



## The Department of Finance

Fiscal Year Ending March 31, 2015

# 2014-15 Annual Report



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## Message from the Minister



In accordance with my responsibilities under the *Transparency and Accountability Act*, I am pleased to submit the 2014-15 Annual Performance Report for the Department of Finance. Its purpose is to account for the progress made towards achieving the annual objectives of the 2014-17 Strategic Plan.

This report was developed in accordance with the requirements of the *Transparency and Accountability Act*. As Minister responsible for the Department of Finance, my signature below is indicative of my accountability for the actual results reported within this document.

In addition to reporting on the 2014-17 Strategic Plan, this report provides general information about the Department's mandate, lines of business, key accomplishments and shared commitments of the 2014-15 fiscal year, and presents anticipated challenges for the coming fiscal year.

I would like to take this opportunity to acknowledge the outstanding accomplishments and commitment of the employees in the Department of Finance. I look forward to their continued support and dedication.

Sincerely,

A handwritten signature in blue ink, which appears to read "Ross Wiseman". The signature is fluid and cursive.

Honourable Ross Wiseman  
Minister of Finance

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## 1.0 Departmental Overview

### 1.1 Mandate:

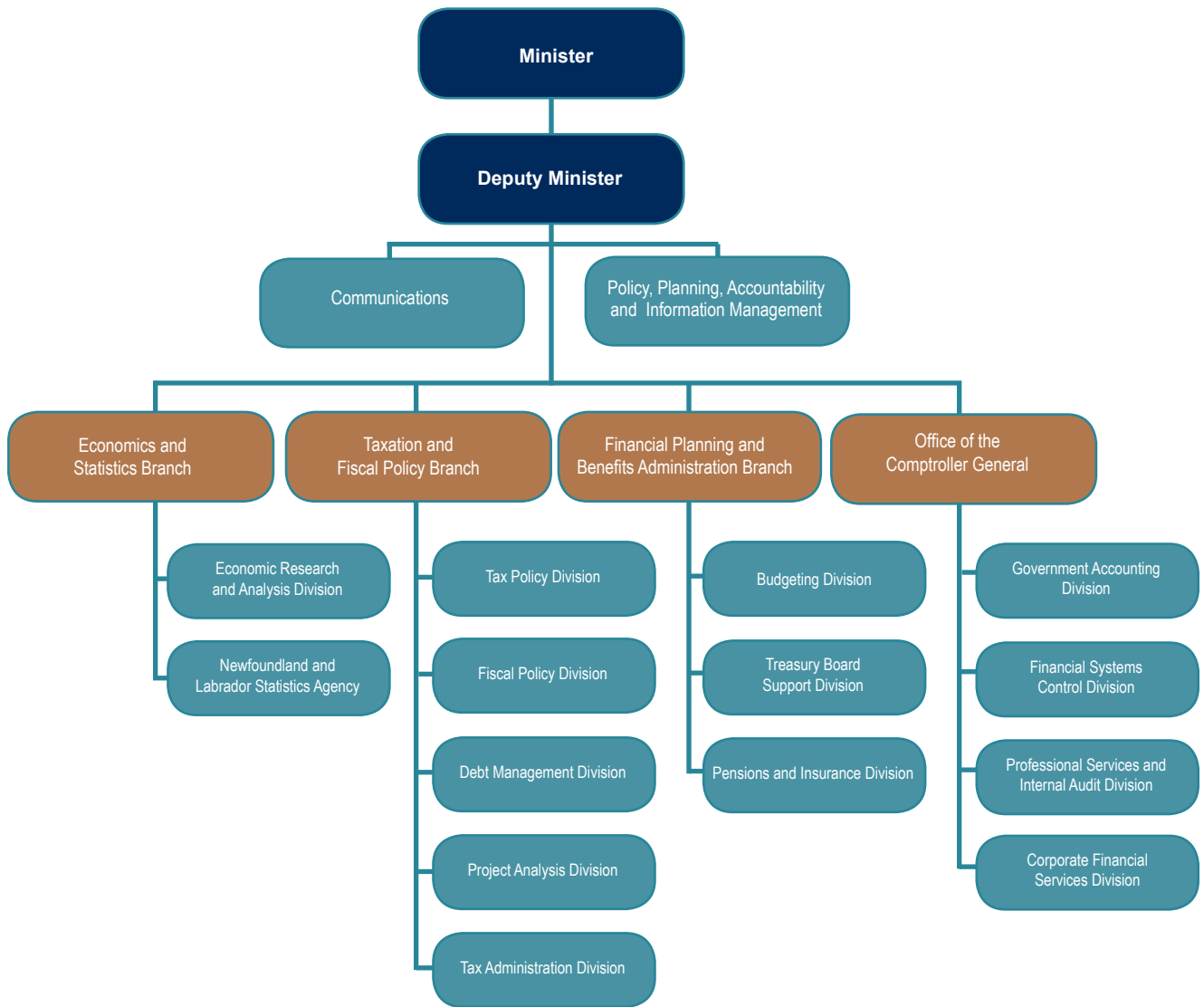
The Department of Finance is mandated to provide strategic leadership across Government in the development of fiscal, financial, statistical and economic policy. These responsibilities are primarily achieved through the provision of timely analysis and advice to government departments and agencies; Cabinet; and the Committees of Cabinet, particularly Treasury Board for which the Minister of Finance serves as President. It also oversees the management and control of provincial finances to ensure appropriate use of public funds.

This mandate is legislated within the Department of Finance Notice, 2003 under the *Executive Council Act* and includes responsibility for 39 Acts (plus accompanying regulations) such as the *Financial Administration Act*, the *Statistics Agency Act*, the *Pensions Funding Act*, and the *Revenue Administration Act*. Additional information is available on-line at [www.assembly.nl.ca/Legislation/sr/Finance.htm](http://www.assembly.nl.ca/Legislation/sr/Finance.htm).

### 1.2 Organizational Structure and Financial Summary:

As of March 31, 2015, the Department of Finance employed 318 public servants - 66 per cent of which were female and 34 per cent of which were male. The majority of those employees were located in the Confederation Building Complex. The Department also operated offices located in other parts of the Province including Corner Brook and Grand Falls-Windsor; as well as other areas of the City of St. John's (Topsail Road and Mews Place).

The Department is organized into four distinct Branches, as depicted in the diagram on the following page. Additional information about each of the Department's Branches, Divisions, locations and contact information is available on-line at [www.fin.gov.nl.ca](http://www.fin.gov.nl.ca).



The financial activities of the Department of Finance for fiscal year ending March 31, 2015 showed gross expenditures of \$102,956,721, offset by related revenues of \$4,736,109 (see page 29 for further details). Please note that these amounts are based on the **Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund for Fiscal Year Ended 31 March 2015** (Unaudited).

### 1.3 Lines of Business:

The Department of Finance offers the following lines of business to its key primary clients:

#### ***Revenue and Expenditure Policy and Planning:***

The Department of Finance provides strategic leadership in provincial revenue and expenditure planning, which includes developing, implementing and monitoring related government policies. A focal point of this responsibility is the coordination of Government's annual budgetary process, which is integrated, collaborative and consultative. The Department works with other government departments, agencies, boards and commissions to prepare, review and analyze budgetary priorities. This includes oversight of the provincial pre-budget consultation process, which is designed to provide key stakeholders, individuals and various interest groups an opportunity to identify budget priorities for consideration in the provincial budget. A part of this process also includes the development of options for changes to the provincial taxation system; and revenue forecasting and monitoring. The Department is also responsible for negotiating and administering all programs under federal-provincial fiscal arrangements and providing the analysis required to support the development of Government's fiscal policies. All of this information is then used to inform Government's policies and multi-year planning for revenues, expenditures and cash requirements.

#### ***Treasury Management:***

The Department of Finance is responsible for the financial management of the public treasury. This includes investment of provincial pension funds and the associated financial management responsibilities; government property insurance management; and management of the Province's borrowing and debt servicing programs, including cash management and the investment of sinking fund assets.

#### ***Economic Analysis and Research:***

The Department of Finance is responsible for the analysis of the financial and economic impact of major projects to assist Government in its related decision-making processes. The Department is also responsible for analyzing and forecasting the macroeconomic environment (i.e., Newfoundland and Labrador Econometric Model, Input/Output Model, and the Population Projection Model), which includes the provision of specific macroeconomic analysis and studies related to policy, economic events and projects.

