

# BUSINESS PLAN 2016–19

## 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 17, 2016.

*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 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, Automobile Insurance Rate Board and Alberta Investment Management Corporation (AIMCo), and 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 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).

### STRATEGIC CONTEXT

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

Treasury Board and Finance is operating in a dynamic, volatile and rapidly changing environment. The impacts of low oil prices and an overall worldwide economic slowdown have filtered through Alberta's economy. The province is experiencing an increase in the unemployment rate, an overall reduction in consumer spending and a decline in capital investments as companies adopt cost savings strategies. This is affecting the province's gross domestic product and tax base.

The government remains committed to achieving strong and sustainable government finances, 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.

Business is changing how services are provided to consumers, offering new and innovative products and services to challenge existing business models in the financial, insurance and pensions sectors. This increases the complexity of providing strategic advice and policy recommendations. However, these innovations also create an opportunity to utilize expertise across the government, increase efficiencies and better protect the interests of Albertans.

Albertans are raising their expectations regarding the transparency, efficiency and effectiveness of government operations. Treasury Board and Finance strives to deliver its programs and initiatives in an effective and efficient manner, worthy of the trust of Albertans.

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 as an inclusive and innovative organization where all employees are able to develop and contribute their best.

**OUTCOMES, KEY STRATEGIES AND PERFORMANCE MEASURES**

**Outcome One: Strong and sustainable government finances**

**Key Strategies:**

- 1.1 Provide advice and recommendations on spending, cost-saving initiatives, operational efficiencies, and revenue initiatives to align with government 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 Invest up to three per cent of the Alberta Heritage Savings Trust Fund directly towards Alberta’s growth.
- 1.5 Lead the modernization of Alberta’s gaming industry through investments in new technology and game offerings to sustain revenue for the Alberta Lottery Fund.
- 1.6 Provide reliable economic, demographic and revenue forecasts, and government-wide support for the development of statistics and analysis.

Performance Measures	Last Actual 2014-15	Target 2016-17	Target 2017-18	Target 2018-19
1.a The Alberta Heritage Savings Trust Fund will earn a five-year annualized rate of return of Consumer Price Index (CPI) plus 4.5%	11.7% (Exceeded target by 4.6%)		CPI plus 4.5%	
1.b AIMCo’s investment returns in excess of the benchmark through active management, for the endowment and pension funds, annualized over a five-year period	-0.77% (1.23% below target)	1%	1%	1%

**Linking Performance Measures to Outcomes:**

- 1.a 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.b AIMCo’s primary goal is to provide returns through active management over and above what the market returns.

Performance Indicators	Actual 2010-11	Actual 2011-12	Actual 2012-13	Actual 2013-14	Actual 2014-15
1.a Alberta savings (\$ millions):					
• The Alberta Heritage Savings Trust Fund book value	14,198	14,652	14,813	15,006	14,961
• The Contingency Account balance	11,192	7,497	3,326	4,658	6,529
• Endowment and other funds	3,302	3,284	3,363	3,556	3,913
1.b Sustainable level of government debt (ratio of debt to Nominal Gross Domestic Product [GDP] for Alberta)	1.6%	1.5%	1.9%	2.9%	3.4%

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

### Key Strategies:

- 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 policy and regulation of Alberta's pension, insurance and financial institutions sectors strong and modern, and to ensure risks are managed effectively.
- 2.3 Work cooperatively with other jurisdictions to improve securities regulation in Canada and ensure a provincially-led regulatory system meets the needs of Alberta market participants and investors.

Performance Measure	Last Actual 2014-15	Target 2016-17	Target 2017-18	Target 2018-19
2.a ATB Financial return on average risk weighted assets	1.10%	0.70%	1.00%	1.00%

### 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.

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

### Key Strategies:

- 3.1 Strengthen financial stewardship by examining overall spending priorities and assessing how efficiently tax dollars are being used to deliver programs and services.
- 3.2 Standardize and streamline financial processes and policies to improve government's enterprise resource planning capacity.
- 3.3 Conduct a comprehensive review to develop a cash-management framework and governance model that will enable the most effective and efficient use of the government's financial assets.
- 3.4 Collect and administer revenue fairly, effectively and efficiently. This includes strengthening processes with respect to tax collections and tax filing.
- 3.5 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.
- 3.6 Ensure that benefits from charitable gaming are distributed effectively to charities to support worthy causes across the province.

Performance Measures	Last Actual 2014-15	Target 2016-17	Target 2017-18	Target 2018-19
3.a Sustainable operating spending growth (operating spending relative to population plus CPI) <sup>1</sup>	4.3% (operating expense growth) 4.6% (CPI plus population)	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)	27:1 <sup>2</sup>	12:1	12:1	12:1

**Notes:**

<sup>1</sup> The Consumer Price Index (CPI) is a measure of inflation.

<sup>2</sup> The result is reflective of applying significant reassessments in Alberta similar to those applied at the federal level. Most of these reassessments are currently under objection. Removing the impact of these reassessments results in a revised ratio of 17.6:1 for 2014-15. In addition, 2014-15 saw a substantial increase in the total dollar value of reassessments paralleled at the federal level. Removing the impact of these reassessments results in a further revised ratio of 13:1.

**Linking Performance Measures to Outcomes:**

3.a The combined rate of growth in population plus inflation is considered a benchmark comparison against the rate of growth in government operating expense, and is used to assess how effective and efficient the government has been in limiting the growth in operating expense.

3.b The ratio of amounts added to the net tax revenue to costs of administration measure quantifies the recovery of revenue that might otherwise be lost. This demonstrates that taxpayers and claimants are treated equitably, with respect, and receive excellent value for money spent on tax programs.

