

Results-based Plan Briefing Book 2007/08

Ministry of Finance

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Vision and Mission

The vision of the Ministry of Finance is serving the vital public interest by supporting a strong economic, fiscal and investment climate for Ontario.

This vision is based on an Ontario that:

- provides leadership in jobs, income and investment;
- promotes accountability in public sector organizations to ensure the effective management and efficient use of taxpayer dollars;
- spends taxpayers' money on priority programs and public infrastructure investment with increasing economy, efficiency and effectiveness;
- has the financial capacity to sustain these government programs and infrastructure; and
- invests in a better future for the people of Ontario.

In support of this vision, the mission of the Ministry of Finance is to make responsible choices in establishing an environment that will sustain a dynamic, innovative and growing economy. This will enable the effective management of the fiscal, financial and related regulatory affairs of the Province of Ontario. Acting responsibly will guarantee the exceptional quality of life that the people of Ontario deserve.

Mandate

The Ministry of Finance supports the priorities of the Government of Ontario by:

- supporting a strong economy by maintaining a fair and competitive tax system, while making progress towards eliminating the deficit and investing in education, health and infrastructure;
- sustaining a strong economic, fiscal and investment climate for Ontario as a foundation for growth in employment, income and investment for a better future for all Ontarians and the development of the financial capacity to sustain priority programs and public infrastructure investment; and
- promoting accountability in public sector organizations to ensure effective management and efficient use of taxpayer dollars.



Programs

Ministry operations are handled by a number of programs and agencies, representing the major business activities as follows.

- Tax Policy and Budget Operations
- Economic, Fiscal and Financial Policy
- Financial Services Industry Regulation
- Results Office
- Treasury
- Ministry Administration

The Ministry of Finance has been restructured to include the Treasury Board Office, which provides central capacity for fiscal strategy and risk assessment, including internal audit services. In addition, while the ministry retains ownership of the Integrated Financial Information System, responsibility for its daily operations has been transferred to the Ministry of Government Services. Finally, the operations of the Ontario Strategic Infrastructure Financing Authority and the Strategic Asset Management Unit have been transferred to the Ministry of Public Infrastructure Renewal.

Functions

The Ministry of Finance performs a variety of roles, such as supporting a strong economic, fiscal and investment climate for Ontario and in ensuring accountability in the use of public funds.

As a central agency within government, the ministry:

- provides key fiscal, taxation and economic policy advice and support to the Minister of Finance, Cabinet and the Premier;
- is accountable for financial reporting to the public;
- prepares the Provincial Budget and a mid-year fiscal and economic update (Fall Statement); and
- promotes the principles of modern controllership within the Ontario Public Service and accountability for the use of public funds in all Ontario public sector institutions including universities, hospitals and school boards.



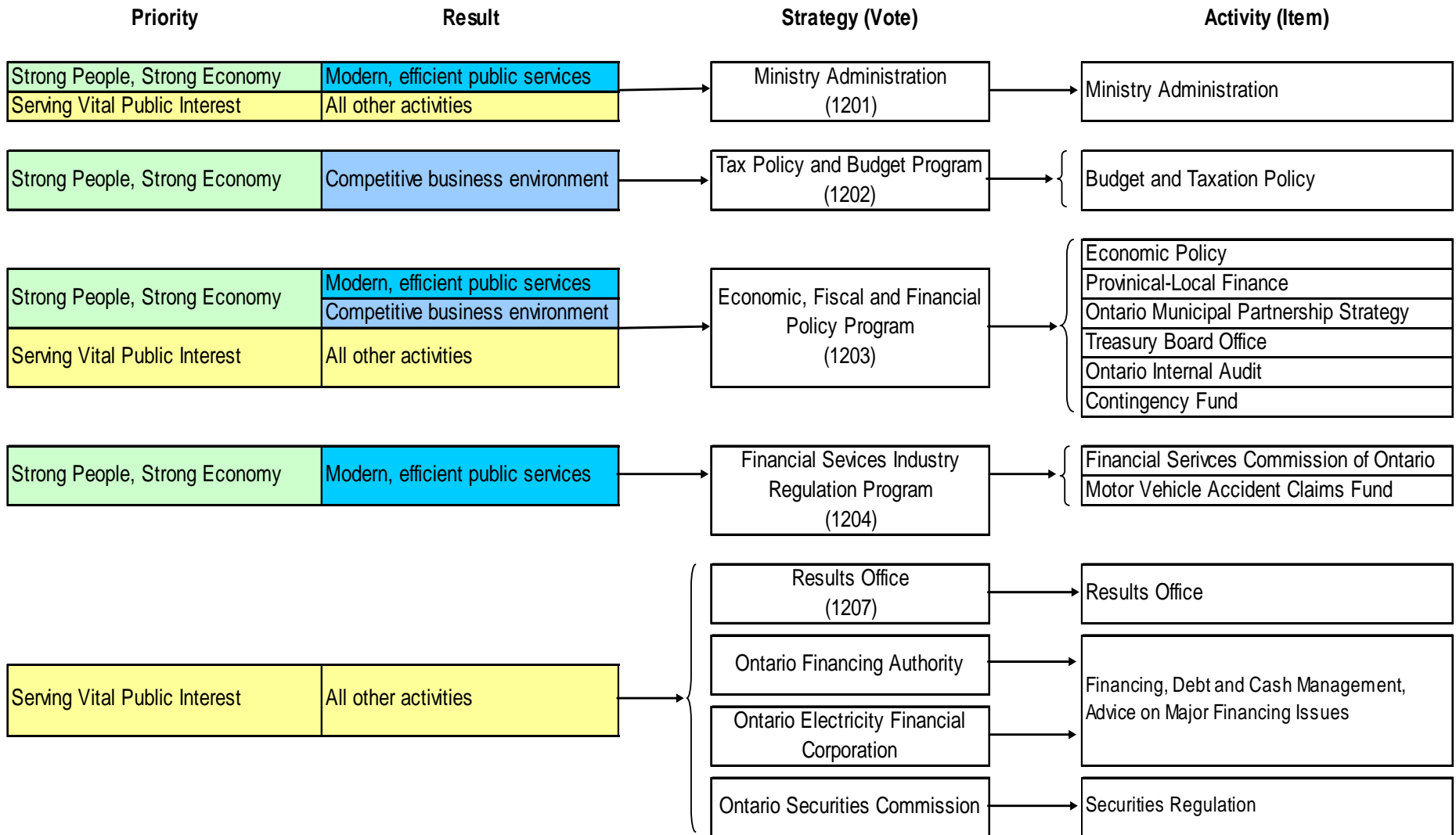
In its line responsibilities, the ministry:

- manages the province's financing arrangements and provincial debt;
- regulates through its agencies the financial services sector including securities, pensions and insurance industries; and
- manages the Ontario Municipal Partnership Fund, the province's main transfer payment to municipalities.

All Ministry of Finance activities are enablers, providing the foundation for many other activities in the Ontario Public Service. Some activities directly support the **Strong People, Strong Economy** government priority, contributing to a **competitive business environment** and a **modern, efficient public service**. The balance of the work performed by the Ministry directly serves the **Vital Public Interest**.



MINISTRY CONTRIBUTION TO KEY PRIORITIES AND RESULTS





Performance Measures

Performance Measures for the Ministry of Finance linked to the government's **Getting Results for Ontario** strategic plan are as follows. High-level cross-ministry measures are indicated with an *.

Priority: Strong People, Strong Economy

Result: Modern, efficient public services

- **Realize program review savings of \$750 million by 2007-08**

As outlined in the *2006 Ontario Economic Outlook and Fiscal Review* and the *2007 Budget*, the program review savings target has been exceeded. The total achieved program review savings is \$806M.*

Result: Ensure a competitive business environment that will attract jobs to, and investment in, Ontario's economy

- **On track for 5 consecutive balanced budgets, if the reserve is not required in 2007-08.** The 2007 Budget indicates that the Province anticipates a \$0.3 billion surplus in 2006-07, and if the reserve is not required, surpluses of \$0.4 billion in 2007-08, \$1.3 billion in 2008-09 and \$1.6 billion in 2009-10.*

