
RIGOUR AND **RESPONSIBILITY** **IN EXPENDITURE MANAGEMENT**

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IN EXPENDITURE MANAGEMENT

“ This will also
require more careful
and responsible
decision-making. ”

Rigour and Responsibility in Expenditure Management

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MESSAGE FROM THE PRESIDENT

The anticipated deficit for 2013-2014 is \$3.1 billion. If we do not intervene, the deficit will exceed \$5 billion by 2014-2015 and rise even further in the coming years. The Québec State's expenditures are outpacing its revenues. This situation cannot be allowed to persist and it is imperative that we take action to secure the best interests of Quebecers and protect future generations.

It is in this difficult context that I present the Gouvernement du Québec Expenditure Budget, outlining our decisions for the current year and our plans for the future. It is time to make some difficult decisions. On April 7, we received a clear mandate from the people to regain control of public finances. First and foremost, this must begin with more effective management of State expenditures.

Issued on the heels of the general election, the report on the state of public finances by experts Luc Godbout and Claude Montmarquette clearly indicated that regaining a balanced budget will require concrete short and long term measures. The report recommended that the Gouvernement du Québec take immediate steps in 2014-2015 while also addressing its structural deficit to avoid future problems.

On April 24, 2014, the day after forming his cabinet, the Premier announced a series of administrative measures to control expenditures throughout the entire Government. These include achieving productivity gains equal to 2% of payroll, trimming operating expenses by 3% and a tightening of the granting and promising of subsidies. The Government has imposed a cap or, in other words, put the brakes on spending. Over the past few weeks, each department has had to buckle down and make sometimes tough choices. Certain lower-priority expenditures and some of those initiated by the previous Government were re-examined in order to focus on new government priorities and on more important measures. Difficult choices were made and the process is still not finished.

To achieve further progress, we will establish the Commission de révision permanente des programmes to scrutinize government programs. This will facilitate our repositioning and institute a process of ongoing assessment aimed at shifting the State's focus toward priority programs and to areas where needs are the most pressing.

Economic recovery, another priority for this Government, will be supported through spending and investment in infrastructure. This will also require more careful and responsible decision-making. Investment projections have been made concerning public infrastructure, based on criteria designed to guard against their obsolescence, facilitate their maintenance and upgrades, ensure the safety of citizens and protect vulnerable populations. These decisions form part of an overarching government vision to promote economic development in the regions, in greater Montréal and in Québec's capital. The key sectors of health and education, the relaunching of the Plan Nord and the Maritime Strategy, have also guided our decisions.

We are thus committing to rigorous and responsible management of public spending, reflecting Quebecers' desire for sound management of their tax dollars.

The Government wishes to send a clear message: tightening control on expenditures throughout the entire Government while making sure that priority services are maintained. Each expenditure must be assessed, prioritized and justified, taking into account our present situation and the collective interest. By remaining steadfast in our commitment to this goal, we will regain Quebecers' confidence in the State.

The Government hopes that all departments and bodies, as well as all employees and partners of the State, will join in this Québec-wide undertaking that is crucial for the prosperity of Québec.

The Minister responsible for Government Administration
and Ongoing Program Review
and Chair of the Conseil du trésor

Martin Coiteux

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STATE OF PUBLIC FINANCES

FINDINGS

The report from experts Godbout and Montmarquette on the state of Québec's public finances confirmed that regaining a balanced budget will require major efforts throughout the entire Government. Furthermore, the report revealed the need to take action in the short term, even before the tabling of the next budget, in addition to implementing medium and long-term steps to cope with the structural deficit in public finances.

In addition, according to the findings presented by the Ministère des Finances in the document entitled *Le défi des finances publiques du Québec*:

- Québec is facing a persistent deficit due to an imbalance between its revenues and expenditures;
- Expenditures are growing rapidly;
- These problems are exacerbated by the province's demographic challenges.

Consequently, urgent measures must be taken to regain and preserve a balanced budget beyond the 2015-2016 fiscal year. To do this, decisions must be made on whether to eliminate certain programs, reduce their scope or reposition them, taking into account citizens' actual ability to pay. Ultimately, our goal is to restore the Government's capacity to fund priority programs and assess them on an ongoing basis into the future.

ECONOMIC AND BUDGETARY CHALLENGES

A STRUCTURAL DEFICIT

Despite efforts made since 2010 to reform public finances and restore a balanced budget, Québec is facing an annual recurring deficit of about \$3 billion.

This structural deficit is mainly attributable to the fact that the rate of increase in expenditures has outpaced collective wealth. The mechanisms for renewing public programs are insufficiently adapted to the rate of economic growth and citizens' actual ability to pay.

