

BUSINESS PLAN 2017–20

Treasury Board and Finance

ACCOUNTABILITY STATEMENT

This business plan was prepared under my direction, taking into consideration the government's policy decisions as of March 3, 2017.

original signed by

Joe Ceci, President of Treasury Board, Minister of Finance

MINISTRY OVERVIEW

The ministry consists of the Department of Treasury Board and Finance, together with the Public Agency Secretariat and the Public Service Commission, as well as the following Provincial agencies: Alberta Capital Finance Authority, Alberta Gaming and Liquor Commission, Alberta Local Authorities Pension Plan Corp., Alberta Pensions Services Corporation, Alberta Securities Commission, Alberta Treasury Branches (ATB) and its subsidiaries, Credit Union Deposit Guarantee Corporation, Automobile Insurance Rate Board and Alberta Investment Management Corporation (AIMCo). The ministry administers the following nine regulated funds: Alberta Cancer Prevention Legacy Fund, Alberta Heritage Foundation for Medical Research Endowment Fund, Alberta Heritage Savings Trust Fund, Alberta Heritage Scholarship Fund, Alberta Heritage Science and Engineering Research Endowment Fund, Alberta Lottery Fund, Alberta Risk Management Fund, Provincial Judges and Masters in Chambers Reserve Fund and the Supplementary Retirement Plan Reserve Fund. The ministry also includes N.A. Properties (1994) Ltd. and Gainers Inc.

A more detailed description of the Department of Treasury Board and Finance and its programs and initiatives, as well as those of the Public Agency Secretariat, can be found at www.finance.alberta.ca. A more detailed description of the Public Service Commission and its programs and services can be found at www.psc.alberta.ca.

STRATEGIC CONTEXT

The outcomes and key strategies identified in this business plan are aligned with the strategic direction of the Government of Alberta.

The Ministry of Treasury Board and Finance (TBF) focuses on accountability, financial management, and human resource leadership; as well, it regulates Alberta's liquor, gaming, financial, securities, insurance and pensions sectors. Monitoring the environment in which TBF operates is essential for positioning the ministry to successfully meet the needs of government and Albertans.

Alberta is beginning to see signs of economic stability and growth following a significant and prolonged downturn caused by the historic collapse in global oil prices. This modest improvement is expected to carry into 2017-18, where the economy is expected to grow by 2.6 per cent. The recovery will be bolstered by an uplift in oil prices, ongoing public sector infrastructure spending, Fort McMurray reconstruction and a rebound in oil production. Despite unfavorable economic conditions the past two years, Alberta's economic fundamentals remain strong, including a young population, abundant resources, easing cost pressures and a large tax advantage.

Through the economic downturn, the government responded as a shock absorber. The government remained committed to delivering quality programs without cutting frontline services, investing in infrastructure projects that will add jobs, and providing incentives to help diversify Alberta's economy.

While the economy will continue to improve, the recovery will be weaker than in the past, reflecting the expectation that oil prices will stay lower for a longer period of time. The government remains committed to achieving a strong and resilient financial foundation, focusing on overcoming risks associated with resource revenue shortfalls. Government recognizes that an over-dependence on volatile resource revenue to fund government programs and services is not prudent fiscal management. Putting Alberta on the path to economic recovery means diversifying Alberta's economy and reducing the province's over-dependence on unrefined energy.

TBF is the central connection between government ministries in relation to financial decision making. It is anticipated that over the next three years, the ministry will continue to provide financial expertise along with sound economic analysis and advice to help prioritize initiatives under the Alberta Jobs Plan and other economic development plans. Major initiatives resulting from the Climate Leadership Plan will also require TBF resources in planning and implementation. Resources will be made available to support initiatives around the coal transition, restructuring of Alberta's electricity market and reducing carbon emissions. To satisfy government's need for timely financial and economic information, TBF will support evidence based decision-making with modernized information systems, as well as economic reporting and analysis.

Given that Alberta's population growth was second-highest among the provinces and is projected to continue expanding at a solid pace, maintaining stable public services is vital to addressing complex challenges and meeting the growing needs of citizens. Government is committed to strengthening the Alberta Public Service to ensure it is inclusive, innovative, and that it delivers high quality programs and services to Albertans.

Albertans are raising their expectations regarding the transparency, efficiency and effectiveness of government operations provided either directly by government or through government's agencies, boards and commissions. TBF strives to deliver its programs and initiatives in an effective and efficient manner, worthy of the trust of Albertans.