#### ***Statistical Research, Analysis and Data Development:***

The Department of Finance fulfills a vital statistical role for Government by collecting (e.g., telephone surveys, on-line surveys, data purchasing, etc.), storing (e.g., data entry and advisory services in development/modification of administrative databases) and disseminating statistical information while guaranteeing confidentiality and privacy. This is achieved through the Newfoundland and Labrador



Statistics Agency. The Department also acts as Government's official point of contact with Statistics Canada; develops and provides focused sub-provincial data through Community Accounts ([www.nl.communityaccounts.ca](http://www.nl.communityaccounts.ca)); and provides expertise in spatial analysis and socio-economic simulation modeling.

#### ***Comptrollership Oversight:***

The Department of Finance controls and accounts for the receipt and disposition of public money through the development of financial policies and procedures, administration of applicable legislation and the preparation of the provincial financial statements (i.e. Public Accounts) and related financial reports. The Department also develops and maintains government-wide revenue and expense systems and ensures that effective financial management controls, systems and accounting procedures are in place and government departments are properly accounting for their revenues and expenses. These systems and procedures are in place to ensure that no payment of public money occurs that is in excess of the appropriations provided by the House of Assembly and applicable legislative authority. Professional advisory services are also provided to government departments in the areas of: financial management, accounting and systems; financial policy development and implementation; internal auditing; and financial reporting. Corporate shared services for accounts payable and receivables are also provided.

#### ***Supports to Cabinet and Committees of Cabinet:***

The Department of Finance supports Cabinet and the Committees of Cabinet through the provision of financial, fiscal, statistical and economic analysis. Advisory services are also provided to departments and agencies of Government in the development of such components within cabinet submissions. Additionally, the Department is responsible for the provision of operational support to the Treasury Board Committee of Cabinet, to which the Minister of Finance serves as President.

#### ***Tax Administration:***

The Department of Finance is responsible for the administration of various provincial taxes, rebates and incentive programs. This includes both personal (e.g., parental benefits, home heating rebate) and corporate/business (e.g., venture capital, direct equity) tax credit and tax rate programs. The Department is also responsible for the collection of select long-term accounts receivables, on behalf of Government and for auditing both personal and corporate/business tax programs for compliance purposes.

### **1.4 Stakeholders:**

The Department of Finance plays a unique role within the Government of Newfoundland and Labrador. It serves not only as a central agency, offering supportive financial, economic and statistical services to government departments and agencies; but also as a front-line delivery department, dealing directly with both personal and corporate/business tax filers, government vendors and community interest groups. Within this context, the Department has identified its primary clients as follows:

- Cabinet and the Committees of Cabinet
- Provincial Government Departments and Crown Agencies
- Public Service Pension Plan Corporation
- House of Assembly and its Members

- Business Community
- Municipal Governments/Consolidated Communities
- Economic/Statistical Agencies
- General Public
- Government Vendors
- Tax Payers
- Community Groups/Special Interest Groups/Not-for-Profit Groups

Additionally, the Department takes a collaborative approach to efficiently fulfilling its mandate and delivering its services. As such it works closely with such stakeholders as professional accounting organizations, post-secondary institutions, other jurisdictions, and financial institutions.

### 1.5 Values:

Values are the fundamental principles that guide behaviour and decision-making. They are the critical success factors that are essential to effective performance-based planning because they underline the decision-making process, impacting the ability of any organization to achieve defined goals and objectives. Clear communication and articulation of values promotes alignment between organizational culture and achievement of outcomes.

The Department of Finance recognizes the importance of establishing and clearly communicating its values so that employees can make decisions that are aligned appropriately with the Department's strategic priorities. It has therefore identified the following strategic values:

#### **Accountable:**

The Department of Finance is accountable to ensure appropriate use of public funds by Government. This is a fundamental role of the Department and underpins all actions, processes and decision-making. The Department of Finance strives to ensure it is accountable by establishing clear outcomes, timelines and deliverables; and the criteria by which actions will be measured. The Department then evaluates its performance by assessing the degree to which expectations are fulfilled. Priority focus is applied to ensuring timely responses that are reflective of desired outcomes. When establishing its performance standards, the Department remains focused on Government's strategic priority of a balanced fiscal approach to social and economic prosperity.

#### **Innovation:**

The Department of Finance is responsible for providing strategic leadership across Government in the development of fiscal, financial, statistical and economic policy. As such, it must apply an innovative approach to ensure such policy is adaptive to the changing needs of the Province; aligned with the strategic priorities of Government; and flexible to accommodate the diversities of government departments and crown agencies. The Department is therefore committed to innovation by continuously seeking ways to improve upon the quality of its work processes, programs, and advisory/analytical services. This is accomplished by identifying and pursuing opportunities to broaden and enrich capacity and skill sets through learning and development; seeking input and opinions from stakeholders; and learning from experiences.



### **Collaboration:**

Both internal and external collaboration is fundamental to the Department's ability to successfully fulfill its mandate. As a central agency responsible for providing a leadership role in fiscal, financial, statistical and economic policy, it is vital that the Department engage its stakeholders in a meaningful way to ensure policies, programs and services are developed and implemented successfully. Additionally, staff within the Department must work as a team, from start to finish. The Department demonstrates its commitment to collaboration by actively engaging and working with others, both inside and outside of the organization, to successfully achieve its outcomes in an efficient and effective manner. Collaboration is built upon trust, respect for the contribution of others, open and proactive information sharing, and a focus on the larger good.

### **1.6 Vision:**

The vision of the Department of Finance is of a sustainable financial management framework that supports a vibrant, self-reliant provincial economy and social prosperity.

### **1.7 Mission:**

The Government of Newfoundland and Labrador is committed to realizing economic and social prosperity through a balanced approach. As such, it has identified strategic directions reflecting outcomes of sustainable economic development, reduced net debt per capita, and a sustainable financial management framework for Government.

The Department of Finance is mandated to provide the strategic leadership necessary to realize these outcomes by developing, implementing and monitoring fiscal, financial, statistical and economic policy and providing controllership oversight of provincial finances to ensure appropriate use of public funds. As such, the Department of Finance developed the following mission statement, which is consistent with Government's Strategic Directions, as they relate to the mandate of the Department of Finance.

**Mission:** By March 31, 2017, the Department of Finance will have provided enhanced strategic leadership in financial and fiscal sustainability for the Province.

**Measure:** Provided enhanced strategic leadership

#### **Indicators:**

- Strengthened the financial management function of Government
- Improved the quantitative analytical capacity for monitoring socio-economic growth and development within the Province
- Strengthened Government's fiscal planning capacity

## 2.0 Report on Performance

During the 2014-15 fiscal year, the Department of Finance made significant progress towards the commitments outlined in its 2014-17 Strategic Plan. The following section provides an overview of these accomplishments.

### 2.1 Issue One – Financial Management:

A strategic direction of Government is a sustainable financial management framework that ensures the appropriate use of public funds. The Department of Finance is accountable for supporting Government in this commitment. The 2014-17 Strategic Plan therefore committed to ensuring the sustainability of Government's financial management framework by upgrading Government's Financial Management System, strengthening its revenue management function, and implementing a Government-wide fraud risk management program. It also committed to the realignment of some of its key financial management processes to support new technological advancements and to strengthening its financial analytical capacity. These efforts require extensive collaboration with key stakeholders and significant team work across the entire Department.

The following goal was established to guide the work of the Department and outline the key timelines, deliverables and performance expectations so that the Department can demonstrate its accountability to this outcome.

**Goal:** By March 31, 2017, the Department of Finance will have enhanced its leadership role to strengthen the financial management function of Government.

