

Treasury Board

- Cabinet Committee as set out in the *Financial Administration Act* accountable for:
 - Allocating the financial resources through the annual update of three year budget and fiscal plan;
 - Making decisions on ministry funding request throughout the year; and
 - Ensuring sound financial management throughout government.
- Chaired by the Minister of Finance
- Supported by Treasury Board Staff (TBS)

Accountable for financial management empowered by legislation including.

Composition:

- The Chair of Treasury Board is the Minister of Finance
- One alternate chair (Vice-Chair) – currently Bruce Ralston (JTT Minister)
- Current composition - 7 Ministers and 4 MLAs
- All members are voting members.

Ministries require Treasury Board approval for:

- Major policy changes that impact the fiscal plan,
- Major capital projects (determined by cost and risk),
- Approvals required in legislation, policy or by directive (including budget letters),
- Fee and fine proposals, and
- Anything Treasury Board takes an interest in that impacts government's finances

Ministries seek approval by preparing Treasury Board submissions that are signed off by their Minister

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Government's financial reporting follows accounting standards, which define which entities should be included into the government reporting entity.

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Fiscal Planning follows the same standards, the goal being to mirror/anticipate the reporting of actual results (a.k.a. public accounts).

Therefore the fiscal plan includes revenues and spending of not only core government but the spending of service delivery agencies and net incomes of Commercial Crown corporations.

Budget Planning Process

- Governed by Legislation:
 - *Budget Transparency and Accountability Act*
 - *Balanced Budget and Ministerial Accountability Act*
 - *Financial Administration Act*
- Budget must be tabled on 3rd Tuesday each February.
- Estimates (“blue book”) is the “legal” budget document showing ministry appropriations, which are debated and voted on.

BTAA regulates the timing and the content of the Estimates, the fiscal plan, quarterly reporting, public accounts, economic forecast council, and budget consultation process.

Budget and Fiscal Plan Structure

- The Fiscal Plan is a rolling 3 year plan of revenue and expenses.
 - Revenue is based on best forecast information available at budget time from a wide number of sources, including economic forecasts.
 - Ministries' first year of spending is primarily authorized through voted appropriations, or Estimates, which are debated and then passed in the Legislature.
 - The second and third years reflect government's commitments.
- The Budget and Fiscal Plan also includes information on capital expenditures and forecasts of debt balances.

Example: Budget 2019		Fiscal Plan Period		
	Updated Forecast 2018/19	Budget Estimate 2019/20	Plan 2020/21	Plan 2021/22
(\$ millions)				
Revenue	56,636	59,047	60,038	62,458
Expense	(55,762)	(58,273)	(59,451)	(61,573)
Forecast allowance	(500)	(500)	(300)	(300)
Surplus	374	274	287	585

Categories of Spending (see p. 19 of Budget 2018):

- 1) Consolidated Revenue Fund (CRF) Spending – this is the spending by ministries and Officers of the Leg, including \$ transferred to the SUCH sector and taxpayer-supported crown/agencies.
- 2) Government Reporting Entity (GRE) Spending: Consists of CRF spending plus spending by SUCH agencies and taxpayer crowns/agencies that is funded from their own revenues (e.g., tuition fees); commercial crowns are also in GRE, but accounted for on the revenue side

Operating Spending: Operating expenditures are expensed against government's revenues in the year that the money is spent

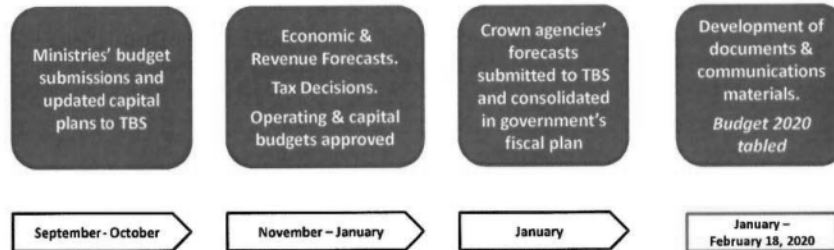
Capital Spending: Spending on capital assets that are owned by agencies within the GRE. Capital spending does not reduce the current year operating surplus, but still has a debt impact

Capital costs are then expensed gradually in an agency's budget over the asset's useful life (amortization), and this does impact the operating surplus

