Chapter 2

Nova Scotia's Finances from the 2023 Public Accounts

Key Messages

- Nova Scotia's economy and finances have shown improvements over the past five years:
  - Operating surpluses in four of the past five years
  - Net debt to GDP ratio improved
- Dependency on federal government transfers has decreased since its peak due to COVID-19 funding in 2020-21
- Provincial source revenue was $1.9 billion higher than budget, and expenses were $1.33 billion higher than budget
- Province ended 2022-23 with a surplus of $115.7 million

Why We Did This Audit

- To provide important information to Nova Scotians on the Province's finances and promote discussion

Financial Condition of the Province of Nova Scotia

Government's financial condition can be assessed by ratios and indicators of sustainability, flexibility, and vulnerability. These indicators are suggested by CPA Canada's independent Public Sector Accounting Board.

Sustainability indicators show the Province's ability to maintain existing services and financial requirements without needing to increase revenues or debt

- 2022-23 operating surplus of $115.7 million was $621.9 million higher than the budgeted deficit of $506.2 million and represents the second largest budget to actual change in five years
- Net debt increased $2.8 billion to $17.8 billion since 2018-19, with an upward trajectory in the growth rates year over year
- Net debt to GDP ratio of 31.7% improved from the prior year ratio of 33.1%
- Overall: while indicators have fluctuated over the past five years, recent operating surplus and decreasing net debt to GDP ratio show improvement

Flexibility indicators show the Province's ability to increase revenues or debt borrowings within its economy

- Interest on unmatured debt has increased by $26 million from the 2021-22 low of $549 million as a result of increasing interest rates, even though unmatured debt decreased in 2022-23
- In 2022-23, provincial source revenue to GDP ratio worsened, rising by 1.6 percentage points to 19.1%, the highest level of the past five years
- Overall: flexibility indicators have fluctuated over the past five years

Vulnerability indicators show the Province's reliance on revenues outside of its control

- Dependency on federal government transfers saw the largest year-over-year decrease in the five-year trend, falling by 4 percentage points to 31.3 per cent. This decline is primarily due to COVID-19 funding that did not re-occur in 2022-23
- Overall: federal transfers as a percentage of total revenues have improved, indicating less reliance on outside revenues, with 2022-23 being on the low end of the five-year trend. However, federal transfers represent almost a third of the Province's revenues

Selected Financial Highlights

Revenue:

- At $10.7 billion, provincial source revenue was $1.9 billion higher than budgeted with $929 million resulting from prior years' adjustments
- Personal income tax revenue of $3.6 billion was higher than both the budgeted and prior year amounts and has risen 35% since 2018-19
- Harmonized sales tax revenue of $2.4 billion was higher than both budget and prior year amounts and has risen 30% since 2018-19
- Corporate income tax revenue of $729 million was the peak of the five-year trend and $193 million higher than budgeted
- Net income from government business enterprises reached a five-year high of $465 million, $45 million higher than budgeted