



Accountability Report 2019–20

Finance and Treasury Board



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Accountability Statement

The Accountability Report of the Department of Finance and Treasury Board for the year ended March 31, 2020 is prepared pursuant to the Finance Act and government policies and guidelines. These authorities require the reporting of outcomes against the Department of Finance and Treasury Board Business Plan for the fiscal year just ended. The reporting of the Department of Finance and Treasury Board outcomes necessarily includes estimates, judgments, and opinions by Department of Finance and Treasury Board management.

We acknowledge that this Accountability Report is the responsibility of Department of Finance and Treasury Board management. The report is, to the extent possible, a complete and accurate representation of outcomes relative to the goals and priorities set out in the Department of Finance and Treasury Board 2019-20 Business Plan.

Original signed by

Honourable Karen Casey
Minister of Finance & Treasury Board
Board

Original signed by

Byron Rafuse
Deputy Minister of Finance & Treasury

Message from the Minister

I am pleased to present the 2019-20 Accountability Report 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 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
- policy oversight to the specific agencies, boards, and commissions.

The department maintains focus on preserving the financial capacity of government to provide public services and investments in Nova Scotia. In 2019-20 government continued along the same fiscal path that has resulted in consecutive balanced budgets in the last four years. Looking forward, we know the COVID-19 pandemic will have an impact on the fiscal health of the province. In these uncertain times government remains committed to supporting Nova Scotians and businesses and providing the services they need.

The Department of Finance and Treasury Board is guided by the following mandate items in support of government priorities:

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.

Throughout the 2019-20 fiscal year the department worked hard to support and advance government priorities through several major projects and initiatives. I would like to thank every employee of the department for their ongoing dedication and service to the people of Nova Scotia.

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.

Financial Results

	2019-20 Estimate	2019-20 Actuals	2019-20 Variance
Program & Service Area	(\$ thousands)		
Departmental Expenses:			
Senior Management	3,726	3,569	(157)
Corporate Strategic Initiatives	760	741	(19)
Controller's Division	2,384	102,084	99,700
Treasury Board	1,319	1,361	42
Financial Advisory Services	11,582	10,671	(911)
Fiscal Policy, Economics & Budgetary Planning	3,912	3,667	(245)
Total: Departmental Expenses	23,683	122,093	98,410
Additional Information:			
Ordinary Revenue	8,983,488	9,667,105	683,617
Fees and Other Charges	445	435	(10)
Ordinary Recoveries	280	143	(137)
Total: Revenue, Fees and Recoveries	8,984,213	9,667,683	683,470
TCA Purchase Requirements	0	0	0
Provincial Funded Staff (FTEs)	208.9	195.2	(13.7)
<p><u>Departmental Expenses Variance Explanation:</u> COVID-19 Relief Funding to Dalhousie University (Controller's Division) offset by temporary salary and operating savings</p> <p><u>Revenue, Fees and Recoveries Variance Explanation:</u> Financial Institutions Revenue: Higher than anticipated insurance tax collected relative to Budget 2019-20</p> <p><u>Provincial Funded Staff (FTEs) Variance Explanation:</u> Variance due to vacancy savings</p>			

Measuring Our Performance

Strategic Goal: Fiscal Sustainability

Finance and Treasury Board's 2019-20 Business Plan identified fiscal sustainability as the department's strategic goal for the 2019-20 fiscal year. To achieve this, the department continued to provide financial leadership and analysis to build and sustain a sound fiscal framework and financial control over public finances.

Three measures were used to determine the progress on this goal: (1) fiscal sustainability, (2) flexibility, and (3) vulnerability. These were measured and reported on in the province's annual Budget, public forecast updates, and the Public Accounts.

Budget 2019-20 was tabled on March 20, 2019 with a surplus of \$33.6 million. Actual results show that the position ended at \$2.3 million for the 2019-20 fiscal year.

