



Business Plan

2019–20

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Message from the Minister



I am pleased to present the 2019-20 Business Plan for the Department of Finance and Treasury Board.

The work of the Department of Finance and Treasury Board supports government priorities by helping to achieve ongoing fiscal sustainability for the province. The department achieves this through budget and fiscal plan development; financial accounting; expenditure management; financial advisory services; continuous program review and strategic initiatives; revenue estimates and federal transfers; tax policy, administration and credits; economic forecasting, policy analysis and modelling; liability, debt and treasury management; corporate compliance and reporting; regulation of pensions and select financial institutions; and policy oversight to the securities and liquor control sectors.

The department's focus is to preserve the financial capacity of government to provide public programs and services in Nova Scotia. Government's plan continues along the same fiscal path that has resulted in consecutive balanced budgets in the last three years. Budget 2019-20 is also projected to be a balanced budget. Nova Scotia's credit rating by Standard & Poor's, a key bond-rating agency, was upgraded to double-A minus in 2018-19, which provides for modest savings in debt costs and sends a positive signal to investors. It is this fiscal sustainability that helps facilitate a positive economic environment through market stability, which encourages economic growth and business investment.

In an effort to support government priorities, the Department of Finance and Treasury Board is guided by the following mandate items, in addition to core operations and existing options:

1. Ensure government's strategic objectives are achieved with fiscal discipline.
2. Continue to bring forward balanced budgets that reflect platform commitments and maintain provincial fiscal sustainability.
3. Support low and mid-income Nova Scotians.
4. Collaborate with the Department of Business to amend the equity tax credit with the aim of promoting more investment in innovation driven entrepreneurship.

The Department of Finance and Treasury Board relies on the dedication and expertise of its employees to achieve its objectives, and I would like to thank them for their ongoing efforts. As Minister of Finance and Treasury Board, I look forward to continuing the important work of the department to further advance the priorities of government in the 2019-20 fiscal year.

Original signed by

Honourable Karen Casey
Minister of Finance and Treasury Board

Departmental Mandate

The Department of Finance and Treasury Board works to preserve the financial capacity of government to provide public programs and services in Nova Scotia, by providing advice for ongoing fiscal sustainability for the province.

Flowing primarily from the *Finance Act* and the *Public Service Act*, the department's mandate includes:

- establishing a sound fiscal framework,
- control over public finances, and
- providing meaningful, transparent financial reporting.

The department prepares government's four-year fiscal plan and presents it annually in the provincial budget documents. The budget is monitored throughout the year and public forecast updates are provided to report on progress. The actual year-end results are provided annually to the public through the province's public accounts, which report results as compared to the budget.

Through its activities, the department supports government decision-making. The department also supports the Minister of Finance and Treasury Board in overseeing certain crown agencies for which the Minister is assigned responsibility.

Finance and Treasury Board Priorities

The Department of Finance and Treasury Board supports government by establishing a sound fiscal plan and financial framework to support the priorities of Nova Scotians. Through this work, the department enables the Government of Nova Scotia to deliver public services.

In delivering on services, the department is guided by its core functions to oversee Nova Scotia's public finances, develop the budget and fiscal plan, report on government spending and income, and manage the province's debt. Additionally, the department assists other branches of government with budgeting, accounting, economic impact assessment, and statistical analysis to ensure that everyone aligns with the government's fiscal plan.

Balanced Budget

The government has achieved balanced budgets for 2016-17 and 2017-18, presented a balanced budget for the 2018-19 fiscal year and has tabled a fourth balanced budget in a row for the 2019-20 fiscal year. The four-year fiscal plan until 2022-23 is projected to be balanced. Finance and Treasury Board working in collaboration with all government departments and agencies is aligned with the mandate to establish a sound fiscal framework.

Financial leadership and analysis to build and sustain a sound fiscal framework is critical to the success of the government's initiatives and delivery of public services.

