



Office of the Auditor General

Nova Scotia

Chapter Highlights

Chapter 2: Nova Scotia's Finances from 2017 Public Accounts

Analysis of Financial Information:

These ratios, trends and information can promote discussions on:

- Reasons for Nova Scotia's financial condition and results;
- What these results mean for the future including the ability to deliver programs and services; and
- Financial results and analysis needs to be evaluated with additional information on reasons, purposes, policies, etc.

Financial information includes:

- 1) 2017 Annual Results
- 2) Trends over the last 5 and 10-year periods

2017 Annual Results

- Financial condition improved:
 - Surplus of \$150 million
 - Net long-term debt decreased \$400 million
 - Annual interest costs down \$28 million
- For each Nova Scotian:
 - \$550 decrease in debt
 - \$34 decrease in interest
- Departments got an extra \$234 million

Financial Reporting

- Government reporting on finances improved
- Sensitivity analysis would enhance disclosure
- Example: what if interest rates rise by 1%

Over the Last 10 Years

- Trend concerning:
 - Net results show \$486 million deficit
 - Net long-term debt up \$3 billion
 - \$7.5 billion in interest paid on long-term debt
- For each Nova Scotian:
 - Increase of \$2,986 in debt
 - Decrease of \$102 in interest
- Revenues not keeping pace with expenses

2008-2012

- \$502 million surplus
- Net debt up \$1.0 billion (8%)
- Long-term debt up \$2.6 billion (26%)
- \$746 million average interest paid

2013-2017

- \$988 million deficit
- Net debt up \$1.6 billion (12%)
- Long-term debt up \$400 million (3%)
- \$754 million average interest paid

Interesting Information on Revenue and Expense Changes Over the Past Decade

Revenues: From 2007 to 2017

Increase in Revenues:

	millions	%
• Personal income tax	▲ \$938	56%
• Corporate income tax	▲ \$217	55%
• HST/Other revenues	▲ \$886	25%
• Federal gov't transfers	▲ \$894	34%
Total	▲ \$2,935	35%

Increase in Personal Income Tax per tax filer:

• 2007 to 2012	▲ \$446	19%
• 2012 to 2017	▲ \$688	25%

Expenses: From 2007 to 2017

Increase in Expenses:

	millions	%
• Health	▲ \$1,407	46%
• Education	▲ \$109	7%
• Community Services	▲ \$243	29%
• All Other	▲ \$1,209	45%
Total	▲ \$2,968	37%

Increase in Expenses per Nova Scotian:

• Health	▲ \$ 1,443	44%
• Education	▲ \$ 95	6%
• Community Services	▲ \$ 245	27%
• All other	▲ \$ 1,214	42%
Total	▲ \$ 2,997	35%

10 Questions Nova Scotians may want to ask:

1. There were various surpluses and deficits in the last 10 years with a net deficit of \$486 million. Why such year-to-year differences?
2. NS paid \$7.5 billion in interest in last 10 years - what happens if interest rates rise by 2-3% and how will this be paid?
3. Total net debt increased by \$1.6 billion in the past 5 years or 12%. What did this extra debt get us and how does it impact the Province's ability to spend in the future?
4. Why has personal income taxes per tax filer increased by \$688 (25%) in the past 5 years? How much is attributable to higher incomes, tax changes, and other factors?
5. Total healthcare costs increased 46% in the past 10 years. If the number of Nova Scotians over 65 years doubles in the next 15 years, what is going to happen to healthcare costs?
6. Education costs have increased by \$109 million from 10 years ago. With fewer students than a decade ago, how did education costs increase by 7%?
7. The amount of long-term debt per Nova Scotian increased from \$13,410 to \$13,786 per Nova Scotian in the past 5 years. Why does the amount of debt we all owe keep increasing?
8. With a total unfunded debt of \$15 billion, is there a plan to repay and how many years before it will be repaid?
9. Nova Scotia gets about 1/3 of its total revenue from the federal government – what is the long-term outlook as to how this might change?
10. What are the biggest risks to Nova Scotia's financial condition and how prepared is NS to react to the next recession or to unexpected events?