

Ministry of
Finance

2009/10
Annual Service Plan Report



Ministry of Finance

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Message from the Minister and Accountability Statement



As Canada emerges from the world-wide economic downturn, British Columbia continues to lead the way. One of the keystones of our plan to maximize our advantage in recovery is the introduction of the Harmonized sales tax (HST). At 12 per cent - which simply combines the existing five per cent Goods and Services Tax plus the seven per cent provincial sales tax - the HST in British Columbia is the lowest rate in Canada. As part of our economic strategy, the HST will position British Columbia as one of the most competitive jurisdictions in the world. Businesses will benefit from lower input costs, and industries such as mining and forestry will benefit because those lower costs will encourage job-creation, keeping British Columbia competitive and encouraging investment. Economic experts have told us that the HST is the single most important move the Province can make to boost investment and reinvigorate the economy.

As a result of our responsible fiscal management, British Columbia has received confirmation of our triple-A credit rating. That means lower interest rates, lower borrowing costs and savings that are used to fund services for people rather than paying interest to banks and lenders.

Since 2001, we have reduced taxes significantly. In the past year alone, we reduced personal income tax by increasing the basic personal amount tax credit to \$11,000. In addition, we increased the small business threshold to \$500,000 from \$400,000, reduced the corporate income tax rate to 10.5 per cent from 11 per cent and doubled the basic training tax credit for employers to \$4,000 from \$2,000. These and other tax cuts support economic growth and diversification throughout British Columbia, contributing to the current economic recovery in our province.

The 2010 Olympic and Paralympic Winter Games provided a powerful economic boost and propelled British Columbia onto the world stage. About 3.5 billion people watched on television and hundreds of thousands—including business leaders from around the world—came to British Columbia to experience the Games in person. It is our task to now capitalize on the exposure and goodwill the Olympics brought. As Canada's Pacific Gateway, we are promoting our businesses and communities to gain access to new markets and attract investment on an unprecedented scale.

The Ministry of Finance *2009/10 Annual Service Plan Report* compares the actual results to the expected results identified in the Ministry's *2009/10- 2011/12 Service Plan Update*. I am accountable for those results as reported.

Under the *Balanced Budget and Ministerial Accountability Act*, in 2009/10, I was accountable for earning \$211.1 million in incremental revenue in respect to revenue payable under enactments administered by the Minister of Finance. For the year ending March 31, 2010, I can confirm \$407.5 million in incremental revenue.

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I am privileged to have such talented staff at the Ministry of Finance and honoured to draw upon their professionalism and enthusiasm. Their commitment to serve the people of British Columbia continues to be exceptional.

A handwritten signature in black ink, appearing to read "Colin Hansen". The signature is fluid and cursive, with a large initial "C" and "H".

Honourable Colin Hansen
Minister of Finance and Deputy Premier

July 5, 2010

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Highlights of the Year

British Columbia maintained its triple-A rating from Moody's Investor Services and Standard and Poor's, through a period of difficult economic times when GDP contracted by 2.3 percent. British Columbia is one of only two provinces in Canada currently rated triple-A.

In September 2009, the Budget Process Review Panel reported that the level of transparency and accountability in the Province's budget process has improved significantly over the past decade.

The *Report on Review of Transportation Governance Models* was released in October 2009. This review was done to ensure Translink and BC Ferries deliver maximum value for customers and taxpayers. Legislation has recently been passed as a result of recommendations put forward to address board composition and executive compensation.

On November 30, 2009, the Province and the federal government signed a Comprehensive Integrated Tax Co-ordination Agreement on the implementation of the Harmonized Sales Tax (HST) in British Columbia. This agreement sets out the terms and conditions by which British Columbia will participate in the HST with the federal government, and came into effect on July 1, 2010. The Ministry also signed a Human Resource Agreement with the Canada Revenue Agency (CRA), which provides the foundation for the smooth transition of affected employees from the provincial government to the CRA. The Human Resource Agreement sets provisions for rate of pay, locations, employment protections and service recognition.

The Ministry concluded the negotiations with the Federal government for accelerated infrastructure projects in 2009/10. A total of \$5.3 billion in accelerated projects have been identified and as of January 2010, over 600 projects were underway.

The Province achieved excellent value for money when the Ministry applied a new and innovative financing model to the Fort St. John Hospital and residential care public-private partnership (P3) project. The Ministry partnered with the private sector to procure the project within scope and budget while utilizing a wide-equity financing structure to secure funding during the international financial crisis.

The Ministry completed the implementation of British Columbia's ground-breaking carbon tax program, the first of its kind in North America. The Ministry earned a Regional Premier's Innovation and Excellence Award in the Leadership category for the outstanding work of the program lead in implementing this initiative.

The Ministry of Finance launched several Medical Services Plan (MSP) billing service enhancements including a range of secure online services, such as the ability to view invoices, review transactions and update addresses online.

The Ministry provides a central service to the Province for revenue and debt administration and collection. In 2009/10, revenue programs administered approximately \$19.42 billion. In addition, the ministry received \$5.16 billion in federal transfers including \$250 million for HST transition.

