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**The Financial Management Institute Professional  
Development Event**

**Capital Planning and Funding Digital Investments in  
the BC Government**

**March 8, 2023**

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J-P Fournier, Executive Director, Digital Investment Office

# Digital Funding in the BC Government

## FMI Presentation

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## INTRODUCTION



**J-P Fournier**  
**Executive Director, Digital Investment Office**  
**Office of the Chief Information Officer**

The Digital Investment Office looks after government's IM/IT Capital Envelope and assesses other major digital funding requests from across government.





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## AGENDA

- 01 Padawan: Understanding the system**
- 02 Jedi Knight: Building a good pitch**
- 03 Jedi Master: Pro tips**



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- 01 Padawan: Understanding the system**
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# Types of Digital Funding in Government

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## 1. IM/IT CAPITAL ENVELOPE

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## 2. MINISTRY OPERATING BUDGETS

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## 3. CITIZENS' SERVICES OPERATING BUDGETS

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## 4. OTHER SOURCES

Capital funding for ministries' technology related investments. Treasury Board sets the overall envelope size and DMC Digital and Data approves most of these projects. Project intake happens each year starting in May.

**Examples:** Initial build of Health Gateway, Mines Digital Services

**\*CFOs can advise on capital vs. operating questions**

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## 3. CITIZENS' SERVICES OPERATING BUDGETS

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## 4. OTHER SOURCES

Operating funding for ministry specific tech solutions and to pay ministries' portion of shared infrastructure costs like hosting, storage and networking.

**Examples:** Application maintenance, monthly JIRA or Mural licenses.



# Types of Digital Funding in Government

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## 1. IM/IT CAPITAL ENVELOPE

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## 3. CITIZENS' SERVICES OPERATING BUDGETS

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## 4. OTHER SOURCES

Operating funding for Citizens' Services portion of the Province's shared infrastructure costs for services like hosting, storage and networking.

**Examples:** Hosting, storage, networks.

# Types of Digital Funding in Government

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4. OTHER SOURCES

Other sources include funding from other jurisdictions and third-party vendor agreements (in the form of credits).

**Example:** Strategic Investment Fund (TELUS)

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# How the Deputy Ministers' Committee on Digital and Data Evaluates Projects



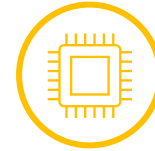
**Strategic  
Alignment**



**Value  
Proposition**



**Delivery  
Approach**



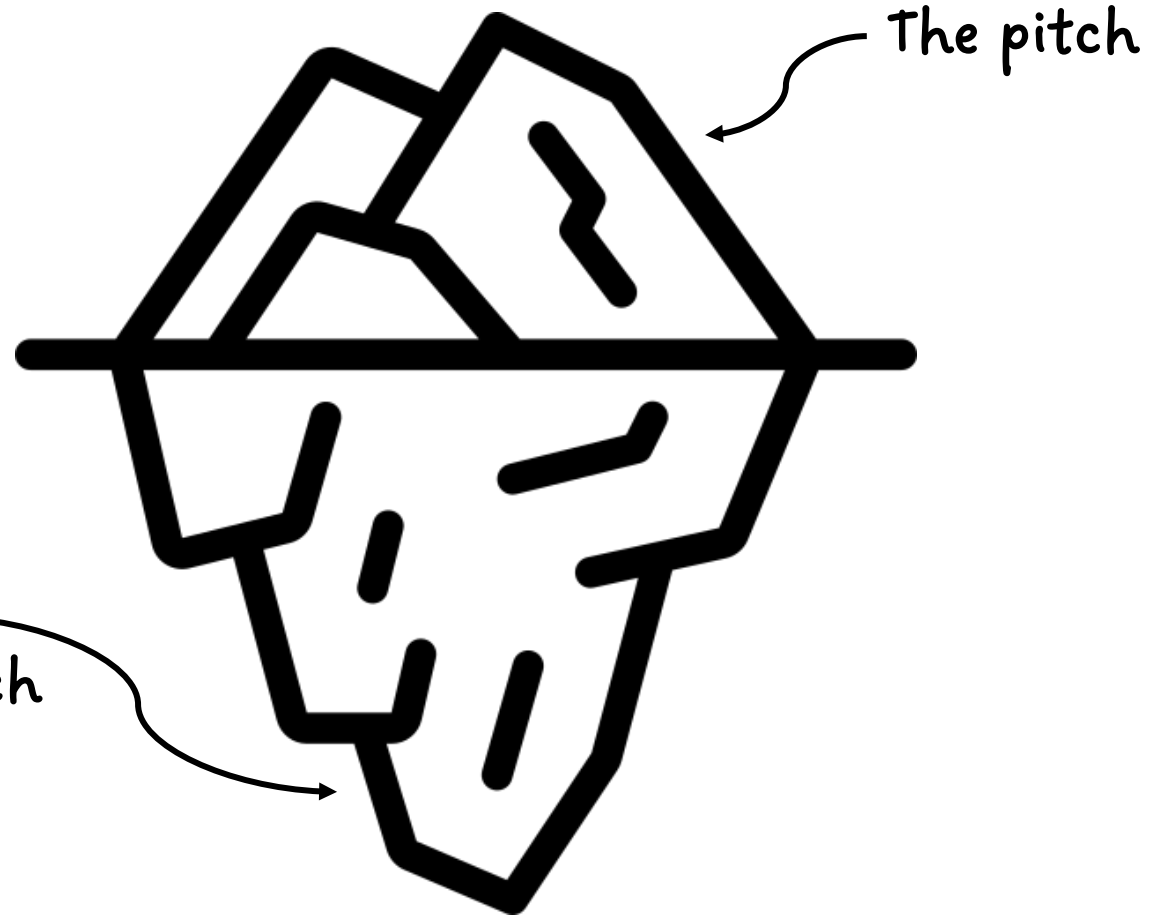
**Architecture**



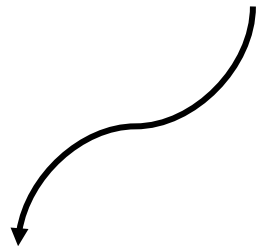
**Sustainability**

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JEDI KNIGHT



Be specific - avoid targeting everyone.



