

Manitoba Finance

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## 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 2015/16, the FMS focused on the following priority areas:

FINANCIAL MANAGEMENT PRIORITY	MEASURABLE OUTCOMES
<b>Transparency and Accountability</b>	<ul style="list-style-type: none"> <li>• Core Government Outlook</li> <li>• Summary Budget Revenue and Expenditures</li> </ul>
<b>Growing the Economy</b>	<ul style="list-style-type: none"> <li>• Core Infrastructure Investment</li> <li>• Workforce Growth</li> </ul>
<b>Stable and Affordable Government</b>	<ul style="list-style-type: none"> <li>• Credit Ratings</li> <li>• Controlling the Growth of Government</li> </ul>
<b>Managing Debt</b>	<ul style="list-style-type: none"> <li>• Debt Management</li> <li>• Net Debt Ratios</li> </ul>

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.

## ■ PRIORITY AREA – TRANSPARENCY AND ACCOUNTABILITY

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

### Measurable Outcome – Core Government Outlook

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	2015/16 Budget	2015/16 Actual	Variance
		(Millions of Dollars)	
Revenue	12,354	12,228	(126)
Expenditure	12,865	13,093	228
Lapse	(70)	-	70
<b>Net Result for the Year*</b>	<u>(441)</u>	<u>(865)</u>	<u>(424)</u>

CORE GOVERNMENT	2014/15 Budget	2014/15 Actual	Variance
		(Millions of Dollars)	
Revenue	11,945	11,876	(69)
Expenditure	12,339	12,511	172
Lapse	(70)	-	70
<b>Net Result for the Year*</b>	<u>(324)</u>	<u>(635)</u>	<u>(311)</u>

\* before transfers from Fiscal Stabilization Account

## Measurable Outcome – Summary Budget Revenue and Expenditures

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, it provides an important overview of the financial position of the provincial public sector as a whole.

SUMMARY GOVERNMENT	2015/16 Budget	2015/16 Actual	Variance
(Millions of Dollars)			
Revenue	14,963	15,054	91
Expenditure	15,535	15,900	365
Lapse	<u>(150)</u>	<u>-</u>	<u>150</u>
<b>Net Income (Loss)</b>	<u><u>(422)</u></u>	<u><u>(846)</u></u>	<u><u>(424)</u></u>

SUMMARY GOVERNMENT	2014/15 Budget	2014/15 Actual*	Variance
(Millions of Dollars)			
Revenue	14,630	14,963	333
Expenditure	15,137	15,393	256
Lapse	<u>(150)</u>	<u>-</u>	<u>150</u>
<b>Net Income (Loss)</b>	<u><u>(357)</u></u>	<u><u>(430)</u></u>	<u><u>(73)</u></u>

\* restated

## ■ PRIORITY AREA – GROWING THE ECONOMY

Jobs and economic growth are at the centre of the plan for a better Manitoba.

### Measurable Outcome – Core Infrastructure Investment

As outlined in Budget 2015, investments in infrastructure were as follows:

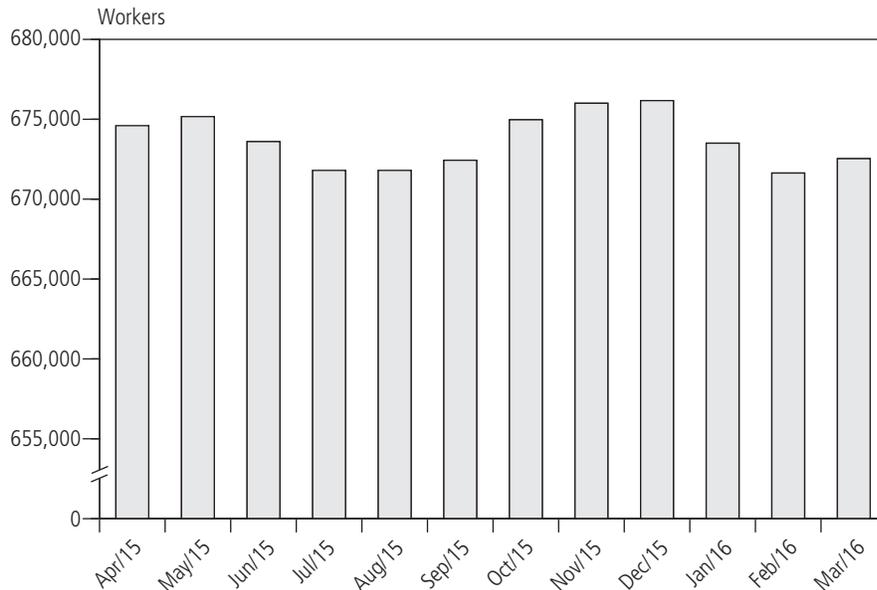
	2015/16 Budget	2015/16 Actual
	(Millions of Dollars)	
Roads, Highways and Bridges	747	791
Flood Protection	48	63
Municipal Infrastructure*	285	287
<b>Planned Investment</b>	<b>1,080</b>	<b>1,141</b>
Base Funding Level	729	729
Incremental Retail Sales Tax Revenue	286	283
<b>Investment Commitment</b>	<b>1,015</b>	<b>1,012</b>
Less: Federal Cost-sharing	(35)	(3)
<b>Investment Over/(Under) Commitment</b>	<b>30</b>	<b>126</b>

\* Building Manitoba Fund net of transit operating grants

Manitoba's New Government is committed to spending at least \$1 billion on strategic infrastructure in 2016/17 – roads and bridges, flood protection, hospitals, schools, universities and colleges, as well as municipal projects and other infrastructure.