OUTCOMES, KEY STRATEGIES AND PERFORMANCE MEASURES

Outcome One: A strong and resilient financial foundation that supports government services for current and future generations

A strong and resilient financial foundation supports government priorities, strategic goals and services. This foundation is dependent on Alberta's current economy and its future growth. Partnering with all government ministries, TBF acts as government's chief economic and fiscal advisor, leveraging its expertise and resources to provide critical information, analysis and advice to support economic development and provide leadership in developing fiscal policies and plans. TBF manages the government's financial systems to ensure sustained revenue streams, wise spending decisions and sound borrowing and investment strategies that sustain Alberta's finances. Through these roles, TBF supports a strong and resilient financial foundation for the benefit of current and future Albertans.

Key Strategies:

- 1.1 Act as government's chief fiscal policy advisor to ensure that strategic financial considerations are embedded into the development and implementation of all government initiatives.
- 1.2 Provide useful and reliable financial and economic information, objective analysis and identification of solutions to support effective decision-making.
- 1.3 Monitor the competitiveness, economic efficiency, fairness and revenue stability of Alberta's tax system and provide supporting recommendations.

- 1.4 Collect and administer revenue fairly, effectively and efficiently. This includes strengthening processes with respect to tax collections and tax filing.
- 1.5 Lead government's financial planning so that initiatives undertaken by departments and agencies, boards and commissions are aligned with government priorities and make the best use of government's financial assets.
- 1.6 Borrow and invest strategically to sustain robust government finances.

Performance Measures	Last Actual 2015-16	Target 2017-18	Target 2018-19	Target 2019-20
1.a Sustainable operating spending growth (operating spending relative to population plus CPI) ¹	2.7% (Operating expense growth) 3.1% (CPI plus population)	Operating spending growth will not exceed population plus CPI growth		
1.b The Alberta Heritage Savings Trust Fund will earn a five-year annualized rate of return of CPI plus 4.5% ²	10.5%	CPI + 4.5%		
1.c Investment returns in excess of the benchmark through active management, for the endowment and pension funds, annualized over a five-year period	1.3%	1%	1%	1%
1.d Ratio of amounts added to net tax revenue to costs of administration (as a measure of efficiency)	12.5:1	12:1	12:1	12:1

Notes:

¹ CPI stands for Consumer Price Index which is a measure of inflation.

² This measure is used to determine whether the long-term investment policy is achieving the returns expected based on long-term capital market assumptions. It is measured by comparing the return on the policy benchmark to the real return target.

Linking Performance Measures to Outcomes:

- 1.a The combined rate of growth in population plus inflation is considered a measure regarding the potential rate of growth in government operating expense.
- 1.b The Alberta Heritage Saving Trust Fund is the province's primary long-term savings vehicle. The fund provides an alternative source of income which can potentially provide a partial offset to resource revenue.
- 1.c AIMCo's primary goal is to provide returns through active management over and above what the market returns.
- 1.d Demonstrates efficient tax and revenue administration. For every dollar spent on administering tax and revenue programs, the government is targeting to recover 12 dollars in revenue

Outcome Two: Policy and regulatory oversight for the liquor, gaming, financial, securities, insurance and pensions sectors that is effective, fair and in the interests of Albertans

TBF influences the livelihood of Albertans and Alberta-based businesses by setting effective policies around the province's liquor, gaming, financial, securities, insurance and pensions sectors and regulating these industries. The goal is to ensure these policy and regulatory systems are fair, transparent and in the interest of Albertans.

Key Strategies:

- 2.1 Continuously scan the environment to monitor the current and emerging issues and trends that may have significant impact on Alberta's liquor, gaming, financial, securities, insurance and pensions sectors.
- 2.2 Lead and implement changes to keep the policy and regulation of Alberta's liquor, gaming, financial, securities, insurance and pensions sectors relevant and based on best practices.

- 2.3 Continue to work cooperatively with other jurisdictions to improve securities regulation in Canada and ensure a provincially-led regulatory system that meets the needs of Alberta market participants and investors.
- 2.4 Support Alberta businesses by encouraging investments and improving access to capital for small- and medium-sized enterprises.
- 2.5 Promote responsible growth of gaming and liquor industries for the benefit of Albertans through regulatory innovation and continuous improvement supported by a culture of moderation.

Performance Measures	Last Actual 2015-16	Target 2017-18	Target 2018-19	Target 2019-20
2.a ATB Financial return on average risk weighted assets	0.33%	0.53%	0.85%	1.11%
2.b Employment pensions funded ratio ¹	102.00%	102.00%	101.00%	100.00%
2.c Alberta incorporated insurance companies rated as stable by the Superintendent of Insurance	100.00%	100.00%	100.00%	100.00%

Notes:

¹ Funded ratio indicates the degree to which assets cover liabilities. Plans must be at least 100 per cent funded on an ongoing basis.