1

# Start by doing user research to learn about users and their needs.

## Fictional Example:

There are an estimated 80,000 British Columbians who use two or more digital services every week. They're frustrated that they have to re-enter the same information about themselves every time they access these services.

2

# Clearly define the problem for both users and for government.

## Fictional Example:

On average, it takes our “frequent flyer” users 10 minutes to re-enter this information. Their satisfaction scores are 40% lower than users of the same service. Data discrepancies between systems cost government \$1M/year to fix.

Don't leave this to the end

3

## Set clear outcomes and success measures

### Fictional Example:

We plan to save time and increase the satisfaction of our “frequent flyer” users. We’ll know we achieved this outcome by measuring the time it takes for these users to re-enter the same information about themselves on a new digital service they’re using and by measuring their CSAT scores.



4

# Research, design and test solution ideas for the problem.

## Fictional Example:

We learned that Australia solved this problem with a “Tell Us Once” platform that could save users’ information and auto-fill forms with saved information with a click of a button. We mocked up a prototype and tested it with 50 users. It took users 98% less time to fill out a form, which tripled their satisfaction scores.

5

## **Plan an approach that is well suited to the problem space.**

### **Fictional Example:**

We know this problem space is uncertain and risky, so we think we should build a small agile team made up of staff and contractors, set clear measurable objectives for them and let them incrementally build the Tell Us Once Platform. We'll cut down on team size once we're meeting our objectives but will keep maintaining and continuously improving the platform indefinitely.

Anti-patterns: dogmatic use of the same approach (e.g. agile, custom development, Platform as a Service) for all problems.

5

**Plan an approach that is well suited to the problem space.**

**Fictional Example:**

We know this problem space is uncertain and risky, so we think we should build a small agile team made up of staff and contractors, set clear measurable objectives for them and let them incrementally build the Tell Us Once Platform. We'll cut down on team size once we're meeting our objectives but will keep maintaining and continuously improving the platform indefinitely.

6

## **Estimate costs. Consider best and worst-case scenarios.**

### **Fictional Example:**

Based on our research and prototyping, we think it'll take us between 18 months to meet our objectives. Our biggest risk to meeting our objective is attracting existing digital services to use our platform. Our team costs \$100K per month, so we think we need about \$1.8M in capital funding to get our platform live using the less optimistic scenario. Once we're live, our team will shrink by three people, so it'll cost \$50K per month in ongoing operating funding plus \$30K per month for amortization costs.

7

# Develop and evaluate options.

## Good Fictional Options:

Option 1: Tell Us Once Platform

Option 2: We think we could probably solve this problem using and verifiable credentials.

Option 3: We could also not do this and spend the money on other priorities.

## Bad Fictional Options:

Option 1: Custom build

Option 2: XYZ Commercial off the Shelf System

Option 3: ABC Commercial off the Shelf System

7

## Develop and evaluate options.

### Good Fictional Options:

Option 1: Tell Us Once Platform

Option 2: We think we could probably solve this problem using and verifiable credentials.

Option 3: We could also not do this and spend the money on other priorities.

### Bad Fictional Options:

Option 1: Custom build

on 2: XYZ Commercial off the Shelf System

on 3: ABC Commercial off the Shelf System

Avoid pushing technical decisions like this to senior executives.



**Following this approach takes a lot of up-front work but will result in a targeted pitch that is easy to write and far more likely to succeed.**



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**1. Don't forget about the funding you  
already have.**

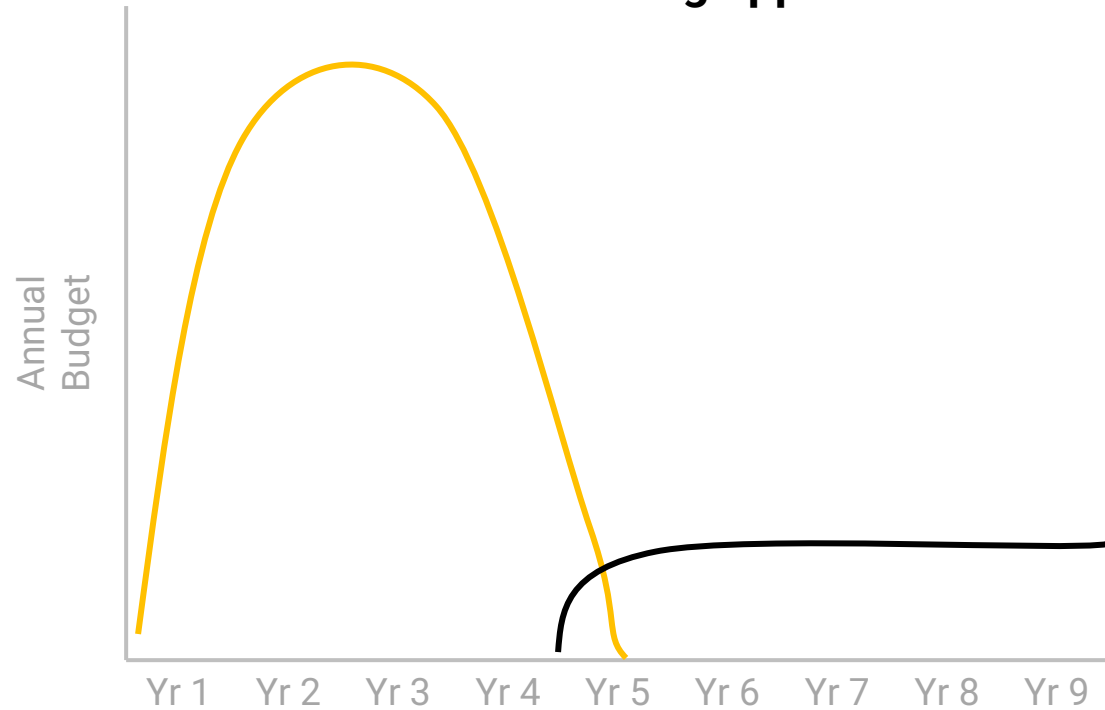
**2. Flip your thinking from projects to products and services.**