Regaining a balanced budget will therefore require moving beyond occasional reviews of expenditures and programs, to scrutinizing the very structure of expenditures and conducting an in-depth examination of taxation, particularly tax expenditures.

CONTROLLING PUBLIC EXPENDITURES: A NECESSARY CHANGE OF APPROACH

According to the expert's report on the state of Québec's public finances conducted in April 2014:

- Québec is facing a structural deficit. The province's rate of expenditure growth has approached 5% a year over the last ten years, while the economy's nominal growth rate is projected to be 3.5% over the next decade.
- Any additional deficit will increase Québec's debt; the experts placed particular emphasis on the growing burden of paying interest on the debt.
- According to the experts, an annual review of expenditures will not be enough to restore public finances in a lasting way; on the contrary, experts recommend a systematic review of programs, processes and structures to address the momentum of public expenditures in Québec.

Source: Government of Québec, 2014.

PROGRAM SPENDING RISING RAPIDLY

In Québec, between 2003-2004 and 2013-2014 the average annual growth in program spending was 4.1%.

Health, education and family sectors contributed significantly to the increase in expenditures over the last decade.

More specifically, between 2003-2004 and 2013-2014, health and social services were among the sectors that experienced the highest growth in spending, with an average annual increase of 5.6%, including the Fund to Finance Health and Social Services Institutions. Expenses for education, higher education and family services (primarily consisting of childcare subsidies), have respectively increased by an average of 3.2%, 4.2% and 5.6% per year.

Even though the past 30 years have seen favourable economic growth overall, the Government's expenditures have generally exceeded its revenues. Moreover, the recessions of the early 1990s and 2009 led to significant increases in the gap between revenues and expenses.

Taking into account the impact of demographics and prices on expenditure growth, the pressures on public expenditures will continue to be felt throughout the next decade. For these reasons, the Government has no other option but to review all government programs in order to reposition the priorities of the State and thereby achieve a more sustainable level and rate of growth in program spending.

SUBSTANTIAL INCREASE IN PER CAPITA SPENDING IN HEALTH AND SOCIAL SERVICES

Between 1989 and 2009, spending on health services by municipal and provincial governments in Québec, expressed in constant 2002 dollars, rose by approximately 78% to reach \$2,757 per capita.

In addition, between 1989 and 2009, per capita spending on social services by municipal and provincial governments, expressed in constant 2002 dollars, rose by over 60% in Québec.

Source: Centre for Productivity and Prosperity, 2013.

MAJOR DEMOGRAPHIC CHANGES

In the past, demographics have played a major role in Québec's economic growth. From 1982-2012, the demographic profile of Québec's population was responsible for nearly a third of the province's economic growth.

Today, Québec citizens are ageing at an accelerated rate. These shifting demographics influence the offering of government services. They also have a major impact on our ability to create wealth. Unlike in previous decades, the projected decrease in the number of persons between the ages of 15 and 64 years beginning in 2014 means that economic growth will depend exclusively on productivity and a rise in employment rates. However, the anticipated gains in terms of labour market participation and productivity will not maintain economic growth at the level of the past thirty years.

In Québec, the growth rate of the population has dropped sharply since the 1960's. Despite a recent upswing due to an increase in births, the period between 1982 and 2012 saw a 40.7% decline in the natural population increase (annual births minus annual deaths).

Over the next few years, the ageing of the population will negatively affect anticipated economic growth. The rate of growth in program spending will need to adapt to this reality, otherwise members of the public will be obliged to devote an increasing share of their incomes to funding public services. This is why the Government is acting now so that Québec can better respond to the challenges of the 21st century.

AN AGEING POPULATION

The Institut de la statistique du Québec predicts that, in 2014, Québec will see an absolute decline in the population aged 15 to 64 years old — i.e. the most active demographic:

By 2031, persons aged 65 years and over will account for more than one quarter of the population, or 26%. At that date, the proportion of persons aged 20 to 64 throughout the entire province will be just 54%.

Moreover, according to the Ministère des Finances, from 2014 to 2024, the population aged 15 to 64 years is expected to decline by an average of 0.2% per year in Québec.

In 2013, there were 393,237 persons aged 10 to 14 years in Québec, while the population aged 60 to 64 years amounted to 521,769 persons.

Sources: Institut de la statistique du Québec, 2013 and Ministère des Finances du Québec, 2014.

APPROACH TO 2014-2015 BUDGET

INCREASE IN EXPENDITURES AND EFFORTS REQUIRED FOR 2014-2015

The Rapport d'experts sur l'état des finances publiques du Québec tabled in April analyzed the budgetary situation for the 2013-2014 and 2014-2015 fiscal years.

The report indicated that, according to available data, a total of \$3,733 million in revisions were found for the 2014-2015 fiscal year in relation to the February 20 Budget.

