

# Guide to B.C. Public Sector Compensation and Expense Policies

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## Introduction

### Public Sector Compensation

At more than \$26.7 billion, public sector compensation in B.C. is the single largest expense of government, representing 56 per cent of the Province's annual budget. To put this in perspective, this is roughly equal to all provincial taxes (\$26.9 billion).

In return, taxpayers expect to receive high-quality, reliable services at a cost that is affordable and sustainable. Given the range and complexity of the services delivered, this is no simple task. From provincial courts to hospital operating rooms, from kindergarten classes to provincial parks, from building bridges to raising power lines, the diversity of skills and experience needed on a daily basis is truly remarkable. Like the private sector, the B.C. public sector needs to attract, reward and retain employees with the skills, talents and dedication to maintain the vital services that British Columbians rely on every day.

Individual organizations are often in the best position to manage employee compensation in a way that optimizes their service delivery. However, compensation decisions made in isolation can lead to unintended consequences that ripple across the entire public sector. A bargaining move at one table, no matter how affordable within the context of that particular bargaining unit, may be far more costly for the next employer heading into contract negotiations. Similarly, granting salary increases or special bonuses to managers in one organization may lead to similar demands and expectations elsewhere.

There needs to be balance and coordination. That is why British Columbia takes a proactive, centralized approach to ensure the myriad of individual compensation decisions are aligned to the same fundamental purpose: delivering sustainable, high quality services while respecting the skilled and dedicated employees who deliver them and the taxpayers who pay for them.

We hope employers will find this resource helpful. By working together to achieve greater understanding, alignment and consistency, we can build on the B.C. public sector's already enviable reputation for delivering high quality, cost-effective services to British Columbians.

## Using This Guide

This guide is a plain language summary of the various public sector compensation resources available for public sector employers. It is intended to assist public sector employers in understanding and applying the government policies that are relevant to their sector, with particular emphasis on the subjects on which employers have requested clarity from the Public Sector Employers' Council Secretariat (PSEC Secretariat) in recent years. Given the complexities of public sector compensation and the unique needs of individual employers, no single resource can provide definitive answers to all questions. Public sector employers are encouraged to contact the PSEC Secretariat or their respective employers' association with any specific questions.

Chapter 1 provides a summary of B.C.'s vision for compensation and describes the model in place in B.C. It is a useful starting point for individuals from all sectors and also contains additional background for individuals new to public sector compensation. Chapters 2-6 each focus on a particular knowledge area related to compensation – from the collective bargaining process, to compensation plans, compensation policies, and expenses – and are presented as bite-sized chunks of information on key subjects with links to primary sources where available.

## Definitions

The following terms are used throughout the guide:

“excluded employees” means all employees who are not part of a bargaining unit or covered by a collective agreement.

“executive employees” means the CEO with a direct reporting relationship to the board of directors, and the highest ranking employees leading an organization (typically vice-president or equivalent positions) with a direct reporting relationship to the CEO.

“public sector” means the organizations and activities that form part of the Government of the Province of British Columbia's consolidated reporting entity. It does not include any Government of Canada entities, or any local, or First Nations governments located in British Columbia. It is also known as the “B.C. public sector” and “broader public sector”.

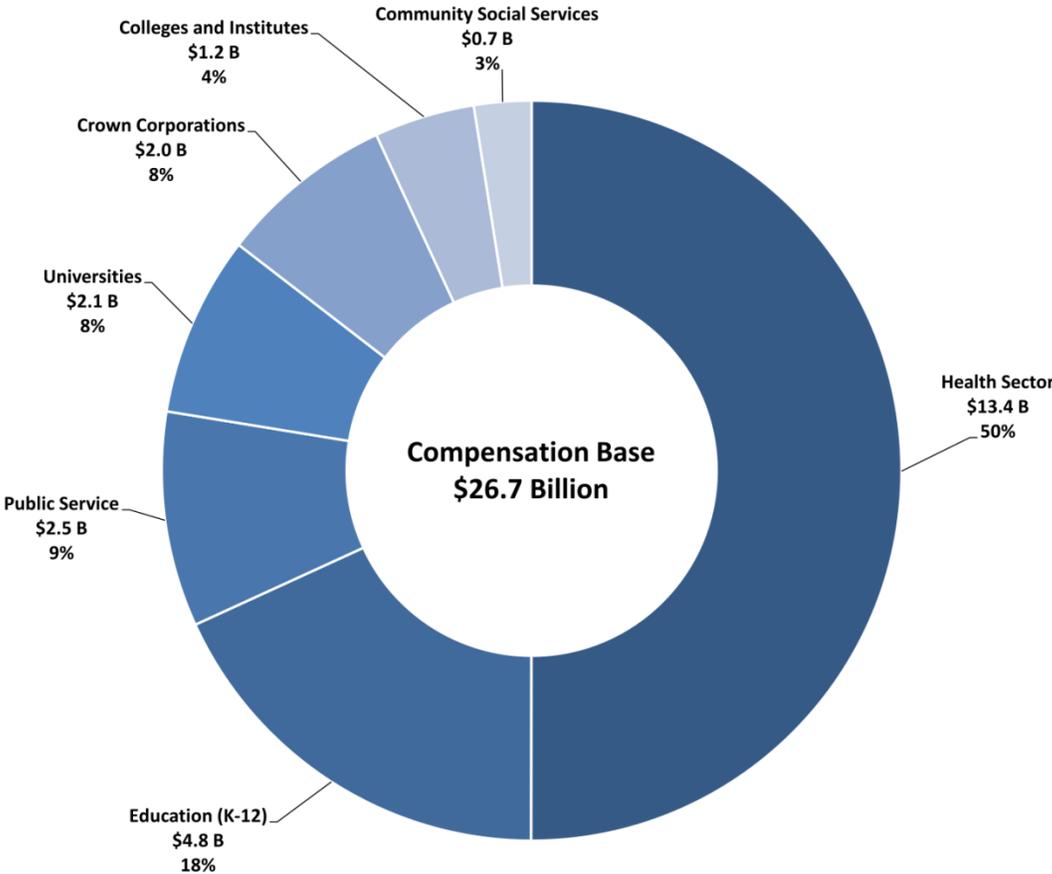
“public sector employers” means those employers that meet the definition under the *Public Sector Employers Act*. These organizations include commercial Crown corporations, service delivery Crown corporations, K-12 public schools, research universities, post-secondary institutions, hospitals and health authorities, or any other agency that meets the definition of the act whereby 50 percent or more of the board is appointed by government. Also known as “public sector organizations” and “employers”.

“senior employee” means an employee earning an annualized base salary in excess of \$125,000. Senior employees may be categorized as “executive employees”.

# Chapter 1 – B.C.’s Vision and Framework for Public Sector Compensation

## Size and Scope of B.C.’s Public Sector

British Columbia’s public sector consists of about 384,000 union and non-union employees working in diverse fields for approximately 120 different employers and 350 contracted service providers. Major sectors include K-12 education, post-secondary education, community social services, health services, Crown corporations, and the provincial government. The government and public sector employers spend more than \$26.7 billion annually on compensation, equivalent to 56 per cent of the Province's annual budget. About \$22 billion, or 82 per cent of these costs, are determined through collective bargaining for B.C.’s 310,600 unionized employees who are covered by 182 separate agreements. There are four public sector pension plans with about 547,000 active and retired members and approximately \$98.5 billion in assets.



\*Data as of April 2016

## B.C.'s Vision for Compensation

British Columbia's vision is for consistent and appropriate public sector compensation that demonstrates a cost-conscious culture, achieved through coordinated, well-informed, and transparent decision-making by employers.

This vision is anchored in British Columbia's [Taxpayer Accountability Principles](#) – particularly the principles of “Cost-Consciousness” and “Appropriate Compensation.” Put another way, B.C.'s vision is to employ those with the skills and talents needed to deliver sustainable, high quality services while always mindful of the cost to British Columbia taxpayers.

### Vision:

Consistent and appropriate public sector compensation that demonstrate a cost-conscious culture, achieved through coordinated, well-informed, and transparent decision-making by employers.

Employers are expected to achieve this vision through the use of appropriate benchmarking and following a compensation philosophy based on the core elements of performance, differentiation, accountability and transparency. PSEC's role, in line with its statutory mandate, is to provide strategic advice and coordination that assists the public sector in achieving B.C.'s vision for consistent and appropriate compensation.

## Taxpayer Accountability Principles

Introduced in 2014 to strengthen British Columbia's corporate governance framework, the following Principles must be enshrined in the operation of all provincial public sector organizations:

**Cost consciousness (Efficiency):** Strengthen cost management capabilities and foster a culture of cost-consciousness at all levels of public sector organizations. Provide public services and programs as efficiently and effectively as possible to “bend the cost curve” and support sustainable public policies and programs as a lasting legacy for generations to come.

**Accountability:** Transparently manage responsibilities according to a set of common public sector principles in the best interest of the citizens of the province. By enhancing organizational efficiency and effectiveness in the planning, reporting and decision-making, public sector organizations will ensure actions are aligned with government's strategic mandate.

**Appropriate Compensation:** Comply with a rigorous, standardized approach to performance management and employee compensation, which reflects appropriate compensation for work across the public sector that is consistent with government's Taxpayer Accountability Principles and respectful of the taxpayer.

**Service:** Maintain a clear focus on positive outcomes for citizens of British Columbia by delivering cost-efficient, effective, value for-money public services and programs.

**Respect:** Engage in equitable, compassionate, respectful and effective communications that ensure all parties are properly informed or consulted on actions, decisions and public communications in a timely manner. Proactively collaborate in a spirit of partnership that respects the use of taxpayers' monies.

**Integrity:** Make decisions and take actions that are transparent, ethical and free from conflict of interest. Require the establishment of a strong ethical code of conduct for all employees and executives. Serve the citizens of British Columbia by respecting the shared public trust and acting in accordance with the Taxpayer Accountability Principles.

### **B.C.'s Public Sector Compensation Philosophy**

In 2013, Ernst & Young was retained to review compensation across the broader public sector, including local government. Released in 2014, the [BC Public Sector Compensation Review](#) made a number of recommendations which were generally accepted by government.

The PSEC Secretariat is implementing the following three key recommendations specific to provincial public sector organizations:

1. Create a common compensation philosophy for the provincial public sector based on the refreshed philosophy for core government including shared principles and discipline in decision making.
2. Build a governance model to ensure alignment across the public sector ensuring clear roles and responsibilities.
3. Deploy a model that includes regular reviews, approval processes, and a periodic refresh of core government's compensation philosophy.

The goal of a performance-based, common compensation philosophy is to increase rigour, consistency and transparency in decision-making, reduce whipsawing between employers and, where appropriate, reduce variation in compensation levels over time.

In 2015, all public sector employers were asked to revise their compensation philosophies to embody the following four core principles:

1. **Performance** – Compensation programs support and promote a performance-based (merit) organizational culture.
2. **Differentiation** – Differentiation of salary is supported where there are differences in the scope of the position within an organization, and/or due to superior individual team contributions.
3. **Accountability** – Compensation decisions are objective and based upon a clear and well documented business rationale that demonstrates the appropriate expenditure of public funds.
4. **Transparency** – Compensation programs are designed, managed and communicated in a manner that ensures the program is clearly understood by employees and the public while protecting individual personal information.

### **Appropriate Benchmarking**

Benchmarking for excluded and executive employees must be based on the following primary comparators, in this order:

1. B.C. Public Sector Organizations – comparable positions in the B.C. public service, Crown corporations, health sector, K-12 education, community social services, regional governments, municipalities and various public bodies.
2. Other Provincial Jurisdictions – where relevant, excluding Territories.
3. Private Sector – to be used only in cases of talent in high demand with significant, demonstrable recruitment pressure from the private sector.

## Public Sector Employers Act

### The Korbin Commission and the *Public Sector Employers Act*

Enacted in 1993, the [\*Public Sector Employers Act\*](#) is the foundation for British Columbia’s approach to managing public sector compensation, including public sector collective bargaining. The legislation flowed from the [\*Commission of Inquiry into the Public Service and Public Sector\*](#) (the “Korbin Commission”) which sought to improve coordination and accountability for compensation matter, collective bargaining, and human resource management.

The fundamental problem identified by the Korbin Commission was that while government was responsible for funding hundreds of public sector collective agreements, there was limited input and control over negotiated outcomes. Similarly, government was also held accountable for executive and exempt employee compensation decisions for which they had limited ability to influence. These broad fiscal management concerns were compounded by the inefficiencies resulting from the lack of effective coordination across sectors or even among employers within same sectors.

The Korbin Commission recognized the value in maintaining the autonomy of public employers. In order to foster dynamic and vital organizations, employers needed a degree of flexibility to make decisions tailored to their respective communities of interest and service delivery objectives. At the same time, a new balance needed to be struck. A balance where employers stopped making compensation decisions in isolation, and where government could better influence the expenditure of public resources made through public bodies.

#### *The purposes of the Public Sector Employers Act are:*

*(a) to ensure the coordination of human resource and labour relations policies and practices among public sector employers, and*

*(b) to improve communication and coordination between public sector employers and representatives of public sector employees.*

*“The majority of the government’s provincial budget is expended for the purpose of employing a large number of employees to provide public services. The commission considers it imperative that government have a formalized ability to plan and anticipate cost increases arising from collective agreement negotiations and other human resource matters throughout the entire public sector.” Volume 2 – Final Report – Commission of Inquiry into the Public Service and Public Sector, page C6.*

*“Decisions made by one public sector body with respect to collective bargaining or excluded compensation issues can have a profound effect on other public sector employers in ways which*

were not considered or anticipated and which are not necessarily beneficial to the public interest. “Volume 2 – Final Report – Commission of Inquiry into the Public Service and Public Sector, page C7.

