Presentation of Budget to Actual

Alignment in the Summary Financial Statements

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Government of Saskatchewan

When budget presentation doesn't conform to actual presentation

- Pension adjustment
- Human resources compensation measures
- Contingency

How it looks in the budget…

GOVERNMENT OF SASKATCHEWAN

Budget
For the Year Ended March 31

	(Millions of Dollars)		
	Budget 2017-18	**Forecast 2016-17**	**Budget 2016-17**
Revenue			
Taxation	**7,286.6**	6,339.0	6,860.9
Non-renewable resources	**1,406.4**	1,279.0	1,484.9
Other own-source revenue	**1,964.9**	2,117.2	2,088.9
Transfers from the federal government	**2,453.5**	3,190.9	2,504.8
Net income from government business enterprises	**1,053.7**	768.3	1,084.4
Total Revenue	**14,165.1**	13,694.4	14,023.9
Expense			
Agriculture	**800.5**	1,105.3	780.3
Community development	**700.6**	577.2	580.6
Debt charges[1]	**380.9**	295.8	297.2
Economic development	**246.0**	239.1	250.2
Education[1]	**3,643.3**	3,729.0	3,688.4
Environment and natural resources	**247.9**	240.6	237.0
Health[1]	**5,627.4**	5,668.9	5,588.1
Protection of persons and property	**643.7**	678.2	640.3
Social services and assistance	**1,356.7**	1,297.9	1,243.9
Transportation	**567.4**	565.7	565.2
Other[1]	**585.4**	585.2	586.9
Total Expense before Adjustments	**14,799.8**	14,982.9	14,458.1
Adjustments			
Human resources compensation measures	**250.0**	–	–
Contingency	**(300.0)**	–	–
Deficit[1]	**(684.7)**	(1,288.5)	(434.2)

Totals may not add due to rounding.

[1] Before adjustment to account for pensions on an accrual basis.

GOVERNMENT OF SASKATCHEWAN

Statement of Accumulated Deficit
For the Year Ended March 31

	(Millions of Dollars)		
	Budget 2017-18	**Forecast 2016-17**	**Budget 2016-17**
Accumulated surplus, beginning of year	**343.9**	1,494.7[1]	1,813.1
Deficit[2]	**(684.7)**	(1,288.5)	(434.2)
Adjustment to account for pension costs on an accrual basis	**(11.3)**	137.7	130.1
Accumulated (Deficit)/Surplus, End of Year	**(352.1)**	343.9	1,509.0

Totals may not add due to rounding.

[1] Accumulated surplus as at March 31, 2016, as reported in the 2015-16 Summary Financial Statements.
[2] Before adjustment to account for pension costs on an accrual basis.

GOVERNMENT OF SASKATCHEWAN

Statement of Change in Net Debt
For the Year Ended March 31

	(Millions of Dollars)		
	Budget 2017-18	**Forecast 2016-17**	**Budget 2016-17**
Deficit[1]	**(684.7)**	(1,288.5)	(434.2)
Adjustment to account for pension costs on an accrual basis	**(11.3)**	137.7	130.1
Acquisition of government service organization capital assets	**(1,487.5)**	(2,165.1)	(1,789.0)
Amortization of government service organization capital assets[2]	**582.9**	572.1	609.4
Increase in Net Debt	**(1,600.6)**	(2,743.8)	(1,483.7)
Net debt, beginning of year	**(10,643.1)**	(7,899.3)[3]	(7,649.7)
Net Debt, End of Year	**(12,243.7)**	(10,643.1)	(9,133.4)

Totals may not add due to rounding.

