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Message from the Board Chair to Minister Responsible



Hector MacKay-Dunn, QC
Chair, BC Innovation Council

I am pleased to present BC Innovation Council's 2007/08 to 2009/10 Service Plan in accordance with section 13 of the Budget Transparency and Accountability Act.

In the past year, the Council has undergone a significant enhancement in leadership at the board level since the merger announcement in 2004 that saw the Innovation and Science Council of BC and the BC Advanced Systems Institute combine to form the BC Innovation Council. On March 30th, 2006, the Council achieved legal status with an amendment to its operating Act – the BC Innovation Council Act. With the amendment, the Province moved forward with appointing seven additional board members through an Order in Council. Joining Dr. Tim Walzak and myself are Mr. Greg Aasen, Dr. Max Blouw, Mr. Jock Finlayson, Mr. Richard Glickman, Dr. Ken Higginbotham, Mr. Greg Kerfoot, and Dr. Alan Winter. I am pleased to share the responsibility of guiding the Council with such an experienced, passionate and highly talented group of Council members who were personally invited by Premier Campbell to lead a reinvigorated Council.

As the Crown agency mandated by the Province to enhance commercialization and innovation in British Columbia, the board recognizes that one of its first important activities is to develop a strategic plan for the Council. The timing of completing the strategic plan however, extends beyond that of this Service Plan. The final strategic plan will more concretely define the Council's performance measures and targets, however, in advance of completing the plan, the Council has defined preliminary performance measures. As these are new measures for the Council, baselines and future year targets will be established in 2007/08.

This year's Service Plan continues to outline three broad goals and related activities under which the Council was initially established. They include increasing the development and commercialization of British Columbia-based technologies; enhancing competitiveness of British Columbia's business sectors and research capabilities; and increasing awareness of British Columbia's research and innovation opportunities and achievements.

Developing and commercializing technologies is a vital component of an innovation-based economy. The Council recognizes the importance of, and therefore plans to engage in, activities that will attract, develop and retain highly qualified technical personnel and technology business managers; transfer technologies from British Columbia's research institutions into industry; and attract early-stage funding for company creation.

There is also a significant opportunity for business sectors throughout British Columbia to utilize and incorporate innovative technologies and techniques into their processes and products to enhance competitiveness and access international markets. Innovations are fuelling British Columbia's economic growth. Working with industry and academia, the Council intends to strengthen linkages and help build the innovation capacity to advance the province's business sectors thereby improving their competitiveness and increasing prosperity in the province. The dedication and vision of our board members will help the Council identify and capitalize on future opportunities that have significant economic potential.

Finally, if British Columbia is to be known as a world-class technology centre, we will need to proactively communicate its opportunities and achievements in a meaningful way. The Council intends to play a role in partnership with complementary organizations such as Invest British Columbia and the major technology industry awareness groups to continue to convey the research and commercialization strengths of British Columbia. This also means that we encourage and fan the passion of our province's youth and their interest in science and technology in order that the next generation of researchers and technology entrepreneurs are well supported. Moreover, it is important that we, as a province, celebrate the achievements of British Columbia's world-class researchers and entrepreneurs who have contributed significantly to their fields. To that end, the Council will continue to host the province's premier awards event for research and innovation.

Message from the Board Chair to Minister Responsible

As the new board begins to engage in Council affairs, the primary challenge it has identified is the limitation in funding to put into action the necessary programs and initiatives commensurate with the mandate provided by the Province. Until such time a funding level commensurate with the ambitious goals presented in this Service Plan can be secured, the Council's Service Plan will continue to outline a status-quo three-year forecasted revenue and expense level.

This enhanced funding is essential to the Council's growth strategy. However, the board realizes that its service to the technology community is paramount and is therefore developing and will be introducing new programs funded through existing resources.

Key programs proposed include the Accelerated Commercialization Enhancement (ACE) Program designed to further develop technology management capacity in British Columbia's high-technology companies. In addition, the recently announced \$2 million British Columbia Industrial Innovation Fellowship Program will support our provinces post-graduate students with support to pursue technology commercialization projects with industry partners.

All sectors and regions throughout British Columbia are important elements of the innovation community. Increased funding will allow for sector development programs that will enhance the province's high-technology industry by addressing key technology needs on a sector-wide basis.

This year, the Council was able to provide over \$800,000 in one-time additional funding to all nine regional science, technology and innovation councils throughout British Columbia to augment base operational funding to seven of these councils and to provide new funding to two additional councils. With enhanced funding, the Council hopes to maintain this level of support on a continuing basis.

The strategies employed by the Council's predecessor organizations have helped develop some of today's most successful technology companies. As the Council develops new initiatives to promote innovation and commercialization, we are committed to working within the Province's existing policy framework to meet and exceed the needs of industry.

As I enter my second year as Chair, I continue to be enthusiastic of the assets of British Columbia's technology industry including our world-renowned research institutions, internationally

recognized scientists and researchers, strong and varied technology sectors, experienced technology entrepreneurs, supportive government, close-knit technology community, and geographic proximity to international markets. It is the BC Innovation Council's mandate to leverage these assets and turn them into opportunities for British Columbia. It is our mission to create the conditions for top-tiered innovation and commercialization within British Columbia in partnership with government, industry and academia.

The Council would not be able to accomplish this without the support of Premier Campbell and the Council's responsible Minister, the Honourable Murray Coell. Thank you Premier Campbell for your vision for British Columbia to become one of the top-ten technology centres in the world and challenging the Council to play a central role in meeting that vision. To Minister Coell, thank you for you and your staff, especially Dr. Moura Quayle, Deputy Minister, for your Ministry's support and commitment as the board works towards putting the Council under firm footing.

I would also like to extend my thanks and appreciation to the technology community, especially our volunteers, sponsors and supporters, for your continued role in connection to the Council. As the board prepares to hit the ground running with a reinvigorated Council, we look forward to the years ahead for British Columbia as we broaden our industrial base to include a significant innovation-based economy.

The 2007/08 – 2009/10 BC Innovation Council Service Plan was prepared under the board's direction in accordance with the Budget Transparency and Accountability Act. The board is accountable for the contents of the plan, including the selection of performance measures and targets. The plan is consistent with government's strategic priorities and Strategic Plan.

All significant assumptions, policy decisions, and identified risks, as of December 15, 2006 have been considered in preparing the plan.



Hector MacKay-Dunn, QC

Chair, BC Innovation Council

Organizational Overview

The BC Innovation Council (“Council”) is a Crown agency of the Province of British Columbia. The Council was publicly launched in October 2004 as a result of an announced merger by the Province between two prominent technology organizations with an established history of developing the research and innovation sector in the province, the Innovation and Science Council of BC, a Crown agency, and the Advanced Systems Institute of BC, a non-profit organization.

The Council operates under the British Columbia Innovation Council Act, which is a result of an amendment, made official on March 30th, 2006, of the Act under which the predecessor Crown agency operated. Mr. Hector MacKay-Dunn, QC, is the Chair of the nine-member board of highly qualified and respected leaders in the technology community from academia and business, who lead the Council. The Council is responsible to the Honourable Murray Coell, Minister of Advanced Education and the Minister responsible for Research and Technology.

