
Nova Scotia Department of Finance
Accountability Report
2007-2008

Department of Finance

Accountability Report for Fiscal Year 2007-2008

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Accountability Statement

The accountability report of the Department of Finance for the year ended March 31, 2008, is prepared pursuant to the Provincial Finance Act and government policies and guidelines. These authorities require the reporting of outcomes against the Department of Finance business plan information for the fiscal year 2007-08. The reporting of the department's outcomes necessarily includes estimates, judgments and opinions by Department of Finance management.

We acknowledge that this accountability report is the responsibility of department 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's business plan for the year.

Honourable Michael Baker
Minister of Finance

Vicki Harnish
Deputy Minister

Message from the Minister

I am pleased to present the 2007-2008 Accountability Report for the Department of Finance.

Once again this year, the department played a leadership role in helping the Province of Nova Scotia carefully manage its finances. The 2007-2008 budget was balanced for the sixth year in a row, and we ended the year with a surplus of \$418.9 million.

A large portion of the surplus was a Crown Share payment of \$234.4 million from the Government of Canada. Finance staff worked with the Department of Energy, who led the file, to present Nova Scotia's Crown Share case to a federal-provincial panel studying the issue.

Finance continued in 2007-2008 to improve and augment its many centralized services. In addition to providing essential policy advice to government on a wide range of financial and accounting topics, the department also offers operational support for departments, agencies, and school boards across the province in such areas as accounting, payroll, audit, and IT systems.

The department made considerable progress as well this year in promoting a healthy workplace and improving many of its human resources practices. These are crucial to attracting and retaining the very best staff to oversee the province's finances.

I would like to thank all staff at Finance for their contribution to meeting our annual goals and priorities. I look forward to our continued progress in years to come.

Hon. Michael G. Baker, Q.C.

Accountability Report, 2007-2008

This Accountability Report is based on the goals, priorities and intended outcomes that were included in the Department of Finance's Business Plan, 2007-2008. The purpose of the report is to account for progress made in achieving the goals and priorities, and to measure performance within key business areas. Historical and comparative information has been included within the performance measurement section to provide greater clarification and explanation for the reader.

Mission

To support a sustainable economy and sound fiscal framework that targets debt reduction, budget surpluses and financial accountability through the provision of responsible fiscal management; development of strong tax and revenue policies and economic growth incentives; financial reporting; and corporate support services.

Core Business Areas

Fiscal and Economic Policy

Provides fiscal and economic analysis, policy development and strategic advice by:

- providing economic, tax and fiscal decision support for the Minister, Cabinet and provincial departments and agencies
- maintaining an equitable, efficient and effective tax regime that supports public services and sustains economic growth
- providing timely economic and revenue forecasts for government budgets, financial reporting and long term planning
- advancing Nova Scotia's interests on a wide variety of federal-provincial fiscal arrangements such as Equalization, Canada Health Transfers and Canada Social Transfer

Central Policy and Planning

Works in cooperation with Treasury and Policy Board to develop corporate fiscal and economic policies, and supports coordinated information flows into and out of the department and intra and interdepartmental collaboration. Specific responsibilities include:

- development and maintenance of provincial fiscal and debt reduction plans
- developing a balanced provincial budget
- preparing regular forecast updates
- providing policy analysis and advice to the Minister's Office and executive management on the department's corporate responsibilities, as well as departmental organization and operations
- overseeing the department's information management initiatives

Financial Institutions

Promotes and enhances consumer confidence and public trust in the credit unions, insurance and trust and loan sectors through:

- the regulation of market conduct
- financial monitoring to protect consumers pertaining to these sectors
- administration and collection of premiums and other taxes levied in the insurance sector

Treasury Management

This involves the processes, policies and procedures that ensure effective money management, maximizing return on investments and minimizing debt servicing costs within risk tolerances acceptable to government. Specific business activities include:

- managing the debt portfolio and sinking funds
- treasury function and investor relations

Central Agency Services

The Department of Finance provides a core set of services that support the management of the province's programs and public resources, in addition to supporting the core business functions of the department. These services are:

- providing ongoing support for the SAP systems within provincial departments and agencies, school boards, regional housing authorities and six municipalities;
- providing a continuum of services - from descriptive statistics, to in-depth impact, cost benefit and economic policy analyses - that will better inform policy development, program planning and decision making;
- developing and maintaining a statistical infrastructure consisting of a wide range of census, taxation and administrative data sets that will support evidence-based decision making and program planning. This supports the Nova Scotia Community Development policy and other government-wide initiatives.
- performing and facilitating value-added audit and consulting services for client departments and agencies regarding effectiveness of control structures and cost-effective usage of public funds. This function is undergoing change to provide a more directed and comprehensive corporate approach.
- providing professional accounting advice to all entities within the government reporting entity, working closely with the Office of the Auditor General to ensure financial reporting requirements are met, commenting on new standards being proposed by PSAB, and conducting presentations on financial reporting matters to ensure the government's financial community is aware of changes in accounting and/ or reporting requirements.
- providing central payroll services for all government employees, including pensioners serviced by the Nova Scotia Pension Agency and all employees of Nova Scotia Regional School Boards.

The department also hosts the Corporate Services Unit (CSU) that supplies financial services to the departments of Finance; Tourism, Culture and Heritage; Economic Development; the Office of Acadian Affairs; and the Office of African Nova Scotian Affairs. Human Resources are provided through the Transportation and Public Works CSU and Information Technology resources are hosted by the CSU at the Department of Natural Resources. Communications staff are assigned to the department by Communications Nova Scotia, and legal expertise is provided through the Department of Justice.

Strategic Goals, 2007-2008

1. Contribute to the development of fiscal and economic strategies to help the government realise its fiscal, social and economic development objectives.
2. Advance Nova Scotia's best interests in federal-provincial fiscal relations to secure adequate, equitable and predictable funding for the delivery of essential public services.
3. Develop and implement a strong Human Resources Strategy focused on maintaining and bolstering a highly skilled and motivated personnel.
4. Enhance Risk Management Strategies and complete Business Continuity Management Planning.
5. Increase departmental capacity in research, analysis and forecasting to support long-term fiscal planning, financial accountability and reporting.
6. Deliver high level corporate support services.