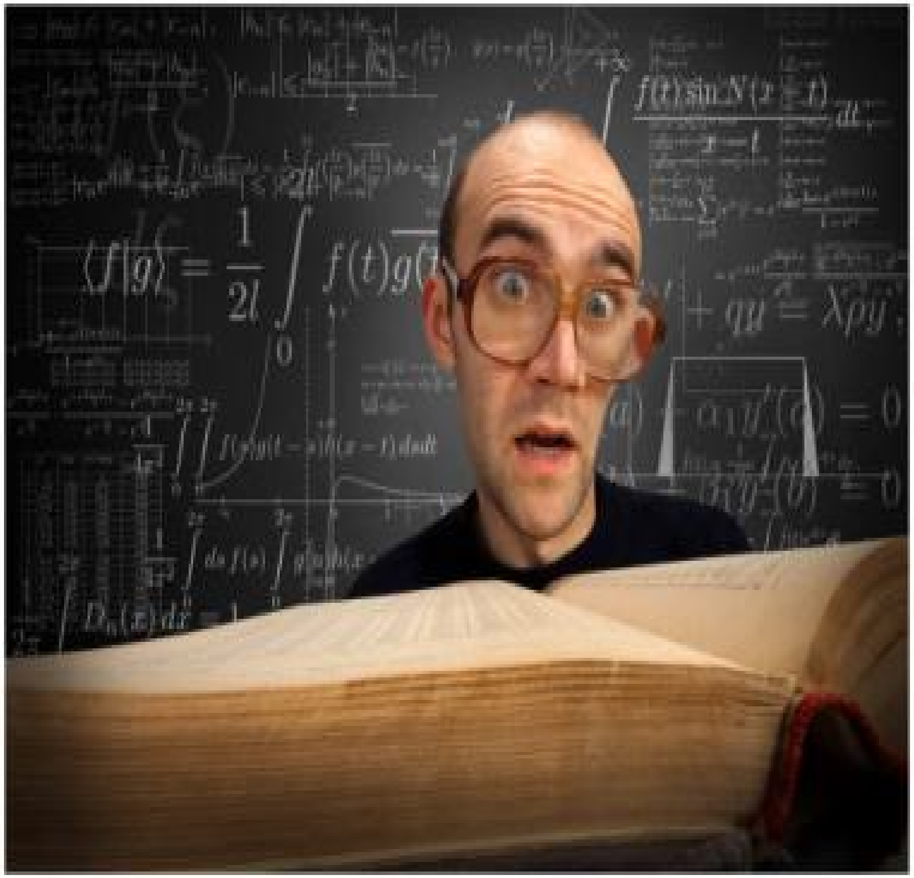
[1] Before adjustment to account for pension costs on an accrual basis.
[2] Includes disposals and adjustments.
[3] Net debt as at March 31, 2016, as reported in the 2015-16 Summary Financial Statements.

PSAB guidance

- Statement of Operations presents comparison to planned results
- Planned results same scope and on consistent basis to actual results
- If budget not consistent basis, planned results adjusted to reported on same basis


Compliance
Can we comply?

Pension adjustment = simple solution



- Budget allocations calculated and specific
- Adjust budget figures to include pension adjustment
- Direct comparison feasible in the statement of operations

Pension adjustment – how it is reported in SFS

Summary Statement of Operations

For the Year Ended March 31, 2017

(thousands of dollars)

	Adjusted Budget[1]	2017 Actual	2016 Actual[2]
Revenue			
Taxation	6,860,900	6,351,253	6,605,304
Non-renewable resources	1,484,900	1,299,979	1,761,265
Other own-source revenue	2,088,900	2,174,184	2,003,025
Transfers from the federal government[3]	2,504,800	2,954,834	2,155,489
Net income from government business enterprises (*schedule 3*)	1,084,400	845,899	1,108,612
Total Revenue (*schedule 13*)	14,023,900	13,626,149	13,633,695
Expense			
Health	5,588,100	5,663,095	5,575,163
Education	3,642,500	3,653,851	4,037,688
Social services and assistance	1,243,900	1,300,310	1,255,970
Agriculture	780,300	1,100,624	612,752
Protection of persons and property	640,300	680,968	707,324
Transportation	565,200	576,938	538,543
Community development	580,600	560,208	523,143
Debt charges (*schedule 15*)	534,900	543,581	503,571
Economic development	250,200	251,419	264,238
Environment and natural resources	237,000	240,531	302,739
Other	265,000	272,747	832,072
Total Expense (*schedule 14*)	14,328,000	14,844,272	15,153,203
Deficit	(304,100)	(1,218,123)	(1,519,508)

[1] Budget figures have been adjusted to the same basis as the 2017 actual results to include a $130.1 million decrease in the budgeted deficit to account for pension costs on the accrual basis (*note 9*).

[2] Includes 15 months of operations for certain government organizations, the year-end of which changed from December 31 to March 31 during 2015-16 (*note10*).

[3] 2017 actual includes $378.7 million received in a restructuring transaction (*note 11*).

The accompanying notes and schedules are an integral part of these financial statements.