**Measure:** Enhanced leadership role to strengthen the financial management function

**Indicators:**

- Upgraded Financial Management System
- Enhanced corporate financial reporting of the Financial Management System
- Improved invoice processing and payment
- Strengthened revenue management functions
- Implemented a Government-wide fraud risk management program
- Strengthened financial analysis capacity of Government

#### Report on the 2014-15 Objective:

To support achievement of this three-year goal, the Department of Finance committed to upgrading Government's Financial Management System (FMS) during the 2014-15 fiscal year. FMS is Government's primary means of processing financial transactions and reporting on financial results. The system was implemented in 1998 and is currently used to varying degrees by all departments within Government to support a variety of financial processes. Upgrading of FMS was recognized as a high priority because of the age of the system and the importance of ensuring that Government's financial processes continue to be efficiently supported. This initiative was done on time and within the budget allocation. In addition to new functionality and the realization of efficiencies for internal users of the system, upgrading FMS

will position Government to meet the changing business needs that arise as more and more services are provided electronically to the public.

The following information provides details on how the Department upgraded the FMS and how that upgrade supported the strategic direction of a sustainable financial management framework of Government.

**Objective:** By March 31, 2015, the Department of Finance will have upgraded *Government's Financial Management System*.

**Measure:** Upgraded Government's Financial Management System

**Indicators:**

- *Government's financial management processes are adjusted to support alignment with new technology*

A strategic direction of Government is of a sustainable financial management framework, a key focus area of which is financial management systems and processes to support good governance. On January 20, 2015 the Department of Finance successfully launched an upgraded version of FMS. This marked a significant achievement for the Department, culminating several years of complex preparatory work. The upgrade is considered a major release with significant functional enhancements, new modules, and changes to the user interface, technology and architecture.

The upgrade offered several technical advancements which allowed for increased efficiencies. Prior to the upgrade, numerous customizations to FMS were required to accommodate Government's financial processes. This recent upgrade provided the opportunity to significantly reduce these customizations (by approximately 50 per cent) which will lower the associated maintenance costs on a go forward basis and reduce the risk of having customizations that will not be supported by the vendor. Additionally user interfacing was improved; processes were streamlined; supporting documentation was made accessible electronically; and financial accountabilities were reinforced. Consequently, the following key financial management processes were adjusted to align with this new technology:

- *Online Approvals for Invoice Payment (AP Payable) and Travel Expenses (iExpenses):*

Online approvals of travel expense claims and invoice payments required significant adjustments to Government's current financial management processes. Prior to the upgrade, these processes were very manual. Now with this new functionality, departmental approvals of invoices and travel claims are facilitated electronically. Approximately 60 per cent of paper transactions have been eliminated, significantly improving upon the efficiency with which both of these processes are administered. Also vendors are saving postage costs by sending their invoices electronically.

The new process for approving invoice payments is all done within FMS. All vendor invoices (with some exceptions in the regions) are now digitized by a centralized unit – the Corporate Financial Services Division of the Department of Finance. Once digitized, the invoice is electronically submitted to the person who originally requested the good/service, for verification that such was received in good order (which was once done manually via paper). Once verified, the person responsible for approving the invoice payment is notified via email and then logs onto FMS to certify the invoice payment electronically (which was also once done manually via paper). These new business processes have streamlined the entire approval and payment processes as well as increased visibility and control of processing status.

The new process for travel expense claim reimbursement now allows the employee to scan their receipts and electronically attach them to their expense claim. The claim is then submitted online to the person delegated to approve the claim request. Deputy Ministers and those with Delegated Financial Authority now receive an email notifying them to review the claim and decide whether to accept or reject, all of which is also done online.

- *Advanced Collections*

Those responsible for centralized collection of Government's outstanding receivables can now avail of a new functionality within FMS (where once before this was done using separate business processes). This new functionality provides immediate access to collections metrics, aging, transaction history, notes and tasks. It also enables a consolidated view of a customer with all related accounts. It provides enhanced monitoring and work prioritization, replacing the manual collection processes that existed prior to the upgrade.

- *Buyers Work Centre*

The upgrade also includes a new functionality to assist buyers with the Government Purchasing Agency (GPA). FMS now includes a Buyer's Work Centre (BWC) which allows GPA buyers to more easily navigate and track their daily tasks, which include viewing of action on requisitions; creating and modifying orders and agreements; and reviewing supplier information.

- *Developed and delivered training to support stakeholder adjustment to new technology and associated business processes*

Supporting users of FMS throughout the entire project was of the utmost importance to the Project Team. All government employees needed to be equipped with the knowledge and ability to make a successful transition. As such, a User Support Network was created that included representatives from each department within Government. The mandate of this network was to assist FMS users with the transition. Network members participated in monthly teleconference sessions with the Project Team and

helped to facilitate two-way communications between all users and the Project Team by assisting with such things as change readiness interviews and surveys. This network consisted of:

- **Change Partners** who led the change in their departments by providing input on how best to communicate with the users in their own departments and helped to determine the priority and overall content design of new financial reports.
- **Change Coordinators** who assisted in communication activities as well as training schedules. They were also involved in testing the new functionality of FMS and were the first point of contact for users within their own departments who had questions about how the new processes would operate within their own work environments.
- **Power Users** who were the “go to” people for help with using the upgraded FMS system. They were most familiar with the new system functionality and screen changes. Some were also involved in the testing phase and identifying any resulting business process changes within their own departments.

The identities and contact information for each of the network members was widely communicated through emails, presentations, and information bulletins that were distributed in hard copy and electronically available on Government’s intranet.

Numerous information sessions were also held during Fall 2014. These sessions were delivered through “*Break-n-Learn*” sessions at the Confederation Building and via webinars. The sessions included demos of the new functionalities and provided attendees the opportunity to ask questions and to learn about the business process changes. Similar sessions were also held for deputy ministers and assistant deputy ministers.

End user training was also provided via classroom, eLearning and walkthroughs/ workshops (end user specific demonstrations provided on-site or via webinar).

End user guides, information bulletins and quick reference materials were also produced and widely distributed via Government’s intranet and the FMS Helpdesk.

- *Stakeholders are engaged in the process and provided relevant key messages*  
The FMS upgrade was a joint initiative managed by the Department of Finance (FIN) and the Office of the Chief Information Officer (OCIO).

The FMS is used by all departments across Government for both financial administrative and financial analysis/reporting purposes. It is an extremely complex

system that interfaces with many other program administrative systems and is used frequently by numerous employees throughout government. As such meaningful and valued-added engagement of key stakeholders was a critical success factor for this project.

A partnership approach was taken with FMS users within the Provincial Government with a strong knowledge of specific FMS components. These stakeholders helped to oversee the upgrades to ensure they meet the current and future business needs of Government. To ensure that key stakeholders were engaged throughout the entire process and provided relevant and important key messages, the following multi-level project governance model was used to oversee the upgrade:

### FMS R12 Project Governance



As depicted in the chart above, senior officials were engaged not only from the project lead departments (FIN and OCIO), but also key stakeholders to FMS such as the Government Purchasing Agency (GPA); the Department of Transportation and Works (TW); and the Department of Child, Youth and Family Services (CYFS). The Governance structure was also designed to ensure engagement of key users of the FMS which included the Office of the Comptroller General (OCG) and departmental controllers. A total of 22 resources from the OCG, the OCIO, TW and GPA were assigned full-time to this project.

Each level of the governance structure met on a regular basis to ensure successful implementation of the upgrade. Through these committees, key stakeholders were



given the opportunity to provide input into how business processes would change as a result of this upgrade; identify which customizations could be replaced by new standard functionality available with the upgrade; identify the relevant business issues and determine appropriate resolutions; and decide upon effective communication and training strategies for key stakeholders and users of FMS.

Additionally, key stakeholders were engaged multiple times throughout the process through information sessions that were provided by members from the Project Team. The Comptroller General delivered multiple presentations to deputy ministers and assistant deputy ministers across Government on the status of the project. Key messages were also delivered on a regular basis to all employees via email and information was posted on Government's internal website.

### **2015-16 Objective:**

During the 2015-16 fiscal year, the Department will continue to work towards its goal of strengthening the financial management function of Government by enhancing its own financial management capacity.

The Department is currently experiencing challenges with respect to financial analysis capacity due to recruitment and retention of financial positions, an ageing workforce, technology evolution, evolving accounting standards, and increasing need for financial transparency and accountability. Enhanced financial capacity supports a more informed decision-making process; consistency in the application of financial policies and procedures; better retention of corporate knowledge; and a standardized integrated network of financial systems and processes.

