Office of the Provincial Controller Division

2016-17 Public Accounts Results

August 28, 2017

Confidential – For Internal Discussion Purposes

Highlights

2016-17 Results (as of Aug 25)[1]								
$ 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)		-	
Annual Deficit	(4.3)	(1.5)	**(1.0)**	(3.5)	3.3	-76.7%	0.5	-33.3%

Notes:

(1) These results are subject to change for subsequent events pending public release.

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

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

Revenue

2016-17 Results (as of Aug 25)								
$ Millions	Budget	Interim	2016-17 Actual	2015-16 Actual	Change from Budget	%	Change from Interim	%
Revenues								
Tax Revenue	91,819	95,063	**94,346**	91,818	2,527	2.8%	(717)	-0.8%
Transfers from Government of Canada	25,138	24,819	**24,544**	23,141	(594)	-2.4%	(275)	-1.1%
Income from Government Business Enterprise	5,027	5,297	**5,567**	4,909	540	10.7%	270	5.1%
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	**8,320**	8,787	(774)	-8.5%	(148)	-1.7%
Total Revenue	138,482	141,330	**140,734**	136,148	2,252	1.6%	(596)	-0.4%

Expenses

2016-17 Results (as of August 25)								
$ Millions	Budget	Interim	2016-17 Actual (Prelim)	2015-16 Actual	Change from Budget	%	Change from Interim	%
Expense								
Program Expense	129,376	130,947	**130,016**	128,074	640	0.5%	(931)	-0.7%
Interest on Debt	12,412	11,908	**11,709**	11,589	(703)	-5.7%	(199)	-1.7%
Total Expenses	141,788	142,855	**141,725**	139,663	(63)	0.0%	(1,130)	-0.8%

Consolidated Expense By Ministry: Interim vs. Actual

	Budget	2016-17 Interim	2016-17 Preliminary Results	Budget Variance	Budget % Change	Interim Variance	Interim % Change
Aboriginal Affairs	77	99	128	51	66.2%	29	29.3%
Agriculture, Food and Rural Affairs	916	1,074	1,031	115	12.6%	(43)	-4.0%
Attorney General	1,868	1,942	1,937	69	3.7%	(5)	-0.3%
Board of Internal Economy	220	226	219	(1)	-0.5%	(7)	-3.1%
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	11,470	11,710	11,627	157	1.4%	(83)	-0.7%
Community Safety and Correctional Services	2,648	2,689	2,681	33	1.2%	(8)	-0.3%
Economic Development, Employment and Infrastructure/Research and Innovation	1,796	1,395	1,234	(562)	-31.3%	(161)	-11.5%
Education	26,545	26,726	26,581	36	0.1%	(145)	-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	47	3	6.8%	(2)	-4.1%
Finance	966	899	841	(125)	-12.9%	(58)	-6.5%
Interest on Debt	12,412	11,908	11,709	(703)	-5.7%	(199)	-1.7%
Municipal Partnership Fund	505	505	526	21	4.2%	21	4.2%
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	56,025	239	0.4%	(320)	-0.6%
Labour	309	310	308	(1)	-0.3%	(2)	-0.6%
Municipal Affairs and Housing	1,060	1,541	1,544	484	45.7%	3	0.2%
Natural Resources and Forestry	819	862	859	40	4.9%	(3)	-0.3%
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	1,540	201	15.0%	3	0.2%
Training, Colleges and Universities	10,198	10,182	10,131	(67)	-0.7%	(51)	-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	1,152	1,163	1,002	(150)	-13.0%	(161)	-13.8%
Year End Savings	(800)			800	-100.0%		
Total Expense	**141,788**	**142,855**	**141,725**	**(63)**	**0.0%**	**(1,130)**	**-0.8%**

Variance Analysis (Interim vs. Actual)

- 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.

Auditor General Opinion

- Two qualifications in the audit opinion
  - Pension assets ($12.4 billion increase to net debt and accumulated deficit; $1.4 billion increase to deficit →$2.4 billion deficit per AG)
    - Pension Panel identified as a “non-authoritative” source on PSAS application
  - IESO changed its accounting policy to recognize $1.6 billion market accounts assets and liabilities (market accounts track mainly buy and sell transactions between electricity power generators and distributors)
    - No impact to annual deficit, net debt or accumulated deficit
  - Other matters paragraphs in opinion
    - Rate-regulated accounting used by IESO in year not permitted under PSAS (used by IESO in year, but impact not material)
    - Future potential material misstatement resulting from “legislated accounting” in Fair Hydro Plan legislation and related regulations;
    - FSD&A does not reflect pension accounting or market accounts appropriately