

Treasury Board and Finance

BUSINESS PLAN 2015–18

ACCOUNTABILITY STATEMENT

This business plan was prepared under my direction, taking into consideration the government's policy decisions as of October 15, 2015.

original signed by

Joe Ceci, President of Treasury Board, Minister of Finance

THE MINISTRY

The ministry consists of the Department of Treasury Board and Finance, together with Corporate Human Resources as well as 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.

More details about Treasury Board and Finance programs and initiatives can be found at 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.

LINK TO GOVERNMENT OF ALBERTA STRATEGIC DIRECTION

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

STRATEGIC CONTEXT

A tough economic environment requires a responsible, considered and balanced approach to making budget decisions. The province's financial plan is based on three key pillars:

- Stabilizing key public services.
- Moving forward on a prudent, sensible and responsible fiscal plan to return to a balanced budget.
- Building partnerships with Alberta's job creators to create employment and build prosperity.

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, reducing the province's over-dependence on unrefined energy exports and creating more jobs with more upgrading and processing in Alberta rather than in other countries. Ensuring a full and fair return to the people of Alberta for their energy resources while maintaining a warm welcome for investors, upholding their right to earn fair returns, is also a priority for government and further supports the original vision for Alberta's Heritage

Savings Trust Fund. Government will make necessary changes in a responsible manner, being mindful of the province's economic circumstances, consulting widely with Albertans, industry and other relevant stakeholders, and understanding that change is most successful when there is openness and transparency.

An engaged, effective and non-partisan public service with expertise across a range of areas is vital to addressing complex challenges and meeting the needs of the citizens of a growing province. Government is committed to strengthening the Alberta Public Service as an inclusive and innovative organization where all employees are able to develop and contribute their best.

DESIRED OUTCOMES, PRIORITY INITIATIVES, PERFORMANCE MEASURES, PERFORMANCE MEASURES UNDER DEVELOPMENT AND PERFORMANCE INDICATORS

Desired Outcome One: Strong and sustainable government finances

Priority Initiatives:

- 1.1 Provide advice and recommendations on spending, cost saving initiatives, efficiencies, proposed revenue initiatives and long-term stability to better align with priorities.
- 1.2 Monitor the competitiveness, economic efficiency, fairness and revenue stability of Alberta's tax system and provide supporting recommendations.
- 1.3 Support a tax system where everyone contributes fairly and invests in services that Albertans value.
- 1.4 Advance electronic services for Alberta's tax and revenue programs.
- 1.5 Invest up to three per cent of the Heritage Savings Trust Fund in investments that provide direct economic benefit to Alberta.
- 1.6 Lead the modernization of Alberta's gaming industry through investments in new technology and game offerings to sustain revenue for the Alberta Lottery Fund.
- 1.7 Provide reliable economic, demographic and revenue forecasts.

Performance Measures	Last Actual 2013-14	Target 2015-16	Target 2016-17	Target 2017-18
1.a Alberta's credit rating (blended credit rating for domestic debt)	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% ¹	12.7% (Exceeded target by 6.4 %)		CPI plus 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 ²	1.2%	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 one per cent 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 Improve access to capital for Alberta's small- and medium-sized enterprises through ATB Financial.
- 2.2 Lead and implement changes to keep the regulation of Alberta's pension, insurance and financial institutions sectors strong, modern and ensure risks are managed effectively.
- 2.3 Work 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
2.a ATB Financial return on average risk weighted assets	1.0%	0.9%	0.7%	1.0%

Desired Outcome Three: Accountable, effective and efficient government

Priority Initiatives:

- 3.1 Examine overall spending priorities as well as how efficiently tax dollars are being used to deliver programs and services.
- 3.2 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.
- 3.3 Collect and administer revenue fairly, effectively and efficiently.
- 3.4 Present Alberta's finances in a clear format reflecting public sector accounting standards.
- 3.5 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.
- 3.6 Provide government-wide management and dissemination of official statistics.
- 3.7 Strengthen accountability of the ministry's agencies to government policy.
- 3.8 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.
- 3.9 Ensure that benefits from charitable gaming are distributed effectively to charities to support worthy causes across the province.

