AG on Pre-Election report

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Attachments: Pre-Election Report HBN April 25 2018.docx (28.01 kB)

Hi Gabrielle,
You may have seen this, but attached is a copy of TBS's house note on the AG's review of the pre-election report on Ontario's finances.
The report is expected to be tabled at 10:30 a.m. I'll send around a copy once it's posted online, along with the AG's news release.

Summary from TBS:

- On April 25, 2018, the AG issued her report on the results of her review. The Report concludes that the PER is not a reasonable presentation of Ontario's finances, determining that the Fair Hydro Plan and accounting of net pension assets understates expense estimates and contributes to an understatement of Provincial debt to GDP.
  - After adjusting for these items, the Report asserts that the annual deficit figures are $11.7B in 18-19, $12.2B in 19-20, and $12.2B in 20-21.
- With the exception of these two items, the Report concludes the majority of the province's estimates regarding revenue and program expenses are based on cautious assumptions.
- The Report also concludes that new initiatives and the expansion of programs presented in the medium-term fiscal plan are based on reasonable assumptions, but identifies two potential expense risks, including:
  - Compensation costs could differ from estimates as a number of public sector collective agreements are up for renegotiation over the next three years; and
  - The roll-out of new programs could face upward pressure due to higher than forecast uptake of entitlement programs
- The April 25, 2018 delivery situates the AG's report in close proximity to several other high-profile third-party reports and release of fiscal planning documents including:
  - The AG's Special Report on the Independent Electricity System Operator (IESO), posted to the AG's website on April 11, 2018;
  - The government's tabling of the 2018-19 Expenditure Estimates on April 23, 2018;
  - The release of the Financial Accountability Office's 2018 Economic and Budget Outlook report, anticipated before the writ of election (May 9, 2018); and

- Two reports to the legislature from the Standing Committee on Public Accounts, on Chapters 2 (Public Accounts) and 5 (Government Advertising) of the AG's 2017 Annual Report.

Key messages:

- The Pre-Election Report on Ontario's Finances, introduced in 2007, was the first of its kind in Canada and today remains one of only a few such documents in the world.
- The purpose of the 2018 Pre-Election Report on Ontario's Finances is to outline the province's estimated revenues and expenses and other details of the fiscal plan before the start of the Ontario general election.
- The province is committed to providing clear and accurate financial reports that support transparency and accountability in reporting to the public and the legislature.
- We appreciate the work of the Auditor General in ensuring the public receives an independent assessment of the province's finances in advance of the next Ontario general election.
- The Auditor General concludes that the report is not a reasonable presentation of Ontario's finances because of the accounting treatment of the net pension assets of the two jointly sponsored pension plans and use of rate-regulated accounting for the component of the Fair Hydro Plan that is recoverable from the ratepayer.
- The difference of opinion in accounting treatment on net pension assets and the Fair Hydro Plan are not new issues. The disagreement on pension accounting was previously reported by the Auditor General in her audit opinions on the Public Accounts. The disagreement on the accounting for the Fair Hydro Plan was reported in her Special Report on the Fair Hydro Plan released in October 2017.
- It is important to note that with the exception of the two accounting disagreements, the Auditor General has determined that the majority of the province's estimates regarding revenue, program expenses and interest on debt are based on cautious assumptions, as required by the Fiscal Transparency and Accountability Act.
- Ontario's fiscal policy is based on cautious assumptions and recognizes the need for flexibility to respond to changing circumstances. During this period of rapid economic change, the fiscal plan considers the impact of today's choices on different groups within the province and on future generations.