As the department responsible for providing strategic leadership across Government in the development of financial policy and oversight of the management and control of provincial finances, it is a priority to ensure that its financial capacity is reviewed and enhanced, where required. As such, the following annual objective has been established for 2015-16:

**Objective:** By March 31, 2016, the Department of Finance will have initiated the implementation of priority initiatives aimed to strengthen the financial management capacity of Government.

**Measure:** Initiated the implementation of priority initiatives

#### **Indicators:**

- Ensured appropriate resources are available
- Identified desired outcomes
- Raised awareness about financial capacity issues
- Implemented select initiatives aimed to strengthen the financial capacity of the Department of Finance.

## 2.2 Issue Two - Fiscal Planning:

The Province of Newfoundland and Labrador has experienced significant economic growth. In the past 11 years this Government has delivered six budget surpluses. However the recent decline in total revenue due to the global downturn of oil has compelled the Government of Newfoundland and Labrador to devise a new budget strategy that includes necessary expenditure reductions and revenue generators.

Strong and robust fiscal planning will be essential to achieving Government's commitment to returning to a surplus position. As such, the Department of Finance committed in its 2014-17 Strategic Plan, to support the strengthening of Government's fiscal planning capacity by working to identify viable options to address the sustainability of the unfunded pensions liability; servicing outstanding provincial debt in a timely manner; appropriately maintaining expenditure controls; and entering into new provincial borrowings agreements that are aligned with Government's fiscal performance targets.

The following goal, measure and indicators was established to guide the work of the Department and outline the key timelines, deliverables and performance expectations so that the Department can demonstrate its accountability to this outcome.

**Goal:** By March 31, 2017, the Department of Finance will have implemented initiatives aimed to strengthen Government's fiscal planning capacity.

**Measure:** Implemented initiatives to strengthen Government's fiscal planning capacity

**Indicators:**

- Strengthened the annual budget preparation process
- Serviced outstanding debt ensuring the timely and accurate payment of interest and principal
- Supported Government's decision to negotiate new borrowing of up to \$1 Billion to meet its provincial cash requirements (as outlined in the 2014 Estimates book)
- Supported Government in its commitment to improve upon the sustainability of provincial pension plans

### Report on the 2014-15 Objective:

The drop in oil prices during the 2014-15 fiscal year (from a high of \$115.19US per barrel in June 2014 to a low of \$45.13US in January 2015) was the leading contributing factor to Government's revised fiscal forecast (as presented on December 16, 2014) of a \$916.1M deficit, which was \$378.2M more than original projected in the 2014 Budget. This revised deficit was reflective of a \$678.7M drop in revenue (due to lower than anticipated oil prices) and a net expenditure that decreased by \$300.5M (due to the reform of the public sector pension plan and the post-employment group health and insurance benefits).

These unanticipated events propelled the Provincial Government into taking a new measured approach to dealing with the fiscal realities facing Newfoundland and Labrador. Priority actions were identified and implemented to ensure Government's fiscal planning remained strong and supported the transformation change required to address the fiscal challenges ahead. The information provided below demonstrates how the Department of Finance worked to implement initiatives aimed to strengthen Government's fiscal planning capacity in support of realizing fiscal performance targets.

**Objective:** By March 31, 2015, the Department of Finance will have initiated the implementation of priority actions aimed to strengthen Government's fiscal planning capacity.

**Measure:** Initiated implementation of priority actions

**Indicators:**

- *Evaluated priority areas of current annual budget process*

The Department of Finance provides strategic leadership in provincial revenue and expenditure planning; and developing, implementing and monitoring related government policies. A focal point of this responsibility is the coordination of Government's annual budgetary process, which is integrated, collaborative and consultative.

During the 2014-15 fiscal year, the Department worked towards improving upon the processes it uses to support the development of Government's annual budget. The first step towards achieving this objective was to identify, define and then evaluate components of the annual budget process. This process included:

- Establishing an action plan with specific deliverables, roles/responsibilities and timelines
- Consulting with key stakeholders and identifying roles and responsibilities
- Reviewing key policies, procedures and tools to identify areas for enhancement
- Identifying gaps in the process and developing options for addressing those gaps
- Comparing existing budget processes with leading standards and best practices

While the above actions supported the Department to identify its evaluation priorities, the main criteria used to guide this decision was the need to make changes that could be implemented immediately in support of the 2015 Budget process. The following identifies those areas chosen to support the 2015 Budget process and describes those changes that were made to strengthen fiscal planning capacity:

- **Budgetary guidelines**  
Budgetary guidelines were revised for simplicity purposes and distributed to all government departments on November 18, 2014. The guidelines provided clear direction and instructions for the submission of detailed estimates of expenditures and related revenues for the 2015-16 fiscal year. Templates

were provided in electronic format and submission deadlines were clearly communicated.

- Readability of the Estimates document

The presentation of Government's annual budget is done through the publication of two main documents, the Budget Speech and the Estimates. The actual results for the year are published in the Financial Statements prepared by the Office of the Comptroller General. The Statements and Exhibits contained in the Budget Speech provide Government's financial position on a consolidated accrual basis. The Statements and Exhibits in the Estimates document provide Government's financial position on a cash basis. This has created some confusion for stakeholders in their understanding of the difference in each method of reporting. As such, a review of the Budget Speech and the Estimates was undertaken to:

- Make the statements and exhibits easier to understand and comparable across documents
- Add notes to the statements to provide greater detail to stakeholders
- Consolidate statements and exhibits where feasible while ensuring appropriate disclosure of required financial information to stakeholders
- Remove exhibits that presented similar information in separate formats
- Present Government's budgetary financial position in one consolidated document

This review was completed and changes were identified to both the Budget Speech and the Estimates document with the intent to clarify the information provided. These changes were consistent with Government's commitment to provide more transparency and accountability related to information presented to the public. Towards the end of the 2014-15 fiscal year, changes were initiated to both documents with plans to publish on the 2015 Budget Day.

- Infrastructure budget planning and monitoring

High quality public infrastructure is necessary to ensure the best quality service continues to be delivered to the general public. Additionally, infrastructure investments support the structures needed to advance opportunities for sustainable economic growth in a region or sector, and lead to long-term economic development in priority sectors.

During the 2014-15 fiscal year, the Department of Finance strengthened its role in the planning and monitoring of provincial infrastructure spending. The Department specifically supported a senior officials committee established (with representation from multiple departments across Government) to consider the business cases and rationales for infrastructure projects brought

forward by all government departments. The Departments role was to provide the detailed financial analysis required for the committee to assess financial implications and bring forward recommendations to the Minister's Committee on Infrastructure. This year, the senior officials committee applied a greater level of scrutiny to their assessment process which was supported by this Department through the development of the tools and guidelines required to collect, monitor and analyze the data from other government departments.

Additionally, the Department of Finance supported Government's commitment to provide greater transparency and openness to the public on provincial infrastructure by developing a new publication for release on the 2015 Budget Day. The purpose of this new report was to provide the general public detailed information about the infrastructure investments that have been made by this Government since 2004 as well as an overview of planned investment through Budget 2015 and beyond. A significant amount of work was completed on this document during the last quarter of the 2014-15 fiscal year.

- Pre-budget consultation process

During the 2014-15 fiscal year, the following initiatives were implemented to enhance the value of the 2015 pre-budget consultation process for Government, its stakeholders and the general public:

- A general population survey was conducted to gather opinions about budget priorities
- Additional information about the Province's fiscal situation was made available online, the purpose of which was to provide contextual information to the general public about the complexities of making provincial budgetary decisions
- An on-line discussion forum was established to collect budget priority suggestions
- All suggestions gathered over the course of the pre-budget consultation session were made available to the public via the website (e.g. results of survey; written submissions; and polling results gathered at each in-person consultation session).

Please refer to [http://www.fin.gov.nl.ca/fin/budget/pre-budget\\_consults.html](http://www.fin.gov.nl.ca/fin/budget/pre-budget_consults.html) for additional information.

- *Initiated processes to support the borrowing of funds required to meet Government's cash requirements*

During the 2014-15 fiscal year, this Province experienced sharp revenue declines with such a depth and severity that the Government could not compensate in a single year without negatively impacting the economy. Therefore, Government determined that borrowing would be necessary to meet obligations related to service delivery, pension reform and infrastructure.