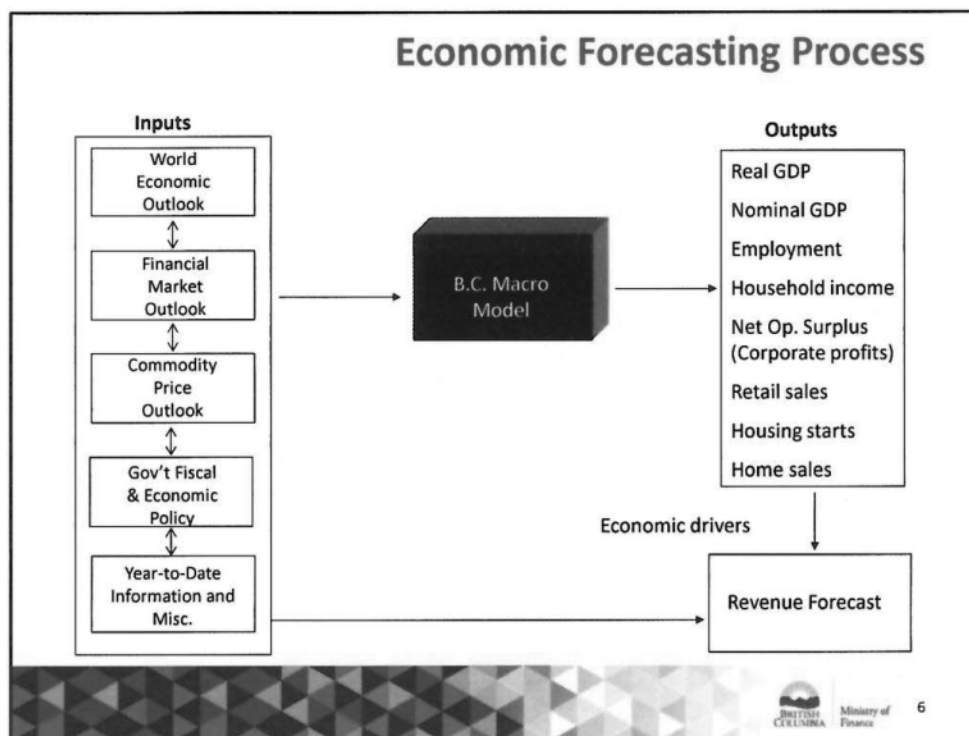
Voted Appropriation: Ministries' legal spending authority provided through the Budget (technically, the Supply Act, which is debated through the Estimates debates).

Statutory Appropriation: Provides spending authority outside the Supply Act. May be budgeted (e.g., Vote 28 - "Fire Management," p. 107), it can spend in excess of the appropriation without further legislative approval

Budget Development Process



Confidential- Advice to Cabinet



INPUTS

Forecast process starts with inputs:

- World economic outlook
US, Canada, Europe, Japan, China (GDP, housing starts, industrial production).
Generally set to introduce explicit prudence into the forecast.
- Financial markets
Interest rates and exchange rate
Set by survey of 6 private sector forecasters so as to aid transparency.
- Commodity prices
Mainly lumber, natural gas, copper, coal;
Set by consensus with MOF, NGD and MEM, though based on private sector publications.
- Year-to-date information on BC indicators for current year.
- Population & Migration
Set by BCStats based on inputs (GDP (BC, Canada) and unemployment rates (BC, Canada, Alberta))
provided by Finance.

BC MACROECONOMIC MODEL (see 2016 model documentation published on MOF website)

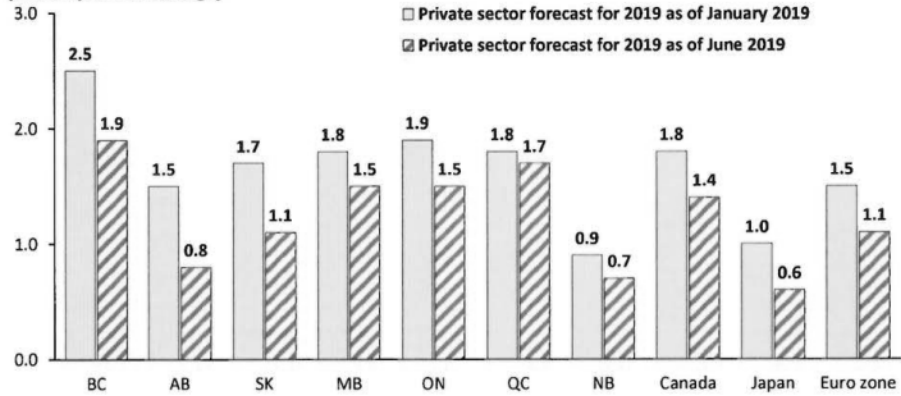
- Large scale one-sector model
- Around 300 equations
- Annual frequency

OUTPUTS

- Main variables for measuring how economy is doing and for use in revenue forecast.

