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SEPTEMBER BUDGET UPDATE 2005

*Ministry of
Finance and
Associated Entities*

**2005/06 – 2007/08
SERVICE PLAN UPDATE
SEPTEMBER 2005**



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Message from the Minister and Accountability Statement

It is my pleasure to present the 2005/06 – 2007/08 Service Plan Update September 2005 for the Ministry of Finance. Following the government's renewed mandate, this plan reconfirms the Ministry's commitment to support government priorities, including a focus on the Five Great Goals for a Golden Decade.

The work of the Ministry of Finance is key to the success of these five goals. A strong economy and balanced budgets provide the means to develop excellence in education, promote healthy living, support people at risk, protect our environment, and create jobs for British Columbians. The Ministry will maintain its sound fiscal management and continue to support a strong and vibrant economy so that government can achieve its goals and individual British Columbians can fulfil their own dreams.

The Province of British Columbia has established a reputation for consistently meeting its fiscal plan targets — a track record that earned credit rating upgrades from Standard and Poor's, Moody's Investor Services, and Dominion Bond Rating Service.

Recently, the Ministry of Finance also achieved an important accountability milestone when it released the 2004/05 Public Accounts. In addition to confirming the achievement of a record surplus and debt paydown, the event marked the culmination of a three-year plan to achieve full compliance with Generally Accepted Accounting Principles and to fully consolidate information from school districts, universities, colleges, and health authorities in the Province's budgeting and reporting systems.

This achievement received recognition from B.C.'s Auditor General and the Canadian Institute of Chartered Accountants. The Ministry will work to ensure British Columbia continues to lead the provinces in the timeliness of its financial reports and in providing the most comprehensive set of public disclosure documents in Canada.

The September 2005 Budget Update reaffirms the government's commitment to balance the annual provincial budget. However, it will take ongoing effort and vigilance to ensure that we remain on track and keep the budget balanced. Service plans are one of the tools that help focus our priorities and ensure that the decisions we make today remain affordable and sustainable in the years ahead as we continue to deliver high quality programs and services that British Columbians expect and rely on.

I would like to acknowledge the ministry staff whose professionalism, dedication, and hard work make it possible for the ministry to fulfil its goals and ultimately help the government achieve its priorities. I thank them for their hard work in preparing and implementing this Updated Service Plan, and I look forward to working with them as we move ahead.

The Ministry of Finance and Associated Entities 2005/06 – 2007/08 Service Plan Update September 2005 was prepared under my direction in accordance with the *Budget Transparency and Accountability Act*. I am accountable for the basis on which the plan has been prepared. All material fiscal assumptions and policy decisions as of September 2, 2005, have been considered in preparing the plan and I am accountable for achieving the specific objectives in the plan.



Honourable Carole Taylor
Minister of Finance

September 2, 2005

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Ministry of Finance, contact:

PO BOX 9415
STN PROV GOVT
VICTORIA BC
V8W 9V1

or visit our website at

<http://www.gov.bc.ca/fin>

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Ministry Overview and Core Business Areas

The revised service plan reflects the government's June 16 re-organization which saw the Crown Agency Secretariat move from the Office of the Premier to the Ministry of Finance.

The Ministry of Finance plays a key role in establishing, implementing and reviewing government's economic, fiscal and taxation policies and is administratively responsible for a number of key statutes including the *Financial Administration Act*, *Budget Transparency and Accountability Act*, *Balanced Budget and Ministerial Accountability Act* and *Financial Information Act*. See Appendix 1 for a full list of statutes under the Ministry of Finance.

The ministry provides a variety of functions and activities including banking, accounting, financial and economic planning and reporting, risk and debt management, capital project oversight, regulating the financial and real estate sectors, developing a framework for government's management of its crown corporations, setting the public sector bargaining mandate, developing fiscal framework for reconciliation with First Nations, and serving as the registrar of corporate entities, personal property and manufactured homes.

Ministry clients include Treasury Board, Cabinet, Government Caucus Committees, ministries, agencies, boards, commissions, Crown corporations (see Appendix 2 for a list of agencies, boards, commissions and Crown corporations reporting to the Minister of Finance), businesses, investors and financial-sector agencies and public sector employers' associations. Through its support of the government's Strategic Plan, the ministry also broadly serves the people of British Columbia.

The ministry has been structured into eight core business areas each of which has specific responsibilities for the provision of programs and services to achieve its goals and objectives.

1. Crown Agencies Secretariat

Develops a framework for government's management of its crown corporations and provides advice, information and support to improve good governance and accountability for results. This area is supported by \$1.5 million and 10 FTEs.

2. Financial and Economic Performance and Analysis

Provides fiscal, economic and tax policy analysis and advice that supports the achievement of balanced budgets, improves the province's competitiveness and sustains cost-effective public services. This area is led by Treasury Board Staff and is supported by \$6.4 million and 65 FTEs.

3. Financial Governance, Accounting and Reporting

Assures the accuracy and integrity of provincial public sector financial reporting and maintains a framework of best practices, including internal audit, for financial and

procurement management. This area is led by the Office of the Comptroller General and is supported by \$6.7 million and 117 FTEs.

4. Treasury

Provides British Columbians with the benefits of cost-effective cash and debt management and banking services, resulting in lower expenditures and improved online government services through electronic banking support. Recoveries are from ministries, government bodies and other organizations receiving those services. This area is led by Provincial Treasury Operations and resourced through a \$1,000 Vote with the support of 74 FTEs.

5. Financial and Corporate Sector Services

Ensures that the province's financial services sector is reliable, competitive and enjoys the confidence of British Columbians. Personal property and corporate registry services that meet the needs of the marketplace are also provided. This area is led by Financial Corporate Sector Policy, Financial Institutions Commission and Registries and is supported by \$1.6 million and 144 FTEs.

6. Public Sector Employers' Council

Fosters an efficient and effective workforce through the coordination of public sector labour relations policies and practices and establishes an affordable mandate for public sector compensation and ensures compliance with it. This area is led by the Public Sector Employers' Council and affiliated Employers Associations and is supported by \$14.6 million and 13 FTEs.

7. Risk Management

Reduces accidental and business losses in the provincial public sector through the development of comprehensive risk management and self-insurance programs. This area is led by Risk Management Branch, which recovers all of its expenses from clients, and is supported by 46 FTEs.

8. Executive and Support Services

Provides strategic leadership and corporate support services that contribute to the success of all core business areas and to the development of the fiscal framework for reconciliation with First Nations. This area is led by the Minister's Office, Deputy Minister's Office and Corporate and Ministry Support Services and is supported by \$15.8 million and 145 FTEs.

To learn more about the ministry and its services including performance measure methodologies, visit the web supplement to this Service Plan at <http://www.fin.gov.bc.ca/serviceplanupdate/2005-06/methodologies.htm>.