In the 2014-15 fiscal year this Government borrowed approximately \$500M through the capital markets and increased Treasury Bill borrowing by \$286M. The Department of Finance supported Government by providing the analysis needed to identify optimal borrowing conditions that align with the commitments to borrow over the short-term and to take advantage of low interest rates to fund further investments in infrastructure, equity investments in Nalcor and additional equity in oil and gas and Muskrat Falls. This analysis was supported by fostering professional working relationships with national financial lending institutions.

- *Continued to support Government in the development of viable options to achieve sustainability of provincial pension plans and post-retirement benefits*

Government has taken a leadership role in finding a solution to the liability associated with pension benefits that would have severely impacted the province's net debt, if left unresolved. Over the past year, the Department of Finance supported Government in this commitment by working with public sector unions to formalize agreements that protect the defined benefit plans of members (including retirees) to the Public Service Pension Plan (PSPP). This support included working with actuary consultants to devise viable sustainability options; consulting with key stakeholders; considering best practices in other similar jurisdictions; and negotiating a viable agreement with the five unions representing the members of the PSPP. The benefit of the consolidation of these efforts was realized on September 2, 2014 when Government announced that an agreement had been reached that would ensure the sustainability of the PSPP. Highlights of this agreement include:

- A payment of \$2.685B (amortized over 30 years) by the Provincial Government to address the unfunded liability of the PSPP
- Agreement for the unions to plan changes and contributions rate increases valued at approximately \$1.128B
- Establishment of a joint trusteeship of the PSPP, putting both the Government and the unions responsible for the sustainability of the plan, sharing equally in surpluses and deficits
- Increased contribution rates and changes to pension eligibility and eligibility for post-employment group health and life insurance benefits

#### **2015-16 Objective:**

During the 2015-16 fiscal year, the Department of Finance will continue to implement initiatives aimed to strengthen Government's fiscal planning capacity. Efforts will focus on the implementation of a five year plan for fiscal recovery to achieve a target of a balanced budget in 2019-20 and return to surplus in 2020-21. This will include moderate growth in gross expenses combined with gradual recovery of the resource-based revenues; continuation of public service pension plan reform; attrition; improved cost management; operational improvements; and transformation of public service delivery through strategic partnerships and technological advances. With this in mind, the following objective, measure and indicators has been established for the 2015-16 fiscal year:

**Objective:** By March 31, 2016, the Department of Finance will have continued to implement priority initiatives aimed to strengthen Government's fiscal planning capacity.



**Measure:** Continued to implement priority initiatives

**Indicators:**

- Implemented new revenue options to facilitate a return to surplus in 2020-21
- Implemented initiatives to contain program growth and identify efficiencies
- Continued implementation of initiatives to address the unfunded liabilities related to provincial pension plans

### 2.3 Issue Three – Quality of Quantitative Information:

Fundamental components to good decision-making is the availability of sound, accurate and reliable quantitative data; and the analytical capacity required to monitor socio-economic growth and development within this Province. The Department of Finance is mandated to provide such services to Government. This responsibility is reinforced under the provincial *Statistics Agency Act*, which provides the Department the authority to collect, compile, analyze, abstract and publish statistical information; collaborate with government departments and agencies in the collection, compilation and publication of statistical information; and establish appropriate standards, systems and procedures for the collection of information by departments.

A strategic direction of Government is of long-term provincial prosperity based upon a competitive economy and sustainable economic development. A key component to achieving this outcome is the quantitative analytical capacity for monitoring socio-economic growth and development within the Province. In its 2014-17 Strategic Plan, the Department therefore identified the improvement in the quality of Government's quantitative information as a key priority. This improvement in quality will be defined through improved efficiency in the collection and analysis of data; improved availability, accessibility, and dissemination of data; and enhanced value-for-money.

The following goal, measure and indicators was established to guide the work of the Department and outline the key timelines, deliverables and performance expectations so that the Department can demonstrate its accountability to this outcome.

**Goal:** By March 31, 2017, the Department of Finance will have improved the quality of Government's quantitative information in support of informed, decision-making based upon accurate, timely and empirical data.

**Measure:** Improved quality of quantitative information

**Indicators:**

- Improved efficiency in the collection and analysis of socio-economic data
- Improved the availability, accessibility, and dissemination of quantitative data
- Enhanced the value-for-money of quantitative data

#### Report on the 2014-15 Objective:

During the 2014-15 fiscal year, the Department of Finance developed and implemented key initiatives to

support the achievement of enhancing the quality of quantitative data and analysis. The primary areas of interest included consultation with departments; online surveys; and standards and protocols. The information provided below details the Department's achievements within these three areas.

**Objective:** By March 31, 2015, the Department of Finance will have developed initiatives aimed to enhance the quality of Government's quantitative data and analysis.

**Measure:** Developed initiatives

**Indicators:**

- *Consulted departments to identify focus areas for improvement and options for bringing about changes necessary to affect improvement*

During the 2014-15 fiscal year, the Department of Finance consulted departments to identify areas for improvement and options for bringing about that improvement in quantitative data and analysis. The following is a summary of those consultations which brought about changes necessary to improve upon quantitative data and analysis:

- *Geographic Information Services (GIS):*  
During the 2014-15 fiscal year, following extensive consultations, the Social and Economic Spatial Analysis (SESA) Unit of the Newfoundland and Labrador Statistics Agency (NLSA) in the Department of Finance assumed responsibility for the provision of GIS to the Department of Transportation and Works (TW). The SESA Unit provides centralized mapping; GIS; and spatial modeling and analysis capacity to Government. Through the development and maintenance of specialized spatial analytical data, tools and models, the SESA Unit informs public policy decision-making by demonstrating the impacts of geography on the analysis of social and economic issues. As such, it has built up a high level of expertise in GIS and is therefore well-positioned to support and complement TW's ability to meet its obligations with respect to provincial road network management.
- *High Quality Road Collision Data:*  
During the 2014-15 fiscal year, the Department of Finance consulted with the Department of Transportation and Works, Service NL, the Department of Justice and the Royal Newfoundland and Labrador Constabulary. The purpose of this consultation was to discuss current challenges related to the collection, analysis and dissemination of provincial road collision data and potential opportunities that could be realized should these challenges be overcome. As the Department is now responsible for the Collision Database Management System, work was commenced to improve upon the timeliness and quality of the data.
- *Labour Market Information:*  
During the 2014-15 fiscal year, the Department of Finance established a joint

working group with the Department of Advanced Education and Skills (AES) for the purposes of identifying current and future labour market information needs; assessing capacity to meet those needs; and developing (and implementing where feasible) recommendations for strengthening provincial labour market information and data analysis. Through the efforts of this joint working group, the following was accomplished:

- Revised occupational projections were developed to support the Provincial Population Growth Strategy
- A pilot template was developed for data collection from major project employers (e.g., Husky Oil), the purpose of which is to determine how best to gather labour information from industry.
- The objective and scope of a provincial labour market activity survey was assessed and alternative data sources were considered.
- Processes used by both departments to prepare and distribute monthly statistical information about the provincial labour force were streamlined, with the Department of Finance taking the lead.

● *School Enrolment Projections:*

The Province has seen significant demographic changes in the past few decades. The population has declined in many rural areas while some urban areas, especially those in the Northeast Avalon, have experienced rapid population growth. As a result, education infrastructure demands have changed and consequently, sound planning and accurate data/information is needed to ensure the efficient use of public funds.

During the 2014-15 fiscal year, the Department of Finance worked with the Department of Education and Early Childhood Development and the Newfoundland and Labrador English School District to assess the viability of purchasing software that would project student enrolments for schools throughout the province. Work was also carried out to improve upon data used for preparing projections and to assess software tools that might further improve future projections.