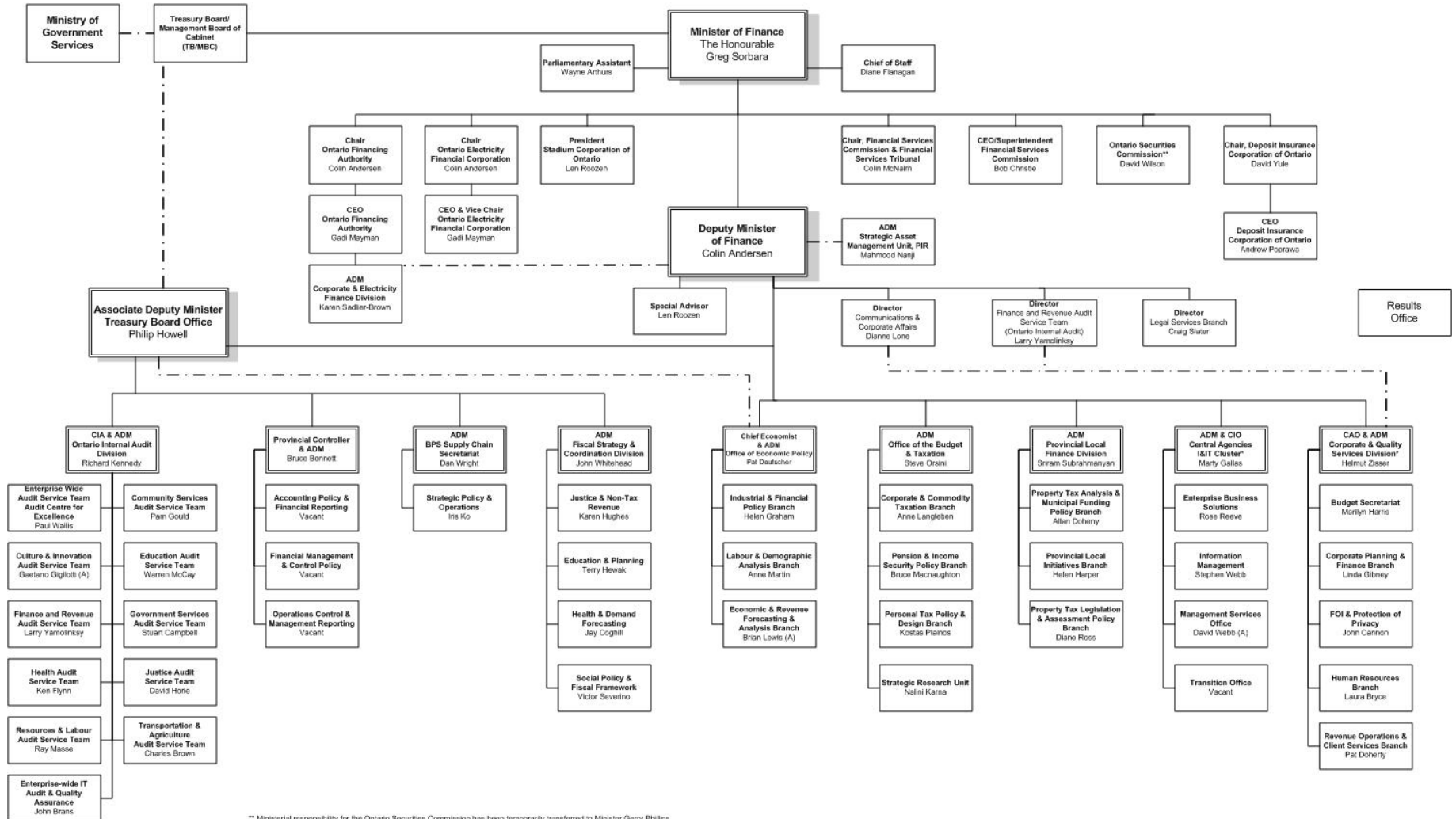
- **Maintain a prudent debt to GDP ratio**

From the *2007 Budget*, the Province's debt-to-GDP ratio is projected to decline from 25.2 % in 2003-04 to 17.4% percent in 2009-10.*

* Indicates a cross-ministry measure.



Ministry of Finance March 2007



** Ministerial responsibility for the Ontario Securities Commission has been temporarily transferred to Minister Gerry Phillips.



Legislation

The following is a list of the legislation for which the Ministry of Finance has primary legislative or administrative responsibility, sorted by the core business and the item or sub-item.

Tax Policy, Budget and Revenue Operations

Item 1202-1: Budget and Taxation Policy

Crown Foundations Act, 1996
 Estate Administration Tax Act, 1998
 Ministry of Revenue Act
 Taxpayer Protection Act, 1999
 Pension Benefits Act, 1990 (joint with the Financial Services Commission of Ontario)
 Commercial Concentration Tax Act
 Community Small Business Investment Funds Act
 Corporations Tax Act
 Employer Health Tax Act
 Fuel Tax Act
 Gasoline Tax Act
 Highway Traffic Act (only specified provisions)
 Land Transfer Tax Act
 Mining Tax Act
 Race Tracks Tax Act
 Retail Sales Tax Act
 Tobacco Tax Act
 Ontario Guaranteed Annual Income Act
 Income Tax Act (Ontario)
 City of Toronto Act, 2006
 Ontario Home Ownership Savings Plan Act

Economic, Fiscal and Financial Policy

Item 1203-1: Economic Policy

Statistics Act

Item 1203-5 Provincial-Local Finance Division

Assessment Act
 Municipal Property Assessment Corporation Act, 1997
 Municipal Act, 2001 (joint)
 Education Act (joint)
 Provincial Land Tax Act (joint)
 Provincial Land Tax Act, (2006) (in force on January 1, 2009)



Electricity Act, 1998 (only specific provisions)
 Tax Incentive Zone Act (Pilot Projects), 2002
 Tax Increment Financing Act, 2006

Item 1203-8 Treasury Board Office

Auditor General Act
 Capital Investment Plan Act, 1993 (joint)
 Financial Administration Act (joint)
 Fiscal Transparency and Accountability Act, 2004
 Management Board of Cabinet Act
 Ministry of Treasury and Economics Act
 Public Sector Salary Disclosure Act, 1996
 Supply Act
 Treasury Board Act, 1991

Financial Services Industry Regulation

Item 1204-1: Financial Services Commission of Ontario

Automobile Insurance Rate Stabilization Act, 2003
 Compulsory Automobile Insurance Act
 Co-operative Corporations Act
 Credit Unions and Caisses Populaires Act, 1994
 Financial Services Commission of Ontario Act, 1997
 Insurance Act
 Loan and Trust Corporations Act
 Marine Insurance Act
 Mortgage Brokers Act
 Mortgage Brokerages, Lenders and Administrators Act, 2006
 Pension Benefits Act
 Prepaid Hospital and Medical Services Act
 Registered Insurance Brokers Act

Item 1204-2: Motor Vehicle Accident Claims Fund

Motor Vehicle Accident Claims Act

Securities Regulation

Commodity Futures Act**
 Securities Act**
 Toronto Futures Exchange Act**
 Toronto Stock Exchange Act**
 Canadian Public Accountability Board Act (Ontario), 2006 (unproclaimed)**
 Trust Beneficiaries' Liability Act, 2004



*(** The Ontario Securities Commission is a self-funded regulatory agency reporting to the Minister of Government Services. The Commission finances are not included in the Printed Estimates. Administration of the Commission and these six statutes is temporarily assigned to the Minister of Government Services.)*

Treasury

Statutory Item: Interest on Debt for Provincial Purposes

Capital Investment Plan Act, 1993 (joint)
Financial Administration Act (joint)
Ontario Loan Acts
Electricity Act, 1998 (joint)

Other

Province of Ontario Savings Office Act, 1990
Province of Ontario Savings Office Privatization Act, 2002
Skydome Act (Bus Parking), 2002
Unclaimed Intangible Property Act, 1990
MPPs Pension Act, 1996
Social Contract Act, 1993
Superannuation Benefits Adjustment Act, 1994



Agencies, Boards and Commissions

Ontario Financing Authority (Operational Enterprise Agency)

The Ontario Financing Authority (OFA) is an agency of the Province of Ontario, created under the Capital Investment Plan Act, 1993, and reporting to the Minister of Finance through the Chair of the Board of Directors. The OFA is responsible for: executing the borrowing, investment and financial risk management activities on behalf of the Province, its Crown corporations and other public bodies, in the most sound and cost effective manner; providing efficient centralized cash and debt management services for the Province, its Crown corporations and other public bodies; providing financial advice on specific financing or related proposals from the private sector and from ministries, agencies and the broader public sector, including capital infrastructure investments and asset reviews, and their impact on the Province's direct and indirect liabilities; providing financing advice related to electricity and electricity supply issues, including financial analysis, modeling and related advice regarding electricity sector financial issues. It is also responsible for the issuance of Ontario Savings Bonds.

In addition, the OFA provides financial services and advice on a fee-for-service basis to the Ontario Electricity Financial Corporation (OEFC). The OEFC is the agency responsible for servicing and retiring the former Ontario Hydro's provincially guaranteed debt and certain other liabilities of the former Ontario Hydro. Similar financial services are also provided to the Ontario Infrastructure Projects Corporation (OIPC).

The OFA continues to manage post-sale activities of the Province of Ontario Savings Office (POSO), including legal requirements and liaison with former POSO clients, to ensure that the needs of former POSO account holders are adequately met. POSO was sold to Desjardins Credit Union Inc. and pursuant to the Sale Agreement, the sale closed on March 31, 2003.

In accordance with the recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA), the OFA's revenues and expenses are consolidated on a line-by-line basis with those of the Province.

