



# Budget Bulletin

for the fiscal year 2010–2011

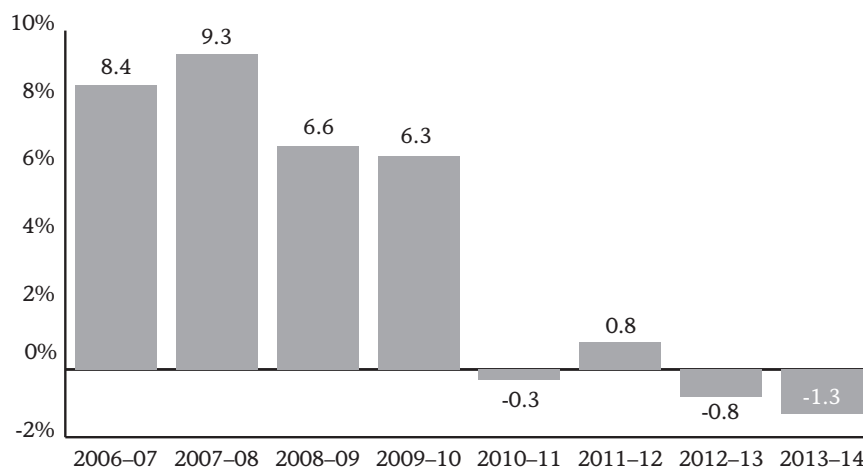
## *Ensuring Government Lives Within Its Means: Expenditure Management*

This government has a solid, four-year plan to get the province's finances back to balance and to ensure government lives within its means. Our plan is aggressive and comprehensive and will support the right decisions for Nova Scotians. It will chart a new course for this province. Government will get back to balance by taking a rational, sensible approach.

### **First Steps**

The size and structural nature of Nova Scotia's deficit poses significant challenges that demand new, comprehensive, and balanced approaches for closing the gap between expenditures and revenue. On the revenue side, tax changes have been implemented in this fiscal year. Several initial steps have also been taken to address expenditure challenges. First, government has frozen MLA and senior officials salaries, reduced MLA spending allowances, and addressed some of the pension liabilities. Government has established wage restraint targets of 1 per cent down from 2.9 per cent. It has also kept growth in total expenses flat in 2010–2011, down from an annual average of 5 per cent or higher in recent years. Departmental spending will be stable for the next four fiscal years.

### **Annual Percentage Growth in Expenses**



← Historical rate of growth

→ 4-year Back to Balance Plan

A Change and Innovation Fund has also been established in Treasury Board with an estimate of \$15.0 million. This fund will be used to encourage departments to consider efficiencies and innovative ways of achieving their business and service objectives. It also includes \$3.0 million for the Emergency Department Protection Fund and \$2.0 million is related to the government commitment on community schools.

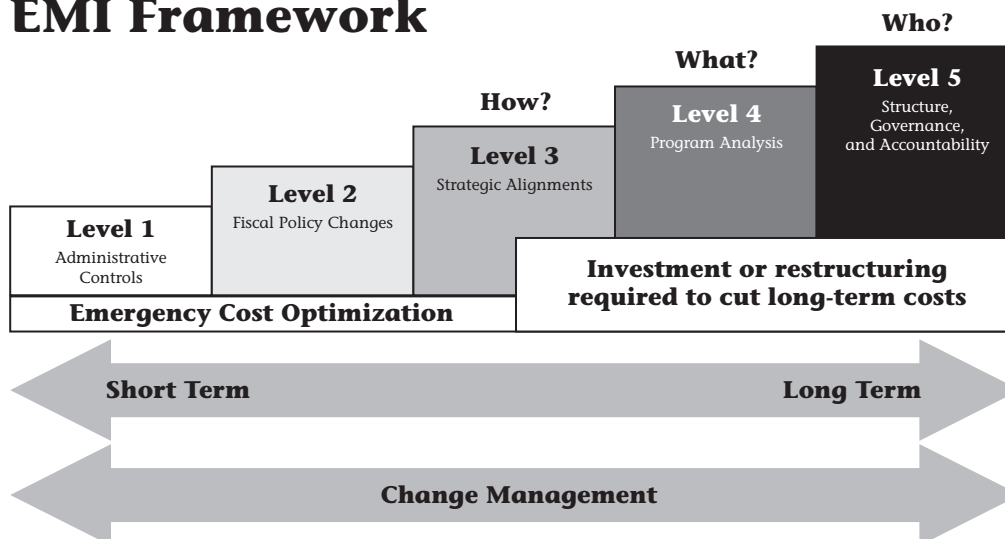
## Next steps

We are making progress, but there is much more to do. The government's plan to get back to balance and live within its means will rely heavily on the Expenditure Management Initiative (EMI) to help achieve significant savings in a variety of areas.