# 3. Capital planning for a fast-changing world.

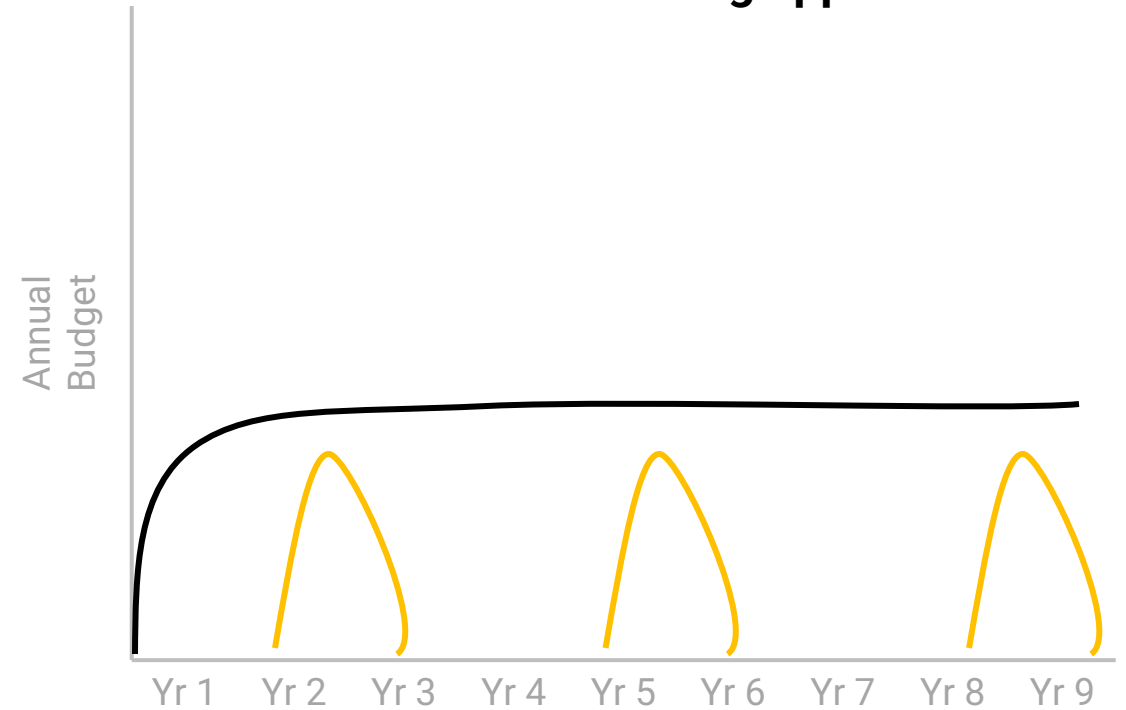
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## JEDI MASTER