These revisions included a \$485 million decrease in revenues and a \$3,248 million increase in program spending if no adjustments were implemented. This increase is due to the \$620-million overrun identified in 2013-2014 recurring in 2014-2015, and an additional overrun of \$2,628 million in relation to program spending targets in the February 20 Budget.

It is thus urgent that short term measures be taken to stop this trend before carrying out the more structural measures required to achieve a level and rate of growth in program spending that will be sustainable in the long term. This is why the Government imposed a cap on expenditures in order to guarantee funding for all new initiatives through the budgets already forecast.

For 2014-2015, the program spending target is set at \$65,704 million, which is a \$572-million increase over the program spending target indicated in the February 20 Budget. This allows for a \$520-million reduction in efforts to be carried out by departments and bodies, and provides a total of \$52 million in funding for measures announced in the 2014-2015 Budget.

Table 1

GAP TO ELIMINATE IN PROGRAM SPENDING (MILLIONS OF DOLLARS)

	2014-2015
Gap to eliminate (Rapport d'experts)	3,248
Measures announced in the 2014-2015 Budget	52
Increase in program spending target	(572)
Balance of efforts to be carried out by departments and bodies	2,728

To eliminate the remaining \$2,728-million gap, the Government's approach is as follows:

- Require administrative efforts, as announced on April 24, amounting to \$490 million in savings annually, \$305 million of which will come from program spending;
- Ask departments to identify measures that would comply with the budgets allocated to them. These measures will generate \$2,044 million in savings in 2014-2015, and consist essentially of:
 - Implementing specific administrative measures in addition to those announced on April 24;
 - Re-examining certain expenditure initiatives, particularly those announced by the former Government for which the required source of funding was not indicated;
 - Identifying other targeted expenditure reduction measures.

Furthermore, by taking into account the recent developments in some data or parameters used to project program renewal costs, there was a \$379-million revision to the level of efforts to be carried out by departments and bodies related to program spending. For example, these adjustments helped account for developments in data pertaining to the cost of subsidized debt service, the estimated growth of clientele and the volume of files to be processed or the pace of investments carried out, as well as developments in the indexation parameters of certain agreements.

Table 2
APPROACH TO ELIMINATE THE REVISED GAP
 (MILLIONS OF DOLLARS)

	2014-2015 Savings	2015-2016 Savings
Administrative measures announced April 24	305	305
Budgets allocated to departments		
Specific administrative measures	415	586
Re-examination of certain expenditure initiatives	576	513
Specific measures	1,053	816
Subtotal of measures to be carried out by departments and bodies	2,349	2,220
Updated renewal costs	379	186
Total of measures to eliminate gap	2,728	2,406

In addition to their impact on balancing the 2014-2015 budget, the vast majority of these measures are recurrent after this fiscal year. They are described in further detail below.

ADMINISTRATIVE MEASURES

Certain measures apply to the entire Government, whereas others were identified specifically by departments and bodies.

ADMINISTRATIVE MEASURES ANNOUNCED ON APRIL 24, 2014

Administrative streamlining measures were announced by the Government on April 24. They will be implemented to the entire Government for the 2014-2015 fiscal year and fall into three categories:

- Achieving productivity gains equal to 2% of payroll;
- Trimming operating expenditures by 3%;
- Tightening the promising and granting of subsidies.

Related savings objectives for departments and bodies will be presented after the Expenditure Budget is tabled and will result in a suspension of the right to commit appropriations.

The achievement of productivity gains is supported by a recruitment freeze for regular and casual public service employees, which applies to the departments and bodies that appoint staff under the Public Service Act (CQLR, chapter F-3.1.1). Budgetary departments and bodies will also have to limit overtime to situations deemed inevitable and favour compensatory as opposed to paid time.

The reduction in operating costs will be accompanied, in budgetary departments and bodies, by a limitation on cases deemed essential for granting contracts, advertising, training and travel expenditures, and on meetings held outside of the workplace. It will also be accompanied by the diligent management of all purchases.

APPLICATION TO CONSOLIDATED ENTITIES

Efforts equal to 2% of payroll and 3% of administrative operating expenditures are also required of the health and social services and education networks, including school boards, CEGEPs and universities.

A similar effort is also required of extrabudgetary bodies, special funds and government corporations.

The Government will do everything in its power to ensure these measures are implemented.

ADMINISTRATIVE MEASURES SPECIFICALLY IDENTIFIED BY DEPARTMENTS

According to their circumstances, certain departments will implement targeted administrative measures that go beyond the common measures described above, to help reach a balanced budget.

