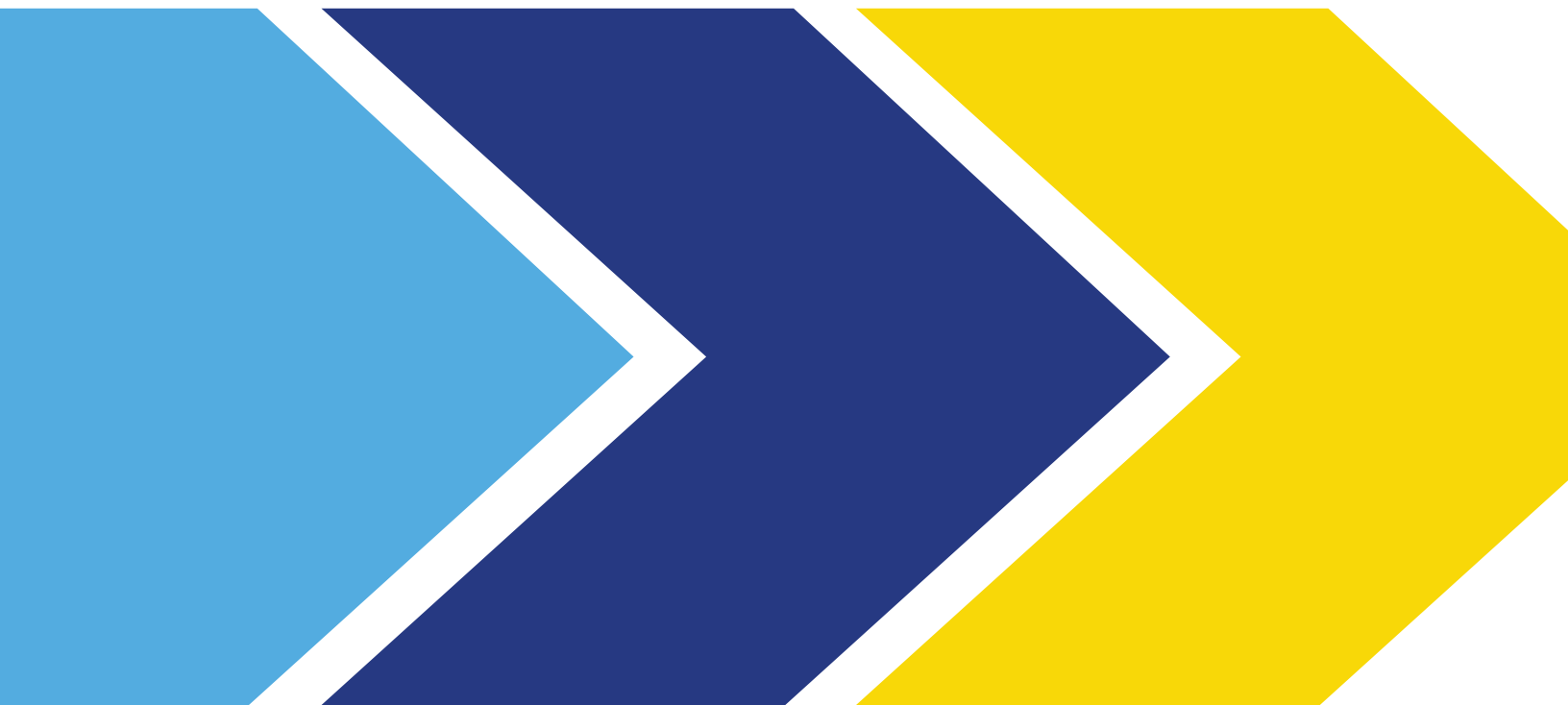


**BUSINESS
PLAN**
2022-23



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Message from the Minister



As Nova Scotia's Minister of Finance and Treasury Board, I am pleased to present the department's 2022-23 Business Plan.

The work of the Department of Finance and Treasury Board supports government priorities by helping to achieve ongoing fiscal sustainability for the province. We do 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.