FINANCIAL DATA in \$millions

	2006-07 Interim Actuals	2007-08 Estimates
Total Revenue	25.2	25.2
Total Expenses	25.2	25.2
Operating Surplus	0.0	0.0



Ontario Electricity Financial Corporation (Operational Enterprise Agency)

The Ontario Electricity Financial Corporation (OEFC) was established by the *Electricity Act, 1998* as the legal continuation of the former Ontario Hydro. OEFC is an agency of the Province of Ontario and is responsible for servicing and retiring the former Ontario Hydro's provincially guaranteed debt and managing certain other legacy liabilities. Effective April 1, 2004, a pricing structure which better reflected the true cost of generation was put in place whereby the first 750 kWh of consumption per month was charged at 4.7 cents per kWh and consumption over that amount was charged at 5.5 cents per kWh. This structure remained in place until the Ontario Energy Board implemented a new structure effective April 1, 2005. OEFC relies on a series of dedicated revenue streams generated from the electricity sector to extinguish its obligations. The public debt that was issued by the former Ontario Hydro remains the obligation of OEFC and continues to be fully guaranteed by the Province of Ontario. The Ontario Financing Authority, an agency of the Province of Ontario, provides risk management, cash management, banking and accounting services to OEFC in order to manage and retire the outstanding debt and derivative contracts of the former Ontario Hydro.

FINANCIAL DATA in \$millions

	2006-07 Interim Actuals	2007-08 Estimates
Total Revenue	3,683.0	3,995.0
Total Expenses	2,888.0	2,858.0
Excess (deficiency) of revenue over expense	795.0	1,137.0

Financial Services Commission of Ontario (Regulatory Agency)

The Financial Services Commission of Ontario (FSCO) provides for the regulation of insurance, pension plans, loan and trust companies, credit unions and caisses populaires, mortgage brokers, and co-operative corporations by delivering efficient and effective regulatory services that protect consumers of financial services and support a reliable, dynamic and competitive industry. FSCO also makes recommendations to the Minister on matters affecting the regulated sectors. In addition, the Motor Vehicle Accident Claims Fund (MVACF) compensates persons injured in automobile accidents in Ontario by an uninsured or unidentified vehicle where there is no other insurance available to respond to the claim.



FINANCIAL DATA in \$millions

	2006-07 Interim Actuals	2007-08 Estimates
Total Revenue	0.0	0.0
Total Expenses	58.4	61.4
Recovery	57.9	54.9
Operating Surplus/(Deficit)	(0.5)	(6.5)*

* To address assessment amounts not recovered by the Financial Services Commission of Ontario by fiscal year end, but recovered during the following fiscal year.

Financial Services Tribunal (Adjudicative Agency)

The Financial Services Tribunal is an independent, adjudicative body that conducts hearings arising from regulatory and proposed regulatory decisions of the Superintendent. The Tribunal has exclusive jurisdiction to exercise the powers conferred under the Financial Services Commission of Ontario Act, 1997, and other Acts that confer powers on or assign duties to the Tribunal.

FINANCIAL DATA in \$millions

	2006-07 Interim Actuals	2007-08 Estimates
Total Revenue	0.0	0.0
Total Expenses	0.4	0.4
Recovery	0.4	0.4
Operating Surplus	0.0	0.0

Deposit Insurance Corporation of Ontario (Operational Enterprise Agency)

The Deposit Insurance Corporation of Ontario is responsible for protecting depositors in credit unions and caisses populaires by providing deposit insurance within statutory limits; establishing standards of sound business and financial practices; acting as a stabilization authority with powers to inspect and to supervise the operations of credit unions and caisses populaires in difficulty; administering the affairs of credit unions and caisses populaires with insufficient capital and providing financial assistance to these institutions when necessary; and conducting orderly liquidations and making direct



payments to depositors. The corporation's administrative costs and insurance funding are provided for by an annual insurance premium paid by all credit unions and caisses populaires conducting business in the Province of Ontario.

FINANCIAL DATA in \$millions

	2006-07 Interim Actuals	2007-08 Estimates
Total Revenue	21.02	21.67
Total Expenses after Recoveries	5.71	6.05
Provision for Loss (Recovery)	0.29	5.00
Contribution to Insurance Reserve Fund	15.02	10.62

Ontario Securities Commission (Regulatory Agency)

Securities regulation in Ontario is performed by the Ontario Securities Commission (OSC). On November 1, 1997, the OSC became a self-funded Crown corporation without share capital. The OSC exists to protect investors while fostering capital formation and the efficiency and integrity of Ontario's and Canada's capital markets within the framework imposed by the legislation which the OSC administers. The OSC is included in the ministry's estimates on a consolidated basis. Administration of the Commission and applicable statutes has been assigned to the Minister of Government Services.

FINANCIAL DATA in \$millions

	2006-07 Interim Actuals	2007-08 Estimates
Total Revenue	70.5	75.2
Less: Revenue Received from Province	0.0	0.0
Total Expenses	68.9	82.4
Operating Surplus	1.6	(7.2)
Capital Expenditures	1.1	3.7
Net Surplus/(Deficit)	0.5	(10.9)

Stadium Corporation of Ontario Limited (Operational Enterprise Agency)

The Stadium Corporation of Ontario Limited (STADCO) was incorporated on August 1, 1984 under the Business Corporations Act and the Minister of Finance is the sole shareholder. STADCO was initially formed by the Province to construct and operate a



covered stadium in the City of Toronto – SkyDome. SkyDome was sold to private interests in 1994 and is now known as the Rogers Centre.

STADCO has ongoing responsibilities for contingent liabilities and obligations resulting from its past construction, operation, maintenance and ownership interest in the Rogers Centre, including the obligation to provide permanent bus parking for the Centre. STADCO's priority is the ownership and operation of the bus parking facility adjacent to the Rogers Centre.

Ontario Economic Forecast Council (Advisory Agency)

The *Fiscal Transparency and Accountability Act* (FTAA), which received Royal Assent in late 2004, requires the Minister of Finance to establish a council to provide advice on the macroeconomic outlook.

The Act states: "The Minister shall establish an advisory body to be known as the Ontario Economic Forecast Council" and that "Upon request, the Council shall give the Minister advice relating to macroeconomic forecasts and assumptions to be used to prepare the Budget and the related fiscal plan".

Council members will be individuals who are knowledgeable about the Ontario economy and with expertise in economic analysis and forecasting. Members will serve without remuneration but can be reimbursed for their expenses.

FINANCIAL DATA in \$millions

	2006-07 Interim Actuals	2007-08 Estimates
Total Revenue	0.0	0.0
Total Expenses	0.00016	0.006
Operating Surplus/(Deficit)	(0.00016)	(0.006)



SUMMARY FINANCIAL INFORMATION

Table 1: Ministry Planned Expenditures 2007/08 (\$M)

Ministry Planned Expenditures 2007/08	
Operating	9,768
Capital	-

Table 2: Operating and Capital Summary by Vote

Votes/Programs	Estimates 2007/08 \$	Change from 2006/07 Estimates		Estimates 2006/07 \$	Interim Actuals 2006/07 \$	Actuals 2005/06 \$
		\$	%			
OPERATING AND CAPITAL						
Ministry Administration	148,913,400	14,177,600	10.5	134,735,800	135,641,779	95,317,256
Tax Policy and Budget Operations	13,049,200	225,200	1.8	12,824,000	127,823,900	8,892,658
Economic, Fiscal and Financial Policy	1,670,330,600	(1,276,917,000)	(43.3)	2,947,247,600	943,331,600	982,683,618
Financial Service Industry Regulation	6,501,000	6,000,000	1197.6	501,000	501,000	96,561
Results Office	3,117,200	-		3,117,200	3,117,200	2,255,434
Total Including Special Warrants	1,841,911,400	(1,256,514,200)	(40.6)	3,098,425,600	1,210,415,479	1,089,245,527
Less: Special Warrants	-	-		-	-	-
Total to be Voted	1,841,911,400	(1,256,514,200)	(40.6)	3,098,425,600	1,210,415,479	1,089,245,527
Special Warrants	-	-		-	-	-
Statutory Appropriations	-	-		-	-	-
<i>Treasury Program</i>	7,926,000,000	(245,510,000)	(3.0)	8,171,510,000	7,672,258,722	7,809,059,086
<i>Other Statutory Appropriations</i>	64,699	(600,545)	(90.3)	665,244	50,244	55,247,632
Ministry Total Operating and Capital	9,767,976,099	(1,502,624,745)	(13.3)	11,270,600,844	8,882,724,445	8,953,552,245
ASSETS						
Economic, Fiscal and Financial Policy	-	-		-	-	67,500,000
Total Assets to be Voted	-	-		-	-	67,500,000

Appendix I: 2005/06 Annual Report 2006/07 Annual Report

Ministry of Finance



Key Activities

The Ministry of Finance directly supports the government's **Strong People, Strong Economy** priority and the following results:

- **Competitive business environment:** *Ensure a competitive business environment that will attract jobs to, and investment in, Ontario's economy.*
- **Modern, efficient public service:** *Deliver timely, cost-effective and accountable public services.*

The balance of ministry activities directly **Serve the Vital Public Interest** acting as enablers and providing the foundation for many other OPS activities. Ministry of Finance activities fall within six core businesses:

- Tax Policy and Budget Operations;
- Economic, Fiscal and Financial Policy;
- Financial Services Industry Regulation;
- Government Financing and Debt Management;
- Internal business support;
- Central Agencies Information and Information Technology.



