## 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 reporting of $1.6 billion market account assets and liabilities (amounts largely due to power generators and amounts from the local distribution companies)
    - 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