



Accountability Report 2022–23

Finance & Treasury Board



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Accountability Statement

The Accountability Report of the Department of Finance and Treasury Board for the year ended March 31, 2023, 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 2022-23 Business Plan.

Original signed by:

Honourable Allan MacMaster
Minister of Finance and Treasury Board

Original signed by:

Kelliann Dean
Deputy Minister of Finance and Treasury Board

Measuring Performance

The Department of Finance and Treasury Board works to preserve the financial capacity of the Government of Nova Scotia to provide public programs and services, by providing advice about fiscal sustainability for the province.

To deliver its mandate, the department is guided by its core functions of:

- budget and fiscal plan development;
- financial accounting;
- expenditure and financial management;
- financial advisory services;
- corporate strategic initiatives;
- revenue estimates and federal transfers;
- tax policy, administration, and credits;
- economic and demographic forecasting, policy analysis, and modelling;
- liability and treasury management;
- lending to municipalities;
- capital markets administration and compliance;
- regulation of pensions, insurance, and select financial institutions;
- oversight of gaming operations;
- policy oversight to specific agencies, boards, and commissions; and
- labour relations.

Outcomes with respect to the priority areas identified in the Department of Finance and Treasury Board's 2023-22 Business Plan and work on other major initiatives throughout the 2022-23 fiscal year are described below.

Strategic Goal: Fiscal Sustainability

Finance and Treasury Board's 2022-23 Business Plan identified fiscal sustainability as the department's strategic goal for the 2022-23 fiscal year. In working toward this objective, 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: (1) fiscal sustainability, (2) flexibility, and (3) vulnerability. These were measured and reported on in the province's annual Budget, public forecast updates, and the Public Accounts.

The performance measure results are presented below in Table 1: Performance Measures

- For 2023-24 to 2026-27, the results are based on the Province of Nova Scotia's four-year fiscal plan, as presented in Budget 2023-24.

The Province's overall fiscal position has improved since Budget 2022-23. Budget 2022-23 was tabled on March 29, 2022, with a projected deficit of \$506.2 million. Actual results show that the position ended with a surplus of \$115.7 million for the 2022-23 fiscal year (Table 1). The difference between the 2022-23 Budget Estimate and the balance presented in the 2022-23 Public Accounts is due primarily to better-than-expected economic performance, resulting in significant one-time Prior Year Adjustments for provincial tax revenue.

Budget deficits, and increasing net debt are still expected over the four-year fiscal plan due to government's commitment to making investments in priority areas such as healthcare. Despite this, all indicators for the strategic goal of fiscal sustainability remain fairly stable.

Table 1: Performance Measures

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24 (Budget)	2024-25	2025-26	2026-27
Sustainability									
Annual Surplus/(Deficit) (\$ millions)	\$122.9	\$2.3	(\$341.6)	\$338.6	\$115.7	(\$278.9)	(\$464.3)	(\$610.7)	(\$499.2)
Annual Surplus/Deficit (% of GDP)	0.27%	0.00%	(0.73%)	0.65%	0.21%	0.48%	0.77%	0.98%	0.78%
Net Debt to Nominal GDP (%)	33.4%	32.5%	36.3%	33.1%	31.7%	33.6%	34.8%	35.8%	36.2%
Net Debt per Capita (\$ dollars)	\$15,644	\$15,711	\$17,325	\$17,330	\$17,428	\$18,783	\$19,802	\$20,682	\$21,368
Net Debt (\$ billions)	\$14.99	\$15.24	\$17.01	\$17.18	\$17.77	\$19.54	\$20.94	\$22.20	\$23.26
Flexibility									
Debt Service Costs (% of total revenue)	7.3%	6.7%	6.0%	4.6%	4.3%	5.4%	5.6%	5.7%	6.0%
Own Source Revenue (% of GDP)	18.0%	17.7%	16.4%	17.5%	19.1%	15.1%	15.0%	15.0%	15.0%
Vulnerability									
Federal Transfers (% of total revenue)	31.8%	32.3%	37.5%	35.3%	31.3%	37.9%	37.1%	37.0%	36.1%

Notes: Performance measures for 2018-19 to 2022-23 use Government Reporting Entity (GRE) figures (Consolidated). 2023-24 to 2026-27 use General Revenue Fund (GRF) figures, because consolidated figures are not available for Budget and forecast years.

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

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

primary measure for fiscal sustainability is the net debt of the province compared with its economic output of goods and services (i.e., net debt to nominal Gross Domestic Product (GDP) ratio). Net Debt-to-GDP was 31.7 per cent in 2022-23 and is expected to increase to 36.2 per cent by 2026-27. While Net Debt-to-GDP is increasing in the near term, it has been doing so at a lower rate than projected in Budget 2022-23.

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 is the ratio of debt servicing costs in relation to the total revenue generated in a given year (i.e., debt service costs as a percentage of total revenue).

Consistent work in this area has reduced the debt servicing costs from 8.8 per cent of total revenue in 2013-14 to 4.3 per cent in 2022-23. In this past fiscal year, all three credit rating agencies (Standard & Poor's, Dominion Bond Rating Service, and Moody's) confirmed the province's credit rating with a stable outlook. The three agencies have 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 (i.e., federal transfers as a percentage of total revenue).