ANNUAL REPORT 2005/06

Modern, efficient public services:

Deliver timely, cost-effective and accountable public services.

- **Report Fiscal and Financial Results**
 - Implemented the Fiscal Transparency and Accountability Act (FTAA).
 - Tabled the 2004-05 Public Accounts on September 27, 2005
 - Provided leadership and coordination to partner ministries EDU, MTCU and MOHLTC in implementing the “one-line” consolidation of 104 school boards and school authorities, 24 colleges, and 156 hospitals into the financial statements of the Province, beginning with the 2005-06 Public Accounts.
 - Tabled the 2004-05 Annual Report and Public Accounts within the required 180 days.
 - Released the 2006 Budget prior to the beginning of the 2006-07 fiscal year.
 - Released the 2005-06 Fall Economic Outlook and Fiscal Review 32 days after the end of the second quarter.

- **Ensure Financial Controls**
 - Received an Unqualified Opinion from the Auditor General for the province’s accounts for 2004-05
 - Announced at the end of the second quarter a 2005-06 deficit projection of \$2.4 billion, \$427 million lower than forecast in the 2005 Budget.
 - Developed an HR strategy to attract and retain financial officers in the OPS.

- **Eliminate/Streamline Inter-Jurisdictional Overlap in Financial Services Regulation**
 - As a key member of the Joint Forum of Financial Market Regulators, the Canadian Association of Pension Supervisory Authorities (CAPSA) and the Canadian Council of Insurance Regulators (CCIR), FSCO played a significant role in the following initiatives of these national organizations.
 - ◆ Released public consultation paper *Relationships between Insurers and Sales Intermediaries* in June 2005.
 - ◆ Worked with other CAPSA jurisdictions to consult with stakeholders on regulatory principles for a model pension law.
 - ◆ Introduced new harmonized application forms in September, 2005 for life agents, accident and sickness agents, general agents and general brokers.
 - ◆ Pending the federal incorporation of all Ontario loan and trust companies, as of July 1, 2005, all provincially incorporated companies had either exited Ontario or were incorporated under the *Loan and Trust Companies Act* (Canada) and FSCO continues to work with MoF to revisit the amendments to the *Loan and Trust Corporations Act* prior to proclamation to ensure they do not impact or compromise provisions regarding market conduct.



- ♦ Assisted in the publication on May 28, 2004 of Joint Forum Guidelines for Capital Accumulation Plans.
 - ♦ Worked with other CAPSA jurisdictions to release in October 2004 new national guidelines for the governance of pension plans.
 - ♦ Published on January 28, 2005 Joint Forum Principles and Practices for the Sale of Products and Services in the Financial Sector.
 - ♦ Developed in May 2005 new harmonized Life Insurance Statements, called Life-1 and Life-2, to replace OSFI 54 and OSFI 55 and Quality Control statements for the 2005 year-end.
 - ♦ Proposed new inter-provincial secretariat, General Insurance Statistical Agency (GISA), incorporated June 28, 2005, to provide an amended governance model in the best interest of consumers and independent of the auto insurance industry for oversight of the Automobile Insurance Statistical Plan.
- **Centralize Revenue Processing**
 - Feasibility Study Report identified a number of opportunities to consolidate revenue processing from other ministries to MoF. Study recommends phased approach for the deliverables beginning in 2006-07.
 - Centralization of revenue processing will enhance the debt and investment management functions of the OFA to mitigate Interest on Debt costs and leverage the use of advanced banking technology on a standardized OPS-wide basis.
 - The Long Term Solution project to replace key technology is currently in the RFP stage. Increased use of electronic revenue processing may reduce frequency of returned cheques minimizing bad debt costs and contributing to better overall accounts receivable management. By employing enterprise risk management best practices, MoF has developed emergency power and alternate site strategies to mitigate potential future disruption to revenue processing/banking.
 - **Integrate Call Centre Infrastructure and Business Model**
 - Business model was developed for a long-term vision; technology options reviewed and infrastructure upgraded; going forward, the remaining three phases of this strategy will be incorporated into the MOST strategy.

Competitive Business Environment:

Ensure a competitive business environment that will attract jobs to, and investment in, Ontario's economy.

- **Enhance Efficiency/Effectiveness of Property Tax and Assessment Model**
 - Provincial-Local Finance Division (PLFD) will assume operational responsibility for the Ontario Property Tax Analysis system (OPTA) from MMAH in March 2006. OPTA is used by the vast majority of municipalities which rely on the system to implement assessment and property tax policy. A four-year contract was negotiated with the vendor beginning in fiscal 2005-06.



- **Provincial-Municipal Finance Policy**
 - Northern Grow Bonds pilot in April 2005 to provide loans to new and growing northern businesses
 - The Ontario Municipal Partnership Fund (OMPF), the Province's largest transfer payment serving 87 per cent of Ontario's municipalities, was introduced to replace the Community Reinvestment Fund (CRF) as a more equitable provincial municipal funding model.
 - PLFD led the MOF contribution to the Ontario-City of Toronto negotiations regarding the new City of Toronto Act, providing input on potential revenue tools and increased financial administration powers.
 - Worked with stakeholders to develop a new assessment approach for managed forest properties. Participated in the "Managed Forest Tax Incentive Committee" of external stakeholders.

- **Financial Services Regulatory Policy**
 - Worked with the Deposit Insurance Corporation of Ontario and the Financial Services Commission of Ontario, as well as with representatives of the credit union sector to develop proposal for amendments to the Credit Unions and Caisses Populaires Act by March 31, 2006.
 - Developed and released draft regulations that describe how the cost of borrowing for consumer loans made by credit unions, insurance companies and mortgage brokers is to be calculated and disclosed to the consumer - planning to introduce new rules in 2006.
 - Reviewed the Mortgage Brokers Act as committed in the 2004 Budget. First reading of the new act, which will enhanced consumer protection, is planned for Fall 2005.

- **Securities Policy**
 - Supported the Minister's participation at first-ever Federal-Provincial-Territorial meeting of ministers responsible for securities regulation.
 - Moving on recommendations of the Standing Committee on Finance and Economic Affairs (SCFEA).
 - Advised the Minister on the introduction of 15 new rules.
 - Completed consultations on draft securities transfer legislation introduced December 2005.

- **Automobile Insurance Policy**
 - Introduced amendments to the Highway Traffic Act, the Insurance Act and the Compulsory Automobile Insurance Act to limit the liability of vehicle leasing and rental companies.
 - Continued the reform of the automobile insurance system by eliminating the Designated Assessment Centres (DACs) on March 1, 2006 and instituting a replacement system which will continue to allow claimants to use their own health care professionals to determine entitlement to benefits.



- **Fiscal and Financial Policy**
 - Achieved \$407 million of the \$750 million program review savings target for 2007-08 as announced in the 2004 Budget.
 - Based on the 2004-05 Public Accounts and Printed Estimates, the government did not exceed its legal spending authority, but instead managed with significant under spending.
 - The *Treasury Board Act* was amended to permit post-year end Treasury Board Orders up until the time when the books for the fiscal year are closed. Treasury Board/Management Board of Cabinet can reallocate monies appropriated by the Legislature, provided that an offset can be found so that total legal spending authority is not exceeded.
 - Under-spending/savings were minuted into the Contingency Fund. Preparation/coordination of minutes for the year-end reinvestments totaling \$622M across 12 ministries offset from the Management Board Contingency Fund, Capital Contingency Fund and Change Fund.
 - Treasury Board Orders published in the Ontario Gazette annually (e.g., 96 TBOs in 2004-05).
 - Building on the work done in 2004-05, RbP instructions, reporting requirements and methods and the number of hold-backs and report-backs have been further streamlined and integrated for the 2006-07 cycle.
 - Published Performance Measurement (PM) Guide and web-enabled PM Measurement and Progress System (MAPS) which won PSQF award.

- **Federal-Provincial Fiscal Arrangements**
 - Provided support to the Minister of Finance as Chair of the Provincial-Territorial Finance Ministers meetings and in meetings with federal, provincial and territorial Ministers of Finance.
 - Provided support to the Premier and Minister of Finance in their negotiations with the federal government and other provinces and territories over fiscal imbalance, the \$23 billion fiscal gap, the Canada-Ontario Agreement of May 2005, the Labour Market Development and Partnership Agreements, the Canada-Ontario Immigration Agreement, and improved financial support for postsecondary education.

- **Economic Policy Framework Development**
 - Developed and published "Toward 2025: Assessing Ontario's Long-Term Outlook".
 - Provided analytical and policy support to the Minister of Finance, Premier's Office/Cabinet Office and other ministries on a wide range of economic issues (e.g. Reaching Higher, the largest investment in 40 years; the Immigration and Labour Market Development Agreements; economic impact component of new Cabinet Submissions; Labour Sponsored Investment Funds (LSIFs); Tax Increment Financing; the Northern Prosperity plan with MNDM; the Ontario Ethanol Strategy; MRI and the Ontario Research and Innovation Council).



