



Accountability Report 2021–22

Finance & Treasury Board



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Accountability Report 2021–2022

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Accountability Statement

The Accountability Report of the Department of Finance and Treasury Board for the year ended March 31, 2022, 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 2021-22 Business Plan.

Honourable Allan MacMaster
Minister of Finance & Treasury Board

Kelliann Dean
Deputy Minister of Finance & Treasury Board

Message from the Minister

I am pleased to present the 2021-22 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 2021-22 year.

Sincerely,

Honourable Allan MacMaster
Minister of Finance & Treasury Board

Financial Results

	2021-22 Estimate	2021-22 Actuals	2021-22 Variance
Program & Service Area	(\$ thousands)		
Departmental Expenses:			
Senior Management	3,598	3,521	(77)
Controllers Division	2,394	2,323	(71)
Labour Relations and Compensation	1,003	1,033	30
Treasury Board Office	2,147	2,116	(31)
Financial Advisory Services	12,518	12,245	(273)
Fiscal Policy, Economics & Budgetary Planning	4,374	4,253	(121)
Total: Departmental Expenses	26,034	25,491	(543)
Additional Information:			
Ordinary Revenue	9,580,529	10,999,294	1,418,765
Fees and Other Charges	376	281	(95)
Ordinary Recoveries	152	217	65
Total: Revenue, Fees and Recoveries	9,581,057	10,999,792	1,418,735
TCA Purchase Requirements	0	0	0
Provincial Funded Staff (FTEs)	214.0	212.1	(1.9)
Departmental Expenses Variance Explanation:			
<ul style="list-style-type: none"> Salary and operating savings. 			
Revenue, Fees and Recoveries Variance Explanation:			
<ul style="list-style-type: none"> Tax Revenue: increases in Personal Income Tax, Corporate Income Tax, Harmonized Sales Tax, 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), Offshore Accord, and Other Federal Sources due to Immunization Plan Funding. 			
Provincial Funded Staff (FTEs) Variance Explanation:			
<ul style="list-style-type: none"> Variance due to vacancy savings. 			

Measuring Our Performance

Strategic Goal: Fiscal Sustainability

Finance and Treasury Board's 2021-22 Business Plan identified fiscal sustainability as the department's strategic goal for the 2021-22 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.

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

- For 2022-23 to 2025-26, the results are based on the Province of Nova Scotia's four-year fiscal plan, as presented in Budget 2022-23.
- 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

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23 (Budget)	2023-24	2024-25	2025-26
Sustainability									
Annual Surplus/(Deficit) (\$ millions)	\$226.3	\$122.9	\$2.3	(\$341.6)	\$350.9	(\$506.2)	(\$418.8)	(\$377.3)	(\$293.7)
Annual Surplus/Deficit (% of GDP)	0.52%	0.27%	0.00%	(0.73%)	0.68%	0.96%	0.77%	0.68%	0.51%
Net Debt to Nominal GDP (%)	34.6%	33.4%	32.8%	35.0%	32.2%	34.9%	36.9%	39.2%	40.0%
Net Debt per Capita (\$ dollars)	\$15,752	\$15,644	\$15,711	\$16,703	\$16,700	\$18,318	\$19,834	\$21,247	\$22,124
Net Debt (\$ billions)	\$14.97	\$14.99	\$15.24	\$16.40	\$16.57	\$18.40	\$20.13	\$21.78	\$22.88
Flexibility									
Debt Service Costs (% of total revenue)	7.0%	7.3%	6.7%	6.0%	4.8%	5.3%	5.5%	5.5%	5.4%
Own Source Revenue (% of GDP)	19.0%	18.0%	17.9%	16.4%	17.7%	15.1%	15.0%	15.4%	15.4%
Vulnerability									
Federal Transfers (% of total revenue)	31.2%	31.8%	32.3%	37.5%	35.2%	37.1%	36.4%	35.6%	35.5%

Notes: Performance measures for 2017-18 to 2021-22 use Government Reporting Entity (GRE) figures (Consolidated). 2022-23 to 2025-26 use General Revenue Fund (GRF) figures, because consolidated figures are not available for Budget and forecast years.

Budget 2021-22 was tabled on March 25, 2021, with a deficit of \$584.9 million. Actual results show that the position ended with a surplus of \$350.9 million for the 2021-22 fiscal year. In 2021, Nova Scotia's economy largely recovered from the shock of the COVID-19 pandemic. This contributed to the better-than-expected fiscal position for the province, which is why the actual budget balance presented in 2021-22 Public Accounts is substantially different from that estimated in the budget.

Nova Scotia's strong fiscal position pre-pandemic has helped the province mitigate the economic impact of COVID-19. The province will continue to exercise strong financial management to remain on a fiscally sustainable path going forward.

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 was 32.2 per cent in 2021-22 and is expected to increase to 40.0 per cent by 2025-26.

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 4.8 per cent in 2021-22. 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.

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

² *Ibid*

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 2021-22 represented 35.2 per cent of total revenue. The proportion of total revenue represented by federal transfers is expected to rise to 37.1 per cent in 2022-23 and decline over the rest of the four-year fiscal plan to 35.5 per cent by 2025-26.