The ability to improve the province's fiscal health over the past several years, through collaboration with all government departments and agencies, aligns with the department's mandate to establish a sound fiscal framework.

Measure: Sustainability

What does the measure tell us?

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 of the province compared with its economic output of goods and services (i.e., 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. Net debt to GDP is trending toward the One Nova Scotia goal of 30 per cent. In 2013-14, the year the report was released, Nova Scotia was at 38.2 per cent and in 2019-20 the ratio ended at 33.1 per cent.

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

Measure: Flexibility***What does the measure tell us?***

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 generated in a given year (i.e., debt service costs as a percentage of total revenue).

Consistent work in this area has reduced the debt servicing costs from 8.8 per cent of total revenue in 2013-14 to 6.7 per cent in 2019-20. In this past fiscal year, all three credit rating agencies (Standard & Poor's, Dominion Bond Rating Service, and Moody's) confirmed the province's credit rating with a stable outlook. The three agencies have cited the province's long-term commitment to fiscal prudence and strong financial management practices as positive.

Measure: Vulnerability***What does the measure tell us?***

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

² Ibid

³ Ibid

The performance measure results are presented below in Table 1: Performance Measures.

- For 2020-21 to 2023-24, the results are based on the Province of Nova Scotia's four-year fiscal plan, as presented in Budget 2020-21.
- Table 1 illustrates that most indicators for the strategic goal of fiscal sustainability are either improving or fairly stable over the forecast horizon.

Table 1: Performance Measures

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21 (Budget)	2021-22	2022-23	2023-24
Sustainability									
Annual Surplus/(Deficit) (\$millions)	(\$13.2)	\$151.2	\$226.3	\$122.9	\$2.3	\$55.0	\$63.2	\$72.5	\$74.0
Annual Surplus/(Deficit) (% of GDP)	(0.03%)	0.36%	0.53%	0.28%	0.00%	0.12%	0.13%	0.14%	0.14%
Net Debt to Nominal GDP (%)	37.0%	36.0%	34.9%	33.8%	33.1%	33.3%	33.8%	34.4%	34.5%
Net Debt per Capita (\$ dollars)	\$16,094	\$15,876	\$15,747	\$15,626	\$15,691	\$16,030	\$16,634	\$17,454	\$18,074
Net Debt (\$ billions)	\$15.07	\$14.97	\$14.97	\$14.99	\$15.24	\$15.72	\$16.44	\$17.25	\$17.87
Flexibility									
Debt Service Costs (% of total revenue)	7.9%	7.5%	7.0%	7.3%	6.7%	6.5%	6.1%	5.5%	5.4%
Own Source Revenue (% of GDP)	18.4%	18.6%	19.2%	18.3%	18.2%	15.8%	15.7%	15.4%	15.1%
Vulnerability									
Federal Transfers (% of total revenue)	31.4%	31.2%	31.2%	31.8%	32.2%	35.8%	35.8%	35.7%	35.7%

Notes: Performance measures for 2015-16 to 2019-20 use Government Reporting Entity (GRE) figures (Consolidated).

2020-21 to 2023-24 use General Revenue Fund (GRF) figures, because consolidated figures are not available for Budget and forecast years.

Moving forward, the Department of Finance and Treasury Board will remain focused on fiscal sustainability as the strategic goal for 2020-21. The goal of fiscal sustainability enables the Government of Nova Scotia to deliver public services and create an environment for growth. Building upon this, the Department of Finance and Treasury Board supports government by establishing a sound fiscal plan and financial framework to support the priorities of Nova Scotia and, in response to the COVID-19 pandemic, keeps our focus on the health and safety of Nova Scotians and the sustainability of our business community.

