Office of the Provincial Controller Division

2016-17 Public Accounts Preliminary Results

August 9, 2017

Confidential – For Internal Discussion Purposes

Highlights

2016-17 Preliminary Results								
$ Billions	**Budget**	**Interim**	**2016-17 Preliminary Results**	**2015-16 Actual**	**Change from Budget**	**%**	**Change from Interim**	**%**
Revenues	138.5	141.3	**140.7**	136.1	2.2	1.6%	(0.7)	-0.4%
Expenses								
Programs	129.4	130.9	**130.0**	128.1	0.6	0.5%	(0.9)	-0.7%
Interest on Debt	12.4	11.9	**11.7**	11.6	(0.7)	-5.6%	(0.2)	-1.7%
Total Expenses	141.8	142.8	**141.7**	139.7	(0.1)	-0.1%	(1.1)	-0.8%
Reserve	1.0	-	**-**	-	(1.0)		-	
Deficit Before Outstanding Items	(4.3)	(1.5)	**(1.0)**	(3.5)	3.3	-76.7%	0.5	-33.3%
Range of Impact of Outstanding Items			**(1.3) to 0.7**					
Est. Potential Range of Deficit			**(2.3) to (0.3)**					

Notes:

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

(2) Revenue numbers reflect preliminary discussions with the OAG, however, the discussions have not been finalized.

(3) Budget and Interim numbers are re-stated for BPS line by line reporting (no fiscal impact).

(4) Budget/Interim numbers may not add due to rounding.

Revenue

2016-17 Preliminary Actual Results								
$ Millions	**Budget**	**Interim**	**2016-17 Actual**	**2015-16 Actual**	**Change from Budget**	**%**	**Change from Interim**	**%**
Revenues								
Tax Revenue	91,819	95,063	**94,348**	91,818	2,529	2.8%	(715)	-0.8%
Transfers from Government of Canada	25,138	24,819	**24,543**	23,141	(595)	-2.4%	(276)	-1.1%
Income from Government Business Enterprise	5,027	5,297	**5,549**	4,909	522	10.4%	252	4.8%
Fees, Donations and Other Revenue from Hospitals, School Boards and Colleges	7,404	7,683	**7,957**	7,493	553	7.5%	274	3.6%
Other Revenue	9,094	8,468	**8,301**	8,787	(793)	-8.7%	(167)	-2.0%
Total Revenue	138,482	141,330	**140,698**	136,148	2,216	1.6%	(632)	-0.4%

Expenses

2016-17 Preliminary Actual Results								
$ Millions	Budget	Interim	2016-17 Actual (Prelim)	2015-16 Actual	Change from Budget	%	Change from Interim	%
Expense								
Program Expense	129,377	130,947	**130,017**	128,074	640	0.5%	(930)	-0.7%
Interest on Debt	12,412	11,908	**11,709**	11,589	(703)	-5.7%	(199)	-1.7%
Total Expenses	141,789	142,855	**141,726**	139,663	(63)	0.0%	(1,129)	-0.8%

Impact of Outstanding Items under review by OAG (>$75M each)

	Impact (+/- Deficit)
Contaminated Sites, including Grassy Narrows	+
Remedy Accrual	-
Tax Revenue Accruals	+
Land Claims	+
PBGF Loan Allowance	-
Drug rebates	+