Fiscal Discipline

Finance and Treasury Board works to provide advice for strong financial management and fiscal prudence that allows government to allocate resources to the important priorities of Nova Scotians.

The department continues to provide ongoing economic, statistical, and demographic information to inform policy and project development. This work assists in identifying ongoing and new program needs. By examining detailed profiles of the economic impacts of key sectors, as well as the inter-industry relationships between sectors, it allows Nova Scotians to see and make the best use of economic opportunities.

To improve efficiency and effectiveness of government-wide efforts, the department undertakes strategic examination of programs and program policies. This robust analysis supports initiatives targeted at improving and attaining operational efficiencies.

Tax Measures

Finance and Treasury Board has an ongoing review of tax policy, tax measures, and fiscal impacts to ensure the efficiency and effectiveness of its tax system. To date the government has provided more than \$100 million annually in tax relief to Nova Scotians and small businesses.

The province also enhanced the Basic Personal Amount (BPA) for the 2018 taxation year and future taxation years, effective January 1, 2018. These enhancements reduced taxes for low and middle-income individuals and families. The BPA increased by up to \$3,000 from \$8,481 to \$11,481 for individuals with taxable income less than \$25,000. For individuals with taxable income between \$25,000 and \$75,000, the BPA enhancement is available on a sliding scale. This change has reduced taxes for over 500,000 Nova Scotians and an additional 63,000 no longer pay provincial income taxes. On average, tax filers have saved \$159 in provincial income tax.

With an ongoing focus to support business, the small business income threshold rose from \$350,000 to \$500,000, effective January 1, 2017. This provides tax relief, with more small businesses paying only the lower 3 per cent tax rate. This change has helped around 1,800 small businesses.

Nova Scotia start-up companies and small- and medium-sized businesses will benefit from more investment. The province introduced a new Innovation Equity Tax Credit, launched January 17, 2019. The new tax credit applies to investments up to \$250,000 in eligible businesses, which is \$200,000 more than the current equity tax credit. Nova Scotian investors will receive a tax incentive of 35 per cent, or 45 per cent in priority sectors of oceans technology and life sciences.

Effective April 1, 2019 Nova Scotian corporations will also be eligible for the Innovation Equity Tax Credit. The tax credit rate is 15 per cent on investments up to \$500,000. The current equity tax credit, established in 1994, will be phased out as part of the 2019-20 Budget, to enable time for businesses to adjust. Community Economic Development Investment Funds (CEDIFs) will remain as is, without changes.

The province has also created the High Growth Venture Capital Tax Credit that will provide Nova Scotian individuals and corporations with a 15 per cent tax credit on investments in qualifying venture capital funds. The new tax credit is effective April 1, 2019 and will provide venture capital that is critical to business development in high growth and innovative sectors.

Other Major Initiatives

The beverage alcohol industry in Nova Scotia continues to grow, consisting of wineries, distilleries, and microbreweries. Each sector is diverse, including commercial and smaller manufacturers that operate using a variety of business models. This industry has economic growth potential for the province and is contributing to job creation and economic activity across Nova Scotia. Government wants to see this industry continue to grow and flourish. Therefore, the

department is working across all sectors to develop policies that encourage growth in our winery, distillery, and brewery sectors. The department plans to achieve this through a coordinated approach to policy development that helps promote industry growth while maintaining social responsibly and protecting the province's financial position.

The legalization of cannabis became effective on October 17, 2018. Going forward, the department will continue to play a key role in Nova Scotia's oversight and implementation of this new regime. The department will continue to support the retail of cannabis, which currently occurs at twelve locations and online through the Nova Scotia Liquor Corporation. It is anticipated that cannabis edibles, extracts, and topicals will be legal to sell by October 17, 2019. The department will work to ensure Nova Scotia's regime supports the safe and responsible sale of these products.

