



Accountability Report 2020–21

Finance and Treasury Board

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Accountability Report 2020–2021

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Accountability Statement

The Accountability Report of the Department of Finance and Treasury Board for the year ended March 31, 2021, 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 2020-21 Business Plan.

Original signed by

Honourable Allan MacMaster
Minister of Finance & Treasury Board

Original signed by

Kelliann Dean
Deputy Minister of Finance & Treasury Board

Message from the Minister

I am pleased to present the 2020-21 Accountability Report for the Department of Finance and Treasury Board.

Finance and Treasury Board advances government priorities by supporting ongoing fiscal sustainability for the province. The department provides sound financial management and advice to maintain the capacity of government to provide public services and make strategic investments supporting government priorities.

This report contributes to transparency and accountability to Nova Scotians, which is fundamental for responsible government.

I would like to express my gratitude to department staff for their professionalism, dedication and hard work during the fiscal 2020-21 year.

Sincerely,

Honourable Allan MacMaster
Minister of Finance & Treasury Board

Financial Results

	2020-21 Estimate	2020-21 Actuals	2020-21 Variance
Program & Service Area	(\$ thousands)		
Departmental Expenses:			
Senior Management	3,690	3,790	100
Corporate Strategic Initiatives	2,355	2,250	(105)
Controller's Division	789	699	(90)
Treasury Board	1,418	1,444	26
Financial Advisory Services	12,000	11,256	(744)
Fiscal Policy, Economics & Budgetary Planning	4,030	4,074	44
Total: Departmental Expenses	24,282	23,513	(769)
Additional Information:			
Ordinary Revenue	9,502,308	9,334,586	173,210
Fees and Other Charges	410	353	(57)
Ordinary Recoveries	51	61	10
Total: Revenue, Fees and Recoveries	9,502,769	9,675,932	173,163
TCA Purchase Requirements	0	0	0
Provincial Funded Staff (FTEs)	210.5	201.4	(9.1)
NOTE:			
Departmental Expenses Variance Explanation:			
<ul style="list-style-type: none"> Temporary salary and operating savings 			
Revenue, Fees and Recoveries Variance Explanation:			
<ul style="list-style-type: none"> Financial Institutions Revenue: Increase in volume due to rising insurance costs which have caused higher premium taxes COVID-19 federal funding agreements that were unanticipated at budget time, as the budget was released prior to the pandemic 			
Provincial Funded Staff (FTEs) Variance Explanation:			
<ul style="list-style-type: none"> Vacancy savings 			

Measuring Our Performance

Strategic Goal: Fiscal Sustainability

Finance and Treasury Board's 2020-21 Business Plan identified fiscal sustainability as the department's strategic goal for the 2020-21 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: (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.

Budget 2020-21 was tabled on February 25, 2020, with a surplus of \$55.0 million. Actual results show that the position ended with a deficit of \$341.6 million for the 2020-21 fiscal year. Budget 2020-21 was released prior to the onset of the COVID-19 pandemic, which is why the actual budget balance presented in 2020-21 Public Accounts is substantially different from that estimated in the budget.

The focus on fiscal sustainability over the past several years, through collaboration with all government departments and agencies, led Nova Scotia to be in a strong fiscal position before the COVID-19 pandemic took its toll. This fiscal health has helped the province weather the pandemic. The province will continue to exercise strong financial management to remain on a fiscally sustainable path as the economy recovers.

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 (i.e., net debt to nominal Gross Domestic Product (GDP) ratio).

Net debt to GDP is 36.0 per cent in 2020-21. The government is currently focused on making much needed capital investments and responding to the COVID-19 pandemic. Once the impacts of the pandemic have waned and these projects are complete, it is expected that net debt-to-GDP will trend downward again.

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 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 6.0 per cent in 2020-21. 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).

² Ibid

³ Ibid

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

- For 2021-22 to 2024-25, the results are based on the Province of Nova Scotia's four-year fiscal plan, as presented in Budget 2021-22.
- Table 1 illustrates that, aside from net debt, all indicators for the strategic goal of fiscal sustainability are either improving or fairly stable over the forecast horizon.