The Council operates with a staff of thirteen professionals as of January 31st, 2007, led by Dr. David Dolphin, Chief Executive Officer and Ms Cindy Lum, Chief Operating Officer.

It is anticipated that the assets and obligations of the Advanced Systems Foundation will be transferred to the Council prior to March 31st, 2007.

Mandate

The Council operates under four strategic mandate areas:

1. Accelerate commercialization programs for early stage and rapid growth companies to expedite the introduction of world-class technology based products to international markets;
2. Capitalize and expand technology transfer by getting research results with clear economic potential out of the university laboratory and research institutions and into the commercialization process as quickly and efficiently as possible;
3. Partner in the development and promotion of a province-wide strategy for science, innovation and technology development; and
4. Build public awareness for science and technology to recognize high achievement of the province’s researchers, scientists and technology entrepreneurs and encourage the province’s youth to consider pursuing research and technology-related careers.

Primary Business and Benefits to British Columbia

As the sole Crown agency in the province responsible for innovation and commercialization, the Council’s primary business is to foster province-wide economic development and enhance British Columbia’s ability to compete on a global scale. It provides a one-stop point of access and support to companies, educational institutions, technology industry awareness groups, federal science and technology agencies and university research labs involved in technology development and commercialization.

Innovation plays an integral role in British Columbia: from an economic standpoint in the natural resource sectors to the high-technology industry; from a social standpoint from education to health. The Council, being responsible for innovation and commercialization in the province, develops and encourages greater activity in these two areas to bring benefits to British Columbians by:

1. Supporting organizations throughout British Columbia to initiate regional economic development activities that assist the formation and further establishment of small, early-stage knowledge-based companies;
2. Encouraging youth in the province to pursue science and technology-related careers through fellowships, scholarships, awards and career events;
3. Coordinating and funding research and industry development activities on a sector-wide basis to strengthen British Columbia’s competitiveness internationally in key sectors;
4. Recognizing innovative British Columbians who have made key contributions to research, technology development, science communications and entrepreneurship;
5. Fostering the development of key anchor companies and research centres in the province to achieve a critical mass of resources that are crucial to establishing British Columbia as a major technology centre.



Core Business Areas and Major Programs

The Council's core business areas and major programs relate to innovation and commercialization. With the newly appointed board in place, the Council is currently undertaking a strategic planning process that includes a re-assessment of its core business areas and major programs. It builds on the updated mission statement and takes into consideration documented needs of the research, technology and innovation sector. Until this process is finalized the Council will continue to provide services in the following three core business areas.

1. Sector Development

The Council supports the development of technology and/or research sectors throughout the province that create, improve and/or utilize science and innovation.

Key sectors supported include:

- Oceans, marine and energy;
- Aquaculture;
- Agriculture, food and bioproducts; and
- Health product and functional food.

The Council is currently assessing additional sectors to play a greater role in increasing the competitiveness of the province's industries internationally, using a market-driven approach. The current sector development activities are anticipated to expand as the Council moves forward with plans commensurate with proposed enhanced funding.

2. Program Management

The Council manages a number of programs and initiatives that support research, innovation and industry/regional development throughout British Columbia.

Key programs include:

- Office of International Partnerships (OIP), a new office of the Council established in March 2006, to assist companies in developing business in international markets;
- Science & Technology Fund supporting base operations of seven regional science, technology and innovation councils and six university-industry liaison offices and technology transfer centres at key post-secondary institutions throughout the province;
- Program Delivery on behalf of ministries and public

agencies to enhance research and technology development in respective sectors;

- Fellowships and Scholarships; and
- Natural Resources and Applied Sciences Research Endowment Fund, a \$50 million endowment fund which the Council stewards, until the time when the government appointed Advisory Committee recommends a permanent governance structure.

3. Communication and Awareness

The Council communicates and brings awareness of the province's research and innovation capabilities, accomplishments and opportunities to various audiences including students, industry, academia, government and the general public.

Key programs and initiatives include:

- BC Innovation Council Awards;
- Student Career Development Program;
- Science Achievement Awards;
- Council Communications Program.

Future Programs

To meet documented needs of the technology industry, leverage the province's innovation assets and turn them into opportunities for British Columbia, the Council is developing new programs and initiatives. A one-time funding enhancement enabled Council to expand its support to all nine regional Science and Technology Councils. The Council is working actively with the Ministry, to at least maintain these funding levels.

New programs and initiatives commensurate with the mandate provided by the Province are being introduced in the following areas:

- Accelerated Commercialization Enhancement (ACE) Program that is designed to increase the management expertise in British Columbia's technology community, expand the pool of highly skilled technology managers, increase opportunities for technology management personnel, and thereby improve investor confidence to attract more private investment capital that is critical to successful company development.

The program is planned to be introduced under limited resources as a pilot program. Should enhanced funding be secured, as a result of the success of the pilot, the program will be expanded.

- To increase graduate student talent in the combined areas of applied research/technology development and business/commercialization expertise to build capacity in British Columbia, the Council recently announced the British Columbia Industrial Innovation Fellowship. The Fellowship links highly qualified talent working on groundbreaking research initiatives that have a high potential for commercialization with industrial partners, resulting in improved commercialization and an increased talent pool to foster innovation and economic development in the province. The Fellowship emphasizes balanced learning between research/technology development and business/commercialization.

The \$2 million program will be expanded, should enhanced funding be secured.

- A Sector Development Program, whereby potentially strong sectors in both traditional and high-technology areas are further developed by supporting key technology developments that help the sectors become more competitive internationally. Engagement of a large proportion of companies in a sector will ensure that targeted contributions will benefit an entire sector, encourage economic diversity and put British Columbia at the forefront of both established and new industries. The support is geared to an entire industry where stakeholders are collaborating to increase their competitiveness by working together on technology-based solutions.
- The Regional Innovation Enhancement Support Funding is a planned initiative to address the shortage of innovation support for the regions throughout British Columbia and their unique needs. It facilitates access to and leverage of key commercialization programs, including the new Council programs and initiatives, such as ACE and the BC Industrial Innovation Fellowship. Funding support will be directed to the nine regional science and technology councils and the University Industry Liaison Offices to help create stronger, more diverse economies in the organizations' respective regions.

The Council will be introducing the ACE program and the BC Industrial Innovation Fellowship in the short-term on a limited basis, and their future scope will be determined by the Council's annual operating budget.

Principal Partners, Clients, Stakeholders and Market

The Council develops and implements many of its initiatives in-house. In cases where specialized expertise is required to appropriately carry out initiatives, it may contract work to outside contractors. In addition, the Council partners with a number of government agencies at the provincial and federal level, research institutions and industry and regional groups to carry out its activities under its core business areas through sponsorships, contribution agreements and other forms of support. Using partnerships as a core principle, the Council strives to approach issues in the innovation sector by building and maintaining relationships with various groups including industry, academia and government and not-for-profit science and technology organizations in managing processes, programs and general activities.