Notes to the Summary Financial Statements

9. Budget Presentation

The 2016-17 Saskatchewan Provincial Budget was tabled in the Legislature on June 1, 2016. Public sector accounting standards require that financial statements contain a comparison of actual and budgeted results for the year and that budgeted results should be adjusted and reported on the same basis as the actual results of the current period. Accordingly, the 2016-17 Saskatchewan Provincial Budget, which was presented before an adjustment to account for pension costs on an accrual basis, has been adjusted to include this budgeted pension adjustment in total expense.

The following table reconciles the 2016-17 Saskatchewan Provincial Budget to the budget figures presented in these financial statements:

(thousands of dollars)	Budget	Pension Accrual[1]	Adjusted Budget[2]
Summary Statement of Operations			
Revenue			
Taxation	6,860,900	-	6,860,900
Non-renewable resources	1,484,900	-	1,484,900
Other own-source revenue	2,088,900	-	2,088,900
Transfers from the federal government	2,504,800	-	2,504,800
Net income from government business enterprises	1,084,400	-	1,084,400
Total Revenue	14,023,900	-	14,023,900
Expense			
Health	5,588,100	-	5,588,100
Education	3,688,400	(45,900)	3,642,500
Social services and assistance	1,243,900	-	1,243,900
Agriculture	780,300	-	780,300
Protection of persons and property	640,300	-	640,300
Transportation	565,200	-	565,200
Community development	580,600	-	580,600
Debt charges	297,200	237,700	534,900
Economic development	250,200	-	250,200
Environment and natural resources	237,000	-	237,000
Other	586,900	(321,900)	265,000
Total Expense	14,458,100	(130,100)	14,328,000
(Deficit) Surplus	(434,200)	130,100	(304,100)
Summary Statement of Accumulated Surplus			
Accumulated surplus, beginning of year	1,494,670		1,494,670
(Deficit) surplus	(434,200)	130,100	(304,100)
Adjustment to account for pension costs on an accrual basis	130,100	(130,100)	-
Accumulated Surplus, End of Year	1,190,570	-	1,190,570
Summary Statement of Change in Net Debt			
(Deficit) surplus	(434,200)	130,100	(304,100)
Adjustment to account for pension costs on an accrual basis	130,100	(130,100)	-
Acquisition of tangible capital assets	(1,789,000)	-	(1,789,000)
Amortization, disposition and adjustments of tangible capital assets	609,400	-	609,400
Increase in net debt	(1,483,700)	-	(1,483,700)
Net debt, beginning of year	(7,899,319)		(7,899,319)
Net Debt, End of Year	(9,383,019)	-	(9,383,019)

[1] Represents the reallocation of the adjustment to account for pension costs on an accrual basis to conform with the presentation of actual results in these financial statements.

[2] As presented on the Summary Statements of Operations, Accumulated Surplus and Change in Net Debt in these financial statements.

Human resource adjustment = not so easy, but possible

Human Resource Adjustment

	Budget 2017-18	Forecast 2016-17	Budget 2016-17
			(Millions of Dollars)
Revenue			
Taxation	**7,286.6**	6,339.0	6,860.9
Non-renewable resources	**1,406.4**	1,279.0	1,484.9
Other own-source revenue	**1,964.9**	2,117.2	2,088.9
Transfers from the federal government	**2,453.5**	3,190.9	2,504.8
Net income from government business enterprises	**1,053.7**	768.3	1,084.4
Total Revenue	**14,165.1**	13,694.4	14,023.9
Expense			
Agriculture	**800.5**	1,105.3	780.3
Community development	**700.6**	577.2	580.6
Debt charges[1]	**380.9**	295.8	297.2
Economic development	**246.0**	239.1	250.2
Education[1]	**3,643.3**	3,729.0	3,688.4
Environment and natural resources	**247.9**	240.6	237.0
Health[1]	**5,627.4**	5,668.9	5,588.1
Protection of persons and property	**643.7**	678.2	640.3
Social services and assistance	**1,356.7**	1,297.9	1,243.9
Transportation	**567.4**	565.7	565.2
Other[1]	**585.4**	585.2	586.9
Total Expense before Adjustments	**14,799.8**	14,982.9	14,458.1
Adjustments			
Human resources compensation measures	**250.0**	–	–
Contingency	**(300.0)**	–	–
Deficit[1]	**(684.7)**	(1,288.5)	(434.2)

Totals may not add due to rounding.

[1] Before adjustment to account for pensions on an accrual basis.

- $250M based on approximation of a targeted % payroll savings across all Government
- Can $250M budget be allocated across expense themes?
- Can actual savings be segregated from total payroll costs?