As part of this work on sound financial management, the department has an ongoing review of tax policy, tax measures, and fiscal impacts to ensure the efficiency and effectiveness of the province's tax system. In 2019-20, the department made the following tax changes:

- The province enhanced the *Basic Personal Amount (BPA)*, *Spousal Amount*, *Dependant Amount* and *Age Amount non-refundable tax credits* for the 2018 taxation year and subsequent taxation years, effective January 1, 2018. These enhancements reduce taxes for low- and middle-income individuals and families. The BPA, Spousal Amount and Dependant Amount increased by up to \$3,000 from \$8,481 to \$11,481. For individuals with taxable income greater than \$25,000, the amount of the enhancement reduces as income rises, with the enhancement ending when taxable income reaches \$75,000. The Age Amount and income roll-off was increased by the same percentage – 35.4 per cent. These changes have reduced taxes for over 500,000 Nova Scotians and an additional 60,000 no longer pay provincial income taxes.
- Innovative Nova Scotia start-up companies and small- to medium-sized businesses will benefit from more investment. The province introduced a new *Innovation Equity Tax Credit* on January 17, 2019. The new tax credit applies to individual 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 will also be eligible for the *Innovation Equity Tax Credit*. The tax credit rate for corporations is 15 per cent on investments up to \$500,000, with a minimum investment of \$50,000.
- The Equity Tax Credit, established in 1994, was eliminated as of December 31, 2019. The tax credit for Community Economic Development Investment Funds (CEDIFs) will remain as is, without changes.
- The province also created the *Venture Capital Tax Credit* that will provide Nova Scotian individuals and corporations with a 15 per cent tax credit on investments of up to \$250,000 in qualifying venture capital funds. The new tax credit was effective April 1, 2019 and provides venture capital that is critical to business development in high growth and innovative sectors.
- In keeping with the province's ongoing review of its tax policy and desire to maintain a competitive business environment, Budget 2020-21 announced a reduction in both the general and small business tax rates effective April 1, 2020. The general rate will be reduced from 16 per cent to 14 percent, the first change in the general rate since 1990. The small business rate will be reduced from 3 per cent to 2.5 per cent. It has not changed since 2014.

Other Major Initiatives

The beverage alcohol industry in Nova Scotia consists of wineries, distilleries, and breweries. Each sector is diverse, including commercial and craft manufacturers operating on 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.

The legalization of recreational cannabis became effective on October 17, 2018. On October 17, 2019, the sale of edibles, extracts and topicals could be legally retailed in Canada, following a 60-day product review period by Health Canada. The Nova Scotia Liquor Corporation (NSLC) began retailing a small supply of products in late December, with products expanding in 2020. The department played, and will continue to play, a key role in Nova Scotia's oversight and implementation of recreational cannabis including engaging with the NSLC to ensure the safe retail of cannabis products within the province. As of December 17, 2020, Nova Scotia became the first province in Canada to regulate cannabis vaping products. Under the Cannabis Control Act, the regulations prohibit the sale of vaping oil that has a synthetic scent or flavour noticeable before or during use. Packaging and labelling are also prohibited from including a flavour other than cannabis.

The recent enhancements to enhance the Canada Pension Plan (CPP) will improve retirement income security of working Nova Scotians while being modest, affordable and giving workers and businesses time to adjust. The new, enhanced CPP began to be phased in on January 1, 2019. Federal and provincial governments have been continuing to work together to safeguard the long-term sustainability of the CPP enhancement by developing regulations that ensure the CPP enhancement remains appropriately funded over time. Finance and Treasury Board has been leading this work for Nova Scotia.

On January 10, 2019, Government signed two agreements that formally committed Nova Scotia to joining the Cooperative Capital Markets Regulatory System (CCMR), known as the "National Regulator". The department continues to work with the Government of Canada and the other counterparty provinces to implement the CCMR.

The department led the repeal of the *Public Accountants Act* and the legislative changes to the *Chartered Professional Accountants Act* to transition the role of licensing public accountants from the Public Accountants Board to Chartered Professional Accountants of Nova Scotia (CPANS), effective September 1, 2019. This initiative followed work completed in 2015 to merge the legacy accounting professions and helps to reduce red tape for public accountants practicing in Nova Scotia. Per the legislative changes, Government continues to maintain representation in the licensing of public accountants through maintaining two government-appointed members on CPANS' Public Accounting Licensing Committee.

