

# 2021-2022 **ANNUAL REPORT**



**Finance**





## MESSAGE FROM THE MINISTER

In accordance with my responsibilities under the **Transparency and Accountability Act**, I am pleased to submit the 2021-22 Annual Report for the Department of Finance.

The Department of Finance is a Category 1 government entity. As such, the Department is required to prepare an annual report that compares actual to planned performance results as provided in the corresponding fiscal year of the 2020-2023 Strategic Plan. As Minister of Finance, my signature below is indicative of my accountability for the actual results reported within this document.

The progress made over the last year, as outlined in this report, has improved the Province's financial situation and represents great strides towards a strong and sustainable fiscal future. We will continue to work, with the people of the province in mind, to mitigate the rising cost of living and to bolster the provincial economy. By leading measures that contribute to economic and fiscal stability, ensuring the provincial tax system supports an environment of business growth, and taking a proactive approach to treasury management, we have changed the outlook for Newfoundland and Labrador. The enclosed report provides further details on these and other accomplishments of the Department for the 2021-22 fiscal year.

I would like to take this opportunity to acknowledge the commitment of the employees in the Department of Finance. I am appreciative of their focused efforts throughout the challenges faced during the last year and I look forward to their continued support and dedication.

Sincerely,

A handwritten signature in black ink, appearing to read "Siobhan Coady". The signature is fluid and cursive.

Hon. Siobhan Coady  
Minister of Finance



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## Introduction

The **Transparency and Accountability Act** provides the legislative framework for strengthened accountability, openness, and transparency to the people of Newfoundland and Labrador. This is achieved by requiring all government entities to produce three-year performance-based plans and annual performance reports, both of which are presented to the House of Assembly and are made available to the general public.

The planning and reporting expectations of all government entities are determined by the Lieutenant-Governor in Council. The Department of Finance (Department) is a Category 1 government entity and therefore is required to develop a three-year strategic plan that establishes goals and objectives at the outcome level. The Department is also required to produce annual reports that compare planned results, as outlined in the Department's Strategic Plan, to actual results. Where a variance exists, the report must also provide an explanation.

Enclosed is the 2021-22 Annual Report for the Department of Finance.

## Departmental Overview

### Mandate

The Department of Finance is responsible for the development of fiscal, financial, statistical, and economic policy. These responsibilities are primarily achieved by providing timely analysis and advice to Cabinet, the Committees of Cabinet, government departments, and agencies, boards, and commissions (ABCs). The Department is responsible for the development and oversight of the annual provincial budget, administration of provincial tax statutes, management of provincial borrowing and debt, project analysis, economic and fiscal forecasting, negotiation of Federal transfers, and representing the Province on national fiscal, economic, and statistical matters. Additional information is available on the Department's website at: [www.gov.nl.ca/fin](http://www.gov.nl.ca/fin).

### Lines of Business

The primary lines of business of the Department are as follows:

- Supporting Government's provincial revenue and expenditure planning processes;
- Providing analysis of the financial and economic impact of major projects;
- Analyzing and forecasting the macroeconomic environment;
- Conducting statistical research, analysis and data development;
- Supporting the analysis, updating and negotiation of Federal transfer programs;
- Management of the Province's borrowing and debt servicing programs, including cash management and the investment of sinking fund assets; and
- Policy analysis and advice, administration and audit of various provincial taxes, rebates and credits.