● *Improved Government's capacity to provide on-line surveys*

During the 2014-15 fiscal year, the Department of Finance finalized the development of the capacity to conduct internal online surveys with employees of core government departments and agencies. Government now has the ability, through the Newfoundland and Labrador Statistics Agency, to conduct its own online surveys with Government employees. Up until now, Government had been using external resources to collect information through online surveys. This posed challenges with respect to the security of the information collected and its validity because of the statistical methodologies used by those external resources. With this new internal capacity, Government now has the ability to

ensure the confidentiality of the information collected as well as its validity because the statistical methodologies used are aligned with the standards of the National Statistics Agency. This capacity was used by the following government departments to conduct employee surveys:

- Human Resource Secretariat – The “Count Yourself In Workforce Survey” was used to collect information from employees to help inform the development of an Aboriginal Human Resources Strategy. The Strategy’s intent and goal will be to build and enhance Aboriginal capacity and expertise within the provincial government.
- Office of Climate Change and Energy Efficiency (OCCEE) - The OCCEE used the online survey tool to collect employee opinions on green activities in Government.
- Department of Finance – A survey was conducted to assess user readiness for a major upgrade to Government’s Financial Management System (FMS). The survey questions assessed current knowledge of the FMS upgrade and Financial Reporting Projects; general understanding about employee roles in the implementation; and level of readiness to support change within Government.

Additionally, significant progress was achieved on the development of similar capacity to conduct online surveys with people outside of Government. The new software and processes used are becoming available government-wide and will improve the quality of online collected data and protect the privacy of data collected.

- *Developed standards and protocols for key focus areas*

The following progress was achieved on the development of standards/protocols:

- *Administrative Data:*  
During the 2014-15 fiscal year, the Department of Finance continued to collaborate with the Office of Public Engagement on the Open Government Initiative. This initiative, which was officially launched in 2013-14, is aimed to increase access to data and information and to provide more opportunities for public involvement into the government decision-making process.

During the 2014-15 fiscal year, the Department of Finance played a key role in the development of a centralized inventory of Government’s administrative data. Key accomplishments included consultation with all government departments and the development of an information collection process. The intent of this exercise was to develop a centralized inventory of all government administrative data and to identify administrative data that might be posted to Government’s Open Data website. By the end of the 2014-15 fiscal year, 165 submissions had been received from departments.

- *Government Surveys:*  
During the 2014-15 fiscal year, the Department of Finance worked to develop a draft policy for the conduct of survey activities within Government. This policy was built upon the legal authority afforded to the NLSA under the *Statistics Agency Act*. This Act establishes the NLSA as the government agency responsible for representing the Province on statistical matters and establishing appropriate standards, systems and procedures for the collection of statistical information by departments. The policy will continue to be refined during the 2015-16 fiscal year with the intent to seek approval and implement government-wide in the near future.
- *Data Purchases:*  
During the 2014-15 fiscal year, the Economics and Statistics Branch of the Department of Finance developed and implemented an internal process for documenting all internal and external data requests for the purposes of tracking data purchase costs.
- *Client Services:*  
The Economics and Statistics Branch (ESB) of the Department of Finance establishes fee-for-service relationships with government departments, boards, agencies, commissions, and community organizations. During the 2014-15 fiscal year, the ESB improved upon the internal processes it uses to track the work and financial commitments associated with these arrangements. It also developed a draft service level agreement for client work performed and services provided that will be piloted during the 2015-16 fiscal year.

#### **2015-16 Objective:**

During the 2015-16 fiscal year, the Department of Finance will continue to implement initiatives aimed to enhance the quality of Government's quantitative data and analysis. Efforts will continue to focus on building partnerships with departments to improve upon quantitative data and analysis and developing associated standards and protocols. With this in mind, the following objective, measure and indicators has been established for the 2015-16 fiscal year:

**Objective:** By March 31, 2016, the Department of Finance will have implemented initiatives aimed to enhance the quality of Government's quantitative data and analysis

**Measure:** Implemented initiatives

#### **Indicators:**

- Implemented a service level agreement process with clients of the Economics and Statistics Branch
- Improved the timeliness and quality of the data maintained in the Collision Database Management System

- Supported the development and implementation of a government-wide Geographical Information System Strategy and Governance Model
- Continued to work with the Department of Advanced Education and Skills to improve labour market information
- Continued to work with the Office of Public Engagement to make Government's administrative data easily and readily available to the public

### 3.0 Shared Commitments

As a central agency of Government, the Department of Finance places strong emphasis and high priority on the development and maintenance of effective working relationships with other government departments and agencies to achieve strategic and operational priorities. As such, much of the performance achieved during the 2014-15 fiscal year was made possible because of the Department's partnerships and a shared commitment to achieving common results. Additional accomplishments made possible by these collaborative relationships are detailed below.

#### **Public Service Pension Plan Reform a Major Achievement for 2014:**

In December of 2014, the Department of Finance partnered with the Human Resource Secretariat to successfully negotiate a joint agreement with the five largest unions representing members of the Public Service Pension Plan. The agreement was signed and legislation was passed in the House of Assembly with the full endorsement of all parties. In the months that followed, Government continued to work with the unions to finalize the joint management agreement through the establishment of the Public Service Pension Plan Corporation and the transfer of pension administration responsibilities from Government to the new corporation. This accomplishment represents a significant step towards the realization of the Department's strategic direction related to unfunded pensions liability.

#### **Engaging and Connecting with Residents:**

In January 2015, Government announced the release of eight additional datasets through the Open Government Initiative for use free-of-charge by residents ([www.opendata.gov.nl.ca](http://www.opendata.gov.nl.ca)). The datasets included preliminary data from the volunteer and non-profit sector census conducted by this Government; provincial and regional population projections to the year 2035; and a collection of administrative mapping files.

A major component of the Open Government Initiative is releasing data in accessible formats for use and re-use by anyone. The datasets made available in January will help the public, researchers, students, and developers ask better questions and engage in discussions that will benefit the lives of Newfoundlanders and Labradorians.



In the months leading up to the release of these new datasets, the Newfoundland and Labrador Statistics Agency of the Department of Finance played a key role in working with government departments to identify and prepare these datasets.

#### **Supporting Electoral Reform:**

On February 9, 2015, Government appointed the Electoral Districts Boundaries Commission with the mandate to review the Province's electoral boundaries and submit recommendations to reduce the number of electoral districts from 48 to 40. The Department of Finance played a key role in supporting the work of the Commission through the provision of advanced mapping technology and statistical modelling tools. These tools supported the Commission to complete its task within 120 days. Through the use of software, computer systems and population data available at the Newfoundland and Labrador Statistics Agency (NLSA) and the support and assistance of dedicated and skilled staff at the NLSA, the Commission was able to analyze, view and adjust electoral boundary options very quickly. This proved invaluable to keeping the Commission's work on schedule and maximized the time available for public consultation.

#### **Supporting Business Diversity:**

During 2014-15, the Department of Finance played a key role in the development of new legislation that was introduced in the House of Assembly on December 2, 2014. The purpose of this new legislation is to ensure the continuation of the sport of harness racing in the Province by providing the Province the authority to join the Maritime Provinces in the Atlantic Provinces Harness Racing Commission. The sport of harness racing is a highly-regulated activity that involves federal and provincial oversight. The Commission is the authority for regulating harness racing in the Atlantic region. Its mandate is to regulate horse racing; to protect the health, safety and welfare of horses, racing participants and racing officials; and to safeguard the interests of the sporting public.

#### **Implementation of Public Sector Accounting Standards:**

During the 2014-15 fiscal year, the Department of Finance partnered with the Department of Environment and Conservation to identify and assess the Province's liabilities with respect to its contaminated sites. This initiative was necessary to support the full implementation of Public Sector Accounting Board's (PSAB) standard for Contaminated Sites for inclusion in the 2014-15 Public Accounts. The team consisted of officials from both departments to build upon the information contained within the database on contaminated sites to assess the degree of contamination, estimate remediation costs and record environmental liabilities. This analysis required a high degree of understanding of environmental standards, legal and legislative considerations, statistical analysis and public sector accounting standards.

#### **Encouraging Economic Diversification:**

During 2014-15, this Government expanded the support provided to businesses through a \$20M investment in two venture capital funds – Venture Newfoundland and Labrador; and Build Ventures. Access to this venture capital by new and established entrepreneurs with innovative ideas and

technologies will have a positive impact. For emerging growth sectors, such as ocean technology and other knowledge-based industries, these new venture capital funds will help improve their global competitiveness, strengthen high-end employment opportunities and drive economic diversification throughout the Province.

The Department worked with the Department of Business, Tourism, Culture and Rural Development to implement a Venture Capital Tax Credit as an incentive for private investors to partner in capitalizing the fund. This tax credit will help to mitigate financial risk to investors and thereby provide an incentive for them to put their money into companies that are in need of startup or expansion funds. Available to both individuals and corporate investors, the Venture Capital Tax Credit will provide a 30 per cent non-refundable tax credit on investment, capped at a lifetime maximum \$75,000 credit to be applied against provincial taxes.