Contingency = mission impossible

Contingency Amount

	Budget 2017-18	Forecast 2016-17	Budget 2016-17
			(Millions of Dollars)
Revenue			
Taxation	**7,286.6**	6,339.0	6,860.9
Non-renewable resources	**1,406.4**	1,279.0	1,484.9
Other own-source revenue	**1,964.9**	2,117.2	2,088.9
Transfers from the federal government	**2,453.5**	3,190.9	2,504.8
Net income from government business enterprises	**1,053.7**	768.3	1,084.4
Total Revenue	**14,165.1**	13,694.4	14,023.9
Expense			
Agriculture	**800.5**	1,105.3	780.3
Community development	**700.6**	577.2	580.6
Debt charges[1]	**380.9**	295.8	297.2
Economic development	**246.0**	239.1	250.2
Education[1]	**3,643.3**	3,729.0	3,688.4
Environment and natural resources	**247.9**	240.6	237.0
Health[1]	**5,627.4**	5,668.9	5,588.1
Protection of persons and property	**643.7**	678.2	640.3
Social services and assistance	**1,356.7**	1,297.9	1,243.9
Transportation	**567.4**	565.7	565.2
Other[1]	**585.4**	585.2	586.9
Total Expense before Adjustments	**14,799.8**	14,982.9	14,458.1
Adjustments			
Human resources compensation measures	**250.0**	–	–
Contingency	**(300.0)**	–	–
Deficit[1]	**(684.7)**	(1,288.5)	(434.2)

Totals may not add due to rounding.

[1] Before adjustment to account for pensions on an accrual basis.

- No specific basis for budgeted amount
- Can $300M be allocated across budgeted figures in the statement of operations?
- Which budget variances are contingency and which are not?

Consideration given to:

Presenting budget adjustments and actual amounts on the same basis:

Restating budget deficit (PSAB compliant but changes budgeted deficit)

Allocating budgeted adjustments to match presentation of actual amounts (PSAB compliant but not possible)

Allocating actual amounts to match presentation of budget adjustments (PSAB compliant but not possible)

Presenting budget adjustments and actual amounts on a different basis (not PSAB compliant but possible)

What we propose

Budget and actual figures presented on a different basis

Summary Statement of Operations

For the Year Ended March 31, 2018

(thousands of dollars)

	Adjusted Budget[1 2]	2018 Actual	2017 Actual[2]
Revenue			
Taxation	7,286,600	-	6,351,253
Non-renewable resources	1,406,400	-	1,299,979
Other own-source revenue	1,964,900	-	2,174,184
Transfers from the federal government[3]	2,453,500	-	2,954,834
Net income from government business enterprises (*schedule 3*)	1,053,700	-	845,899
Total Revenue (*schedule 13*)	14,165,100	-	13,626,149
Expense			
Health	5,627,400		5,663,095
Education[1]	3,531,000		3,653,851
Social services and assistance	1,356,700		1,300,310
Agriculture	800,500		1,100,624
Protection of persons and property	643,700		680,968
Transportation	567,400		576,938
Community development	700,600		560,208
Debt charges (*schedule 15*)[1]	605,700		543,581
Economic development	246,000		251,419
Environment and natural resources	247,900		240,531
Other[1]	484,200		272,747
Total Expense (*schedule 14*)	14,811,100	-	14,844,272
Deficit	(646,000)	-	(1,218,123)
Adjustments			
Human resources compensation measures[2]	250,000	-	-
Contingency[2]	(300,000)	-	-
Deficit After Adjustments	(696,000)	-	(1,218,123)

[1] Budget figures, as presented in the 2017-18 Saskatchewan Provincial Budget, have been adjusted to the same basis as the 2018 actual results to include an $11.3 million increase in the budgeted deficit to account for pension costs on the accrual basis (*note 11 ~~9~~*).

[2] Budget figures, as presented in the 2017-18 Saskatchewan Provincial Budget, include adjustments for human resources compensation measures and contingency. Actual results are presented within the revenue sources and expense themes listed above.

[3] 2017 actual includes $378.7 million received in a restructuring transaction (*note 12*).

The accompanying notes and schedules are an integral part of these financial statements.

Will the Provincial Auditor agree?

…and that is not all!

Budget to actual variance analysis

- What budget deficit to measure against?
- Will the component variances add up?
- Will the user be confused?


What are others doing?

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