Resource Summary

Core Business Areas	2004/05 Restated ¹	2005/06 Estimates	2006/07 Plan	2007/08 Plan
Operating Expense (\$000) Net of Recoveries				
Crown Agencies Secretariat	1,497	1,497	1,497	1,497
Financial and Economic Performance and Analysis	5,741	6,415	6,415	6,415
Financial Governance, Accounting and Reporting	6,071	6,721	6,721	6,721
Treasury	1	1	1	1
Financial and Corporate Sector Services	4,317	1,565	1,745	1,945
Public Sector Employers' Council	14,596	14,596	14,596	14,596
Executive and Support Services	14,018	15,776	15,299	15,099
Total	46,241	46,571	46,274	46,274
Operating Expense Other Appropriations (\$000)				
Risk Management				
Operating	50,442	43,501	48,195	48,195
Recoveries	(50,442)	(43,501)	(48,195)	(48,195)
Total	0	0	0	0
Full-time Equivalents (Direct FTEs)				
Crown Agencies Secretariat	10	10	10	10
Financial and Economic Performance and Analysis	63	65	65	65
Financial Governance, Accounting and Reporting	117	117	117	117
Treasury	74	74	74	74
Financial and Corporate Sector Services	148	144	144	144
Public Sector Employers' Council	13	13	13	13
Executive and Support Services	129	145	145	145
Total	554	568	568	568
Full-time Equivalents Other Appropriations (Direct FTEs)				
Risk Management (IRMA)	43	46	46	46
Total	43	46	46	46

¹ These amounts have been restated, for comparative purposes only, to be consistent with the presentation of the September Update 2005 *Estimates* 2005/06. Schedule A of the *Estimates*, presents a detailed reconciliation.

Ministry of Finance and Associated Entities

Core Business Areas	2004/05 Restated ¹	2005/06 Estimates	2006/07 Plan	2007/08 Plan
Ministry Capital Expenditures (Consolidated Revenue Fund) (\$000)				
Crown Agencies Secretariat	18	18	18	18
Financial and Economic Performance and Analysis	45	45	40	40
Financial Governance, Accounting and Reporting	215	215	193	193
Treasury	2,032	1,631	561	1,830
Financial and Corporate Sector Services	2,301	2,604	2,452	2,677
Public Sector Employers' Council	98	3	3	3
Executive and Support Services	830	1,036	925	925
Total	5,539	5,552	4,192	5,686
Capital Expenditures Other Appropriations (Consolidated Revenue Fund) (\$000)				
Risk Management (IRMA)	725	20	1,130	240
Total	725	20	1,130	240

¹ These amounts have been restated, for comparative purposes only, to be consistent with the presentation of the September Update 2005 *Estimates* 2005/06. Schedule A of the *Estimates*, presents a detailed reconciliation.

Strategic Context

Vision

To be leaders in sound fiscal and economic management and governance.

Mission

To provide sustainable fiscal policies and regulatory frameworks that support a strong and vibrant provincial economy.

Values

In pursuit of our vision and mission, members of the ministry will act in accordance with the following values:

<i>Accountability</i>	<i>To enhance efficiency, effectiveness and value in public service.</i>
<i>Integrity</i>	<i>To conduct ourselves in an ethical, honest, consistent and professional manner.</i>
<i>Responsibility</i>	<i>To deliver affordable client-centred service and stewardship on behalf of citizens.</i>
<i>Respect</i>	<i>To treat those we serve, and each other, with courtesy, fairness, dignity and trust.</i>
<i>Innovation</i>	<i>To foster creativity and performance in the delivery of quality services.</i>

Planning Context and Key Strategic Issues

As the Ministry of Finance pursues its mandate over the next three years it faces an environment characterized by both risks and opportunities. A critical factor in the ministry's ability to achieve its goals and objectives is the state of the province's economy.

The BC economy grew 3.9 per cent in 2004, faster than the 2.9 per cent forecast at the time of last year's budget by the province's independent Economic Forecast Council. The council now expects growth in BC's economy to be 3.6 per cent in 2005.

Further information on the BC outlook may be found in the Budget and Three-Year Fiscal Plan released with the September Budget Update.

Within the broader context, the ministry has implemented an Enterprise-wide Risk Management program to identify and manage internal and external risks and to realize new opportunities. Other strategies being undertaken in response to specific risks include:

Cross-Government Environment

Risk	Mitigation
Globalization of economic and financial markets will increase competition for investment.	Develop taxation and financial and corporate regulatory policy which reinforces British Columbia's position as an attractive place to invest and create jobs. Maintain competitive tendering of treasury business functions to obtain optimal pricing and certainty of service delivery.
Economic fluctuations and unexpected shocks (i.e., 9/11 terrorist attack, mountain pine beetle infestation, avian flu, fire storms) could affect forest revenues, personal and corporation income taxes and other revenues as well as increase government expenditures.	Use prudent assumptions in the preparation of the budget.
Government's commitment to encourage alternative public service delivery, including public-private partnership may impact internal resources.	Ensure that the ministry has the necessary capacities and skill sets to effectively support alternative public service delivery.