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In total the ministry administered approximately 71 per cent¹ of the revenue received by the Province. This revenue supports the provision of important government programs, such as health care, education, social services and transportation for British Columbians.

Identifying and collecting outstanding amounts owed to government is critical to maintaining a fair and effective tax system. In 2009/10, the Ministry identified \$407.5 million in incremental revenue, nearly double its target, through audit and compliance activities. In 2009/10 the Ministry also collected \$356 million in overdue amounts owed to government.

¹ Based on provincial revenue reported in the *Summary Financial Statements*, page 40, sum of 2010 actual Revenue (\$37.5B) less actual Net earnings of self-supported Crown corporations and agencies (\$3.0B).

Purpose of Ministry

The Ministry of Finance plays a key role in establishing, implementing and reviewing government's economic, fiscal and taxation policies. The Ministry also delivers fair, efficient and effective tax administration and revenue management processes to provide revenues that fund essential government programs, such as health care, education, social services and transportation infrastructure for British Columbians.

The Ministry continues to focus on the priorities of fiscal sustainability and a competitive economy that will ensure the Province's success in meeting its strategic goals.

The Ministry is responsible for:

- Government's economic forecasting, fiscal planning, budgeting and reporting;
- Tax and non-tax revenue administration and collection;
- Oversight of financial, procurement and administrative governance for the broader provincial public service;
- Banking, accounting, and risk and debt management services for government;
- Policy development for the financial and real estate sectors, and provincial taxation; and,
- Administration of a governance framework for Crown agencies.

The Ministry publishes the government's annual *Budget and Fiscal Plan, Estimates, Public Accounts, Quarterly Reports*, and *Financial and Economic Review*. These documents are available at www.fin.gov.bc.ca/pubs.htm. Ministry clients include the citizens of British Columbia, Treasury Board, Cabinet, ministries, Crown corporations, boards and commissions, agencies, businesses, investors and financial sector agencies.

The Ministry upholds the core values of government – *integrity, fiscal responsibility, accountability, respect and choice* – identified in the [Province of British Columbia's 2010/11 - 2012/13 Strategic Plan Update](#)².

² View the Province of British Columbia's Strategic Plan Update at http://www.bcbudget.gov.bc.ca/2010/stplan/2010_Strategic_Plan.pdf.

Strategic Context

The Economy

Preliminary estimates from Statistics Canada show that British Columbia's real GDP contracted by 2.3 per cent in 2009, following a year of 0.0 per cent growth (or no change) in 2008. The slowdown in British Columbia during 2009 reflects the sharp United States and global economic downturn, the moderation of domestic demand in British Columbia, and volatility in world financial and commodity markets. The Ministry of Finance forecasts British Columbia's economy to return to growth in 2010, with real GDP increasing by 2.2 per cent. Risks to British Columbia's 2010 economic outlook include a double dip recession originating in the United States, slower than anticipated global demand resulting in reduced demand for British Columbia's exports, further appreciation of the Canadian dollar, and further weakening of the US dollar resulting in significant disruptions to global financial and commodity markets.

Harmonized Sales Tax

The Province harmonized the provincial sales tax (PST) and the federal Goods and Services Tax (GST) into a single Harmonized Sales Tax (HST) effective July 1, 2010. The implementation of the HST will lower costs for business, enhance productivity and create jobs. As such, it is the single biggest step the government can take to create jobs, improve the provincial economy and provide a competitive advantage for British Columbian businesses. Managing the transition to the HST was a priority for the Ministry in 2009/10 fiscal year.

Report on Performance

This section reflects performance related to the goals, objectives, performance measures and targets contained in the *2009/10 - 2010/11 Service Plan Update* for the Ministry of Finance.

In developing and reporting on performance measures and targets in the service plan, the Ministry incorporates input and data from reliable independent and government sources. These sources include Ministry financial and business information systems, major credit rating agencies, *Public Accounts*, customer surveys, and provincial statutes. The Ministry also considers past performance trends, government priorities, continuous improvement and the availability of resources. Setting meaningful performance measures and targets, and objectively measuring results allows the Ministry to introduce corrective actions as necessary to ensure that it achieves the goals set out in the Service Plan. Comparable information from prior years is provided for the purpose of historical comparison.

Ministry revenue is audited by the Office of the Auditor General as part of the Summary Financial Statements and reported in the annual *Public Accounts* of the Government of British Columbia. Ministry incremental revenue and debt collection data are monitored by the managers responsible and reviewed by the Ministry's Executive Financial Officer. All other data are approved by the manager responsible for completeness of records and data integrity.

The table on the following two pages provides an overview of Ministry performance in 2009/10, compared to established targets, for each of the Ministry's goals and associated objectives.