- **Provincial Tax Policy**
 - 2005 Budget released May 11, 2005. Implemented 2005 Budget measures through amendments via numerous statutes (Bill 197 and Bill 18).
 - Worked with line ministries in developing options to improve work incentives and other reforms to the social assistance system.
 - Introduced and passed enhancements to Film Tax Credits and other media tax credits.
 - Published in November 2005 the first annual tax expenditure report as part of the *2005 Ontario Economic Outlook and Fiscal Review*.
 - Developed tax implications analysis, including input on impact of changing demographics and new economy on RST for *Toward 2025: Assessing Ontario's Long-Term Outlook*.
 - City of Toronto Act – participated in Ontario-Toronto joint task force meetings; Worked with PLFD / MAH to provide analysis and advice re taxation options.
 - Reviewed and introduced phase-out of Labour-Sponsored Investment Fund (LSIF) program.

- **Pension and Income Security Policy**
 - Developed amendments to the Pension Benefits Act and Regulation 909 to implement changes announced in the Spousal Relationships Statute Law Amendment Act, 2005.
 - Developed credible pension proposal for the Stelco Plan Restructuring Agreement signed on September 19, 2005 between the Province and Stelco.
 - Worked with MOL providing advice and draft legislation for Bill 211, “The Ending Mandatory Retirement Statute Law Amendment Act, 2005”.
 - Issued a Ministry of Finance consultation paper entitled “The Funding of Jointly-Sponsored Defined Benefit Pension Plans” and introduced amendments to the Pension Benefits Act and associated Regulations.
 - Worked with the MMAH providing advice on draft legislation for Bill 206, “The Ontario Municipal Employees Retirement System Act, 2005”.
 - Completed Order-in-Council enabling non-transferable Ontario debentures held by Teachers’ Pension Plan (TPP) to be transferred to a wholly owned subsidiary of the TPP.

Serving a Vital Public Interest:

- **Financing, Debt and Cash Management, Advice on Major Financing Issues (OFA and OEFC)**
 - Completed a long-term public borrowing program of \$23.8 billion. Achievements included establishment of a Kangaroo program (Australian dollars), first South African rand financing, and the first real return bond (RRB) by the Province/Ontario Electricity Financial Corporation (OEFC). The RRB was issued on behalf of OEFC to replace an existing liability and will save \$9 million annually.
 - Provided advice to GO Transit and upon completion of a foreign exchange agreement with them, saved \$11.5 million by transacting in the foreign



- exchange market rather than paying the manufacturer of the new locomotives in Canadian dollars.
 - 2005 Ontario Savings Bonds campaign raised \$1.8 billion.
 - Announced in the 2004 Ontario Budget, the Northern Ontario Grow Bonds pilot project is aimed at new and expanding businesses in Northern communities. Grow bonds were issued In April 2005 for a five year term. Proceeds will be used to fund loans to new and growing businesses in northern communities.
 - Coordinated the post-2006 Ontario Budget credit rating process with the credit rating agencies (DBRS, Moody's and Standard and Poors). All three agencies reaffirmed Ontario's double-A ratings with stable trends.
 - Provided advice and support for the government's Asset Review, including a review of options with respect to Teranet and the Ontario Clean Water Agency.
 - Provided guidance to the Ministry of Natural Resources on the development and implementation of the \$350 million Forest Sector Loan Guarantee Program.
 - Facilitated the establishment of a low-cost, short-term \$1 billion global facility for Ontario school boards for Stage 1 of the Province's "Good Places to Learn" initiative.
 - Monitored and analyzed the business plans, projections and financial updates for Ontario Power Generation (OPG) and Hydro One and their impacts on the Province's fiscal position.
 - Provided analysis and modeling to OEFC as part of the management and reporting on OEFC and the pay down of its unfunded liability.
 - Provided policy analysis and advice to the Ministry of Finance and the Government on financing by OEFC to OPG for the Niagara Tunnel and Thunder Bay conversion, with financing up to \$1 billion and \$95 million respectively.
 - Building on the 2004-05 Ministry's cash management directive, staff worked on the implementation of good and consistent cash management practices across the OPS.
 - A competitive tender for the banking services was secured with Royal Bank for the Ministry of Community and Social Services', Family Responsibility Office (FRO). The new tender provided FRO with significant new options for technically advanced electronic service delivery and efficiencies.
- **Broader Public Sector Supply Chain**
 - Established the BPS Supply Chain Management Secretariat to accelerate the widespread adoption of integrated Supply Chain Management (ISCM) leading practices by Ontario's broader public sector.
 - Formed the OntarioBuys Advisory Group consisting of sector supply chain management leaders and SCM expert-practitioners to provide expert advice on the strategic direction of the SCM transformation.



- iSCM: A Leading Practices Compendium” was developed with the help of the BPS expert practitioners. The Compendium identified 45 iSCM leading practices as reference for the BPS.
 - Mobilized the BPS Supply Chain Management in the health sector through presenting the OntarioBuys initiative at conferences, such as the 2005 Supply Chain Summit and 2005 Ontario Healthcare Association Conference.
 - Recommended approval of transfer payment agreements for nine analysis and implementation projects in the health and education sectors which actively engaged over 30% of the institutions in the health and education sectors.
- **Enhance Financial Effectiveness of Local Funding Administration**
 - Introduced the Ontario Municipal Partnership Fund (OMPF) in March 2005 as a more equitable, understandable and transparent provincial municipal funding model to replace the Community Reinvestment Fund (CRF) as the Province's largest transfer payment serving 87 per cent of Ontario's municipalities.
 - Completed in October 2005 the first reconciliation update of the 2005 OMPF to reflect more current cost data, a significant improvement over the two-year lag that characterized CRF reconciliations.
- **Corporate Administration**
 - Submitted to MGS a Business Continuity Plan (BCP) required by the OPS Emergency Management initiative and was nominated for an Amethyst Award by being the only ministry to do so by the December 31, 2004 deadline.
 - Conducted a business review of the Human Resources Branch in order to meet client service delivery needs, respond to strategic drivers, and position the Branch to respond to the changes flowing from the Centre for Leadership Human Resources Management OPS/HR Service Delivery Transformation Project, resulting in the creation of five Centres of Excellence and the establishment of customer focused Client Relations Teams.
 - Budget Secretariat and Corporate Planning and Finance Branch reviewed and new organizational models to be implemented in 2005-06.
- **Economic, Revenue and Demographic Forecasting and Analysis**
 - Released 30-year population projections in February 2005.
 - Issued Ontario Economic Accounts quarterly within the timelines stipulated by the Fiscal Transparency and Accountability Act, 2004.
 - Released on November 1, 2005 the first report on 221 tax expenditures in the *2005 Ontario Economic Outlook and Fiscal Review* in accordance with FTAA.
 - Released second quarter 2005 Ontario Economic Accounts on November 1, 2005.
 - Produced population projections for Local Health Integration Networks (LHINs) at the request of MOHLTC.



- **Information and Information Technology Services**
 - Automated Rates Classification Technical Information Communication System (ARTICS) allows insurance companies to quickly enter their auto insurance adjustment requests online rather than the previous labour-intensive manual process and received a Silver Award at the Public Sector Quality Fair
 - CAC Server Consolidation Project, which won a Merit Award at Showcase Ontario 2005, consolidated physical servers using virtualization technology, reducing the number of physical servers from 319 in 2002 to 149, the power requirements by 37% and the time to provision a new server from 4-6 weeks to 2 hours
 - The XP Rollout and PC Refresh Project successfully upgraded all PCs in MoF to the XP operating system, increasing desktop reliability and allowing for the leveraging of latest hardware

- **Ontario Internal Audit**
 - Improved corporate governance across the OPS, including:
 - ◆ Strong OPS-wide ethics and values
 - ◆ Effective information for management decision-making
 - ◆ High level of compliance with legislation and government policies
 - Increased client satisfaction ratings across the ministries, to 95% satisfied, including a very satisfied component of 43% (as high as 83% in some audit service teams) - a direct indication of valuable service delivery to clients
 - Continued strengthening of effective and efficient controls in ministry/agency/government operations, programs and processes.
 - Achieved a divisional efficiency rating of 79% chargeable time to projects as at February 29, 2005.
 - Improved emergency response capability, privacy and other management practices, strong financial and asset stewardship.
 - Achieved a strong risk management awareness OPS wide.
 - Audit Centre for Excellence (ACE) offered seven courses during the year covering a variety of technical and audit related topics. In a majority of cases, the sessions were also offered to participants outside the OPS for a nominal cost. As a result, the average training cost per staff member was just \$180 while quality and accessibility increased. ACE won Stella Award for this initiative in 2005-06.