Progress and Accomplishments: Priorities for 2007-2008

Priorities included in the 2007-2008 Business Plan were grouped under the relevant strategic goal. The same format has been followed for the Accountability Report.

Strategic Goal #1: Contribute to the development of fiscal and economic strategies to help the government realise its fiscal, social and economic development objectives.

Priority #1

Lead the development of a fiscal plan that includes a balanced budget for 2007-2008 and adequate surplus funds to fulfill the requirements of the provincial Debt Reduction Plan, and, in

partnership with Treasury and Policy Board (TPB), monitor, report and advise on the ongoing implementation of the fiscal plan, including regular forecast updates.

Accomplishments, 2007-2008

- The 2006-2007 Public Accounts released on August 9, 2007 reported a year-end March 31, 2007 surplus of \$182.4 million, against a budgeted surplus of \$73.5 million.
- The 2007-2008 Budget was released on March 23, 2007 with a projected surplus of \$118.4 million dollars.
- The 2007-2008 Budget included \$104 million allocated to the debt to fulfill the requirements of the provincial debt reduction plan. This included a \$17.9 million debt retirement contingency, \$16.9 million reserved to offset TCA revenues, and \$68.2 million in deferred revenue from the Offshore Offset Agreement, in keeping with government's commitment that all monies from the offshore agreement with the federal government would be applied to the debt. The reduction in Net Direct Debt was estimated at \$15.4 million in the 2007-2008 Budget.
- The 2007-2008 Public Accounts, released on August 5, 2008, reported a year-end March 31, 2008 surplus of \$418.9 million, against a budgeted surplus of \$118.4 million. The major components in the difference in Budget versus Actual was the receipt of \$234.4 million in Crown Share funding and increased Petroleum Royalties.
- The actual surplus was \$418.9 million and the Net Direct Debt declined by \$242.4 million in 2007-2008.
- Three 2007-2008 public budget forecast updates were issued; on August 9, 2007, on December 28, 2007, and with the 2008-2009 Budget, which was released on April 29, 2008.
- Regular presentations (in conjunction with TPB) were made to Executive Council to update the members on the 2007-2008 budget forecast.
- The 2008-2009 Budget was released on April 29, 2008. The 2008-2009 Budget estimates a seventh consecutive balanced budget, a surplus of \$189.7 million, and a reduction of \$12.3 million in net direct debt.

Priority #2

Support the enhancement and development of long-term fiscal planning by government departments and entities that incorporates the impacts of long-term provincial demographic trends on the province's revenue and expenditure capacity.

Accomplishments, 2007-2008

- Nova Scotia's assistant deputy ministers are overseeing a long-term planning initiative – The future in FOCUS – to shed light on long-term trends that will have implications for government policies, programs and services. A major focus was placed on helping senior staff throughout government become more aware of projected changes in the characteristics of Nova Scotia's population and the resulting implications arising from a projected decrease in overall population, a shift to an older age structure, a shrinking labour pool, increasing urbanization and rural decline.
- Through a series of presentations, departments were encouraged to use common population projections produced by the Fiscal and Economic Policy branch; to consider what those projections mean for the revenue and expenditure picture; and to incorporate the information into plans needed to address the challenges ahead.

Priority #3

Lead and support government-wide initiatives designed to improve the province's business and investment climate. Specific initiatives include:

- completion and launch of the Department's four-year plan to support the government-wide Better Regulations Initiative.
- continued to work with the Nova Scotia Insurance Review Board to enhance regulatory efficiency and improve communications and consultation with stakeholders concerning the rate filing processes for auto insurance.

Accomplishments, 2007-2008

- The Department of Finance's Better Regulation four-year plan has been completed. The plan calls for a reduction in administrative requirements of 20 per cent by 2010. All requirements will be met through changes in legislation / regulations in the area of financial institutions administration.
- The amendment of legislation and regulation will require detailed legal review and advice, along with stakeholder consultation in some areas. Preliminary legal review of proposed changes was completed during 2007-2008. It is not expected that any changes will occur prior to 2010.

- The Better Regulations initiative also includes an improved design, communication, administration, promotion and enforcement of regulations component. In 2007-2008 the department continued in its efforts towards the harmonization of Securities regulations, and the harmonization of Insurance regulations.
- In March 2008, Government introduced regulations to simplify the filing process for insurance companies wishing to reduce auto insurance rates for consumers. Specifically, a simplified "file and use" system was introduced for auto insurance rate applications that contain average rate decreases. The regulations allow companies to implement rate decreases by simply notifying the Insurance Review Board. This has the effect of reducing the time and cost of processing rate reduction applications for industry.

At the same time Government announced intentions to introduce regulations in the fall of 2008 which will require companies to file rate applications on a regular, mandatory basis and to consult with industry about these plans over the summer of 2008.

Priority #4

Strengthen departmental oversight, policy analysis and advice and performance and accountability reporting for the agencies and crown corporations that report to the Minister of Finance. Maintain timely communications and productive working relationships with these agencies and crown corporations.

Accomplishments, 2007-2008

- Advisory Services - Crown Agencies and Corporations continued providing advice on matters involving crown agencies and corporations (seven agencies) reporting to the Minister of Finance during 2007-2008.
- The division continued to strengthen activity and performance reporting by agencies to inform government of key activities, initiatives and accomplishments. The Nova Scotia Securities Commission developed their first business plan in the fall of 2007, published in the spring of 2008, with guidance from the division.
- The division continued to work closely with crown agencies to coordinate important initiatives. These included debt restructuring, salary frameworks, insurance reforms, legislative amendments, regulatory changes and inter-provincial harmonization initiatives for securities and the piloting of a strengthened screening process for board member appointments.

Strategic Goal No. 2: Advance Nova Scotia's best interests in federal-provincial fiscal relations to secure adequate, equitable and predictable funding for the delivery of essential public services.