Linking Performance Measures to Outcomes:

- 2.a The return on average risk weighted assets measures regulatory oversight of the financial sector. It is an industry standard to measure efficient use of capital.
- 2.b Oversight of private sector pension plans helps ensure that Alberta pension plan members receive retirement income that the plans intend to provide.
- 2.c Monitoring capital levels helps to ensure insurers remain solvent and have funds to pay claims to Albertans when they come due.

Outcome Three: Excellence in government accountability and transparency

The Government of Alberta is accountable to Albertans. Maintaining financial integrity and information transparency enhances public confidence in the government. TBF sets policies and standards to promote responsible financial practices and conducts internal audits to ensure compliance, manage risks and safeguard public assets. The Public Agency Secretariat leads government-wide initiatives to enhance the governance of Alberta's agencies.

Key Strategies:

- 3.1 Provide timely, reliable and relevant accounting, budgeting and policy advice to ensure Alberta's finances are presented in a clear format that reflects public sector financial reporting standards.
- 3.2 Report on government's performance and progress on priorities in a transparent and balanced manner.
- 3.3 Ensure government programs and services meet the purposes intended and achieve efficiencies through internal audit and risk management.
- 3.4 Develop policies and provide assistance, tools and advice to government departments and public agencies to support best practices in public agency governance, reporting, accountability and evaluation.
- 3.5 Provide support and guidance in ensuring an effective and transparent process for recruitment and appointment of a diverse range of qualified candidates to public agencies.

Performance Measure	Last Actual 2015-16	Target 2017-18	Target 2018-19	Target 2019-20
3.a Financial reporting: • Auditor General opinion on Government of Alberta Consolidated Financial Statements	Unqualified	Unqualified	Unqualified	Unqualified

Linking Performance Measures to Outcomes:

3.a The opinion of the independent auditor's report issued by the Auditor General for the government's consolidated financial statements is a measure of government's accountability and transparency. It testifies to the public that the consolidated financial statements are presented fairly and in accordance with the Canada Public Sector Accounting Standards.

Outcome Four: A strong and inclusive public service working together for Albertans

The Public Service Commission is responsible for establishing policies and programs to ensure Alberta has a professional, non-partisan, diverse and inclusive public service that proudly serves Albertans. This is achieved through providing expert advice, strategic leadership and stewardship as well as developing and delivering innovative supports and services to Alberta Public Service employees.

Key Strategies:

- 4.1 Enhance policies and programs to ensure a diverse and inclusive workforce.
- 4.2 Implement a government-wide strategy to improve employee engagement across the Alberta Public Service.
- 4.3 Modernize processes and structures to strengthen the human resource system supporting the Alberta Public Service.

Performance Measure	Last Actual 2014-15	Target 2017-18	Target 2018-19	Target 2019-20
4.a Alberta Public Service employee engagement index (biennial survey) ¹	60%	65%	n/a	70%

Note:

¹ Index consists of seven questions that measure outcomes of employee engagement in the Alberta Public Service.

Linking Performance Measures to Outcomes:

4.a Stronger employee engagement is correlated with greater staff retention, productivity and enhanced service to the public.

Performance Indicator	Actual 2012-13	Actual 2013-14	Actual 2014-15	Actual 2015-16
4.a Employee engagement index inter-jurisdictional average ¹	66%	62%	59%	61%

Note:

¹ In 2013-14, a seventh question was included in the calculation of the inter-jurisdictional engagement index for participating provinces and territories. Therefore, the 2012-13 results are not directly comparable with future years.

RISKS TO ACHIEVING OUTCOMES

TBF has identified and is working to manage the following strategic risks:

- **Volatility of resource revenue** – Alberta’s financial health has long been at the whim of the prices of our natural resources. While government cannot control the geopolitical factors that influence the price of oil, conservative forecasting and the use of risk adjustments can help mitigate the impact of large price fluctuations during the fiscal year.
- **Lack of economic diversification** – Government’s bottom line has been unduly impacted due to a failure to diversify the economy and the over-reliance on one sector. Government will work to diversify the economy to protect Albertan’s and the province’s finances from the boom and bust economy.
- **Evolving Regulatory Space** – Innovative trends and emerging technological advancements are altering the products and services industry offers, particularly in the financial marketplace. Ensuring effective regulatory oversight, to protect consumers and ensure vibrant, well functioning, markets, is essential. Government will work to increase its understanding of systematic change and position itself to respond proactively to new and emerging issues.
- **Work environment** – A work environment that engages and encourages all employees to do their best every day allows the Alberta Public Service to deliver high-quality, responsive services that Albertans deserve and expect. Engaged employees are the foundation of a successful public service and province.

