

# Treasury Board and Finance

BUSINESS PLAN 2015–20

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## ACCOUNTABILITY STATEMENT

This business plan was prepared under my direction, taking into consideration the government's policy decisions as of March 5, 2015.

*original signed by*

Robin Campbell, President of Treasury Board and Minister of Finance  
March 13, 2015

## THE MINISTRY

The ministry consists of the Department of Treasury Board and Finance, together with Corporate Human Resources and the following provincial agencies: Alberta Capital Finance Authority, Alberta Gaming and Liquor Commission, Alberta Local Authorities Pension Plan Corporation, Alberta Pensions Services Corporation, Alberta Securities Commission, Alberta Treasury Branches (ATB) and its subsidiaries, Credit Union Deposit Guarantee Corporation, Alberta Insurance Council, Automobile Insurance Rate Board, Alberta Investment Management Corporation (AIMCo) and its subsidiaries, as well as 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 the activities of N.A. Properties (1994) Ltd. and Gainers Inc.

A more detailed description of Treasury Board and Finance and its programs and initiatives can be found at [www.finance.alberta.ca](http://www.finance.alberta.ca). A more detailed description of Corporate Human Resources and its programs and services can be found at [www.chr.alberta.ca](http://www.chr.alberta.ca).

## LINK TO GOVERNMENT OF ALBERTA STRATEGIC DIRECTION

Programs and services delivered by the ministry were reviewed for relevance, effectiveness and efficiency in accordance with the Government of Alberta's *Results-based Budgeting Act*.

The desired outcomes and priority initiatives identified in this business plan are aligned with the strategic direction of the Government of Alberta and ministry mandates.

## STRATEGIC CONTEXT

The ability of government to make progress on outcomes is affected by the province's fiscal situation. Due to the recent collapse in oil prices, the government is facing major fiscal challenges. A key focus for government will be developing strategies that manage emergent risks while driving towards the ultimate goal of greater revenue stability and fiscal sustainability, and at the same time providing the flexibility needed to address evolving economic conditions.

The government's response to its current fiscal situation will combine fiscal discipline with decision making that ensures expenditures are aligned with and directed to priority areas. This means consideration of all opportunities for strategic cost saving measures to ultimately control certain costs in an aligned and integrated fashion. Additionally, the ability to work as effectively and efficiently as possible will be paramount government wide.

The decrease in oil prices is not only putting significant pressure on government revenues, but also on the Alberta Public Service. A professional and effective public service is important during both high and low growth phases of

Alberta's economy to ensure the delivery of excellent government programs and services. The Government of Alberta has established a Premier's Advisory Committee on the Alberta Public Service to identify strategies to attract and retain talent in the public service, modernize government operations and strengthen the overall effectiveness of the public service.

Alberta remains committed to planning responsibly and exploring solutions to the current fiscal situation. Continued accountability and transparency through effective communication and engagement with all Albertans is a key priority for government, demonstrating its commitment to maintaining the trust of Albertans.

## DESIRED OUTCOMES, PRIORITY INITIATIVES, AND PERFORMANCE MEASURES AND INDICATORS

### Desired Outcome One: Strong and sustainable government finances

#### Priority Initiatives:

- 1.1 Identify fiscal choices and opportunities to better align spending with priorities.
- 1.2 Monitor the competitiveness, economic efficiency, fairness and revenue stability of Alberta's tax system and provide supporting recommendations.
- 1.3 Advance electronic services for Alberta's tax and revenue programs.
- 1.4 Lead the modernization of Alberta's gaming industry through investments in new technology and game offerings to sustain revenue for the Alberta Lottery Fund.
- 1.5 Ensure that benefits from charitable gaming are distributed effectively to charities to support worthy causes across the province.
- 1.6 Provide reliable economic forecasts and demographic projections.
- 1.7 Issue a semi-annual report card on Alberta's savings.

Performance Measures	Last Actual 2013-14	Target 2015-16	Target 2016-17	Target 2017-18	Target 2018-19	Target 2019-20
1.a Alberta's credit rating (blended credit rating for domestic debt)	AAA	AAA	AAA	AAA	AAA	AAA
1.b The Alberta Heritage Savings Trust Fund will earn a five-year annualized rate of return of CPI plus 4.5% <sup>1</sup>	12.7% (Exceeded target by 6.4 %)			CPI plus 4.5%		
1.c Value added through active investment management, for the endowment and pension funds, annualized over a five year period <sup>2</sup>	1.2%	1%	1%	1%	1%	1%

#### Notes:

- 1 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. The total long term expected return on the Fund would also include the additional 1% annualized return added through active management in measure 1.c.
- 2 This measure is used to determine the impact of AIMCo active fund management on performance and is measured as the difference between actual returns and policy benchmark returns for each fund.