Performance Plan Summary Table

Goal 1: Maintain effective fiscal management practices For greater detail see pages 13 to 14	2009/10 Target	2009/10 Actual
1.1 Effective management of government's fiscal plan		
Per cent of ministries that meet government expenditure targets	100%	100% ACHIEVED
Provincial credit rating	Aaa	Aaa ACHIEVED
Goal 2: A strong, competitive and vibrant economy For greater detail see pages 14 to 15	2009/10 Target	2009/10 Actual
2.1 A fair and competitive tax environment		
Provincial ranking of corporate income tax rate	Remain in the lowest four	Second Lowest ACHIEVED
Provincial ranking of personal income tax rates for the bottom two tax brackets	Lowest	Second Lowest SUBSTANTIALLY ACHIEVED
Goal 3: Provide governance frameworks that support government in effectively achieving its objectives and providing the public with value for money For greater detail see pages 16 to 19	2009/10 Target	2009/10 Actual
3.1 Effective financial, procurement and administrative governance, accountability and performance frameworks		
Annual savings from self-insurance (five-year rolling average)	\$79.7 million	\$90 million EXCEEDED
Compliance and controls monitoring savings, and potential Activity-Based Management and Advisory Services savings	\$19 million	23.2 million EXCEEDED
Timely release of the <i>Public Accounts</i>	Released on or before June 30, 2010	July 8, 2010 SUBSTANTIALLY ACHIEVED

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Goal 3: Provide governance frameworks that support government in effectively achieving its objectives and providing the public with value for money For greater detail see pages 16 to 19	2009/10 Target	2009/10 Actual
<i>Public Accounts</i> are prepared in accordance with Generally Accepted Accounting Principles.	Unqualified audit opinion from the office of the Auditor General	Qualified but positive audit opinion from the Office of the Auditor General SUBSTANTIALLY ACHIEVED

Goal 4: Responsive, effective and trusted revenue, tax and benefit administration For greater detail see pages 19 to 22	2009/10 Target	2009/10 Actual
4.1 Individuals and businesses understand their entitlements and obligations, and pay the correct amount on time.		
4.2 The Province receives the outstanding amounts owed		
Percentage of incremental revenue target achieved	100% (\$211.1M)	193.04% (407.5M) EXCEEDED

Goal 5: Quality service that meets or exceeds customer service targets For greater detail see page 22 to 23	2009/10 Target	2009/10 Actual
Proportion of service excellence standards met	6 of 6 standards met	3 of 4 standards met SUBSTANTIALLY ACHIEVED

Goals, Objectives, Strategies and Performance Results

Goal 1: Maintain effective fiscal management practices.

Confidence in British Columbia's economy is enhanced by a sound and sustainable fiscal environment. Responsible fiscal policies ensure the government can maintain and enhance the delivery of key public services, and that the costs of public services are not passed on to future generations.

The deterioration in the pace of provincial economic activity that began toward the end of fiscal year 2008/09 continued in 2009/10, significantly reducing provincial revenues. As a result, the British Columbia government will run temporary deficits during 2010/11, 2011/12 and 2012/13 before returning to a balanced budget in 2013/14. The return to a balanced budget will ensure sustainable fiscal policies over the medium-to-long term. The provincial government will work to strengthen British Columbia's economic competitiveness by investing in core services and accelerating infrastructure investments.

Objective 1.1: Effective management of government's fiscal plan

The government's ability to achieve a sustainable fiscal environment relies upon the development and maintenance of a prudent and resilient fiscal plan. The Ministry plays a critical role in overseeing the fiscal plan and works closely with the federal government, ministries and other public sector partners to ensure that government's annual and three-year revenue and expenditure targets are met.

Strategies

- Continuously monitor revenues, spending and debt set out in the fiscal plan, and take corrective action as required to meet targets.
- Manage government's capital plan, including accelerated strategic investments in infrastructure across the province.

Performance Results

Performance Measure	2007/08 Actual	2008/09 Actual	2009/10 Target	2009/10 Actual
Per cent of ministries that meet government expenditure targets.	100%	100%	100%	100% ACHIEVED

Data Source: *Public Accounts*.

Discussion of Results

This performance result confirms that ministries' operating expenses in the Consolidated Revenue Fund were within their approved estimates plus any subsequent authorizations. These results are also in line with those presented in the Ministerial Accountability Report 2009/10.

Performance Results

Performance Measure	2007/08 Actual	2008/09 Actual	2009/10 Target	2009/10 Actual
Provincial credit rating	Aaa	Aaa	Aaa	Aaa ACHIEVED

Data Source: Moody's Investor Service (Credit Rating Agency).

Discussion of Results

This measure is the rating of provincial debt by Moody's Investor Services, an independent rating agency. Bonds are rated in descending alphabetical order from A to C – highest to lowest. Triple-A (Aaa) is the highest possible rating, provided to those public and private sector organizations that offer excellent financial security and are considered high investment grade entities. 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 determining the Province's credit rating, rating agencies evaluate debt as a percentage of GDP and interest owing as a percentage of gross receipts. Agencies also consider the government's track record in meeting its fiscal targets, its transparency in budgeting and reporting, the economic outlook, and business and consumer confidence in the economy.

In 2009/10, British Columbia maintained its triple-A rating from Moody's Investor Services, the highest possible rating given by the international credit rating agency. British Columbia is one of only two provinces in Canada currently rated triple-A.

Goal 2: A strong, competitive and vibrant economy

Objective 2.1: A fair and competitive tax environment

A tax system that is perceived to be fair increases the confidence of British Columbians in their government. Furthermore, the Province's ability to develop a strong and vibrant economy depends on a tax and regulatory 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. This in turn enhances economic development and creates stable revenues to support critical government services such as health care and education.