Priority #5

Track, analyze and assess the impact of federal directions in Equalization and CST/CHT funding and provide sound advice and recommendations to government concerning the Province's position, especially within in the context of Federal-Provincial/Territorial negotiations.

Accomplishments, 2007-08

- Significant analysis of the impact of the new federal equalization formula on Nova Scotia was conducted to support the Province's negotiations with the federal government over the protection of offshore natural resource revenues. The negotiations were successfully concluded with the signing of a clarification agreement in October 2007. The agreement provides the Province with a cumulative best of guarantee between two formulas and is expected to preserve the benefits of the Offshore Accord.
- The Department provided support and analysis to the Department of Energy in Crown Share Adjustment Payments negotiations, leading to the successful resolution of a long-standing dispute with the federal government.
- The Department provided financial analysis of the impact of the move to an equal *per capita* cash transfer for the Canada Social Transfer and the proposed move to equal *per capita* cash transfers for the Canada Health Transfer following 2013-14. Additional analysis was conducted concerning the lack of support the Province receives through the Canada Social Transfer for the education of out-of-province post-secondary students.

Priority #6

Continue to monitor and assess the socioeconomic demographics of Nova Scotia taxpayers and maintain a close working relationship with key stakeholders to ensure tax policy decisions are made with a full appreciation for the key trends and issues.

Accomplishments, 2007-2008

- The Department built and tested a long-run economic growth model to examine the impacts of changing demographics and productivity on revenues. This model has been integrated into the ongoing development of longer-term fiscal plans.

Strategic Goal No. 3: Develop and implement a strong Human Resources Strategy focused on maintaining and bolstering a highly skilled and motivated personnel.

Priority #7

Contribute to the creation of a sustainable, highly skilled financial community for all of government by developing existing talent and ensuring a balanced approach to future recruitment that supports current and emerging public sector business requirements. This will include the continuation and strengthening of departmental talent (succession) management planning and implementation of a standard training and development needs assessment tool.

Accomplishments, 2007-2008

- Conducted needs analysis on staff development within Dept of Finance and developed an 18 month staff development plan. Staff participated in several department sponsored training opportunities, including a strategic planning session for department management;
- Reconfirmed commitment to the HR Strategy for the Finance Community from co-sponsors - the Deputy Minister of Finance and the Commissioner of the PSC and commenced efforts to develop a Strategic Action Plan to implement the strategy;

Priority #8

Expand initiatives that support healthy workplace culture, including employee recognition, occupational health and safety, employee wellness, and support for change management.

Accomplishments, 2007-2008

- Contracted with an external provider to conduct comprehensive Health Risk Assessments. Staff participation was over 75%, a follow up action plan has been implemented in response to the HRA results with the focus being on both the individual and the workplace health;

- Both the OH&S and HWP committee membership have expanded by 300% and have a broader spectrum of staff representation. Members of both committees were provided development opportunities to assist them with program responsibilities and initiatives. These committees have become very active and have undertaken several initiatives consistent with their respective mandates;
- Focus Groups were conducted with staff of all divisions to receive staff feedback and clarification of opportunities for the Department to maintain progress in its quest of becoming an employer of choice;
- The Dept is a pilot partner with the government Re-Think initiative and Conserve NS. The HWP initiative now has Re-think as a sub committee;
- Conducted a Workplace Violence Risk Assessment with all staff and prepared an interim report with strategies to mitigate risks;
- Continue to conduct information sessions “What’s New at Finance” for all staff, providing updates on the Department.

Strategic Goal #4: Enhance Risk Management Strategies and complete Business Continuity Management Planning.

Priority #9

Complete Business Continuity Management Plans and document Operating Procedures for Level I and II mission critical functions, with final quality assurance of divisional Business Continuity Plans by Internal Audit.

Accomplishments, 2007-2008

- There are nine operational and strategic units that have level I or level II time sensitivities. Of these three are 100% complete, with the remaining six ranging from 17% to 99% complete.

Priority #10

Complete the migration of payment production from the Department of Community Services to the Department of Finance, resulting in improved internal controls over the payment cycle.

Accomplishments, 2007-2008

- Final phase of Integrated Case Management (ICM) was implemented in June 2008, complete with payment production centralized at Dept of Finance.
- Family and Children Services were added to ICM in Phase 3. This increased our payment production by 40,000 per year and added a new group of clients to support from the payments and related questions perspective.
- Payment centralization was accomplished in other areas as well during 2007-08. New payment production volume also came from Dept of Health whereby we added 157 clients receiving monthly payments for In-Home Support. Payments for the Seniors' Property Tax Rebate were added this year for approximately 16,000 clients.

Priority #11

Continue to build Risk Assessment capacity across government through the delivery of Risk Assessment training to all departments as part of the Audit Planning Process.

Accomplishments, 2007-2008

- Internal Audit facilitated risk assessment workshops for 14 of 18 government departments. Internal Audit supported the identification of risk; providing the departments with a starting point where they could analyze and evaluate their risks. The risk assessment was used to support the internal audit planning for 2008/2009. A different approach will be used for the upcoming year; however, Internal Audit remains well positioned to evaluate and provide assurance on risk management processes and provide assurances that risks are correctly evaluated.

Strategic Goal #5: **Increase departmental capacity in research, analysis and forecasting to support long-term fiscal planning, financial accountability and reporting**

Priority #12

Continue the consolidation of existing accounts receivable systems throughout government into one corporate Accounts Receivable (AR) by moving all or most of the AR accounts into SAP-AR. A corporate system will provide for improved data management, reporting and analysis functions, and the enhancement of internal controls, including relevant policies and procedures.