“If the province is to begin to manage public sector matters more efficiently and effectively, this lack of coordination and communication with a sector cannot continue.” Volume 2 – Final Report – Commission of Inquiry into the Public Service and Public Sector , page C7.

### **The PSEC Model**

The *Public Sector Employers Act* established the Public Sector Employers’ Council, comprised of representatives from government and public sector employers. The purpose of the council is to:

- set and coordinate strategic directions in human resource management and labour relations,
- advise the government on human resource issues with respect to the public sector,
- provide a forum to enable public sector employers to plan solutions to human resource issues, consistent with cost efficient and effective delivery of services in the public sector, and
- enable representatives of public sector employees to consult with public sector employers on policy issues that directly affect the employees.

The Minister Responsible for the *Public Sector Employers Act* (currently the Minister of Finance) is the Chair of the council and is supported by the Public Sector Employers’ Council Secretariat (PSEC Secretariat). The PSEC Secretariat is a team of professional staff headed by a President and Chief Executive Officer (an Associate Deputy Minister level position). The role of the PSEC Secretariat is to provide strategic advice, implement government direction, and ensure ongoing, on-the-ground coordination and compliance with B.C.’s public sector compensation policies.

More specifically, the PSEC Secretariat:

- provides strategic advice on the development of mandates for collective bargaining and labour relations strategies;
- coordinates the implementation of bargaining mandates and strategies through public sector employer bargaining agents and employers:
  - facilitates approval of employer bargaining plans,
  - reviews costing of proposals,
  - facilitates approval of final offers;
- coordinates research and data analysis;
- provides strategic advice on human resource and labour relations policies;
- supports the Appointee Remuneration Committee (ARC) established by Treasury Board to administer the remuneration for appointees to provincial government boards and tribunals;
- coordinates the implementation of compensation policies for non-union employees:
  - facilitates the approval of an organization’s compensation plans,

- facilitates the approval of CEO employment contracts,
- coordinates the annual disclosure of executive compensation; and
- represents government in its role as a partner under the joint trust arrangements established for the four major public sector pension plans.

The *Public Sector Employers Act* also required an employers' association be established for each sector other than the provincial public service (government ministries), which is coordinated through the Public Service Agency. The associations established for the other six sectors are:

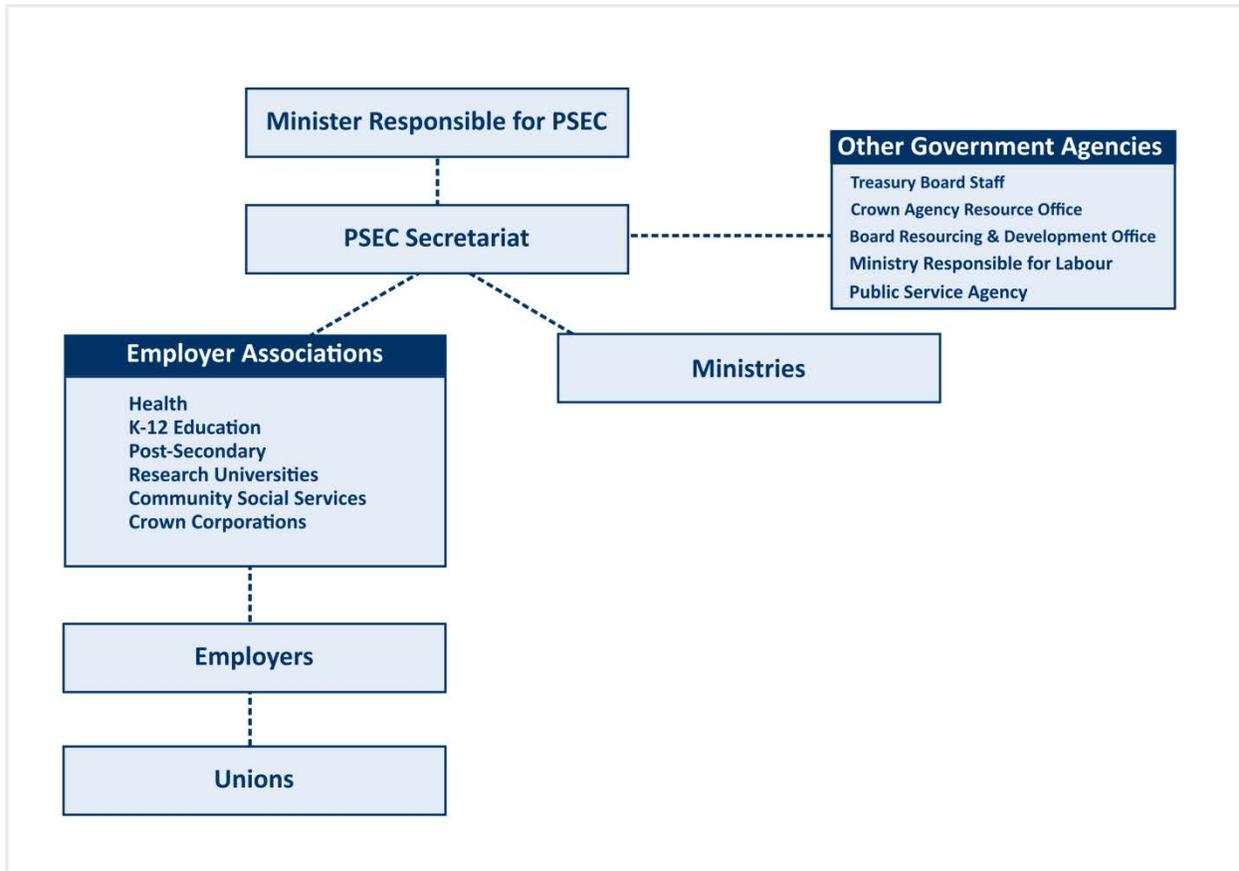
- Health Employers' Association of British Columbia (HEABC)
- British Columbia Public School Employers' Association (BCPSEA)
- Community Social Services Employers' Association (CSSEA)
- Post Secondary Employers' Association (PSEA)
- University Public Sector Employer's Association (UPSEA)
- Crown Corporation Employers' Association (CCEA)

The purposes of the employers' associations are to:

- foster consultation with representatives of employees in that sector;
- assist the PSEC Secretariat in carrying out the objectives and strategic directions established by the Council;
- coordinate, with respect to their sector:
  - compensation for excluded (non-union) employees,
  - benefits administration,
  - human resource practices,
  - collective bargaining objectives; and,
- bargain collectively on behalf of their members if authorized to do so.

BCPSEA, CSSEA, HEABC, and PSEA serve as the accredited employer bargaining agents for their respective sectors. While the *Public Sector Employers Act* applies to Crown corporations and research universities, their respective employers' associations, CCEA and UPSEA, play a coordinating and information-sharing role but do not serve as bargaining agents for their member employers.

## The PSEC Model



Government is ultimately accountable to the public for the costs and service delivery outcomes of bargaining and non-union compensation. The PSEC model, where compensation decisions are coordinated through the PSEC Secretariat and employers' associations, provides a balance between organizational autonomy and the need to respect government's policy direction and fiscal plans. The model allows public sector unions to bargain directly with employers' associations and employers while ensuring the resulting agreements are affordable and support the effective and efficient delivery of public services. Similarly, the PSEC model maintains the Boards of Directors as the central decision-makers in recruiting and hiring their respective CEOs and in setting compensation plans and performance expectations for executive and management staff – but within common criteria and core principles that apply to all public sector organizations.

### Enforcement

The *Public Sector Employers Act* has a number of enforcement provisions, including:

- Any compensation paid to an employee in the absence of an approved compensation plan, or in excess of an approved plan, is a debt payable by the employee to government.
- Public sector employers have up to one year to recoup payments made in contravention of the Act.

- If an employer fails to report a new or revised employment contract within 15 days of the contract being entered into or revised, the Minister responsible for the Act may declare all or part of the contract void.
- Any provision of an employment contract that states that all or part of the contract is confidential is void under the Act.

### Evolution of the PSEC Model

Over the course of the past 20 years, the PSEC model has continued to evolve in support of greater transparency, coordination, and consistency in compensation decisions and bargaining outcomes, supported by stronger data and research.

<b>1994</b>	<i>Compensation Guidelines Mandate (1994-1996)</i>
<b>1996</b>	<i>0%-Delayed 1% Mandate (1996-1998)</i>
<b>1997</b>	Bill 20 amends the <i>Public Sector Employers Act</i> to enable the regulation of employment termination (severance) standards.
<b>1998</b>	<i>Monetary Mandate Framework (1998-2001)</i>
<b>2001</b>	<i>Cash Limit Mandate (2001-2004)</i>
<b>2002</b>	<i>Net Zero Mandate (2002-2006)</i>
	Bill 66 amends the <i>Act</i> to: <ul style="list-style-type: none"> <li>○ require preparation of and Ministerial approval of compensation plans;</li> <li>○ strengthen standards for severance payments, accumulated sick leave, and unused vacation payouts;</li> <li>○ clarify that employment contracts for senior employees are publicly releasable; and</li> <li>○ require all terms and conditions for senior employee compensation be provided to the Secretariat.</li> </ul>
<b>2005</b>	<i>Negotiating Framework Bargaining Mandate (2006-2010)</i>
<b>2007</b>	Bill 33 amends the <i>Act</i> require greater transparency and routine disclosure of senior employee compensation.
	The <i>CEO Compensation Framework</i> is introduced to: <ul style="list-style-type: none"> <li>○ establish total compensation maximums, including incentive payments, for public sector employers;</li> <li>○ end the use of supplemental pension plans and strengthen the guidelines for severance provisions;</li> <li>○ ensure incentive programs are not an annual entitlements and they must be tied to clearly articulated deliverables; and</li> <li>○ require CEO contracts be set for fixed terms (maximum 5 years).</li> </ul>
<b>2008</b>	First year for annual disclosure of executive compensation, which provides details on the top five executives earning more than \$125,000 base salary for each public sector organization, including an overview of the employers' compensation objectives and philosophy.
<b>2009</b>	<i>Net-Zero Bargaining Mandate (2010-2012)</i>
<b>2011</b>	<i>Cooperative Gains Bargaining Mandate (2012-2014)</i>
<b>2012</b>	A new <i>Crown Corporation Executive Compensation Policy</i> amends aspects of the 2007 Framework with respect to Crown corporations. The Crown policy required: <ul style="list-style-type: none"> <li>○ a freeze to all executive salaries and Crowns must achieve a 10 percent reduction in total base salary when filling vacant senior executive positions;</li> <li>○ executives reporting to a CEO be capped at a maximum 85 percent of the CEO's total compensation;</li> </ul>

- a maximum of seven senior executives reporting to the CEO and no more than six organizational/reporting layers;
- bonus plans for senior executives be phased out and replaced with a salary hold back up to 20 percent of their maximum base salary, with performance criteria established by agreement between the Board and the Minister responsible for the Crown corporation;
- incentive programs to be phased out below the executive level;
- all perquisites and allowances to be phased out, save for transportation allowances where justified and at B.C. public service rates;
- all out of pocket expenses to be reimbursed in line with B.C. public service policies and rates;

A compensation freeze is implemented for excluded and executive employees across the B.C. public sector; Crown corporations tasked with reducing executive compensation by 10 percent.

**2013** *Economic Stability Bargaining Mandate (2014-2019)*

**2014** The *BC Public Sector Compensation Review*, conducted by Ernst and Young, recommended greater alignment of compensation philosophies and compensation levels across the B.C. public sector.

**2015** Implement *BC Public Sector Compensation Review – Phase I*

- Employers are required to revise their compensation plans and benchmarking to ensure alignment with a common public sector compensation philosophy based on the core principles of performance, differentiation, accountability, and transparency.
- Based on a business case consistent with the public sector compensation philosophy, employers received approval to provide modest within-range increases to address cases of salary compression or inversion or to ensure the retention of high-performing employees.

**2016** Implement *BC Public Sector Compensation Review – Phase II*

- Based on a business case, employers received approval to adjust excluded compensation ranges commensurate with increases for unionized employees.

### **2012 Excluded Management Compensation Freeze**

In 2012, in response to the economic and fiscal challenges at the time, the B.C. government implemented a compensation freeze across the B.C. public sector. In addition, government required all Crown corporations to develop plans to reduce their total executive compensation by 10 percent. The freeze was partially lifted in 2015 through a measured exit. Employers were required to revise their compensation plans and benchmarking to align with a common compensation philosophy based on the core principles of performance, differentiation, accountability, and transparency. Based on a business case, employers received approval to provide modest within-range increases to address cases of salary compression or inversion or to ensure the retention of high-performing employees. In 2016, this flexibility was extended to senior executives and employers were also allowed to adjust compensation ranges in line with the increases for bargaining unit employees.

## Chapter 2 – Unionized Employees and Collective Bargaining

### Overview of PSEC Model Bargaining Process

In collective bargaining, an agreement struck at one table can very often set expectations or a pattern for tables across the broad public sector. With nearly 82 percent of all public sector compensation subject to collective bargaining, central coordination is essential if employers are to deliver on B.C.'s vision for consistent and appropriate compensation, as well as the sustainable, high-quality services the public has come to expect.