Strategies

- Ensure financial and corporate regulatory frameworks are efficient and effective, and protect the public interest.
- Support necessary legislative processes related to implementing the HST.

- Continue to improve the fairness, competitiveness and sustainability of the provincial tax system.

Performance Results

Performance Measure	2007/08 Actual	2008/09 Actual	2009/10 Target	2009/10 Actual
Provincial ranking of corporate income tax rate	In the lowest four	In the lowest four	Remain in the lowest four	Second Lowest ACHIEVED

Data Source: Published legislation from all 10 provinces.

Discussion of Results

This performance measure compares the general corporate income tax rate in British Columbia, as of March 31st each year, to those of other provinces in Canada. A competitive tax environment fosters economic growth by encouraging business investment and promoting a business friendly environment. The government reduced the corporate income tax rate from 11 to 10.5 per cent resulting in British Columbia achieving the second lowest corporate income tax rate in Canada and meeting this performance target.

Performance Results

Performance Measure	2007/08 Actual	2008/09 Actual	2009/10 Target	2009/10 Actual
Provincial ranking of personal income tax rates for the bottom two tax brackets	Lowest	Lowest	Lowest	Second Lowest SUBSTANTIALLY ACHIEVED

Data Source: Personal income tax legislation and budgets from all 10 provinces.

Discussion of Results

This measure provides a comparison of British Columbia's personal income tax rates, for the bottom two tax brackets, with those of the other nine provinces. Maintaining low tax rates supports individuals and families living and working in British Columbia. With annual indexing, the upper limit of British Columbia's bottom two tax brackets has risen to \$71,719 in 2009. As of March 31, 2010, the provincial tax rate for the bottom income tax bracket in British Columbia was 5.06 per cent - second only to Ontario (5.05 per cent), while the British Columbia tax rate for the next income tax bracket was 7.7 per cent - lowest among all provinces. Overall, British Columbians pay the lowest provincial income taxes in Canada for individuals earning up to \$118,000.

Goal 3: Provide governance frameworks that support government in effectively achieving its objectives and providing the public with value for money

The Ministry of Finance is responsible for establishing governance frameworks for financial management, accountability and performance that apply to ministries and the broader public sector. This involves establishing appropriate legislation, policies and procedures and reporting at the corporate level to ensure the Province's resources and obligations are appropriately managed in support of effective service delivery to British Columbians.

Objective 3.1: Effective financial, procurement and administrative governance, accountability and performance frameworks

Governance frameworks are implemented to inform, direct, manage and monitor the activities of government to support it in achieving its objectives. These frameworks define the authority, direction and control exercised in government to facilitate transparency and accountability, which ultimately contributes to public confidence in government. Additionally, the Ministry is responsible for monitoring government's performance and compliance with defined standards and expectations. The Ministry also supports government with tools and training to build capacity to effectively apply these frameworks.

One of the benefits of effective governance frameworks is achieving increased value with public funds. Other Ministry strategies that contribute to increased value for money include a risk-based approach to public sector self-insurance programs and prudent investment practices.

The Ministry uses a risk-based approach to monitoring performance through compliance and controls monitoring and a corporate internal audit program. This approach optimizes the use of limited resources while ensuring that the Ministry examines, assesses, adjusts and mitigates government's most significant risk exposures.

Strategies

- Use risk-based approaches to effectively manage government's resources.
- Meet statutory reporting requirements and comply with Generally Accepted Accounting Principles (GAAP); provide timely and transparent financial information to clients and citizens.
- Ensure appropriate financial and management capacity, systems and guidance are in place.
- Maximize investment returns on surplus cash to minimize borrowing costs and requirements.
- Ensure Crown Agencies are publicly accountable for their programs, services and fiscal management.

Performance Results

Performance Measure	2007/08 Actual	2008/09 Actual	2009/10 Target	2009/10 Actual
Annual savings from self- insurance (five-year rolling average)	\$81.7 million	\$80.9 million	\$79.7 million	\$90 million EXCEEDED

Data Source: Ministry of Finance, Risk Management Branch.

Discussion of Results

This measure demonstrates the savings achieved by government with public sector self-insurance programs, rather than insuring through third parties. Self-insurance involves government assuming the role of a traditional insurer by investigating, defending and paying claims. 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.

Since 1986, self-insurance programs have saved the Province close to \$1 billion. These cost savings allow participating ministries, hospitals, health care agencies, school boards and social service agencies to direct their resources to the delivery of core services. At the end of 2009/10, the five-year rolling average of savings to government as a result of its self-insurance program was \$90 million. This performance exceeded the Ministry's target of \$79.7 million.

Ministry Response

The government self-insurance programs have a very broad spread of risk and costs are considerably lower than insurance industry costs. Additionally, over the past five years the number of self-insured programs has increased, and thus the savings are increasing faster than the historical experience. For example, for the past four years the former BC Building Corporation insurance program for government buildings has been self-insured and three years ago certain public education sector properties became self-insured. Continuing good claims experience and the expansion of the extent of the program results in five year rolling average savings in excess of the target.