Consolidated Expense By Ministry: Interim vs. Prelim. Actual

	Budget	2016-17 Interim	2016-17 Preliminary Results	Budget Variance	Budget % Change	Interim Variance	Interim % Change
Aboriginal Affairs	76	99	129	53	69.7%	30	30.3%
Agriculture, Food and Rural Affairs	916	1,074	1,032	116	12.7%	(42)	-3.9%
Attorney General	1,868	1,942	1,937	69	3.7%	(5)	-0.3%
Board of Internal Economy	219	226	220	1	0.5%	(6)	-2.7%
Children and Youth Services	4,346	4,392	4,379	33	0.8%	(13)	-0.3%
Citizenship, Immigration and International Trade	221	179	176	(45)	-20.4%	(3)	-1.7%
Community and Social Services	11,469	11,710	11,627	158	1.4%	(83)	-0.7%
Community Safety and Correctional Services	2,649	2,689	2,681	32	1.2%	(8)	-0.3%
Economic Development, Employment and Infrastructure/Research and Innovation	1,796	1,395	1,235	(561)	-31.2%	(160)	-11.5%
Education	26,545	26,726	26,580	35	0.1%	(146)	-0.5%
Teachers' Pension	(452)	(502)	(377)	75	-16.6%	125	-24.9%
Energy	393	926	920	527	134.1%	(6)	-0.6%
Environment and Climate Change	531	531	523	(8)	-1.5%	(8)	-1.5%
Executive Offices	44	49	48	4	9.1%	(1)	-2.0%
Finance	966	899	861	(105)	-10.9%	(38)	-4.2%
Interest on Debt	12,412	11,908	11,709	(703)	-5.7%	(199)	-1.7%
Municipal Partnership Fund	505	505	505	-	0.0%	-	0.0%
Power Supply Contract Costs	643	739	838	195	30.3%	99	13.4%
Government and Consumer Services	607	617	600	(7)	-1.2%	(17)	-2.8%
Health and Long-Term Care	55,786	56,345	56,026	240	0.4%	(319)	-0.6%
Labour	310	310	308	(2)	-0.6%	(2)	-0.6%
Municipal Affairs and Housing	1,060	1,541	1,544	484	45.7%	3	0.2%
Natural Resources and Forestry	820	862	858	38	4.6%	(4)	-0.5%
Northern Development and Mines	791	837	814	23	2.9%	(23)	-2.7%
Office of Francophone Affairs	6	5	5	(1)	-16.7%	-	0.0%
Tourism, Culture and Sport	1,339	1,537	1,539	200	14.9%	2	0.1%
Training, Colleges and Universities	10,198	10,182	10,130	(68)	-0.7%	(52)	-0.5%
Transportation	3,850	3,688	3,637	(213)	-5.5%	(51)	-1.4%
Treasury Board Secretariat	322	251	240	(82)	-25.5%	(11)	-4.4%
Contingency Fund	1,200	30	-	(1,200)	-100.0%	(30)	-100.0%
Employee and Pensioner Benefits	1,153	1,163	1,002	(151)	-13.1%	(161)	-13.8%
Program Review Savings Target	-			-			
Year End Savings	(800)			800	-100.0%		
Total Expense	**141,789**	**142,855**	**141,726**	**(63)**	**0.0%**	**(1,129)**	**-0.8%**

Preliminary Analysis (Interim vs. Prelim. Actual)

TBS

- Aboriginal Affairs: $30M higher expense reflects the land claim settlement with Lac Dec Mille Lacs First Nation (Ministry got TBS approval in June to make additional payment)
- Economic Development, Employment and Infrastructure (MEDEI): $160M lower expense is mainly due to $129M unspent amount of Clean Water and Wastewater Fund (CWWF) allocated in 2017 budget (Provincial contribution - $47M and Federal Contribution - $82M)
- Education: $146M lower expense is mainly due to lower contract service and compensation costs by the school boards.
- Teachers' Pension: $125M higher expense is mainly due to edits in the pension plan model.
- Interest on Debt: $199M lower interest expense is due to a multitude of factors including higher than anticipated consolidation adjustments and investment income, as well as lower than anticipated interest rate impacts.
- Health: $319M lower expense is mainly due to lower spending by hospitals and agencies.
- Power Supply Contract Costs: $99M higher expense offset by equal revenue – fiscally neutral adjustment
- Training, Colleges and Universities: The $52M lower expense mainly due to lower than expected spending on training and post-secondary programs.
- Employee and Pensioner Benefits: WSIB did change their estimation method. The reduction in the provision rate of 6.10% from 34.3% was a result of WSIB excluding first year claims administration expenses from the expense provision as a review concluded that first year claims administration expenses are part of the in-year expenses for the next year rather than part of the benefit liabilities of the current year end.

Communications Considerations

- General:
  - Questioning balanced budget narrative
  - Growing debt burden
  - Relationship with watchdogs

- Specific:
  - Qualified audit opinion (pension asset accounting, IESO accounting treatment)
  - BPS line-by-line consolidation
  - Trillium Trust drawdowns

Communications Strategy

- High profile, proactive, short-term communications approach via traditional, digital and social media
- Objectives:
  - **Mitigate** potential issues with strong issues management plan
  - **Promote** strong financial management, and transparency and accountability
- Considerations:
  - Remain **neutral** and **factual**, balancing need for gov't to state its position, while demonstrating respect for all parties involved
  - Communications plan, tactics and messaging remain **flexible** and **adjustable** based on coordination with MOF (e.g. Q1 Finances Aug. 15) and considering other reports (e.g. AG fair hydro plan report)
  - Tactics and messaging will be **reassessed**, as needed, to respond to **AG's position**

Communications (continued)

- Core products:
  - Communications plan
  - News release
  - Backgrounder
  - Qs&As
  - Web content
  - Social media

- Key messages:
  - Financial results
  - Responsible fiscal management
  - Transparency and accountability