The PSEC model governs and coordinates bargaining for the B.C. Public Service, health sector, community social services, K-12, research universities, post-secondary institutions, and Crown corporations. All employer bargaining agents must obtain approval through the PSEC Secretariat for bargaining plans that are in line with the provincial bargaining mandate and the employers' objectives.

The PSEC model allows public sector unions to bargain directly with employers' associations and employers while ensuring the resulting agreements fall within the available fiscal envelope and support government's policy and service delivery objectives.

#### Scope of Bargaining

PSEC Secretariat coordinates and oversees the renewals of 182 collective agreements covering 310,600 unionized employees and 120 employers with a total compensation base of \$22 billion. Every one-percent increase in compensation equals \$220 million.

### Provincial Mandate and Employer Bargaining Objectives

The provincial bargaining mandate sets out the broad terms that apply across all sectors. Employers must conduct their negotiations within this provincial framework. Where required to address recruitment and retention, the provincial mandate may also set parameters for differentiated mandates between sectors or between employers within a sector. It may also include direction on how the mandate applies to compensation plans for non-union and management employees.

Prior to the development of individual bargaining plans, employer bargaining agents, the PSEC Secretariat, and ministries will collaborate to determine preliminary bargaining objectives and priorities for their sectors. This work helps to inform the development of the provincial mandate. The provincial mandate is also heavily influenced by British Columbia's fiscal and economic conditions, government's strategic policy objectives, and the general dynamics of public sector labour relations at the time.

## Chapter 3 – Compensation Plans and Executive Contracts

### Overview

The PSEC Secretariat implements the statutory model under the *Public Sector Employers Act* that regulates non-union, excluded and executive compensation, which accounts for approximately 18 percent of B.C.'s public sector compensation costs. The PSEC Secretariat works with employers to promote a cost-conscious approach to recruitment and retention of excluded and executive leaders through consistent and appropriate compensation levels and practices. This work is aligned with the recommendations of the *BC Public Sector Compensation Review* for greater consistency of compensation philosophies across the B.C. public sector. This comprehensive approach moves the public sector to a performance-based culture where compensation decisions are based on merit rather than the entitlement to an increase based on time served in the position.

One way this is achieved is by coordinating the provincial approval of compensation plans and executive contracts. The PSEC Secretariat reviews compensation plans and contracts to ensure they are based on appropriate benchmarks, adhere to B.C.'s compensation and expense policies, and aligned with government's service goals for that organization or sector.

The PSEC Secretariat puts a strong focus on CEO and executive compensation given the importance of these roles in promoting a cost-conscious, principled culture across public sector organizations. Since these positions are often filled with highly skilled and experienced individuals, the PSEC Secretariat's coordination aims to reduce inter-agency competition for talent that may have the effect of exerting upward pressure on compensation costs.

### Compensation Plans

Compensation plans govern how total compensation is provided to excluded employees. The plans typically describe salary ranges, benefit provisions, relevant job market comparators, recruitment and retention challenges, and the types of positions covered by each range.

The *Public Sector Employers Act* allows the Minister responsible for the *Act* to direct employers to create compensation plans for their excluded employees, or to direct employers' associations to create plans on behalf of employers in their sector. The Minister's direction may focus on certain groups of senior employees, or on all management and excluded employees.

Compensation plans must be approved by the Minister responsible for the *Act* and the plans remain in place until any revisions are approved. Employers may not deviate from or amend the plans without the Minister's approval.

Within an approved plan employers are free to make compensation changes that result from *bona-fide* promotions and reclassifications – provided those changes are consistent with the approved ranges. However, employers cannot unilaterally increase compensation ranges or hire new employees at salaries above the approved ranges. Once approved, a compensation plan is a legally enforceable compensation standard. Any compensation that is paid in excess of an approved compensation standard is a debt payable by the recipient employee to the Province of British Columbia.

## Compensation Plan Elements

Compensation plans commonly include descriptions of:

- the positions or classes of positions covered;
- the total compensation range (the sum of base salary and all other cost items such as incentives, benefits, pension, etc.) for each position or class of positions;
- the base salary ranges for each position or class of positions and the policies or criteria governing base salary adjustments;
- employee benefits and perquisites, including leave entitlements (flex days, time in lieu, vacation, sabbaticals);
- any incentive or bonus plans including maximum amounts, performance measures and targets, and any policies or criteria governing payment [Please note such plans are being phased out across the public sector and replaced with salary holdback measures for CEOs and Senior Executives only];
- the standards or guidelines governing reimbursements for required memberships in professional associations, relocation, business travel, and out of pocket expenses;
- the employer's compensation philosophy, which must include reference to the four core principles of performance, differentiation, accountability, and transparency;
- the compensation benchmarking methodology and process;
- a benchmarking study showing how compensation levels covered by the plan compare to relevant labour market comparators; and,
- any other relevant information, including evidence of recruitment and retention issues, salary compression or inversion, or other business considerations.

## Compensation Plan Approval Process

Compensation plans are prepared by employers and/or employers' associations for submission to the PSEC Secretariat for review. The PSEC Secretariat is responsible for coordinating compensation plan approvals, including the delivery of briefing materials and recommendations to the Minister responsible for the *Public Sector Employers Act*. This also includes, when required, coordinating the approval for CEO compensation changes with the Minister responsible for the public sector organization.

Prior to submitting compensation plans for Ministerial approval, the PSEC Secretariat works closely with employers and employers' associations to provide advice and guidance. PSEC Secretariat also works closely with the ministries responsible for the employers to ensure the plans are aligned with the ministries' policy and service delivery goals. This review ensures a rigorous, standardized approach to achieving B.C.'s vision for public sector compensation.

Please see Appendix 2 – Compensation Plan Considerations for more details.

## Executive Contract Approval Process

The *Public Sector Employers Act* authorizes the PSEC Secretariat to review, and for the Minister responsible to approve, all proposed employment contracts for excluded employees prior to implementing a formal offer. In practice, the PSEC Secretariat only reviews proposed contracts for public sector CEOs and senior executives. Reviews of proposed contracts for other excluded employees are often delegated to the employers' associations or managed through the employers' approved compensation plans.

The PSEC Secretariat works closely with the employers to ensure the terms of the proposed contracts are based on appropriate benchmarks, that they provide clarity on all elements of compensation, including leaves and perquisites, and that they adhere to B.C.'s legislation and policies.<sup>1</sup> There are additional policies that apply specifically to Crown corporation executive compensation. In all cases, PSEC Secretariat ensures any other commitments, such as recruitment or relocation incentives are properly accounted for and offered only where appropriate. For all CEO contracts, the PSEC Secretariat also ensures there has been adequate consultation between the Board Chair and the Minister responsible for the organization and that the Minister supports the proposed offer.

Please see Appendix 2 – Executive Contract Considerations for more details.

### Overview of Responsibilities



### Assessment Criteria

The PSEC Secretariat assesses compensation plans and executive contracts against the following criteria:

- common compensation philosophy core principles (see page 9 of this guide)
- appropriate benchmarking (see page 10 of this guide)
- financial completeness/total compensation
- ministry policy direction
- policy, legislation, and best practices
  - Vacation and Sick Leave

<sup>1</sup> For more on executive compensation, see Chapter 4.

- Termination Standards (severance amounts and retiring allowances)
- Crown corporation policies
- Governments' Framework for Expenses
- Disclosure and transparency

### **Financial Completeness/Total Compensation**

Compensation plans and contracts must identify all cost items and ensure total costs are accounted for within the total compensation ranges for the positions, including salary and allowances and all benefits including vacation and leaves, pensions, or any other entitlements or commitments.

### **Ministry Policy Direction**

Compensation plans and contracts must be consistent with the employer's service delivery mandate and the Province's vision for the organization and the sector. These policy directions are typically communicated through a variety of means, including Ministers' Mandate Letters, Service Plans, and Crown Agency Mandate Letters.

### **Compensation Policy, Legislation and Best Practices**

Compensation plans and contracts must adhere to relevant government policy and legislation. In cases where items do not conform to policy and where exemptions may be permitted, such exemptions may be sought through an approved business case that justifies how the proposed exception is appropriate.

Policy and legislation are often minimum requirements supplemented by additional standards and procedures. These best practices may apply to individual organizations, to a group of employers in a sector, or province-wide.

For example, it is a policy requirement that all public sector organizations develop and implement standards of conduct for employees based on provincial guidelines. The guidelines, in turn, allow each public sector organization the flexibility to tailor the code to their unique circumstances – provided they specifically address a general list of topics including post-employment restrictions, conflict of interest, and acceptance of gifts and benefits.

There may also be practice guidelines that apply to specific sectors. For example, the provision of academic sabbaticals is a common element of compensation in the post-secondary sector. Post-secondary employers must have best practice guidelines in place to ensure this leave is used for its intended purpose. As another example, the *Freedom of Information and Protection of Privacy Act* does not require proactive disclosure. However, consistent with the core principle of transparency, employers should have sound practices in place to facilitate the proactive disclosure of public sector compensation and expenses.

## Chapter 4 – Excluded Employee Compensation Policies

### Overview

Compensation plans and employment contracts for all excluded employees must adhere to B.C.'s Employment Termination Standards and policies regarding compensation disclosure and transparency. There are additional policies on organizational design, salary compression, salary holdbacks, perquisites and expense reimbursements that apply to Crown corporations. Other employers are encouraged to adopt these Crown corporation policies where appropriate.

### Accumulation of Vacation Leave

The *Public Sector Employers Act* stipulates that unused vacation leave may be carried over to the year following the year in which it was accumulated; however, if it is not used by the end of that following year it must be paid out. The only exception is for vacation time accumulated prior to January 1, 2003 – this accumulated time can still be carried over year to year and may be paid out at an employee's conclusion of employment.

### Accumulation of Sick Leave

The *Public Sector Employers Act* stipulates that sick leave can be accumulated, but cannot be paid out in the form of additional vacation leave or a cash payment or any other benefit. The only exception is for sick leave that was accumulated prior to January 1, 2003 - this accumulated sick leave can still be used based on the previous rules under which the leave was accumulated.

### Amount of Severance Payable

The *Employment Termination Standards Regulation* sets 18 months as the maximum severance in lieu of notice for excluded employees. Unless otherwise approved by the Minister Responsible, the severance amount is the lesser of the employee's remaining contract or what the employee would be entitled to receive under common law. The porting of time from another public sector employer to determine appropriate notice of termination or severance requires the prior approval of the Minister Responsible.

The *Employment Termination Standards Regulation* also limits severance payable to CEOs and Presidents, Deputy Ministers, and School Superintendents based on the following limits:

Length of service in the position	Maximum notice or severance
Less than 12 months	Up to 6 months
12-17 months	Up to 9 months
18-35 months	Up to 12 months
36-47 months	Up to 14 months
48-59 months	Up to 16 months
60 or more months	Up to 18 months

The *Employment Termination Standards Regulation* allows Treasury Board to approve exceptions to the severance limits but not exceptions that would provide for more than 12 months' severance for fewer than 18 months employment. In the case where a person is promoted into a Deputy Minister, CEO/President or School Superintendent position with the same employer, the person's length of service with the same employer may be recognized in determining an appropriate notice of termination or severance arrangement. Any porting of time from a different employer requires prior approval of Treasury Board.

Public sector employers should engage with PSEC Secretariat when they are contemplating or engaged in a case of senior employee or executive severance. PSEC can assist with advice and/or connecting employers with legal advisors. Wherever possible, public sector employers should give working notice or salary continuance rather than severance. An employee who refuses further assignments is considered to have resigned and may not be paid severance. If a public sector employer chooses to provide severance instead of notice, it is the employer's choice whether to provide a lump sum payment instead of salary continuance or periodic payments. Periodic payments facilitate the recovery of excessive sums and may avoid an over-payment of severance if an employee is re-employed in the public sector. However, lump sum payments may be administratively more efficient for smaller severance settlements, and may also help the employer to negotiate an overall lower severance amount.

### **Repayment of Severance**

Any severance paid that is in excess of what is allowed under the *Public Sector Employers Act* or the *Employment Termination Standards Regulation* is a debt payable to government. This includes 'double-dipping', where a public sector employee collects both a B.C. public sector severance and a salary from another B.C. public sector employer at the same time. Where employees are re-employed in the provincial public sector during their period of severance, the employee must notify their former employer of their re-employment during the severance period and pay back to the employer any amount of severance received after re-employment.

### **Retiring Allowances**

The *Employment Termination Standards Regulation* defines a "retiring allowance" as a payment that an employee receives on or after retirement in recognition of the employee's service. The Standards provide that retiring allowances may only be paid when an employee retires from employment, and that an employee may not receive both a severance and a retiring allowance. The only exception is when a retiring allowance is part of a labour adjustment policy or program that has been approved by the Minister responsible for the *Public Sector Employers Act*. Superannuation, pension benefits and an amount paid in the event of the death of an employee are not considered retiring allowances.