The department continues to provide advice on tangible capital assets and infrastructure including asset divestiture, optimization, and monetization. The department is examining options, such as public-private-partnerships, for upcoming capital projects and other financing options for the public service body – including bridges, hospitals, highways, universities and schools.

The new Canada Pension Plan Enhancement, which will improve retirement income security while being modest and affordable, began to be phased in on January 1, 2019. It will be phased in over seven years to give businesses and citizens time to adjust. Finance and Treasury Board will work with its provincial counterparts and the federal government to monitor the implementation of this novel enhancement.

Strategic Goal: Fiscal Sustainability

Fiscal sustainability is the Department of Finance and Treasury Board's strategic goal for 2019-20. The department will provide financial leadership and analysis to build and sustain a sound fiscal framework and financial control over public finances.

The department's goal is to support government's objective of a balanced budget and to achieve fiscal sustainability.

Fiscal Sustainability: Actions

Key actions that advance the fiscal sustainability objectives are guided by the department's core functions.

Budget and Fiscal Plan Development

Develop and coordinate the provincial budget, four-year fiscal plan, and capital plan. This work includes budget policy analysis, fiscal planning, and ongoing scrutiny of the borrowing plan.

Financial Accounting

Establish corporate accounting policies in accordance with Public Sector Accounting Standards.

Provide expert accounting advice/recommendations to the finance and business community for the General Revenue Fund and Government Reporting Entities corporate initiatives of the province.

Prepare and analyze the annual public accounts, which include the consolidated financial statements of the province.

Expenditure Management and Financial Management

Coordinate, monitor, and report multi-year spending activities, through the budget and forecast process, with respect to operational and capital planning for the province.

Continuous Program Review and Strategic Initiatives

Undertake strategic examination of programs and program policy to improve efficiency and effectiveness of government-wide efforts.

Revenue Estimates and Federal Transfers

Participate and support Federal-Provincial-Territorial (FPT) finance relationships and support FPT collaborations while providing advice on advancing the province's interests.

Review and report on federal estimates, technical and policy features, and implications of changes to formulae.

Regulation

Enable effective regulation of several financial services sectors including insurance, credit unions, pensions, and securities, as well as and the alcoholic beverage, cannabis retail, and gaming industries.

Tax policy, administration and credits

Complete ongoing reviews of tax policy, tax measures, and fiscal impacts. Design, enhance, and implement tax policy that builds from this work.
Oversee tax agreements with the federal government.
Advance the province's interests on FPT tax-related committees.

Economic Forecasting, Policy Analysis and Modelling

Provide forecasts of economic growth by industry, allowing Nova Scotians to plan for economic change at the sectoral level.
Provide population projections at the county level, allowing for better targeted planning of public services as well as business and community development, as demographics change in the coming decade.
Measure the progress towards the One Nova Scotia goals through supporting public measurement and analysis.

Liability and Treasury Management

Manage the treasury functions for the province, which involves prudent management of the annual borrowing program and the province's cash, liquidity, and debt portfolios. This is accomplished with a view to minimizing debt service costs subject to acceptable levels of risk.
Provide advice and consultation services to government departments, agencies, boards, and commissions.

Compliance and Reporting

Manage the accounting, reporting, and custody of all debt and investments of the province.

[Fiscal Stability: Inputs – Budget Context](#)

Finance and Treasury Board Departmental Expenses Summary			
	2018-19 Estimate	2018-19 Forecast	2019-20 Estimate
	(\$thousands)	(\$thousands)	(\$thousands)
Programs and Services			
Senior Management	3,652	3,566	3,726
Controller's Division	2,396	2,203	2,534
Treasury Board Office	1,283	1,218	1,319
Corporate Strategic Initiatives	863	703	760
Financial Advisory Services	11,528	10,334	11,582
Fiscal Policy, Economics and Budgetary Planning	3,724	3,715	3,762
Total – Departmental Expenses	23,446	21,739	23,683
Additional Information:			
Fees and Other Charges	415	410	445
Ordinary Recoveries	292	292	280
Provincial Funded Staff (FTEs) Net	208.3	187.4	208.9

Fiscal Sustainability: Performance Measures

Progress will be measured and reported on in the province's annual budget, public forecast updates and the public accounts. These measures are also reported on by the Auditor General for Nova Scotia.