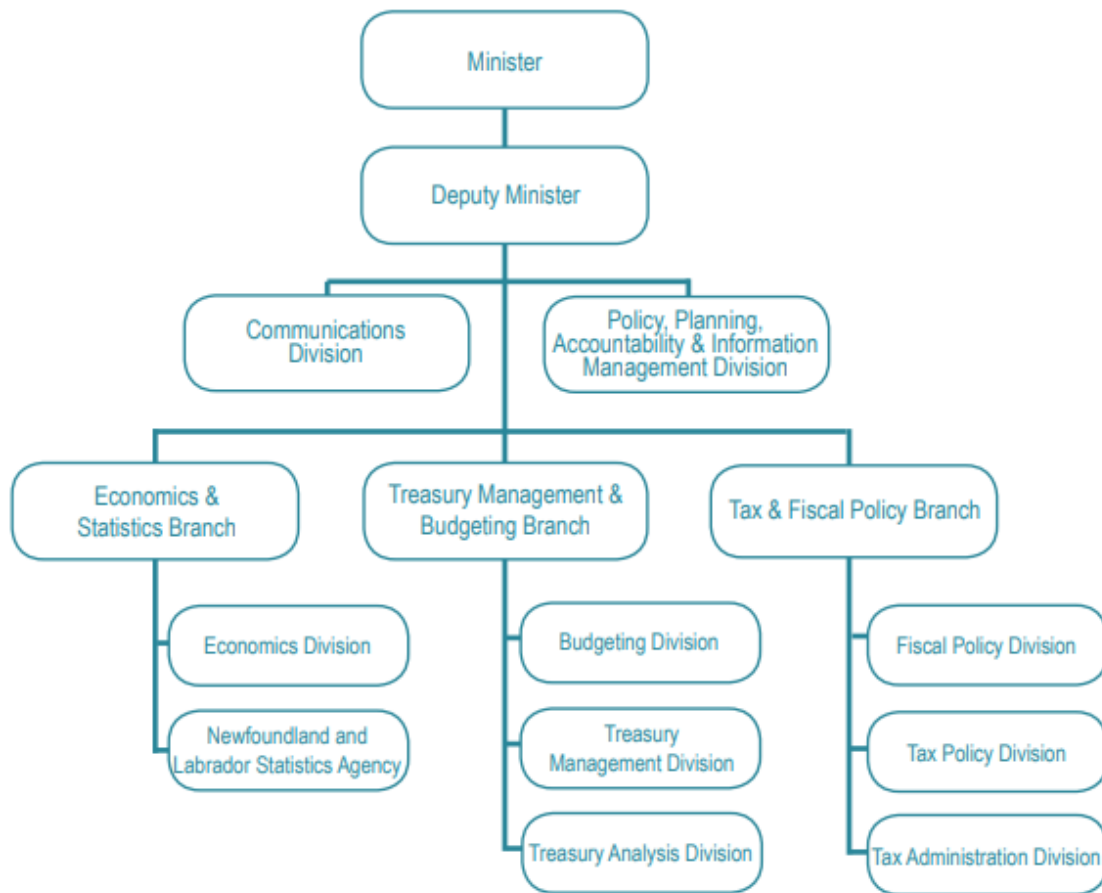
## Structure and Budget

### Locations

The Department is primarily located in the Confederation Building, East Block, with other office locations in Corner Brook, Grand Falls-Windsor, and 5 Mews Place in St. John's. Contact information is available online at: [www.gov.nl.ca/fin](http://www.gov.nl.ca/fin).

### Staff

On March 31, 2022, the Department had 118 employees. At that time, approximately 54 percent of employees were female and 46 percent were male. Staff are allocated across the following branches and divisions:



## **Budget**

The budget for Department for the 2021-22 fiscal year was \$13,025,600. During the year, an additional \$15.6 million was transferred to Tax Administration for the Residential Construction Rebate Program, with \$9.1 million expended by March 31, 2022.

Please refer to the last page of this report for detailed information on the Program Expenditure and Revenues of the Consolidated Revenue Fund for the year ended March 31, 2022 (unaudited). Included in the total amended Departmental budget is \$42 million of Federal revenue for the funding of Federal Programs. These funds were transferred during the fiscal year to departments and crown agencies for various initiatives which are fully or partially funded by the Government of Canada.

## **Highlights and Partnerships**

### **Highlights**

In addition to the information provided in the Report on Performance section of this document, the Department would like to highlight the following accomplishments of the 2021-22 fiscal year.

### **Cost of Living Measures**

The Department developed and announced a five-point plan to help address the rising cost of living for the people of the province. This \$22 million plan included increasing the Income Supplement and Seniors' Benefit, providing a one-time benefit payment to those receiving income support, vehicle charging infrastructure and electric vehicle rebates, and increased funding to convert homes from furnace oil to electric heating.