Private Sector 2019 Forecasts

Real GDP forecast for 2019
(annual per cent change)



Sources: For BC: Economic Forecast Council as of January 2019 (consistent with Budget 2019) and private sector average forecast (BMO, CIBC, National Bank, RBC, Scotiabank and TD) as of June 7, 2019; For the other provinces and Canada: private sector average forecast (BMO, CIBC, National Bank, RBC, Scotiabank and TD) as of February 6, 2019 (consistent with Budget 2019) and June 7, 2019; For Japan and Euro zone: Consensus Economics from January 2019 (consistent with Budget 2019) and May 2019.

Prepared for the advice of Cabinet



Ministry of
Finance

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Budget 2020: Next Steps

▪ Start of Budget Consultation Process	June 10
▪ First Quarterly Report	by September 15
▪ Budget 2020 Development Process	Fall
▪ Report on Budget Consultation	by November 15
▪ Second Quarterly Report	by November 30
▪ Economic Forecast Council Meeting	December 6
▪ Budget 2020	February 18, 2020



Here you can see next steps in fiscal updates and process.

You'll note that the Budget Consultation report is due November 15 – that is the legislative requirement. ^{s.13}

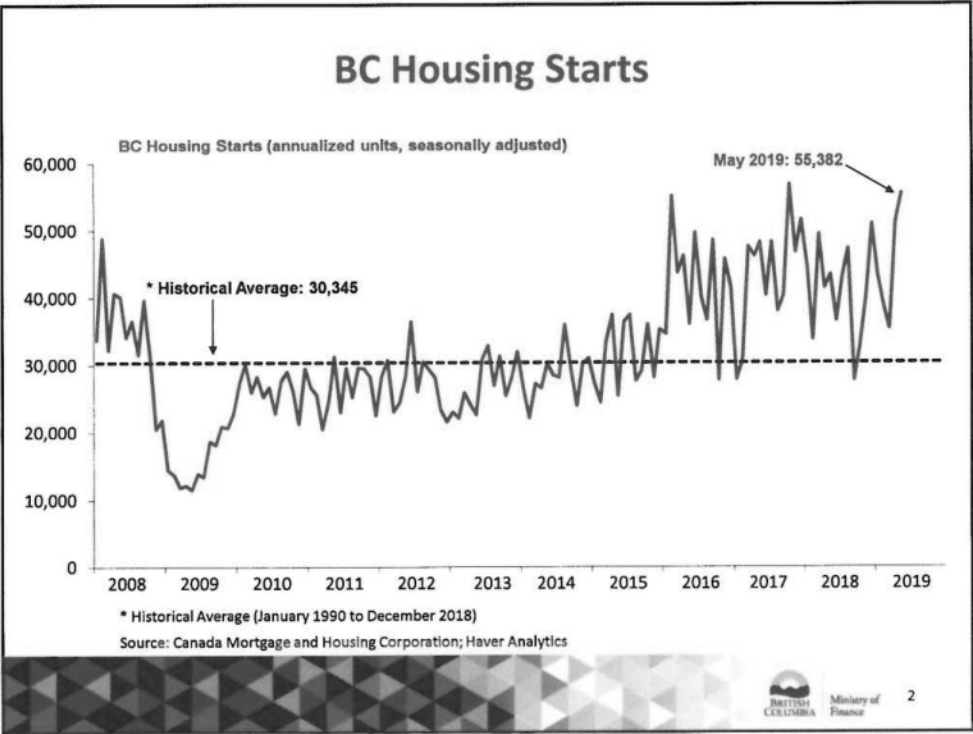


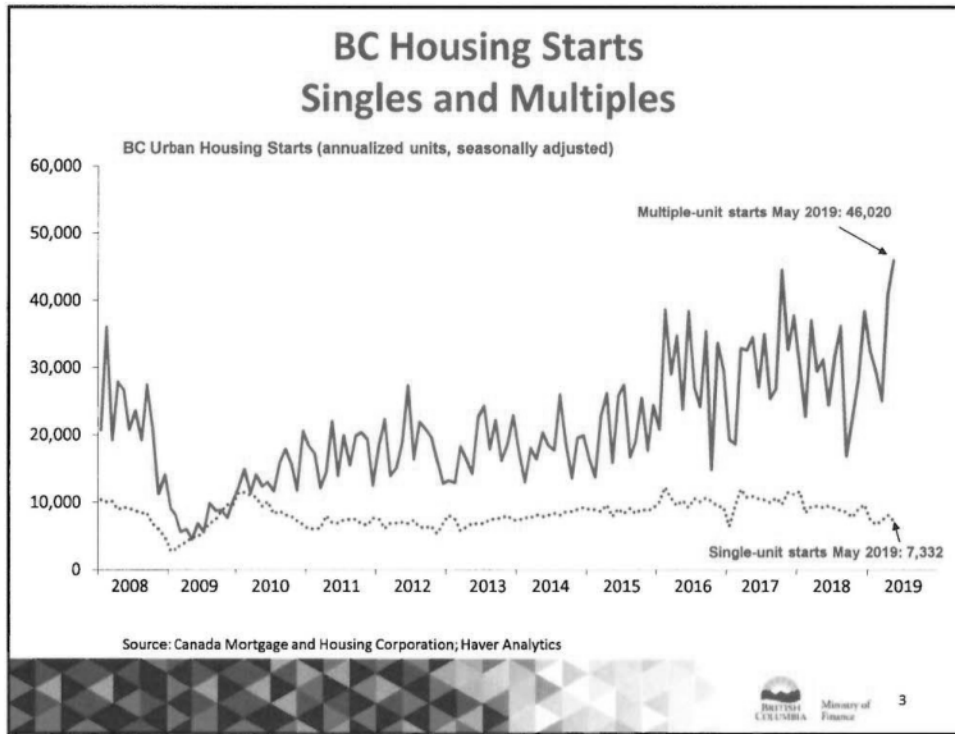
BC Home Sales and Average Home Sale Price



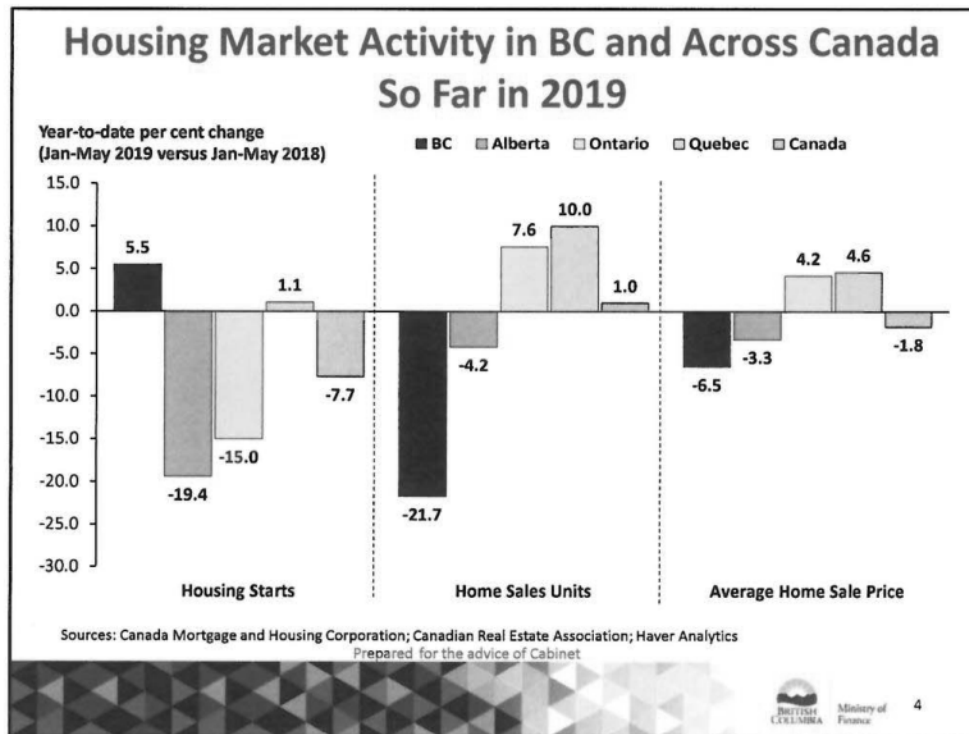
Sources: Canadian Real Estate Association; Haver Analytics

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2018/19 Public Accounts Briefing Material Highlights

The highlights section provides a summary of the key events affecting the financial statements based on information taken from the Summary Financial Statements and Provincial Debt Summary included in the Public Accounts. The budget figures are from pages 139, 145, 148 and 149 of the *Budget and Fiscal Plan 2018/19–2020/21*.

