Office of the Provincial Controller Division

2015-16 Public Accounts

FPC Briefing

August 17, 2016

Confidential – For Internal Discussion Purposes

Highlights: Budget vs Interim vs. Preliminary Actual

TBS

2015-16 Preliminary Results

$ Billions	Budget	Interim	2015-16 Preliminary Results	2014-15 Actual	Change from Budget	%	Change from Interim	%
Revenues	124.4	126.5	**128.4**	118.5	4.0	3.2%	1.8	1.5%
Expenses								
Programs	120.5	120.9	**121.2**	118.2	0.7	0.6%	0.3	0.2%
Interest on Debt	11.4	11.2	**11.0**	10.6	(0.4)	-3.5%	(0.2)	-1.8%
Total Expenses	131.9	132.1	**132.2**	128.8	0.3	0.2%	0.1	0.1%
Reserve	1.0	0.2	**-**	-	(1.0)		(0.1)	-100.0%
Deficit Before Outstanding Items	(8.5)	(5.7)	**(3.8)**	(10.3)	4.7	-55.3%	1.8	-33.3%
Possible Range of Impact of Outstanding Items			**-1.0 to +1.0**					
Est. Potential Range of Deficit			**(4.8) to (2.8)**					

Notes:

(1) For discussion purposes only. These are preliminary numbers subject to change.

(2) Other potential items such as pension assets, impact of OPG/H1 reporting, H1 IPO (departure tax), and EDU remedy are still under review.

(3) Budget/Interim/preliminary actual numbers may not add due to rounding.

Outstanding Items

Discussions with the Auditor General continue regarding:

- EDU remedy
- Pension asset reporting
- OPG/H1 IFRS analysis
- Tax revenue accruals
- Accounting for Green Investment Funds (Retrofit)

Timetable

- Completion of Auditor General's Audit (September 8)
- Finalization of Management Letter of Representation (September 12)
- Complete production of Public Accounts: Annual Report, supplementary volumes, data visualization, white board video, communications products
- Presentation of Public Accounts to Cabinet and Lieutenant Governor in Council (September 21st)
- Tabling (est. September 23rd)

APPENDICES

2015-16 Preliminary Revenue

2015-16 Actual Results								
$ Millions	**Budget**	**Interim**	**2015-16 Actual**	**2014-15 Actual**	**Change from Budget**	**%**	**Change from Interim**	**%**
Revenues								
Tax Revenue	87,397	90,766	**91,818**	82,275	4,421	5.1%	1,052	1.2%
Transfers from Government of Canada	22,890	22,873	**22,857**	21,615	(33)	-0.1%	(16)	-0.1%
Income from Government Business Enterprises	4,812	4,347	**4,909**	5,615	97	2.0%	562	12.9%
Other Revenue	9,291	8,561	**8,792**	9,041	(499)	-5.4%	231	2.7%
Total Revenue	124,390	126,547	**128,376**	118,546	3,986	3.2%	1,829	1.4%

Summary Revenue Variance Analysis – Interim vs. Preliminary Actual

Total revenue is **$1.8B** higher than the 2016 Budget Interim projection.

- **Taxation Revenue is $1.1B higher** largely due to:
  - 2016 Budget prudence of $0.2B
  - $0.2B higher Education Property Tax (EPT)
  - $0.7B increase in all other taxation revenue (excluding 2016 Budget prudence) largely due to higher 2015 personal income tax assessments. The PIT variance is distributed roughly equally between Basic Ontario Tax and Ontario Surtax.
- **Federal Transfers are close to the 2016 Budget Interim projection.**
- **Income from Government Business Enterprises is $0.6B higher.** This is due mainly to:
  - $0.4B higher Hydro One net income due to the final determination of Hydro One's deferred tax benefit associated with the broadening of Hydro One ownership, and
  - $0.2B higher Ontario Lottery and Gaming Corp. net income due to continued stronger-than-expected lottery results towards the end of the year and higher revenues from casinos.
- **Other Non-tax Revenue is $0.2B higher** largely due to
  - 2016 Budget prudence of $0.2B, and higher Other NTR mainly reflecting higher recoveries of prior year's expenditures and higher fiscally-neutral power sales.