### **Encouraging Healthier Choices**

To help address social determinants of health, the Department introduced legislation to implement a 20 cent per litre tax on sugar sweetened beverages effective September 1,

2022. This is in support of Government's goal of developing a health-centric provincial culture and becoming one of the healthiest provinces in Canada by 2031. Revenues generated will help fund healthy living initiatives such as the Physical Activity Tax Credit, pre-natal infant nutrition supplement, and school breakfast and lunch programs. The legislation received Royal Assent on October 27, 2021.

### **Strict Adherence to the Return to Balance Plan**

The projected deficit for Budget 2021 was \$826 million. With a strict adherence to the budget plan and continued pursuance of expense reduction, Government was able to announce a \$231 million reduction in the projected deficit at the Fall Fiscal and Economic Update. As of March 31, the projected deficit for 2021-22 was approximately \$400 million, less than half the initial projection.

### **Balanced Budget Legislation**

Building upon the deficit reduction, the Department advanced balanced budget legislation to provide a lasting foundation of fiscal accountability in the province. The legislation is a proactive and more accountable approach to managing public money and requires Government to balance its expenditures with its revenues over the annual reporting cycle. The first reading of the **Balanced Budget Act** in the House of Assembly was on October 19, 2021.

### **Developing a Future Fund**

To ensure revenue from one-time and non-renewable sources is invested for future generations, the Department advanced legislation for the creation and administration of a Future Fund. The legislation is one piece of a larger fiscal responsibility strategy and will provide a mechanism for investing in long-term strategic initiatives, such as green initiatives. Supporting these necessary economic diversification opportunities will help the Province reduce its exposure to a volatile commodity sector. The **Future Fund Act** received first reading in the House of Assembly on October 19, 2021.

## **Partnerships**

The Department is responsible for advising on fiscal, financial, statistical, and economic policy and often works in conjunction with other core departments and ABCs to address issues that impact multiple areas across government. The following are examples of how the Department worked with its internal and external partners during the 2021-22 fiscal year to address common priorities and objectives.

### **Pre-Budget Consultations**

The annual provincial budget outlines Government's intentions about spending and anticipated revenues for the upcoming fiscal year, and also provides an update on the provincial economy and economic forecast. In advance of Budget 2022, the Department partnered with the Public Engagement Division to undertake pre-budget consultations. Pre-budget consultations are intended to provide stakeholders, individuals, and interest groups an opportunity to identify priorities for consideration in the provincial budget.

The Department sought ideas and suggestions on how to best address the long-standing financial challenges in the province. The intention was to build upon Budget 2021 measures to transform and modernize government - resulting in better service delivery and improved financial outcomes. Questions were specifically aimed at assessing the priorities of stakeholders in Newfoundland and Labrador for managing the deficit and modernizing government. Feedback can be found on the Department's website at: [www.gov.nl.ca/fin/budget/pre-budget-consults/](http://www.gov.nl.ca/fin/budget/pre-budget-consults/).

### **Federal Funding**

The Department worked with Intergovernmental Affairs Secretariat (IAS) to develop a proposal letter to avail of up to \$4.136 million in federal funding to support municipalities. This involved coordination with departments responsible for public transit and housing to propose projects that met the objectives of the funding. The Federal Government has approved the requested funding amount.

The Department continued to work with other provinces and territories as well as IAS to support First Ministers' negotiations for increases to federal health care funding. Work included a coordinated provincial and territorial Finance Ministers' presentation to Federal Minister Chrystia Freeland on common issues, the top issue being the need for increased funding for the Canada Health Transfer. The increase is needed to help ensure provinces and territories have the financial means to continue to provide the level of health care required, without taking resources away from other key spending areas like education, social services, and public safety.

As announced on July 28, 2021, the Department and Treasury Board Secretariat began work on an implementation approach for the transfer of an amount equivalent to the annual net revenues Canada receives from the Hibernia Net Profits Interest (NPI) and Incidental Net Profits Interest (INPI) agreements. This work is undertaken in cooperation with the Federal Government to reinforce the two governments' longstanding agreement that the Province is to be the principal beneficiary of offshore oil and gas development in the jointly managed offshore area. The total value of these annual transfers were estimated by the Federal Government in July 2021 to be \$3.2 billion.

