
Revenue

BUSINESS PLAN 2003-06

ACCOUNTABILITY STATEMENT

The Business Plan for the three years commencing April 1, 2003 was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as of March 19, 2003 with material economic or fiscal implications of which I am aware have been considered in preparing the Business Plan.

The Ministry's priorities outlined in the Business Plan were developed in the context of the government's business and fiscal plans. I am committed to achieving the planned results laid out in this Business Plan.

[Original Signed]

Greg Melchin, *Minister of Revenue*
March 21, 2003

THE MINISTRY

The Ministry of Revenue includes the **Department of Revenue**, a provincial corporation, the **Alberta Securities Commission**, and the following five regulated funds: the **Alberta Heritage Savings Trust Fund (AHSTF)**, **Alberta Heritage Foundation for Medical Research Endowment Fund (AHFMR)**, **Alberta Heritage Scholarship Fund (AHSF)**, **Alberta Heritage Science and Engineering Research Endowment Fund (AHSER)** and **Alberta Risk Management Fund**.

The Department has four main areas: Tax and Revenue Administration, Investment Management, Securities Administration and Systems, and Risk Management. The Alberta Securities Commission is the regulatory agency responsible for overseeing the capital market in Alberta.

Revenue is responsible for managing the investments of the Province of Alberta, developing tax and revenue policy within the province, administering tax programs and minimizing the risk of loss of public assets.

VISION

A province where government revenue policy and administration reflect the values of Albertans, balance present and future needs, and contribute to a stable environment for the generation of wealth for all Albertans.

MISSION

To provide prudent and innovative revenue, investment and risk management and to regulate and foster capital markets in Alberta.

VALUES

Alberta Revenue is committed to operating according to the following values:

- act with integrity and in a fair and impartial manner;
- foster clear, open and courteous communications with clients and the public;
- achieve excellence in customer service;
- nurture a working environment that is characterized by teamwork, collaboration, and open communication; and
- be an innovative and adaptable organization that focuses on continuous improvement in the quality, effectiveness, and efficiency of our services and business processes.

CORE BUSINESSES

The chart below shows the relationship of the department, provincial corporation and regulated funds to the core businesses in the Ministry of Revenue.

Manage tax and revenue programs	Manage and invest financial assets	Manage risk associated with the loss of public assets	Regulate and foster Alberta's capital market
<ul style="list-style-type: none"> • Tax and Revenue Administration 	<ul style="list-style-type: none"> • Investment Management • Securities Administration and Systems • AHSTF • AHFMR • AHSF • AHSER 	<ul style="list-style-type: none"> • Risk Management and Insurance • Alberta Risk Management Fund 	<ul style="list-style-type: none"> • Alberta Securities Commission

EXPENSE BY CORE BUSINESS

(thousands of dollars)

	Comparable 2001-02 Actual	Comparable 2002-03 Budget	Comparable 2002-03 Forecast	2003-04 Estimates	2004-05 Target	2005-06 Target
EXPENSE						
Core Business						
Manage and Invest Financial Assets Prudently	86,914	116,038	91,682	122,188	128,718	136,189
Manage Tax and Revenue Programs Fairly and Efficiently	50,312	41,762	100,544	43,260	42,976	43,640
Manage Risk Associated with the Loss of Public Assets	7,147	9,058	9,395	9,005	9,121	9,355
Regulate Alberta's Capital Market	15,073	17,682	20,068	19,423	19,906	20,721
MINISTRY EXPENSE	159,446	184,540	221,689	193,876	200,721	209,905

STRATEGIC PRIORITIES

Alberta Revenue continues to work on major initiatives related to the province's revenue framework, endowment funds, the ministry's investment organization and the capital market. The outcome of these initiatives will have a significant impact on our business over the next three years. These initiatives include:

Revenue Management Framework

- strategies found in goal 1.1

Continue the development and implementation of the revenue management framework. This framework will contribute to sound strategic decision-making about Alberta's revenue structure and policy.

Endowment Funds

- strategies found in goals 2.1, 2.2, 2.3 and 2.4

Address and enhance the governance, investment objectives and policies, risk management and investment opportunities for the endowment funds. The Alberta Heritage Savings Trust Fund and other government endowment funds are key financial assets of the province.

Investment Organization

- strategies found in goals 2.2, 2.3 and 2.4

Develop Alberta Revenue's investment organization to better meet the needs of our investment clients, including government endowment funds and public sector pension funds.

Securities Regulation

- strategies found in goals 4.1, 4.2 and 4.3

Contribute to the on-going development of the capital market by leading and participating in significant initiatives that will streamline securities regulation nationally while meeting regional needs. Alberta is strongly committed to efforts to increase efficiency in securities regulation and promote the Alberta capital market.