The Council works with a number of volunteers, organizations and professionals to carry out its activities. Volunteers are an important resource to the Council and deserve special recognition. They include:

1. Scientists and research experts who give countless hours to review proposals, participate in workshops and discussions and provide expert advice on issues pertinent to research and scientific merit;
2. Government representatives who provide a broader perspective on the issues;
3. Representatives from public and private research institutions and labs who offer their expertise in research, technology transfer and commercialization; and
4. Prominent technology entrepreneurs who have started and developed some of British Columbia's most successful high-technology companies.

As an organization with a province-wide mandate, the Council serves a number of clients in its primary market defined as the research, technology and innovation sector in British Columbia. The Council's client-base includes companies, post-secondary institutions, high school students, regional science, technology and innovation councils, technology industry awareness groups, federal science and technology agencies and public and private research labs.

Organizational Overview

Location

The Council's offices are located in downtown Vancouver at the Leading Edge Technology Centre. It is co-located with leading technology industry associations and other complementary organizations that support research, technology and innovation in British Columbia.

These organizations include:

1. Academy for Technology CEO's (AceTech)
2. BC Bioproducts Association
3. BC Biotech
4. BC Technology Industries Association (BC TIA)
5. BC Technology Social Venture Partners (BCT SVP)
6. Wireless Innovation Network of BC (WINBC)
7. Lion's Gate Learning Alliance
8. eLearning BC
9. CNRG International Inc.
10. NRC-IRAP (National Research Council Canada - Industrial Research Assistance Program)
11. BC Nanotech Alliance
12. BC MedTech (BC Medical Technology Industry Association)
13. Invest BC
14. Leading Edge Endowment Fund

As an organization with a province-wide mandate, the Council's activities span British Columbia depending on the program and initiatives undertaken. Its programs and initiatives are open to all clients throughout the province. The Council also collaborates with and funds organizations outside of the Lower Mainland (e.g. regional science councils and university-industry liaison offices) to deliver quality programs and initiatives in-line with the Council's goals and objectives.



The Lieutenant Governor in Council through Order-in-Council appoints the members of the Council board and designates the chair from among the board members. An additional seven individuals received Order-in-Council on March 30th, 2006, bringing the total board membership to nine. The new appointments are for three year terms.

The chair is the head of the board, and through the Minister of Advanced Education in his capacity as Minister responsible for Research and Technology, reports to the British Columbia Legislative Assembly. The executive management team consists of the Chief Executive Officer and the Chief Operating Officer, who jointly share the role encompassing both personnel and operational issues.

The board serves in the following capacities:

- Setting the strategic direction and approving appropriate plans from management;
- Recruiting, empowering and monitoring the executive management;
- Shepherding / safeguarding the Council's resources including approving major financial decisions, ensuring internal controls are in-place and address areas of risk; and
- Measuring corporate performance and accounting regularly to the stakeholder including complying with applicable laws and maintaining ethical standards.

As of January 31, 2007 board members include:

- Hector MacKay-Dunn, Q.C., Chair²
- Greg Aasen
- Dr. Max Blouw¹
- Jock Finlayson¹
- Richard Glickman^{2,3}
- Dr. Ken Higginbotham¹
- Greg Kerfoot²
- Dr. Tim Walzak³
- Dr. Alan Winter³

¹ Audit and Finance Committee

² Governance and Board Nomination Committee

³ Human Resources and Compensation Committee

Board Committees

The Audit and Finance Committee assists the board in fulfilling its obligations and oversight responsibilities relating to the audit process, financial reporting, the system of corporate controls, and risk management, and when required, makes recommendations to the full board for approval.

The Governance and Board Nomination Committee reviews the policies and practices of the board, ensures the board's continuing ability to fulfill its legislated mandate, and implements effective due diligence over the governance of the Council.

The Human Resources and Compensation Committee assists the board in fulfilling its oversight responsibilities with respect to the human resources policies and practices of the Council.

Governance Principles

The Council's board has adopted the guiding principles outlined in the Province of British Columbia's Governance Framework for Crown Corporations in establishing a framework from which to operate. These principles include:

- Stewardship, leadership and effective functioning of the board;
- Clarity of roles and responsibilities;
- Openness, trust and transparency;
- Service and corporate citizenship;
- Accountability and performance; and
- Value, innovation and continuous improvement.

Governance Disclosure

The Council's governance documents and related disclosure practices are available on its website at the following link http://www.bcinovationcouncil.com/database/img_4581e49c3c819.pdf.

Senior Management Team

The Council's senior management team consists of:

- | | |
|--|-------------------|
| • Chief Executive Officer | Dr. David Dolphin |
| • Chief Operating Officer | Cindy Lum |
| • Director of Programs | Sam Nakai |
| • Director of Finance & Administration | Philip Reeves |
| • Director of Business Development | vacant |

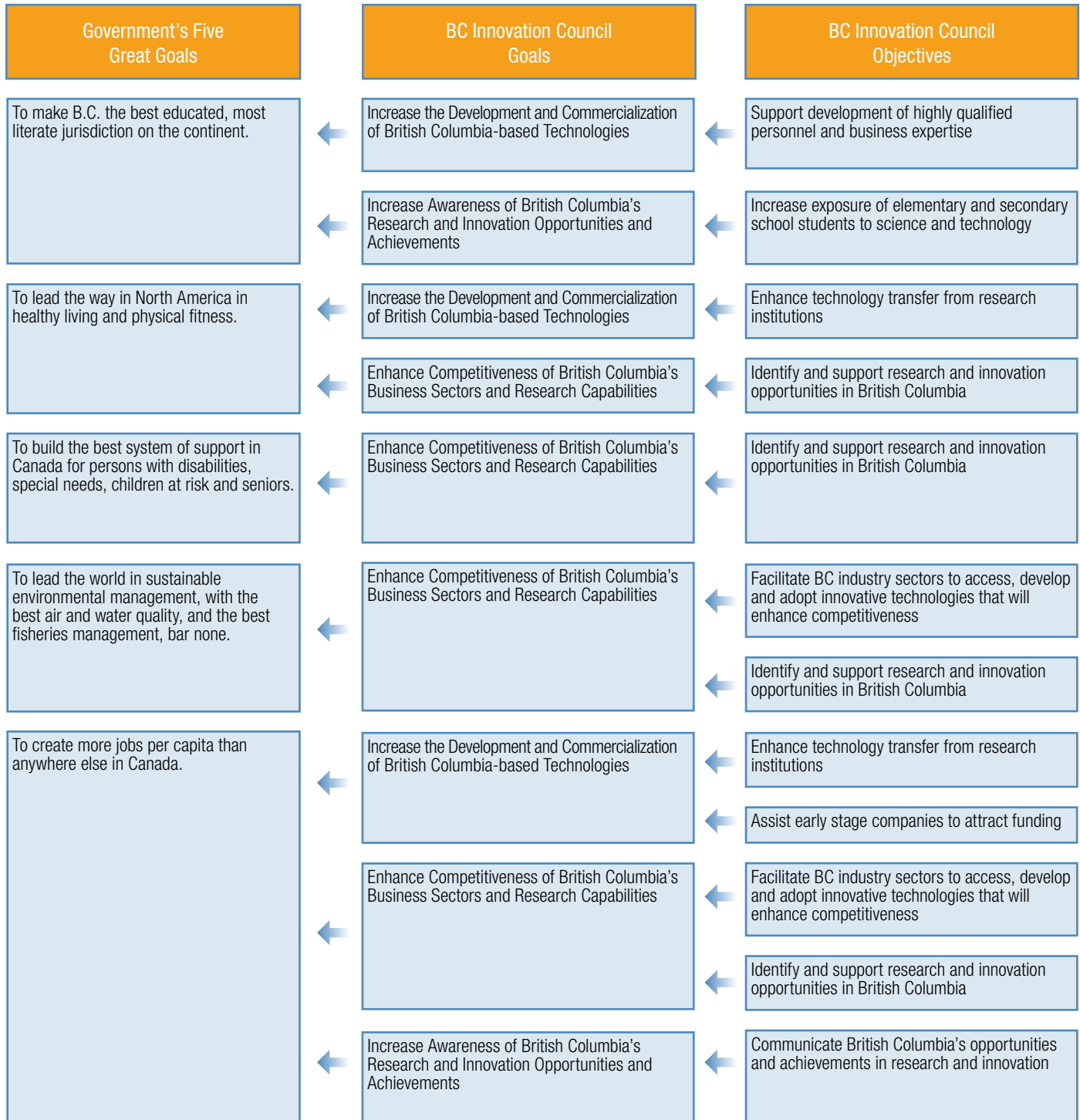
Alignment with Government's Strategic Plan