### **Newfoundland and Labrador Statistics Agency**

The Newfoundland and Labrador Statistics Agency (NLSA) is the central point within Government for the collection, management and distribution of economic, social and demographic data relating to Newfoundland and Labrador. In 2021-22 the NLSA partnered with a number of departments and agencies to collect, develop and share data including:

- Partnering with Department of Fisheries, Forestry and Agriculture to provide on-going mapping support for the Fire Hazard Rating Maps. The Fire Hazard Rating Map is a web based google application intended for general public information and outlines the risk of wildland fire occurring.
- Partnering with the Department of Children, Seniors and Social Development to update the Newfoundland and Labrador Market Measure (NLMBM) to support the

monitoring of changes in the number and composition of low income individuals and families in the province.

- Partnering with the Department of Digital Government and Service NL, Motor Registration Division to provide data development and analytical support for both drivers and vehicle administrative data to support policy development.
- Partnering with the Department of Health and Community Services and Regional Nutritionists in the Regional Health Authorities to collect pricing information for the Newfoundland and Labrador Nutritious Food Basket, a tool used for monitoring the cost and affordability of healthy eating.

## Report on Performance

### Issue: Economic and Fiscal Stability

Government has identified “A Better Economy” as one of the strategic directions for the 2020-2023 planning cycle. A robust, stable economy will provide a firm foundation to ensure the delivery of vital public services to the residents of the province. Reimagining how programs and services look in the future has to be paramount as we balance fiscal pressures with growing expectations for a more innovative, efficient government. The Department provides strategic leadership in provincial revenue and expenditure planning, which includes developing, implementing and monitoring fiscal government policies, as well as negotiating federal transfer funding.

To ensure continued prudent management of provincial fiscal resources the Department will continue to collaborate with the Government of Canada, other provincial departments and stakeholders in fulfilling its responsibilities. The following goal was established for the Department in its 2020-23 Strategic Plan:

**By March 31, 2023, the Department of Finance will have led measures that contribute towards sound economic and fiscal stability.**

To support fulfillment of this goal, the Department developed annual objectives to focus its efforts for each year of its three-year strategic plan. The 2021-22 objective was as follows:

**By March 31, 2022, the Department of Finance will have continued with strategies aimed at prudently managing the financial resources of the province.**

The following progress was achieved towards the Department's performance indicators of success:

- **Provided financial analysis of projects and programs to estimate impacts on the provincial treasury**

Throughout the fiscal year the Department provided data and analysis to Cabinet, other departments, and government entities in support of evidence based decision-making. This important role in program monitoring and evaluation supports government policy initiatives by providing commentary, advice and analysis from a financial perspective.

Outside of the financial analysis work in support of the Budget and Fall Fiscal Update processes, the Department undertook ad hoc reviews of program performance, including cost-benefit analysis and alignment with the strategic goals and initiatives of the province. The Department supported the data collection and analysis of industry funding requirements as well as any resulting funding agreements to ensure the impacts on the provincial treasury were highlighted.

In February 2022, the Provincial and Federal Governments signed term sheets for rate mitigation and capital restructuring to address the prolonged financial uncertainty of the Muskrat Falls project. The agreement will help stabilize the project, contribute to its long-term sustainability, reduce Government's cost of financing, and prevent rates from spiking once the project is commissioned. To support this work, the Department reviewed and provided commentary on the development of the

underlying term sheets of the Electricity Rate Mitigation Agreement-in-Principle for the Muskrat Falls hydroelectric project.

- **Monitored the Province’s fiscal indicators in comparison to other provinces**

The Department compiled and analyzed the fiscal indicators for Newfoundland and Labrador, as compared to other provinces, providing ongoing tracking of the province’s fiscal situation. These indicators are housed in a database that is continually updated and improved upon to reflect the ongoing monitoring of provincial and territorial financial and economic releases. Examples of indicators include provincial comparisons of net debt to GDP, revenue per capita, debt expense as a per cent of revenue. This database also supports data requests from other departments, agencies, boards, and commissions, and their ongoing analysis.