The COVID-19 pandemic showed the strength of Nova Scotia's people and economy, and this strong foundation positions us well to take advantage of the many opportunities that lie ahead.

The Department of Finance and Treasury Board will work to implement government's mandate, including new targeted tax measures to help grow our economy, support employment, and improve the housing market in the province. The department will also provide support and advice to departments across government as they develop and implement their own priorities, including improving the province's healthcare system.

I would like to thank the staff at the Department of Finance and Treasury Board for their dedication and expertise. I look forward to continuing the important work of the department to further advance the priorities of government in the 2022-23 fiscal year.

Original signed by

Honourable Allan MacMaster
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.

The Department of Finance and Treasury Board is responsible for Labour Relations and oversees more than 300 collective agreements with approximately 200 employers, 20 unions and professional associations across several public sector bodies. Three quarters of collective agreements are expired or will be expired by the end of 2022, primarily in the health care sector. Over the next fiscal year, government will engage in fair, open and meaningful collective bargaining with public sector unions.

Meeting 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. 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

The Department of Finance and Treasury Board is working to achieve the commitments of the Minister's Mandate Letter, primarily comprised of tax measures. In 2022-23, the department is implementing several new tax measures.

Children's Sports and Arts Tax Credit

To help parents offset the costs of artistic, cultural and physical activities for children, the province is introducing a \$500 refundable tax credit to help parents offset the costs of artistic, cultural and physical activities for children under the age of 19.

The tax credit will be effective for the 2022 and subsequent taxation years and will apply to eligible expenditures for programs in literary arts, visual arts, performing arts, music, media, languages, customs, and heritage; as well as organized physical activities and programs that provide a substantial focus on wilderness and the natural environment. The tax credit is estimated to provide \$4.7 million in support for the 2022-23 fiscal year.

Fertility and Surrogacy Rebates

Effective for the 2022 and subsequent taxation years the province will implement Fertility and Surrogacy rebates to provide financial support for Nova Scotians trying to start a family.

The Fertility Rebate will provide a 40 per cent refundable tax credit, up to a maximum of \$8,000 per year, on expenditures for medical expenses incurred by an individual, their spouse or common-law partner for infertility treatments. The treatments must be provided by a Nova Scotian licensed medical practitioner. There is no lifetime maximum. For families employing the use of a surrogate, a Surrogacy Rebate will provide a 40 per cent rebate, up to a maximum of \$8,000 per year, on expenditures for medical expenses paid for on behalf of a surrogate – provided that the surrogate does not claim medical expenses for the treatments. These expenditures are not eligible for the Fertility Rebate. The Fertility and Surrogacy Rebates are estimated to provide \$3.0 million to families in the 2022-23 fiscal year.

More Opportunities for Skilled Trades (MOST)

The province is also introducing the More Opportunities for Skilled Trades (MOST) tax refund which will become effective for the 2022 and subsequent taxation years. MOST aims to attract and retain youth in industries with labour shortages. MOST will return provincial personal income tax paid on the first \$50,000 of earnings for eligible trades workers under the age of 30.

Non-Resident Deed Transfer Tax

Effective April 1, 2022 the province will implement a Deed Transfer Tax of 5 per cent of the value of residential real property purchased by a non-resident of Nova Scotia. The tax will not apply to a transaction where the Agreement of Purchase and Sale was entered into prior to April 1, 2022. An exemption from the tax will be in place for non-resident purchasers who move to the province within 6 months of the closing date of the transaction.

The Non-Resident Deed Transfer Tax is projected to provide \$15.5 million in revenue for the 2022–23 fiscal year.

Non-Resident Property Tax

Effective for the 2022–23 fiscal year the province will implement a Property Tax of \$2.00 per \$100 of assessed value on residential real property owned by a non-resident of Nova Scotia. The tax will not apply to residential properties that contain more than 3 units nor to residential properties that are leased to individual Nova Scotian residents for a period of at least 12 months.

The Non-Resident Property Tax is projected to provide \$65.5 million in revenue for the 2022–23 fiscal year.