The Province of British Columbia has established its five great goals for a golden decade. How the Council fulfills these goals are listed below.

Government's Goals within Strategic Plan	BC Innovation Council's Activities
To make B.C. the best educated, most literate jurisdiction on the continent.	The Council develops science and technology expertise in British Columbia by supporting, encouraging and communicating with elementary to graduate students pursuing science, research or technology entrepreneurship and by increasing public awareness of the role of science and technology.
To lead the way in North America in healthy living and physical fitness.	Science and research play a major role in healthy living. The Council supports research and innovation in health and fitness related fields to contribute toward breakthroughs in health research and support of the development of health-related technologies.
To build the best system of support in Canada for persons with disabilities, special needs, children at risk and seniors.	The Council's commercialization initiatives include technologies that address social needs. The Council's awareness and recognition initiatives have highlighted the leaders in research and innovation who play a major role in addressing social needs through technology development.
To lead the world in sustainable environmental management, with the best air and water quality, and the best fisheries management, bar none.	The Council recognizes the need for further research to bring credible scientific information to deal with environmental management issues. Its activities in the aquaculture, bio-products and oceans/marine sectors demonstrate this and the Council intends to support and encourage further initiatives toward this goal through new commercialization and sector development programs.
To create more jobs per capita than anywhere else in Canada.	Investments in research, technology transfer and commercialization result in innovation and improved competitiveness; jobs in the research and innovation sector bring value to the province's economy and way of life. Development of the sector creates more demand for higher paying, more technically oriented jobs for British Columbians and for BC-based innovative products and services. By developing the sector further, the Council will ensure that more jobs are available for British Columbians.

Alignment with Government's Strategic Plan

The Province of British Columbia has established its five great goals for a golden decade. How the Council fulfills these goals are listed below.



Strategic Context

The Council functions in a promising operating environment of a prosperous economy, affecting all sectors. This affords the opportunity to invest for the future and increase British Columbia's long-term competitiveness through innovation. Both government and industry recognize that innovation is the catalyst for competitiveness and growth and have made increasing the province's innovation capacity a priority. The Council's role is to facilitate this process by continuing existing, and developing new, initiatives that enable all sectors and regions of British Columbia to benefit from the province's strengths in technology development and innovation.

Mission

Resulting from the still ongoing strategic planning process, and with input from the Ministry of Advanced Education and Ministry responsible for Research and Technology, the Council adopted a new mission statement:

“To create the conditions for top-tier innovation and commercialization within British Columbia in partnership with government, industry and academia.”

Values

The Council depends on its values as an important guide for its operations as a public sector organization. The Council is:

1. Entrepreneurial by identifying the needs of its primary market - the research and innovation sector in the province - and ensuring that it carries out market-driven activities.
2. Innovative by pursuing opportunities that ensure its resources are effectively leveraged and sustainable activities are developed.
3. Accountable for its activities and ensures efficient, transparent and fair processes are followed.
4. Partner-driven in its collaborations with other organizations in order to bring value-added benefits to its primary market.

Planning Context and Key Strategic Issues

This Service Plan was developed during the time that the Council's strategic planning process, being led by the newly appointed board, was still in progress. The Council will adjust and finalize goals, objectives and strategies that position it for expanded service delivery once the Council's strategic planning process is finalized. The Council will also ensure that its goals and activities outlined in the Service Plan reflect the Provincial

Research and Innovation Framework, which is currently under development. The guiding document that establishes the relational framework between the Province and the Council, the Shareholder's Letter of Expectation, will be finalized once the Council's strategic plan is completed.

A number of strategic issues impact the Council's planning and have been assessed in the process of developing this plan. They have been identified as part of Council's strategic planning process and reflect ongoing consultations with Council's client base, stakeholders and partners, recent reports on innovation and commercialization in Canada and the Province, and Council's own analysis of technology development, commercialization and innovation in the province and other jurisdictions.

Significant Risks and Opportunities

The Council has emerged from a state of transition, with strong support from the government and the research and innovation community. Demonstrating the importance of a multi-disciplinary board in order to lead the significant expansion plans, a group of leading executives in the innovation community whose backgrounds encompass world-class research and development and technology entrepreneurship have committed to guide the Council. The Act that officially established the BC Innovation Council was amended in March 2006. The Council is currently developing a strategic plan with the board and intends to expand significantly commensurate with the broad mandate it has been given by the Province to lead the development of the innovation sector in British Columbia.

Innovation is widely acknowledged as a major driving force of economic and social benefit. There is a strong linkage between innovation and economic development. Most innovative industries are proven to have higher productivity, a faster growth rate and higher paying and quality jobs¹. With increased productivity, society will be able to maintain and raise its standard of living.

A key component to innovation is the commercialization of innovative technologies that has been recognized in Canada as well as other jurisdictions as a vital economic driver. The Council is positioned to participate on behalf of the Province as the central agency that connects people who make commercialization happen and the Province's efforts to encourage it. This

¹The Conference Board of Canada, "Exploring Canada's Innovation Character: Benchmarking Against Global Best", June 2004, page 2.

includes facilitating development of early-stage high-technology companies and private industrial research as well as focussing on transferring technologies from post-secondary institutions, where a significant majority of the research conducted in British Columbia occurs, to industry.