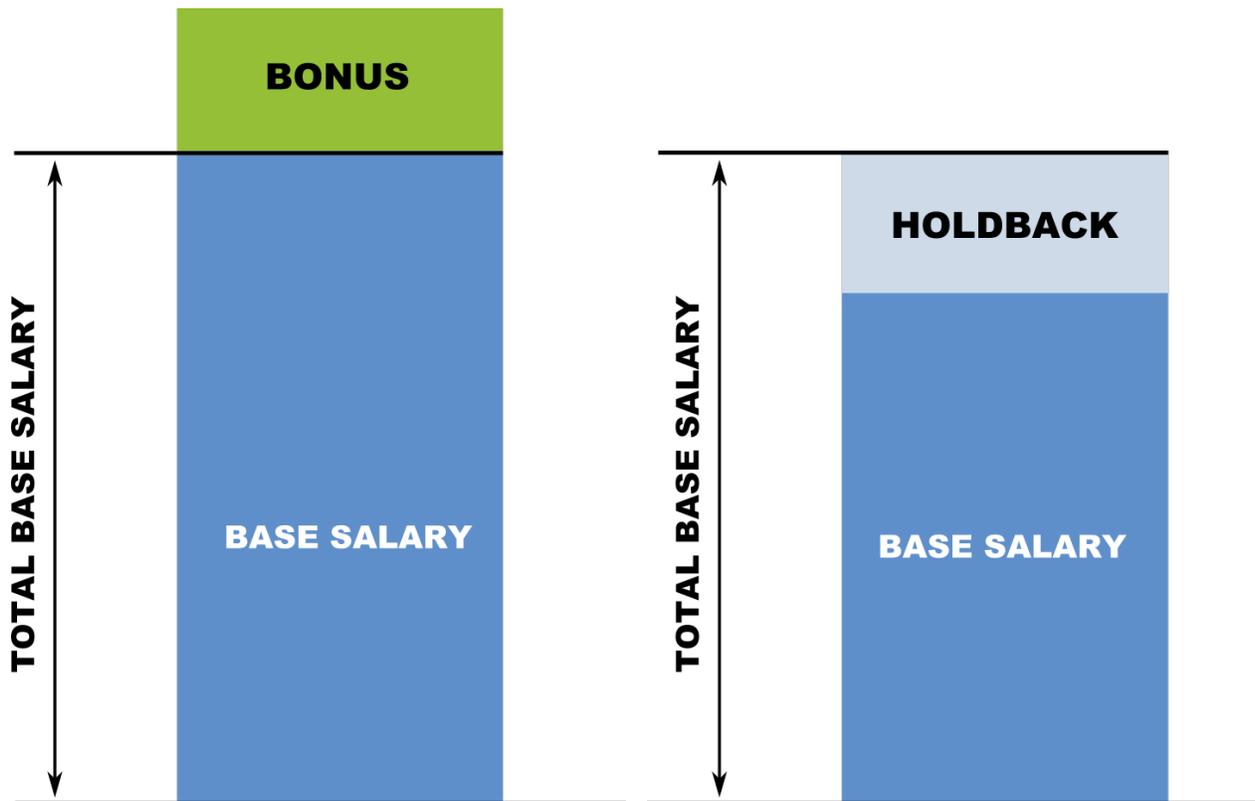
### **CEO Total Compensation**

The government sets total compensation for CEOs, based on the size and complexity of the organization. The CEOs' compensation, in turn, serves as the maximum amount ("cap") for individuals in that organization – no senior employees can earn more than their CEO.

### **Salary Increments and Holdbacks**

Salary commitments may be set within bands to allow for modest increases provided the upper end of the band can be accommodated within the total compensation parameters established for the positions. However, movement along the band must be based on an assessment of performance and not as automatic entitlements based on length of service.

Bonus programs are no longer permitted and must be phased out for executive and excluded employees where they exist. Instead, a hold back of up to 20 per cent of maximum base salary may be implemented for senior executives in place of a bonus program. Holdbacks are not to be treated as pensionable income.



Salary holdbacks may be awarded subject to board assessment of performance against “stretch goals” and established performance criteria.

In general, holdbacks are to be used only for executives that report directly to the CEO and should be phased out for excluded employees below the executive level. Elimination of bonuses and holdbacks where they apply to unionized staff is a bargaining issue and not within the scope of this policy.

### **Standards of Conduct**

All public sector organizations are required to have in place written standards of conduct for their employees consistent with the [Standards of Conduct Guidelines for the B.C. Public Sector](#). The guidelines require an organization to address specified matters such as conflict of interest, personal conduct, and use of corporate property and information. Two of these policy topics – post-employment restrictions and acceptance of benefits – are directly related to employee compensation.

### **Future Employment Restrictions**

The standards of conduct must set out any restrictions on future employment for current employees, and in particular the restrictions placed on executive employees. At a minimum, these restrictions must equal those in the B.C. Public Service, which require senior managers to immediately disclose prospects of other employment and place a one-year restriction on employment with an outside entity (other than a public sector employer) with which they had substantive involvement or dealings over the prior year.

Resource: [Human Resources Policies - Post Employment Restrictions for Senior Management in the BC Public Service \(Human Resources Policy 13\)](#)

### **Acceptance of Gifts and Benefits**

An organization's standards of conduct must set out the organization's position on what, if any, gifts, entertainment, benefits, or favours (including cash) are acceptable (and if so, to what maximum dollar value). This section must include a policy on collection of travel points and similar loyalty programs that confer personal benefits to employees for work-related expenditures.

## **Disclosure and Transparency**

### **Annual Schedule of Salary and Expenses**

Public sector organizations subject to the [Financial Information Act](#) must produce and disclose an annual schedule of compensation and expenses paid to all employees earning a base salary of \$75,000 or more over the prior fiscal year.

### **Annual Disclosure of Executive Compensation**

All public sector employers must publish an annual Statement of Executive Compensation on their websites for the CEO and the next four highest paid/ranking employees (base salary >\$125,000). School Districts must publish compensation information for all Superintendents, regardless of their salary.

The Statement of Executive Compensation must include information in a form prescribed by the PSEC Secretariat, including base salary, benefits, pension contributions, and any salary holdback or incentive payments. The disclosure must also explain the employer's compensation philosophy and compensation objectives, and how the compensation paid relates to the employer's performance targets.

The guidelines for the Statement of Executive Compensation can be found at:

<http://www.fin.gov.bc.ca/psec/disclosuredocs/guide-executive-compensation-disclosure.pdf>

### **Contracts of Employment are Public Documents**

The *Public Sector Employers Act* establishes that employment contracts for senior employees are public documents that must be both accessible online and available for public inspection on request during normal business hours. Employers are also required to disclose, on request, any associated reports filed with the PSEC Secretariat.

Some employers have chosen to proactively post CEO contracts on their website in the spirit of transparency.

### **Obligation to File Senior Employee Contracts with the PSEC Secretariat**

The *Public Sector Employers Act* requires employers to file with PSEC Secretariat all terms and conditions of employment for senior employees within 15 days of entering into an agreement or contract.

To comply with this requirement, employers must provide:

- a prescribed report specifying all terms and conditions of employment relating to compensation, whether in the form of salary, benefits or leave entitlements; and,

- a copy of the written contract if there is one.

Employers are also required to report within 15 days any changes to these terms and conditions or any severance paid to senior employees.

Failure to comply may result in the Minister responsible for the Act, declaring all or part of a contract of employment to be void.

### **Labour Information Gathering and Executive Reporting System**

To assist employers in meeting their reporting requirements, the PSEC Secretariat maintains the Labour Information Gathering and Executive Reporting (LIGER), a web-based application. The Senior Employee Compensation (SEC) module is a secure and efficient way to report senior employee compensation information and for the Secretariat, employers' associations, and ministries to obtain up-to-date compensation information. Protected access to the SEC module within the LIGER system is available at: <https://publicsectorcompensation.gov.bc.ca>. For more information contact the PSEC Secretariat directly.

### **Proactive Employee Expense Disclosure**

The public disclosure of employee expenses is also required under B.C.'s Financial Information Act (*FIA*) and through requests made pursuant to the [Freedom of Information and Protection of Privacy Act \(FOIPPA\)](#). The *FIA* requires public bodies and organizations to prepare a statement of financial information for all employees who earned more than \$75,000 in cash compensation — or total remuneration paid to the employee and total amount paid for the employee's expenses — within six months after the end of the organization's fiscal year. *FOIPPA*, meanwhile, entitles public access to detailed information on employee expenses, excluding personal information or other content protected from disclosure under specific provisions of the *Act*.

The government's [Open Information and Open Data Policy](#) promotes the proactive, routine release of government information and data. Summaries of [travel expenses](#) for Ministers and Deputy Ministers are now routinely posted to Open Information on a monthly basis. More detailed quarterly disclosures for Ministers include the cost of all flights and other expenses including meals, accommodation, taxi and bus fare, ferry, mileage, vehicle rental and miscellaneous expenses for all in-province, out-of-province, and out-of-country travel. Some public sector organizations have adopted similar and — in some cases — more detailed disclosure practices. For example, the Legislative Assembly of British Columbia has introduced quarterly [disclosure](#) of information on Members' compensation, travel expenses, and constituency office expenses. Vancouver Coastal Health also posts quarterly reports of [CEO expenses](#), including details on travel and attendance at conferences.

In light of the general movement towards greater disclosure and transparency, public sector employers are strongly encouraged to pursue practical and cost-effective proactive disclosure of employee expense information, particularly for executive employees.

### **Crown Corporation Executive Compensation Policy**

The Crown Corporation Executive Compensation Policy, which pre-dates the *BC Public Sector Compensation Review*, was issued in July 2012 to address concerns about the levels of bonuses available in some Crown corporations, variations in the administration of bonuses, and the number of executives in some Crown corporations.

The policies detailed below are requirements for all Crown corporations. However, to foster greater consistency and alignment across the public sector, the PSEC Secretariat encourages all public sector employers to consider similar policies and approaches.

While the aim is to increase consistency, it is understood that exceptions may be required due to special circumstances or unique industry practices. For Crown corporations, exceptions may be sought from the Minister responsible for the *Act* through the PSEC Secretariat and must be in the form of written proposals with rationale.

### **Salary Compression**

Where executives reporting to a CEO earn more than 85 percent of the CEO's total compensation, a plan to eliminate the compression must be developed in consultation with the PSEC Secretariat for approval by the Minister responsible for the *Act*. This may entail red-circling existing compensation levels and addressing the compression through attrition.

### **Organizational Design**

Crown corporations must restrict the number of organizational layers to six unless an exception is approved by the Minister responsible for the *Act*. Organization charts must be provided to the PSEC Secretariat as part of the annual executive compensation disclosure process.

Vice-presidents (and equivalents) must be in direct reporting relationship to the CEO and may not exceed seven unless an exception is approved by the Minister responsible for the *Act*.

### **Expense Reimbursement**

The reimbursement of out of pocket expenses incurred by executive employees must follow similar criteria and may not exceed the rates for equivalent staff as provide by the government's expense policy framework.<sup>2</sup>

### **Other Compensation Matters**

Over time, the PSEC Secretariat has developed conventions and direction on other compensations matters that arise on occasion or that pertain to a specific sector or group of employers.

### **Porting of Pension Plans/Purchasing Pensionable Time**

Employees are responsible for all costs associated with porting pensions from a different employer or where they seek to purchase pensionable service for eligible periods of time prior to joining their current employer. Public sector employers may not offer or cover these costs unless they are specifically identified in an approved compensation plan or an approved senior executive contract.

### **No Ongoing Employee Entitlement to Value of Employer Pension Contribution**

In cases where employees continue to work but must begin to collect pension benefits, and where employers have fulfilled their obligations to contribute to the pension plan, employees are not automatically entitled to receive the value of the employers' pension contributions in another form of compensation unless the matter is specifically addressed in an approved compensation plan or employment contract.

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<sup>2</sup> For more on executive compensation, see Chapter 4.

### **Academic Sabbaticals/Study Leaves at Post-Secondary Institutions**

Academic leaves (also called research, sabbatical or study leaves) are a common and critical mechanism for universities and colleges to ensure academic leadership roles are attractive to outstanding faculty members. Academic leadership roles are demanding and the time commitment does not allow these individuals to remain current in their teaching, research and scholarship. When academic leaders return to their faculty role, the academic leave provides the necessary means to get current in their discipline, resume their research and/or scholarship responsibilities and learn about advances in curriculum and teaching pedagogies.

It is important that universities and colleges have principles and practices in place to ensure academic leaves meet this intended purpose. Such principles and practices would normally include the elements of the approved leave, an undertaking to return from leave for a reasonable period time, and a report on activities during the leave. Academic leaves are not intended to supplement retiring allowances or severance.

## Chapter 5 – Remuneration for Appointees to Boards and Tribunals

### Overview

The B.C. government appoints individuals to serve on Ministry and Crown Agency Boards as well as to Administrative Tribunals and Regulatory Boards. Compensation policies for these appointees are set by Treasury Board Directives pursuant to sections 4 and 27 of the *Financial Administration Act*.

The Treasury Board Directives set the maximum remuneration for appointees based on different categories of organizations and positions. The Directives also provide guidance on a range of remuneration matters, including travel, accommodation and expense reimbursements in accordance with government rates.

The PSEC Secretariat provides support to the Appointee Remuneration Committee (ARC), which is established by Treasury Board to administer the remuneration directives. ARC is responsible for the classification of Crown agency boards and administrative tribunals into the remuneration ranges established by Treasury Board.

The remuneration ranges recognize the professional nature of the work and the need to attract and retain highly skilled and qualified individuals. However, there are a few differences between the two groups of appointees.

For Administrative Tribunals and Regulatory Boards, there is a strong focus on setting remuneration in line with the level of technical expertise required of the specific tribunals or regulatory board. Full-time appointees are office holders that are treated similar to public service employees, including access to a range of employment benefits. The part-time appointees are office holders treated similar to independent contractors.

The remuneration guidelines for appointees to Ministry and Crown Agency Board Appointees also aim to reflect differences in organizational complexity. However, the approach is tempered with the recognition that service to a Crown agency board is a part-time commitment that entails an element of public service. As such, the guidelines are clear that appointees may not receive any remuneration or that they may be remunerated below the available ranges.