Performance Measures	Last Actual 2013-14	Target 2015-16	Target 2016-17	Target 2017-18
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 will not exceed 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 ¹	12:1	12:1	12:1

Note:

- ¹ The ratio for 2013-14 was higher than the 12:1 target. This is due to significant recoveries made by applying reassessments in Alberta similar to those used by the Canada Revenue Agency at the federal level. 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 2011-12	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 strong and inclusive public service working together for Albertans

Priority Initiatives:

- 4.1 Deliver a range of initiatives to support a diverse workforce with the capacity and expertise to serve Albertans.
- 4.2 Improve employee engagement across the public service.
- 4.3 Strengthen the foundations of the human resource system supporting the Alberta Public Service.

Performance Measure	Last Actual 2013-14	Target 2015-16	Target 2016-17	Target 2017-18
4.a Alberta Public Service employee engagement index ¹	59%	62%	65%	68%

Note:

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

Performance Indicator	Actual 2010-11	Actual 2011-12	Actual 2012-13	Actual 2013-14
4.a Employee engagement index inter-jurisdictional average ¹	66%	n/a	66%	62% ²

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 Actual	2015-16 Estimate	2016-17 Target	2017-18 Target
REVENUE				
Personal Income Tax	11,041,760	12,046,732	12,651,488	13,182,435
Corporate Income Tax	5,796,400	4,745,222	4,826,255	4,849,044
Other Taxes	2,323,799	2,967,263	3,224,728	3,303,284
Transfers from Government of Canada	1,456,563	1,517,709	1,567,382	1,619,663
Investment Income	2,724,023	2,557,088	2,267,594	2,195,797
Net Income from Commercial Operations	2,655,946	2,715,674	2,793,568	2,984,181
Premiums, Fees and Licences	184,896	172,496	170,193	208,401
Other Revenue	371,240	344,611	342,248	351,653
Inter-Ministry Consolidation Adjustment	(155,729)	(158,019)	(159,930)	(174,287)
Total	26,398,898	26,908,776	27,683,526	28,520,171
EXPENSE				
Ministry Support Services	35,583	32,845	32,693	32,598
Budget Development and Reporting	4,464	5,389	5,389	5,389
Fiscal Planning and Economic Analysis	5,398	5,919	5,896	5,896
Investment, Treasury and Risk Management	738,758	667,728	685,699	705,492
Office of the Controller	2,616	2,884	2,884	2,884
Corporate Internal Audit Services	3,966	3,988	3,988	3,988
Tax and Revenue Management	30,865	33,783	33,783	33,783
Financial Sector and Pensions	173,607	193,442	192,536	192,546
Corporate Human Resources	19,359	21,183	21,183	21,183
Gaming	28,877	35,600	35,600	35,600
Teachers' Pre-1992 Pensions Liability Funding	456,311	465,000	475,500	480,500
Alberta Family Employment Tax Credit	113,591	116,038	136,877	144,972
Scientific Research and Experimental Development Tax Credits	84,207	82,000	84,000	84,000
Corporate Income Tax Allowance Provision	73,505	15,000	15,000	11,500
Debt Servicing				
General Government	124,290	132,553	146,102	223,130
School Construction Debentures	4,301	2,830	1,798	996
Alberta Capital Finance Authority	230,006	180,087	144,363	195,973
Direct Borrowing for Capital Purposes	250,602	350,825	504,930	713,596
Pension Provision				
Change in Unfunded Pension Obligation	(403,685)	(4,000)	(67,000)	(125,000)
Inter-Ministry Consolidation Adjustment	(391,041)	(386,895)	(389,117)	(407,208)
Total	1,585,580	1,956,199	2,072,104	2,361,818
Net Operating Result	24,813,318	24,952,577	25,611,422	26,158,353
CAPITAL INVESTMENT				
Ministry Support Services	2,773	2,725	2,478	2,478
Investment, Treasury and Risk Management	11,782	11,903	9,000	5,000
Financial Sector and Pensions	15,634	18,069	3,744	1,925
Corporate Human Resources	10	-	-	-
Total	30,199	32,697	15,222	9,403