## Measurable Outcome – Workforce Growth

In 2015/16, Manitoba's labour market changed as follows:



Source: Manitoba's Labour Force (Three Month Moving Average)  
Statistics Canada

Manitoba's New Government recognizes that economic growth is at the centre of our goal of being Canada's most improved province. Our Government will work with partners in the business community to promote fiscal responsibility, make strategic investments, and build on our strengths as a province.

## ■ PRIORITY AREA – STABLE AND AFFORDABLE GOVERNMENT

Maintaining stable and affordable government means managing the growth in spending to meet increasing demands for quality services.

### Measurable Outcomes – Credit Ratings and Controlling the Growth of Government

After many years of stability, in 2015, Manitoba received its first credit downgrade in almost 30 years.

Credit Rating Agency	March 31, 2012 Actual	March 31, 2013 Actual	March 31, 2014 Actual	March 31, 2015 Actual	March 31, 2016 Actual
DBRS	A	A	A	A	A
Moody's	Aa1	Aa1	Aa1	Aa1	Aa2
Standard & Poor's	AA	AA	AA	AA	AA

Manitoba's expenditure to GDP ratio was 24.1% in 2015/16. This ratio measures total government spending relative to the size of the provincial economy.

	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Actual
	Per cent of GDP				
Core Program Expenditure	21.1	19.4	19.3	19.2	19.6
ORE Expenditure	3.6	3.1	3.4	3.5	3.3
Debt Servicing Costs	1.4	1.4	1.3	1.3	1.3
Total Expenditure	26.1	24.0	24.1	24.0	24.1

Notes: Numbers may not add due to rounding  
Prior year numbers are restated

Controlling spending growth is the key element in restoring fiscal discipline. Manitoba's New Government is committed to keeping spending growth at sustainable levels, setting the foundation for a return to balance which will, in turn, be reflected in improved credit ratings in the future.

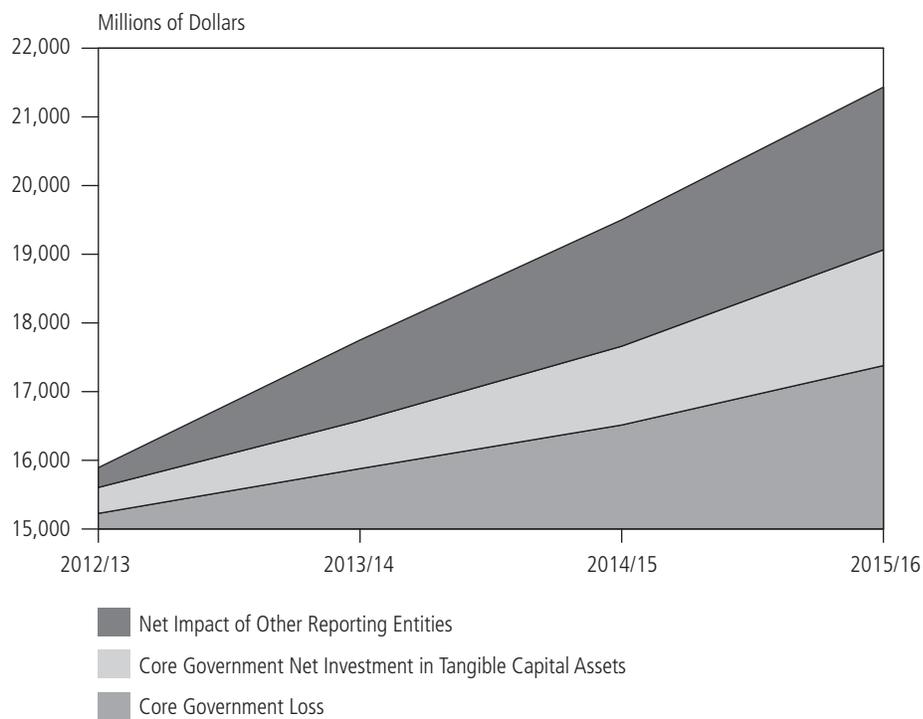
## ■ PRIORITY AREA – MANAGING DEBT

Managing debt consists of balancing general purpose debt and the pension liabilities with efficient service delivery and needed investments in Manitoba. Prudent debt management means managing the size of the debt to stay within reasonable and predictable limits that reflect the ability of the provincial economy to support it.

### Measurable Outcome – Debt Management

The chart below breaks out the components of the growth in the summary net debt in recent years to show the impact that core government deficits have had on the growth of the province's net debt.

#### Summary Net Debt



Source: Manitoba Finance

The New Government's fiscal plan to correct that course and move back to balance will eliminate the deficit component of the growth curve, bringing it back down to a reasonable and sustainable level.

## Measurable Outcome – Net Debt Ratios

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 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.

### Net Debt to GDP

The net debt to GDP ratio measures changes in net debt against the growth of the economy.

Stabilizing the growth of debt will result in a more stable net debt to GDP ratio over time.

### Net Debt to Revenue Ratio

Net Debt to Revenue measures the extent to which future revenues are required to pay for past transactions. The trend of increasing net debt to revenue indicates that an increasing amount of time will be required to eliminate net debt.

	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Actual
Summary Net Debt (Millions)	14,478	15,821	17,272	19,501	21,433
Net Debt to GDP	25.7%	26.5%	27.8%	30.4%	32.5%
Net Debt to Revenue	105.8%	114.9%	119.8%	130.3 %	142.4%

**■ SUMMARY**

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