First of all, these efforts concern carrying out efforts at the remuneration and operating expenses level beyond what was required on April 24. Furthermore, other specific administrative measures were identified, such as:

- Reducing the use of external resources;
- Streamlining the use of occupied space;
- Streamlining the costs of immigrant selection missions abroad and increasing the use of online services;
- Trimming operating costs in Québec immigration offices abroad and streamlining networks representing Québec abroad;
- Eliminating regional administration of the Ministère de l'Éducation, du Loisir et du Sport;
- Optimizing health and social services network resources to minimize red tape and increase clinical efficiency;
- Merging the Institut national de santé publique du Québec and the Health and Welfare Commissioner;
- Pooling the administrative services of bodies with equivalent missions in the cultural sector, particularly provincial museums.

RE-EXAMINATION OF CERTAIN EXPENDITURE INITIATIVES

The expenditures re-examined include numerous unfunded initiatives mainly undertaken by the previous Government that were inappropriate given the budget situation. This has brought the Government to make the necessary diligent and responsible choices, which include modifying the expenditure initiatives in one of the following three ways: reducing their funding relative to the amount initially anticipated, deferring or staggering the initiative, or abandoning the initiative altogether.

In this respect, the main measures selected are the following:

- Revision of commitments made by the previous Government regarding the National Research and Innovation Policy and the Summit on Higher Education;
- Revision of the commitments made by the previous Government regarding the Economic Policy and Industrial Policy;
- Revision of commitments made regarding the Solidarity Pillars: maintaining government funding for community organizations without an increase (currently \$900 million for over 5,000 organizations);

- Famille:
 - Deferral of expenses provided in the framework of the work-family reconciliation program;
- Finances:
 - Staggering of costs for implementing financial health information systems;
- Justice:
 - Deferral of certain building projects;
 - Deferral of the “À égalité pour décider” program;
- Santé et Services sociaux:
 - Abandonment of the autonomy insurance plan;
 - Review of the Québec Colorectal Screening program.

SPECIFIC COST-SAVING MEASURES

In addition to the above measures, specific measures to reduce expenses have been identified by each department.

These measures were selected to avoid having to increase taxes or tariffs or sell assets, as well as limit the impact on public services to Quebecers. Furthermore, they are generally recurrent and minimize the risk of cost overruns at the time of their implementation.

These targeted measures include:

- Affaires municipales et Occupation du territoire:
 - Renewing the contribution requested in 2013-2014 from the Regional Conferences of Elected Officers;
 - Renewing the contribution requested from the Ville de Montréal in 2013-2014 by maintaining the budget the city receives to support economic development.
- Économie, Innovation et Exportations:
 - 10% reduction in recurring subsidies granted to various economic development bodies;
 - Reducing the subsidy granted to the Centre de recherche industrielle du Québec;
- Éducation, Loisir et Sport:
 - Reducing the budget to support partners in education as well as the subsidy for school transportation to accredited private educational institutions;

- Emploi et Solidarité sociale:
 - Improving compliance monitoring of payments made to the beneficiaries of last-resort assistance through enhanced detection and processing of non-compliant files, individual meetings and greater emphasis on the reinforced intervention strategy for certain types of beneficiaries;
 - Aligning the maximum duration of social economy enterprises' participation in Insertion en emploi with the period in effect for profit-oriented companies;
- Famille:
 - Indexing the parental contribution;
 - Retrieving a portion of the surplus accumulated by childcare centres and equivalent measures for subsidized day care;
 - Imposing a funding schedule freeze;
 - Deferring the commitment to reducing the funding gap between subsidized day care and the childcare centres;
- Santé et Services sociaux:
 - Staggering the increase to physicians' compensation;
 - Lowering the cost of the public prescription drug insurance plan, including signing specific agreements with manufacturers, reducing generic drug prices and establishing a best practices program;
 - Reviewing the assisted reproduction services reimbursement program;
- Sécurité publique:
 - Optimizing the volume of courthouse security personnel.

ONGOING PROGRAM REVISION

TARGETED OBJECTIVES

The actions listed above will generate short-term savings needed to balance the budget. However, international experience shows that structured spending control is necessary in order to ensure lasting change.

In addition, to overcome the challenges it will face in the 21st century (particularly the ageing population), Québec must find ways to increase its flexibility so that it may continue to fund priority services as well as implement additional services to meet the new vital needs of the population.

Failure to create the conditions that will ensure funding for these expenditures would be tantamount to creating an unacceptable burden for future generations and compromising their access to quality basic services. This belief is shared by the governments of most Western countries, which face similar situations to our own.

For this reason, Québec is currently engaged in a process to establish an ongoing review of State-administered programs.

Inspired by the most recent federal government spending review, worldwide best practices and procedures recognized by the OECD's Senior Budget Officials, our approach consists of reviewing government programs so as to enhance both the relevance of State actions and their effectiveness in the delivery of public services, as well as to make informed decisions about any required repositioning and adjustments.