Federal transfers in 2022-23 represented 31.3 per cent of total revenue. The proportion of total revenue represented by federal transfers is expected to rise to 37.9 per cent in 2023-24 and decline over the rest of the four-year fiscal plan to 36.1 per cent by 2026-27.

Tax measures

In 2022-23, the department continued to work to achieve the commitments of the Minister's Mandate Letter, primarily comprised of tax measures. Budget 2022-23 announced a number of new tax measures, including the More Opportunities for Skilled Trades (MOST), Non-resident Deed Transfer Tax, Fertility and Surrogacy Tax Credit, and Children's Sports and Arts Tax Credit. In 2022-

² Ibid

³ Ibid

23, the department worked on implementing these measures, including the development of necessary legislation, regulations, and IT infrastructure required to administer these new programs.

In 2022-23 the department created the new Provincial Tax Policy and Administration division to lead on the development, implementation and administration of provincial tax credit programs.

[Labour Relations](#)

The department is responsible for labour relations and oversees more than 300 collective agreements with approximately 200 employers, 20 unions and professional associations across several public sectors. In 2022-23, government continued to engage in fair, open and meaningful negotiations with public sector unions.

[Alcohol and cannabis retail policy](#)

In 2022-23, the department continued to work with other departments and with industry to plan to phase out the Nova Scotia Liquor Corporation's Emerging Wine Regions Policy (EWRP). On June 30, 2020, Canada reached a settlement agreement with Australia following its challenge of the EWRP through the World Trade Organization. Per the terms of the agreement, Nova Scotia has four years to end the EWRP.

In 2022-23, the department co-chaired a pan-Canadian committee on Direct-to-Consumer (DTC) sales of beverage alcohol, working with other provinces and territories to see alcohol move more freely across the country. This work included the department hosting a national committee meeting in Halifax in November 2022. Reaching an agreement on DTC sales would allow Nova Scotian alcoholic beverage producers to sell directly to consumers in other provinces.

[Agency review](#)

The department has been working to implement recommendations resulting from government's review of Crown agencies. Part of these recommendations were that staff and operations of the Nova Scotia Gaming Corporation should join the department to improve efficiency and align with other Atlantic provinces, and that the functions of the Municipal Finance Corporation should move into the department to align borrowing operations.

In 2022-23, the department developed the necessary legislative amendments and worked on the human resources and operational matters required to bring these new functions into the department, including the transfer of staff, effective December 1, 2022

Auto insurance review

As part of its review of automobile insurance, in 2022-23, the Office of the Superintendent of Insurance (OSI) completed a public consultation on options for changing Nova Scotia's automobile insurance product. The OSI began to analyze the results of the review and develop final recommendations for government's consideration.

Inclusion, diversity, equity, and accessibility

In the 2022-2023 fiscal year, the department made progress in the area of inclusion, diversity, equity, accessibility, and employee well-being. The department's diversity and inclusion representatives continued to gather data on hiring and training to track progress and identify potential areas of improvement. Diversity-related information, including promotion and education of diverse celebrations, and information on training opportunities, continued to be routinely shared with all department staff. In 2022-23 the department's first Accessibility Plan was approved.

Financial Results

Table 2: FTB Expenses and Revenues

	2022-23 Estimate	2022-23 Actuals	2022-23 Variance
Program & Service Area	<i>(\$ thousands)</i>		
Departmental Expenses:			
Senior Management	3,551	3,575	24
Controllers Division	2,570	72,798	70,228
Labour Relations and Compensation	1,031	1,366	335
Treasury Board Office	2,239	2,139	(100)
Financial Advisory Services	14,398	13,091	(1,307)
Fiscal Policy, Economics & Budgetary Planning	5,088	4,564	(523)
Gaming	-	517	517
Total: Departmental Expenses	28,877	98,050	69,174
Additional Information:			
Ordinary Revenue	10,434,346	12,222,374	1,788,028
Fees and Other Charges	285	269	(16)
Ordinary Recoveries	301	317	16
Total: Revenue, Fees and Recoveries	10,434,932	12,222,960	1,788,028
TCA Purchase Requirements	0	0	0
Provincial Funded Staff (FTEs)	240.0	225.2	(14.8)
<u>Departmental Expenses Variance Explanation:</u>			
<ul style="list-style-type: none"> Finance and Treasury Board expenses variance primarily due to the funding of \$70.3 million in asset retirement obligations for several entities. Funding was provided as part of the adoption of the new accounting standard, PS 3280, Asset Retirement Obligations, effective April 1, 2022. 			
<u>Revenue, Fees and Recoveries Variance Explanation:</u>			
<ul style="list-style-type: none"> Tax Revenue: increases in Personal Income Tax, Corporate Income Tax, Harmonized Sales Tax, Other Tax revenue, and significant net positive Prior Years Adjustments for tax revenues. Federal Source Revenues: increases in Canada Health Transfer (due to one-time increase by the federal government) and Other Federal Sources primarily due to federal transit funding. 			
<u>Provincial Funded Staff (FTEs) Variance Explanation:</u>			
<ul style="list-style-type: none"> Variance due to vacancy savings. 			

Appendix A: Public Interest Disclosure of Wrongdoing

The *Public Interest Disclosure of Wrongdoing Act* 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 Act	Fiscal Year 2022-23
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