LINK TO THE GOVERNMENT BUSINESS PLAN

The Ministry contributes to the achievement of the goals set out in the Government Business Plan. The Ministry's core businesses contribute to Alberta's goals of:

- Alberta will have a financially stable, open and accountable government and a strong intergovernmental position in Canada (Goal 9)
- Alberta will have a prosperous economy (Goal 7)
- Albertans will be well prepared for lifelong learning and work (Goal 2)
- Alberta will be a fair and safe place to work, live and raise families (Goal 10).

CORE BUSINESSES, GOALS, KEY STRATEGIES AND PERFORMANCE MEASURES

CORE
BUSINESS
ONE

1 Manage Tax and Revenue Programs

The Revenue department establishes processes to ensure that Alberta's revenue structure meets the Province's long-term needs and contributes to the development of tax and revenue policies and strategies.

The Department also administers tax, revenue and related benefit programs by:

1. registering entities for tax and tax exemption purposes and evaluating and processing tax returns and claims;
2. providing reliable and timely information about tax and revenue programs;
3. monitoring, promoting and, where appropriate, enforcing compliance with tax and revenue legislation and regulations; and
4. collecting revenue and other amounts owing to the Province and making payments of refunds and rebates.

Goal 1.1 **A revenue structure that meets Alberta's needs and is consistent with Albertans' values.**

Key Strategies

- Develop and maintain a long term revenue management framework.
- Work with other ministries to develop and implement long-term strategies consistent with the revenue management framework and the results of the Future Summit.

Goal 1.2 **Fair and competitive provincial tax and revenue systems.**

Key Strategies

- Implement tax changes included in Alberta's tax plan.
- Develop tax policy in consultation with stakeholders and the Ministry of Finance.
- Provide input to other ministries on revenue initiatives.
- Work with stakeholders to review tax policy issues.
- Review the cost/benefit of tax exemption and benefit programs and implement approved changes.

Goal 1.3 **Tax and revenue programs that are administered fairly and efficiently.**

Key Strategies

- Implement the ministry's "E-Strategy" to improve client service, including the electronic filing of corporate income tax returns.
- Address issues related to the underground economy.
- Work with Aboriginal groups to address issues related to tax and other revenue programs.
- Work with Canada Customs and Revenue Agency and other provinces to harmonize tax programs and processes.
- Seek efficiencies in the collection of revenues for the government.

Key Risks

- Alberta's current revenue sources may not grow in line with the needs for revenue as determined by the government.
- Tax revenues can vary significantly from year-to-year due to economic variables including corporate profits.
- Tax revenue may be lost due to non-compliance by taxpayers. Enforcement and audit programs can reduce, but not eliminate this risk.

Performance Measures	Last Actual (2001-02)	Target 2003-04	Target 2004-05	Target 2005-06
*Alberta provincial tax load for a family of four	Lowest in Canada	Lowest in Canada	Lowest in Canada	Lowest in Canada
*Alberta provincial tax load on businesses	Second lowest in Canada	Lowest in Canada	Lowest in Canada	Lowest in Canada
Percentage of tax accounts with no monies owing	95%	96%	96%	96%
Client satisfaction with tax administration	76%	85% satisfied or better	85% satisfied or better	85% satisfied or better
Ratio of amounts added to net revenue to costs of administration	–	Determined after the benchmark year 2002-03	Determined after the benchmark year 2002-03	Determined after the benchmark year 2002-03

* **Key Measures in bold**

2 Manage and Invest Financial Assets

The Revenue department manages approximately \$35 billion (as at Dec. 31, 2002) consisting of a number of endowment funds, including the Alberta Heritage Savings Trust Fund, the public sector pension funds and other related funds.

Goal 2.1 A savings policy for Alberta that balances present and future needs and contributes to a stable fiscal environment.

Key Strategies

- Implement any policy changes on the Alberta Heritage Savings Trust Fund stemming from public consultation.
- Enhance communication to Albertans about the Alberta Heritage Savings Trust Fund.

Goal 2.2 An effective investment management organization.

Key Strategies

- Develop and implement a new governance structure for government endowment funds.
- Strengthen the governance, management and resourcing of Alberta Revenue's investment operation.
- Implement a straight through processing environment to keep pace with evolving industry standards.
- Enhance processes utilizing industry best practices.

Goal 2.3 Superior investment returns subject to client-defined objectives and policies.

Key Strategies

- Analyze and implement products that contribute to investment objectives.
- Enhance management of the investment portfolios by implementing new monitoring and analytical tools including improved risk management tools.

Goal 2.4 Quality client service.

Key Strategies

- Provide strategic support to help clients set investment objectives, policies and risk guidelines.
- Provide clients with market intelligence and client-related research.
- Define and develop a flexible client service model and plan, including electronic service delivery.