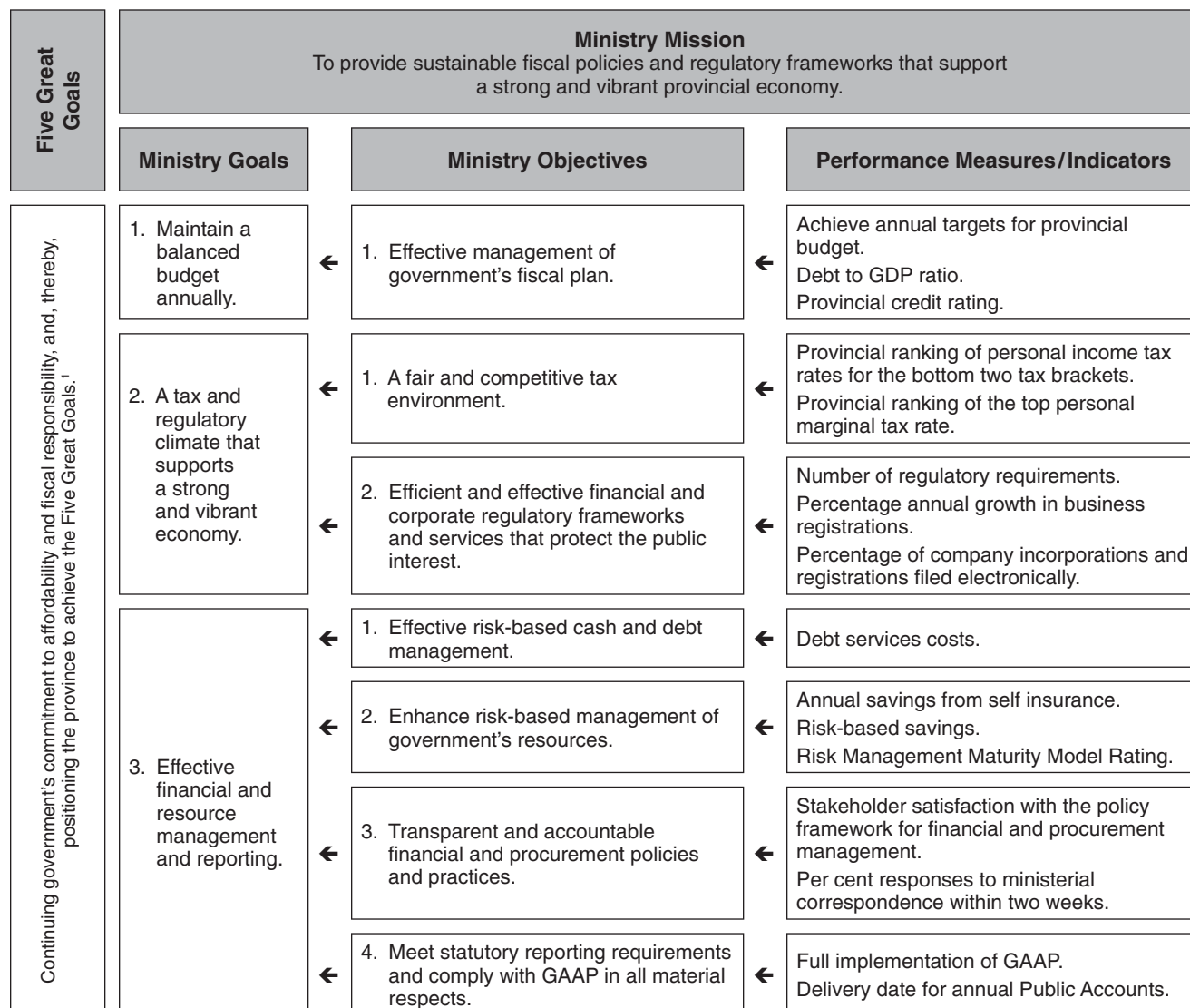
Ministry Environment

Risk	Mitigation
An aging workforce presents significant succession and recruitment challenges.	Support staff professional and career development. Develop and implement recruitment and retention plans.
Interruptions of critical ministry functions due to catastrophic loss or malicious software viruses/worms.	Continue to update ministry business continuation plans and information management security. Investigate alternative processing sites for mission critical activities. Utilize multiple financial institutions for external banking and cash management systems.
The legislated implementation of Generally Accepted Accounting Principles (GAAP) means that the province will need to continue to keep up with the most recent accounting standards. This may result in the need for additional resources to modify business processes within both core government and affected broader public sector organizations.	Continue to work closely with the Auditor General and the Accounting Policy Advisory Committee on early identification of accounting issues and develop a strategy to appropriately implement GAAP.

Opportunity	Initiative
Technological innovations provide opportunities for greater efficiencies and productivity.	Systematic reviews of existing and future information management systems to realize economies of scale, reduced duplication and cost savings.
The Government of British Columbia has adopted Enterprise-wide Risk Management as the framework for strategic and operational decision-making to effectively manage potential opportunities and adverse effects.	Continue to integrate Enterprise-wide Risk Management practices into ministry's operational and decision-making activities including the development of the service plan and audit plan.
The ministry's Integrated Planning Framework consolidates and streamlines the various planning activities, enhancing the ministry's resource capacity.	Implement the Integrated Planning Framework into the ministry's planning activities. Continuously seek opportunities to improve efficiencies in planning activities.

Goals, Objectives, Strategies and Results

The Ministry supports the Five Great Goals by creating a strong economy and balanced budgets; thereby, providing the means to develop excellence in education, promote healthy living, support people at risk, protect our environment and create jobs for British Columbians. The figure below illustrates how the Ministry's goals and objectives are aligned with, and contribute to, the success of government's Five Great Goals.



¹The Five Great Goals are:

1. Make BC the best educated, most literate jurisdiction on the continent.
2. Lead the way in North America in healthy living and physical fitness.
3. Build the best system of support in Canada for persons with disabilities, those with special needs, children at risk, and seniors.
4. Lead the world in sustainable environmental management, with the best air and water quality, and the best fisheries management, bar none.
5. Create more jobs per capita than anywhere else in Canada.

Ministry of Finance and Associated Entities

Five Great Goals	Ministry Mission To provide sustainable fiscal policies and regulatory frameworks that support a strong and vibrant provincial economy.		
	Ministry Goals	Ministry Objectives	Performance Measures/Indicators
Continuing government's commitment to affordability and fiscal responsibility, and, thereby, positioning the province to achieve the Five Great Goals. ¹	3. Effective financial and resource management and reporting.	← 5. Crown corporations are publicly accountable to taxpayers both in the delivery of their programs and services and in fiscal management.	← Shareholder's Letters of Expectations in place or proposed to Responsible Ministers and Chairs for all Crown corporations.
		← 6. Effective management of public sector labour relations and human resource strategies.	← Public sector cost changes over 2002/03 compensation base.
	4. A leader in innovative business and people practices.	← 1. Performance-focused workforce.	← Percentage of staff with a formal Performance Review.
		← 2. Learning and innovative organization.	← Percentage of staff who agree they have adequate opportunities to develop their skills.

¹The Five Great Goals are:

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3. Build the best system of support in Canada for persons with disabilities, those with special needs, children at risk, and seniors.
4. Lead the world in sustainable environmental management, with the best air and water quality, and the best fisheries management, bar none.
5. Create more jobs per capita than anywhere else in Canada.

Goal 1: *Maintain a balanced budget annually.*

According to the *Balanced Budget and Ministerial Accountability Act*, all provincial budgets must be balanced. This requirement supports sound fiscal management and is a cornerstone in maintaining confidence in British Columbia's economy. A balanced budget allows for sustainable investments in education, patient care and other priority services and signals provincially, nationally and internationally that British Columbia has its fiscal house in order. Fiscal responsibility today, also means that the cost of current public services will not be passed on to future generations.

Core Business Area: *Financial and Economic Performance.*

Objective 1: *Effective management of government's fiscal plan.*

Development and maintenance of a prudent and resilient fiscal plan is critical to government's ability to balance the provincial budget annually. The ministry plays a critical role in overseeing the fiscal plan and works closely with ministry and other public sector partners to ensure that government's annual and three-year revenue and expenditure targets are met.

Key strategies include: full integration of Crown corporations and the schools, universities, colleges and hospitals (SUCH) sector into the fiscal planning process; and continual update of government's three-year fiscal plan including monitoring and corrective action as required.

Performance Measures:

Budget targets: Government's ability to balance the budget and adhere to its fiscal plan is measured by a comparison of actual spending and revenue (*Public Accounts*) against budgeted spending and revenue targets.

Debt to GDP ratio: Maintaining a relatively low taxpayer-supported Debt-to-GDP ratio signifies a healthy balance sheet and effectively means affordable debt levels. Rating agencies rely on this balance-sheet measure as one among a number of important credit rating considerations.