Performance Results

Performance Measure	2007/08 Actual	2008/09 Actual	2009/10 Target	2009/10 Actual
Compliance and controls monitoring savings, and potential Activity-Based Management and Advisory Services savings	\$32 million	\$20 million	\$19 million	\$23.2 million EXCEEDED

Data Source: Office of the Comptroller General: Corporate Compliance and Controls Monitoring, Internal Audit and Advisory Services, and Financial Management Branch.

Discussion of Results

This measure demonstrates estimated annual savings realized by government as a result of utilizing a risk-based approach for compliance and controls monitoring. It also includes a five-year rolling average of potential annual benefits from implementing improvement recommendations. The Ministry's delivery of cross government risk-based financial processing and independent management review and audit services provide a basis for evaluating the adoption of best practices and savings. For example, the Ministry provides consulting services that combine process and cost analysis to assist programs to improve performance and reduce costs.

In 2009/10, the target for this measure was \$19 million. The Ministry exceeded its target by realizing an estimated \$23.2 million in savings. These savings were achieved through the adoption of recommendations, as well as more effective payment review processes.

Ministry Response

The Ministry reduces risk and strengthens internal controls through ongoing assessment and deployment of new methodologies, technologies and improved processes resulting in increased savings to government.

Performance Results

Performance Measure	2007/08 Actual	2008/09 Actual	2009/10 Target	2009/10 Actual
Timely release of the <i>Public Accounts</i> ¹	July 17, 2008	July 9, 2009	On or before June 30, 2010	July 8, 2010 SUBSTANTIALLY ACHIEVED

Data Source: Release of the *Public Accounts*

¹ This measure will be considered substantially achieved if the *Public Accounts* are released with 10 business days of the target date.

Discussion of Results

This activity measure captures the timeliness of government financial reporting. Timely release of financial reporting is critical for effective use of the information and helps instil public confidence in government's ability to manage its resources. Both recent performance and future performance targets provide timelier reporting than required in the *Budget Transparency and Accountability Act*, which requires release of the Province's financial statements (*Public Accounts*) by August 31, following each March 31 fiscal year end.

The *Public Accounts* were released on July 8, 2010.

Performance Results

Performance Measure	2007/08 Actual	2008/09 Actual	2009/10 Target	2009/10 Actual
<i>Public Accounts</i> are prepared in accordance with Generally Accepted Accounting Principles ¹	Qualified but positive audit opinion from the Office of the Auditor General	Unqualified audit opinion from the Office of the Auditor General	Unqualified audit opinion from the Office of the Auditor General	Qualified but positive audit opinion from the Office of the Auditor General SUBSTANTIALLY ACHIEVED

Data Source: Release of the *Public Accounts*

¹ This measure will be considered substantially achieved if the Office of the Auditor General provides a qualified but positive opinion of the *Public Accounts*.

Discussion of Results

This measure reflects the completeness of government financial reporting. An unqualified opinion that the *Public Accounts* comply with Generally Accepted Accounting Principles (GAAP) provides an objective and independent assessment that government has met the Generally Accepted Accounting Principles’ standard for disclosure of its financial information, further increasing confidence in the reliability of that information. A qualified opinion would show that the public accounts comply with GAAP except for the areas disclosed and would illustrate the impact of the differences. An adverse opinion would indicate that the summary financial statements would not fairly present the financial position of the Province.

The ministry received a qualified but positive audit opinion from the Office of the Auditor General.

Goal 4: Responsive, effective and trusted revenue, tax and benefit administration

The Ministry manages revenue in relation to statutes it directly administers and, increasingly, statutes administered by other ministries.³ These revenues support the provision of important government programs and services such as health care, education, social services and transportation infrastructure for British Columbians.

The Ministry is committed to identifying and collecting amounts owed to government in a manner that is fair and respectful to citizens and taxpayers.

³ See Appendix B – Hyperlinks to Additional Information

Objective 4.1: Individuals and businesses understand their entitlements and obligations, and pay the correct amount on time

This objective focuses on increasing the receipt of revenue through voluntary compliance. Voluntary compliance, the most efficient and effective means of administering revenue owed to government, means individuals and businesses meet their financial obligations without Ministry intervention through audit, compliance or collection activities. Increased voluntary compliance results in additional funds available to support government programs and services.

The Ministry recognizes that many factors outside of its control determine whether or not taxpayers voluntarily comply with provincial tax laws. The Ministry's approach to promote taxpayers' compliance includes high quality service, a focus on information, education and outreach, a wide range of compliance activities, streamlining administrative processes to make compliance easier and providing an impartial review process should taxpayers disagree with their tax obligations.

Strategies

- Assist British Columbians to better understand their financial obligations to government; improving service and information to the public.
- Provide a centre of excellence for revenue management in government and work with ministries to transition their revenue management functions to the Ministry's centralized revenue management system.

Objective 4.2: The Province receives the outstanding amounts owed

To promote fairness, the Ministry seeks to identify and collect all outstanding amounts owed to the Province and under the administration of the Ministry. This levels the playing field for the vast majority of British Columbians who meet their financial obligations to government voluntarily.