- During the year, Government Accounting worked with Department of Natural Resources (DNR) to transfer their AR data from their decommissioned AR software onto the SAP AR module. Approximately 1500 customers were initially added to SAP AR. The DNR customer data had to be reviewed and corrected for incorrect or incomplete account master information. DNR required training for their staff. Government Accounting worked with their CSU and SAP to develop the new process for using this module in their program areas. This was a significant change for DNR and change management was a challenge. It took quite a long time for their program areas to resolve their operational issues before they could adopt the new AR and its processes. Now it is up and running and continuing to grow. Future plans include looking at better ways to process the transactions, and using system functionality to gain efficiency, such as implementing recurring AR payments through electronic means.

Priority #13

Actively monitor and contribute to cross-government initiatives, and consult with client departments and entities to better serve economic, fiscal and demographic information needs of government.

Accomplishments, 2007-2008

- The Department was an active participant in providing tax policy advice to the Departments of Environment and Energy concerning meeting the *Environmental Goals and Sustainable Prosperity Act* targets and in developing the Province's Climate Change Action Plan.
- The Department worked closely with Service Nova Scotia & Municipal Relations in implementing Your Energy Rebate and continues to assist with financial analysis of the program.
- Department staff are pro-active in establishing key relations with line departments to facilitate cross-program awareness and an appreciation of the role of tax instruments and tax policy in the accomplishment of line department objectives.

Priority #14

Continue the financial document review, including the public accounts, with the objective being to improve the usefulness of the documents produced by the department while maintaining compliance with Generally Accepted Accounting Principles (GAAP) for the public sector.

Accomplishments, 2007-2008

- Reduced printing costs by limiting release of Public Accounts Volume 2 to CD format only. The CD includes both volume 1 and 2 for easy reference. The Department continued to review the Supplement to the Public Accounts and is considering changes to better highlight significant or material information.

Strategic Goal #6: Deliver high level corporate support services

Priority #15

Develop and strengthen working relationships with the Regional School Boards to support the efficient and effective delivery of central payroll services.

Accomplishments, 2007-2008

- Successful and on-time execution of biweekly, monthly and off-cycle payroll on behalf of the eight School Boards throughout 2007-2008.
- Successful and on-time execution of 2007 taxation year-end reporting to Canada Revenue Agency on behalf of the eight School Boards.
- Regular ongoing collaboration with School Boards, Dept of Education, and Dept of Finance SAP Competency Center to refine system functionality and improve reporting.

Priority #16

Expand capacity and capabilities within the Corporate Information Systems (CIS) division to support new initiatives and implementations such as the NSLC, JEM School Board Payroll, and SAP's Business Intelligence Tools.

Accomplishments, 2007-2008

- Successfully supported the implementation of infrastructure and technical support services for NSLC. This implementation was the first within the public sector for SAP Retail.
- Supported the rollout of Plant Maintenance within the NS School Boards, which saw implementation of SAP functionality to over 400 schools province-wide.
- Continued the development of support service for the NS School Boards for areas such as HR/Payroll and Plant Maintenance through the sustainment period for the new modules implemented in 2006/07 and 2007/08.
- Enhanced and supported new functionality for the province's Business Intelligence tools for business areas such as corporate HR reporting and Supplement to the Public Accounts.
- Began the planning efforts to build capacity to support the introduction of SAP within the District Health Authorities.
- Implemented new interface capability for municipal SAP clients to support the province's new Property Assessment System.

Priority #17

Strengthen client confidence in our internal controls by completing Section 5790 audits on Customer Competency Center (CCC) services. Additional findings will be disclosed to all clients, and the process for ensuring that audit findings are reviewed and remedied will continue.

Accomplishments, 2007-2008

- A series of two Section 5970 Audit Reports were delivered to clients of the Customer Competence Centre (CCC). These reports showed improvement over the Section 5970 report issued for the 06/07 fiscal year and was communicated to all CCC client groups.

Budgeting Context

	2007-2008 Estimate (\$ thousands)	2007-2008 Actual (\$ thousands)	Variance (\$ thousands)
Program & Service Area			
Senior Management	1,839	1,687	(152)
Office of the Assistant Deputy Minister (note 1)	3,637	4,136	499
Corporate Services Unit	1,191	1,200	9
Controller (note 2)	18,952	17,640	(1,312)
Total Net Program Expenses (note 3)	25,619	24,663	(956)
TCA Cash Flow (note 4)	0	1,772	1,772
Funded Staff - Gross FTEs	215	178	(37)
Funded Staff - Net FTEs	198	168	(30)

Notes: Significant Variance Explanations; 2007-2008 Estimate to 2007-2008 Actual

1. Divisional expenses were \$.5 million over budget resulting from a \$1.0 million adjustment to reflect an accounting policy change in revenue recognition, offset by salary savings from vacancies of \$500 thousand.

2. Divisional expenses were \$1.3 million under budget resulting from \$1.8 million in salary savings due to vacancies, amortization savings of \$.5 million, offset by additional IT and professional services of \$1.0 million.

3. Overall, departmental expenses were \$956 thousand under budget. Salary costs were \$2.3 million less than budget and amortization expense was \$0.5 million lower than budget due to delays in implementation of an information technology project. These savings were offset by \$1.0 million in expenses related to an accounting policy change in revenue recognition, and \$800 thousand in additional expenditures for IT and professional services.

4. During the year the Department received approval to proceed with hardware and software acquisitions as part of the ongoing SAP infrastructure upgrade program.

Measuring Our Performance, 2007-2008

The supporting data presented below reflect the measures included in the 2007-2008 Business Plan and the most recent information available.

Strategic Goal #1:	Contribute to the development of fiscal and economic strategies to help the government realise its fiscal, social and economic development objectives
Core Business:	Central Policy and Planning
Measure:	Effective management of the province's financial operating resources as measured by surplus budgets and net direct debt (NDD) reduction.
Outcome:	Effective management of the province's financial operating resources

What does the measure tell us?

This measure shows the status of the provincial Budget and NDD. A balanced budget indicates that government can accommodate provincial spending within its revenue envelope, while a surplus budget is needed to meet net direct debt reduction commitments.

Where are we now?