The department has supported changes to other financial sector legislation to ensure these regulatory frameworks continue to be robust, up to date, and to meet the needs of Nova Scotia businesses while protecting consumers. Some of these changes include the following:

- Amendments to the *Credit Union Act* resulting from a mandatory review of the Act. The amendments came into effect July 1, 2019. They improve and strengthen oversight of credit unions while reflecting changes made by the federal government to exit supervisory oversight of Atlantic Central.

- Amendments made to the *Pension Benefits Act*, effective April 1, 2020, provide more flexibility and improve the stability of defined-benefit pension plans in many organizations, including private-sector companies, municipalities and universities.
- Amendments to the *Nova Scotia Insurance Act* are in progress. These amendments will better protect Nova Scotians by providing insurance companies with legal grounds to refuse to transfer ownership of life insurance policies to third parties. Government has also closed the loophole on the use of side accounts.

Finance and Treasury Board continues to provide advice on tangible capital assets and infrastructure including asset divestiture, optimization, and monetization. The department continues to examine 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.

Interesting Facts about the Department

- A division of Finance and Treasury Board is the official statistics agency for the government and the representative to the national statistics agency.
- Every business day the department produces a Daily Stats report that delivers up-to-date analysis of all economic and demographic conditions for the province.
- Finance and Treasury Board plays an important role in developing new public sector accounting standards that are implemented Canada-wide by the Public Sector Accounting Board. Since 2010, the department has participated on this board. The department provides comments regarding proposed new standards and participates on project teams in developing new standards.
- The Pension Regulation Division of the department oversees approximately 465 pension plans ranging in size from plans with one member with just a few thousand dollars in assets to a plan with over 32,000 active members and \$8 billion in assets.
- Finance and Treasury Board has had 20 consecutive Public Accounts released with an unmodified Auditor's Report.
- The Liability Management and Treasury Services division manages \$15.5 billion in long term debentures outstanding, mandatory sinking funds of \$1.1 billion and liquidity funds of \$930 million outstanding as of March 31, 2020.
- Finance and Treasury Board maintains positive relations with credit rating agencies on behalf of the province. The Province of Nova Scotia's credit ratings are AA- with Standard & Poor's, Aa2 with Moody's, and A(high) with Dominion Bond Rating Service. All ratings have a stable outlook. The province has had numerous credit rating upgrades since the early 2000s, with the most recent credit rating upgrade being by Standard & Poor's in 2018.
- Finance and Treasury Board Human Resource statistics show that as of April 1, 2020, 62.1 per cent of staff were female, compared to 54.2 per cent across government. Also, as of that date, approximately 39.8 per cent of department employees are over 50 years old while 16.0 per cent are under the age of 35.

Appendix A: Public Interest Disclosure of Wrongdoing

The *Public Interest Disclosure of Wrongdoing Act* was proclaimed into law on December 20, 2011.

The Act provides for government employees to be able to come forward if they reasonably believe that a wrongdoing has been committed or is about to be committed and they are acting in good faith.

The Act also protects employees who do disclose from reprisals, by enabling them to lay a complaint of reprisal with the Labour Board.

A Wrongdoing for the purposes of the Act is:

- a) a contravention of provincial or federal laws or regulations
- b) a misuse or gross mismanagement of public funds or assets
- c) an act or omission that creates an imminent risk of a substantial and specific danger to the life, health or safety of persons or the environment, or
- d) directing or counselling someone to commit a wrongdoing

The following is a summary of disclosures received by the Department of Finance and Treasury Board.

Information Required under Section 18 of the Act	Fiscal Year 2019-20
Number of disclosures received	None reported
Number of findings of wrongdoing	None reported
Details of each wrongdoing	N/A
Recommendations and actions taken on each wrongdoing	N/A

N/A= not applicable