When an individual or business fails to meet their financial obligations, either wilfully or due to an error, the Ministry undertakes audit, compliance or collection activities. These activities ensure amounts owed are paid, educate taxpayers and debtors on their obligations, deter those who might otherwise avoid paying and contribute to increasing voluntary compliance.

Strategies

- Focus compliance and audit activities on areas with the highest risk of non-compliance while ensuring all industry sectors and types of taxpayers are treated fairly and equally.
- Explore further opportunities for applying technological solutions to improve audit practices.
- Improve collaboration and accountability across jurisdictions to help ensure revenue due to the Province is identified and received in a timely manner.

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- Improve practices used to collect outstanding amounts owed to government.
- Manage student loan repayment performance.
- Prepare to transition Provincial Sales Tax and Hotel Room Tax administration to the federal government to the extent that these taxes will be replaced by the Harmonized Sales Tax.

Performance Results

Performance Measure	2007/08 Actual	2008/09 Actual	2009/10 Target	2009/10 Actual
Percentage of incremental revenue target achieved	122% (\$263.1M) ¹ (\$234.5M) ³	198.3% (\$398.5 M) ¹ (\$266.36M) ³	100% (\$211.1M) ²	193.04% (\$407.5M) ¹ (\$275.9M) ³ EXCEEDED

Data Source: Ministry of Finance business information systems.

¹ Incremental revenue identified.

² Incremental revenue target approved by Treasury Board.

³ Incremental revenue normalized to remove extraordinary recoveries. Extraordinary recoveries include unanticipated and one-time incremental revenue. For example, in 2009/10, \$407.5M incremental revenue was identified of which \$131.6M was extraordinary recoveries resulting in \$275.9M of incremental revenue normalized to remove extraordinary recoveries.

Discussion of Results

The Ministry undertakes audit and compliance activities to detect and address non-compliance. The Ministry focuses its efforts in areas where the risk and potential revenue consequences of non-compliance are highest, while maintaining a presence across all industry sectors and all types of taxpayers to ensure fair and equal treatment. This approach encourages voluntary compliance by increasing the credibility and visibility of the Ministry's audit and compliance programs.

This measure is an indication of the Ministry's success in identifying outstanding amounts owed to government through audit and compliance activities. The amounts identified are incremental revenue. Incremental revenue targets are approved annually by Treasury Board as required under the *Balanced Budget and Ministerial Accountability Act*. Achievement of the annual target is a key accountability of the Minister of Finance.

In 2009/10, the Minister was accountable for \$211.1 million in incremental revenue in respect of revenue payable under the enactments he administers. The Ministry exceeded this target, identifying \$407.5 million. The Ministry's strong performance is the result of multiple factors, not the least of which is the presence of an effective compliance program - conducting over 165,000 reviews and audits in 2009/10.

Ministry Response

The Ministry continues to develop incremental revenue targets based on past experience and the best information available, recognizing the challenge associated with forecasting future assessments across a wide variety of industry sectors and types of taxpayers.

Goal 5: Quality service that meets or exceeds customer service targets

The Ministry is committed to service excellence - providing prompt, quality service meeting the needs of its diverse customers and partners.

Strategies

- Deliver customer service that meets or exceeds established Ministry service excellence standards.

Performance Results

Performance Measure	2007/08 Actual	2008/09 Actual	2009/10 Target	2009/10 Actual
Proportion of service excellence standards met ¹	17 of 18 standards met	17 of 20 standards met	6 of 6 ² standards met	3 of 4 ² SUBSTANTIALLY ACHIEVED

Data Source: Ministry of Finance business information systems

¹ Refer to Appendix D for the standards contributing to this performance measure.

² Two of the six service standards were baselined in 2009/10 (refer to Appendix D for details).

Discussion of Results

The Ministry's service standards publicly state the level of performance British Columbians can expect to receive, under normal circumstances, when dealing with the Ministry. Timeliness of service is one of the most important factors in customer satisfaction. The standards in this Service Plan reflect the Ministry's focus on timeliness in areas with the highest volume of customer service interactions and provide the basis for continuous improvement.

A standard is considered "met" if, over the 12 months of the fiscal year, performance meets or exceeds the established target. In 2009/10, the Ministry exceeded, met or substantially met 3 of 4 service standards.⁴ Two service standards performance were baselined in 2009/10 (see Appendix D).

⁴ See Appendix D – Customer Service Standards

Ministry Response

The average elapsed time from receipt of appeal to final decision was 6.9 months in 2009/10, not meeting the target of 5.0 months. The Ministry achieved a 25 per cent increase in productivity over the previous fiscal year; however, outstanding inventory continued to build. The Ministry will continue to process appeals in the most efficient manner possible.

