



Business Plan

2021–22

Finance and Treasury Board



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Departmental Business Plans
Finance and Treasury Board
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Message from the Minister



I am pleased to present the 2021-22 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 fiscal sustainability for the province. The department accomplishes this through budget and fiscal plan development; financial accounting; expenditure and financial management; financial advisory services; corporate strategic initiatives; revenue estimates and federal transfers; tax policy, administration, and credits; economic forecasting, policy analysis, and modelling; liability and treasury management; capital markets administration and compliance; regulation of pensions and select financial institutions; and policy oversight to specific agencies, boards, and commissions.

Over the past several years, the department's focus has been to preserve the financial capacity of government to provide public programs and services in Nova Scotia. Government's plan resulted in consecutive balanced budgets and a strong fiscal foundation, contributing to a strong economy. This was an asset when the COVID-19 pandemic arrived.

The province now faces a difficult economic situation caused by COVID-19 and the measures implemented around the world to contain it. The provincial and federal governments, along with the Bank of Canada, implemented extraordinary measures to stabilize the economy so that we can emerge from this downturn as quickly as possible.

Nova Scotia was in a strong economic and fiscal position before this pandemic, and we will put in the hard work to return us to balance, while continuing to support Nova Scotians and our business community. The Department of Finance and Treasury Board's focus will be a reflection of this new reality.

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 2021-22 fiscal year.

Original signed by

Honourable Labi Kousoulis
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 on 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 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, as well as manage the province's debt. Additionally, the department assists other branches of government with budgeting, accounting, economic impact assessments, and statistical analysis to facilitate alignment with the government's fiscal plan.

Meeting Government's Fiscal Objectives: Return to Balance

The government has achieved four consecutive year-end surpluses since 2016-17. However, given the ongoing COVID-19 pandemic, in 2020-21 the government shifted focus from balancing the budget to making investments to support the health and safety of Nova Scotians and position the province for economic recovery.

The government's track record of strong fiscal management demonstrates the ability of the province to effectively manage the economic downturn presented by the crisis. These challenges are not unique to Nova Scotia; they are being felt at varying degrees across Canada and around the world. The provincial government is committed to prioritizing public health and safety throughout the course of the pandemic in a responsible manner and is confident that Nova Scotia will remain fiscally sustainable over the long-term.

Finance and Treasury Board, working in collaboration with all government departments and agencies, is aligned with the mandate to establish a sound fiscal framework and achieving government's fiscal objectives. Financial leadership and analysis are key to building a sustainable sound fiscal framework which is critical to the success of the government's initiatives and delivery of public services.

Fiscal Discipline

Finance and Treasury Board provides 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. Examining detailed economic impacts of key industries, as well as the inter-industry relationships between sectors, 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 conducts an ongoing review of tax policy, tax measures, and fiscal impacts to ensure the efficiency and effectiveness of the province's tax system.

Effective April 1, 2020, the province reduced the general corporate income tax rate from 16 per cent to 14 per cent, saving Nova Scotia businesses over \$70.0 million per year. At the same time, the small business corporate income tax rate was reduced by one-half percentage point from 3 per cent to 2.5 per cent.

The province 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 2.5 per cent tax rate. This change has helped around 1,800 small businesses.

Nova Scotia start-up companies and small- and medium-sized businesses now benefit from more investment opportunities. 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 former 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 became eligible for an Innovation Equity Tax Credit. The tax credit rate is 15 per cent on investments up to \$500,000. The Equity Tax Credit, established in 1994, was phased out on December 31, 2019, as part of the 2020-21 Budget. Community Economic Development Investment Funds (CEDIFs) will remain in place and unchanged.

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

Other Major Initiatives

The beverage alcohol industry in Nova Scotia consists of wineries, cideries, distilleries, and breweries. Each sector is diverse, including commercial and smaller manufacturers that operate using a variety of business models. This industry contributes to job creation and economic activity across Nova Scotia. The department works with the Nova Scotia Liquor Corporation (NSLC) to enable responsible receipt, distribution, regulation and control of beverage alcohol in

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Nova Scotia; provide an engaged and collaborative business environment for local producers; support industry modernization; and maintain social responsibility while protecting the province's financial position. In 2021-22, the NSLC is expanding the 10 per cent hospitality industry discount to include beer and ready-to-drink 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 infrastructure – including bridges, hospitals, highways, and schools.

Through the 2020-21 Triennial Review of the Canada Pension Plan, Finance and Treasury Board will work with its provincial counterparts and the federal government to assess its performance. Finance and Treasury Board will continue to work with its provincial counterparts and the federal government to monitor implementation of the new Canada Pension Plan Enhancement, which began to be phased in on January 1, 2019.