Budget and Actual Results 2018/19						
	In Millions				Variance	
	2018/19 Budget	2018/19 Updated Forecast	2018/19 Actual	2017/18 Actual	2018/19 Actual to Budget	2018/19 vs 2017/18
	\$	\$	\$	\$	\$	\$
Revenue.....	54,193	56,636	57,128	52,020	2,935	5,108
Expense.....	(53,624)	(55,762)	(55,593)	(51,706)	(1,969)	(3,887)
Surplus(deficit) before forecast allowance	569	874	1,535	314	966	1,221
Forecast allowance.....	(350)	(500)			350	
Surplus (deficit) for the year.....	219	374	1,535	314	1,316	1,221
Capital spending:						
Taxpayer-supported capital spending....	5,174	4,771	4,452	3,908	(722)	544
Self-supported capital spending.....	4,061	4,192	4,106	2,729	45	1,377
Total capital spending.....	9,235	8,963	8,558	6,637	(677)	1,921
Provincial debt:						
Taxpayer-supported.....	45,198	43,957	42,681	43,607	(2,517)	(926)
Self-supported.....	23,824	23,459	23,281	21,312	(543)	1,969
Total provincial debt.....	69,022	67,416	65,962	64,919	(3,060)	1,043
Taxpayer-supported debt to GDP ratio	15.5 %	14.9 %	14.5 %	15.6 %	(1.0)	(1.1)

Summary Accounts Surplus (Deficit)

The province ended the year with a surplus of \$1,535 million, which was \$1,316 million higher than the surplus forecast in the *Budget and Fiscal Plan 2018/19–2020/21*. The 2018/19 surplus of \$1,535 million was \$1,221 million greater than the surplus of \$314 million in fiscal year 2017/18.

Revenue increased by \$5,108 million over fiscal year 2017/18 and was \$2,935 million higher than budget. The annual increase in revenue in the current year was mainly in taxation revenue reflecting economic growth, new tax policy measures and higher prior year income tax assessments.

Expense increased by \$3,887 million over fiscal year 2017/18 and was higher than budget by \$1,969 million. The increases in spending in the current year were mainly in the natural resources, health, protection of persons and property, and education sectors in response to service delivery requirements and wildfire activities. Additional spending over budget was authorized through Supplementary Estimates and various statutory appropriations.

Capital Spending

Taxpayer-supported infrastructure spending on hospitals, schools, post-secondary facilities, transit, and roads totaled \$4,452 million in 2018/19, \$722 million lower than budget mainly due to project scheduling changes. This spending has been deferred to future years.

Self-supported infrastructure spending on electrical generation, transmission and distribution projects and other capital assets totaled \$4,106 million in 2018/19. Self-supported capital spending was \$45 million higher than budget.

Provincial Debt

When calculating total provincial debt, the province adds to its financial statement debt, all debt guarantees and the debt directly incurred by self-supported Crown corporations, reduced by sinking fund assets. This balance is referred to as the total provincial debt.

Taxpayer-supported provincial debt decreased by \$926 million in 2018/19 mainly due to the elimination of provincial government direct operating debt.

Self-supported provincial debt increased by \$1,969 million due to an increase of capital infrastructure related to power projects.

The increase in total provincial debt of \$1,043 million was \$3,060 million less than the budgeted increase in total debt of \$4,103 million. The key measure of taxpayer-supported debt to GDP ended the year at 14.5%, which is lower than the 15.5% forecasted in the budget.

Subsequent Events

Columbia Basin Trust and Columbia Power Corporation

On April 16, 2019, Columbia Basin Trust and Columbia Power Corporation concluded an agreement to purchase Fortis Inc.'s 51% interest in the Waneta Expansion Limited Partnership for \$991 million. This purchase will be reported proportionately within each organization beginning in fiscal year 2019/20.

Audit Opinion

The Auditor General has removed her qualification on the use of rate-regulated accounting. During the year, government made changes to its regulatory framework and BC Hydro formally adopted International Financial Reporting Standards. BC Hydro also discontinued using the Rate Smoothing regulatory deferral accounts.

The Audit Opinion includes one remaining point of reservation:

Deferral of Revenues – This is a long standing audit qualification on the recognition of revenues from outside sources. Government recognizes revenue over the period that the asset provides service. The Auditor General recommends that government recognize revenue when the asset is purchased or built. The recommendation would increase revenue in the current year by \$5,739 million and reduce liabilities by \$5,739 million.