While successful innovations have been commonly associated with the high-technology sector, innovation is not exclusive to only this sector. Innovation applies to all sectors in the economy including the traditional goods-producing industries and natural resources sectors in order to create wealth and improve the standard of living amongst British Columbians. Economic diversification based on strong competitive advantages in all technology sectors will drive the establishment of a strong knowledge-based economy in the province.² Many of the external factors indicate that the Council functions in a relatively stable operating environment with opportunities for growth in specific areas that will further develop British Columbia's innovation sector.

Economic Factors³

- British Columbia's level of real GDP per capita is fourth among the Canadian provinces.
- Although GDP per capita is below the Canadian average, the overall trend is that it is increasing. British Columbia's annual growth rate of real GDP per capita ranked 3rd and was ahead of the national average in the last three years.
- Canada ranks 17th out of twenty-three OECD countries in terms of overall productivity.
- Labour productivity in British Columbia is below the national average and overall growth in productivity in both Canada and British Columbia is stagnant.
- Over the last decade, British Columbia's employment to population ratio has been relatively constant at approximately 70% which ranks the province 11th out of 31 jurisdictions.

² British Columbia Integrated Technology Initiative. "Executive Summary". April 2006, page 3.

³ All figures in this section from BC Progress Board, "Fifth Annual Benchmarking Report", December 2005 and BC Progress Board, "Interim Benchmarking Report 2006", June 2006.

Technology Sector⁴

- British Columbia's high technology sector continues to rise, with high technology GDP rising 4.6% from the previous year, to over \$8.3 billion (1997 constant dollars).
- Despite the growth in GDP, employment in the high technology sector in BC fell 2.4% last year.
- It is predicted that available venture capital funding will begin to decline in 2010.⁵

Research and Development

Canada's private investment in research and development is 53% and declining; compared to the 70% benchmark for OECD countries.⁶

- In 10 years preceding 2002, the province with the largest increase in Canada with respect to research and development spending as a percentage of GDP was British Columbia with a 37% increase⁷.
- Canada ranks 18th out of 29 OECD countries in graduation rates at a doctoral level⁸.
- \$224 million was allocated from the 2006/07 Government of British Columbia budget towards research and innovation in addition to \$130 million over the next three years in post-secondary seat expansion.

Potential Impact of Risks and Mitigation Strategies

In response to the demonstrated need for people with appropriate technical and management skills to commercialize new technologies and successfully grow companies and/or adapt new knowledge for improved competitiveness, the Council intends to expand its human resources development initiatives that foster technical and entrepreneurial skills and increase business capacity in these areas. The recently announced British Columbia Industrial Innovation Fellowship addresses gaps in technical and management capacity by increasing the pool and quality of personnel with the ability to manage the development and commercialization of technologies for international markets.

With the strong interest in innovation and commercialization,

⁴ All figures in this section except where noted from BC Stats & Leading Edge BC, "Profile of the British Columbia High Technology Sector", January 2006.

⁵ National Research Council, "Looking Forward: S&T for the 21st Century". August 2005.

⁶ Ibid.

⁷ BC Progress Board, "Fifth Annual Benchmarking Report", December 2005, page 81.

⁸ OECD, "Science, Technology and Industry Scoreboard 2005".

the Council continually receives requests for support of early-stage companies and in response is developing appropriate programs to encourage private investment into these types of companies. The new Accelerated Commercialization Enhancement Program will provide a framework program to increase management capacity of technology companies and improve investor confidence to attract private investment capital to help develop more successful companies. Moreover, the overall interest in the technology community to showcase innovation has enabled the Council to continue its recognition program and student awareness.

With the need for further resources directed at developing research capacity in the province, the Council intends to continue supporting a number of research projects and coordinate research opportunities through its various research funds and sector development work. A new Sector Development Program currently being developed will help excel international competitiveness of entire sectors through collaborative technology development initiatives.

The growing interest in companies to compete internationally has encouraged the Council to establish an Office of International Partnerships that will assist companies to enter new markets and form research project partnerships with international researchers.

Increased services to the research and technology community provides a unique opportunity for Council to establish itself as the one-stop point of access and support for technology transfer and commercialization and build the partnerships and collaborations to provide the services and programs that will help grow a world-class technology base.

Capacity Issues

The key issue facing the Council is the limited funding and related limited human resources to effectively fulfill its intended purpose and mandate by increasing its activities.

To pursue the ambitious growth strategy and achieve the anticipated five to ten fold increase of activities over the next three years, the Council requires an expansion of its funding and organizational structure. Such expansion presents risks and the Council will manage such risks as outlined below.

The Plan presents a financial forecast consistent with previous years to comply with Service Plan guidelines. However, Council is anticipating securing additional

support over the next three years. The Council secures its revenues from various sources including contributions from the Province of British Columbia, as well as other public and private organizations for project-specific and/or program delivery services. In light of the fiscal restraint and the many priorities of the Council's various funders, the securing of funds to support such expansion requires careful planning. Plans include managing with status quo funding in the next fiscal year while the expansion strategy is being pursued. As part of its strategic planning process, additional sources of revenues and partnership agreements are being identified and pursued. In addition, the Council continues to communicate with potential funders to present justifiable plans and develop leveraging opportunities to ensure utmost efficiency of all contributions.

Because the Council operates in an inter-dependent fashion with partners, collaborators and other complementary organizations to deliver value-added services, changes within a partner organization may impact the efficiency of some of Council's initiatives. These are external factors outside the control of the Council except in ensuring that the Council follows established guidelines for signing clear agreements that attempt to mitigate this risk.

The Service Plan calls for an expansion of human resource capacity at the Council to manage new initiatives and activities. Of primary importance is developing the Council's capacity to ensure that the right expertise resides within the organization. The Council will continue to expand its human resources capacity in 2007/08 to enable the anticipated expansion of activities in this and subsequent years as funds become available. Council strategies will include engaging experienced personnel agencies for recruitment, reviewing and updating compensation guidelines, employee development, and providing a balanced work-life environment.

The Council recently began the search for a new Chief Executive Officer. As the current CEO steps down from his temporary position, the Council will undergo a transition period when the newly hired CEO begins his/her term and familiarizes himself/herself with the new position and organization.

The human resources capacity issue and funding risks are important and will have significant impact on the future direction of the Council. A status quo level for the Council will adversely affect its ability to meet the mandate that has been given by the Province. The Council intends to move forward with introducing new initiatives in 2007/08 as funding is secured.

Strategic Context

Key Strategic Issues

To meet identified needs in the commercialization and innovation process at the business level and in key strategic areas, the Council is and will be addressing these needs through new programs that are suitable within existing government policies.

The Council will address meeting identified needs and optimizing opportunities to leverage external funds as part of its current strategic planning process. To help expand the R&D investment level in the province and help develop the research, development and production facilities from laboratories to technology parks that form the basis of viable, self-sustaining clusters of expertise and technology development, it will review and develop options that maintain a market-based approach, include leveraging as a condition of funding, and serve innovation and technology commercialization needs at the company level. New initiatives being identified as part of the strategic planning process will balance the differing needs and policy considerations.