Table 1: Performance Measures

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22 (Budget)	2022-23	2024-25	2024-25
Sustainability									
Annual Surplus/(Deficit) (\$millions)	\$151.2	\$226.3	\$122.9	\$2.3	(\$341.6)	(\$584.9)	(\$217.5)	(\$175.6)	\$10.5
Annual Surplus/Deficit (% of GDP)	0.36%	0.52%	0.27%	0.00%	(0.75%)	1.23%	0.44%	0.34%	0.02%
Net Debt to Nominal GDP (%)	36.0%	34.6%	33.4%	32.7%	36.0%	37.9%	38.4%	39.4%	40.1%
Net Debt per Capita (\$ dollars)	\$15,876	\$15,752	\$15,644	\$15,719	\$16,746	\$18,321	\$19,403	\$20,291	\$21,049
Net Debt (\$ billions)	\$14.97	\$14.97	\$14.99	\$15.24	\$16.40	\$17.98	\$19.20	\$20.29	\$21.19
Flexibility									
Debt Service Costs (% of total revenue)	7.5%	7.0%	7.3%	6.7%	6.0%	6.0%	5.8%	6.1%	6.1%
Own Source Revenue (% of GDP)	18.6%	19.0%	18.0%	17.8%	16.9%	15.5%	15.2%	15.4%	15.5%
Vulnerability									
Federal Transfers (% of total revenue)	31.2%	31.2%	31.8%	32.3%	37.5%	37.9%	36.4%	35.0%	34.0%

Notes: Performance measures for 2016-17 to 2020-21 use Government Reporting Entity (GRE) figures (Consolidated). 2021-22 to 2024-25 use General Revenue Fund (GRF) figures, because consolidated figures are not available for Budget and forecast years.

Moving forward, the Department of Finance and Treasury Board will remain focused on fiscal sustainability as the strategic goal for 2021-22. 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 and, in response to the COVID-19 pandemic, keeps our focus on the health and safety of Nova Scotians and the sustainability of our business community.

As part of this work on sound financial management, the department has an ongoing review of tax policy, tax measures, and fiscal impacts to ensure the efficiency and effectiveness of the province's tax system. In 2020-21, the department made the following tax changes:

- The Digital Media Tax Credit (DMTC) is a refundable corporate income tax credit. It was introduced in 2007 to encourage the employment of skilled Nova Scotians and to foster the development of an interactive digital media industry in the province. The DMTC was legislated to expire on December 31, 2020, but new legislation introduced as part of Budget 2020-21 extended the tax credit for five years—to December 31, 2025.
- The Digital Animation Tax Credit (DATC) is a refundable corporate income tax credit. It was introduced in 2015 to provide support for the production of digital-animation productions in the province. The DATC was legislated to expire on June 30, 2020, but new legislation introduced as part of Budget 2020-21 extended the tax credit for five years—to December 31, 2025.
- Effective September 15, 2020, the province implemented a tax on all vaping products sold in Nova Scotia, to work towards reducing harms, especially among youth. Liquid vaping substances, including those that do not contain nicotine, are taxed at the rate of \$0.50 per milliliter. The province previously announced a ban on flavoured vaping liquids effective April 1, 2020. This is consistent with the province's ban on flavored tobacco products. Vaping devices and their components are taxed at a rate of 20 per cent of their suggested retail selling price. All retailers, wholesalers, and manufacturers of vaping products were required to be licensed to sell their products in Nova Scotia, effective July 1, 2020.

Other Major Initiatives

The beverage alcohol industry in Nova Scotia consists of wineries, distilleries, and breweries. Each sector is diverse, including commercial and craft manufacturers operating on a variety of business models. The local alcohol manufacturing industry in Nova Scotia has grown rapidly since 2015, with a growing and continued customer preference for local, craft and sustainable products. The industry is contributing to job creation and economic activity across Nova Scotia.