Under the *Balanced Budget and Ministerial Accountability Act*, government is required to achieve at least half of the budget surplus in the audited Public Accounts to avoid ministerial salary penalties for cabinet ministers. As a result, at least 50 per cent of the surplus forecast in the budget will be applied to debt reduction.

Provincial credit rating: The interest rate paid by the province when it borrows in the domestic and international capital markets is influenced by the credit ratings supplied by third party agencies. In the case of the province, rating agencies evaluate debt as a

percentage of GDP, and the significance of interest owing as a percentage of gross receipts. Credit ratings are ranked in descending alphabetical order from A to C — highest to lowest (Aaa, Aa, A, Baa, Ba, B, Caa, Ca, C). The Aa rating is provided to those public and private sector organizations that offer excellent financial security and are generally considered high-grade entities.

Performance Measures	2004/05 Actual/Base	2005/06 Target	2006/07 Target	2007/08 Target
Achieve annual targets for provincial budget	\$2.6 billion surplus ¹	Balanced Budget	Balanced Budget	Balanced Budget
Debt to GDP ratio	18.3% ¹	Annually reduce the debt to GDP ratio ²	Annually reduce the debt to GDP ratio ²	Annually reduce the debt to GDP ratio ²
Provincial credit rating ³	Aa1 ⁴	Aa1 ⁵	Aa1 ⁵	Aa1 ⁵

¹ 2004/05 *Public Accounts*.

² Target revised from February 2005 service plan to reflect government's commitment to annually reduce the debt to GDP ratio.

³ Moody's Investor Service (Credit Rating Agency).

⁴ Equivalent to AA plus.

⁵ Revised from February 2005 service plan. Moody's upgraded the province to Aa1 in March 2005.

Goal 2: A tax and regulatory climate that supports a strong and vibrant economy.

The Ministry of Finance plays an essential role in the creation and maintenance of a tax and regulatory climate that supports economic development and employment opportunities. The ministry continuously reviews provincial tax policies, including business tax policies, to ensure the province remains competitive. Since 2001, the ministry has delivered a series of tax reductions targeted to individuals and businesses. These initiatives include a 25 per cent reduction in personal income taxes ensuring individuals in the bottom two-tax brackets now have the lowest personal income tax rates in the country. The province has also introduced an 18 per cent reduction in the general corporate income tax rate, eliminated the capital tax for general corporations and provided an exemption from provincial sales tax for production machinery and equipment. Other more targeted initiatives include property tax relief for small hydroelectric projects and the province's major port operators, new incentives for digital animation and visual effects and an increase in the threshold for the small business tax rate. Most recently the government was able to return to a seven per cent provincial sales tax rate reversing an earlier 0.5 per cent increase that was necessary to pay for an increase in health care professional's compensation. As a result of these steps, the province's businesses can now rely on a tax environment that allows them to compete and succeed on the international stage while creating jobs at home.

The ministry will continue to reduce unnecessary regulation and red tape in the province to improve the effectiveness of regulatory frameworks and strengthen consumer confidence. The ministry is undertaking a broad review of the *Insurance Act*, which sets out statutory requirements applying to contracts of life insurance and of property and casualty insurance (such as for fire and liability), other than automobile insurance. Other initiatives include an expansion of e-government that will improve service, expand accessibility and reduce cost.

Core Business Area: *Financial and Economic Performance.*

Objective 1: *A fair and competitive tax environment.*

The province's ability to develop a strong and vibrant economy is dependent upon having a tax environment that is both nationally and internationally competitive. Jurisdictions with competitive tax regimes and regulatory frameworks are successful in attracting and retaining personal and business investment. Taking advantage of these opportunities enhances economic development and increases the revenues available to support critical government services like health care and education. In addition, a tax system that is perceived to be fair increases the confidence of British Columbians in their government.

Key strategies include ongoing review of the province's tax system in comparison to other jurisdictions and analysis of potential reforms to maintain and improve competitiveness.

Performance Measures:

Personal income tax (bottom two brackets): Government has cut the base personal income tax rate to the lowest rate of any province in Canada for the bottom two tax brackets. Keeping these tax rates low is consistent with the objective of maintaining a fair and competitive tax system that encourages investment and innovation.

Personal income tax (top bracket): Comparison of provincial top marginal personal income tax rates is a key component in the decision-making processes of investors, in choosing where to invest, and firms in choosing where to locate.

Performance Measures	2004/05 Actual/Base (Current Ranking)	2005/06 Target	2006/07 Target	2007/08 Target
Provincial ranking of personal income tax rates for the bottom two tax brackets.	Lowest	Lowest	Lowest	Lowest
Provincial ranking of the top personal marginal tax rate.	2nd Lowest	Remain in the Lowest 3	Remain in the Lowest 3	Remain in the Lowest 3
The ministry continuously reviews provincial tax policies, including business tax policies, to ensure the province remains competitive. Key strategies include ongoing review of the province's tax system in comparison to other jurisdictions and analysis of potential reforms to maintain and improve competitiveness.				

Objective 2: *Efficient and effective financial and corporate regulatory frameworks and services that protect the public interest.*

Core Business Area: *Financial and Corporate Sector Services and Financial and Economic Performance and Analysis.*

An important mechanism to promote investment and innovation in the province is the creation of an efficient and effective regulatory and policy framework. Unnecessary regulatory requirements increase the cost of doing business in the province resulting in wasted time and effort for both individuals and businesses. Conversely, streamlined legislative and policy frameworks supported by the electronic delivery of services can achieve the same outcomes while acting as a driver for further business development and investment and continuing to foster consumer confidence.

Key strategies include implementing the new legislative frameworks for streamlined financial and corporate sector regulation, updating the legislative and policy frameworks to reduce regulatory requirements and expansion of electronic service delivery initiatives.

Performance Measures:

Number of regulatory requirements: An important indicator of the overall regulatory burden on business is the number of regulatory requirements. Reducing red tape by eliminating unnecessary regulations improves the competitiveness of British Columbia's business environment and contributes to its economic growth.

Annual growth in business registrations: Increases in the number of businesses operating in the province is an indicator of the government's success in creating a tax and regulatory climate that stimulates economic growth.

Company incorporations and registrations filed electronically: The transfer of paper-based company incorporations and registrations to electronic self-service over the Internet improves customer service at reduced costs. Registering parties are able to complete their transactions when they require them, pay for the service, and obtain confirmation all in real time.

Performance Measures	2004/05 Actual/Base	2005/06 Target	2006/07 Target	2007/08 Target
Number of regulatory requirements	25,423*	25,423**	25,423**	25,423**
Percentage annual growth in new business registrations.	4% (53,304)	5% (55,969)	5% (58,767)	5% (61,705)
Percentage of company incorporations and registrations filed electronically.	95%	95%	98%	98%

* Regulatory requirements as at the conclusion of the government's three year regulatory reduction program in June 2004.