Goals, Objectives, Key Strategies, Measures and Targets

The Council has defined three key goals as follows.

Goal 1: Increase the Development and Commercialization of British Columbia-based Technologies

The Council's primary mandate is commercialization of British Columbia's world class technology-based products that underlie a vibrant innovation culture and a prospering economy. Commercialization of technology covers the process from research and technology development to market introduction and sales growth. British Columbia has gained a strong international reputation for having established world-class expertise and innovation at its universities and research institutions. This has spawned numerous successful companies and enabled the development of several emerging technology industries in the province. A long time partner in this process through its predecessor organizations, the Council will continue

to implement a province-wide coordinated strategy to further the commercialization of British Columbia's technology, by focusing resources on issues of major importance to universities, research institutions and companies. These include applied technical and business skills development, improved access to venture funding at the early stage, strengthened research - industry linkages and increased commercialization of technologies across business sectors. The Council has developed new initiatives to address these gaps. The Accelerated Commercialization Enhancement (ACE) Program and the BC Industrial Innovation Fellowship Program, as described previously, are examples of two immediate programs the Council will be introducing to address these issues.

Measure	Definition	Forecast: 2007/2008	Forecast: 2008/2009	Forecast: 2009/2010
Number of technical and management personnel completing Council programs.*	Internal count of the number of awardees of Council's technical and management fellowship/scholarship/training programs whose final reports are approved.	Establish new baseline at the end of 2007/08 and determine target increase for subsequent years.	Target increase to be determined for 2008/09 in 2007/08	Target increase to be determined for 2009/10 in 2007/08.

* This is a preliminary performance measure that is subject to change depending on the outcome of Council's Strategic Planning process, which is due to be completed in spring 2007. Additional performance measures and targets under this goal will be developed during the course of the 2007/08 fiscal year, and will be included in the Council's 2008/09 - 2010/11 Service Plan.

Goals, Objectives, Key Strategies, Measures and Targets

Objective 1.1: Support development of highly qualified personnel and business expertise

Access to educated and experienced personnel is a key requirement for commercialization, and is one of the most-cited issues by the technology community and confirmed in recent reports on commercialization and innovations. The Province needs to increase the availability of highly qualified personnel (HQP - includes students, post-doctoral fellows and research associates in scientific fields), as well as professionals with the entrepreneurial mindset and specific experience necessary to bring innovations out of the research lab, through development, and into the marketplace. This objective focuses on the importance of highly trained technical researchers and business managers crucial to the development of future innovations and establishment of successful companies.

Strategies to support HQP and business expertise development include:

- Distributing scholarships, fellowships and other awards that leverage external sources of funds, industry and other resources to develop and retain research and business expertise in the province's innovation sector;
- Introducing a leveraged fellowship program that links researchers and companies and is geared to groundbreaking technologies with a high potential for commercialization;
- Reviewing technology companies' areas of critical need in terms of HQP and business expertise, and facilitating access to such individuals, through development and facilitation of recruitment initiatives that leverage external support from federal and industry sources;
- Introducing programs that will develop management skills required to improve the efficiency of bringing innovative technology products and processes to market and help attract more private investment;
- Developing initiatives that provide for educational opportunities for personnel to gain international business expertise in key geographic regions;
- Developing and supporting workshops, publications and other communication methods that educate researchers on the current research needs in various sectors of importance to British Columbia.

Objective 1.2: Enhance technology transfer from research institutions

The province's research institutions are important generators of innovations that drive British Columbia's new economy. British Columbia's major universities have excelled at transferring their technologies to industry through various mechanisms such as creating spin-off companies and licensing. The Council will continue to support these efforts and will work in partnership with the university-industry liaison offices (UILOs), regional science councils and other appropriate organizations to provide value-added activities to further enhance and enable technology transfer for post-secondary institutions. This objective focuses effort on much of where research is currently occurring in the province, the post-secondary institutions.

Strategies to enhance technology transfer include:

- Continuing and increasing funding to UILOs and regional science councils through the S&T Fund;
- Partnering with UILOs and research institutions to facilitate cross-institutional development of technology solutions to identified industry needs;
- Supporting development of technologies to a more mature stage (adding value to processes and products) at the research institution before they are transferred to industry;
- Exploring innovative partnerships with industry, government and international communities to assist in technology transfer;
- Developing research databases in various sectors to inform and facilitate collaborations between industry, government and academia.

Objective 1.3: Assist early stage companies to attract funding

The province derives the greatest benefit from new technologies, when they are commercialised through local companies. Such companies are usually formed around an innovative technology and grow over a number of years. A prominent challenge in this process is the ability for a start-up company to raise capital during its early stage of development. They lack the business experience, resources, and maturity of technology product/services to attract early stage capital. This objective addresses this critical gap of early stage financing and also addresses other areas of corporate and technical development in the company such as management expertise, market analysis, intellectual property strategies, etc.

The Council will expand its efforts and provide a variety of initiatives to help British Columbia technology companies become more “investor ready” and facilitate a greater access to seed capital.

Strategies to assist early stage technology companies attract capital include:

- Investigating options and developing initiatives that improve management skills and increase investor confidence to address the early stage investment gap;
- Creating and leveraging opportunities for management to obtain assistance in preparing for funding, through such programs as formal educational opportunities, expert advice and mentorship support;
- Facilitating opportunities for companies to connect with and attract technical expertise and skilled management inter-provincially, nationally and internationally;
- Creating opportunities that connect companies with investors, partners, sales channels, other technology developers etc. across the province, Canada and internationally;
- Facilitating investments from private capital, through such potential initiatives as providing technical due diligence to private investors and hosting trade missions;
- Establishing key relationships with senior government officials to assist companies in developing business in international markets through the Office of International Partnerships.

Goal 2: Enhance Competitiveness of British Columbia's Business Sectors and Research Capabilities

Commercialization of innovative technologies (Goal 1) forms the base of growing new technology-based industries in British Columbia. Of equal importance, innovation has a major role in addressing competitiveness in other industries. British Columbia is increasingly operating in a global context, and it is therefore important to develop initiatives that will create and maintain a competitive edge in established and large industry sectors, that often compete in commoditized world markets, such as forestry, fisheries, agriculture, mining, and energy production. Such gains in competitiveness through innovative new products and services and / or productivity gains, require new technology, information or expertise to be identified, developed, and adopted.

BC Innovation Council has longstanding connections and experience with the innovation process and research institutions. The Council will leverage these links by assisting companies and sectors in established and emerging industries throughout

British Columbia in identifying (and developing, as needed) new technology and research that will enable them to increase productivity and thus their ability to compete. These new resources will leverage federal programs, and bring key industries in the province closer to the forefront of innovation.

Programs proposed that address this goal include the Sector Development Program as well as the Regional Innovation Enhancement Support Program. In fiscal year 2006/07, the Council was able to support all nine regional science councils with expanded funding on a one-time basis. The Council is actively working with the Ministry of Advanced Education to ensure the enhanced funding provided to the nine regional councils is maintained on an ongoing basis.