These reviews will essentially aim to ensure that:

- Programs meet the population's priority needs and fall within the State's responsibilities;
- Programs are administered effectively and efficiently through an appropriate governance structure;
- The mode of program funding is adequate and consistent with the public's actual capacity to pay;
- Programs are subject to ongoing review.

AN INCREASINGLY COMMON PRACTICE INTERNATIONALLY

Since the 2008 financial crisis, spending reviews have been increasingly used by half of the OECD countries, such as Canada, the United Kingdom, the Netherlands, Denmark, Australia and Ireland, in order to break with the incremental approach traditionally used to develop the expenditure budget.

This practice is recognized by the Senior Budget Officials of OECD countries as a fundamental instrument to appropriately rank expenditures in order of priority, specifically to expand the fiscal space available for new initiatives in a context of strictly limited overall spending.

Such prioritization makes it possible to avoid systematically renewing expenditures that are less responsive to citizens' needs as well as to identify specific actions for generating funds that could be reallocated to higher-priority services.

Source: Organisation for Economic Co-operation and Development (OECD), 2013.

CREATION OF AN ONGOING PROGRAM REVIEW COMMISSION

The state of public finances requires us to reinvent and challenge ourselves, not only in the short term, but also with a hopeful vision for future generations. The Government's approach to achieving these ambitious goals involves the creation of the Commission de révision permanente des programmes that constitutes the core of the program review scheme.

The Commission's work will allow the Government to decide on whether to eliminate certain programs, reduce their scope or reposition them, in addition to assessing them on an ongoing basis. Ultimately, the goal is to reach spending levels comparable to those of other provinces and maintain expenditure growth consistent with the public's capacity to pay.

To support this process, the Government will seek out new ideas, including drawing on internal and external expertise and launching a social dialogue between government partners and the public.

The program review will be fully integrated into the budget process and will be complemented by an ongoing mechanism to further optimize government resources beyond their repositioning.

KEYS TO SUCCESS

The proposed structure is inspired by best practices identified by experts from OECD countries that have implemented a spending review.

The conditions recognized by these experts as crucial to successfully achieving the objectives of such an operation include the following:

- A strong signal from the Premier;
- A key role for the Chair of the Conseil du trésor, in cooperation with the Ministère des Finances;
- Strong involvement of Ministers, departments and bodies;
- Strong support from the senior civil service and the active, valued participation of the State's middle managers;
- Openness to new ideas, to acknowledged internal and external expertise and to the establishment of a social dialogue.

Sources: Organisation for Economic Co-operation and Development (OECD), 2012 and 2013.

APPROACH

Inspired by the best international practices in public program review, the approach will build on existing structures: the Cabinet, the Conseil du trésor, the Comité des priorités and the Secrétariat du Conseil du trésor.

Ministers, departments and bodies will be involved in conducting the reviews. Their mandate will include building the revision process, formulating proposals and implementing the decisions made by government authorities.

To begin with, a series of programs and structures will be identified and subjected to immediate review in order to reorganize work and propose structural innovations. Programs with high potential to generate savings will also be discussed so that significant gains can be quickly achieved.

In parallel, working together with departments and bodies, a government profile of the programs will be drawn. This will be used to plan further review mandates and facilitate monitoring of the process. The profile will also be used to prioritize mandates and orient them toward one of the following four areas:

- Program relevance, effectiveness and efficiency;
- Process and structure, specifically a review of the modes of delivery and administration;
- Financing, specifically a review of the mode of financing;
- Ongoing review.

IMPROVED TARGETING OF KEY TASKS

Revising administrative structures and processes is vital. These aspects were generally the focus of spending reviews undertaken by OECD countries prior to the 2008 financial crisis.

However, experience shows that a review limited to these aspects is unlikely to generate savings equivalent to more than 2% of the total budget expenditure.

Accordingly, since 2008 the search for savings through better targeting of the State's key tasks or modifying their mode of financing has predominated in the reviews conducted by OECD countries.

In these countries, whenever a review was relatively quick to produce significant gains, the procedure intentionally targeted precisely such a shift of activities toward citizens' needs and priorities.

For example, the Comprehensive Spending Review conducted in the United Kingdom in 2010, which follows this rationale, is deemed to have generated savings on average of 19% over 4 years in department budgets other than health and foreign aid.

Source: Organisation for Economic Co-operation and Development (OECD), 2013.

For every mandate selected, an inventory of the information available on the program concerned will be developed and studied, so as to identify the additional information that must be produced to finalize the review, if applicable.

Given the large number of programs the Government administers, the examinations will be done on an accelerated basis. The first aspect to be examined will be the relevance of the programs. However, among the programs whose relevance will not be challenged or is demonstrated subsequent to the analysis, some will be subject to a more in-depth evaluation so as to enable a more accurate assessment of their efficiency and effectiveness.