2015-16 Preliminary Expenses

2015-16 Preliminary Actual Results								
$ Millions	**Budget**	**Interim**	**2015-16 Actual (Prelim)**	**2014-15 Actual**	**Change from Budget**	**%**	**Change from Interim**	**%**
Expenses								
Program Expense	120,492	120,883	**121,249**	118,226	757	0.6%	366	0.3%
Interest on Debt	11,410	11,200	**10,967**	10,635	(443)	-3.9%	(233)	-2.1%
Total Expenses	131,902	132,083	**132,216**	128,861	314	0.3%	133	0.1%

Summary Expense Variance Analysis – Interim vs. Preliminary Actual

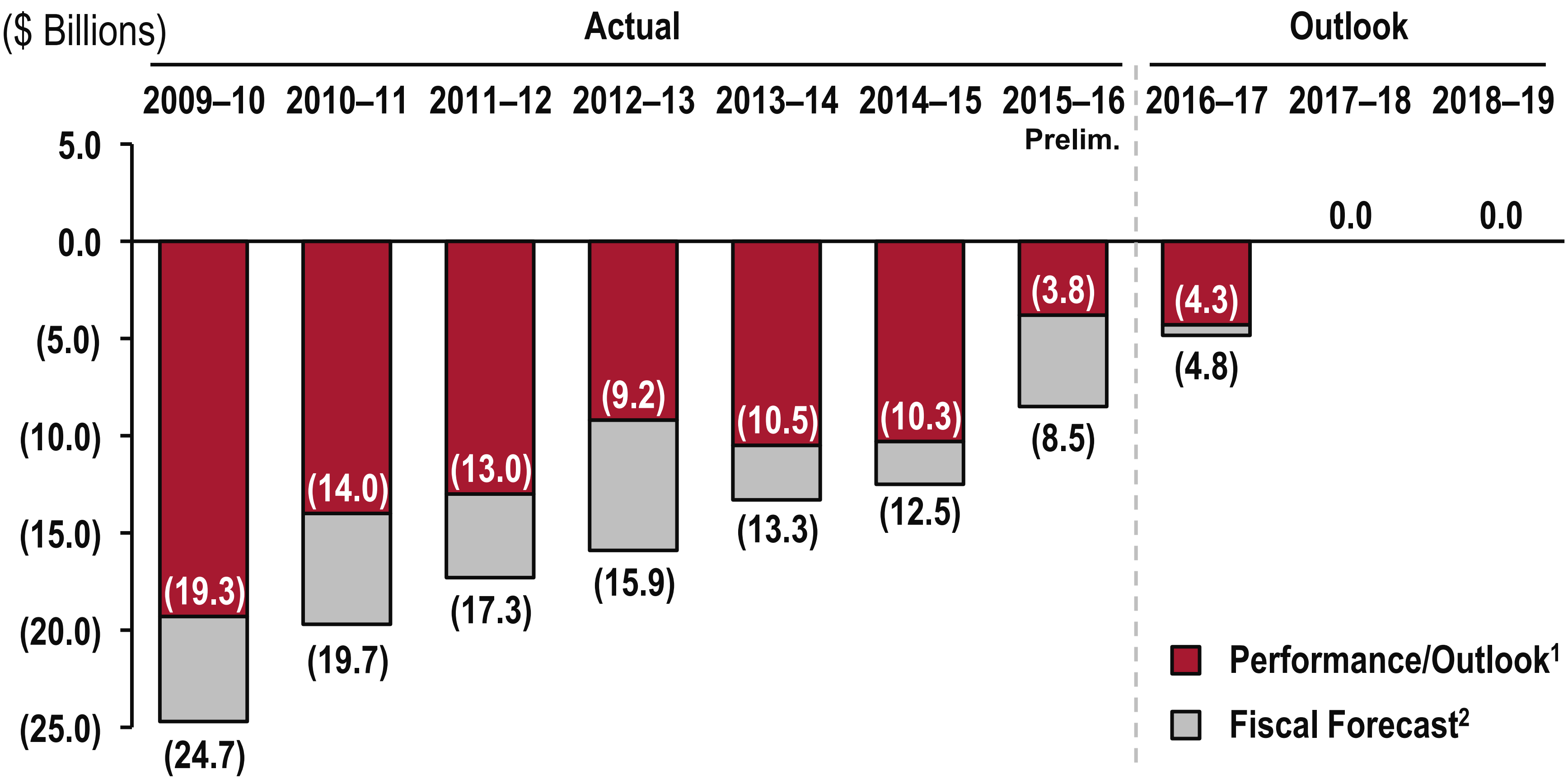
Total expense is expected to be roughly the same as the interim projection (only **$0.1B higher** than the Interim projection) as a result of **$0.3B higher** program expense which is offset by **$0.2B lower** interest on debt costs.