- **Led public consultations on the Premier’s Economic Recovery Team recommendations, and, where directed, implemented recommendations**

“The Big Reset” was released by the Premier’s Economic Recovery Team (PERT) in May 2021. The report included a comprehensive review of the fiscal circumstances of Newfoundland and Labrador and options for a path to greater prosperity. Following its release, public and stakeholder consultations were conducted to gain feedback and input on the recommendations included in the report.

Public and stakeholder participants were engaged through an online survey, virtual consultation sessions, and written submissions and phone calls. The consultations resulted in more than 1,500 online survey submissions and virtual sessions were attended by 154 members of the public and by 31 stakeholder groups. A ‘What We Heard’ document was released on December 21, 2021 summarizing the consultation process and results which can be found online at:

[www.gov.nl.ca/releases/2021/exec/1221n06/](http://www.gov.nl.ca/releases/2021/exec/1221n06/)



Discussed in more detail throughout this document, many of the PERT Report recommendations supported the strategic directions and on-going operations of the Department including:

- Analysis of programs and services to support evidence-based decision-making across all departments.
  - Reduction in spending in core government departments and optimizing efficiencies to ensure the size of government reflects the appropriate levels required.
  - Maintaining the plan to return to a balanced budget and advancing legislation to encourage everyone, not only politicians, to work within a fiscal framework.
  - Ensuring revenue from short-term, one-time, and non-renewable sources is invested for future generations; and
  - Supporting the analysis and development of initiatives that advance the greening of the economy.
- **Worked with departments and ABCs to optimize efficiencies, ensuring the size of government reflects the appropriate levels required**

In Budget 2020, the Department set entity attrition and operating plan targets.

Throughout the fiscal year and into Budget 2022 the Department maintained these targets and prioritized efficiencies with a focus to modernizing Government programs and services. The Department provided direction and guidance on the structural and financial implications of these changes and recommended approaches to ensure efficient transition. The following progress was achieved:

- In consultation with the Department of Justice and Public Safety, NL911 was transitioned into core government operations to allow the department to have direct oversight over the service, which will lead to optimizations and efficiencies.
- The Department of Education, in consultation with the Department, has begun the process of transitioning NL English School District into core government to ensure investments target the classroom and not administration.

- In Budget 2022, it was announced that the four regional Health authorities will be integrated into one province-wide authority. This will ensure consistency and collaboration across the province.
- In support of the Department of Transportation and Infrastructure, the Department participated in market sounding for joint solutions for ferry services in the province.

These changes are expected to improve decision-making with streamlined processes, create more effective reporting structures, enhance data management and accountability, and ultimately ensure better structures and outcomes. Through this collaborative approach, meaningful change can be taken towards a stronger, more viable future for Newfoundland and Labrador.

### **Planned Results for 2022-23**

During the 2022-23 fiscal year, the Department will continue to work towards its goal of leading initiatives aimed to enhance sound economic and fiscal stability. To this end, the following objective was established:

**By March 31, 2023, the Department of Finance will have led measures that contribute towards sound economic and fiscal stability.**

The Department's success towards achieving this objective will be measured by the following indicators:

- Provided support for economic measures to help residents with the cost of living
- Collaborated on initiatives that advance the greening of the economy
- As directed, implemented recommendations for modernizing government

### **Issue: Review of Existing Tax Credit System**

The Government of Newfoundland and Labrador is committed to fostering a better economy; one that is diversified and sustainable in order to harness potential opportunities for growth and development. While the principal function of the tax system

is to raise revenues necessary to fund government programs and services, it can also be used as an instrument of economic and social policy. A number of credits and incentives are designed to encourage economic growth in strategic areas. The Department is responsible for the implementation and administration of most provincial taxes.