Performance Measures 2005-06

Priority - Strong People, Strong Economy

Result - Modern, efficient public services

- Realize program review savings of \$750M by 2007-08. As outlined in the 2005 Budget, the government has identified \$407 million of the 2007-08 target of \$750M.*

Result - Ensure a competitive business environment that will attract jobs to, and investment in, Ontario's economy

- Achieve a balanced budget no later than 2008-09
 - A \$1.6 billion deficit was confirmed for 2004-05 and a \$0.3 billion surplus was confirmed for 2005-06.
- Maintain a prudent debt to GDP ratio
 - The ratio of debt to GDP decreased from 24.3% in 2003-04 to 20.3% in 2005-06.*
- Maintain Ontario's Employment Ratio
 - In 2003 Ontario's employment-population ratio was 63.8%. Over the last ten years, this ratio was 2.3% above the ratio in the rest of Canada. The proposed target for this measure through to 2009-10 is to remain 2% above the ratio in the rest of Canada. For 2004, Ontario's employment rate, 63.8%, was 2.9% higher than the ratio in the rest of Canada. This important indicator of economic performance will be affected by global forces beyond the government's influence. *
- Increase the number of qualified apprentices
 - The Apprenticeship Training Tax Credit (ATTC), which was introduced in the 2004 Budget, provides a stable form of financing to encourage employers to hire and train apprentices in certain skilled trades. The credit has been legislated and is available to employers. Annual take-up at maturity is forecast at \$95 million. However, corporate tax returns are required to be filed 6 months after fiscal year end, so information is only recently started to be available for analysis.

* Indicates a cross-ministry measure.

**Table 1: Ministry Expenditures**

	Ministry Actual Expenditures 2005/06 (\$M)
Operating*	1,297
Capital	0
Staff Strength (as of March 31, 2006)	2,065.8

* Includes Ontario Municipal Partnership Fund; excludes Interest on Debt, Operating Contingency Fund, and Power Purchases.
Refer to page 166 *2007 Ontario Budget*.



2006-07 Annual Report

The Ministry has made significant progress implementing a multi-faceted strategic agenda while simultaneously adapting to significant changes in leadership at the senior management committee.

Strong People, Strong Economy

Modern, efficient public services

▪ Report Fiscal and Financial Results

- Improved the timelines of the Province's financial reporting by tabling the 2007 Budget prior to the beginning of the 2007-08 fiscal year.
- Delivered the 2006 Economic Outlook and Fiscal Review and quarterly reports earlier than required by the Fiscal Transparency and Accountability Act (FTAA).
- Successfully consolidated the financial information of 284 Broader Public Sector organizations (104 school boards and school authorities, 24 colleges and 156 hospitals) in the 2006 to 2007 Budget and 2005-06 Public Accounts.
- Issued the first SysTrust report on the availability, security and processing integrity of the Province's financial systems (IFIS, WIN and CORPAY).
- Tabled the Annual Report and Public Accounts 34 days ahead of the legislated 180 days.

▪ Ensure Financial Controls

- On track for 5 consecutive balanced budgets, if the reserve is not required in 2007-08.
- The 2007 Budget indicates that the Province anticipates a \$0.3 billion surplus in 2006-07, and if the reserve is not required, surpluses of \$0.4 billion in 2007-08, \$1.3 billion in 2008-09 and \$1.6 billion in 2009-10.
- Continue to work closely with the Youth and New Professionals Secretariat and Ministry Directors of Finance and Controllers to determine minimum knowledge, skill and behaviour requirements for financial positions within the OPS.
- Developed an orientation program for new OPS financial staff.

▪ Eliminate/Streamline Inter-Jurisdictional Overlap in Financial Services Regulation

- The Financial Services Commission of Ontario as a key member of the Joint Forum of Financial Market Regulators; the Canadian Association of Pension Supervisory Authorities (CAPSA); the Canadian Council of Insurance Regulators (CCIR); and the General Insurance Statistical Agency, played a key role in the:
- work of the Stakeholder Task Force on Common Pension Standards to finalize Principles for Common Pension Standards, as well as Model



- Regulations as part of a proposed model pension law to assist in the harmonization of pension legislation across Canada;
- development of a point-of-sale disclosure framework for mutual funds and segregated funds to ensure that consumers across Canada have the information and assistance they need to make informed investment decisions;
 - work towards drafting of a Multilateral Agreement for the regulation of multi-jurisdictional pension plans to improve overall regulatory efficiency and effectiveness;
 - development of a new framework for the Financial Services OmbudsNetwork (FSON) to enhance consumer protection and enhance regulator's confidence in the system;
 - work of the Joint Forum Investment Rules Committee established to work with stakeholders to identify differences in investment rules for pension funds, mutual funds and Individual Variable Insurance Contracts, problems resulting from these variances, and options for addressing them;
 - work underway to extend a complaint reporting system with the Quebec Autorité des marchés financiers (AMF) which provides a single entry point for companies to submit complaint information electronically to the AMF and FSCO, and to regulators in other jurisdictions;
 - development of common insurance intermediary application forms, approved by CCIR and implemented in July 2006, to streamline agent and broker licensing and facilitate cross-jurisdictional licensing;
 - the work of the joint CCIR-CISRO Industry Practices Review Committee (IPRC), on relationships between insurers and their sales intermediaries was endorsed;
 - the development of a draft privilege model and whistle-blower protection by the Privilege Working Group, will be tabled for approval at the next CCIR meeting;
 - establishment of GISA as the statistical agent for participating regulatory authorities as of April 1, 2006 and its ongoing operations; and
 - approval of regulation amendments required for implementation of harmonized classes of insurance and applicable definitions in Ontario. Implementation is expected in the 2007/2008 fiscal year.
- **The Centralized Revenue Processing Project (CRP)** is proceeding with two sub-projects as recommended by a feasibility study: Centralized Deposits for Accounts Receivables and Centralized Government of Canada Transfer Payments. Centralized Deposits for Accounts Receivables, which is in partnership with Ontario Shared Services, is on target for implementation in February 2007 and will establish the required infrastructure on an OPS-wide basis. Centralized Government of Canada Transfer Payments (FTP's) is on target for centralization of all FTP's by the end of March 2007, with further effort in 2007-08 to convert all payments to a standardized electronic format. Both sub-projects are now in the Business Modeling phase.



- **The Long Term Solution Project (LTS)** has resulted in the recent signing of an agreement between the Ministry of Finance and the successful Vendor to its competitive procurement process, effective September 1, 2006. The LTS Project which is on schedule and on budget has now entered its Implementation Phase. The joint MOF and Vendor project team is developing detailed work plans and has commenced setting up the base solution in both the production and test/business continuity environments to be completed by March 31, 2007. The latter is located in an alternate site to mitigate the risk of disruption to revenue processing at the production site.

Competitive Business Environment

- **Enhance Efficiency/Effectiveness of Property Tax and Assessment Model**
Provincial-Local Finance Division (PLFD) assumed operational responsibility for the Ontario Property Tax Analysis system (OPTA) from MMAH in March 2006. OPTA is used by the vast majority of municipalities which rely on the system to implement assessment and property tax policy. A four-year contract was negotiated with the vendor Reamined beginning in fiscal 2005-06. Worked with Reamined to ensure that tax tools are consistent with provincial legislation and regulations.
- **Provincial-Municipal Finance Policy**
 - Passed legislation to reform Provincial Land Tax (Fall 2006) with a view to reassess the unincorporated territory in the summer of 2007.
 - Passed Tax Increment Funding legislation as part of 2006 Fall Budget Bill to support financing of Toronto-York subway and remediation of West Donlands.
 - Worked with stakeholders to develop a new assessment approach for managed forest properties. Participated in the “Managed Forest Tax Incentive Committee” of external stakeholders.
 - Coordinated input to contribute to the Ontario/City of Toronto discussions regarding the new City of Toronto Act, providing input on potential revenue tools and increased financial administration powers.
- **Financial Services Regulatory Policy**
 - In the 2006 Fall Budget Bill, the government amended the Insurance Act and made ancillary amendments to the Corporations Act to introduce prudent portfolio investment rules and corporate governance requirements for all Ontario-incorporated insurers. The government proposes to implement the new prudent portfolio rules in 2007-2008.
 - The government tabled amendments to the *Credit Unions and Caisses Populaires Act* on March 22, 2007 as part of Bill 187. This meets the 2004 Budget commitment and follows extensive consultation with the sector, including the release of a consultation paper in November 2005, province-wide information sessions, and release of draft legislation for consultation on



- August 2006. Updated capital and lending regulations came into effect on February 1, 2007.
- Bill 65, an Act respecting mortgage brokerages, lenders and administrators received Royal Assent on December 20, 2006. When proclaimed into force, this act will replace the outdated *Mortgage Brokers Act*. This meets the 2004 Budget commitment and is the result of robust consultations with the industry and other stakeholders whose detailed input on the draft legislation and draft regulations was sought and carefully considered.
- **Automobile Insurance Policy**
 - Formed Pre-Approved Framework (PAF) Project stakeholder advisory committee to oversee the development of PAF Guidelines for the treatment of common auto accident injuries to reflect the scientific literature and best practices to facilitate better use of health care resources, speed access to rehabilitation and provide increased cost certainty for insurers;
 - An amendment was made to Regulation 401 (Insurance Act) to increase the annual assessment auto insurance companies pay to offset OHIP expenditures resulting from the treatment of auto accident victims.
 - Regulation amendments were approved in November 2006 to permit the creation and implementation of the Health Claims for Automobile Insurance (HCAI) system which consists of an electronic transaction system for processing certain forms for automobile accident claims, and will allow the creation of an anonymized database containing health claims information. A phased roll-out of the system was started on April 2, 2007. On February 1, 2008 the system will be fully rolled-out and its use made mandatory for all automobile accident claims in Ontario.
 - Regulation amendment was passed to exempt provisions of the Statutory Accident Benefits Schedule (SABS) from application of the Ending Mandatory Retirement Statute Law Amendment Act, 2005, so that adjustments to the income replacement and non-earner benefits for claimants age 65 or older can continue to apply.
 - **Securities Policy**
 - Supported the Minister in continuing discussions on a single securities regulator.
 - Provided policy support and strategic advice to advance the goal of achieving a common securities regulator for Canada, including support for: the Minister in engaging his counterparts in other jurisdictions; and, continued harmonization of securities regulation in Canada.
 - Advised the Minister on proposed Ontario Securities Commission rules (seven OSC rule proposals approved by the Minister in 2006-07) including: new rules to ensure faster processing of securities trades to support more efficient capital markets and reduced financial system risk; new rules to require more robust investment fund governance; and, updates to existing rules to enhance financial reporting by public companies.