All businesses, industries, and individuals were impacted by the COVID-19 pandemic, and the beverage alcohol industry was no exception. COVID-19 public health restrictions evolved throughout the year and craft breweries, wineries and distilleries were allowed to provide online ordering, delivery, and curbside pick-up. When restrictions were eased, they provided in-store retail service at reduced capacity.

Nova Scotia worked with the Government of Canada to defend against Australia's challenge of the Nova Scotia Liquor Corporation's (NSLC) Emerging Wine Regions Policy (EWRP) through the World Trade Organization. On June 30, 2020, Canada reached a settlement agreement with Australia. Per the terms of the agreement, Nova Scotia has four years to end the EWRP. Officials from the departments of Finance and Treasury Board, Intergovernmental Affairs, and Agriculture began regular meetings in fall 2020 to explore alternative ways to support Nova Scotian wineries that benefited from the EWRP.

The legalization of recreational cannabis in Canada became effective on October 17, 2018, with a phased approach to introducing new products. Edibles, extracts, and topicals were legally retailed in Canada in late 2019. The NSLC began retailing a small supply of products and since then the legal market has continued to grow.

The department plays a key role in oversight of the NSLC. The NSLC manages the safe and responsible sale of beverage alcohol and cannabis in Nova Scotia, returning 100 per cent of its profits to government to help fund key public services. Government worked closely with the NSLC as public health requirements evolved over the course of the COVID-19 pandemic, and the NSLC adapted its business practices and implemented various safety measures to protect the health and safety of their customers and staff.

The recent enhancements to the Canada Pension Plan (CPP) will improve retirement income security of working Nova Scotians while being modest and affordable, with time for workers and businesses to adjust. The new, enhanced CPP began to be phased in on January 1, 2019. Federal and provincial governments have been continuing to work together to safeguard the long-term sustainability of the CPP enhancement by developing regulations that ensure the CPP enhancement remains appropriately funded over time. Finance and Treasury Board has been leading this work for Nova Scotia.

Finance and Treasury Board continues to provide advice on tangible capital assets and infrastructure including asset divestiture, optimization, and monetization. The department continues to examine options, such as public-private-partnerships, for upcoming capital projects and other financing options for the public service body – including bridges, hospitals, highways, universities and schools.

Diversity, inclusion, and a positive work culture was a key priority in 2020-21 and will continue to be a priority in future years. Over the past year, the department has adopted mental health principles to promote a positive work culture and employee well-being; staff have started gathering reliable data on hiring and training to identify potential areas of improvement; and the department's Diversity Roundtable representatives have continued to engage in consistent sharing of diversity-related information.

Interesting Facts about the Department

- A division of Finance and Treasury Board is the official statistics agency for the government and the representative to the national statistics agency.
- Every business 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. Since 2010, the department has participated on this board. The department provides comments regarding proposed new standards and participates on project teams in developing new standards.
- The Pension Regulation Division of the department oversees pension plans ranging in size from plans with one 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 21 consecutive Public Accounts released with an unmodified Auditor's Report.
- The Liability Management and Treasury Services division manages \$16.5 billion in long term debentures outstanding, mandatory sinking funds of \$1.1 billion and liquidity funds of \$930 million outstanding as of March 31, 2021.
- Finance and Treasury Board maintains positive relations with credit rating agencies on behalf of the province. The Province of Nova Scotia's credit ratings are AA- with Standard & Poor's, Aa2 with Moody's, and A(high) with Dominion Bond Rating Service. All ratings have a stable outlook. The province has had numerous credit rating upgrades since the early 2000s, with the most recent credit rating upgrade being by Standard & Poor's in 2018.
- Finance and Treasury Board Human Resource statistics show that as of April 1, 2021, 63.0 per cent of staff were female, compared to 54.1 per cent across government. Also, as of that date, approximately 36.6 per cent of department employees are over 50 years old while 15.7 per cent are under the age of 35.

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 2020-21
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