The Department is undertaking a review of the provincial tax credit system to ensure it contributes to an environment of business growth. The following goal was established for the Department in its 2020-23 Strategic Plan:

**By March 31, 2023, the Department of Finance will have completed a review of the provincial tax credit system and, where directed, implemented recommendations with a focus to stimulate business growth.**

To support fulfillment of this goal, the Department developed annual objectives to focus its efforts for each year of its three-year strategic plan. The 2021-22 objective was as follows:

**By March 31, 2022, the Department of Finance will have developed recommendations from the review of the tax credit system, including the Newfoundland and Labrador Film and Video Industry Tax Credit.**

The following progress was achieved towards the Department's performance indicators of success:

- **Consulted key stakeholders to identify the need for tax credits**

The Department consulted with the Canadian Manufacturers and Exporters Association and other industry representatives on the design and administration of a new Manufacturing and Processing (M&P) Investment Tax Credit to support the manufacturing, fishery, farming, and forestry sectors investment in capital equipment. The previous M&P credit was a profits-based tax credit and was

discontinued effective January 1, 2016. The profits-based credit was not sufficient encouragement for new investment and the eligibility criteria resulted in only a small number of corporations availing of the program. This new credit, announced in Budget 2022, will provide businesses with a 10 per cent tax credit for investments in new capital equipment and is expected to be a more effective economic driver for the industry.

The Newfoundland and Labrador Film and Video Industry Tax Credit was recently reviewed as a requirement of its sunset provision. As a result of discussions with the Motion Picture Association of Canada and the Newfoundland and Labrador Film Development Corporation, and further Departmental analysis, the credit was renewed and the maximum credit increased. Budget 2022 announced a new All-Spend Film and Video Production Tax Credit. While still under development, the production credit seeks to attract additional film and video productions to the province. The work in this area falls within the Department's mandate to provide stimulus for industry growth in areas of economic interest to the province.

- **Completed a jurisdictional scan in specific areas identified for further review**

To ensure the provincial tax credit system is designed to encourage economic growth in strategic areas, the Department compared existing and proposed credits against those offered in other Canadian jurisdictions. Specifically relevant to this fiscal year, the new M&P Investment Tax Credit was deemed consistent with other provinces which offer this credit and the new All-Spend Film and Video Production Tax Credit to include foreign location and services productions will make those credits competitive within other jurisdictions in Canada. The Department will continue to routinely assess the relevance of these credits compared to industry standards and seek feedback from industry representatives.

Further encouraging the growth, development, and diversification of the provincial economy, the Department completed work on a new tax credit for investments in green technologies. Announced in Budget 2022, the Green Technology Tax Credit is

equal to 20 per cent of the capital cost of equipment that generates or conserves renewable-source energy, uses fuels from waste, or makes efficient use of fossil fuels. This credit positions Newfoundland and Labrador as a leader in supporting the green economy.

- **Developed recommendations**

As discussed above, the Department developed recommendations for tax credits to encourage business investment and grow the provincial economy. Supported by consultations with industry representatives and jurisdictional reviews, Budget 2022 announced the new All Spend Film and Video Production Tax Credit, M&P Investment Tax Credit, and Green Technology Tax Credit. These tax credits complement the many other programs provided by Government that help increase capital investment and create jobs.

In addition, the Department extended the construction deadline and the deadline for the submission of payment forms for projects approved under Residential Construction Rebate Program to ensure eligible residents were able to avail of the program benefits.

### **Planned Results for 2022-23**

During the 2022-23 fiscal year, the Department will continue to work towards its goal of a review of the provincial tax credit system with a focus to stimulate business growth. To this end, the following objective was established:

**By March 31, 2023, the Department of Finance will have implemented select recommendations to the tax credit system, as directed by Government.**

The Department's success towards achieving this objective will be measured by the following indicators:

- Developed and implemented an All-Spend Film and Video Production Tax Credit

- Collaborated with the Atlantic provinces on tax credits for the benefit of regional industries
- Provided recommendation from a review of the cannabis policy framework

### **Issue: Framework for Treasury Management**

The Department of Finance is responsible for the financial management of the public treasury. This includes management of the Province's borrowing and debt servicing programs, including cash management and the investment of sinking fund assets. In managing the financial risk associated with the province's debt and financial position, there is a significant level of planning and research required in order to participate in financing programs. The Department must continue to use its knowledge and analysis of relevant markets and market responses in order to obtain the best results. The role of the Department is to ensure Government has the treasury management capacity it requires to optimize risk and flexibility. The following goal was established for the Department in its 2020-23 Strategic Plan:

**By March 31, 2023, the Department of Finance will have enhanced its leadership role in the treasury management capacity of Government.**