The department continues to work with the Department of Intergovernmental Affairs to represent Nova Scotia's interests through the Canadian Free Trade Agreement (CFTA). Provinces, territories, and the federal government are currently in negotiations to add rules applicable to financial services and cannabis into the CFTA.

For 2021-22, the department has committed to several initiatives that will support a holistic, multi-year approach to diversity, inclusion, and employee well-being. Data collection will be strengthened to identify areas of improvement and inform evidence-based decisions. Ensuring that all staff members complete mandatory training courses in a timely manner will also be a priority.

Strategic Goal: Fiscal Sustainability

The department continues to support government’s objective of a balanced budget and to achieve fiscal sustainability. Fiscal sustainability is the Department of Finance and Treasury Board’s strategic goal for 2021-22. The department will provide financial leadership and analysis to continue building a sound fiscal framework and sustaining financial control over public finances.

Fiscal Sustainability: Actions

Key actions that advance the fiscal sustainability objective 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 Canadian Public Sector Accounting Standards.
Provide expert accounting advice/recommendations to the finance and business community to support the corporate initiatives of the province’s General Revenue Fund and Government Reporting Entities.
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.

Corporate 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, including results by industry, allowing Nova Scotians to plan for economic change.
Provide population projections at the sub-provincial 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.

Capital Markets Administration and Compliance

Manage the accounting, debt servicing, trade settlement, reporting and custody of all debt and investments of the province while ensuring compliance with legislation and policy.
Monitor and report on internal financial controls, governance of specific software systems and corporate compliance programs.

Fiscal Stability: Inputs – Budget Context

Finance and Treasury Board Departmental Expenses Summary			
	2020-21 Estimate	2020-21 Forecast	2021-22 Estimate
Programs and Services	(\$thousands)	(\$thousands)	(\$thousands)
Senior Management	3,690	3,829	3,598
Controller's Division	2,355	2,249	2,394
Treasury Board Office	1,418	1,466	1,507
Corporate Strategic Initiatives	789	727	640
Financial Advisory Services	12,000	11,420	12,518
Fiscal Policy, Economics and Budgetary Planning	4,030	4,132	4,374
Total – Departmental Expenses	24,282	23,823	25,031
Additional Information:			
Fees and Other Charges	410	367	376
Ordinary Recoveries	51	51	51
Provincial Funded Staff (FTEs) Net	210.5	201.4	214.0

Fiscal Sustainability: Performance Measures

Progress will be measured and reported on in the province's annual budget, public forecast updates, and public accounts. These measures are also monitored 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 measure for fiscal sustainability is the net debt to nominal Gross Domestic Product (GDP) ratio.

The budget position 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).

Performance Measures: Results

The performance measure results are presented in the following table.

- For 2020-21, the results are based on the final forecast as presented in Budget 2021-22. The final results will be presented in the Provincial Public Accounts for 2020-21 in the summer of 2021.

¹ SORP-4, *Indicators of Financial Condition*, Public Sector Accounting Handbook, CPA Canada.

² Ibid

³ Ibid

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- For 2021-22 to 2024-25, the results are based on the Province of Nova Scotia's four-year fiscal plan, as presented in Budget 2021-22.

Indicator	2017-18	2018-19	2019-20	2020-21(f)	2021-22 (b)	2022-23(f)	2023-24(f)	2024-25(f)
Sustainability								
Annual Surplus/(Deficit) (\$millions)	\$226.3	\$122.9	\$2.3	(\$705.5)	(\$584.9)	(\$217.5)	(\$175.6)	\$10.5
Annual Surplus/Deficit (% of GDP)	0.52%	0.27%	0.00%	1.58%	1.23%	0.44%	0.34%	0.02%
Net Debt to Nominal GDP (%)	34.6%	33.4%	32.7%	37.4%	37.9%	38.4%	39.4%	40.1%
Net Debt per Capita (\$dollars)	\$15,783	\$15,644	\$15,718	\$17,032	\$18,321	\$19,403	\$20,291	\$21,049
Net Debt (\$billions)	\$14.97	\$14.99	\$15.24	\$16.680	\$17.976	\$19.198	\$20.286	\$21.194
Flexibility								
Debt Service Costs (% of total revenue)	7.0%	7.3%	6.7%	6.5%	6.0%	5.8%	6.1%	6.1%
Own Source Revenue (% of GDP)	19.2%	18.3%	18.2%	15.2%	15.5%	15.2%	15.4%	15.5%
Vulnerability								
Federal Transfers (% of total revenue)	31.2%	31.8%	32.2%	40.4%	37.9%	36.4%	35.0%	34.0%

Notes: Performance measures for 2017-18 to 2019-20 use Government Reporting Entity figures (Consolidated). 2020-21 to 2024-25 use General Revenue Fund figures because consolidated figures are not available for budget and forecast years. b=budget; f=forecast.