Resource Summary Table

	Estimated ¹	Other Authorization ²	Total Estimated	Actual	Variance ³
Operating Expenses (\$000)					
Crown Agencies Secretariat	830	0	830	747	(83)
Treasury Board Staff	7,023	0	7,023	6,836	(187)
Office of the Comptroller General	12,275	0	12,275	11,127	(1,148)
Provincial Treasury	1	0	1	(44)	(45)
Revenue Programs	11,553	0	11,553	9,085	(2,468)
Revenue Solutions	4,951	0	4,951	(6,212)	(11,163)
Strategic and Corporate Policy	2,047	0	2,047	3,226	1,179
Capital Planning Secretariat	947	0	947	945	(2)
Executive and Support Services	45,600	0	45,600	45,967	367
Total	85,227	0	85,227	71,677	(13,550)
Operating Expenses Statutory Appropriations (\$000)					
Insurance and Risk Management	0	8,923	8,923	8,923	0
Provincial Home Acquisition ⁴	10	0	10	0	(10)
Total	10	8,923	8,933	8,923	(10)
Ministry Capital Expenditures (Consolidated Revenue Fund) (\$000)					
Crown Agencies Secretariat	4	0	4	0	(4)
Treasury Board Staff	0	0	0	0	0
Office of the Comptroller General	0	0	0	128	128
Provincial Treasury	94	0	94	114	20
Revenue Program	0	0	0	0	0
Revenue Solutions	0	0	0	0	0
Strategic and Corporate Policy	56	0	56	55	(1)
Capital Planning Secretariat	0	0	0	0	0
Executive and Support Services	3,326	0	3,326	2,328	(998)
Total	3,480	0	3,480	2,625	(855)

Ministry of Finance

Statutory Appropriations Capital Expenditures \$(000)					
Insurance and Risk Management	0	0	0	0	0
Provincial Home Acquisition ⁴	0	0	0	0	0
Total	0	0	0	0	0
Other Financing Transactions (\$000) ⁵					
Revenue Programs	0	0	0	0	0
Receipts	1,111,600	0	1,111,600	1,141,196	29,596
Disbursements	1,162,700	50,899	1,213,599	1,184,475	(29,124)
Net Cash Source (Requirements)	(51,100)	(50,899)	(101,999)	(43,279)	58,720
Revenue Solutions					
Receipts	81,000	0	81,000	74,163	(6,837)
Disbursements	200,000	0	200,000	209,159	9,159
Net Cash Source (Requirements)	(119,000)	0	(119,000)	(134,996)	(15,996)
Special Accounts – Provincial Home Acquisition Wind-Up					
Receipts	50	0	50	42	(8)
Disbursements	0	0	0	0	0
Net Cash Source (Requirements)	50	0	50	42	(8)
Total Receipts	1,192,650	0	1,192,650	1,215,401	22,751
Total Disbursements	1,362,700	50,899	1,413,599	1,393,634	(19,965)
Total Net Cash Source (Requirements)	(170,050)	(50,899)	(220,949)	(178,233)	42,716

¹ The "Estimated" amount corresponds to the 2009/10 Estimates as presented to the Legislative Assembly.

² "Other Authorizations" include Supplementary Estimates, Statutory Appropriations and Contingencies.

³ Variance display convention is consistent with the display convention used in public accounts. Variance is in all cases "Actual" minus "Total Estimated". If the Actual is greater, then the Variance will be displayed as a positive number.

⁴ This account is established under the *Special Appropriation and Control Act* effective April 1, 2004, for the purpose of providing for expenditures for the winding up of the loan and financial assistance programs under the *Home Conversion and Leasehold Loan Act*, *Home Mortgage Assistance Act*, *Home Purchase Assistance Act*, *Homeowner Interest Assistance Act* and *Provincial Home Acquisition Act*.

⁵ Other Financing Transactions include disbursements by the Province under legislation to government entities. These include disbursements under the *Internal Fuel Tax Agreement (Motor Fuel Tax Act)*, *Land Tax Deferment Act*, *British Columbia Transit Act*, *Transportation Act*, *Greater Vancouver Transportation Authority Act*, *Rural Area Property Taxes*, *Tobacco Tax Amendment Act*, *Tourism British Columbia (Hotel Room Tax Act)*.

Annual Service Plan Report Appendices

Appendix A: Ministry Contact Information

Ministry Central Office

PO Box 9417 Stn Prov Govt
Victoria, BC V8W 9V1

Phone: 250 387-3184

Fax: 250 387-1655

Minister's Office

Honourable Colin Hansen
PO Box 9048 Stn Prov Govt
Victoria, BC V8W 9E2

Phone: 250 387-3751

Fax: 250 387-5594

Media Queries

Phone: 250 356-9872

Fax: 250 356-2822

Appendix B: Hyperlinks to Additional Information

Reports and Publications

- For more information on this and other Ministry Service Plans and Annual Service Plan Reports, please visit: www.bcbudget.ca.
- For other reports and publications of the British Columbia Ministry of Finance, please visit: www.fin.gov.bc.ca/pubs.htm

The Minister of Finance is also the Minister responsible for the following Crown corporations, Boards, Commissions and Advisory Committees:

Crown Corporations:

- Partnerships BC: www.partnershipsbc.ca
- Pacific Carbon Trust Inc: www.pacificcarbontrust.ca
- BC Securities Commission – www.bcsc.bc.ca

Boards and Commissions

- Board Resourcing and Development Office - <http://www.fin.gov.bc.ca/brdo>
- Financial Institutions Commission - www.fic.gov.bc.ca
- Financial Services Tribunal - www.fic.gov.bc.ca/fst
- Insurance Council of British Columbia - www.insurancecouncilofbc.com/PublicWeb/Home.html
- Real Estate Council of British Columbia - www.recbc.ca

Advisory Committees:

Accounting Policy Advisory Committee –

<http://www.fin.gov.bc.ca/brdo/boardView.asp?boardNum=191095>

Appendix C: *Legislation Administered by the Ministry*

The Minister of Finance and Deputy Premier is charged with the administration of all or part of the following enactments, presented alphabetically.