To support fulfillment of this goal, the Department developed annual objectives to focus its efforts for each year of its three-year strategic plan. The 2021-22 objective was as follows:

**By March 31, 2022, the Department of Finance will have continued to implement priority initiatives aimed to strengthen the treasury management capacity of Government.**

The following progress was achieved towards the Department's performance indicators of success:

- **Finalized and implemented the evaluation framework for the banking syndicate**

The banking syndicate consists of management and banking groups the Province uses to issue long-term debt in the bond market. Last year the Department developed a framework for evaluating the existing banking syndicate based on strategic factors that align with the best interests of the Province. Evaluation of the banking syndicate against this framework resulted in adjustments to the bond allocation for new bond issuances. This has led to improved performance in the framework factors including participation in the Province's Treasury Bill auctions, support for the Province's bonds in the secondary market, and the syndicate members' ability to successfully clear a long-term debt issue.

- **Developed a liquidity risk monitoring protocol**

The COVID-19 pandemic had wide-ranging and severe impacts on global financial markets. To improve the Province's ability to respond to global events and ensure financial stability in the event of future upheaval, the Treasury Management Division of the Department has increased its liquidity risk monitoring and developed a liquidity risk monitoring protocol. With effective cash management processes such as increased cash reserves and increased liquidity of investments in the Newfoundland and Labrador Government Sinking Fund (NLGSF), the liquidity of the Province has greatly improved.

- **Researched changes to the allowed asset allocation model of the sinking fund to enhance the long-term investment return**

The NLGSF consolidates the sinking funds of the Province which are invested and used for the retirement of debt upon maturity. Changes to the allowed asset allocation model were researched and provided for the consideration of the NLGSF Board of Trustees. With the approval of the Board of Trustees, the Department was able to progress the recommended changes through the drafting of **Bill 48 – An Act to Amend the Financial Administration Act**.

The **Act to Amend the Financial Administration Act** permits the Board of the NLGSF to evaluate investment opportunities in: Canada mortgage bonds,

Canadian municipal bonds, highly-rated corporate bonds, and highly-rated shares of publicly-traded companies. The shares of publicly-traded companies are limited to shares of Canadian corporations on the S&P/TSX 60 Index and United States corporations on the S&P 500 Index. This diversification is expected to increase the investments' long-term rate of return, reduce the cash flow requirements for debt retirement, and result in more efficient borrowing.

The first reading of the Act was March 16, 2022 with Royal Assent granted June 1, 2022. The Act will come into force on a day to be proclaimed by the Lieutenant-Governor in Council. This delay in proclamation will ensure Treasury Board approves the NLGSF investment policy, including the expanded allowable investments.

### **Planned Results for 2022-23**

During the 2022-23 fiscal year, the Department will continue to work towards its goal of enhancing its leadership role in the treasury management capacity of Government. To this end, the following objective was established:

**By March 31, 2023, the Department of Finance will have further implemented initiatives aimed to strengthen the treasury management capacity of Government.**

The Department's success towards achieving this objective will be measured by the following indicators:

- Implemented a policy of issuing sinking fund debentures for long-term borrowing
- Developed and fostered relationships with institutional investors
- Established an international borrowing program



## Opportunities and Challenges

Since Confederation, annual deficits have become the norm and the province now has the highest per capita expenditures and net debt in Canada. The cumulative effect of years of spending more than we bring in has led to interest costs on the debt being one of the province's largest expenditures. As of Budget 2022, the deficit for fiscal 2022-23 was projected to be \$351 million. While this is a dramatic improvement from the projected deficits of recent years, there is still much work to be done. Solutions are needed to address long-standing structural issues such as the high cost of providing services to nearly 600 communities across a large geography, chronic deficits, dependence on volatile oil revenues, and an aging population.

Government has engaged an independent third party to undertake a thorough review of provincial assets. The strategic advice received through this process will provide valuable insights into potential revenue streams and will inform how Government might optimize assets. This review is one of several transformational activities underway to modernize Government, including Crown corporations and organizations, to improve the delivery of services for the benefit of all Newfoundlanders and Labradorians.

