

Accountability Report 2017–2018

Department of Finance
and Treasury Board

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Accountability Report 2017–2018

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Accountability Statement

The Accountability Report of the Department of Finance and Treasury Board for the year ended March 31, 2018 is prepared pursuant to the Finance Act and government policies and guidelines. These authorities require the reporting of outcomes against the Department of Finance and Treasury Board Business Plan for the fiscal year just ended. The reporting of the Department of Finance and Treasury Board outcomes necessarily includes estimates, judgments and opinions by Department of Finance and Treasury Board management.

We acknowledge that this Accountability Report is the responsibility of Department of Finance and Treasury Board management. The report is, to the extent possible, a complete and accurate representation of outcomes relative to the goals and priorities set out in the Department of Finance and Treasury Board 2017-18 Business Plan.

Original signed by

Honourable Karen Casey
Minister of Finance & Treasury Board

Original signed by

Byron Rafuse
Deputy Minister of Finance & Treasury Board

Message from the Minister

I am pleased to present the 2017-18 Accountability Report for the Department of Finance and Treasury Board.

The work of the Department of Finance and Treasury Board supports Government priorities by helping to achieve ongoing fiscal sustainability for the Province. The Department achieves this through:

- budget and fiscal plan development
- financial accounting and reporting
- expenditure management
- financial advisory services
- continuous program review and strategic initiatives
- revenue estimates and federal transfers
- tax policy, administration and credits
- economic forecasting, policy analysis and modelling
- liability, debt and treasury management
- corporate compliance and reporting
- regulation of pensions and select financial institutions
- policy oversight to the specific agencies, boards, and commissions.

The Department maintains focus on preserving the financial capacity of government to provide public services and investments in Nova Scotia. Government's plan continues along the same fiscal path that has resulted in consecutive balanced budgets in the last three years. It is this fiscal sustainability that helps facilitate a positive economic environment through market stability, which encourages economic growth, and business investment.

In an effort to support Government priorities the Department of Finance and Treasury Board is guided by the following mandate items, in addition to core operations and existing options:

1. Ensure government's strategic objectives are achieved with fiscal discipline.
2. Continue to bring forward balanced budgets that reflect platform commitments and maintain provincial fiscal sustainability.
3. Support low and mid-income Nova Scotians.
4. Collaborate with the Department of Business to amend the equity tax credit with the aim of promoting more investment in innovation driven entrepreneurship.
5. Work with the Department of Agriculture to develop policies that encourage growth in our local wine, distilling and craft beer industries.

Throughout the 2017-18 fiscal year the Department worked hard to support and advance government priorities through several major projects and initiatives. I would like to thank every

employee of the Department for their ongoing dedication and service to the people of Nova Scotia.

As Minister of Finance and Treasury Board, I look forward to continuing the important work of the Department to further advance the priorities of government.

Financial Results

	2017-18 Estimate	2017-18 Actuals	2017-18 Variance
Program & Service Area	<i>(\$thousands)</i>		
Departmental Expenses:			
Senior Management	3,907	3,318	(589)
Corporate Strategic Initiatives	924	723	(201)
Controller's Division	2,337	2,051	(286)
Treasury Board	1,221	1,163	(58)
Financial Advisory Services	11,062	9,846	(1,216)
Fiscal Policy, Economics & Budgetary Planning	3,649	3,943	294
Total: Departmental Expenses	23,100	21,044	(2,056)
Additional Information:			
Ordinary Revenue	87,262	97,483	10,221
Fees and Other Charges	42	32	(10)
Ordinary Recoveries	120	280	160
Total: Revenue, Fees and Recoveries	87,424	97,795	10,371
TCA Purchase Requirements	0	0	0
Provincial Funded Staff (FTEs)	207.9	192.4	(15.5)
<p><u>Departmental Expenses Variance Explanation:</u> Temporary vacancy and operational savings</p> <p><u>Revenue, Fees and Recoveries Variance Explanation:</u> Increased auto and property premiums rates and coverages</p> <p><u>TCA Purchase Requirements Variance Explanation:</u> Na</p> <p><u>Provincial Funded Staff (FTEs) Variance Explanation:</u> Temporary vacancy savings</p>			

Measuring Our Performance

Strategic Goal: Fiscal Sustainability

Finance and Treasury Board's 2017-18 Business Plan identified Fiscal Sustainability as the Department's strategic goal for the 2017-18 fiscal year. To achieve this, the Department continued to provide financial leadership and analysis to build and sustain a sound fiscal framework and financial control over public finances.