## **4.0 Highlights and Accomplishments**

In addition to the results reported in the Report on Performance section of this document, the following provides information on other key accomplishments of the Department of Finance.

### **Adapting to Climate Change Benefits Families and Communities:**

In December 2014, the Department of Finance launched a climate information portal on the Community Accounts website, providing Newfoundlanders and Labradorians access to historical weather and climate change data observed over time. It includes temperature, precipitation and wind data from over 70 Environment Canada weather stations throughout the Province. Having access to up-to-date, accurate information about our Province's weather patterns is crucial to inform decisions about land use planning, municipal zoning, disaster planning and infrastructure design. This information is becoming increasingly important as our Province's climate is changing due to rising global temperatures.

Community Accounts (<http://nl.communityaccounts.ca/>) is an interactive data retrieval system which provides critical data at the community, regional and provincial level. With the addition of this new information portal, comprehensive climate change information and access to related weather data is readily available to all types of users.

### **Creating Efficiencies and Reducing Costs:**

During the 2014-15 fiscal year, the Department made progress towards increasing Government's use of direct deposit and phasing-out government-issued cheques. Direct deposit is a secure, reliable and cost-effective way to deliver payments. By increasing use of electronic payments, Government is expecting to save approximately \$500,000 annually, once fully implemented. Approximately 76 per cent of Government payments issued were processed via EFT. Increasing the use of direct deposit will contribute significant savings through the reduction in the use of paper, related cheques-printing and delivery costs. The current cost to produce a cheque is approximately 95 cents, while a direct deposit payment costs about five cents.

### **Demonstrating Effective Fiscal Management:**

During the 2014-15 fiscal year, the 2013-14 Public Accounts and related reports were prepared and ready for tabling at dates earlier than the previous year. The Public Accounts were completed in early October 2014 compared to the previous year of late December 2013.

Additionally the 2013-14 statements confirmed that the deficit for the 2013-14 fiscal year was \$388.6M, a decrease of \$175.2M from the original forecasted deficit of \$563.8M. The change was attributed to a slight increase in revenues stemming from offshore oil royalties and a growth in personal income, combined with a reduction in expenditures.

### **Sound Fiscal Management and Economic Growth Fuels Long-term Prosperity:**

Once again this Province's economic strength was recognized by major stakeholders of the financial industry. Dominion Bond Rating Services (DBRS) confirmed the Province's credit rating at A, acknowledging the Provincial Government's established record of fiscal management, competitive personal income tax structure, strong liquidity positions and significant energy resources as strengthens in maintaining this rating.

Additionally, the Conference Board of Canada named Newfoundland and Labrador as one of the three provinces in Canada to receive a grade of A+, outperforming 25 other jurisdictions in Canada and around the world. With this rating, Newfoundland and Labrador was not only ahead of Ontario, Quebec, British Columbia, Manitoba and the Maritimes provinces for economic performance; but also ahead of Canada's national performance as well as the United States, the United Kingdom, Australia, France, Germany and Norway.

### **Supporting the Province's Seniors:**

During the month of October 2014 approximately 42,000 seniors in this Province received the enhanced Low Income Senior's Benefit. The Newfoundland and Labrador Seniors' Benefit is a refundable tax credit for low income seniors. In order to qualify for this benefit, the person must be 65 years of age by December 31st of the taxation year. This benefit is paid in October of each year and is included in the same cheque as the GST/HST credit. The amount of the credit is based on family net income from the previous year. In 2014, eligible candidates received the highest ever at \$1,036, up from \$971 in 2013.

### **Helping Families Meet Home Heating Costs:**

The Government of Newfoundland and Labrador continued the \$15M Home Heating Rebate program for the 2014-15 home heating season. As of March 31, 2015, approximately 55,000 households received rebates ranging from \$100 to \$500 (note that applications for the 2014-15 home heating season are still be processed – claimants have until September 2015 to submit their applications). Eligible households with an adjusted family income of \$35,000 or less qualified for a maximum rebate of \$250 (\$500 for coastal Labrador). Partial rebates were also available for households with family income above \$35,000 but less than \$40,001, with a minimum rebate of \$100.

## 5.0 Opportunities and Challenges

Budget 2014 forecast a deficit of \$537.9 million for the 2014-15 fiscal year. Since that time, despite lower projected gross expenses of \$385.2 million, the provincial deficit has been revised to \$924.1M, representing an increase by \$386.2M. The principal contributing factor to the projected deficit increase is lower projected total revenues of \$771.4 million, the result of the precipitous decline in the price of Brent crude oil. Additionally, oil production was also lower than expected by 8.27 million barrels. The combination of lower price, exchange rate and production resulted in offshore royalties that were \$830.2M lower than projected, which is 35 per cent lower than initially forecast.

Also, compared to 2014 Budget, there is a downward revision to mining taxes and royalties of \$5.8 million, primarily because of the global downturn in the iron ore industry. These lower resource revenues were partially offset by improvements in other revenues such as Personal Income Tax and the Offshore Revenue Fund. Overall, revenues were 10 per cent lower than budget.

Projections made in Budget 2014 were based on a price for Brent crude of \$105US per barrel for 2015-16 at an exchange rate of \$0.9125. After trading at high of \$115.19US per barrel in June 2014, the Brent price began a precipitous and unpredictable decline to reach a low of \$45.13US in January 2015, before recovering to over \$60US in April 2015. While all forecasters agree that an oil price recovery is coming, there are differing views on the speed and extent of this recovery<sup>1</sup>.

Understanding the risk associated with oil price forecasting will therefore be a challenge for the Department of Finance during the 2015-16 year as it continues to support Government in meeting its commitment to return to a surplus budget and five-year fiscal recovery plan. As the lead department responsible for the strategic coordination of the provincial budget, the Department will be expected to closely monitor all of the factors that impact oil price forecasting. The Department will also be expected to provide guidance to ensure that spending levels are aligned with long-term expectations and that investment is strategic, balanced and sustainable.

The Department will continue to monitor program growth expenses, which can be attributed to negotiated salary cost, compensation increases and inflationary pressures related to utilization of existing programs. Government actions to contain growth and find efficiencies, beginning in 2014-15, and the plan to further that work, have resulted in a shift in the trajectory of program growth.

Given the anticipated decline in total revenue due to the lower than expected oil royalties, the Department of Finance will also be challenged to support Government in the identification of new revenue sources. A key commitment of Government is to maintain a competitive tax regime that supports economic growth. However, faced with lower offshore revenues from the decline in the oil price, revenue enhancement has to be part of the solution to addressing the current fiscal challenge. Other jurisdictions, including Alberta, have opted to address the sudden oil revenue shortfall by increasing revenue from other sources. This Government will also need to take a balanced approach to avoid the negative impacts that deep spending cuts would have on our economy.

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<sup>1</sup> It is noted that the numbers provided (e.g., oil price per barrel), fluctuates daily. Therefore the information provided above is based on a moment in time and is subject to change.

The Department of Finance will continue to support Government in meeting its borrowing requirements. Currently it is expected that Government will need to borrow \$2 billion in 2015-16 and \$4.85 billion over the next four year period. This is necessary to continue to make strategic investments in Nalcor, focus on infrastructure spending and eliminate the liability associated with public sector pensions.

During the 2015-16 fiscal year, the Department of Finance will continue to partner with the Human Resource Secretariat to lead the Pension and Post-Retirement Liabilities Reform. With such significant progress already made towards the Public Service Pension Plan, it is now time to turn attention to the other defined provincial pension plans, primarily the Teachers' Pension Plan and the Uniformed Service Pension Plan. The Department of Finance will continue to provide the technical expertise required to lead these strategies within the timeframes identified for the completion of this initiative.

Recently Government announced intentions to introduce amendments to the *Auditor General Act* in the House of Assembly. Furthermore, the Auditor General has proposed amendments to incorporate value-for-money auditing into its performance audit methodology. When implemented, the Auditor General will put greater emphasis in its performance audit methodology on determining whether Government programs are being managed with due regard for economy and efficiency, and whether there are measures in place to determine their effectiveness. As such, the Department of Finance must determine how this change in audit methodology will impact its own internal auditing practices.