** Three year targets reflect a zero net increase over the June 2004 baseline of 25,423.

Goal 3: *Effective financial and resource management and reporting.*

The Ministry of Finance is responsible for government's overall financial and risk management framework. This involves the establishment of appropriate legislation, policies and procedures and reporting at a corporate level to ensure the province's resources and obligations are appropriately managed in support of effective service delivery. This framework reinforces individual and corporate accountabilities for outcomes, maintains standards for stewardship of resources, management of liabilities and risk, and the collection and disbursement of public funds.

Key activities include financial, procurement and accounting policy development, internal audit and advisory services, risk management, compliance monitoring and financial and economic reporting.

Objective 1: *Effective risk-based cash and debt management.*

Core Business Area: *Treasury.*

In 2004/05, government managed cash flows of approximately \$100 billion. During the same year, debt service cost for the total provincial debt was \$2.1 billion. Of this amount, \$677 million relates to the Management of Public Funds and Debt vote (central government operating debt). Ongoing improvement in the management of these cash and debt activities offers significant opportunities to reduce costs and redirect government resources to priority services.

Key strategies include: comprehensive support for credit rating analysis and investor relations activities; development of models and systems to maximize investment returns on surplus cash to minimize borrowing costs and requirements; management of the provincial debt portfolio within risk policy parameters set by the Ministry of Finance Risk Committee; negotiation of banking services for government as a whole and utilization of technological advancements (e.g., e-banking services) to create financial and administrative efficiencies and savings within ministries.

Performance Measure:

Debt services costs: A relatively low ratio of taxpayer-supported debt service cost to taxpayer supported revenues or “interest bite” demonstrates fiscal prudence and an affordable debt burden. Rating agencies rely on this measure as one among a number of important credit rating considerations.

Performance Measure	2004/05 Actual/Base	2005/06 Target	2006/07 Target	2007/08 Target
Debt services costs (Provincial ranking)*.	2nd Lowest	2nd Lowest	2nd Lowest	2nd Lowest

* Moody’s Investor Service (Credit Rating Agency).

Objective 2: *Enhance risk-based management of government’s resources.*

Core Business Area: *Financial Governance, Accounting and Reporting and Risk Management.*

Creation of risk-based frameworks that reinforce individual and corporate accountabilities provides opportunities to reduce unnecessary constraints, realize efficiencies and improve outcomes. Risk-based practices are adopted only if they can demonstrate consistency with government priorities and add value using an optimal mix of resources and funding.

Key strategies include expansion of government’s self-insurance program to the broader public sector, assistance with implementation of Enterprise-wide Risk Management practices, risk-based audit planning and oversight of a comprehensive post-payment review system targeting high-risk transactions.

Performance Measures:

Annual savings from self-insurance: The Ministry of Finance’s coordination of public sector self-insurance programs allows the provincial government to cost-effectively retain selected risks rather than transfer them at a premium to third parties. Self-insurance involves government assuming the role of a traditional insurer by investigating, defending and paying claims.

Post-payment monitoring and Internal Audit savings: The ministry’s delivery of cross-government risk-based financial processing and independent management review services, through Internal Audit and Advisory Services, provide a basis for evaluating its adoption of best practices and savings. Savings are achieved through the adoption of audit recommendations and more effective payment review procedures.

Risk Management Maturity: The ministry is in the third year of an initiative to integrate Enterprise-wide Risk Management into its operational and decision-making activities. The risk maturity model is a standardized cross-government tool that explores the ministry’s organizational philosophy and culture; risk management leadership and commitment; integration with other management practices and systems; risk management capabilities and reporting and control processes.

Performance Measures	2004/05 Actual/Base	2005/06 Target	2006/07 Target	2007/08 Target
Annual savings from self-insurance (five year rolling average).	\$47.5 Million	\$43.2 Million	\$43.2 Million	\$49.4 Million
Potential average annual benefits realized from utilizing a risk-based approach for post-payment monitoring and Internal Audit and Advisory Services recommendations.	\$24 Million	\$5.7 Million	\$5.7 Million	\$5.7 Million
Ministry implementation of Enterprise-wide Risk Management (Risk Management Maturity Model Rating — 5 point scale).	3	3	4	4

Objective 3: *Transparent and accountable financial and procurement policies and practices.*

Core Business Area: *Financial Governance, Accounting and Reporting.*

Government is undergoing transition to a model that provides program managers with enhanced financial and procurement decision-making abilities within a defined accountability framework. This shift provides managers with additional tools and accountabilities to succeed, and is supported by an updated public sector management framework. The ministry plays an important role in the development of these governance frameworks and works closely with other ministries to ensure appropriate clarification of roles, responsibilities and accountabilities.

Key strategies include a review of financial and procurement legislation, maintenance of a principles-based policy framework, input into the development of training resources as well as ongoing monitoring and reporting on ministries' compliance with the accountability frameworks.

Performance Measure:

Stakeholders' satisfaction with the policy framework: Ensuring that the policy framework provides sufficient guidance to managers while avoiding an overly prescriptive approach is essential. Accordingly, survey results from managers and other stakeholders provide information on the framework's effectiveness, the quality of its implementation and opportunities for improvement.

Performance Measure	2004/05 Actual/Base	2005/06 Target	2006/07 Target	2007/08 Target
Stakeholders' satisfaction with the policy framework for financial and procurement management.	60%	65%	70%	75%

Performance Measure:

Percentage of responses to ministerial correspondence within two weeks: Achieving the ministry standard of responding to minister's correspondence within a two-week period ensures correspondents receive timely and relevant information.

Performance Measure	2004/05 Actual/Base	2005/06 Target	2006/07 Target	2007/08 Target
Percentage of responses to ministerial correspondence within two weeks.	22%	80%	80%	80%

Objective 4: *Meet statutory reporting requirements and comply with GAAP in all material respects.*

Core Business Area: *Financial Governance, Accounting and Reporting.*

The *Budget Transparency and Accountability Act* (BTAA) requires that all accounting policies and practices applicable to documents required to be made public under this act (e.g., Budget and Public Accounts), must comply with Generally Accepted Accounting Principles (GAAP). Adherence to GAAP requires monitoring of evolving accounting standards, consistent financial practices across government and full transparency for the use of public funds. This transparency is critical for ensuring that British Columbians and the investment

community have the information they need to make informed decisions and confidence in government's finances.

Key strategies include ongoing monitoring of, and adherence to, GAAP's evolving accounting standards, adoption of technology to improve the reporting processes, working with the Auditor General and the Accounting Policy Advisory Committee on accounting and reporting issues, and greater fiscal planning integration with the SUCH sector.

Performance Measures:

Full Implementation of GAAP: Implementation of GAAP meets a legislated requirement in the *Budget Transparency and Accountability Act*, and improves the accuracy, consistency and timeliness of the province's financial information.

Delivery date for annual *Public Accounts*: Timely release of financial reporting is critical for effective use of the information and helps instill public confidence in government's ability to manage its resources. The *Budget Transparency and Accountability Act* requires release of the province's financial statements (*Public Accounts*) by August 31st, following each March 31st, fiscal year end.