Performance Indicators	Actual 2010-11	Actual 2011-12	Actual 2012-13	Actual 2013-14	Actual 2014-15
3.a Financial reporting: • Auditor General opinion on Government of Alberta Consolidated Financial Statements	unqualified	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%	1.2%

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

**Key Strategies:**

- 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 2016-17	Target 2017-18	Target 2018-19
4.a Alberta Public Service employee engagement index <sup>1</sup>	59%	62%	65%	68%

**Note:**

<sup>1</sup> 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 2010-11	Actual 2011-12	Actual 2012-13	Actual 2013-14	Actual 2014-15
4.a Employee engagement index inter-jurisdictional average <sup>1</sup>	66%	n/a	66%	62%	59%

**Note:**

<sup>1</sup> In 2013, a seventh question was included in the calculation of the inter-jurisdictional engagement index. From 2013 onwards, the inter-jurisdictional result is not directly comparable to the results of the previous years.

## STATEMENT OF OPERATIONS

(thousands of dollars)

	Comparable			2016-17 Estimate	2017-18 Target	2018-19 Target
	2014-15 Actual	2015-16 Budget	2015-16 Forecast			
<b>REVENUE</b>						
Personal Income Tax	11,041,760	12,046,732	11,277,507	<b>11,404,937</b>	11,759,201	12,363,211
Corporate Income Tax	5,796,400	4,745,222	4,972,410	<b>4,325,200</b>	4,263,165	4,819,114
Other Taxes	2,323,799	2,967,263	3,010,481	<b>3,552,488</b>	4,603,863	5,160,412
Transfers from Government of Canada	1,456,563	1,517,709	1,771,411	<b>1,567,696</b>	1,612,317	1,663,802
Investment Income	2,724,023	2,557,088	2,489,519	<b>1,842,476</b>	1,990,008	2,191,333
Net Income from Commercial Operations	2,655,946	2,715,674	2,517,118	<b>2,387,058</b>	2,630,998	2,719,990
Premiums, Fees and Licences	184,896	172,496	117,346	<b>102,357</b>	165,173	182,016
Other Revenue	371,240	344,611	382,402	<b>390,557</b>	402,062	412,171
Ministry Total	26,554,627	27,066,795	26,538,194	<b>25,572,769</b>	27,426,787	29,512,049
Inter-Ministry Consolidations	(155,729)	(158,019)	(159,801)	<b>(166,527)</b>	(185,288)	(200,673)
Consolidated Total	26,398,898	26,908,776	26,378,393	<b>25,406,242</b>	27,241,499	29,311,376
<b>EXPENSE</b>						
Ministry Support Services	35,159	32,174	27,625	<b>31,232</b>	31,105	31,202
Budget Development and Reporting	4,464	5,389	4,819	<b>5,281</b>	5,274	5,382
Fiscal Planning and Economic Analysis	5,398	5,919	5,219	<b>5,778</b>	5,771	5,889
Investment, Treasury and Risk Management	738,758	667,728	653,058	<b>674,104</b>	689,321	705,014
Office of the Controller	2,616	2,884	2,756	<b>2,826</b>	2,824	2,882
Corporate Internal Audit Services	3,966	3,988	3,838	<b>3,908</b>	3,895	3,975
Tax and Revenue Management	30,865	33,783	31,822	<b>33,499</b>	33,546	33,770
Financial Sector and Pensions	173,607	193,442	180,359	<b>194,192</b>	197,490	199,170
Corporate Human Resources	19,359	21,183	21,183	<b>25,055</b>	25,013	25,394
Gaming	28,877	35,600	46,683	<b>35,092</b>	27,896	26,400
Climate Leadership Plan	-	-	-	<b>95,000</b>	435,000	590,000
Teachers' Pre-1992 Pensions Liability Funding	456,311	465,000	465,000	<b>475,500</b>	480,500	490,500
Alberta Family Employment Tax Credit	113,591	116,038	116,038	<b>136,877</b>	144,972	148,577
Scientific Research and Experimental Development Tax Credit	84,207	82,000	82,000	<b>84,000</b>	84,000	84,000
Corporate Income Tax Allowance Provision	73,505	15,000	25,000	<b>15,000</b>	11,500	11,500
General Debt Servicing	358,597	315,470	318,197	<b>366,085</b>	631,025	985,325
Capital Debt Servicing	250,602	350,825	350,825	<b>517,000</b>	687,000	908,000
Change in Unfunded Pension Obligation	(403,685)	(4,000)	(204,000)	<b>(69,000)</b>	(185,000)	(196,000)
Ministry Total	1,976,197	2,342,423	2,130,422	<b>2,631,429</b>	3,311,132	4,060,980
Inter-Ministry Consolidations	(391,041)	(386,895)	(327,960)	<b>(342,843)</b>	(361,628)	(376,822)
Consolidated Total	1,585,156	1,955,528	1,802,462	<b>2,288,586</b>	2,949,504	3,684,158
Net Operating Result	24,813,742	24,953,248	24,575,931	<b>23,117,656</b>	24,291,995	25,627,218
<b>CAPITAL INVESTMENT</b>						
Ministry Support Services	2,773	2,725	4,725	<b>2,478</b>	2,478	2,478
Investment, Treasury and Risk Management	11,782	11,903	8,403	<b>8,855</b>	8,000	8,000
Financial Sector and Pensions	15,634	18,069	14,569	<b>9,167</b>	2,692	2,102
Corporate Human Resources	10	-	-	-	-	-
Total	30,199	32,697	27,697	<b>20,500</b>	13,170	12,580