The 2007-2008 Budget estimated a surplus of \$118.4 million and Net Direct Debt reduction of \$15.4 million. The Public Accounts for 2007-2008 identified an actual surplus of \$418.9 million and Net Direct Debt reduction of \$242.4 million.

Where do we want to go?

We want to continue to produce balanced budgets, and produce surpluses sufficient to meet government's policy commitments around debt reduction.

Strategic Goal #1: Contribute to the development of fiscal and economic strategies to help the government realise its fiscal, social and economic development objectives.

Core Business: Treasury Management

Measure: Credit Spread relative to Ontario

Outcome: Efficient and prudent management of the government's financial assets and liabilities

What does the measure tell us?

The relative cost of borrowing for the government of Nova Scotia as compared to the government of Ontario's cost of borrowing. This reflects the risk the markets associate with the bonds issued by both to finance the respective provincial debts.

Where are we now?

In 2007-2008 the credit spread relative to Ontario was +3.0 basis points. This is up slightly from the 2006-2007 spread of 0.2 basis points, but is very close to on par. (100 basis points = 1 per cent)

Where do we want to go?

We would like to achieve a par (0.0 basis point) spread.

Strategic Goal #1:	Contribute to the development of fiscal and economic strategies to help the government realise its fiscal, social and economic development objectives.
Core Business:	Treasury Management
Measure:	Percentage of foreign debt in debt portfolio
Outcome:	Efficient and prudent management of the government's financial assets and liabilities

What does the measure tell us?

This measure indicates the level of foreign currency exposure and the inherent risk to net debt servicing costs where changes occur in the value of the Canadian dollar relative to the US dollar.

Where are we now?

Foreign currency exposure was 0.0 per cent of the debt portfolio as at March 31, 2008. This represents a decline from March 31, 2007 when 10.2 per cent of the province's debt portfolio was denominated in foreign currencies.

Where do we want to go?

Section 52A of the *Provincial Finance Act* requires the province to reduce foreign currency exposure to 20% or less and to refinance all maturities with a term greater than one year in Canadian dollars. The Department of Finance achieved the legislated maximum 20 per cent foreign currency exposure target, and reduced its foreign currency exposure to zero.

Strategic Goal #1:	Contribute to the development of fiscal and economic strategies to help the government realise its fiscal, social and economic development objectives.
Core Business:	Treasury Management
Measure:	Credit ratings by major rating agencies
Outcome:	Efficient and prudent management of the government's financial assets and liabilities

What does the measure tell us?

A credit rating is an independent evaluation of a borrower's ability and willingness to pay interest and to repay principal. Rating firms provide investors with these measures of the credit quality of bonds of other financial instruments. A credit rating indirectly affects the borrower's debt servicing costs and the investor's expected rate of return since an investor will demand a higher return on a more risky, lower rated security.

Where are we now?

At March 31, 2008, the province's credit rating has been stable with all three major bond-rating agencies. Moody's Investor Services rated the province at "Aa2" with a stable outlook. Dominion Bond Rating Service placed the province at "A" also with a stable outlook. The rating by Standard and Poor's stood at "A+" with a stable outlook. All of these agencies have reconfirmed these credit ratings for the province of Nova Scotia.

Where do we want to go?

The department's objective is to maintain and improve upon these ratings.

Strategic Goal #1: Contribute to the development of fiscal and economic strategies to help the government realise its fiscal, social and economic development objectives.

Core Business: Central Policy and Planning

Measure: Completion of Department of Finance's four-year plan under the corporate Better Regulations Initiative (BRI).

Outcome: Reduce Administrative burden for private sector business

What does the measure tell us?

The Better Regulation Index indicates the time burden placed on business in Nova Scotia to comply with the regulatory requirements in the area of Financial Institutions Administration.

Where are we now?

Based upon the index measurement criteria, the Department of Finance imposes a total time burden of 3372 hours on businesses in the area of Financial Institutions administration; which includes requirements for Credit Unions, Insurers and agents, and Trust and Loan companies.

Where do we want to go?

We want to meet our goal of a 20% time reduction by 2010.

Strategic Goal #2: Advance Nova Scotia's best interests in federal-provincial fiscal relations to secure adequate, equitable and predictable funding for the delivery of essential public services.

Core Business: Central Policy and Planning

Measure: Provincial government debt as a percentage of GDP

Outcome: Prudent and sustainable fiscal plan

What does the measure tell us?

Net direct debt as a percentage of GDP is an indicator of the fiscal sustainability and flexibility of the province. The higher the ratio, the greater the debt burden on the residents of Nova Scotia. A declining ratio indicates that the Net Direct Debt of the Provinces is declining relative to the size of the overall provincial economy.

Where are we now?

As at March 31, 2008 the Net Direct Debt to GDP ratio stood at 35.9 per cent. This represents a decrease from the ratio of 38.6 per cent as at March 31, 2007.

Where do we want to go?

A continued reduction in the year over year ratio remains our target.

Strategic Goal # 2:	Advance Nova Scotia's best interests in federal – provincial fiscal relations to secure adequate, equitable, and predictable funding for the delivery of essential public services.
Core Business:	Fiscal Planning and Policy
Measure:	Phase out of Large Corporations tax
Outcome:	Positive climate for investment that stimulates economic growth

What does the measure tell us?

Corporate income and capital tax rates measure the overall marginal taxes on Nova Scotia businesses. These rates are the most visible measure of the tax environment for businesses considering investment in Nova Scotia. This measure tells us the general tax rates applied to business income and to business capital investments. Comparing tax rates with other jurisdictions is a key indicator of Nova Scotia's competitiveness.

Where are we now?