The PSEC Secretariat website contains more information on all aspects of remuneration for appointees to Boards and Tribunals, including copies of the Treasury Board Directives and agency classifications: <http://www.fin.gov.bc.ca/psec/remuneration/index.htm>

## Chapter 6 – Government’s Expense Policy Framework

### Overview

Government has an established policy framework to manage public service employee and appointee expenses, based on the needs of core government. While public sector organizations have a degree of flexibility to adapt those policies to their unique needs and context, those policies must still reflect the spirit and intent of government’s framework.

### Guiding Principles

Public sector employers are responsible for implementing policies and procedures that promote a cost-conscious, taxpayer-focused culture. The strength of the government expense framework is that it understands that a general rule will not always suit all circumstances or situations. Therefore, the framework seeks to clarify the underlying principles and objectives, and places a general obligation on all individuals to use sound judgement in the pursuit of these principles.

In addition to the *Taxpayer Accountability Principles* (see Chapter 1), the Governance chapter of government’s *Core Policy and Procedures Manual* sets out overarching principles and objectives, which include:

- public funds are controlled, accounted for and well managed;
- funds are spent responsibly and in accordance with statutory, regulatory and appropriation provisions, and not used for personal gain;
- funds are used economically and efficiently to deliver programs that effectively meet government's goals;
- government-wide policy and standards are implemented in a prompt, effective and consistent manner;
- promote openness, fairness and transparency in the conduct of business activities; and
- promote best practices and consistent processes.

The chapter also makes clear:

- Crown corporations, public bodies and funded agencies are expected to follow the spirit and intent of core policy requirements;
- program activities must withstand public scrutiny;
- government and public sector managers are accountable for achieving program objectives within the framework of the law, prevailing constraints, and limits of their authority; and,
- a general rule will not always suit all circumstances that may arise, therefore sound judgment must be used by all staff to ensure that principles are upheld.

### **Limiting Financial Risk**

Government's financial management framework also sets clear expectation that public sector organizations must limit financial risk through financial controls and corporate compliance and monitoring. Together, these ensure:

- payments are made in accordance with an organization's policies and statutory obligations;
- the risk of financial loss or fraud is mitigated;
- the likelihood of processing errors are reduced; and
- systemic change to maintain and improve the overall control framework are identified and pursued.

### **Spirit and Intent**

It is understood that B.C. public sector organizations may need to implement expense policies and procedures that differ from those outlined in this document. They may be subject to specific statutory requirements, collective agreement terms, or situations that are simply not contemplated in government's expense policy framework. In all cases, however, the board of directors and executives must apply sound professional judgement and a principle-based approach to ensure their organization adheres to the "spirit and intent" of government's expense policies. Inherent in this expectation is the need to:

- understand the core principles and objectives that underlie government's expense policy framework;
- assess their organization's expenses policies against government's framework;
- where necessary, take action to better align their policies with government's core principles and objectives; and
- maintain sound procedures to monitor and ensure ongoing alignment with core principles and objectives.

### **Government's Expense Policy Framework**

Government's expense policy framework is comprised of several distinct yet interrelated and mutually supportive elements, including Public Service Agency HR Policies, Treasury Board Directives, Ministry of Technology, Innovation and Citizen Services' Procurement and Corporate Supply Arrangements, and the [\*Core Policy and Procedures Manual \(CPPM\)\*](#), which provides much of the underlying guidance and objectives. The following is a very high level description of the most common expenses. More detailed information about government's expense policy framework is attached as Appendix 3.

### **Travel Status**

Employees are on travel status when on approved business more than 32 kilometers from their designated headquarters.

## Airfare

The most economical airfare considering operational requirements is required; upgrading to business class is not permitted except under very narrow circumstances.

Airline frequent flyer points accumulated by employees while travelling at public expense must be applied to future business travel or donated to charity.

## Accommodation

Reimbursement within B.C. should be in accordance with the [hotel accommodation guide approved accommodation rates](#). Accommodations that exceed these rates require pre-authorization.

Where private lodging is used in lieu of commercial accommodation, the individual may claim a reimbursement of \$30 per day.

For out-of-province, out-of-country or U.S. travel, reimbursement for commercial accommodation should reflect the rates established by the Government of Canada through their standing offer arrangements. Accommodations that exceed these rates require pre-authorization.

## Meals/Per Diems

Individuals on travel status are reimbursed for meals through a set per diem schedule based on their applicable [Group](#). No receipts are required for per diem claims. Group I rates apply to unionized employees, Group II rates apply to excluded employees and Group III applies to ministers and deputy ministers.

Meals received without charge or paid for from public funds must not be claimed.

On the date of departure, travel status should start before 7:00 a.m. to claim breakfast; before 12:00 noon to claim lunch; and, on the date of return, travel status should end after 6:00 p.m. to claim dinner. Group II and III employees are entitled to the incidental amount when no meals are claimed on travel status.

## Meal/Per Diem Reimbursement Rates

Meal/Per Diem Reimbursement Rates									
Effective April 1, 2016									
Employee Group	Full Day (\$)*	Half Day (\$)*	Breakfast Only (\$)	Lunch Only (\$)	Dinner Only (\$)	B&L Only (\$)	L&D Only (\$)	B&D Only (\$)	Incidental Only (\$)
I	49.05	N/A	12.00	13.80	23.25	25.80	37.05	35.25	N/A
II	49.00	N/A	22.00	22.00	28.50	30.00	36.50	36.50	14.00
III	51.50	25.75	22.75	22.75	30.50	33.25	41.00	41.00	12.25

\*includes amount for incidentals

For travel in the U.S., [meal/per diem allowances](#) are the amounts claimed for B.C. in U.S. currency, converted to Canadian dollars.

For other foreign locations, meal rates for full days are calculated using the [international meal rates](#) established by the Government of Canada. These are then grossed up for incidental amounts<sup>3</sup> for Group II and Group III employees.

### **Miscellaneous Travel Expenses**

Individual may seek reimbursement for miscellaneous travel expenses with receipts for items such as visas and passports, parking, ferry tolls, and similar directly-related travel costs.

### **Combining Personal Travel, Funding from Outside Parties, Extraordinary Loss**

Additional expenses arising from personal extensions to business travel are the individual's responsibility. Expenses for spouse or family members are not reimbursable.

Travel policy applies even when travel costs are funded by, or recovered from, outside parties. In circumstances where the organization seeks reimbursement from an outside party, the individual must be reimbursed in accordance with established travel rates regardless of the rates provided by the outside party.

Where an employee incurs a loss of or damage to personal property that is not otherwise covered by government policy or insurance, the employer may reimburse the lesser of the loss, or the repair, or the deductible portion of the individual's insurance policy, up to a maximum of \$500.

### **Vehicle Rentals**

Vehicle rental rates are established by the Procurement Services Branch's Corporate Supply Arrangement for [short-term rentals](#) (up to 30 days) of light vehicles within British Columbia. These rates are restricted to business travel only and negotiated prices vary by community and vehicle type.

### **Privately Owned Vehicles**

Employees may be reimbursed \$0.53 per km for mileage costs for privately owned vehicles.

The vehicle owner is responsible for purchasing and maintaining valid third-party liability insurance in an amount not less than \$2 million.

Where an employee's private vehicle is damaged while in use on approved business, the employer may reimburse the lesser of actual vehicle damage repair cost or the employee's vehicle insurance deductible to a maximum of \$600 per occurrence.

### **Expense Management**

Organizations must use an approval form to obtain pre-approval for non-travel expenses above \$100. Particular care and consideration should be given prior to approving any business expenses that involve the serving and consumption of alcohol, entertainment, or gifts to employees, clients or service delivery partners. Careful attention is also required for expenses that might conflict with the organization's

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<sup>3</sup> See s. 9 of Appendix 1 to the B.C. government's [Travel Expenses policy](#)

standards of conduct, such as sponsorships, donations, or activities that support or promote a political party.

### **Business Meetings and Events**

Organizations must set pre-approval limits for business meeting and event expenses consistent with sound expense management policy and the following:

- ensure that their own, or other available public sector-owned meeting rooms are utilized, where suitable, prior to seeking private meeting facilities.
- the selection of a meeting location must consider the total costs of a meeting, including participant accommodation and transportation, room rentals, meals and other costs.
- best value for money must be negotiated with suppliers. Where the total costs excluding transportation are anticipated to exceed \$1,000, a bid request should be issued to a minimum of three suppliers.
- business meeting expenses should not include any associated costs for spouses or guests of the participants.

### **Business Meeting Meals**

Providing meals at business meetings should be an exceptional rather than regular occurrence. Where justified, meals may be provided during meetings where it is essential that business discussions not be interrupted or where it is essential to meet over a meal period, as the issue is important, needs early resolution and no other time is available. Such costs must be reasonable and claims must be submitted on an expense approval form or memorandum justifying the expenditure.

### **Executive Lease Vehicles**

In government, vehicle allowances are limited to Ministers and Deputy Ministers. The maximum monthly lease payment must not exceed \$625 per month and must not be augmented by personal payment.

The lease should provide for buy out at fair market value (should either the organization or the employee wish to do so) and the maximum lease period must not exceed 48 months.

### **Professional Fee Reimbursements**

Employers may reimburse employees for the cost of membership in licensing bodies or associations where they are required to maintain a certification or professional standing in that body as a condition of employment.

### **Childcare Expenses**

"Additional" childcare expenses mean those expenses over and above those normally incurred while the employee is at work from day to day. The intention is not to reimburse for normal childcare expenses incurred during normal work hours even though the employee may be out of town.

Additional childcare expenses incurred as a result of training or employer-sponsored activities that are not included in the normal duties of the employee's job, and outside their headquarters or geographic location may be reimbursed up to \$60 per day upon production of receipts.

The additional childcare expenses as a result of attending a course approved by the employer outside the employee's normal scheduled work day should be reimbursed up to \$30 per day upon production of a receipt. This reimbursement should not exceed fifteen days per calendar year.

**Relocation and House Hunting**

When an employee must relocate, either at the organization’s request or because they’ve been recruited into the organization from another location, financial assistance may be available, such as:

- paid leave and travel expenses to find a new home;
- moving of household goods and effects;
- incidental expenses on relocation; and
- real estate and legal fees.

Employees who receive relocation assistance and/or house-hunting expenses should sign a [Relocation Agreement](#) to repay the funds, on a pro-rated basis, should they resign prior to completing twenty-four (24) calendar months of full-time (or equivalent) service.

Reimbursement in excess of the schedule below may be authorized in the following situations:

- the employee brings difficult to recruit skills to the job;
- the location of the job makes it difficult to recruit; or
- there is a need to be competitive in order to attract a candidate who will provide good value for cost; and
- the reimbursement must be supported by receipts and documentation of actual costs incurred.

***Relocation Cost Maximums by Distance***

Distance of Move	Maximum
40 - 1,000 km	\$7,850
1,001 - 2,500 km	\$12,150
2,501 – 4,000 km	\$18,150
4,001 km or more	\$18,800
Overseas	\$23,500

**Staff Recognition**

Appropriate reasons to incur staff recognition expenses include super team performance, consistent high performance over a number of years, or milestones such as retirement or departures from the organization. Government funds should not be used to recognize employees on job transfers.

Business expense approval is required prior to making any employee recognition purchases. Typically, gift or award items valued up to \$100 can be presented at the discretion of the employee’s manager. If the item exceeds this value, executive approval should be obtained before proceeding.

## Appendix 1 – References

### Legislation

[\*Public Sector Employers Act\*](#)

[Employment Termination Standards Regulation](#)

[\*Financial Administration Act\*](#)

[\*Financial Information Act\*](#)

### Policy

[Core Policy and Procedures Manual](#)

[Terms and Conditions of Employment for Excluded Employees and Appointees](#)

[Crown Corporation Executive Compensation Policy, 2012](#)

[Taxpayer Accountability Principles](#)

[Standards of Conduct Guidelines for the B.C. Public Sector](#)

[Open Information and Open Data Policy](#)

[Remuneration Guidelines for Appointees to Ministry and Crown Agency Boards \(TB Directive 2/17\)](#)

[Remuneration Guidelines for Appointees to Administrative Tribunals and Regulatory Boards \(TB Directive 1/17\)](#)

### Agency websites

[PSEC Secretariat](#)

[Crown Agencies Resource Office](#)

[Board Resourcing and Development Office](#)

### Other

[Commission of Inquiry into the Public Service and Public Sector, Final Report vol 1](#)

[Commission of Inquiry into the Public Service and Public Sector, Final Report vol 2](#)

## Appendix 2 – Compensation Plan and Executive Contract Considerations

### Compensation Plan Considerations

The PSEC Secretariat asks the following questions when reviewing proposed compensation plans:

- Does it set out the employer’s compensation philosophy? Does the philosophy include reference to the four core principles of performance, differentiation, accountability, and transparency? Does it explain how these principles are applied across the organization?
- Does it explain the compensation benchmarking methodology and process? Does it include a benchmarking study showing how compensation levels compare to relevant B.C. public sector comparators? Is the benchmarking data accurate?
- Does it outline other relevant information, including evidence of recruitment and retention issues, salary compression or inversion, or other business considerations?
- Are there specific barriers to recruitment and retention identified? Are there recruitment incentives offered through relocation allowances, housing loans, or other “sweeteners”?
- Does it describe the positions or classes of positions covered?
- Does it lay out base salary ranges for each position or class of positions? Is there differentiation to reflect differences in the scope of the position or to accommodate superior team contributions?
- Are there clear policies or criteria governing base salary adjustments? Do they support and promote a performance-based organizational culture?
- Does it describe the total compensation range (the sum of base salary and all other compensations items) for each position or class of positions?
- Does the employer provide and/or are employees allowed to access supplementary employment contracts?
- Does it describe and cost out all non-salary compensation? Items including but not limited to:
  - Pension or retirement saving plan contributions;
  - Retiring allowances;
  - Extended health and dental;
  - Sick leave and long-term disability;
  - Perquisites, professional memberships and accreditation fees;
  - Life insurance and accidental death or dismemberment; and
  - Vacation or other paid leaves (flex days, time-in-lieu, research sabbaticals, and professional development).
- Are there incentive or bonus programs? What are the maximum amounts, performance measures and targets, and the policies or criteria governing payment? What is the plan to phase out such programs?
- Are there salary holdbacks for executives? If so, are there clear performance objectives? Is the Board of Directors and the Minister responsible for the employer involved in setting the targets? Are they involved in signing off on any holdback release?