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

On March 20, 2018 the Government tabled Budget 2018-19, with a surplus of \$29.4M; the third consecutive balanced budget. The next three budgets are all projected to be balanced. A balanced budget is measured by the annual surplus/deficit. This work, in collaboration with all government departments and agencies, aligns with the mandate to establish a sound fiscal framework.

Measure: Sustainability

What does the measure tell us?

Sustainability can be defined as the degree to which a government can maintain existing programs and meet existing creditor requirements without increasing the debt burden on the economy¹. The primary measure for fiscal sustainability is the net debt of the province compared with its economic output of goods and services (net debt to nominal Gross Domestic Product (GDP) ratio).

The One Nova Scotia Commission Report proposed a net debt to GDP ratio goal for the province of 30% or less by 2024. Net-debt to GDP has declined 4 percentage points since 2013 and is trending toward the One Nova Scotia goal of 30%. In 2013-14 Nova Scotia was at 38.2%, and in 2018-19 it is projected to be 34.2%.

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

Measure: Flexibility

What does the measure tell us?

'Flexibility' refers to the degree to which a government can increase its financial resources to respond to rising commitments, by either expanding its revenues or increasing its debt burden.² The typical measure of government financial flexibility looks at the ratio of debt servicing costs in relation to the total revenue generated in a given year. (Debt service costs as a percentage of total revenue).

Consistent work in this area has reduced the debt servicing costs from 8.8% of total revenue in 2013-14 to 7.0% in 2017-18. The Office of the Parliamentary Budget Officer and all three credit rating agencies have acknowledged our improved fiscal health. The three agencies have all cited the province's long-term commitment to fiscal prudence and strong financial management practices as positive.

Measure: Vulnerability

What does the measure tell us?

'Vulnerability' refers to the degree to which a government becomes dependent on, and therefore vulnerable to, sources of funding outside of its control or influence, both domestic and international.³ An often-used measure for the vulnerability of government finances is the amount of federal government transfers in relation to the total revenues of a provincial government. (Federal transfers as a percentage of total revenue).

Moving forward, the Department of Finance and Treasury Board will remain focused on fiscal sustainability as the strategic goal for 2018-19. The Department will continue to provide financial leadership and analysis to build and sustain a sound fiscal framework and financial control over public finances.

² Ibid

³ Ibid

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

- For 2018-22, the results are based on the Province of Nova Scotia's four-year fiscal plan, as presented in the budget documents tabled March 20, 2018.
- Table 1 illustrates:
 - that the Province in a surplus position
 - improving fiscal sustainability reflected by the declining net debt to GDP ratio

Table 1: Performance Measures

Indicator	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19 (Budget)	2019-20	2020-21	2021-22
Sustainability									
Annual Surplus/(Deficit)	(\$676.9M)	(\$143.7M)	(\$13.2M)	\$151.2M	\$230.0M	\$29.4M	\$39.1M	\$60.9M	\$75.0M
Surplus/(Deficit) as % of GDP	(1.75%)	(0.36%)	(0.03%)	0.36%	0.53%	0.07%	0.09%	0.13%	0.15%
Net Debt to Nominal GDP	38.2%	37.8%	37.1%	35.8%	34.6%	34.2%	33.5%	32.8%	32.1%
Net Debt per Capita	\$15,654	\$15,928	\$16,008	\$15,759	\$15,682	\$15,851	\$16,000	\$16,114	\$16,127
Net Debt	\$14.76B	\$15.01B	\$15.07B	\$14.95B	\$14.96B	\$15.17B	\$15.3B	\$15.5B	\$15.5B
Debt Service									
Debt Service Costs as % of total revenue	8.8%	8.4%	7.9%	7.5%	7.0%	8.3%	8.0%	7.2%	6.7%
Own Source Revenue as % of GDP	17.3%	18.3%	18.5%	18.5%	19.1%	16.3%	16.1%	15.7%	16.0%
Federal Transfers									
Federal Transfers as % of total revenue	33.7%	31.7%	31.4%	31.2%	31.2%	33.1%	32.6%	34.2%	33.4%