 Ontario

- Provided support and advice in relation to statutory reviews of securities-related legislation, such as the first review of the Commodity Futures Act which was tabled in March 2007.
 - Provided support and advice in relation to changes to securities legislation to expand harmonized approaches across provinces and territories including reforms to the Securities Act in relation to: insider trading and self dealing; the regulation of take-over bids, issuer bids and business combinations. prospectus disclosure requirements; and other technical changes.
 - Developed and introduced the Canadian Public Accountability Board Act (Ontario), 2006 as part of the Fall Budget Bill (Bill 151), to help enhance the integrity of financial reporting by public companies in Ontario, by providing necessary immunities, powers and protections to the Canadian Public Accountability Board (CPAB).
 - Introduced amendments to the *Securities Act* in the 2006 Fall Budget Bill to harmonize Ontario securities law with the laws of other Canadian jurisdictions.
- **Fiscal and Financial Policy**
- Facilitated decision-making and tracking resulting in the achievement of \$407 million of the \$750 million program review savings target for 2007-08.
 - Exceeded the program review savings target outlined in the *2006 Ontario Economic Outlook and Fiscal Review* and the *2007 Budget* and achieved program review savings of \$806M.
 - Updated the fiscal plan for the 2006 Economic Outlook and Fiscal Review and quarterly updates of the Province's finances as required by the Fiscal Transparency and Accountability Act and the 2007 Budget.
 - On track for 5 consecutive balanced budgets, if the reserve is not required in 2007-08. The 2007 Budget indicates that the Province anticipates posting a \$0.3 billion surplus in 2006-07, and if the reserve is not required, surpluses of \$0.4 billion in 2007-08, \$1.3 billion in 2008-09 and \$1.6 billion in 2009-10.
 - Implemented and supported rebalancing accountabilities between the Treasury Board Office, other central agencies, and line ministries. This was done by:
 - ♦ revising Treasury Board /Management Board of Cabinet (TB/MBC) approvals to change practice and introducing delegations to focus the Board on strategy and high risk items;
 - ♦ providing strategic policy advice and financial analysis advice to support and assist the senior management of portfolio ministries to implement government priorities; and
 - ♦ ensuring that proposed expenditures can be managed within the fiscal framework of the Province.
 - Provided secretariat support to TB/MBC meetings.
 - Streamlined the Results-based Planning (RbP) and significantly reduced multi-year reporting requirements in the RbP process.

 Ontario

- Began a thorough review of database systems on developing and rolling out new integrated systems to support key activities such as RbP, Budget and Estimates.
 - Provided grants through the *Strengthening Our Partnerships* program to an additional nine projects in 2006-07, improving information management and modern controllership capacity in the Broader Public Sector. This brings the total of on-going projects to 17, affecting over 700 transfer payment partners - municipalities, hospitals and social service agencies.
 - Published the Ontario Gazette, Printed Estimates and Supplementary Estimates.
 - Managed the legal spending authority of the government to ensure spending remains within the amounts provided by the legislature.
 - Developed and implemented staffing (Full-time Equivalent) limits for all ministries in conjunction with the Centre for Leadership to manage the size of the Ontario Public Service.
- **Federal-Provincial Fiscal Arrangements**
 - Maintained effective linkages with central agency and intergovernmental affairs staff in order to provide effective support to federal-provincial and inter-provincial negotiations.
 - Provided support to and developed content for public campaigns (advertising, web sites and speeches) aimed at addressing Ontario's inequitable treatment in federal transfers.
 - Effectively represented Ontario's interests at inter-provincial and federal-provincial meetings.
- **Economic Policy Framework Development**
 - Provided analytical and policy support on:
 - ◆ Tax Expenditure Report;
 - ◆ Corporations tax harmonization with the federal government;
 - ◆ Economic and revenue updates for quarterly Ontario Finances and the 2007 Budget economic and revenue forecasts; and,
 - ◆ Government priorities for economic development and labour markets.
- **Provincial Tax Policy**
 - Provided support for Bill 174 which would implement measures in the October 2006 Memorandum of Agreement with the federal government to harmonize and streamline the administration of Ontario corporate taxes. Under this bill, Ontario corporations would save \$90 million annually in Ontario corporate income tax, and up to an additional \$100 million a year in tax compliance costs.
 - Will prepare the third annual report of the estimated cost of expenditures made through the tax system
 - Legislated 2006 Budget tax measures through Bill 151 and Bill 81.



- Will provide policy advice and support for 2007 Budget tax measures including proposal to eliminate capital tax in 2010 – eighteen months earlier than originally planned.
 - Determined the impacts on Ontario personal income tax system and revenues of federal pension income splitting proposal.
 - Provided support to MMAH and MOR in implementing the new housing allowance program provided by MMAH and administered by MOR.
 - Provided policy and quantitative analysis support to development of income test for Best Start child care program implemented by the Ministry of Children and Youth Services.
 - Coordinated government's response to impact of new federal Universal Child Care Benefit on eligibility for wide range of provincial tax and benefit programs.
- **Pension and Income Security Policy**
 - Provided advice on the establishment of the Expert Commission on Pensions and prepared the amendments necessary to extend the surplus sharing regulation under the Pension Benefits Act to December, 2009.
 - Provided advice on the flow through of National Child Benefit increases to social assistance recipients.
 - Provided advice increasing social assistance basic needs and shelter allowances by 2.0%.
 - Worked with pension partners to negotiate an agreement with the Ontario Teachers' Federation and the Teachers' Pension Plan Board to file the actuarial valuation for filing purposes and drafted amendments to the Teachers' Pension Act which were necessary to implement the agreement.
 - Provided support for implementation of the government proposal, as outlined in the 2007 Ontario Budget, to introduce a new, more flexible, life income fund and other changes to the rules for locked-in accounts.
 - Advised the Minister on proposed changes to the *Workplace Safety and Insurance Act* to improve the benefits of about 155,000 injured workers, to give the WSIB more flexibility to adjust benefits to reflect changes in the condition of injured workers and to provide other benefit and administrative changes, all of which were included in the 2007 Budget.
 - Provided advice and support for implementation of the new Ontario Child Benefit for low and moderate income families with children.

Serving a Vital Public Interest

- **Financing, Debt and Cash Management, Advice on Major Financing Issues (OFA and OEFC)**
 - Completed a long-term public borrowing program of \$18.7 billion, with 24% of the program executed in international markets. Achievements include an inaugural Kangaroo bond issue (i.e. non-Australian borrowers accessing the domestic Australian bond market) and the OFA's first Turkish lira bond issue.