### Traditional funding approach



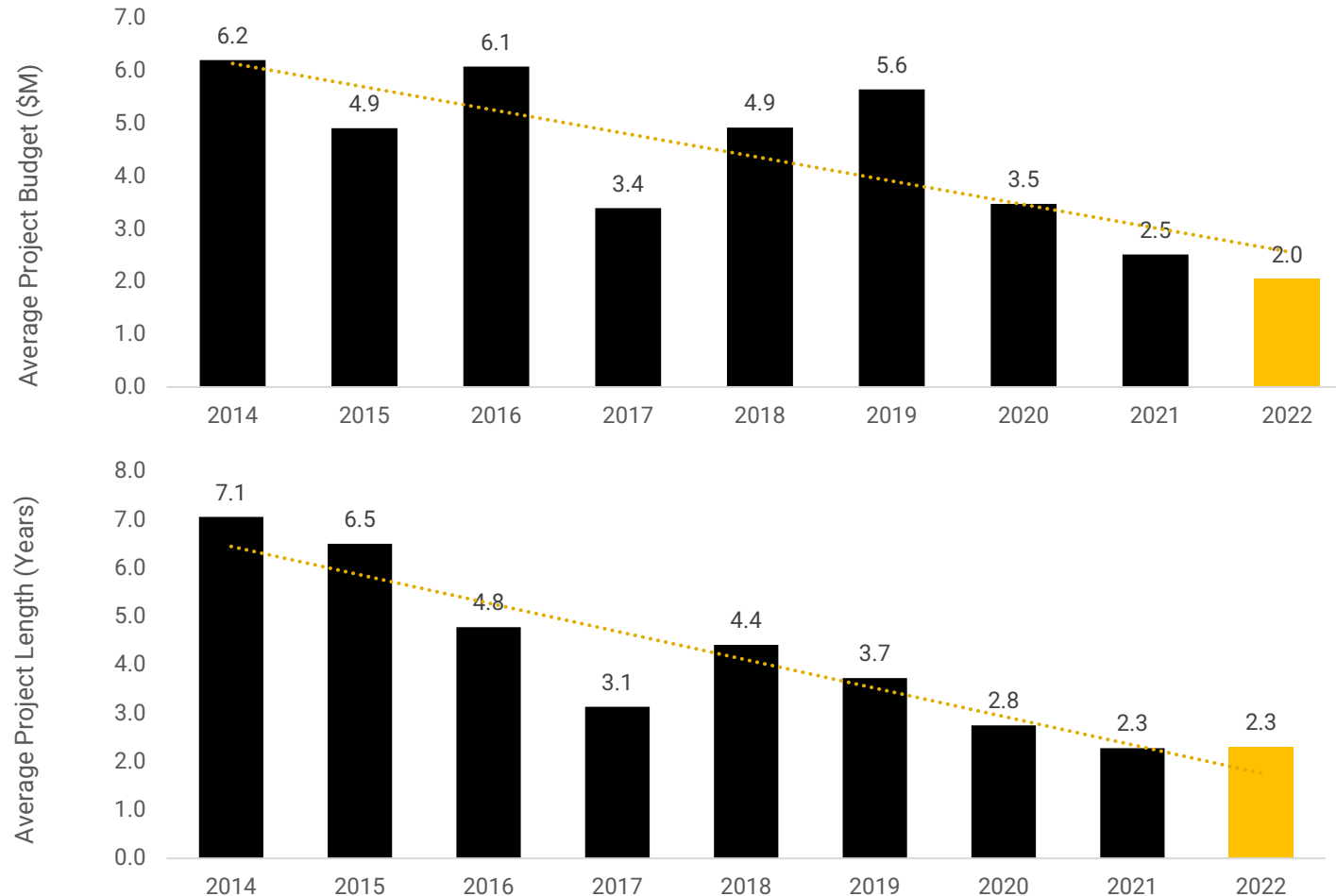
### Iterative funding approach



- Capital funding
- Operating Funding

## JEDI MASTER

### Results show projects getting smaller and less risky



### 2021/22 completed project results

- 87.5% of projects met or exceeded their intended benefits.
- 80% of projects improved services for British Columbians.
- 65% of projects used common components.
- Nearly 90% of projects helped modernize legacy systems.

**4. Tell a good story.**

**Questions?**



# Appendix

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## APPENDIX

# Capital vs. Operating

### Capital Expense

Costs that provide a future benefit to government. Capital expenses are considered investing activities, so they don't show up on government's statement of operations. Capital budgets are easier for most ministries to access than operating.

**Examples:** building new applications; buying servers.

### Operating Expense

Costs incurred as part of day-to-day operations. These show up on government's income statement, so new operating funding requests are heavily scrutinized.

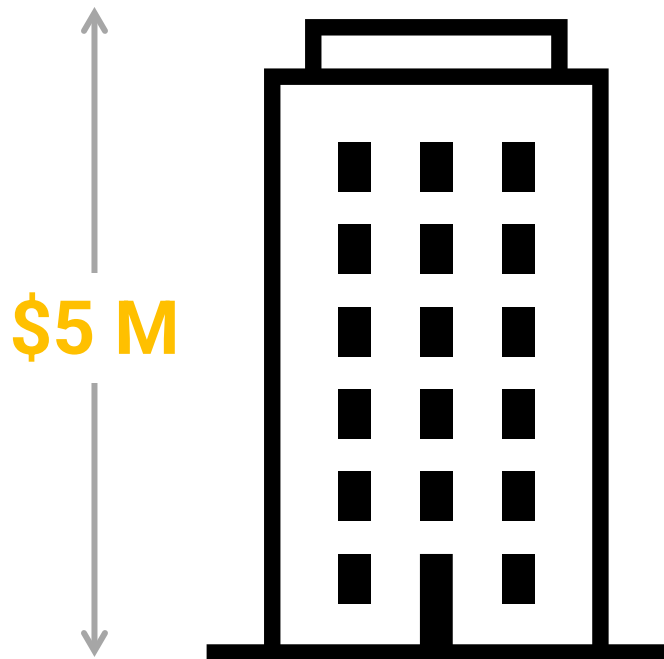
**Examples:** application maintenance, cloud hosting.