Business Tax Rates for 2008 Tax Year

	NS	NB	ON	AB	Federal
General income tax	16.0%	13.0%	14.0% ^a	10%	19.5% ^c
Small business income tax	5.0%	5.0% ^d	5.5%	3.0% ^g	11.0%
Large Corporations Tax (Non-financial capital tax)	0.2%	0.1% ^e	0.225% _b	0%	0%
Corporations Capital Tax (Financial capital tax)	4.0%	3.0%	0.45-0.675%	0%	1.25% ^h

a - Ontario offers a 2% credit for manufacturing and processing profits, reducing the effective rates for these activities to 12%.

b- In the 2008 Budget, Ontario eliminated the capital tax for companies in manufacturing and resource industries, effective January 1 2008. The 2007 Budget accelerated the elimination of the Capital Tax for all industries to 0% by July 1, 2010; 18 months sooner than originally planned.

c - The federal government eliminated the corporate surtax of 1.12%, effective January 1, 2008. The Fall 2007 Economic Update announced the plan to reduce corporate income tax to 15% by 2012.

d - New Brunswick raised its small business rate from 1.5% to 5% in the 2007-08 Budget

e - New Brunswick's capital tax will be eliminated by 2009

f - Effective July 1, 2008. Nova Scotia's Large Corporations Tax continues to be reduced annually towards phase-out by July 1, 2012.

g- Alberta's small business threshold increased to \$460,000 in April 2008 and will rise to \$500,000 in 2009.

h- The capital tax applies to taxable capital employed in Canada exceeding \$1 billion.

Nova Scotia's business tax rates are generally higher than in other provinces. Taxes are an important factor in the province's overall competitive performance and the Province has taken steps to reduce the burden of taxes on the economy. However, the federal government levies the majority of the corporate tax burden in Canada.

Where do we want to go?

The phasing out of the Large Corporations Tax (LCT) by 2012 continues, as announced in the 2006-2007 Budget. In July 2008, this tax rate was reduced by another 0.025 per cent to 0.20 per cent. The reduction in the LCT rate will save Nova Scotia businesses an estimated \$28 million in 2008.

In 2007, the Province announced additional support for film and digital media activities. The film and the digital media tax credits will be broadened for the 2008 tax year. The base film tax credit for productions commencing after September 30, 2008, will increase to 50 per cent of eligible salaries paid to Nova Scotia labour up to 25 per cent of total production costs. The Digital media tax credit will increase to 50 per cent of eligible salaries up to 25 per cent of total production costs for expenditures incurred after January 1, 2008. For both credits, the bonus for producing in eligible geographic areas increased to 10 per cent of eligible salaries up to 5 per cent of total production costs.

The government's plan provides a prudent balance between business tax relief and the need for revenues to support public programs.

The Department of Finance continues to review the province's business taxes to assess their long-term competitiveness, efficiency, sustainability and fairness.

The Department of Finance continues to monitor and assess the overall tax burden while examining the socioeconomic demographics of Nova Scotia taxpayers and maintaining a close working relationship with key stakeholders to ensure tax policy decisions are made with a full appreciation for the key trends and issues.

Strategic Goal # 2: Advance Nova Scotia’s best interests in federal – provincial fiscal relations to secure adequate, equitable, and predictable funding for the delivery of essential public services.

Core Business: Fiscal Planning and Policy

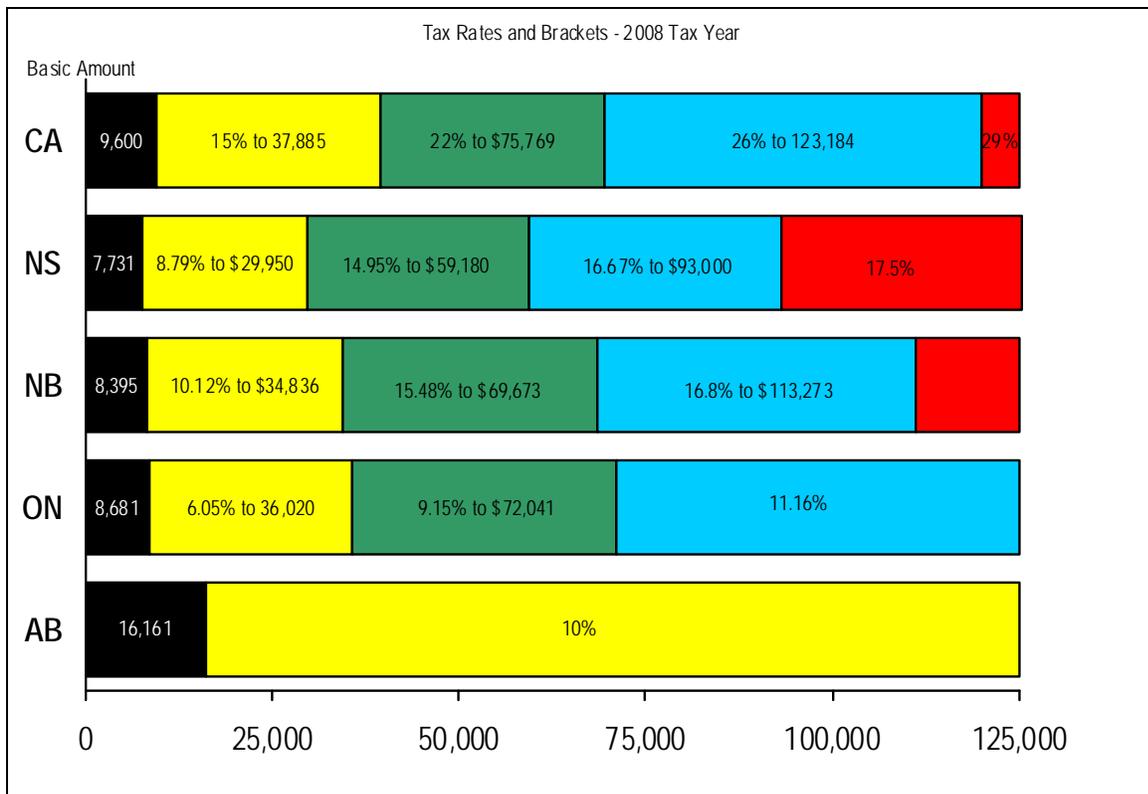
Measure: Reduction in Personal income tax burden

Outcome: Positive climate for investment and economic growth

What does the measure tell us?