- Co-managed investments, in conjunction with Ontario Power Generation, for the Decommissioning Fund and the Used Fuel Fund. Exceeded the funds' 3.25% real return target by 960 basis points and the funds' portfolio benchmark by 40 basis points for 2006.
- Raised \$1.4 billion with the 2006 Ontario Savings Bond campaign.
- Investor Relations (IR) initiatives completed in 2006 included the Minister's post budget investor web-cast, visits to New York and Boston; and the first ministerial initiative to Europe since 1999 including trips to London, Dublin and Zurich. Other IR events included meetings with the central banks of China, Taiwan and Russia; a conference call with eleven large institutional Australian investors for the launch of Ontario's inaugural Kangaroo bond issue; conference calls or meetings with Pioneer Investments, Fidelity, Dai-ichi Mutual and Industrial Bank of Japan and Bimcor; and presentations by the OFA's Chief Executive Officer at conferences.
- IR supported efforts to recruit financial services firms to participate in the Indian portion of the Premier's investment and trade mission to India and Pakistan in January 2007 which was organized by the Ministry of Economic Development and Trade.
- Received an upgrade to the Province's long-term credit rating to Aa1 from Aa2 by Moody's and an upgrade to Ontario's short-term rating to R-1 (high) from R-1 (mid) by the Dominion Bond Rating Service (DBRS).
- Coordinated the 2007 post-budget credit rating process with the credit rating agencies (DBRS, Moody's and Standard and Poors).
- Provided financial advice and developed a new approach to long-term borrowing for school boards. This included advancing long-term loans totalling \$758 million to finance capital projects under Stage 1 of the "Good Places to Learn" initiative and implementing a loan administration program.
- Completed the process to permit Teranet to convert into an income trust and arranged for the disposition of the Province's remaining interest in Teranet.
- Provided financial policy advice on the electricity sector and Ontario Electricity's Financial Corporation's (OEF) management of the debt and liabilities of the old Ontario Hydro, including policies to support the pay down of approximately \$0.8 billion of the OEF's unfunded liability (or "stranded debt of the electricity sector") from \$19.3 billion to \$18.5 billion.
- Provided policy analysis and advice for financing by OEF for Ontario Power Generation (OPG) investments in new electricity generation at the Portlands Energy Centre and Lac Seul hydroelectric projects – financing is for up to \$400 million and \$50 million respectively.
- Provided analysis and review for the Province's approval of OPG's Reference Plan under the Ontario Nuclear Funds Agreement (ONFA).
- Provided value added input to the negotiations with the Federal Government on the transfer of Ontario's corporate tax administration to the Canada Revenue Agency. Played a significant role in developing a separate agreement that ensures that Ontario's position will be kept whole with regard to the timing of cash flows under the new arrangement.



- **Broader Public Sector Supply Chain**
 - Continued participation and involvement by the Broader Public Sector Supply Chain Secretariat within key health and education sector initiatives to facilitate and accelerate transformation of supply chain and other back office functions.
 - Worked with the relevant line ministries to ensure the OntarioBuys transformation projects support government priorities and ministries' policy directions.
 - Recommended approval of transfer payment agreements for six new implementation analysis projects and five new implementation projects in the health and education sectors. Six of the existing implementation analysis projects transitioned into implementation projects, including some regional transformation projects.
 - Ensured timely approval of the transfer payment agreements and distribution of funds.
 - E-supply chain projects in the Healthcare sector delivered \$3 million in benefits in 2006-07 and will result in \$6.4 million annual savings plus qualitative benefits.
 - Worked with other Treasury Board Office divisions collaboratively to improve the linkage with the Broader Public Sector stakeholders and to enable transformation and enhance accountability.

- **Enhance Financial Effectiveness of Local Funding Administration**
 - Following the introduction of the Ontario Municipal Partnership Fund (OMPF) in March 2005 as a more equitable, understandable and transparent provincial municipal funding model to replace the Community Reinvestment Fund (CRF), the Provincial-Local Finance Division delivered the final 2005 OMPF reconciliation and the first 2006 OMPF in-year adjustment in Fall 2006, and announced 2007 OMPF allocations to municipalities in December 2006.

- **Corporate Administration**
 - Corporate Planning and Finance Branch has undertaken an ambitious transformation project to ensure that it models the attributes of a modern public sector entity in the delivery of its products and services. Following a comprehensive business review that included extensive client and stakeholder consultation, the branch recently implemented a new organization model. This new model facilitates information sharing and improved client service through horizontal integration, and features a management structure that clearly differentiates between accountability for strategic and operational issues.
 - The Branch also managed the 2006-07 Results-based Planning (RbP) process, including Printed Estimates, RbP Briefing Book and Estimates Defence and also led the development of the 2007-08 RbP Strategic Overview and Operating Base submission. Ministry and Program Area Business Continuity Plans are currently being reviewed by emergency management staff with a filing date of November 15, 2006. Managed the roll-



- out of iExpenses for the Ministry of Finance and the Ministry has now achieved an iExpenses utilization rate that is well above the overall average for the OPS.
- Budget Secretariat provided production coordination and delivered the 2006 Ontario Economic Outlook and Fiscal Review, while successfully piloting and implementing an electronic distribution process for secure document materials to support the Ministry's modernization agenda.
 - Human Resources Branch coordinated the successful implementation of the talent management strategy for the phase one talent group. Identified nine business-critical positions for the Ministry of Finance, succession plans will be put in place for all SMG 3 and 4s who report to the Deputy Minister.
 - Participated in Ministry of Revenue's Corporate Tax Administration Review (joint Federal/Provincial work team) by leading the HR work team and providing strategic leadership in the development and implementation of a workforce adjustment strategy.
 - Provided support and input into the design and implementation of the new HR Service Delivery model, with MOF in a position to offer to pilot the new Strategic Business Unit model.
 - Legal Services Branch led the negotiations for the MPAC-Teranet Data Sharing Agreement, which was one of the three achievements in the Teranet Transaction. The execution of the Data Sharing Agreement resolves a long-standing dispute concerning the sharing of assessment and land transfer data between MPAC and Teranet. The Branch also worked closely with outside counsel on the legal agreements between the Province and Teramira Holdings and others for the realization of Provincial proceeds from the Teranet Transaction.
 - Supported Treasury Board Office in the conclusion of the arrangement for the execution by the Minister of Finance of the inter-provincial agreement to provide secondary claims coverage in respect of the Canadian blood system and the provision of an indemnity by the Minister for that purpose.
- **Economic, Revenue and Demographic Forecasting and Analysis**
 - Released Quarterly Ontario Economic Accounts within the timelines required by the *Fiscal Transparency Act, 2004*.
 - Produced an annual update and demographic analysis of the 30-year population projections for Ontario and 49 Census Divisions (released in April 2006).
 - **Information and Information Technology Services**
 - Established a central agencies Information Technology governance framework at the Deputy, ADM and Director/ministry levels to enhance accountability, align with corporate IT direction and provide responsive service to clients.
 - Established a contract for a commercial-off-the-shelf I&IT solution to support modernization of tax administration

 Ontario

- Implemented enhancements to the Integrated Collection System to enable processing of bankrupt and insolvent accounts.
 - Implemented secure data transfer between Canada Revenue Agency and the Ministry of Finance to ensure increased protection of personal data.
 - Completed 2006 disaster recovery test for the Oshawa mainframe environment as part of ongoing ministry business continuity planning.
- **Ontario Internal Audit**
- Improved corporate governance across the OPS, including:
 - ◆ Strong OPS-wide ethics and values
 - ◆ Effective information for management decision-making
 - ◆ High level of compliance with legislation and government policies
 - Received client satisfaction ratings across the ministries of 94% satisfied, including a very satisfied component of 49% (as high as 75% in some audit service teams) - a direct indication of valuable service delivery to clients
 - Continued strengthening of effective and efficient controls in ministry/agency/ government operations, programs and processes.
 - Achieved a divisional efficiency rating of 81% chargeable time to projects as at February 28, 2007.
 - Improved emergency response capability, privacy and other management practices, strong financial and asset stewardship.
 - Achieved a strong risk management awareness OPS wide.
 - Audit Centre for Excellence (ACE) offered four courses during the year covering a variety of technical and audit related topics. In a majority of cases, the sessions were also offered to participants outside the OPS for a nominal cost. As a result, the average training cost per staff member was just \$242 while quality and accessibility increased. ACE won Stella Award for this initiative in 2005-06.



Performance Measures 2006/07

Priority - Strong People, Strong Economy

Result - Modern, efficient public services

- Realize program review savings of \$750 million by 2007-08
 - As outlined in the *2006 Ontario Economic Outlook and Fiscal Review* and the *2007 Budget*, the program review savings target has been exceeded. The total achieved program review savings is \$806M.*

Result - Ensure a competitive business environment that will attract jobs to, and investment in, Ontario's economy

- On track for 5 consecutive balanced budgets, if the reserve is not required in 2007-08.
 - The 2007 Budget indicates that the Province anticipates a \$0.3 billion surplus in 2006-07, and if the reserve is not required, surpluses of \$0.4 billion in 2007-08, \$1.3 billion in 2008-09 and \$1.6 billion in 2009-10.*
- Maintain a prudent debt to GDP ratio

From the *2007 Budget*, the Province's debt-to-GDP ratio is projected to decline from 25.2 % in 2003-04 to 17.4% percent in 2009-10.*
- Maintain Ontario's Employment-Population Ratio
 - In 2003 Ontario's employment-population ratio was 63.8%. Over the last ten years, this ratio was 2.3% above the ratio in the rest of Canada. The proposed target for this measure through to 2009-10 is to remain 2% above the ratio in the rest of Canada. For 2006, Ontario's employment rate, 63.5%, was 1.4% higher than the ratio in the rest of Canada. This important indicator of economic performance will be affected by global forces beyond the government's influence. *

* Indicates a cross-ministry measure.

**Table 1: Ministry Expenditures 2006/07**

	Ministry Interim Actual Expenditures 2006/07 (\$M)
Operating*	1,370
Capital	0
Staff Strength (as of March 31, 2007)	1,944.8

* Includes Ontario Municipal Partnership Fund; excludes Interest on Debt, Operating Contingency Fund, and Power Purchases. Refer to page 166 2007 Ontario Budget.