EVIDENCE-BASED DECISIONS

The creation of a program inventory concomitant with the review of programs that have already been pinpointed as having strong potential for cost savings or improvement is recognized by experts from OECD countries not only as an essential way to not overlook any opportunity for major cost savings, but also as a means to promote an ongoing program review process.

- Building on the experience of an initial effort, conducted between 1994 and 1996, the Government of Canada opted to make drawing up such an inventory one of the first actions undertaken in the review initiated in 2007.

To enable informed decisions on the programs surveyed, the recommendation is to develop the production and use of conclusive information on such programs.

- The capacity to have more information that is useful to decision-making is one of the three primary success factors recommended by OECD countries.

Sources: Organisation of Economic Co-operation and Development (OECD), 2013; Canadian Comprehensive Audit Foundation and Treasury Board of Canada, 2009.

ENHANCED BUDGET PROCESS AND CAP

CAP

Immediately upon taking office, the Government imposed a cap on public spending. Henceforth, any new initiative or increase to existing programs must be self-financed by the departments concerned in a clear and explicit manner.

For such initiatives or increases to be authorized, the departments will have to identify the measures that will free up the funds required to finance them. Cost-saving measures will be preferred. To make sure that such measures have the capacity to finance a new initiative over the long term, departments and bodies will also have to project the initiatives' financial impacts throughout their life span.

Budget approval processes will be revised to ensure that the cap is thoroughly respected. A mechanism will also be implemented to facilitate arbitration among the different portfolios, along with the substantial budgetary adjustments that may be required during the year, to deal with unexpected events, for example, or government priorities.

THREE-YEAR PLAN

To institute stringent budget management, as of 2015-2016, the Government's expenditures will henceforth be planned over a three-year period, for each department portfolio. The target for the first year will be firm; for later years, the budgets allocated will be for information purposes, and could be altered. The multi-year planning process will not replace the preparation of an annual budget, however. For example, the detailed allocation of appropriations will still occur for a single year.

Planning expenditures over a three-year period will strengthen the department's examination of evolving program costs and make it easier to institute reforms or make the required changes to meet their budget targets which will, among other things, take citizens' ability to pay into consideration.

For the departments, this will foster decisions that focus more on the medium range than on the current fiscal year, encouraging them to look for cost-saving measures that are recurrent and that pay off over time. Lastly, such an orientation will make it easier to apply and manage the cap set for public expenditures.

MULTI-YEAR EXPENDITURE PLANNING: THE INTERNATIONAL EXPERIENCE

Alberta and British Columbia, along with the United Kingdom, France, the Netherlands and Sweden are some of the jurisdictions that have moved in this direction. In most of these jurisdictions, the approach was a tool for stabilizing the budget over several years against the backdrop of tough financial times. Overall, these tools have, however, been retained once the situation was rectified.

Using such a device is, moreover, especially relevant in getting the most out of the «capping» mechanism.

Sources: British Columbia Ministry of Finance, 2013; Alberta Ministry of Finance, 2011; Inspection générale des finances de la République française, 2007.

SYSTEMATIC IDENTIFICATION OF COST-SAVING SCENARIOS

When drafting the financial framework, the departments already have to determine the cost of renewing existing programs, as well as of implementing newly-approved initiatives.

To encourage challenges to existing programs, as of 2015-2016, departments will also have to simultaneously submit a detailed list of potential recurring cost-saving measures that target activities that are less of a priority and that reflect the objectives set for the purpose of the ongoing program review exercise.

This will make it possible to entrench a healthy challenging of existing programs so as to optimize them and constantly adapt them to the public's needs, and citizens' true ability to pay. This exercise will also enable the Government to make faster, more informed decisions if, for example, the economic situation were to worsen.

This new component of the budgetary cycle will of course be closely tied to the ongoing program review exercise mentioned above. For example, each department and body will draw up a complete inventory of its programs, ranking them in order of priority in terms of current relevance, effectiveness, and efficiency for the purpose of the program review exercise, which will also be useful in implementing this new component of the budgetary cycle.

GREATER RECOURSE TO PROGRAM ASSESSMENT

The program assessment work carried out by the departments and bodies must produce conclusive information and credible judgments of the programs and their outcomes that are conducive to informed decisions on resource use and allocation.

