

INTRODUCTION TO THE ESTIMATES

The Estimates for each fiscal year is presented to the Legislative Assembly by the Minister of Finance.

The *2004/05 Estimates* is presented on a consolidated basis, which combines the Consolidated Revenue Fund, Crown corporations/agencies, and school districts, post-secondary institutions and regional health authorities and hospital societies (the SUCH sector) and Children and Family Development regional authorities. The Estimates include a pro forma statement of financial position; a statement of operations which combines the operating revenues and expenses of the Consolidated Revenue Fund, Crown corporations/agencies, SUCH sector and regional authorities; and, non-operating financial requirements (financing transactions) of the government entity for the coming fiscal year. The Estimates also includes budget and updated forecast information for the 2003/04 fiscal year for comparative purposes.

The Consolidated Revenue Fund is comprised of the General Fund. All expenditures from the Consolidated Revenue Fund must be authorized by an appropriation, either through a *Supply Act* or through a specific provision in another statute. The General Fund is the main operating account of government and includes a number of Special Accounts which provide statutory authority for specific expenditures.

In addition to disclosing the pro forma statement of financial position, statement of operations and financing transactions of the government, the Estimates form the basis for annual Consolidated Revenue Fund appropriations approved by the Legislative Assembly through a *Supply Act*. Votes contained in the Consolidated Revenue Fund provide the framework for legislative control of government spending since funds can only be expended for purposes stated in the Estimates. Expenses cannot exceed individual vote totals without legislative authority. Voted expenses are detailed by sub-votes and group account classification in the Estimates.

Voted and Special Account expenses are detailed by standard object of expense in the *Supplement to the Estimates*. This more detailed presentation is intended to provide additional information and establishes a framework for administrative control by Treasury Board over special office and ministry expenses. The *Supplement to the Estimates* can be found on the Government of British Columbia's Budget web site at <http://www.gov.bc.ca/bcbudget>.

The *2004/05 Estimates* is comprised of three separate sections.

1. **Summary Information** - this section of the Estimates provides an overview the government's financial plan for the 2004/05 fiscal year. This section also presents an outline of the accounting policies on which the Estimates have been prepared and significant presentation changes in the Estimates from the previous year.
2. **Estimates of Special Offices, Ministries and Other Appropriations** – this section presents detailed information on Consolidated Revenue Fund operating expense, capital and other financing transactions. The Legislative Assembly will be asked to approve Consolidated Revenue Fund expenses through a *Supply Act* based on the detailed information that is provided in this section. The *Supply Act* will provide the legislative authority for voted appropriations and financial requirements. Expenses from Special Accounts are disclosed in the Estimates, however they are not included in *Supply Act* totals as these accounts have existing statutory authority.

Each special office and ministry is presented on a similar basis.

1. **Summary** - summarizes total voted and statutory (Special Account) expense, capital and other financing transactions that are the responsibility of the special office or ministry. Also included is the estimated fulltime equivalent (FTE) employment for the fiscal year.
 2. **Core Business Summary** - discloses operating expense, capital and other financing transactions by core business on both the gross (before deducting external recoveries) and net (after deducting external recoveries) basis. A core business includes programs and/or functions grouped together based on common roles and/or purposes. Where core businesses are not required (Special Offices and Other Appropriations), the voted and statutory (Special Account) expense and capital expenditures are disclosed by vote.
 3. **Operating Expense by Core Business** - includes a description of the purpose for each vote and operating expense details by voted and statutory appropriations. Where core businesses are not required (Special Offices and Other Appropriations), the operating expense, capital expenditures and FTE employment are disclosed by vote.
 4. **Special Accounts** - discloses revenue, expense, capital, other financing transactions and projected spending authority available for all special accounts.
 5. **Financing Transactions** - discloses financing transactions which are the responsibility of the special office or ministry.
3. **Schedules** – this section of the Estimates consists of supporting schedules that include a detailed Consolidated Revenue Fund operating expense, capital expenditure and FTE reconciliation to restate the 2003/04 Estimates to be consistent with the *2004/05 Estimates* presentation; summaries of operating and financial requirements and opening and closing balances for all Special Accounts; summaries of major ministry, taxpayer-supported Crown corporation/agency, SUCH sector and regional authority related financing transactions; a summary of FTE staff utilization by special office, ministry, and Crown corporation/agency; a summary of ministerial accountability for operating expenses; a reconciliation of the surplus/(deficit) to the change in taxpayer-supported debt and disclosure of total debt; summaries of Crown corporation/agency, SUCH sector and regional authority revenues and expenses; and a detailed reconciliation of revenue by source and expense by function.

EXPLANATORY NOTES

Recoveries in the Estimates

As in previous years, the 2004/05 *Estimates* contains several votes and sub-votes where recoveries are applied against expenses. In these situations the total recoveries amount is disclosed in the group account classification located on the last page of each special office, ministry or other appropriation section.

There are two forms of recoveries:

1. **Internal Recoveries** - represents transfers within the Consolidated Revenue Fund and generally includes inter-ministry chargebacks for costs budgeted centrally in government for the provision of certain goods and services that are recovered from areas elsewhere in government that consume and/or use those goods and services. Employee benefits, postal services, Queen's Printer services and Provincial Treasury banking charges are considered internal recoveries.
2. **External Recoveries** - represents recoveries to the Consolidated Revenue Fund from entities outside of the Consolidated Revenue Fund, and includes costs and amounts recovered from government corporations, education and health sector organizations, other levels of government, non-government organizations, individuals, and businesses. External recoveries also include sinking fund interest earnings, an offset for commissions paid for the collection of government revenues and accounts, and increases in provisions for or the write-off of uncollectible revenue-related accounts. An example of a major external recovery is interest costs relating to funds borrowed by government and re-loaned to public bodies.

Authority to Spend Estimated Recoveries

Consolidated Revenue Fund expense budgets are established on the basis of the gross amount of funds required for a particular purpose, with anticipated recoveries then being deducted to arrive at the net expense. A shortfall in anticipated recoveries would cause net expenses to increase. Section 23(3) of the *Financial Administration Act* provides that where a vote in the Estimates approved by the Legislature shows an item as a credit or recovery, the vote is deemed to authorize the payment of the net expense plus the amount of the credit or recovery that is budgeted, whether or not this latter amount is actually realized. Under-realization of recoveries would have the same effect on the Consolidated Revenue Fund operating result as an equivalent shortfall in anticipated government revenue.

Authority to Spend Excess Recoveries

Section 23(3) of the *Financial Administration Act* also provides that excess Consolidated Revenue Fund recoveries (amounts earned over and above those shown in the Estimates approved by the Legislative Assembly) may be used for additional expenses. Prior approval of Treasury Board is not required, unless otherwise directed. This incremental spending would have no impact on net budgeted Consolidated Revenue Fund expenses since the incremental recoveries would offset the incremental spending.

Capital Acquisitions

The government capitalizes certain capital assets in its financial statements. The annual cost of these acquisitions is shown in each ministry's section of the Estimates, and is summarized in Schedule D. The cost of these acquisitions is not included in ministries' operating budgets but is instead voted as one amount in the *Supply Act*. The amortization cost of tangible capital assets held by the Consolidated Revenue Fund is included in ministry operating budgets. Schedule D1 summarizes the total estimated cost of capital acquisitions for all taxpayer-supported organizations. The government also provides capital funding to organizations within the government reporting entity to fund public infrastructure. Schedule C summarizes this funding. The amortization cost of these advances is included in ministry operating budgets.