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 Nova Scotia. This includes working together to contribute to economic growth; provide an engaged and collaborative business environment for local producers; support industry modernization; and maintain social responsibility while protecting the province's financial position.

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.

The Office of the Superintendent of Insurance (OSI) is currently reviewing Nova Scotia's automobile insurance product. Following consultation with stakeholders, in 2022-23 the OSI will begin to develop any regulatory or legislative amendments that may be required to implement proposed changes resulting from the review.

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 2022-23, the department is working on several initiatives that support a holistic, multi-year approach to diversity, inclusion, and employee well-being. Data collection is being 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 2022-23. 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

Develop and update 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 controlled entities.

Prepare the annual public accounts, which include the consolidated financial statements of the province, and coordinate the year-end audit.

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 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 monitoring the compliance with legislation and policy.

Provide professional advice, recommendations, and coordination for policies, guidelines, and risk management related to debt and investment activities.

Monitor and report on internal financial controls, risk assessments, governance of specific software systems and corporate compliance programs.

Account for the banking transactions of departments, reconcile provincial bank accounts, and manage the Treasury Management System.

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

Finance and Treasury Board Departmental Expenses Summary			
	2021-22 Estimate	2021-22 Forecast	2022-23 Estimate
Programs and Services	(\$thousands)	(\$thousands)	(\$thousands)
Senior Management	3,598	3,621	3,551
Controller's Division	2,394	2,364	2,570
Treasury Board Office	2,147	2,112	2,239
Corporate Strategic Initiatives	1,003	1,018	1,031
Financial Advisory Services	12,518	12,385	14,398
Fiscal Policy, Economics and Budgetary Planning	4,374	4,334	5,088
Total – Departmental Expenses	26,034	25,834	28,877
Additional Information:			
Fees and Other Charges	376	311	285
Ordinary Recoveries	152	191	301
Provincial Funded Staff (FTEs) Net	220.0	212.9	240.0

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).

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

² Ibid

³ Ibid

Performance Measures: Results

The performance measure results are presented in the following table.

- For 2021-22, the results are based on the final forecast as presented in Budget 2022-23. The final results will be presented in the Provincial Public Accounts for 2021-22 in the summer of 2021.
- For 2022-23 to 2025-26, the results are based on the Province of Nova Scotia's four-year fiscal plan, as presented in Budget 2022-23.

Indicator	2018-19	2019-20	2020-21	2021-22 (f)	2022-23(b)	2023-24(f)	2024-25(f)	2025-26(f)
Sustainability								
Annual Surplus/(Deficit) (\$millions)	\$122.9	\$2.3	(\$341.6)	\$107.7	(\$506.2)	(\$418.8)	(\$377.3)	(\$293.7)
Annual Surplus/Deficit (% of GDP)	0.27%	0.00%	(0.73%)	0.21%	(0.96%)	(0.77%)	(0.68%)	(0.51%)
Net Debt to Nominal GDP (%)	33.4%	32.8%	35.0%	33.5%	34.9%	36.9%	39.2%	40.0%
Net Debt per Capita (\$dollars)	\$15,644	\$15,719	\$16,746	\$16,940	\$18,318	\$19,834	\$21,247	\$22,124
Net Debt (\$billions)	\$14.99	\$15.24	\$16.40	\$16.81	\$18.40	\$20.13	\$21.78	\$22.88
Flexibility								
Debt Service Costs (% of total revenue)	7.3%	6.7%	6.0%	5.3%	5.3%	5.4%	5.5%	5.4%
Own Source Revenue (% of GDP)	18.0%	17.8%	16.9%	16.2%	15.1%	15.0%	15.4%	15.4%
Vulnerability								
Federal Transfers (% of total revenue)	31.8%	32.3%	37.5%	37.0%	37.1%	36.4%	35.6%	35.5%

Notes: Performance measures for 2018-19 to 2020-21 use Government Reporting Entity figures (Consolidated). 2021-22 to 2025-26 use General Revenue Fund figures because consolidated figures are not available for budget and forecast years. b=budget; f=forecast.