Arising from these challenges are opportunities for improvement. Now more than ever, Government must ensure value for taxpayer money. An opportunity therefore exists to cultivate a culture of cost management. The Department of Finance will support the Treasury Board Committee of Cabinet in launching a process to overhaul the existing program and service delivery model in order to contain expenditure growth. This renewed approach to fiscal management will be applied to all government departments and agencies. Key questions to be answered include "Why does it cost 45 per cent more in this province than in certain other jurisdictions to deliver the services people need? To what extent is it related to our dispersed and aging population? And, how can we innovate to deliver those services more effectively?" An approach to cost management that is sustainable, progressive and continuous is the outcome.

The Department is confident in its ability to continue to provide strategic leadership across Government in the development of fiscal, financial, economic policy and statistical information. The Department will continue to provide strong leadership in the management and control of provincial finances to ensure appropriate use of public funds. This confidence is grounded by the professionalism, expertise and dedication to quality work exhibited by the Department's employees on a daily basis.

## 6.0 Financial Information

Expenditure and revenue figures included in this document are based on public information provided in the **Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund for Fiscal Year Ended 31 March 2015** (Unaudited).

	Actual	Estimates	
		Amended	Original
<b>EXECUTIVE AND SUPPORT SERVICES</b>			
1.1.01 Minister's Office	279,805	332,700	332,700
<b>General Administration</b>			
1.2.01 Executive Support	2,066,216	2,199,900	1,330,600
1.2.02 Treasury Board Support	250,544	259,200	258,200
1.2.03 Administrative Support - Current	408,894	563,600	394,900
1.2.04 Administrative Support - Capital	535,475	660,000	500,000
<b>Total: General Administration</b>	<b>3,261,129</b>	<b>3,682,700</b>	<b>2,483,700</b>
<b>General Government</b>			
1.3.01 Government Personnel Costs	66,535,376	81,323,900	132,230,900
<b>TOTAL: EXECUTIVE AND SUPPORT SERVICES</b>	<b>70,076,310</b>	<b>85,339,300</b>	<b>135,047,300</b>
<b>FINANCIAL ADMINISTRATION</b>			
<b>Financial Planning and Benefits Administration</b>			
2.1.01 Pensions Administration	(41,522)	-	-
2.1.02 Budgeting	1,292,369	1,313,500	1,183,800
2.1.03 Insurance	210,716	226,600	224,600
2.1.04 Financial Assistance - Current	82,725	631,800	1,223,000
2.1.05 Financial Assistance - Capital	9,185,403	12,700,000	11,200,000
<b>Total: Financial Planning and Benefits Administration</b>	<b>10,729,691</b>	<b>14,871,900</b>	<b>13,831,400</b>
<b>Taxation and Fiscal Policy</b>			
2.2.01 Tax Policy	1,376,623	1,443,300	1,117,100
2.2.02 Fiscal Policy	367,968	407,200	409,200
2.2.03 Project Analysis	611,983	622,800	556,300
2.2.04 Tax Administration	3,071,879	3,760,900	3,948,900
2.2.05 Debt Management	284,509	375,700	471,200
<b>Total: Taxation and Fiscal Policy</b>	<b>5,712,962</b>	<b>6,609,900</b>	<b>6,502,700</b>
<b>Economics and Statistics Branch</b>			
2.3.01 Economics	1,006,404	1,242,300	1,242,300
2.3.02 Statistics	3,633,422	3,970,600	4,175,800
<b>Total: Economics and Statistics</b>	<b>4,639,826</b>	<b>5,212,900</b>	<b>5,418,100</b>
<b>Office of the Comptroller General</b>			
2.4.01 Office of the Comptroller General	5,155,867	5,352,500	5,836,700
2.4.02 Corporate Services	1,905,956	2,328,800	2,328,800
<b>Total: Office of the Comptroller General</b>	<b>7,061,823</b>	<b>7,681,300</b>	<b>8,165,500</b>
<b>TOTAL: FINANCIAL ADMINISTRATION</b>	<b>28,144,302</b>	<b>34,376,000</b>	<b>33,917,700</b>
<b>TOTAL: DEPARTMENT</b>	<b>98,220,612</b>	<b>119,715,300</b>	<b>168,965,000</b>



## 7.0 Appendices

### Public Service Pension Plan Joint Trusteeship Transition Committee:

The Agreement on Pensions, which forms part of the current Public Service Collective Agreement, mandated the establishment of a Joint Trusteeship Transition Committee (the Committee). The mandate of this Committee is to recommend to the relevant parties, a joint pension trust structure to govern the activities of the Public Service Pension Plan (PSPP). Under this arrangement, an independent board of trustees is responsible for the administration of the PSPP, including the setting of benefits and investment of the Fund.

The Committee includes representatives of the five unions participating in the PSPP, Government and employers such as Newfoundland and Labrador Hydro and the Newfoundland and Labrador Health Board Association.

The Committee has been inactive since 2003. Furthermore, given the recent pension plan reform initiatives, the role, structure and mandate of this Committee must be re-examined. If the Committee does become active again, the planning and reporting requirements of the *Transparency and Accountability Act* will be fulfilled in a timely manner.

### Update on Strategic Directions:

#### Strategic Direction #1: Provincial Economic Development and Competitiveness

**Outcome:** Long-term provincial prosperity based upon a competitive economy and sustainable economic development

**Clarifying Statement:** This outcome supports the policy direction of Government and requires systematic intervention in the following component areas:

Strategic Direction Component	Progress Achieved as of March 31, 2015
Fair provincial tax regime	As part of the 2015 budget process, the Department of Finance presented options for adjustments to the provincial taxation system that were aligned with the commitment to a fair provincial tax regime.
Provincial demographic monitoring and analysis	Completed as part of normal operations in support of the policy work of other departments (e.g., long-term health-care projections; student enrolment projections) and in support of the 2015 budget process to demonstrate how demographic changes impact budgetary decisions.
Economic monitoring and analysis of major projects	Completed as part of normal operations and in support of the 2015 budget process to demonstrate the economic impacts of major provincial projects and the subsequent influences it has on budgetary decisions.
Monitoring of provincial and global economic environments	Completed as part of normal operations and in support of the 2015 budget process to demonstrate how provincial and global economic environments impact budgetary decisions. A particular focus during the 2014-15 fiscal year was understanding the global and geopolitical factors impacting the oil price over the next five years.
Quantitative analytical capacity for monitoring socio-economic growth and development within the Province	Initiatives implemented throughout the year to enhance capacity, as described in the performance reported for Strategic Issue #3.

## Strategic Direction #2: Financial Management

**Outcome:** Sustainable financial management framework for Government

**Clarifying Statement:** This outcome supports the policy direction of Government and requires systematic intervention in the following component areas:

Strategic Direction Component	Progress Achieved as of March 31, 2015
Revenue management	Extensive analysis provided on the impact of fluctuating oil prices on provincial revenues.
Financial analysis capacity of Government	Preliminary work initiated to identify how challenges associated with capacity issues may be addressed.
Accrual Accounting	Statements and exhibits contained within the budget speech were prepared on a consolidated accrual basis.
Financial management systems and processes to support good governance	Government's financial management system upgraded and associated processes adjusted to realign with technological advancements, as described in the performance reported for Strategic Issue #1.

## Strategic Direction #3: Provincial Net Debt

**Outcome:** Reduced net debt per capita to the all-province average within 10 years

**Clarifying Statement:** This outcome supports the policy direction of Government and requires systematic intervention in the following component areas:

Strategic Direction Component	Progress Achieved as of March 31, 2015
Unfunded pension liabilities	Significant progress achieved towards reformation of the Public Service Pension Plan through the amendment of legislation, signing of a joint trusteeship agreement and establishment of a Corporation, as described in the performance reported for Strategic Issue #2.
Repayment of debt in a timely manner	Completed as part of normal operations.
Generation of annual surpluses	In support of the 2015 budget process, analysis was provided to assist in the development of a five-year fiscal recovery plan that would see Government balance its budget in 2019-20 and realize a surplus in 2020-21.
Maintenance of appropriate expenditure controls (e.g., tangible capital assets)	Completed as part of normal operations.



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