Notes:

1. Performance measures for 2013-14 to 2017-18 use Government Reporting Entity (GRE) figures (Consolidated). 2018-19 to 2021-22 will use General Revenue Fund (GRF) figures, because consolidated figures are not available for Budget and forecast years. f=forecast

The goal of fiscal sustainability enables the Government of Nova Scotia to deliver public services and create an environment for growth. Building upon this, the Department of Finance and Treasury Board supports Government by establishing a sound fiscal plan and financial framework to support the priorities of Nova Scotia.

For example, Finance and Treasury Board continues to work across all sectors to develop policies that encourage growth in our wine, distilling and craft beer industries. The Department plans to achieve this through a coordinated approach to policy development to help promote industry growth while maintaining social responsibly and protecting the Province's financial position.

The Department continues to build on the agreement among federal, provincial and territorial Ministers agreed to enhance the Canada Pension Plan to improve retirement security for Canadians.

Moreover, the Department has an ongoing review of tax policy, tax measures and fiscal impacts, to ensure the efficiency and effectiveness. While still meeting the goal of fiscal sustainability, the Department was able to make following changes:

- With an ongoing focus to support business, the ***small business income threshold*** rose from \$350,000 to \$500,000, effective January 1, 2017. This provides tax relief, with more small businesses paying only the lower 3% tax rate and more businesses paying both the general rate.
- The province has ***enhanced the Basic Personal Amount (BPA)*** for the 2018 taxation year and subsequent taxation years, effective January 1, 2018. These enhancements reduce taxes for low and middle-income individuals and families. The BPA increased by up to \$3,000 from \$8,481 to \$11,481. For individuals with taxable income greater than \$25,000 the amount of the enhancement reduced as income rises, with the enhancement ending when taxable income reached \$75,000. This reduced taxes for over 500,000 Nova Scotians and an additional 60,000 no longer pay provincial income taxes.
- The Department introduced an ***exemption from the motive fuel tax*** for equipment used in the extraction process for the mining and bedrock quarrying industry, effective April 1, 2017.

Interesting Facts

- A division of Finance and Treasury Board is the official statistics agency for the government and the representative to national statistics agency.
- Every day the Department produces a Daily Stats report that delivers up-to-date analysis of all economic and demographic conditions for the province.
- Finance and Treasury Board plays an important role in developing new public-sector accounting standards that are implemented Canada-wide by the Public-Sector Accounting Board. Staff provide comments regarding proposed new standards and participate on project teams in developing new standards.
- The Pension Regulation Division of the Department oversees approximately 490 pension plans ranging in size from plans with 1 member with just a few thousand dollars in assets to a plan with over 32,000 active members and \$8 Billion in assets.
- Finance and Treasury Board has had 17 consecutive Public Accounts released with an unqualified Auditor's Report.
- The Liability Management and Treasury Services division manages \$15.9 billion in Long Term Debentures outstanding, Mandatory Sinking Funds of \$1.8 billion and Liquidity Funds of \$880 million outstanding as of March 31, 2018.
- Finance and Treasury Board Human Resource statistics show that as of April 1, 2017 64% of staff were female.

Appendix A

Public Interest Disclosure of Wrongdoing

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

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

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

A Wrongdoing for the purposes of the Act is:

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

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

Information Required under Section 18 of the PIDWA	Fiscal Year 2017-18
Number of disclosures received	None reported
Number of findings of wrongdoing	None reported
Details of each wrongdoing	N/A
Recommendations and actions taken on each wrongdoing	N/A

N/A= not applicable