1. Fiscal Sustainability

Fiscal sustainability can be defined as the degree to which a government can maintain existing programs and meet existing creditor requirements without increasing the debt burden on the economy¹.

The primary measures for fiscal sustainability is the net debt to nominal Gross Domestic Product (GDP) ratio.

The One Nova Scotia Commission Report proposed a net debt to GDP ratio goal for the province of 30 per cent or less by 2024.

A budget balance is measured by the annual surplus/deficit of the provincial budget.

2. Flexibility

Flexibility refers to the degree to which a government can increase its financial resources to respond to rising commitments, by either expanding its revenues or increasing its debt burden.²

The typical measure of government financial flexibility is the ratio of debt servicing costs in relation to the total revenue available to spend in a given year (debt service costs as a percentage of revenue).

3. Vulnerability

Vulnerability refers to the degree to which a government becomes dependent on, and therefore vulnerable to, sources of funding outside of its control or influence, both domestic and international.³

The measure often used for the vulnerability of government finances is the amount of federal government transfers in relation to the total revenues of a provincial government (federal transfers as a percentage of total revenue).

¹ *Indicators of Government Financial Condition, Research Report*; the Canadian Institute of Chartered Accountants, 1997.

² Ibid

³ Ibid

Performance Measures: Results

The performance measure results are presented in the following table.

- For 2018-19, the results are based on the final forecast as presented in Budget 2019-20. The final results will be presented in the Provincial Public Accounts for 2018-19 in the summer of 2019.
- For 2019-23, the results are based on the Province of Nova Scotia's four-year fiscal plan, as presented in Budget 2019-20.

Indicator	2015-16	2016-17	2017-18	2018-19 (f)	2019-20	2020-21	2021-22	2022-23
Sustainability								
Annual Surplus/(Deficit) (\$millions)	(\$13.2)	\$151.2	\$230.0	\$28.4	\$33.6	\$51.9	\$65.8	\$73.4
Annual Surplus/(Deficit) (% of GDP)	(0.03%)	0.36%	0.53%	0.06%	0.07%	0.11%	0.14%	0.15%
Net Debt to Nominal GDP (%)	37.1%	35.8%	35.0% ¹	34.3%	33.8%	33.5%	32.5%	31.6%
Net Debt per Capita (\$dollars)	\$16,008	\$15,759	\$15,682	\$15,698	\$15,837	\$16,078	\$16,117	\$16,160
Net Debt (\$billions)	\$15.072	\$14.949	\$14.959	\$15.069	\$15.276	\$15.568	\$15.652	\$15.729
Debt Service Costs								
Debt Service Costs (% of total revenue)	7.9%	7.5%	7.0%	7.9%	7.8%	7.0%	6.5%	5.9%
Revenue								
Own Source Revenue (% of GDP)	18.5%	18.5%	19.1%	16.6%	16.0%	15.9%	15.9%	15.9%
Federal Transfers								
Federal Transfers (% of total revenue)	31.4%	31.2%	31.2%	32.9%	34.1%	33.9%	33.6%	33.8%

Notes: Performance measures for 2015-16 to 2017-18 use Government Reporting Entity figures (Consolidated). 2018-19 to 2022-23 use General Revenue Fund figures because consolidated figures are not available for budget and forecast years. f=forecast.

- The 2017-18 Public Accounts closed with a net debt-to-GDP ratio of 34.6%. In November 2018, Statistics Canada released revised GDP figures, which led to lower estimates of GDP for 2018. The 2017-18 net debt-to-GDP ratio was revised to 35.0% on this basis*