Global trends toward inflation and increases in required spending in the wake of the COVID-19 pandemic has resulted in a rising cost of living for the province. The Bank of Canada has increased its interest rate five times in 2022, starting from 0.25 per cent in January and reaching 3.25 per cent in early September. This is the highest level for the Bank's rate since early 2008 and could significantly impact the cost of borrowing. Developing and fostering relationships with other provinces, with the Federal government, and with industry partners and investors will ensure the Department is able to collaborate on solutions to the challenges we are all facing.

There are opportunities to improve the outlook for Newfoundland and Labrador:

- The Department will work to support Government's goal of developing a health-centric provincial culture and becoming one of the healthiest provinces in Canada by 2031.
- The development of an international borrowing program will enhance access to capital markets and lower the cost of borrowing for the province.
- A strong fiscal responsibility strategy will benefit future generations and ensure the Province is able to adapt and support economic growth.
- Investments and advancements in green technologies will be a source of economic growth for the province.

Government is taking steps towards a sustainable fiscal future. Change can be challenging, but it gives the opportunity to discover new ways of delivering programs and services and meeting expectations for a more modern, efficient government.

## 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 2022 (unaudited).

	<u>Actual</u>	<u>Amended</u>	<u>Original</u>
	\$	\$	\$
<b>EXECUTIVE AND SUPPORT SERVICES</b>			
1.1.01 Minister's Office	<u>227,755</u>	<u>247,700</u>	<u>247,700</u>
<b>General Administration</b>			
1.2.01 Executive Support	<b>1,271,485</b>	1,391,600	1,391,600
1.2.02 Administrative Support	<b>100,665</b>	226,900	226,900
1.2.03 Administrative Support – Capital	<u>-</u>	<u>100</u>	<u>100</u>
<b>Total: General Administration</b>	<b><u>1,372,150</u></b>	<b><u>1,618,600</u></b>	<b><u>1,618,600</u></b>
<b>TOTAL: EXECUTIVE AND SUPPORT SERVICES</b>	<b><u>1,599,905</u></b>	<b><u>1,866,300</u></b>	<b><u>1,866,300</u></b>
<b>TREASURY MANAGEMENT AND BUDGETING</b>			
2.1.01 Budgeting	<b>1,083,048</b>	1,271,400	1,271,400
2.1.02 Treasury Management	<b>491,936</b>	1,161,000	1,161,000
2.1.03 Treasury Analysis	<u>513,830</u>	<u>602,600</u>	<u>602,600</u>
<b>TOTAL: TREASURY MANAGEMENT AND BUDGETING</b>	<b><u>2,088,814</u></b>	<b><u>3,035,000</u></b>	<b><u>3,035,000</u></b>
<b>TAX AND FISCAL POLICY</b>			
3.1.01 Tax Policy	<b>1,035,843</b>	1,275,900	1,275,900
3.1.02 Fiscal Policy	<b>358,339</b>	393,600	393,600
3.1.03 Tax Administration	<b><u>11,610,217</u></b>	<b><u>18,580,500</u></b>	<b><u>2,980,500</u></b>
<b>TOTAL: TAX AND FISCAL POLICY</b>	<b><u>13,004,399</u></b>	<b><u>20,250,000</u></b>	<b><u>4,650,000</u></b>
<b>ECONOMICS AND STATISTICS</b>			
4.1.01 Economics and Statistics	<b><u>3,039,044</u></b>	<b><u>3,474,300</u></b>	<b><u>3,474,300</u></b>
<b>TOTAL: ECONOMICS AND STATISTICS</b>	<b><u>3,039,044</u></b>	<b><u>3,474,300</u></b>	<b><u>3,474,300</u></b>
<b>FEDERAL PROGRAMS</b>			
5.1.01 Federal Programs	<u>-</u>	<u>(41,998,600)</u>	<u>(16,620,000)</u>
<b>TOTAL: FEDERAL PROGRAMS</b>	<u>-</u>	<u>(41,998,600)</u>	<u>(16,620,000)</u>
<b>TOTAL: DEPARTMENT</b>	<b><u>19,732,162</u></b>	<b><u>(13,373,000)</u></b>	<b><u>(3,594,400)</u></b>