Measure	Definition	Forecast: 2007/2008	Forecast: 2008/2009	Forecast: 2009/2010
Number of research and technology development/adaptation projects or initiatives identified and pursued.*	Internal count of sectoral-based research and technology development/adaptation projects or initiatives that are committed for Council support through funding or in-kind participation.	Establish new baseline at the end of 2007/08 and determine target increase for subsequent years.	Target increase to be determined for 2008/09 in 2007/08.	Target increase to be determined for 2009/10 in 2007/08

* This is a preliminary performance measure that is subject to change depending on the outcome of Council's Strategic Planning process, which is due to be completed in spring 2007. Additional performance measures and targets under this goal will be developed during the course of the 2007/08 fiscal year, and will be included in the Council's 2008/09 - 2010/11 Service Plan.

Goals, Objectives, Key Strategies, Measures and Targets

Objective 2.1: Facilitate BC industry sectors to access, develop and adopt innovative technologies that will enhance competitiveness

Research and innovation needs are unique to each business sector. Some sectors require further science-based evidence to develop new products, processes and services while other sectors are in need of cost-cutting innovations to increase productivity or introduce innovative new products. The Council will expand work with each of the major sectors to identify their needs for novel technologies and ways in which its links to research institutions and government to utilize and leverage resources. This objective focuses at the macro level on the various business sectors and their ability to innovate.

Strategies include:

- Identifying the major technology or research needs of the different business sectors;
- When appropriate, facilitating cross-industry collaboration to address technology or research needs;
- Facilitate development of the research initiatives through various support mechanisms that may include leveraged funding.

Objective 2.2: Identify and support research and innovation opportunities in British Columbia

Succeeding in a competitive market requires the ability to respond effectively to sudden challenges and opportunities. This objective addresses the importance of the province's research expertise and attempts to take advantage of the non-commercial value of research to benefit the social and/or environmental aspects of the quality of life in British Columbia and beyond. SARS, avian flu and the pine beetle infestation are recent examples of areas where sudden action is of critical importance, where solutions involve a strong component of science and technology and which require a coordinated response that transcends individual companies to develop innovative solutions.

BC Innovation Council occupies a unique position and enjoys a history of working with government, industry and academia for the province's common benefit. The Council intends to leverage these links by proactively developing solutions to emerging challenges and opportunities that affect our economy and where British Columbia has, or can develop, a competitive advantage.

Strategies to apply British Columbia's research and innovation capacity to emerging opportunities include:

- Developing a mechanism or framework to identify opportunities to apply the province's research and innovation expertise;
- Developing actionable plans, leveraging on existing capacity and funding from different sources to address the research and innovation opportunities;
- Planning and implementing follow-on strategies for capturing value for British Columbia and/or British Columbia companies.

Goal 3: Increase Awareness of British Columbia's Research and Innovation Opportunities and Achievements

British Columbia has made significant achievements in research and innovation that can be expected to create considerable value in the future, bringing prosperity to the province and helping to establish British Columbia as one of the world's top ten technology centres. Government also called on the Council to help build and maintain a vibrant innovation culture in the province. To realize and optimize these innovation opportunities, the main stakeholders – the public, provincial and federal government and industry – need to be aware of the importance of innovation for economic prosperity and the possibilities and the requirements to realize these opportunities.

The BC Innovation Council has a longstanding mandate to address innovation culture and promote the province's achievements and capabilities. It has established a number of initiatives that highlight opportunities and achievements in research and innovation. The Council will expand these efforts in collaboration with other agencies and organizations, in particular the Province and Invest British Columbia, to strengthen communications with stakeholders at the provincial, national and international level. Strong support from industry, academia and government will allow the Council to work closely with its partners to communicate a balanced and credible view of the issues affecting the technology sector and the development of a vibrant innovation culture in British Columbia.

Measure	Definition	Forecast: 2007/2008	Forecast: 2008/2009	Forecast: 2009/2010
Number of media reports mentioning Council initiatives, events and recipients of support programs.*	Internal Communications Department count of each instance of mention in the media (formal news channels, articles and webpages) of Council initiatives, events and recipients of support programs.	Establish new baseline at the end of 2007/08 and determine target increase for subsequent years.	Target increase to be determined for 2008/09 in 2007/08.	Target increase to be determined for 2009/10 in 2007/08.

* This is a preliminary performance measure that is subject to change depending on the outcome of Council's Strategic Planning process, which is due to be completed in spring 2007. Additional performance measures and targets under this goal will be developed during the course of the 2007/08 fiscal year, and will be included in the Council's 2008/09 - 2010/11 Service Plan.

Goals, Objectives, Key Strategies, Measures and Targets

Objective 3.1: Communicate British Columbia's opportunities and achievements in research and innovation

This objective focuses on communicating the research and innovation expertise and opportunities in the province and helps promote a vibrant innovation culture to ensure that a steady flow of interest and awareness is being nurtured with academia, industry and government, both inside and outside the province. As a Crown agency, the Council is well positioned to lead the development of a comprehensive provincial communications plan to promote research and innovation for economic development and prosperity as well as the sector opportunities and achievements in collaboration with appropriate agencies. It will leverage the resources provided by others organizations, such as Invest British Columbia as well as specific industry organizations and support groups. The Council also has a longstanding history of recognizing the province's leading researchers, scientists, science communicators and technology entrepreneurs through its annual awards dinner and related communications activities and plans to expand these activities.

Strategies to communicate British Columbia's opportunities and achievements in research and innovation include:

- Developing a provincial communications plan for research and innovation in conjunction with the Province and other organizations;
- Providing recommendations and information to the Province of BC, the Government of Canada and other governments;
- Partnering with other organizations to create opportunities to communicate through various media;
- Expanding Council's communications efforts (newsletter, media relations program, supporting events that increase awareness, monitoring and leveraging continued achievements of previous award winners) to ensure the leadership of the Council and the Province are an ongoing part of public reporting and recognition;
- Hosting international delegations interested in understanding the research and innovation sector in the province;
- Expanding the annual Council awards program as appropriate;
- Monitoring and leveraging the continued achievements of previous award winners to bring greater recognition to the province.

Objective 3.2: Increase exposure of elementary and secondary school students to science and technology

A vibrant innovation based economy relies on the continued supply of highly skilled students looking to pursue careers in science, research and technology development and the management of technology focused companies. This objective develops the interest in science to youth at an early stage to encourage and nurture a steady flow of post-secondary students into the fields of science and business to develop research, innovation and commercialization capacity in the province. The Council, through its predecessor organization, has been promoting science and technology to students for several years through programs such as its support for Science Fairs and science student recognition events, and will continue this work in partnership with other organizations, while also developing new initiatives.

Strategies to create student and public awareness of the research and innovation sector include:

- Continuing to support science fair foundations and recognition of the province's science fair winners;
- Partnering with other organisations to create educational opportunities for students to interact with researchers and technology entrepreneurs;
- Continuing to award the top graduating science student at each British Columbia secondary school with a science prize.