STATEMENT OF OPERATIONS

(thousands of dollars)

	Comparable			2017-18 Estimate	2018-19 Target	2019-20 Target
	2015-16 Actual	2016-17 Budget	2016-17 Forecast			
REVENUE						
Internal Government Transfers	-	-	-	3,970	770	50
Personal Income Tax	11,357,019	11,404,937	11,458,955	11,177,324	11,608,942	12,158,681
Corporate Income Tax	4,195,359	4,325,200	3,344,139	3,917,852	4,464,429	5,072,434
Other Taxes	2,833,558	3,552,488	3,260,000	4,131,174	4,570,637	4,676,991
Transfers from Government of Canada	1,771,797	1,567,696	1,563,075	1,618,345	1,671,982	1,727,636
Investment Income	2,219,877	1,842,476	2,602,165	1,903,589	1,928,755	2,006,772
Net Income from Commercial Operations	2,552,693	2,387,058	2,375,624	2,436,562	2,523,346	2,604,657
Premiums, Fees and Licences	127,470	102,357	119,180	130,673	156,173	172,423
Other Revenue	366,550	390,557	376,753	405,104	414,942	425,190
Ministry Total	25,424,323	25,572,769	25,099,891	25,724,593	27,339,976	28,844,834
Inter-Ministry Consolidations	(152,420)	(166,527)	(156,253)	(159,014)	(160,301)	(169,672)
Consolidated Total	25,271,903	25,406,242	24,943,638	25,565,579	27,179,675	28,675,162
EXPENSE						
Ministry Support Services	22,844	26,928	24,269	25,637	25,734	25,789
Budget Development and Reporting	4,350	5,281	4,606	4,979	5,087	5,087
Fiscal Planning and Economic Analysis	4,904	5,778	5,690	5,659	5,777	5,777
Investment, Treasury and Risk Management	630,151	674,104	647,763	686,809	701,925	694,889
Office of the Controller	2,655	2,826	2,393	2,658	2,716	2,716
Corporate Internal Audit Services	3,756	3,908	3,763	3,635	3,715	3,715
Tax and Revenue Management	37,665	33,499	43,860	39,680	38,904	34,904
Financial Sector and Pensions	180,469	194,192	177,777	193,554	195,383	196,971
Public Sector Working Group	1,274	2,500	1,371	2,212	2,212	2,212
Public Service Commission	18,979	25,055	23,917	25,742	26,123	26,123
Public Agency Secretariat	-	1,804	1,710	2,990	2,990	2,990
Gaming	45,792	35,092	43,800	43,400	41,500	42,600
Climate Leadership Plan - Consumer Rebates	-	95,000	90,000	410,000	550,000	550,000
Teachers' Pre-1992 Pensions Liability Funding	464,526	475,500	469,333	473,333	476,750	479,167
Alberta Family Employment Tax Credit	117,860	136,877	137,535	146,500	149,375	152,333
Scientific Research and Experimental Development Tax Credits	86,370	84,000	83,000	87,000	90,000	95,000
Corporate Income Tax Allowance Provision	6,742	15,000	15,000	15,000	15,000	11,500
General Debt Servicing	311,279	366,085	401,783	611,025	846,325	1,090,432
Capital Debt Servicing	344,366	517,000	512,000	656,000	834,000	1,071,000
Change in Unfunded Pension Obligation	(623,063)	(69,000)	(242,000)	(129,000)	(155,000)	(163,000)
Ministry Total	1,660,919	2,631,429	2,447,570	3,306,813	3,858,516	4,330,205
Inter-Ministry Consolidations	(305,115)	(342,843)	(340,338)	(335,784)	(340,080)	(327,559)
Consolidated Total	1,355,804	2,288,586	2,107,232	2,971,029	3,518,436	4,002,646
Net Operating Result	23,916,099	23,117,656	22,836,406	22,594,550	23,661,239	24,672,516

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STATEMENT OF OPERATIONS ... continued

(thousands of dollars)	Comparable			2017-18 Estimate	2018-19 Target	2019-20 Target
	2015-16 Actual	2016-17 Budget	2016-17 Forecast			
CAPITAL INVESTMENT						
Ministry Support Services	2,218	2,478	5,278	7,298	3,548	2,528
Investment, Treasury and Risk Management	9,722	8,855	8,855	11,272	8,000	8,000
Financial Sector and Pensions	9,907	9,167	7,889	3,901	2,215	2,238
Ministry Total	21,847	20,500	22,022	22,471	13,763	12,766
Inter-Ministry Consolidations	-	-	-	(3,970)	(770)	(50)
Consolidated Total	21,847	20,500	22,022	18,501	12,993	12,716