Auditor General Act
Balanced Budget and Ministerial Accountability Act
Bonding Act
British Columbia Railway Finance Act
Budget Transparency and Accountability Act
Business Corporations Act
Business Number Act
Capital Financing Authority Repeal and Debt Restructuring Act
Carbon Tax Act
Consumption Tax Rebate and Transition Act
Cooperative Association Act
Credit Union Incorporation Act
Creditor Assistance Act
Esquimalt and Nanaimo Railway Belt Tax Act
Financial Administration Act
Financial Information Act
Financial Institutions Act
Home Owner Grant Act
Hotel Room Tax Act
Income Tax Act
Income Trust Liability Act
Indian Self Government Enabling Act
Industrial Development Act
Insurance (Captive Company) Act
Insurance (Marine) Act
Insurance Act
Insurance Premium Tax Act
International Financial Activity Act
Land Tax Deferment Act
Logging Tax Act
Manufactured Home Act
Ministry of Consumer and Corporate Affairs Act
Ministry of Intergovernmental Relations Act
Miscellaneous Registrations Act
Mortgage Brokers Act
Motor Fuel Tax Act
Mutual Fire Insurance Companies Act
Partnership Act

Ministry of Finance

Pension Agreement Act
Pension Benefits Standards Act
Pension Fund Societies Act
Personal Property Security Act
Petroleum and Natural Gas Act ss. 74-77
Probate Fee Act
Property Transfer Tax Act
Public Sector Pension Plans Act
Real Estate Development Marketing Act
Real Estate Services Act
Repairers Lien Act
Sechelt Indian Government District Home Owner Grant Act
Securities (Forged Transfer) Act
Securities Act
Securities Transfer Act
Social Service Tax Act
Society Act
Special Accounts Appropriation and Control
Taxation (Rural Area) Act
Tobacco Tax Act
Unclaimed Property Act
Warehouse Lien Act
Warehouse Receipt Act

The Minister of Finance and Deputy Premier is charged with the administration of the following enactments in areas related to revenue management processes only.

Forest Act
Forest and Range Practices Act
Forest Practices Code of British Columbia Act
Forest Stand Management Fund Act
Homeowner Protection Act
Medicare Protection Act
Mineral Land Tax Act
Mineral Tax Act
Ministry of Forests and Range Act
Petroleum and Natural Gas Act
Range Act
School Act
Wildfire Act

Appendix D: Customer Service Standards

The following service standards reflect the level of performance British Columbians can expect to receive, under normal circumstances, when dealing with the Ministry. These standards reflect the Ministry's focus on timeliness - an important driver of customer satisfaction - for key areas with high volumes of customer service interactions. These measures provide the basis for continuous improvement in Ministry customer service. Over time, the Ministry may add or revise service standards to address other services of priority to customers and partners.

A standard is considered “met” if, over the 12 months of the fiscal year, the performance meets or exceeds the established target. A standard is considered “substantially met” if over the 12 months of the fiscal year, the performance achieved at least 95 per cent of the established target. The following table lists the service standards performance targets and actuals.

Service Standards	2008/09 Actual	2009/10 Target	2009/10 Actual
(1) Respond to complex email inquiries and written rulings on sales, hotel, fuel, tobacco, carbon or property transfer tax issues within an annual average response time.	N/A	Establish baseline ¹	18.74 days
(2) Respond to or acknowledge your mail correspondence sent to the Minister, Deputy Minister and Assistant Deputy Minister within 14 business days of receipt.	N/A	Establish baseline ²	48.46%
(3) Process sales, hotel, fuel or tobacco tax refunds within 30 calendar days of receiving all of the necessary information.	97.8%	89%	98.27%
(4) Conclude sales, hotel, fuel or tobacco tax audits within 15 business days of agreement with the audit results.	86.2%	85%	91.67%
(5) Respond to concerns about sales, hotel, fuel or tobacco tax audit results within 20 business days of receiving all of the necessary information.	67%	70%	76.34%
(6) Provide a written decision on issues appealed to the Minister within the average annual response time.	5.6 months	5.0 months	6.90 months

¹ This measure previously monitored the percentage of responses provided within 20 business days of receiving all of the necessary information. Beginning in 2009/10, performance will measure the annual average response time to respond to complex inquiries. Therefore, this performance measure was baselined during 2009/10.

² Due to the consolidation of the ministries of Small Business and Revenue and Finance, the performance for this measure was baselined during 2009/10. Based on this information, targets will be established for future years.