**\*Your Chief Financial Officer can help you navigate this.**

APPENDIX

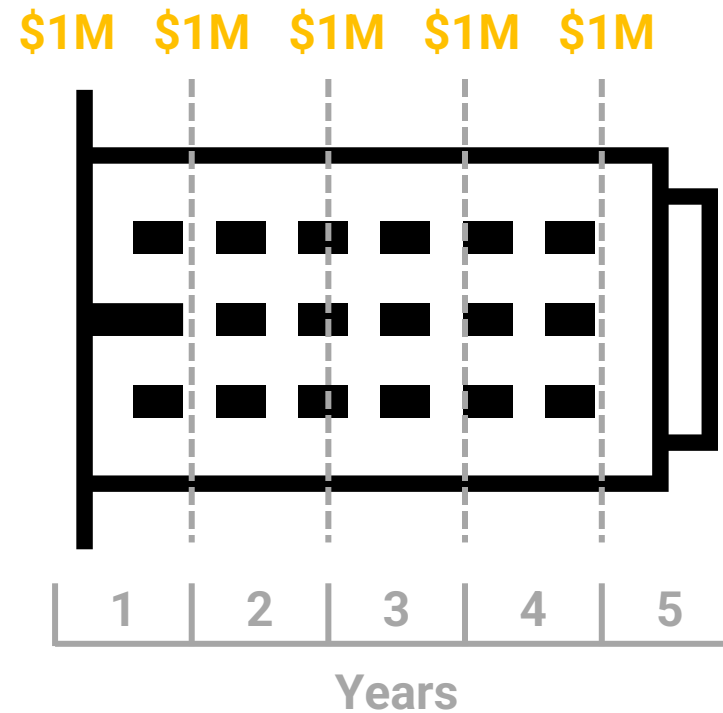
# Amortization

## Capital Cost



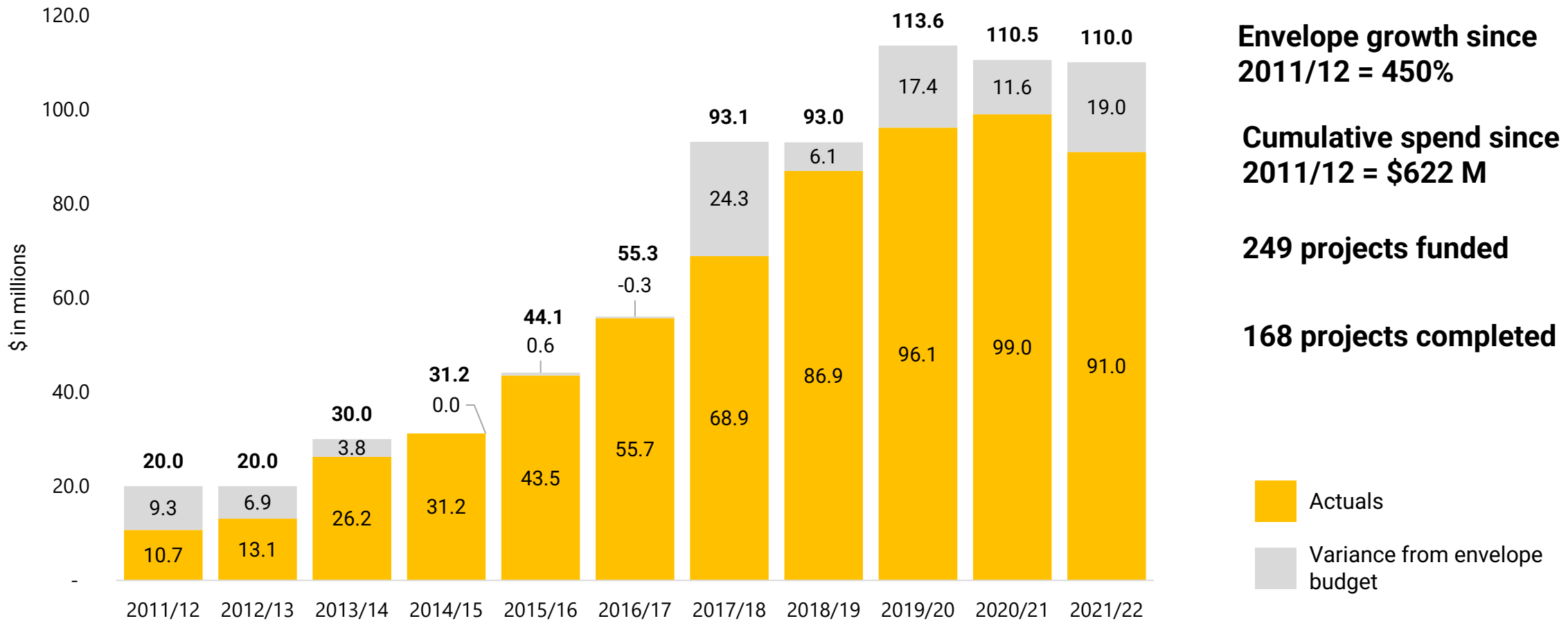
Ministry operating costs

## Amortization Cost



## APPENDIX

# Capital investment through the years



## APPENDIX

# Budget 2023 Capital investment objectives

**Overall Objective:** Invest in projects that help make BC Government services inclusive, reliable, easy to use, and responsive to people’s modern expectations.

Category	Investment Objectives	Target Allocation
<b>Ministry Priorities</b>	Invest in products and services that help ministries transform their services and deliver on mandate commitments, service plans and legislated requirements.	<b>\$80M (63%)</b>
<b>Priority Legacy Systems</b>	Replace or upgrade priority legacy systems* that are likely to impact service delivery.	<b>\$34M (27%)</b>
<b>Common Components</b>	Invest in products and services that reduce duplication, accelerate technology delivery and promote a consistent experience for British Columbians.	<b>\$13M (10%)</b>

\*For Year 1, DIO proposes prioritizing critical systems (under critical systems standard) that were deemed legacy in the 2021 internal audit on legacy systems.

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Ministry of  
Finance

# ***Budget 2023***

## **Behind the Scenes**

Presented by: Fisnik Preniqi  
March 8, 2023



# Overview

- *Budget 2023* highlights
- Economic Forecast
- Budget Process
- Forecasting Accuracy
- Questions



# Three-Year Fiscal Forecast

(\$ millions)	Updated Forecast 2022/23	Budget Estimate 2023/24	Plan 2024/25	Plan 2025/26
Revenue .....	82,700	77,690	79,724	82,223
Expense .....	(74,393)	(80,206)	(82,978)	(84,766)
Pandemic Recovery Contingencies .....	(2,000)	(1,000)	-	-
Supplementary Estimates .....	(2,715)	-	-	-
Forecast allowance .....	-	(700)	(500)	(500)
<b>Surplus (Deficit) .....</b>	<b><u>3,592</u></b>	<b><u>(4,216)</u></b>	<b><u>(3,754)</u></b>	<b><u>(3,043)</u></b>
Taxpayer-supported capital spending .....	8,117	11,813	12,634	13,098
Taxpayer-supported debt .....	63,701	75,617	88,436	99,395
Taxpayer-supported debt to GDP ratio .....	16.4%	18.9%	21.3%	23.0%
Interest bite (cents per dollar of revenue) ....	2.4	2.9	3.5	3.9

# ***Budget 2023 Spending Highlights***

- **Strengthening health and mental health care - \$6.4 billion**
  - To support services across the health care system,
  - New health workforce strategy,
  - Refreshed primary care strategy that focuses on attracting and retraining family practitioners,
  - Mental health and addiction services across the continuum of care, and
  - Support for ongoing COVID-19 measures.
- **Affordable and attainable housing - \$4.2 billion** (operating and capital)
  - To build more homes, including student housing spaces,
  - Reduce homelessness, and
  - Provide more supports for renters and homeowners.