- Are there references to the organizations' policies or guidelines regarding travel, hospitality and business expenses? Are the organizations' policies in keeping with the spirit and intent of government's policy framework for expenses?
- Does it outline other relevant information, including evidence of recruitment and retention issues, salary compression or inversion, or other business considerations?
- Does the proposed compensation plan adhere to relevant government policy and legislation?

Provincial policies that apply to all public sector employers include:

- Use or payout of vacation leave;
- Accumulation and use of sick leave;
- Termination standards;
- Amount of severance payable;
- Retiring allowances;
- Repayment of severance on re-employment;
- Filing senior employee contracts with PSEC;
- Annual disclosure of executive compensation; and
- Annual schedule of employee salaries and expenses paid.

Executive Compensation Policies that apply to Crown corporations include:

- VPs (or equivalent) capped at 85 percent of CEO total compensation;
- Maximum 7 VPs (or equivalent) reporting to CEO;
- Maximum 6 organizational layers;
- No bonus or incentive programs;
- No use of salary holdbacks below executive level;
- No perquisites except for vehicle allowance; and,
- Expenses reimbursed using government criteria/rates.

- If any elements do not adhere to the policy and legislation, is an exception appropriate (has a business case been made)?
- Even if the organization is not a Crown corporation, are there any practical reasons why they cannot adopt the Executive Compensation Policies?
- Has the employer demonstrated that the proposed compensation plan (or changes to the existing plan) supports the delivery of its services and fulfillment of its mandate?
- Has the ministry responsible for the service delivery area been consulted to ensure that the proposed compensation plan is consistent with the employer's service delivery mandate and the Province's vision of the organization? Does the Minister Responsible for the employer support the proposed compensation plan?
- Does the employer understand its accountability obligations under the *Public Sector Employers Act* and the *Financial Information Act*?

## Executive Contract Considerations

The PSEC Secretariat asks the following questions when reviewing proposed employment contracts for executives:

- Is it consistent with the employer's compensation philosophy?
- Is CEO compensation within the total compensation cap established by government?
- Does the Shareholder/Minister Responsible for the employer support the proposed contract for the CEO?
- Does VP total compensation exceed 85 percent of CEO total compensation?
- Is the salary for the position set at an appropriate point along the approved salary band for that position? Does the salary allow for future progression along the band?
- Are there clear policies or criteria governing base salary adjustments? Is it evident how they support and promote a performance-based organizational culture?
- Are there salary holdback measures in place? Is it clear that holdback amounts are not pensionable earnings?
- Does it outline the process for setting the executive's performance targets, assessing performance and releasing holdback amounts where warranted? Is the Board of Directors and the Minister responsible involved in the process?
- Does the employer permit or provides supplementary contracts?
- If an exemption for total compensation above an approved range is being sought, is it supported by a benchmarking study with comparisons to relevant public sector comparators? Is there a strong business case that supports the exemption?
- Has there been or are there currently any recruitment and retention, salary compression or inversion challenges with the position?
- Are there any recruitment or retention incentives offered? Are relocation allowances consistent with government's expense policy framework?
- Does it describe all non-salary compensation? Has the employer provided a costing of all items to demonstrate the contract falls within the approved total compensation range for the position? Items including but not limited to:
  - Pension or retirement saving plan contributions;
  - Retiring allowances;
  - Extended health and dental;
  - Sick leave and long-term disability;
  - Perquisites, professional memberships and accreditation fees; and
  - Life insurance and accidental death or dismemberment.
- Does it clearly outline vacation or any other paid leave entitlements (e.g. flex days, time-in-lieu, research sabbaticals, professional development, etc.)?
- Are there references to the organizations' policies or guidelines regarding travel, hospitality and business expenses? Are executive expenses in keeping with the spirit and intent of government's policy framework for expenses?
- Does the contract's terms adhere to government policy and legislation regarding:
  - Use or payout of vacation leave;

- Accumulation and use of sick leave;
  - Termination standards;
  - Retiring allowances;
  - Repayment of severance on re-employment;
  - Senior employee contracts are public documents;
  - Crown corporation executive compensation:
    - VPs (or equivalent) capped at 85 percent of CEO total compensation;
    - No bonus programs – salary holdbacks only VPs and CEOs;
    - No perquisites except for vehicle allowance; and,
    - Expenses reimbursed using government criteria/rates.
- If any elements do not adhere to the policy and legislation, is an exception appropriate (has a business case been made)?
  - Are there any elements of the contract that are unusual or outside of the norm (e.g. use of employer owned housing, low/no interest loans)?
  - Even if the organization is not a Crown corporation, are there any practical reasons why they cannot adopt the Executive Compensation Policies?
  - Has the employer demonstrated that the proposed contract supports the delivery of its services and fulfillment of its mandate?
  - Has the ministry responsible for the service delivery area been consulted to ensure that the proposed contract is consistent with the employer’s service delivery mandate and the Province’s vision of the organization?

## Appendix 3 – Government’s Expense Policy Framework

The Government of British Columbia’s expense policy framework is comprised of several distinct yet interrelated and mutually supportive elements, including Public Service Agency HR Policies, Treasury Board Directives, Ministry of Technology, Innovation and Citizen Services’ Procurement and Corporate Supply Arrangements, and the [Core Policy and Procedures Manual \(CPPM\)](#), which provides much of the underlying guidance and objectives. In addition, the Public Sector Employers’ Council Secretariat maintains public sector employee compensation policies which also touch on employee expense policies for B.C. Crown corporations.

### 1. Business Travel

#### Objectives and General Policy:

- Ensure effective travel management and administration, and promote economy and efficiency in the use of travel funds.
- Support B.C.’s commitment to carbon neutral business travel by making choices that mitigate the production of greenhouse gas emissions.
- Establish standards to ensure:
  - travel expenses are proper, reasonable and necessary for program delivery;
  - accountability for travel claim requests and approvals; and
  - travel emission reports and approvals provide and promote alternatives to travel to carry out government business.

Employees are responsible for:

- obtaining expense authority approval to travel before expenses are incurred; and
- certifying that their travel expense claims are correct, complete and comply with policy.

Expense authority officers are responsible for:

- approving travel before expenses are incurred; and
- prior to paying reimbursements, certifying that travel expense claims:
  - are for business purposes, appear reasonable and comply with policy;
  - that there are sufficient funds in the budget; and
  - that travel related goods and services have been received.

#### Resources and Authorities:

- CPPM Chapter [10.1 \(Travel Policy Objectives\)](#)
- CPPM Chapter [10.2 \(Travel Policy General\)](#).
- Reimbursement [Procedures C.14 and C.15](#)

## Board and Tribunal Appointees

All Government appointees (including those receiving no compensation) incurring transportation, accommodation, meal and out-of-pocket expenses in the course of their duties as members of a public sector board or administrative tribunal will be reimbursed in accordance with Group II rates (see Meals/Per Diems below).

### Resources and Authorities:

- CPPM [Chapter 10.4.5 \(Appointees to Crown Agency Boards and Administrative Tribunals\)](#)
- Treasury Board Directives [1/17](#) and [2/17](#).

## Alternatives to Travel

Alternatives to travel must be considered wherever practical. Video conferencing and teleconferencing and other methods should be used where feasible to achieve cost savings and to mitigate the production of greenhouse gas emissions.

### Resources and Authorities:

- CPPM Chapter [10.3.1\(Alternatives to Travel\)](#)

## Travel Status

Employees are on travel status when absent from their designated headquarters on approved business. This does not apply to employees who are temporarily reassigned or on field status, or on board and lodging status. An employee's headquarters is his/her usual work place or normal point of assembly and the area within a 32 kilometre radius.

### Resources and Authorities:

- CPPM Chapter [10.3.2 \(Travel Approval\)](#)

## Airfare

The most economical airfare for air travel considering operational requirements and options that mitigate the production of greenhouse gases is required. Government officials and accompanying staff are permitted airfare upgrades to executive or business class where the in-flight travel is four hours or more and the purpose of the travel is to represent the Government at a business meeting. The upgrade for staff only applies when there is a need to conference with the official during a flight.

Travel loyalty program benefits, such as airline frequent flyer points that are accumulated by employees while travelling at public expense, must not be used for personal benefit or beyond the term of

employment. Such benefits or discounts must be applied to future business travel or donated to charities associated with the program.

Resources and Authorities:

- CPPM Chapter [10.3.5 Airfare](#)
- CPPM [Procedures C.7](#)

### **Accommodation (In-Province)**

Reimbursement for commercial accommodation within B.C. should be in accordance with the [hotel accommodation guide approved accommodation rates](#). Accommodation expenses within B.C. that exceed these rates require pre-authorization from the appropriate expense authority. These should be determined on a case by case basis, considering variables such as the urgency of the travel, whether travel is occurring in peak season and if accommodations at the approved rates are not available.

Where private lodging is used in lieu of commercial accommodation, the individual may claim a reimbursement of \$30 per day.

Resources and Authorities:

- CPPM Chapter [10.3.10 \(Accommodation\)](#)
- Procurement Services Branch, [Business Travel Accommodation Listing](#)
- To access this Corporate Supply Agreement, public sector organizations can contact the [Procurement Services Branch](#) to be added to the [CSA Users' List](#).

### **Accommodation (Out-of-Province)**

For out-of-province, out-of-country or U.S. travel, reimbursement for commercial accommodation should reflect the rates established by the Government of Canada through their standing offer arrangements for accommodations. Accommodations in excess of these rates require pre-approval and consideration of business requirements.

Resources and Authorities:

- CPPM Chapter [10.3.4 \(Out-of-Province/Country Travel\)](#)
- Government of Canada, [PWGSC Accommodation Rates](#)
- Government of Canada, [National Joint Council Travel Directive](#).
- B.C. Office of Comptroller General, [Foreign Travel Guide](#)

## Meals/Per Diems (In-Province, In-Canada)

Government's expense policy reimburses individuals on travel status a specified amount for meals or per diem allowances not exceeding specified limits for their applicable [Group](#). No receipts are required for the meal/per diem claims.

Government's **Group I** rates apply to unionized employees, **Group II** rates apply to excluded employees and Group III applies to ministers and deputy ministers. Board appointees are classified as Group II.

Meals received without charge or paid for from public funds should not be claimed (e.g., when an outside party covers the costs or the meal included as part of a conference fee).

On the date of departure, travel status should start before 7:00 a.m. to claim breakfast; before 12:00 noon to claim lunch; and, on the date of return, travel status should end after 6:00 p.m. to claim dinner. Group II and III employees are entitled to the incidental amount when no meals are claimed on travel status.

Meal/Per Diem Reimbursement Rates							Effective April 1, 2016		
Employee Group	Full Day (\$)*	Half Day (\$)*	Breakfast Only (\$)	Lunch Only (\$)	Dinner Only (\$)	B&L Only (\$)	L&D Only (\$)	B&D Only (\$)	Incidental Only (\$)
I	49.05	N/A	12.00	13.80	23.25	25.80	37.05	35.25	N/A
II	49.00	N/A	22.00	22.00	28.50	30.00	36.50	36.50	14.00
III	51.50	25.75	22.75	22.75	30.50	33.25	41.00	41.00	12.25

\*includes amount for incidentals

### Resources and Authorities:

- CPPM Chapter [10.3.7 \(Meals / Per Diems\)](#)
- CPPM Chapter [10.4.1 \(Group Definitions\)](#)
- CPPM Chapter [10.3.11 \(Miscellaneous Expenses\)](#)
- PSA [Policy Statement 17. Travel, Appendix 1 sec.1](#)
- PSA, MyHR, [Travel Expenses](#)
- CPPM [Procedures C.4 \(Rates and Reimbursements\)](#)

## Meals/Per Diems (U.S. & International Travel)

For travel in the U.S., [meal/per diem allowances](#) are the amounts claimed for B.C. in U.S. currency, converted to Canadian dollars. Meals received without charge or paid for from public funds cannot be claimed.

For other foreign locations, meal rates for full days are calculated using the [international meal rates](#) established by the Government of Canada. These are then grossed up for incidental amounts ([see s. 9](#)) for Group II and Group III employees.

<b>International Meal/Per Diem Allowances</b>			
	<b>Group I meals</b>	<b>Group II (per diem)</b>	<b>Group III (per diem)</b>
Full day meal rate	100% of the federal “meal total” rate	N/A	N/A
Per diem rate (meals and out of pocket expenses)	N/A	120% of the “meal total” rate	130% of the “meal total” rate

For partial days or for situations where meals are received without charge or paid with other public funds, the related meal rates are deducted from the full day rate/per diems.