In this context, the Government plans to make more extensive use of program assessment in supporting decision-making at every level of the government apparatus. Actions will therefore be taken to enable the Secrétariat du Conseil du trésor to:

- Support a network of people in charge of program assessment at the different departments and bodies;
- Grasp, over a horizon of at least three years, the planning of assessment work done by such bodies, and ensure that the scheduled work will meet the Government's need for information in terms of evaluating the relevance, efficiency and effectiveness of those programs;
- Have the assurance that new initiatives involving financial commitments of \$5 million or more will be tied to appropriate monitoring and assessment strategy mechanisms;
- Guide the execution of assessment work with a government assessment tool, in order to standardize how such information is presented;
- Validate the compliance and reliability of documents covering program logic and outcomes, submitted in support of financing requests, as well as evaluation reports written prior to renewal;
- Ensure a better alignment between the judgments made on the basis of the evaluations and the studies prepared to support the decisions of the Conseil du trésor and the Government.

The Secrétariat du Conseil du trésor will provide the departments and bodies with ongoing support in implementing these mechanisms and will continue to build its expertise in program assessment.

RESPONSIBLE MANAGEMENT OF STAFF AND REMUNERATION

PUBLIC SERVICE: CURRENT SITUATION AND CHALLENGES

In 2014-2015, remuneration expenditures will represent about 59% of program spending. Inevitably, remuneration expenditures must therefore be part of the Government's expenditure management strategy and reflect citizens' ability to pay.

On the other hand, remuneration must also allow the Government, as employer, to offer competitive working conditions. In fact, the ability to attract competent resources at a time of intensifying job market competition and a shrinking labour force is critical if we want to continue to offer quality public services.

From 2010-2011 to 2014-2015, the payroll will have increased at a rate of 3.6% a year, on average. This is primarily due to a rise in wages and other benefits, advancement, and an increase in the number of staff and the volume of activity.

With regard to staff levels, in 2004, the Government announced a plan to reduce the size of the public service by filling on average only one out of two positions vacated by retirement.

Although the total staff cuts were greater than forecast in the first few years that the measure was applied, the measure later served to free up the flexibility needed to deal with new priority needs, such as combating corruption and collusion, as well as maintaining and developing internal expertise in some fields, reducing reliance on outside resources.

Accordingly, public service staff levels are up about 2,600 full-time equivalent positions (FTE) compared to two years ago.

MANAGEMENT OF STAFF LEVELS

The Government plans to put greater importance on staff levels and staff allocation throughout the government apparatus. In 2014-2015, the Government will therefore put a particular focus on retirements so as to meet priority needs while curbing growth in the size of public service employment.

Here, in the next year, the Secrétariat du Conseil du trésor will propose a new approach to controlling staff levels.

STRATEGY FOR THE NETWORKS AND OTHER CONSOLIDATED ENTITIES

The Government plans to extend the staffing freeze to the health and social services and education networks, extrabudgetary bodies, special funds, and bodies that carry out fiduciary duties.

Stringent monitoring of staff growth across the entire public, para-governmental and peri-public sector will now be ensured. To achieve this, a bill to steer the management of staff in the Government apparatus will be tabled this fall to set out the parameters of the new orientation. In particular, it will empower the Government to set staffing numbers per job category.

In implementing the bill, the Government will make sure:

1. That it retains enough flexibility in the targets for the different sectors to have sufficient leeway to adapt to the realities they face;
2. That young graduates and visible minorities still have access to jobs that open up due to retirements;
3. That the necessary expertise will be maintained so as to guarantee quality services to the public.

REMUNERATION MANAGEMENT

The supply of public services must respect the financial capacity of the Government and citizens. The upcoming round of bargaining to renew collective agreements must yield an agreement with public and para-governmental employees that is fair and equitable for all parties.

Also, this Budget's financial framework calls for average program spending growth of 2.1% per year from 2015-2016 to 2018-2019.

- The increase in total remuneration must factor in slow program spending growth in the first few years, until fiscal balance is achieved.

Beyond the items negotiated for the purpose of renewing collective agreements, the Government must also consider other factors that are likely to increase remuneration expenses, including:

- The costs associated with employee advancement in salary scales;
- The cost of benefits, particularly with respect to retirement plans;
- The financial impacts generated by the Pay Equity Act (CQLR, chapter E-12).

Nonetheless, the Government's restructuring of work and structural innovation will make the public service even more efficient, thus freeing up some budgetary leeway that could eventually benefit government employees, where needs are most pressing.

SOUND MANAGEMENT OF PUBLIC INFRASTRUCTURE INVESTMENT

PRIORITY INVESTMENTS

In the coming years, the Government will face a series of decisions that will make it possible to return to fiscal balance. Among these, public infrastructure investments must be managed astutely given the burden such investments constitute for Québec's public expenditures and debt, year after year.

In its first line of intervention, the Government is announcing sizable investments to deal with the ageing of assets that are essential to delivering quality services to the public. More than \$50.6 billion will be allocated to maintain and repair the government's asset inventory—from the roads and schools to the health network, which sorely need it. A special focus will be put on infrastructures that help serve the most vulnerable in society (particularly seniors and the homeless).