# ***Budget 2023 Spending Highlights (cont'd)***

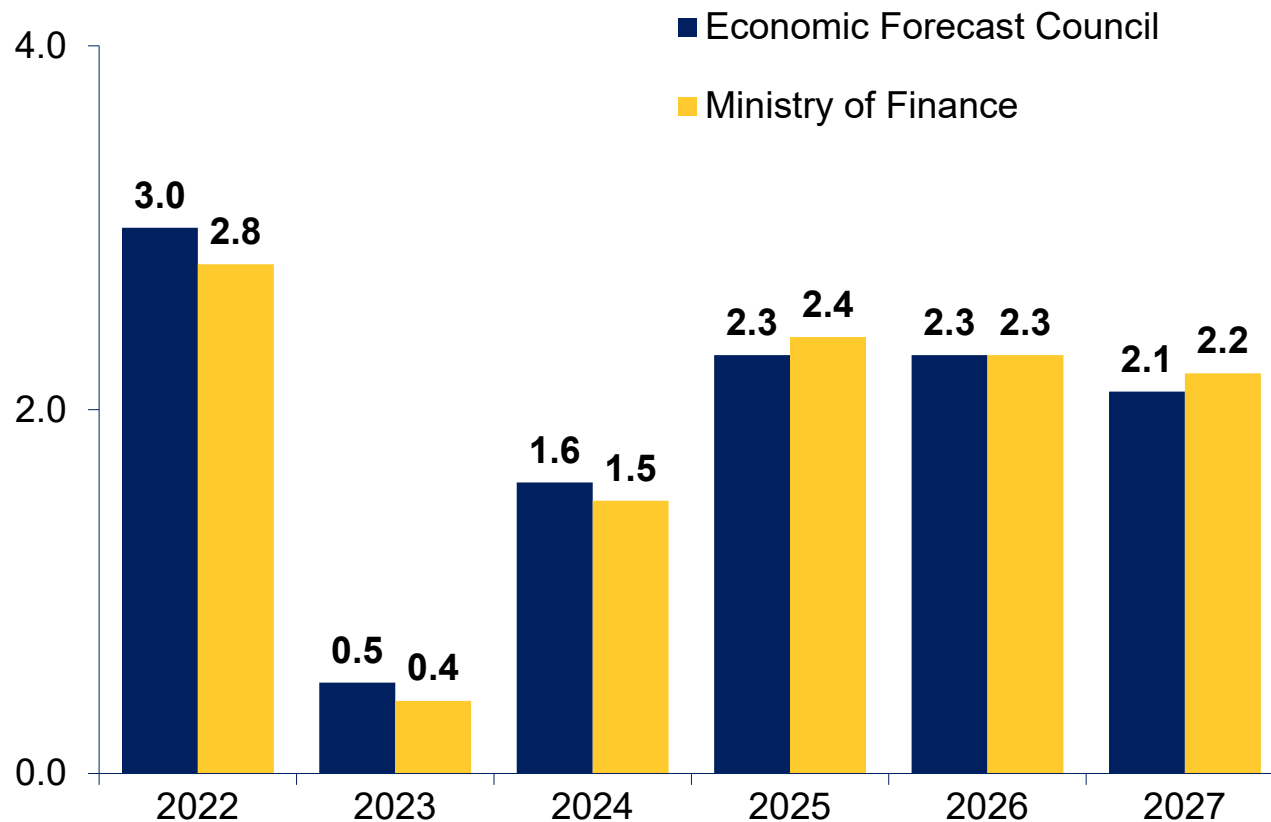
- **Helping people with costs - \$4.5 billion** in funding and tax measures
  - Support families and individuals with low to moderate incomes,
  - Universal access to free prescription contraception, and
  - Tax measures include an income-tested Renter's Tax Credit and enhancements to the Climate Action Tax Credit and the BC Family Benefit.
- **Sustainable and clean economy - \$1.4 billion** (operating and capital)
  - Funding for the Future Ready Plan to help train and attract talent in BC,
  - Support for a clean economy and climate resiliency, and
  - CleanBC enhancements.
- **Safe and healthy communities - \$462 million**
  - To support public safety initiatives to help build safe and healthy communities
  - Increase policing, enforcement and public safety and improve access to justice.

# Summary of Current Economic Situation

Indicator	Performance
Labour Market	The unemployment rate is near historic lows (4.4% in January) but is leading to high job vacancies in some sectors.
Consumer Spending	Consumer spending on services continues to recover while spending on goods has softened.
Housing Market	Housing construction is strong (46,721 units in 2022) while sales activity has declined to low levels (-35.2% in 2022).
Inflation & Interest Rates	Inflation has started to ease (6.2% in January) but affordability challenges remain, while interest rates are high.
Exports	The value of goods exports is weakening (-25.2% since May) while service exports continue to recover.
Global Growth, Geopolitical Events & Pandemic	The economic outlook for most of B.C.'s major trading partners (e.g., rest of Canada, U.S., China, and Japan) has weakened.

# Budget 2023 Economic Outlook - Real GDP

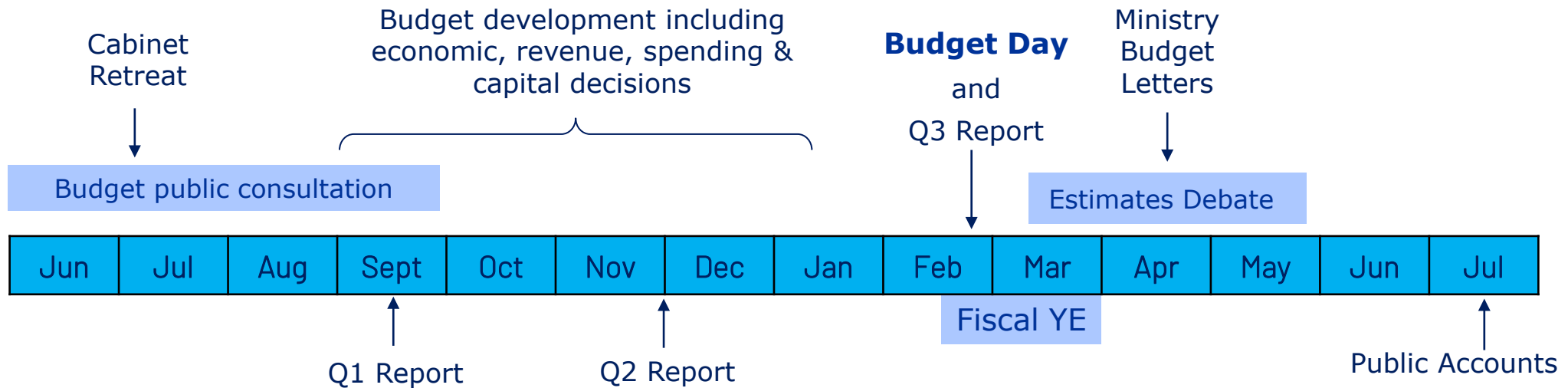
Annual BC real GDP growth forecast, per cent