When the individual meal rates are not published, the following percentages of the full day “meal total” rates (rounded to the nearest dollar) are deducted from the full day/per diem rate calculated in the table above.

<b>Adjustment Factor for Partial International Meal/Per Diem Allowances</b>			
	<b>Group I</b>	<b>Group II</b>	<b>Group III</b>
Breakfast	25%	20%	20%
Lunch	25%	20%	20%
Dinner	50%	35%	35%

In addition to the meal/per diem allowance, reimbursement can be claimed for miscellaneous expenses (with receipts) for:

- visa(s) and passport(s) relating to the foreign business trip
- inoculation(s) and preventive medication i.e., malaria tablets etc.
- traveller cheque fees
- bottled water

- additional dry cleaning/laundry costs that are incurred as a result of exceptional foreign conditions (not claims for normal dry cleaning/laundry costs included in per diem allowances for travel in foreign locations)
- additional baggage insurance
- similar directly-related travel costs.

Resources and Authorities:

- CPPM Chapter [10.3.4 \(Out-of-Province/Country Travel\)](#)
- PSA [Policy Statement 17. Travel, Appendix 1 sec.1 & sec.10](#)
- PSA, MyHR, [Travel Expenses](#)
- Government of Canada, [International Meal and Incidental Rates](#)
- Government of Canada, [National Joint Council Travel Directive](#).
- B.C. Office of Comptroller General, [Foreign Travel Guide](#)
- CPPM [Procedures C.11](#)

### **Miscellaneous Expenses**

Government expense policy allows for individuals to claim miscellaneous travel expenses (requires receipts) for:

- ferry tolls, ferry reservation fees and highway tolls
- airport improvement and security fees, NAV CANADA fees and applicable fuel charges
- bus/taxi/other ground transportation
- vehicle rental and related fuel charges
- parking charges
- business phone calls
- charges relating to cash advances obtained with the corporate travel card

Group I employees are entitled to portage (maximum \$0.50 on arrival and \$0.50 on departure), personal phone calls (one five-minute telephone call home for each night away), laundry and dry cleaning (after seven consecutive days on travel status). Receipts required for phone calls, laundry and dry cleaning.

Group II and III individuals are entitled to per diem that includes allowances for incidentals, such as gratuities, portage, personal phone calls, laundry or dry cleaning. No receipts required for per diems.

Resources and Authorities:

- CPPM Chapter [10.3.11 \(Miscellaneous Expenses\)](#)
- PSA [Policy Statement 17. Travel, Appendix 1 sec.7](#)
- PSA, MyHR, [Travel Expenses](#)
- CPPM [Procedures C.4](#)

## **Combining Personal Travel, Funding from Outside Parties, Extraordinary Loss**

Travel that combines government and personal business must be reimbursed at the lesser of actual transportation expenses or an estimate of the minimum acceptable expenses that would have been incurred if the personal travel had not taken place. Additional expenses arising from personal extensions to business travel are the individual's responsibility. Expenses for spouse or family members are not reimbursable.

Travel policy applies even when travel costs are funded by, or recovered from, outside parties. In circumstances where the organization seeks reimbursement from an outside party, the individual must be reimbursed in accordance with established travel rates regardless of the rates provided by the outside party.

Where an employee or appointee on government business incurs a loss of or damage to personal property which is pertinent to the performance of his/her duties, that is not otherwise covered by government policy or insurance, the Employer may reimburse the lesser of the loss, or the repair or the deductible portion of the individual's insurance policy, up to a maximum of \$500.

### Resources and Authorities:

- CPPM Chapter [10.3.3 \(Combining Personal Travel\)](#)
- CPPM Chapter [10.2 \(General - Funding From Outside Parties\)](#)
- CPPM Chapter [10.3.12 \(Loss or Damage\)](#)
- PSA [Policy Statement 17. Travel, Appendix 1 sec.12.](#)
- CPPM [Procedures C.19.2](#)

## **2. Transportation:**

### **Objectives and General Policy:**

- Ensure that those who are conducting government business use the most appropriate and cost-effective mode of transportation that is available.

An employee must use the most cost effective and appropriate mode of transportation choosing from public transportation or use of a government vehicle, rental or private vehicle. Public transportation includes buses, taxis, ferries, trains, commercial flights and certain charter flights.

Use of a privately-owned vehicle is to be considered after determining that the following modes of transportation (in order of preference) are not appropriate or cost-effective:

1. public transportation,
2. Fleet/government-owned vehicles, or
3. rental vehicles.

Employers must ensure that all vehicles, including daily rentals and privately owned vehicles, are suitable for the intended purpose and use.

Receipted parking charges will be reimbursed and actual transportation toll charges may also be claimed. The vehicle operator must pay parking fines, traffic violation fines, and impoundment and towing fees when driving a privately owned, government, rented or leased vehicle on government business.

#### Resources and Authorities:

- CPPM [Chapter 11.1 \(Transportation Policy Objectives\)](#)
- CPPM [Chapter 11.2 \(Transportation Policy General\)](#)
- CPPM [Chapter 11.3.1 \(Transportation Policy General\)](#)

### **Taxis**

Claims for taxi costs while travelling on business will be reimbursed when other more economical means of transportation are either unavailable or unsuitable (e.g., public transit). Tips identified separately on taxi receipts (including direct billings) cannot be reimbursed as they are considered a personal expense at the discretion of the employee and not an expense of the employer.

#### Resources and Authorities:

- CPPM [Procedures C.5.3 \(Bus and Taxi Charges\)](#)

### **Vehicle Rentals**

Vehicle rental rates are established by the Procurement Services Branch's Corporate Supply Arrangement for [short-term rentals](#) (up to 30 days) of light vehicles within British Columbia. These rates are restricted to business travel only and negotiated prices vary by community and vehicle type.

#### Resources and Authorities:

- CPPM [Chapter 11.3.4 \(Short-term Rental Vehicles\)](#)
- CPPM [Procedures C.5.2 \(Rental/Government Vehicles\)](#)
- Procurement Services Branch, [Goods and Services Catalogue](#) (Daily Vehicle Rentals)

### **Privately Owned Vehicles**

Employees may be [reimbursed for mileage costs](#) for privately owned vehicles such as automobiles, sport utility vehicles and light trucks, but not bicycles. The use of privately owned aircraft or boats is not permitted. The Government's [Private Vehicle Allowance](#) is \$0.53 per km (effective April 1, 2016).

Generally, when daily travel exceeds approximately 150 kilometres (or 13,000 kilometres annually), an organization owned vehicle becomes more cost-effective and should be used.

The vehicle owner is responsible for purchasing and maintaining valid third-party liability insurance in an amount not less than \$2 million. The vehicle must be rated for business use if it will be used for business purposes more than six (6) days per month.

Where an employee's private vehicle is damaged while in use on government business, the employer may reimburse the lesser of actual vehicle damage repair cost or the employee's vehicle insurance deductible to a maximum of \$600 per occurrence, for:

- a) damage caused to the vehicle by wards or clients of the Province; and/or
- b) damage caused to the vehicle by vandalism that results from employment or board responsibilities; and/or
- c) damage as a result of an accident while on government business.

Resources and Authorities:

- CPPM [Chapter 11.3.2 \(Privately Owned Vehicles\)](#)
- PSA [Policy Statement 17. Travel, Appendix 1 sec.2.](#)

### **Government Vehicles**

Government-owned vehicles must only be used for business purposes and used only by authorized employees, contractors or volunteers. Authorized passengers in government-owned vehicles are limited to:

- other employees transported in the performance of their duties;
- spouses or children accompanying employees on travel status;
- contractors, volunteers, clients, or persons other than employees transported in connection with government business; and
- persons authorized in writing by the executive financial officer or designate.

Exceptions for limited personal use may be:

- incidental use while on travel status;
- travel during off-duty hours authorized by collective agreements; or
- travel between an employee's home and workplace when this is a condition of employment.

Any additional personal use should require approval from the delegated expense authority. In such cases, the value of the taxable benefit derived from personal use and availability of the vehicle must be included in the employee's income.

#### Resources and Authorities:

- CPPM [Chapter 11.3 \(Government Vehicles\)](#)
- [Procurement Services Branch](#) provides assistance to the broader public sector with acquisition (owned and seasonally rented) and Corporate Supply Arrangements for Vehicle Fleet Maintenance.
- Disposal is available through [Asset Investment Recovery](#).

### **3. Expense Management**

#### **Objectives and General Policy:**

- Ensure that expense authorities are clearly assigned, properly approved and that delegation instruments are regularly updated.
- Ensure that the responsibilities and duties of expense authorities are clearly communicated and understood.
- Ensure that appropriate officers are delegated expense authority, and they are held accountable for exercising that authority.
- Ensure that an appropriate financial control framework is maintained which permits a balance of risks, costs and efficiencies.

Government appointees and senior managers are responsible for the stewardship of financial resources and for ensuring appropriate control of public money. To carry out this responsibility, they may authorize other officials to exercise responsibilities on their behalf through written delegation of authority.

Ministries and agencies should use a Business Expense Approval (BEA) form to obtain pre-approval and to support reimbursement for expenses expected to exceed a specified threshold. The current threshold is \$100.00.

Irrespective of the amount, particular care and consideration should be given prior to approving any business expenditures that involve the serving and consumption of alcohol, entertainment, or gifts to employees, clients or service delivery partners. Careful attention is also required prior to approving any expenses or reimbursements that might conflict with the organization's Standards of Conduct, such as sponsorships, donations, or participation in events and activities that support or promote a political party.

#### Resources and Authorities:

- CPPM [Chapter 4.1 \(Objectives\)](#)
- CPPM [Chapter 4.2 \(General\)](#)
- CPPM [Chapter 4.3 \(Policy\)](#)
- CPPM [Procedures C.17.1 \(General\)](#)
- PSA, [Standards of Conduct \(Human Resources Policy 9\)](#)
- [Standards of Conduct Guidelines for the B.C. Public Sector](#)

## Business Meetings and Events

Ministries must set pre-approval limits for business meeting and event expenses consistent with sound expense management policy and the following:

- Supplier invoices and employee reimbursement claims require approval by the appropriate expense authority prior to payment.
- The expense authority is responsible for approving [gratuities](#) over 15%.
- Organizations must ensure that their own, or other available government-owned meeting rooms are utilized, where suitable, prior to seeking private meeting facilities.
- The selection of a meeting location must consider the total costs of a meeting, including participant accommodation and transportation, room rentals, meals and other costs.
- Group transportation alternatives such as group airfare rates, ride sharing, and rental vans or buses must be considered over individual travel to a meeting location.
- Best value for money must be negotiated with suppliers. Where the total costs excluding transportation are anticipated to exceed \$1,000, a bid request should be issued to a minimum of three suppliers.
- Business meeting expenses should not include any associated costs for spouses or guests of the participants.
- Agreements for the meeting room rentals, meals and coffee service should be in writing (a confirming letter is sufficient). A flat fee or a percentage (e.g., 10 to 15 percent of the total food bill) may be negotiated as a gratuity.
- The business meeting expenses of individuals should not be directly billed to the organization. Direct billing to the organization may occur for arranged functions (seminars, meetings, etc.) only where the size of the function warrants.
- The BEA should be submitted with the payment request as supporting documentation together with actual receipts and/or invoices marked with proof of payment.
- Where appropriate, a single individual may claim for the total meal expenses incurred at a business meal meeting.

### Resources and Authorities:

- CPPM [Chapter 18.3.4 \(Business Meeting and Protocol Event Expenses\)](#)
- CPPM [Procedures C.17 \(Business Meeting and Protocol Event Expenses\)](#)

## Business Meeting Meals

Providing meals at business meetings should be an exceptional rather than regular occurrence. Where justified, meals may be provided during meetings where it is essential that business discussions not be interrupted or where it is essential to meet over a meal period, as the issue is important, needs early resolution and no other time is available.

Such costs must be reasonable and claims must be submitted on a BEA form or memorandum justifying the expenditure. Meal expenses incurred within headquarters or geographic location due to job responsibilities should be reimbursed as follows:

- Group I and II: at the meal rate(s) specified for Group I.
- Group III: for all actual meal expenses incurred (receipts required).

The provision of refreshments (e.g. coffee, fruit, and muffins) for meetings involving only government staff is discouraged, especially in situations where meetings are conducted in the headquarters location of a majority of those employees.

Resources and Authorities:

- CPPM [Chapter 18.3.4 \(Business Meeting and Protocol Event Expenses\)](#)
- CPPM [Procedures C.17.2 \(Business Meeting Expenses\)](#)
- CPPM [Procedures C.17.4 \(General Procedures\)](#)

### **Discretionary Expenditures**

Expense authority officers are to exercise care and use sound judgement when authorizing discretionary expenditures that are not required to meet program objectives. Examples include, but are not limited to items such as bottled water, plants, festive decorations, or flowers for funerals.

Expense authority officers should be aware of the public perception with respect to the purchase of such items and use the utmost discretion prior to initiating the expenditure. To determine if unique circumstances exist that may warrant the purchase, any discretionary expenditure should be made in consultation with the organization's chief financial officer.

Resources and Authorities:

- CPPM Procedures C.19.3 (Discretionary Expenditures)

## **4. Human Resource Related Expenses**

### **Professional Association Membership Fee Reimbursement**

Employees who are required as a condition of employment to maintain membership in those licensing bodies, learned societies or associations as are necessary to maintain professional standing shall be reimbursed as follows:

- In full (not to exceed the 2015-2019 fee schedule) for annual membership or licensing fees paid to those organizations named in the BCGEU 16th Master Agreement or the Extension to the PEA 13th Master Agreement, or
- To a maximum of \$200 annually for any required membership not listed in an agreement.