Performance Management System

The Council's performance management systems are designed to provide efficient and practical measurement of its progress in attaining its stated objectives. As the Council is currently undergoing a board led strategic planning process, operational plans are not yet finalized, as are the final establishment of performance measures, baselines and targets. The Council has however, established preliminary performance measures based on best available information in advance of its strategic plan. As these are new measures, baseline and future year targets for these preliminary measures will be determined during the course of fiscal year 2007/08, and will be included in the Council's 2008/09 to 2010/11 Service Plan.

All of the Council's performance measures will be collected and maintained in-house and reviewed on a periodic basis throughout the year. In cases where Council supports initiatives implemented by other complementary organizations, Council will request appropriate records are maintained and reported back as a condition of support.

Council will ensure that chosen measurements are quantifiable and measure the related objective rather than the strategies. By doing so, there is assurance that if the targets are met, then it follows that the objectives have been met and therefore the goals have been achieved.

Summary Financial Outlook

The Council's core operations and activities are funded by the Province through the Ministry of Advanced Education, which is also the Ministry responsible for Research and Technology. The Council leverages those funds to secure additional financing for projects, programs and initiatives from other sources. Other sources may include various organizations within the federal and provincial governments as well as private, public and non-profit science and technology organizations that require the Council's expertise through contract services.

In fiscal year 2005/06, the Council was charged with stewarding \$50 million from the Province of British Columbia for the Natural Resources and Applied Sciences (NRAS) Research Endowment Fund. The Province directed the Council to account for the funds as revenues in its financial statements in the current year. As an endowment, it is expected that the capital will be preserved. Management of the fund will be overseen by an independent steering committee and it is anticipated that the resulting program will be administered by a new organization external to the Council.

Key Forecast Assumption

The forecast is presented with consistent provincial revenues over the next three years. It is anticipated that a significant expansion of funds is necessary to align expenditures with the level of activity corresponding to the goals outlined in this Service Plan. Accordingly, the staffing level indicated has been kept in line with the funding level presented. However, as with the funding level, the number of Council employees will significantly increase to correspond with the necessary level of activity.

In fiscal year 2006/07, the Council received an additional one-time amount of \$819,000 from the Province to support nine regional science and technology councils over and above those supported through the normal \$1.964 million S&T Fund. The forecast in subsequent years assumes that this additional amount will not continue and that the S&T Fund amount will return to status-quo levels.

In the same year, the Council also received an additional \$1 million from the Province towards the ACE program. This amount, as well as \$3.5 million for an Agri-Food Bioproducts Science and Innovation Fund, which was received in fiscal year 2005/06, is accounted for under "deferred revenues" (a balance sheet entry) according to GAAP rules until the programs are introduced and award commitments are signed, at which time,

these amounts will be recognized under operating revenues (i.e. Program Funding) in subsequent years.

Interest on the \$4.5 million deferred revenue amount described above is forecast to be \$165,000 in 2006/07. To more accurately reflect the interest earned on amounts reflected in the Financial Chart (i.e. operating revenues and Funds Committed to New Programs), \$165,000 was carved out of the interest line in the Financial Chart.

Because the NRAS Endowment Fund is external to the Council's normal operations it is presented as a separate operating segment. The Fund's revenues appear on a separate summary chart from the Council's operating revenues. Since the Council's role is that of a steward, the Council is unable to forecast the rate at which the earned interest will be expended, nor forecast any additional revenues which may be secured to add to the initial principal.

Funds Committed to New Programs are accumulated funds from past years that were not expended, but have been directed for future programs. This amount is referred to in the Council's audited financial statements as Appropriations. The Council forecasts expending \$2 million in the current fiscal year and the remaining amount in fiscal year 2007/08 when its strategic plan is finalized and agreements with awardees and fund recipients can be secured.

As the Council does not operate analogous to a corporation with earned revenues from the sale of goods or services, it carries no retained earnings but commits its surplus funds to future programs under Funds Committed to New Programs.

Forecast Risks and Sensitivities

The Council is almost fully dependent on the Ministry of Advanced Education as its main revenue source. As a result, the operations of the Council are very sensitive to fluctuations in the funding provided by the Ministry. In addition, revenues from other program funders are dependent on the funders' activities and plans and therefore are also sensitive to fluctuations.

The Funds Committed to New Programs that are forecast to be expended in fiscal year 2007/08 will appear as an excess amount of expenses over revenues. This excess is monies which the Council currently carries and therefore presents no risk in regards to the solvency of the organization.

Summary Financial Outlook

Financial Chart

The budget presented below summarizes the Council's anticipated funding and allocation of operating funds for the next three years.

	Actual: 2005/2006	Forecast: 2006/2007	Budget: 2007/2008	Forecast: 2008/2009	Forecast: 2009/2010
Operating Revenues					
Ministry of AVED					
Base	\$3,268,000	\$3,268,000	\$3,268,000	\$3,268,000	\$3,268,000
S&T Fund	1,964,000	2,784,000	1,964,000	1,964,000	1,964,000
Program Funding	1,565,000	1,750,000	1,225,000	1,225,000	1,225,000
Interest	168,000	305,000*	40,000	40,000	40,000
Total Operating Revenues#	\$6,965,000	\$8,107,000	\$6,497,000	\$6,497,000	\$6,497,000
Operating Expenses					
Programs & Initiatives	\$3,436,000	\$8,425,000	\$7,198,000	\$4,500,000	\$4,500,000
Operating / General & Admin.					
Rent	146,000	152,000	152,000	152,000	152,000
Salaries & Benefits	1,037,000	1,130,000	1,445,000	1,445,000	1,445,000
Other	467,000	400,000	400,000	400,000	400,000
Total Operating Expenses	\$5,086,000	\$10,107,000	\$9,195,000	\$6,497,000	\$6,497,000
Unexpended Operating Revenues	\$1,879,000	(\$2,000,000)	(\$2,698,000)	-	-
Funds Committed to New Programs	\$4,698,000	\$2,698,000	-	-	-
Retained Earnings	-	-	-	-	-
FTE s#	13	15	17	17	17
Capital Expenditures	-	-	-	-	-

* Interest amounting to \$165,000 attributable to deferred revenues of \$4.5 million has been carved out from this line item.

Consistent revenue and FTE figures are presented over the three year period. It is anticipated that a significant increase in funding and staffing levels is necessary in order for the Council to align its future level of activity with the goals outlined in this Service Plan.

Summary Financial Outlook

Natural Resources and Applied Sciences Research Endowment Fund

The Natural Resources and Applied Sciences (NRAS) Research Endowment Fund is detailed in the summary financial chart below. The Endowment Fund is considered to be a separate operating segment because management of the fund will be overseen by an independent steering committee and it is anticipated that the resulting program will be administered by a new organization external to the Council.

The initial contribution of \$50 million was received in fiscal year 2005/06. As an endowment, it is expected that the capital will be preserved. Interest earnings are forecast to be constant over the next four years.

	Actual: 2005/2006	Forecast: 2006/2007	Budget: 2007/2008	Forecast: 2008/2009	Forecast: 2009/2010
NRAS Endowment					
Principal	\$50,000,000				
Earned Interest		\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000

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