- A slowdown is forecast for 2023 as the impacts of high inflation and rising interest rates are felt globally, across Canada, and in B.C.
- Economic activity is then expected to gradually recover over the next two years.

# Budget Cycle at a Glance

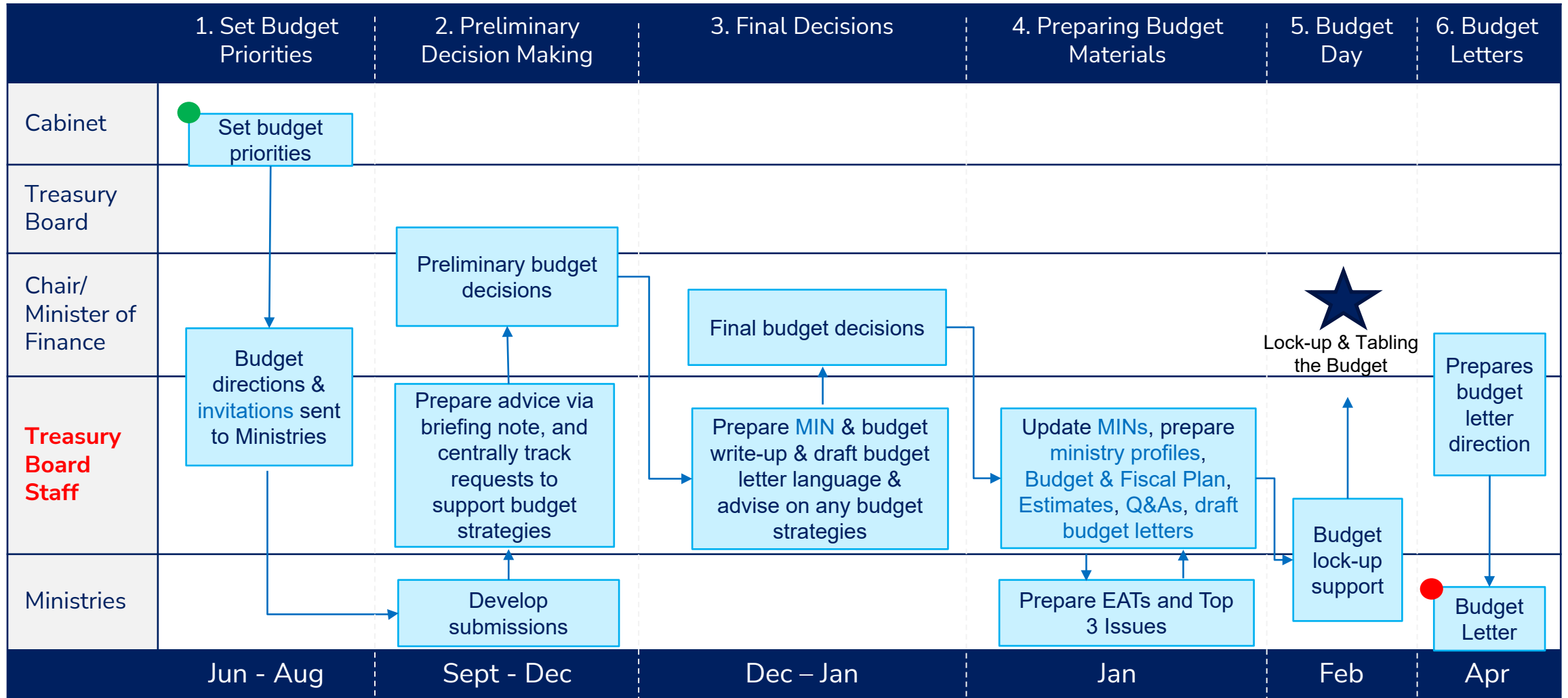
## FUTURE YEAR BUDGET PLANNING



*Ongoing Budget Management*

## CURRENT YEAR FISCAL MANAGEMENT

# Building the Budget – Role of TBS

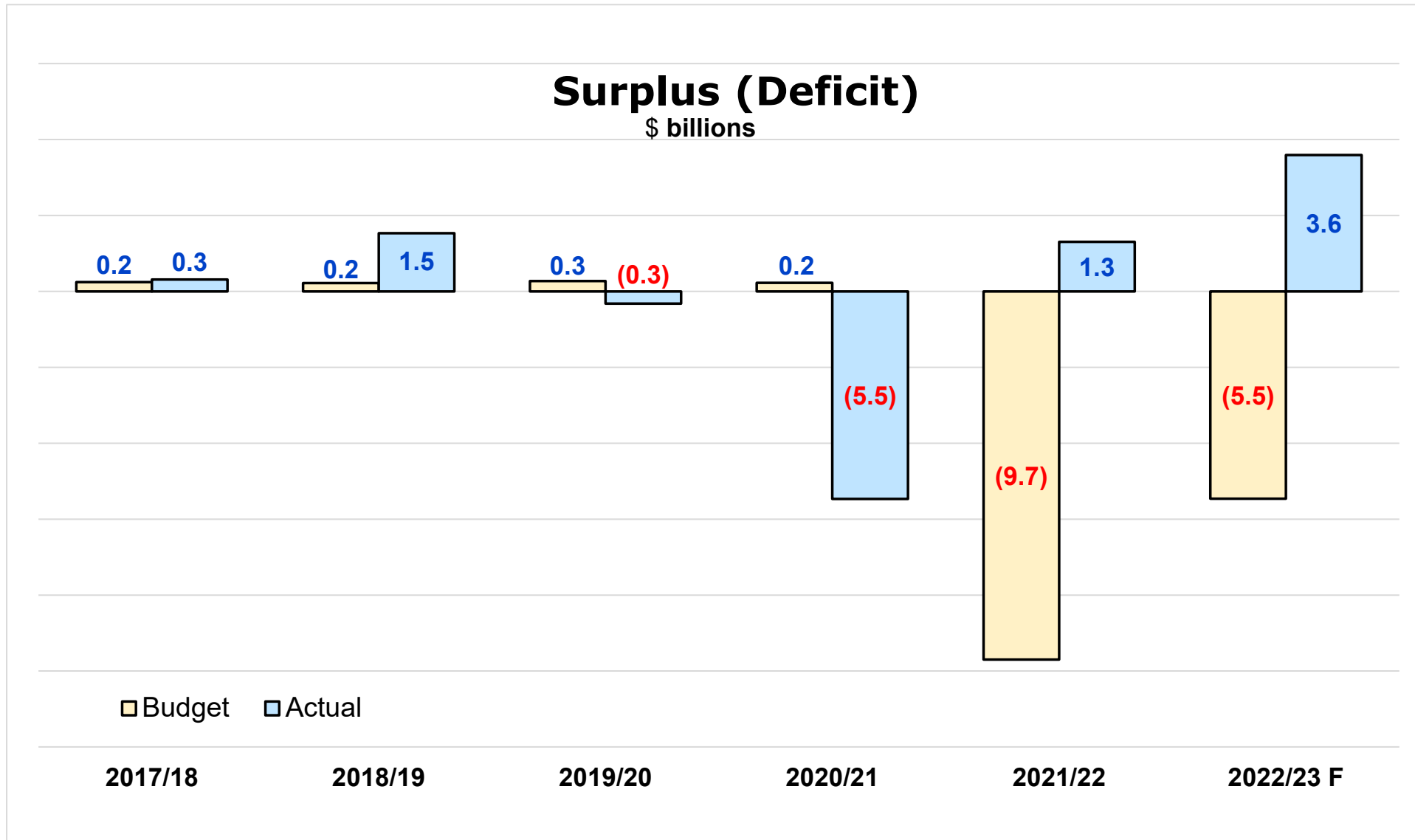


# Budget Parameters

- The budget process varies slightly each year based on current economic conditions, direction from Cabinet, and other fiscal considerations
- Treasury Board Staff will work with the Minister of Finance to determine:
  - Budget parameters (e.g. surplus/deficit targets, debt metrics, prudence levels)
  - Treasury Board processes (e.g. funding envelopes, open or by invitation only, priorities/themes and timing considerations)
  - Other measures (e.g. revenue measures, expenditure management).
- Minister of Finance may consult with the Premier and Cabinet as well as other stakeholders which can result in shifts in directions multiple times within a short period – external factors may also influence and change process decisions



# Forecasting Accuracy



# Sources of Revenue

(\$ millions)	Actual 2017/18	Actual 2018/19	Actual 2019/20	Actual 2020/21	Actual 2021/22	Updated Forecast 2022/23	Budget Estimate 2023/24