Performance Measures	2004/05 Actual/Base	2005/06 Target	2006/07 Target	2007/08 Target
Full Implementation of GAAP.	Full	Full	Full	Full
Delivery date for annual <i>Public Accounts</i> .	June 29, 2005	June 29, 2006*	June 28, 2007*	June 26, 2008*

* Targets adjusted to reflect the release of the *Public Accounts* on the last Thursday of June.

Objective 5: *Crown corporations are publicly accountable to taxpayers both in the delivery of their programs and services and in fiscal management.*

Core Business Area: *Crown Agencies Secretariat.*

A Crown corporation is an organization that is established or acquired by the provincial government that is outside of a ministry. Crown corporations are accountable to the government through a Responsible Minister; and have assigned/delegated authority and responsibility from government, or otherwise have statutory authority and responsibility to perform specified functions or services. An effective governance system will aid both government and Crown corporations by ensuring Crown corporations focus on the activities necessary to fulfill their mandates while at the same time ensure they are being managed in the best interests of public stakeholders and government.

Key strategies include ensuring an effective framework for government’s management of its Crown corporations in British Columbia; clearly outlining government’s expectations of Crown corporations through Shareholder’s Letters of Expectations; providing input on cross-Crown corporation policy issues; hosting workshops on performance measurement for Crown corporations; hosting Chief Executive Officer forums for all Crown corporations to promote best practices; and publishing on the government web site Crown corporation Shareholder’s Letters of Expectations, signed off by Ministers Responsible and Crown corporation Chairs of Boards.

Performance Measure:

Shareholder’s Letter of Expectations in place or proposed to Responsible Ministers: The Shareholder’s Letter of Expectations is a key component of the Accountability Framework. The Shareholder’s Letter is signed by the Minister Responsible, as the representative of government, and the Chair of the Board of the Crown corporation, as the representative of the Crown corporation. This letter is designed to ensure a shared understanding between the shareholder and Crown corporation Boards of Directors on key governance issues, corporate mandate and core services, public policy issues, strategic priorities and performance expectations.

Performance Measure	2004/05 Actual/Base	2005/06 Target	2006/07 Target	2007/08 Target
Shareholder’s Letters of Expectations in place or proposed to Responsible Ministers and Chairs for all Crown corporations.	80%	100%	100%	100%

Objective 6: *Effective management of public sector labour relations and human resource strategy.*

Core Business Area: *Public Sector Employers’ Council.*

Public sector costs comprise a significant portion of the provincial budget. Accordingly, effective management of the province’s fiscal plan requires the establishment of appropriate and sustainable compensation levels. Labour market analysis and frameworks are also critical for attracting and retaining highly skilled workers critical to the delivery of many public services.

Key strategies include maintenance of an executive compensation and bargaining mandate framework that incorporates fiscal goals, policy, program decisions, and labour market considerations. A long-term strategy for effective management of labour relations that addresses shortages of critical skilled occupations in the public sector is also underway.

Performance Measures:

Public sector cost changes: Compensation related costs in the public sector are a significant component of the provincial budget. As a result, marginal changes in compensation costs have significant fiscal impacts requiring accurate and timely monitoring.

Performance Measure	2004/05 Actual/Base	2005/06 Target	2006/07 Target	2007/08 Target
Public sector cost changes over 2002/03 compensation base (\$17.43 billion).	\$16.02 Billion	0	TBD	TBD

Goal 4: *A leader in innovative business and people practices.*

The ministry recognizes its dependence upon the continued support and professionalism of our highly-skilled and knowledgeable workforce. Ultimately, it is our staff that drives the quality and value of the services we provide to our clients, stakeholders and the people of British Columbia. Over the coming years, the ministry will pursue additional opportunities to provide its employees with the support, recognition and opportunities required.

Core Business Area: *All.*

Objective 1: *Performance Focused Workforce.*

The ministry works closely with its staff throughout the year to provide them with information on strategic priorities and how their work contributes to the success of the organization overall. Staff have reaffirmed that this communication clarifies expected results, supports organizational improvement and provides greater job satisfaction.

Key strategies include regularly scheduled Community Conversations involving all members of the ministry, employee participation in ministry human resource planning initiatives, integration of planning processes and ongoing reviews of the linkages between the Service Plan and operational activities. The ministry is also working to develop personal Employee Performance and Development Plans (EPDP) tailored to the position and developmental interests of each employee.

Performance Measure:

Performance Review and Employee Performance and Development Plans: EPDPs provide an important linkage between the activities of individuals, their business unit and the ministry as a whole. Identifying performance expectations within EPDPs also supports greater accountability and improves communication between staff and supervisors.

Performance Measure	2004/05 Actual/Base	2005/06 Target	2006/07 Target	2007/08 Target
Percentage of staff with a formal Performance Review (e.g., EPDP) in the last year.	93%	100%	100%	100%

Objective 2: Learning and Innovative Organization.

Government’s move to a model focused on flexibility, evidence-based risk taking, and accountability for results, requires the support of a knowledgeable and innovate workforce. Members of the ministry have embraced this shift and have fostered a culture characterized by performance and receptiveness to change. In order to build upon our past success, the ministry will actively encourage the development of new skills based on formal and non-traditional learning opportunities and mutual trust.

Key strategies include: identification of critical competencies and targeted skill sets; improved communication of, and access to, developmental opportunities (internship programs, career pathing, mentoring, rewards and recognition programs, development opportunities and critical skills training); and flexibility in accommodating interested staff.

Performance Measure:

Staff learning and development opportunities: The ministry is undertaking a comprehensive staff attraction and retention initiative. This initiative will ensure that the ministry has the necessary skill sets to support its activities in an increasingly complex environment. Providing staff with additional learning and development opportunities will position the ministry as an important professional development opportunity, benefit our employees and enhance the quality of our services.

Performance Measure	2004/05 Actual/Base	2005/06 Target	2006/07 Target	2007/08 Target
Percentage of staff who agree they have adequate opportunities to develop their skills.	62%	80%	85%	90%

Related Initiatives and Planning Processes

Deregulation and Regulatory Reform

On June 5, 2001, the government made a commitment to reduce the regulatory burden by 1/3 within three years. The Ministry of Finance has completed several major legislative and regulatory reviews that reduced regulatory burden and decreased the associated regulatory requirement count by approximately 39 per cent in three years (25,423 as at June 2004). The ministry's success was mainly attributable to implementation of a new *Business Corporations Act*, providing for electronic filing at the Personal Property Registry, eliminating unnecessary requirements under the *Financial Institutions Act* and *Credit Union Incorporation Act*, and developing a more effective framework for government's financial management policies and procedures.

The ministry is committed to maintaining a zero net increase in regulatory requirements over the June 2004 baseline, and continuing to identify further regulatory reduction and regulatory reform opportunities. This commitment is evidenced by the implementation of the *Real Estate Services Act* and *Real Estate Development Marketing Act* on January 1, 2005 resulting in a further four per cent reduction in regulatory requirements, totalling 43 per cent as at March 31, 2005.

