TBS

Office of the Provincial Controller Division

2016-17 Public Accounts Preliminary Results

July 31, 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	**139.6**	136.1	1.1	0.8%	(1.7)	-1.2%
Expenses								
Programs	129.4	130.9	**130.0**	128.1	0.6	0.5%	(0.9)	-0.6%
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)	0.0%	(1.1)	-0.7%
Reserve	1.0	-	**-**	-	(1.0)		-	
Deficit Before Outstanding Items	(4.3)	(1.5)	**(2.1)**	(3.5)	2.2	-48.8%	(0.6)	40.0%
Possible Range of Impact of Outstanding Items			**(1.1) to 0.1**					
Est. Potential Range of Deficit			**(3.2) to (2.0)**					

Notes:

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

(2) Revenue numbers are pending to tax revenue adjustments.

(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	**93,207**	91,818	1,388	1.5%	(1,856)	-2.0%
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	**139,557**	136,148	1,075	0.8%	(1,773)	-1.3%

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%

Areas under Review:	Increase (+)/Decrease (-) Deficit
Contaminated Sites, including Grassy Narrows	+
Tax Revenue Accruals	+
ELHT Expense Recognition	-
Land Claims	+

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