- The **$0.3B higher** than projected program expense results are mainly due to:
  - EDU Remedy accrual of $0.5B (details not to be disclosed in the Annual Report).
  - Higher than expected Health expense due to higher drug costs, increased staffing levels and supply costs; and
  - Higher than expected tax expenditures (e.g. Ontario Production Services Tax Credit, Ontario Interactive Digital Tax Credit) in the Ministry of Tourism, Culture and Sport.
- While the 2016 Budget indicated that the government was on track to meet its **$1.0B year-end savings target**, these higher-than-published expense results are contrary to that message.
  - Despite the higher actual expense results, the government did achieve savings sufficient to meet the $0.5B Program Review Savings Target.
  - Note that in the absence of the $0.5B EDU remedy accrual, total expense would not have been materially different from interim projections. (As details of the EDU remedy will not be disclosed, this cannot be used to explain the variance from interim results without prejudicing the government's negotiating position).
- The Province's actual program expense is higher than the level projected in the Budget by:
  - $0.4B higher at interim, as a result of the Green Investment Fund and Hydro One IPO costs (as disclosed in the 2016 Budget)
  - $0.3B higher between interim and actual, as explained above.

Consolidated Expense By Ministry: Budget, Interim vs. Preliminary Actual

$ Millions	Budget	2015-16 Interim	2015-16 Preliminary Results	Budget Variance	Budget % Change	Interim Variance	Interim % Change	2014-15 Restated Actual
Aboriginal Affairs	74	84	84	10	13.5%	-	0.0%	71
Agriculture, Food and Rural Affairs	1,041	1,061	1,026	(15)	-1.4%	(35)	-3.3%	943
Attorney General	1,780	1,817	1,860	80	4.5%	43	2.4%	1,783
Board of Internal Economy	210	220	205	(5)	-2.4%	(15)	-6.8%	264
Children and Youth Services	4,316	4,276	4,260	(56)	-1.3%	(16)	-0.4%	4,132
Citizenship, Immigration and International Trade	159	169	169	10	6.3%	-	0.0%	157
Community and Social Services	11,115	11,305	11,295	180	1.6%	(10)	-0.1%	10,551
Community Safety and Correctional Services	2,649	2,661	2,689	40	1.5%	28	1.1%	2,568
Economic Development, Employment and Infrastructure/Research and Innovation	1,453	1,294	1,233	(220)	-15.1%	(61)	-4.7%	1,076
Education	25,231	24,801	24,998	(233)	-0.9%	197	0.8%	24,630
Teachers' Pension	71	112	110	39	54.9%	(2)	-1.8%	564
Energy	1,183	1,350	1,340	157	13.3%	(10)	-0.7%	1,404
Environment and Climate Change	503	504	504	1	0.2%	-	0.0%	486
Executive Offices	34	37	37	3	8.8%	-	0.0%	43
Finance	860	866	951	91	10.5%	85	9.8%	827
Interest on Debt	11,410	11,200	10,967	(443)	-3.9%	(233)	-2.1%	10,635
Municipal Partnership Fund	513	513	513	-	0.0%	-	0.0%	542
Power Supply Contract Costs	793	784	875	82	10.3%	91	11.6%	950
Government and Consumer Services	602	610	607	5	0.8%	(3)	-0.5%	573
Health and Long-Term Care	50,773	50,785	51,067	294	0.6%	282	0.6%	50,039
Labour	311	308	304	(7)	-2.3%	(4)	-1.3%	305
Municipal Affairs and Housing	1,080	1,172	1,180	100	9.3%	8	0.7%	1,050
Natural Resources and Forestry	790	807	819	29	3.7%	12	1.5%	792
Northern Development and Mines	757	741	701	(56)	-7.4%	(40)	-5.4%	804
Office of Francophone Affairs	8	8	8	-	0.0%	-	0.0%	5
Tourism, Culture and Sport	2,179	2,134	2,270	91	4.2%	136	6.4%	1,650
Training, Colleges and Universities	7,810	7,760	7,634	(176)	-2.3%	(126)	-1.6%	7,660
Transportation	3,457	3,386	3,307	(150)	-4.3%	(79)	-2.3%	2,944
Treasury Board Secretariat	291	220	216	(75)	-25.8%	(4)	-1.8%	227
Contingency Fund	650	15	-	(650)	-100.0%	(15)	-100.0%	-
Employee and Pensioner Benefits	1,289	1,083	987	(302)	-23.4%	(96)	-8.9%	1,186
Program Review Savings Target	(490)			490	-100.0%			
Year End Savings	(1,000)			1,000	-100.0%			
Total Expense	**131,902**	**132,083**	**132,216**	**314**	**0.2%**	**133**	**0.1%**	**128,861**

Fiscal Balance
($ Billions)



[1] Represents the *2016–17 First Quarter Finances* outlook for 2016–17, and the *2016 Budget* outlook for 2017–18 to 2018–19. For 2009–10 to 2015–16, actual results are presented.
[2] Forecast for 2009–10 is based on the *2009 Ontario Economic Outlook and Fiscal Review*, 2010–11 to 2013–14 is based on the *2010 Budget*; 2014–15 is based on the *2014 Budget*; and 2015–16 to 2016–17 is based on the *2015 Budget*.
Source: Ontario Ministry of Finance.