<b>Taxation revenue:</b>							
Personal income .....	8,923	11,364	10,657	11,118	13,704	17,712	15,953
Corporate income .....	4,165	5,180	5,011	4,805	5,053	10,519	5,938
Employer health .....	-	464	1,897	2,156	2,443	2,675	2,731
Sales .....	7,131	7,369	7,374	7,694	8,731	9,693	10,187
Fuel .....	1,010	1,015	1,008	936	1,022	1,061	1,072
Carbon .....	1,255	1,465	1,682	1,683	2,011	2,211	2,811
Tobacco .....	727	781	729	711	708	565	565
Property .....	2,367	2,617	2,608	2,313	3,012	3,253	3,488
Property transfer .....	2,141	1,826	1,609	2,098	3,327	2,250	1,799
Insurance premium .....	602	633	691	652	706	775	780
<b>Total taxation revenue .....</b>	<b>28,321</b>	<b>32,714</b>	<b>33,266</b>	<b>34,166</b>	<b>40,717</b>	<b>50,714</b>	<b>45,324</b>
<b>Natural resource revenue .....</b>	<b>2,695</b>	<b>3,108</b>	<b>2,268</b>	<b>2,403</b>	<b>4,471</b>	<b>6,064</b>	<b>4,764</b>
<b>Other revenue .....</b>	<b>10,893</b>	<b>10,249</b>	<b>10,673</b>	<b>8,729</b>	<b>9,800</b>	<b>10,124</b>	<b>10,520</b>
<b>Contributions from the federal government .....</b>	<b>9,055</b>	<b>9,052</b>	<b>9,535</b>	<b>12,894</b>	<b>11,980</b>	<b>12,485</b>	<b>13,593</b>
<b>Commercial Crown corporation net income .....</b>	<b>1,056</b>	<b>2,005</b>	<b>2,918</b>	<b>3,964</b>	<b>5,424</b>	<b>3,313</b>	<b>3,489</b>
<b>Total revenue .....</b>	<b>52,020</b>	<b>57,128</b>	<b>58,660</b>	<b>62,156</b>	<b>72,392</b>	<b>82,700</b>	<b>77,690</b>

**Questions?**