### Resources and Authorities:

- Public Service Agency -- [Professional Association Membership Fee Reimbursement: Regular Employees, OIC categories A and C](#)
- Public Service Agency -- [Professional Accounting Fee Reimbursement: Regular Management Employees, OIC Categories A and C](#)
- Public Service Agency -- [Professional Association Membership Fee Reimbursement: Legal Counsel](#)
- Public Service Agency -- [Approved Professional Fee Schedule \(2015-2019\)](#)

### **Executive Lease Vehicles**

In Government, vehicle allowances are limited to Ministers and Deputy Ministers. Outside of Government, vehicle allowances for executives must be justified as part a total compensation plan that is appropriate to the public sector organization and approved by PSEC.

Executive lease vehicles may be provided as follows:

- The maximum monthly lease payment exclusive of tax must not exceed \$625 per month.
- The amount of the lease must not to be augmented by personal payment.
- The insurance and operating costs of the leased vehicle may be paid by the organization.
- The lease should provide for buy out at fair market value (should either the organization or the employee wish to do so).
- The maximum lease period must not exceed 48 months.
- The employee may elect to receive a vehicle allowance in lieu of taking a leased vehicle. The allowance must not exceed the lesser of \$580 per month or the average lease and vehicle operating costs.
- Where the employee leaves the organization or the leadership position:
  1. and foregoes the option of buying out the lease, the leased vehicle will be surrendered on the employee's last working day; OR
  2. the payment of the allowance in lieu of a vehicle will cease on the employee's last working day.

### Resources and Authorities:

- Public Service Agency -- [Executive vehicles \(Schedule 6 - Terms and conditions for excluded employees / appointees\)](#)
- Public Sector Employers' Council Secretariat -- [Crown Corporation Executive Compensation Policy](#)

### **Employer-Provided or Subsidized Parking**

If an employee is provided free or subsidized parking by his/her employer, it constitutes a taxable benefit under the Canada Revenue Agency's rules unless one of the following exemptions apply:

- fair market value of the parking space cannot be determined (e.g., scramble parking or where free parking is available to both employees and non-employees);
- the employer provides parking for business purposes to employees who regularly have to use their own automobiles or one provided by the employer to perform their duties; or
- the employee has a disability.

Resources and Authorities:

- CPPM [Miscellaneous Administrative Procedures J.1 \(Employer-Provided or Subsidized Parking\)](#)

### **Training and Education Expenses**

The cost of job-related courses or training is covered when an employer requires an employee to take training. These costs may include:

- tuition fees;
- entrance or registration fees;
- course-required books; or
- other approved and legitimate expenses such as travel expenses incurred when commuting to a course.

Reimbursement for registration and conference fees may be granted when employees are required or permitted to attend conferences or similar meetings that directly relate to their job duties.

Employees are responsible for reporting all sources of outside, financial support for education and training including scholarships, bursaries, or other types of assistance. Training costs may be partially or not covered at all when receiving outside support.

Resources and Authorities:

- Public Service Agency, [Education and Training Support](#)

### **Childcare Expenses**

"Additional" childcare expenses mean those childcare expenses over and above those expenses normally incurred while the employee is at work from day to day. The intention is not to reimburse for normal childcare expenses incurred during normal work hours even though the employee may be out of town.

In the absence of specific requirements in collective agreements, the following approach should apply:

### Employee Attends Activities as Requested/Required by Employer

Additional childcare expenses incurred as a result of attending employer-endorsed education, training and career development activities, or employer-sponsored activities that are not included in the normal duties of the employee's job, and are outside their headquarters or geographic location may be reimbursed up to \$60.00 per day upon production of a receipt.

The supporting receipt should be a signed statement indicating the date(s) being charged, the hourly rate of pay, the total hours of care provided, the caregiver/agency and the total amount charged.

This reimbursement is not considered a taxable benefit. Rather, it is a reimbursement of reasonable travelling expenses and must not be claimed as a childcare expense on an individual's personal income tax return.

### Employee Attends a Course Approved By the Employer

The additional childcare expenses as a result of attending a course approved by the employer outside the employee/appointee's normal scheduled work day should be reimbursed up to \$30.00 per day upon production of a receipt. This reimbursement should not exceed fifteen days per calendar year.

The supporting receipt should be a signed statement indicating the date(s) being charged, the hourly rate of pay, the total hours of care provided, the caregiver/agency and the total amount being charged.

This reimbursement is considered to be a taxable T4 benefit.

### Resources and Authorities:

- CPPM [Procedures C.20 Childcare Expenses](#)

### **Relocation and House Hunting**

Relocation assistance is granted to new or current employees only when it is required to meet the recruitment needs of the hiring organization.

When an employee must relocate, either at the organization's request or because they've been recruited into the organization from another location, financial assistance may be available, such as:

- paid leave and travel expenses to find a new home;
- moving of household goods and effects;
- incidental expenses on relocation; and
- real estate and legal fees.

The level and extent of the relocation assistance should include consideration of:

- budgetary constraints,
- operational needs of the organization,

- the need to attract competent staff, and
- reasonable and legitimate relocation costs incurred.

The employee shall not be entitled to relocation expenses where their new worksite is closer to their current residence. Employees who receive relocation assistance and/or house-hunting expenses should sign a [Relocation Agreement](#) that would require repayment of the funds, on a pro-rated basis, should they resign prior to completing twenty-four (24) calendar months of full-time (or equivalent) service.

Reimbursement in excess of the schedule below may be authorized by the Deputy Minister in the following situations:

- The employee brings difficult to recruit skills to the job;
- The location of the job makes it difficult to recruit; or
- There is a need to be competitive in order to attract a candidate who will provide good value for cost; and
- The reimbursement must be supported by receipts and documentation of actual costs incurred.

For most relocations, the schedule below reflects the maximum amounts that should be offered for moves of specific distances. In determining the amount of assistance offered, factors considered should include recruitment priority and the personal situation of the individual (e.g. number of dependents and actual real estate/moving costs).

<b>Relocation Cost Maximums by Distance</b>		
<b>Distance of Move</b>	<b>Minimum</b>	<b>Maximum</b>
40 - 1,000 km	\$0	\$7,850
1,001 - 2,500 km	\$0	\$12,150
2,501 – 4,000 km	\$0	\$18,150
4,001 km or more	\$0	\$18,800
Overseas	\$0	\$23,500

The overseas recruiting range is only to be used when relocating new employees from outside of Canada and the Continental United States to British Columbia.

#### Travel and Meal Allowances for Relocation

Travel and meal expenses for relocation should be reimbursed in accordance with current travel expense policies. Where a Group I, II or III employee/appointee incurs meal expense(s) for his/her spouse and or dependent(s) during relocation, the expense(s) should be reimbursed as follows:

- Dependents 12 years of age and under may claim one-half of the Group I meal allowances (\$24 full day or less);
- Spouse and dependents over 12 years of age may claim the full Group I meal allowances (\$48 full day or less).

## House Hunting

Where required, organizations may also authorize the new employee and spouse a house-hunting trip of up to three (3) days plus reasonable travel time or up to five (5) days plus reasonable travel time for existing employees.

Expenses for the house-hunting trip are to be reimbursed in accordance with current travel expense policies.

### Resources and Authorities:

- Public Service Agency – [Relocation New Hires \(Human Resources Policy 15\)](#)
- Public Service Agency -- [Relocation Existing Employees \(Human Resources Policy 15\)](#)
- Public Service Agency -- [Relocation \(Schedule 5 - Terms & Conditions of Employment for Excluded Employees / Appointees\)](#)
- CPPM [Chapter 18.3.9 \(Relocation\)](#)
- CCPM [Procedures C.16 \(Relocation Allowances\)](#)

## **Staff Recognition**

Government funds should not be used to recognize employees on job transfers.

Examples of appropriate reasons to incur staff recognition expenses include:

- Excellent performance in the employee's own work.
- Consistently high performance over a number of years.
- Exceptional assistance in performing a job or piece of work.
- Improving morale and/or contributing to an improved work environment.
- Outstanding leadership.
- Superb team performance.
- Milestones like employees [retiring or departing](#) from the organization.

Pre-approval is required prior to making any employee recognition purchases. Typically, gift or award items valued up to \$100 can be presented at the discretion of the employee's manager. If the item exceeds this value, executive approval should be obtained before proceeding.

Employees retiring or departing from organization can be recognized for their contributions with an award and/or gift. A rule of thumb for deciding the value of the recognition gift is \$10/year for every year the employee has worked for the public sector organization up to a maximum of \$100. If a higher gift value is suggested, executive approval is required.

### Resources and Authorities:

- Public Service Agency – [Staff Recognition](#) (restricted access)

## Advances and Loans

Accountable advances may be issued to employees in the normal course of administration for various purposes, such as relocation advances, salary and wages advances and education advances.

Organizations must maintain adequate processes for the control and accountability of advances and the recording of related transactions.

Employees issued an advance must make a written assignment of salaries and wages and organizations must ensure any outstanding accountable advance issued to an employee is accounted for and repaid prior to an employee's termination and the disbursement of the employee's final payroll cheque.

When an employee has not repaid an amount owing following notice, the employer must undertake arrangements to recover the amount owing.

## Loans

Loans are a special category of disbursements made under the authority of certain statutes, regulations and directives. Where permitted, organizations must develop criteria under which loans can be made. The criteria should:

- include conditions for eligibility, repayment terms, interest charges, collateral, and other requested conditions;
- the loan criteria must be reviewed and approved by the organization's governance body;
- all loans must be approved by officers who have been delegated expense authority for that purpose;
- where collateral is held or assigned as security, the loan must be registered in accordance with the loan's authorizing enactment;
- all loans must be recorded as assets in the organization's accounting records. Detailed information must be kept to include:
  1. name and address of the debtor;
  2. collateral held or assigned to secure the loan;
  3. date the loan was made and the date due;
  4. interest rate and how calculated;
  5. the principal sum of the loan and the authority under which the loan was made;
  6. repayment terms; and
  7. the officer(s) who authorized the loan.
- organizations must develop appropriate processes to safeguard collateral held to secure a loan.
- Loans must be assessed at least annually or as soon as a payment is not received on time, whichever occurs first. A provision for doubtful accounts must be made at the end of the fiscal year.
- Unless otherwise provided by legislation, any loan repayment must first be applied to the interest earned at the time of repayment and then to the principal.
- Discharges must not be approved by the same officer who authorized the loan.

Resources and Authorities:

- CPPM [Chapter 4.3.9 \(Advances\)](#)
- CPPM [Procedures B.2 \(Accountable Advances\)](#)
- CPPM [Chapter 4.3.10 \(Loans\)](#)

## Roles and Responsibilities

In addition to the PSEC Secretariat, there are six government agencies that provide distinct but interrelated advice and policy direction related to the reimbursement of expenses for appointees and employees.

### [Board Resourcing and Development Office \(BRDO\)](#)

BRDO establishes guidelines for all provincial appointments to public sector organizations; ensures that all provincial appointments are made on the basis of merit following an open, transparent and consistent appointment process; and ensures that appointees receive appropriate orientation and ongoing professional development with respect to agency governance issues. This includes making available information on governance best practices and board remuneration policies.

### [Crown Agency Resource Office \(CARO\)](#)

CARO is the central agency responsible for broad oversight of BC's Crowns and other public sector organizations. CARO provides advice, information and support across the public sector to promote sound corporate governance, transparency, accountability and strategic alignment with government priorities.

### [BC Public Service Agency \(PSA\)](#)

PSA provides leadership and services in people management. Established by the Public Service Act, the PSA supports its clients in achieving their human resource goals. PSA establishes travel policy and negotiates reimbursement rates and limits with bargaining units. It also improves the overall effectiveness of the public service by providing human resource management policies and frameworks, as well as a variety of human resource services, products and programs.

### [Office of the Comptroller General \(OCG\)](#)

The OCG is responsible for the overall quality and integrity of the government's financial management and control systems. This includes: developing and implementing financial management and general administrative policies; championing improvements in common accounting approaches; providing risk-based compliance review programs to improve the efficiency and economy of internal controls; and providing strategic governance for government procurement and contract management. In addition, OCG establishes procedures for the administration and processing of travel expenses.

### [Treasury Board Staff \(TBS\)](#)

TBS is responsible for developing and reviewing government's economic and fiscal policies. It provides analysis and advice to Treasury Board (the Cabinet committee responsible for budget and management matters) and to the Minister of Finance. Advice provided by the division helps the Minister and Treasury Board make well-informed decisions on spending management, budget priorities and the government's fiscal and capital plan.

## [Procurement Services Branch \(BC Bid\)](#)

[BC Bid](#) is a marketplace where public sector organizations (including cities, school districts, health authorities, Crown corporations and the B.C. government) advertise opportunities for contracts for a wide range of goods and services. Public sector organizations can browse the site without any fees or registration, and search for bid opportunities by category, organization or other criteria.

BC Bid is operated by the Ministry of Technology, Innovation and Citizens' Services' Procurement Services Branch, which also provides [corporate supply arrangements](#), [fleet management](#) and supports [B.C. Government employee travel \(accommodation rates, vehicle rental rates, and travel agencies\)](#). Visit [services and polices available to the broader public sector](#) for more information on a range of matters including real estate and office space, records management, information technology, and other supply solutions.