Performance Indicator	Actual 2011-12	Actual 2012-13	Actual 2013-14
1.a Alberta savings (\$ millions):			
• The Alberta Heritage Savings Trust Fund book value	14,652	14,813	15,006
• The Contingency Account balance	7,497	3,326	4,658
• Endowment and other funds	3,284	3,363	3,556

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

### Priority Initiatives:

- 2.1 Address the competitiveness of the public sector pension plans and ensure they are sustainable.
- 2.2 Set broad strategic objectives and monitor the operations of ATB Financial and AIMCo for consistency with sound business practices and the achievement of a fair return.
- 2.3 Lead and implement changes to keep the regulation of Alberta's pension, insurance and financial institutions sectors strong, and ensure risks are managed effectively.
- 2.4 Work cooperatively with other jurisdictions on an improved, harmonized securities regulatory system that protects investors.

Performance Measure	Last Actual 2013-14	Target 2015-16	Target 2016-17	Target 2017-18	Target 2018-19	Target 2019-20
2.a ATB Financial return on average risk weighted assets	1.0%	0.9%	0.7%	1.0%	n/a	n/a

## Desired Outcome Three: Accountable, effective and efficient government

### Priority Initiatives:

- 3.1 Present Alberta's finances in a clear format reflecting public sector accounting practices and standards.
- 3.2 Strengthen accountability by working with ministries to provide enhanced financial disclosure for the public, develop and improve performance measures and ensure appropriate results reporting and performance variance analysis in ministry annual reports.
- 3.3 Provide government-wide management and dissemination of official statistics.
- 3.4 Strengthen accountability of the ministry's agencies to government policy.
- 3.5 Use qualitative and quantitative analysis to review all regulation changes, ensuring they will effectively implement policy direction while allowing stakeholders to easily understand and comply with requirements.
- 3.6 Conduct a comprehensive review to develop a modern framework and governance model that will enable more effective and efficient use of the government's financial assets.
- 3.7 Collect and administer revenue fairly, effectively and efficiently.

Performance Measures	Last Actual 2013-14	Target 2015-16	Target 2016-17	Target 2017-18	Target 2018-19	Target 2019-20
3.a Sustainable operating spending growth (operating spending relative to population plus CPI)	3.3% (operating spending) 5.6% (population plus CPI)		Operating spending growth equal to or less than population plus CPI growth			
3.b Ratio of amounts added to the net tax revenue to costs of administration (as a measure of efficiency)	18:1 <sup>1</sup>	12:1	12:1	12:1	12:1	12:1

### Note:

- 1 The ratio for 2013-14 was higher than the 12:1 target as a result of significant recoveries made by applying reassessments made by the Canada Revenue Agency (CRA) in a similar fashion in Alberta. Most of these reassessments are currently under objection. Removing the impact of these reassessments results in a revised ratio result of 13:1 for 2013-14.

Performance Indicators	Actual 2010-11	Actual 2011-12	Actual 2012-13	Actual 2013-14
3.a Financial reporting: • Auditor General opinion on Government of Alberta Consolidated Financial Statements	unqualified	unqualified	unqualified	unqualified
3.b Alberta budget variance: • Percentage change in actual government operating expense from budget	-1.1%	-0.4%	-0.9%	3.0%

### Desired Outcome Four: A professional public service that is skilled, engaged and delivers the programs and services Albertans expect

#### Priority Initiatives:

- 4.1 Guide the development and implementation of innovative strategies and policies to advance public service excellence, including support to the Premier's Advisory Committee on the Alberta Public Service.
- 4.2 Provide leadership to support an engaged, empowered and excellent Alberta Public Service.
- 4.3 Steward an effective HR system that provides strategic support, is flexible and ensures that human resource programs and processes are modern and responsive to business objectives.

Performance Measure	Last Actual 2013-14	Target 2015-16	Target 2016-17	Target 2017-18	Target 2018-19	Target 2019-20
4.a Alberta Public Service employee engagement index <sup>1</sup>	59%	62%	65%	68%	71%	74%

#### Note:

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

Performance Indicators	Actual 2010-11	Actual 2011-12	Actual 2012-13	Actual 2013-14
4.a Employee engagement index inter-jurisdictional average <sup>1</sup>	66%	N/A	66%	62% <sup>2</sup>

#### Note:

- 1 Provides average index results on the employee engagement index questions enabling benchmarking of the Alberta Public Service's Employee Engagement results with other public service jurisdictions across Canada.
- 2 New baseline data.