Personal income tax rates and brackets tell us how much provincial tax individuals in different income ranges would have to pay on their next dollar of taxable income. This measure allows for comparing the tax burden among provinces at different income levels. Personal income tax rates do not measure the overall level of tax burden because they ignore how much taxable income Nova Scotians actually earn and how it is distributed among them.

Where are we now?



Personal Income Tax Rates and Brackets for 2008 Tax Year

Nova Scotia's personal tax rates are consistent with other provinces in Atlantic Canada, but higher than elsewhere in Canada. Nova Scotia and Ontario charges surtax on high-income

earners. Nova Scotia's surtax is calculated at 10 per cent of the gross provincial taxes owing over \$10,000. Ontario has two surtaxes of 20 per cent on taxes over \$4,162 and 36 per cent over \$5,249; these are cumulative for a total surtax rate of 56 per cent.

Nova Scotia's tax brackets are not indexed. Most other provinces have indexed tax brackets that grow every year to account for wage growth and inflation. For example, while New Brunswick's personal tax rates are higher than Nova Scotia's, its brackets actually mean that an individual with more than \$29,590 in taxable income could pay more taxes in Nova Scotia, even though it's levied at lower rates. After an increase of \$250 in 2008, the province's basic personal amount of \$7,731 is still the lowest in the country. Most other provinces increase their basic amounts and tax brackets every year. In comparison, the Alberta tax system charges a 10 per cent flat tax on incomes above the 2008 basic amount of \$16,161.

Where do we want to go?

The government has introduced a series of tax measures to reduce the burden on businesses and individuals. This tax relief is planned in a prudent way to ensure that the government can promote the province's competitiveness with an efficient tax system that meets social needs within the fiscal resources available.

For the 2008 tax year, the basic personal amount exempted from personal income taxes is \$7,731, \$250 more than in 2007. The basic personal amount will continue to increase by \$250 in each of the next two years. The province's other non-refundable credits, including the spousal amount, dependent amount, pension amount, disability amount, and caregiver amount will also grow by 13.83 per cent over the 2007-2011 period. Starting in 2011, the personal tax system will be indexed at a prescribed rate.

In 2008, the Graduate Tax Credit doubled to \$2,000 for graduates from eligible post-secondary programs after January 1, 2008. Ground search and rescue volunteers will be eligible for a \$375 refundable tax credit in 2008. The refundable tax credit for volunteer firefighters and ground search and rescue will rise to \$500 in 2009.

The 2008 Budget announced a non-refundable transit tax credit, matching the Federal Transit Tax Credit that begins in 2009. This non-refundable tax credit will help cover the cost of public transit. The Budget also extended the Healthy Living Tax Credit for sport and recreational activity registration fees to all Nova Scotians – adults and children. The maximum expenditure per individual will be \$500.

The Department of Finance will continue to monitor and assess the overall tax burden while examining the socioeconomic demographics of Nova Scotia tax payers and maintaining a close working relationship with key stakeholders to ensure tax policy decisions are made with a full appreciation for the key trends and issues.

Strategic Goal # 3: Develop and implement a strong Human Resources Strategy focused on maintaining and bolstering a highly skilled and motivated personnel.

Core Business: Central Policy and Planning

Measure: Proportion of staff participating in career development/succession management training programs

Outcome: Strategic Management

What does the measure tell us?

The level of interest in, and support for staff to pursue initiatives designed to develop and enhance career opportunities for the long-term. This measure is targeted at capturing the personal level of interest, both among staff (as participants) and managers (as catalysts/champions), as opposed to efficiency or effectiveness of programs. In this way, it can also be viewed as a measure of the organizational culture or attitude towards career development and succession management.

Where are we now?

Processes and data capture methods have been established. Reporting on data is not yet possible.

Where do we want to go?

Process has been established to track processes and capture data. Reporting will be possible for 2008-2009 Accountability Report. Rewording of the Goal may be required to ensure appropriate measurements can be made.

Strategic Goal # 3: Develop and implement a strong Human Resources Strategy focused on maintaining and bolstering a highly skilled and motivated personnel
Core Business: Central Policy and Planning
Measure: Proportion of staff receiving performance appraisals
Outcome: Strategic Management

What does the measure tell us?

Performance appraisals (PA) are a core foundation of personnel and succession management. PAs help to identify the training and development needs of staff, as well as levels of job satisfaction. Training and development links the program needs of the department with the skills and expertise of staff, and help to build leadership and professional capacity. This measure will help ensure that the information needed for a successful personnel and succession management program for the department is collected.

Where are we now?

Hired personnel for a one year term position to assist with performance management process in Finance.

73% of bargaining unit staff received performance appraisals and 98% of non-bargaining unit staff received performance appraisals in 2007-2008.

Where do we want to go?

Managers and staff are to receive training on the performance management cycle.

Managers and staff will have access to individualized coaching to assist with performance Management when needed

All performance appraisals and career development plans will be sent by managers for review prior to being sent to the HR CSU

A tracking system will be established to ensure performance appraisals are completed for all staff and the performance management cycle is completed annually. We would like to achieve a goal of 100% of staff receiving annual performance appraisals.

Strategic Goal # 3: Develop and implement a strong Human Resources Strategy focused on maintaining and bolstering a highly skilled and motivated personnel

Core Business: Central Policy and Planning

Measure: Number of vacancies as percentage of approved positions

Outcome: Reduced vacancy rate

What does the measure tell us?

The measure provides an indication of success in meeting recruitment and retention goals for the department. It is important to develop and retain staff for the longer-term objectives of the department. Staffing levels are a determining factor in achieving the business plans of the department and government, and for achieving divisional operational plans.

Where are we now?

The vacancy rate for the fiscal year 2007-2008 was 17.5 per cent. This represents an increase over the 2006-2007 rate of 15.5 per cent.

Where do we want to go?

We would like to achieve a lower vacancy rate.

Strategic Goal # 4: Enhance risk management strategies and complete Business Continuity Planning
Core Business: Central Agency Services
Measure: Complete business continuity plans for Level 1 (0-24 hrs) and Level 2 (1-3 days) mission critical functions
Outcome: Enhanced risk management

What does the measure tell us?