³ Ibid

Major Initiatives

Moving forward, the Department of Finance and Treasury Board will remain focused on meeting government's fiscal objectives for 2022-23. Financial leadership and analysis are key to building a sustainable sound fiscal framework which is critical to the success of the government's initiatives and delivery of public services. Finance and Treasury Board provides advice for strong financial management and fiscal prudence that allows government to allocate resources to the important priorities of Nova Scotians.

As part of this work on sound financial management and to achieve the commitments of the **Minister's Mandate Letter**, the department implemented several tax measures in 2021-22 that were announced in March 2022 in Budget 2022-23:

- Effective January 1, 2022, the province introduced a \$500 per child refundable tax credit to help parents offset the costs of artistic, cultural and physical activities for children under the age of 19. The tax credit is effective for the 2022 and subsequent taxation years and will apply to eligible expenditures for programs in literary arts, visual arts, performing arts, music, media, languages, customs, and heritage, as well as organized physical activities and programs that provide a substantial focus on wilderness and the natural environment.
- Effective from January 1, 2022, for the 2022 and subsequent taxation years the province implemented Fertility and Surrogacy rebates to provide financial support for Nova Scotians trying to start a family. The Fertility Rebate will provide a 40 per cent refundable tax credit, up to a maximum of \$8,000 per year, on expenditures for medical expenses incurred by an individual, their spouse or common-law partner for infertility treatments. For families employing the use of a surrogate, a Surrogacy Rebate will provide a 40 per cent rebate, up to a maximum of \$8,000 per year, on expenditures for medical expenses paid for on behalf of a surrogate.
- Effective January 1, 2022, the province introduced the More Opportunities for Skilled Trades (MOST) tax refund, effective for the 2022 and subsequent taxation years. MOST aims to attract and retain youth in industries with labour shortages. MOST will return provincial personal income tax paid on the first \$50,000 of earnings for eligible trades workers under the age of 30.
- Effective April 1, 2022, the province implemented a Deed Transfer Tax of 5 per cent of the value of residential real property purchased by a non-resident of Nova Scotia. The tax does not apply to a transaction where the Agreement of Purchase and Sale was entered into prior to April 1, 2022. An exemption from the tax will be in place for non-resident purchasers who move to the province within 6 months of the closing date of the transaction.

Other Major Initiatives

NSLC, alcohol and cannabis policy

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.

Nova Scotia's business community was impacted by the COVID-19 pandemic, and the beverage alcohol industry was no exception. COVID-19 public health restrictions eased throughout 2021-22 and craft breweries, wineries and distilleries returned to in-store retail service, supplemented by online ordering, delivery, and curbside pick-up. The Nova Scotia Liquor Corporation (NSLC) reported that there was growth in sales of every category of local products.

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. In 2021-22, Finance and Treasury Board worked with other departments to explore alternative ways to support Nova Scotian wineries and began consultations with industry.

The Nova Scotia government provided leadership, together with the Government of Canada, on Direct-to-Consumer sales of beverage alcohol, working with other provinces and territories on a pan-Canadian committee to see alcohol move more freely between provinces. Nova Scotia also amended the *Liquor Control Act* in Spring 2022 so that government can broaden regulation-making authority so Nova Scotians can buy products directly from producers outside of Nova Scotia. An agreement would also allow all Nova Scotian alcohol beverage producers to sell directly to consumers in other provinces.

Since the legalization of recreational cannabis in Canada became effective on October 17, 2018, new products have been introduced using a phased approach. 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 and prices have continued to decline. The NSLC also carries products from a number of Nova Scotian cannabis cultivators and producers.

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.

Canada Pension Plan Enhancements

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 continue to work together to monitor and review the CPP to ensure it is well placed to support current and future generations of workers in retirement. Finance and Treasury Board has been leading this work for Nova Scotia.

Tangible Capital Assets and Infrastructure

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.

Agency review

In 2021-22, as part of a commitment of the Minister's Mandate Letter, the department participated in government's review of the role and effectiveness of Agencies, Offices and Crown Corporations. Entities under the responsibility of the Minister that are part of this review include the NSLC and the Nova Scotia Gaming Corporation.

Equity, diversity, and inclusion

Equity, diversity, inclusion, and a positive work culture was a key priority in 2021-22 and will continue to be a priority in future years. Department staff have been gathering data on hiring and training to identify potential areas of improvement; and the department's diversity and inclusion representatives have continued to engage in consistent sharing of diversity-related information. Going forward, the department will expand the inclusion, diversity, equity and accessibility work, developing a department-specific action plan.

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.
- The Financial Institutions division regulates the business of insurance in the province and administers a licensing regime for 220+ insurers, 12,000+ agents/brokers and adjusters, and 1,200+ agencies conducting business in Nova Scotia. The division also regulates and controls the credit union movement in the province, which includes 23 credit unions. Approximately 40 trust and loan companies are also licensed to conduct business in Nova Scotia through the division.
- Finance and Treasury Board has had 22 consecutive Public Accounts released with an unmodified Auditor's Report.
- The Liability Management and Treasury Services division manages \$16.1 billion in long term debentures outstanding, mandatory sinking funds of \$680 million and liquidity funds of \$957 million outstanding as of March 31, 2022.
- 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, 2022, 64 per cent of staff were female, compared to 54 per cent across government.

Also, as of that date, approximately 32 per cent of department employees are over 50 years old while 16 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 2021-22
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