STATEMENT OF OPERATIONS  
Consolidated Financial Statements Basis

(thousands of dollars)	Comparable					
	2014-15 Forecast	2015-16 Estimate	2016-17 Target	2017-18 Target	2018-19 Target	2019-20 Target
<b>REVENUE</b>						
Personal Income Tax	10,993,673	<b>11,302,788</b>	12,115,033	12,936,973	13,845,436	14,600,492
Health Care Contribution Levy	-	<b>396,000</b>	532,000	540,000	557,000	567,000
Corporate Income Tax	5,716,545	<b>4,529,136</b>	4,586,402	5,499,229	6,370,915	7,283,403
Other Taxes	2,355,666	<b>2,980,598</b>	3,194,755	3,275,149	3,364,892	3,456,287
Transfers from Government of Canada	1,456,563	<b>1,519,937</b>	1,574,671	1,630,623	1,691,210	1,755,400
Investment Income	2,787,248	<b>2,262,898</b>	2,312,184	2,499,007	2,685,106	2,814,442
Premiums, Fees and Licences	179,662	<b>172,610</b>	170,193	208,401	215,952	223,420
Net Income from Commercial Operations	2,589,476	<b>2,698,304</b>	2,754,568	2,945,181	3,019,462	3,097,462
Other Revenue	339,924	<b>341,064</b>	342,248	351,653	351,653	351,653
Consolidation Adjustments	(157,765)	<b>(154,923)</b>	(155,850)	(169,187)	(177,840)	(186,587)
<b>Total Revenue</b>	<b>26,260,992</b>	<b>26,048,412</b>	<b>27,426,204</b>	<b>29,717,029</b>	<b>31,923,786</b>	<b>33,962,972</b>
<b>EXPENSE</b>						
Ministry Support Services	36,253	<b>34,898</b>	34,746	34,651	35,622	36,622
Budget Development and Reporting	4,994	<b>5,389</b>	5,389	5,389	5,550	5,716
Fiscal Planning and Economic Analysis	5,590	<b>5,369</b>	5,346	5,346	5,506	5,671
Investment, Treasury and Risk Management	680,593	<b>667,991</b>	686,659	702,014	716,236	714,494
Office of the Controller	2,686	<b>2,670</b>	2,670	2,670	2,750	2,832
Corporate Internal Audit Services	4,114	<b>3,988</b>	3,988	3,988	4,107	4,230
Tax and Revenue Management	31,571	<b>32,494</b>	32,494	32,494	33,468	34,472
Financial Sector and Pensions	185,095	<b>193,442</b>	192,536	192,546	198,075	203,773
Corporate Human Resources	21,877	<b>21,183</b>	21,183	21,183	21,818	22,472
Gaming	30,000	<b>35,600</b>	35,600	35,600	40,000	40,000
Teachers' Pre-1992 Pensions Liability Funding	455,000	<b>465,000</b>	475,500	480,500	492,522	503,082
Alberta Family Employment / Scientific	215,591	<b>198,038</b>	284,877	314,972	319,410	321,938
Research and Experimental Development Tax						
Corporate Income Tax Allowance Provision	28,156	<b>15,000</b>	15,000	11,500	11,500	11,500
<b>Debt Servicing Costs</b>						
General Government	133,932	<b>129,457</b>	132,390	146,733	157,918	166,980
School Construction Debentures	4,301	<b>2,830</b>	1,798	996	444	129
Alberta Capital Finance Authority	233,851	<b>278,016</b>	367,585	475,649	539,031	600,000
Direct Borrowing for Capital Purposes	255,806	<b>375,843</b>	560,652	772,782	944,175	965,493
<b>Pension Provisions</b>						
Change in Unfunded Pension Obligation	(172,000)	<b>(4,000)</b>	(67,000)	(125,000)	(118,000)	(119,000)
Consolidation Adjustments	(343,111)	<b>(328,590)</b>	(332,615)	(347,866)	(359,616)	(346,113)
<b>Total Expense</b>	<b>1,814,299</b>	<b>2,134,618</b>	<b>2,458,798</b>	<b>2,766,147</b>	<b>3,050,516</b>	<b>3,174,291</b>
<b>Net Operating Result</b>	<b>24,446,693</b>	<b>23,913,794</b>	<b>24,967,406</b>	<b>26,950,882</b>	<b>28,873,270</b>	<b>30,788,681</b>
<b>CAPITAL INVESTMENT BY PROGRAM</b>						
Ministry Support Services	3,199	<b>2,725</b>	2,478	2,478	2,478	2,478
Investment, Treasury and Risk Management	5,000	<b>5,000</b>	5,000	5,000	5,000	5,000
Financial Sector and Pensions	19,213	<b>13,051</b>	3,375	3,375	3,375	3,375
<b>Total</b>	<b>27,412</b>	<b>20,776</b>	<b>10,853</b>	<b>10,853</b>	<b>10,853</b>	<b>10,853</b>