Over the next three years, all legislative initiatives will be monitored to ensure that the policies are effective and allow industry, the public, and government to operate in an improved environment of "smart regulation".

Overviews of Human Resource Plan and Information Resource Management Plan

Overviews of Human Resource Plan

An overview of the ministry's Human Resource Plan is available on the ministry website at: <http://www.fin.gov.bc.ca/serviceplanupdate/2005-06/HRMP.htm>.

Information Resource Management Plan

An overview of the ministry's Information Resource Management Plan is available on the ministry website at: <http://www.fin.gov.bc.ca/serviceplanupdate/2005-06/IRMP.htm>.

Public Affairs Bureau

The Public Affairs Bureau leads and coordinates communications with internal and external stakeholders, and ensures that information about government programs and services is accessible to British Columbians.

Clients include the people of British Columbia, members of the media, the Premier's Office, members of Cabinet, and ministry program staff.

Supported by 201 FTEs and \$34.4 million, the Bureau has three core business areas each of which has specific responsibilities for the provision of programs and services.

1. Communications Services

Provides direction, advice and staff to support the communications needs of ministries. Teams of communications professionals are assigned to, and co-located with, each ministry. Services include provision of fact-based information, communications planning, media relations, news releases, speech writing, on-site support for ministry events, and developing online applications in support of new initiatives. This area is supported by 156 FTEs.

2. Communications Support Services

Provides a wide range of support services to communications staff assigned to ministries. Services provided include logistical support, writing and graphic design services, event management, online clipping service, and technical support to the Press Theatre in the Legislature. This area is supported by 28 FTEs.

3. Operations and Human Resources

Provides a full range of human resource services to facilitate the recruitment, retention, and development of Public Affairs Bureau staff and provides a full range of corporate support services including corporate planning, budget management, financial reporting, contract administration, accounts payable, information systems planning and administration, procurement services, facilities planning, and records management. This area is supported by 17 FTEs.

Resource Summary

Core Business Areas	2004 / 05 Restated ¹	2005 / 06 Estimates	2006 / 07 Plan	2007 / 08 Plan
Operating Expense (\$000)				
Public Affairs Bureau	32,204	34,358	34,510	34,510
Total	32,204	34,358	34,510	34,510
Full-time Equivalents (Direct FTEs)				
Public Affairs Bureau	199	201	203	203
Total	199	201	203	203
Capital Expenditures (Consolidated Revenue Fund) (\$000)				
Public Affairs Bureau	485	485	436	436
Total	485	485	436	436

¹ These amounts have been restated, for comparative purposes only, to be consistent with the presentation of the September Update 2005 *Estimates* 2005/06. Schedule A of the *Estimates*, presents a detailed reconciliation.

Strategic Context

Vision

British Columbians are informed of government policies and programs and form opinions based on fact.

Mission

To provide a framework that supports communication of government policies and programs benefiting all British Columbians.

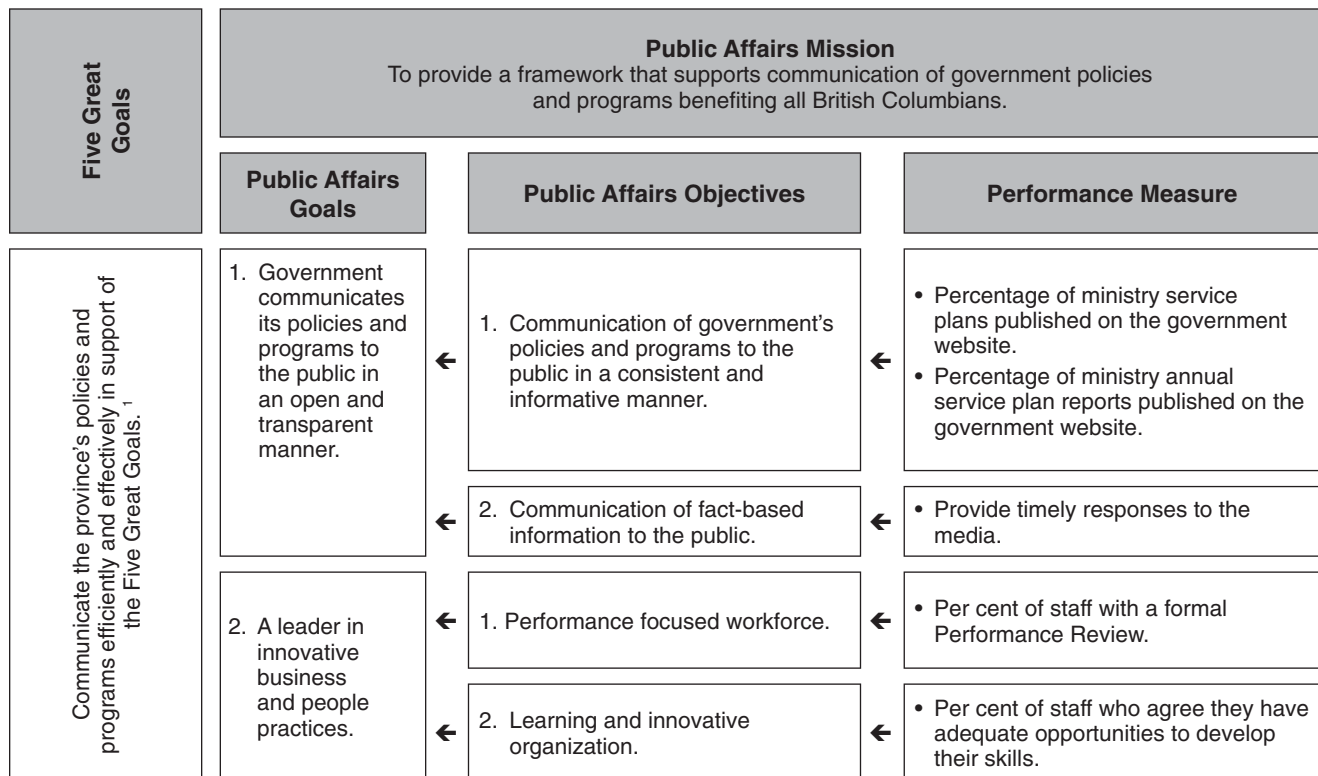
Values

In pursuit of our vision and mission, members of the Public Affairs Bureau will act in accordance with the following values:

<i>Accountability</i>	<i>To enhance efficiency, effectiveness and value in public service.</i>
<i>Integrity</i>	<i>To conduct ourselves in an ethical, honest, consistent and professional manner.</i>
<i>Responsibility</i>	<i>To deliver affordable client-centred service and stewardship on behalf of citizens.</i>
<i>Respect</i>	<i>To treat those we serve, and each other, with courtesy, fairness, dignity and trust.</i>
<i>Innovation</i>	<i>To foster creativity and performance in the delivery of quality services.</i>

Goals, Objectives, Strategies and Results

Public Affairs Bureau supports the Five Great Goals by communicating the province's policies and programs to the public in a consistent and informative manner and communicating fact-based information to the public. The figure below illustrates how the Public Affairs Bureau's goals and objectives are aligned with, and contribute to, the success of government's Five Great Goals.