The department's level of preparedness to continue mission critical functions in times of emergency or systems failure.

Where are we now?

Level I and Level II business continuity plans are 78% complete

Where do we want to go?

Want to complete all level I and level II plans, begin testing exercises, and initiate level III planning.

Strategic Goal # 4: Enhance risk management strategies and complete Business Continuity Planning
Core Business: Central Policy and Planning
Measure: Develop Records Management Program (RMP)
Outcome: Make the Information Management Division Operational

What does the measure tell us?

This measure provides an indication of the department progress towards improved information management practices which will help reduce risks associated with availability of records and information pertaining to departmental files.

Where are we now?

In 2007-2008 the Records Management Program Initiation project was transitioned into the Information management Division and a budget was established for the 2007-2008 fiscal year.

A Records Analyst position was created and successfully recruited. Six students were recruited and mentored through work terms and during casual employment opportunities.

Records Management Policy was approved and an Information Policy Committee was created to develop or revise policies related to the management of the Department's records and information resources, and to coordinate the review/comment on corporate information policies.

Information management operational standards, procedures, and guidelines were documented. File folders were cataloged into the central data base.

Where do we want to go?

Continue to improve the information management processes and practices of the department.

Strategic Goal # 4: Enhance risk management strategies and complete Business Continuity Management Planning.

Core Business: Central Policy and Planning

Measure: Establish department library

Outcome: Make the Information Management Division Operational

What does the measure tell us?

Needed Information is available to support the operations of the department.

Where are we now?

Identified publications to be stored in the Library and listed information resources currently stored in the Department.

Where do we want to go?

We want to have a central resource that provides the most up to date information available in the policy areas of the department.

Strategic Goal # 4: Enhance risk management strategies and complete Business Continuity Management Planning.
Core Business: Central Policy and Planning
Measure: Develop Access to Information and Protection of Privacy Program
Outcome: Make the Information Management Division Operational

What does the measure tell us?

That requirements pertaining to freedom of information and the protection of privacy are being met.

Where are we now?

The Information Management Division has formalized procedures and practices around Freedom of Information and Protection of Privacy (FOIPOP) applications.

Web pages for access to information and protection of privacy were created for the department's new web site. The site provides procedures, forms, links and general information.

The Routine Access Policy was updated and some departmental staff were trained in conducting privacy impact assessments and assessing applications.

Where do we want to go?

Continue to meet requirements in this regard.

Strategic Goal # 5: Increase departmental capacity in research, analysis and forecasting to support long-term fiscal planning, financial accountability and reporting.

Core Business: Central Agency Services

Measure: Timeliness of Public Accounts

Outcome: Open and transparent reporting

What does the measure tell us?

Whether or not the department is achieving the legislative requirement to release the Public Accounts by September 30th

Where are we now?

We continue to achieve this measure:

Public Accounts Volumes 1 and 2 for 2007-08 were released on August 5, 2008.

Public Accounts Volume 3 (the Supplement) for 2007-08 was released on September 29, 2008.

Where do we want to go?

We would like to continue to exceed the legislated final date for reporting of September 30th, and maintain a targeted release date of early August. This is in line with release for the public accounts of other provinces.

Strategic Goal # 5: Increase departmental capacity in research, analysis and forecasting to support long-term fiscal planning, financial accountability and reporting.

Core Business: Central Agency Services

Measure: Unqualified audit report

Outcome: Open and transparent reporting

What does the measure tell us?

An unqualified audit report provides assurance that the province's financial statements are prepared in accordance with General Accepted Accounting Principles (GAAP). Users can place reliance on them as a general purpose financial accountability document.

Where are we now?

The Province of Nova Scotia continues to receive unqualified audit opinions from the OAG.

Unqualified auditor's report obtained for the province's 2007-08 consolidated financial statements.

Where do we want to go?

To continue this trend by implementing GAAP changes/enhancements as required.

- Strategic Goal # 5:** Increase departmental capacity in research, analysis and forecasting to support long-term fiscal planning, financial accountability and reporting.
- Core Business:** Central Agency Services
- Measure:** Revised format for Public Accounts Vol.1&11, and Supplement to Public Accounts
- Outcome:** Clear and understandable financial reports

What does the measure tell us?

Whether or not the department is continuing to progress towards the improvement of reporting standards for both budget documentation and public accounts documentation.

Where are we now?

Volume 1 has been issued for 2007-08 in the same format as previous year. No changes were recommended for this volume that is already highly standardized with the requirements of GAAP (PSAB). This volume was released in a limited number of paper copies and on a CD including both Volumes 1 and 2.

Volume 2 for 2007-08 was released in CD format only to reduce paper usage and printing costs.

Changes recommended for Volume 3 (the Supplement) have not yet been implemented, as we are still working with users to better understand their requirements.

Where do we want to go?

Government Accounting will continue to monitor GAAP reporting requirements as issued by PSAB and adjust the Public Accounts accordingly.

- Strategic Goal # 5:** Increase departmental capacity in research, analysis and forecasting to support long-term fiscal planning, financial accountability and reporting.
- Core Business:** Fiscal and Economic Policy
- Measure:** Number of electronic downloads from Economics and Statistics Division websites
- Outcome:** Provision and dissemination of statistical information to other provincial entities, other levels of government, stakeholders and general public

What does the measure tell us?

This is a measure of the number of times electronic publications were downloaded from the Economics and Statistics Division's web sites. The Economics and Statistics Division is responsible for providing government departments and agencies with advice on and access to a wide range of social and economic statistics to support evidence-based decision-making and policy development. We are making a logical link between the downloading of statistics by users and their subsequent use of the statistics, which should contribute to the eventual achievement of the intended outcome - more informed program delivery and policy development.

Where are we now?

This information can no longer be tracked by Corporate Information Technologies Office (CITO).

Where do we want to go?

The measure has been removed from the 2008-2009 Business Plan.