EMI has been mandated to support the cost reduction and/or containment efforts of departments and agencies by assisting them with analytical, planning, and project management support.

Government has begun a comprehensive analysis of all department, agency, and third-party spending in order to achieve balance by 2013–2014. We will examine all administrative controls and fiscal policies, seek strategic alignments, and review all programs and the structure of government to determine if there are opportunities for savings. EMI has developed a step-wise, multi-year approach to identify additional cost-control and cost-savings opportunities in the following areas:

## EMI Framework



(Adapted from Gartner)

Once we have evaluated each of the hundreds of government programs for cost effectiveness, current usefulness, and alignment with current priorities, we will have more efficient service delivery. With more efficient service delivery comes the need for smaller government.

Rather than resort to layoffs, government will rely on attrition achieved through retirements and voluntary departures to make the civil service smaller. We expect the civil service will employ 10 per cent fewer people by 2013.

Government is taking concrete steps to get its fiscal house in order. Over 60 per cent of government expenditures are payments to third parties, such as municipalities, universities, school boards, and health authorities. Government has already begun discussions with some of these parties to work cooperatively to identify opportunities to achieve costs savings and ensure maximum value from their budgets.

In the health sector we will investigate opportunities to reduce costs in areas such as

- health authorities shared efficiencies
- streamlining health-care services
- drug costs

In the education sector we will investigate cost savings through

- the modernization of the school system
- opportunities tied to student enrollment decline

We are looking at rationalizing services, sharing administrative costs, and using technology to not only improve service but our bottom line as well.

### **Expenditure Management Initiative Savings in 2010–2011**

<b>Approach</b>	<b>Description</b>	<b>2010–11 \$(000)</b>
Administrative Controls	1% reduction in departmental discretionary spending	\$48,798
Program Analysis	Grants Review	\$4,202
MLA Expenses	MLA expenses eliminated and reduced	\$1,300
Total Savings		\$54,300

In addition, controls will be put in place to reduce professional services expenses by \$10 million over this fiscal year, over and above reductions already incorporated into the estimated 1 per cent reduction in discretionary spending.

### **Expenditure Management Initiative savings estimates over the next 4 years are as follows:**

	<b>2010–11</b>	<b>2011–12</b>	<b>2012–13</b>	<b>2013–14</b>
\$ Millions				
Year 1	54.0	54.0	54.0	54.0
Year 2	—	198.0	198.0	198.0
Year 3	—	—	247.0	247.0
Year 4	—	—	—	273.0
Total	54.0	252.0	499.0	772.0

## Deficit Reconciliation 2012–2013

	(\$Millions)	Percentage Reduction
<b>Deficit per Economic Advisory Panel Report</b>	<b>1,368.8</b>	
Less: Revenue measures		
Reduction due to tax changes, net of credits	<u>247.6</u>	18 per cent
Revised balance after revenue measures	1,121.2	
Less: Expenditure measures		
Change compensation mandate from 2.9 per cent to 1 per cent	246.5	18 per cent
Changes to pension plan benefits and financing	168.0	12 per cent
Expenditure Management Targets	<u>499.0</u>	36 per cent
Revised balance after expenditure measures	207.70	
Less: Miscellaneous adjustments	<u>21.1</u>	2 per cent
<b>Deficit Per Fiscal Plan</b>	<b>186.6</b>	14 per cent

In combination, this multi-staged approach to address our fiscal challenge is expected to result in a drop in the projected deficit level of the province by 86 per cent in 2012–2013 compared to that projected in the Economic Advisory Panel's Report 2009. This will continue through to 2013–2014 to bring us to balance.

### Conclusion

This government knows where it is going and has a strong plan to get there. We are determined to make the decisions needed to bring Nova Scotia back to balance while ensuring government lives within its means. It will not be easy. But we believe that the challenge before us also offers new opportunities to realign, reorganize, and modernize government in a way that will make life better for Nova Scotian families.