¹The Five Great Goals are:

1. Make BC the best educated, most literate jurisdiction on the continent.
2. Lead the way in North America in healthy living and physical fitness.
3. Build the best system of support in Canada for persons with disabilities, those with special needs, children at risk, and seniors.
4. Lead the world in sustainable environmental management, with the best air and water quality, and the best fisheries management, bar none.
5. Create more jobs per capita than anywhere else in Canada.

Goal 1: *Government communicates its policies and programs to the public in an open and transparent manner.*

Communication of government policies and programs will provide British Columbians with the information needed to understand government programs and policies and the challenges the government faces through a variety of sources including Members of the Legislative Assembly, media, public events and forums, public policy studies, fact-based public information and awareness initiatives as well as a variety of communications support materials.

Core Business Areas: *Communications and Communications Support Services.*

Objective 1: *Communication of government’s policies and programs to the public in a consistent and informative manner.*

Ensuring all British Columbians have access to or receive consistent information regarding government’s policies and programs is essential to informing British Columbians of government planning decisions and accomplishments.

Performance Measure:

Government’s ability to communicate policies and programs to the public in a consistent and informative manner can be measured by the percentage of ministry service plans and annual service plan reports posted to the government website.

Performance Measure	2004/05 Actual/Base	2005/06 Target	2006/07 Target	2007/08 Target
Percentage of ministry service plans posted to the government website.	100%	100%	100%	100%
Percentage of ministry annual service plan reports posted to the government website.	100%	100%	100%	100%

Objective 2: *Communication of fact-based information to the public.*

Ensuring British Columbians have access to or receive fact-based information regarding government policies and programs is essential to allowing British Columbians to form opinions based on fact and allows for informed public debate on decisions taken.

Performance Measure:

Government’s ability to communicate fact-based information to the public can be measured by response times to media enquiries and public response to fact-based public information and awareness initiatives. Performance for individual initiatives is measured depending on

the nature of the project. Performance may be measured by increased demand for services (for example, web services), requests for supporting materials, and increased consumer contact with ministry service outlets.

Performance Measure	2004/05 Actual/Base	2005/06 Target	2006/07 Target	2007/08 Target
Provide timely responses to the media.	Media responses provided 24 hours per day, seven days per week.	Media responses provided 24 hours per day, seven days per week.	Media responses provided 24 hours per day, seven days per week.	Media responses provided 24 hours per day, seven days per week.

Goal 2: *A leader in innovative business and people practices.*

The Bureau recognizes its dependence upon the support and professionalism of a highly skilled and knowledgeable workforce. By attracting, retaining and developing staff, government will develop a team of qualified communications professionals dedicated to the delivery of top-notch communications services and a team of qualified, specialized staff to support them. Over the coming years, the Bureau will pursue additional opportunities to provide its employees with recognition, support and career opportunities.

Core Business Areas: *All areas.*

Objective 1: *Performance focused workforce.*

Performance Reviews and Employee Performance and Development Plans: EPDPs provide an important linkage between the activities of individuals, their business unit and the organization as a whole. Identifying performance expectations within EPDPs also supports greater accountability and improves communication between staff and supervisors.

Performance Measure:

Performance will be measured by identifying the percentage of staff with EPDPs in place commencing 2005/2006.

Performance Measure	2004/05 Actual/Base	2005/06 Actual/Base	2006/07 Target	2007/08 Target
Percentage of staff with a formal Performance Review (e.g., EPDP) in the last year.	N/A	TBD*	100%	100%

* Employee survey to be conducted to determine base for 2005/06.

Objective 2: Learning and Innovative Organization.

Government has moved to a model focused on flexibility, evidence-based risk taking and accountability for results. This shift requires a knowledgeable and innovative workforce. The Bureau will actively encourage the development of new skills based on formal and non-traditional learning opportunities.

Performance Measure:

Providing staff with additional learning opportunities will increase skill capacity within the Bureau, benefiting our employees and enhancing the quality of our services. Performance will be measured by surveying staff to determine the percentage of staff that agrees that learning and development opportunities are available.

Performance Measure	2004/05 Actual/Base	2005/06 Actual/Base	2006/07 Target	2007/08 Target
Percentage of staff who agree they have adequate opportunities to develop their skills.	N/A	TBD*	TBD*	TBD*

* Employee survey to be conducted to determine base for 2005/06 and targets for subsequent fiscal years.

Appendix 1

The Minister of Finance is administratively responsible for the following statutes:

Auditor General Act

Balanced Budget and Ministerial Accountability Act

Bonding Act

British Columbia Railway Financing Act

British Columbia University Loan Act

Budget Transparency and Accountability Act

Business Corporations Act

Business Number Act

Capital Financing Authority Repeal and Debt Restructuring Act

Constitution Act, ss. 25 – 27

Cooperative Association Act

Credit Union Incorporation Act

Creditor Assistance Act

Financial Administration Act

Financial Information Act

Financial Institutions Act

Industrial Development Act

Insurance Act

Insurance (Captive Company) Act

Insurance (Marine) Act

Manufactured Home Act

Ministerial Accountability Bases Act, 2004

Ministerial Accountability Bases Act, 2004-2005

Ministry of Consumer and Corporate Affairs Act, ss. 3, 4(a)

Ministry of Intergovernmental Relations Act, s. 3

Miscellaneous Registrations Act, 1992

Mortgage Brokers Act

Mutual Fire Insurance Companies Act

Pacific North Coast Native Cooperative Act

Partnership Act

Pension Agreement Act

Pension Benefits Standards Act
Pension Fund Societies Act
Personal Property Security Act
Ports Property Tax Act, except section 5
Probate Fee Act
Public Education Labour Relations Act
Public Education Support Staff Collective Bargaining Assistance Act
Public Sector Employers Act
Public Sector Pension Plans Act
Public Works Agreement Act
Real Estate Development Marketing Act
Real Estate Services Act
Repairers Lien Act
Securities (Forged Transfer) Act
Society Act
Special Accounts Appropriation and Control Act
Strata Property Act
Tugboat Worker Lien Act
Unclaimed Property Act
Warehouse Lien Act
Warehouse Receipt Act
Woodworker Lien Act

Appendix 2

Crown corporations, Agencies, Boards and Commissions reporting to the Minister of Finance

Corporations:

Partnerships B.C.

BC Investment Management Corporation

BC Pension Corporation

Boards:

Accounting Policy Advisory Committee

Auditor Certification Board

BC Investment Management Board

Financial Institutions Commission

Financial Services Tribunal

Insurance Council of British Columbia

Real Estate Foundation of British Columbia

Real Estate Council of British Columbia