The second priority line of intervention of the 2014-2024 Québec Infrastructure Plan will be on projects that help foster Québec's economic development, such as major road projects, the Maritime Strategy and the Plan Nord. These decisions, along with the fiscal spinoffs and the 53,000 jobs they will create or preserve, will bring about a true long-term vision of the transportation of the people and products essential to the economic development of Québec's capital, greater Montréal, and all the regions of Québec.

Moreover, the 2014-2024 Québec Infrastructure Plan specifically calls for an advance of \$300 million, primarily to carry out projects that will have a rapid impact on the economy. This amount will be used to study a few major projects that the Government deems to be a priority (\$50 million). It will also fund the execution of projects with immediate economic impacts, for a total of \$250 million, in the areas of the education network, health care network, road network and local roadways.

TRANSPARENT, RESPONSIBLE PLANNING

The Government is inaugurating new practices so as to present the resources to be allocated to its infrastructure investments in a realistic and transparent manner. For the first time, the Gouvernement du Québec is appending the list of all projects costing \$50 million or more to its 2014-2024 Québec Infrastructure Plan. This heightened transparency will make it possible to highlight the methods, planning and management processes of major infrastructure projects.

Infrastructure investments have become substantial; they must be subject to an effective, logical decision-making process, as well as stringent, responsible monitoring.

Here, the Government is putting forward a plan to ensure the transparency of the decisions made:

- By publishing a list of projects costing \$50 million or more;
- By putting together a central envelope;
- By accelerating projects for a rapid impact on the economy (\$300 million);
- By applying more rigorous planning.

A list of public infrastructure projects is appended to the 2014-2024 Québec Infrastructure Plan. All projects with estimated costs of more than \$50 million will appear on the list.

The 2014-2024 Québec Infrastructure Plan sets out projects in terms of the Government's priorities, maintaining a central envelope of \$6.6 billion that can be allocated to projects once they have been thoroughly studied and approved.

This approach is inspired by prudence and the Government's desire for timely access to the funds required to finance projects whose opportunity assessments are approved by the Government in 2014 and 2015, and to deal with contingencies involving essential public infrastructures.

Governance rules for the management, selection, approval and monitoring of projects will be strengthened in the coming year so as to better rank projects based on clearly defined priorities, enable better control of project costs, and keep the asset inventory in appropriate, safe condition.

Table 3

2014-2024 QIP INVESTMENT ENVELOPES BY SECTOR
(CONTRIBUTION OF THE GOUVERNEMENT DU QUÉBEC, IN MILLIONS OF DOLLARS
AND PERCENTAGE)

	\$M	%
Road Network	20,423.6	22.6
Public Transit	7,615.0	8.4
Marine, Air, Rail and Other Transportation	2,023.8	2.3
Health and Social Services	16,998.9	18.8
Education	7,945.0	8.8
Higher Education and Research	6,060.9	6.7
Culture	1,956.7	2.2
Municipal, Sports, Community and Recreation Infrastructures	8,522.7	9.4
Social and Community Housing	2,279.4	2.5
Government Buildings	2,631.1	2.9
Information Resources	3,052.3	3.4
Other Sectors	4,232.4	4.7
Central Envelope ¹	6,558.1	7.3
2014-2024 Québec Infrastructure Plan	90,300.0	100.0

Note: Figures are rounded and the sum of the amounts may not correspond to the total.

1. Envelope reserved for projects that are currently under study and potential projects that have not yet been identified.

CONCLUSION

The Government is putting forward a plan for stringent, responsible expenditure management in which all public bodies and all Quebecers are invited to participate, so that every dollar invested is based on informed decisions that serve the public interest.

This plan is based on short-term actions that include a series of cost-saving measures pinpointed by each department for 2014-2015, and the immediate application of a spending cap.

However, it will take more than occasional expenditure reviews to achieve and maintain fiscal balance. It will also take thorough consideration of the very structure of spending. Therefore, the Government's plan is also built upon more structuring actions, such as the creation of the Commission de révision permanente des programmes, and tighter management of staff and public infrastructure investment.

Out of fairness to future generations, the Government will act clearly and decisively to clean up public finances while ensuring that priority services are maintained. The task is not a small one. That's why the Government will initiate an ongoing social dialogue with government partners as well as the public. We will act decisively to carry out this Québec-wide effort.

Some tough decisions must be made, but we are confident that the approach on which the expenditure management strategy is founded will help to meet this collective challenge.

The Government's wish is for all departments, bodies, government employees and partners to join in this Québec-wide effort that is critical to our prosperity.

Let us be rigorous and responsible, now and in the times to come.