Key Risks

- Investment returns are volatile and have been particularly so, over the past five years. This volatility has a direct impact on the income of government investment funds and therefore government revenues. Investment returns also impact the solvency of public sector pension plans over the long term.
- Alberta Revenue's investment operation and business environment is highly complex and operates in a dynamic market. Like similar organizations, it is subject to a number of market, strategic, operational, legal and human resource risks. These risks require strong oversight and management, adequate resources, sound processes, appropriate internal controls and the ability to respond to change.

Performance Measures	Last Actual (2001-02)	Target 2003-04	Target 2004-05	Target 2005-06
*Four year annualized market value rates of return (ROR) measured against benchmarks established by clients	Total Benchmark Portfolio 3.4%	ROR for the endowment funds (including the Heritage Fund) exceeds the policy benchmark	ROR for the endowment funds (including the Heritage Fund) exceeds the policy benchmark	ROR for the endowment funds (including the Heritage Fund) exceeds the policy benchmark
	Total Endowment Portfolio 3.3%			
	–	ROR on other client funds exceeds policy benchmark	ROR on other client funds exceeds policy benchmark	ROR on other client funds exceeds policy benchmark
Straight Through Processing (STP) plan implemented by June 2005	–	–	Trade Order Management system implemented and other activities completed as set out in the STP action plan	Activities as set out in the STP action plan
STP of investment transactions	–	80% of investment transactions with external parties transmitted electronically to custodian on trade date	85% of investment transactions with external parties transmitted electronically to custodian on trade date	90% of investment transactions with external parties transmitted electronically to custodian on trade date
Client satisfaction with services provided	–	80% satisfied	80% satisfied	80% satisfied

* Key Measure in bold



Manage Risk Associated with the Loss of Public Assets

The Risk Management and Insurance Division (RMI) administers a program to protect, secure and preserve public assets against risk of significant accidental loss. RMI provides services to ministries to help them identify, measure, control and finance their risk. The program serves all entities subject to the *Financial Administration Act*.

Goal 3.1 Proactively managed risk.

Key Strategies

- Actively work with ministries to:
 - educate ministries on services provided;
 - identify risks with the potential to cause loss;
 - suggest steps to reduce those risks and associated costs; and
 - recommend ways of financing potential losses.
- Implement new technology to improve claims management.

Goal 3.2 Stable Risk Management Fund.

Key Strategies

- Prudently manage the claims process.
- Manage liability exposure of the Risk Management Fund.
- Negotiate optimal insurance coverage and premiums for clients.
- Manage operational costs by identifying opportunities to enhance processes.

Goal 3.3 Corporate risk identified and prioritized.

Key Strategies

- Assist Alberta Finance in the development of an enterprise risk management framework.

Key Risks

- Alberta Revenue uses a mix of self-insurance and insurance purchased in the marketplace. At times, insurance cannot be purchased cost effectively, resulting in a greater than expected component of self-insurance and/or higher costs to ministries.
- While the government's business risks and coverage to ministries are reviewed regularly, Risk Management Fund assets are limited. Therefore, claims for losses by ministries could significantly reduce, or even eliminate, the Fund's assets.

Performance Measures	Last Actual (2001-02)	Target 2003-04	Target 2004-05	Target 2005-06
*Value of the net assets of the Risk Management Fund	–	Net asset value between \$0-1 million	Net asset value between \$0-1 million	Net asset value between \$0-1 million
Cost of claims (insurance premiums plus self-insured losses)	–	\$6,500,000	\$6,500,000	\$6,500,000
Satisfaction with the services provided by the division	81%	80%	80%	80%

* Key Measure in bold

4 Regulate and Foster Alberta's Capital Market

The mission of the Alberta Securities Commission is to foster the development of a fair and efficient capital market in Alberta and confidence in that market.

Goal 4.1 A regulatory environment that promotes confidence in the Alberta capital market.

Key Strategies

- Ensure proactive and effective compliance programs.
- Provide an on-going investor education program.
- Examine corporate governance initiatives and ensure that suitable amendments are implemented.

Goal 4.2 An effective national securities regulatory system.

Key Strategies

- Lead and actively promote the development of an efficient and cost effective, provincially led, national system of securities regulation.
- Lead the development of Uniform Securities Legislation that could be adopted across Canada.
- Explore the development of a two-tier system of securities regulation in Canada that recognizes the needs of regional, national and international markets.
- Ensure that market regulation meets the specific needs of Alberta firms and investors.
- Be an effective advocate for issues of importance to the Alberta capital market.
- Maintain positive working relationships with industry, other securities regulatory authorities and regulators of financial institutions.

Goal 4.3 Foster further development and growth of the Alberta capital market.

Key Strategies

- Work with Alberta Economic Development to develop strategies to increase opportunities for Alberta firms and investors.
- Examine and refine the regulation of the exempt market to ensure it addresses the needs of market participants.
- Ensure that market regulation considers the unique characteristics of the oil and gas industry.

Key Risks

- Securities regulators must balance investor protection with firms' abilities to raise capital. Overly restrictive rules can drive issuers to other markets while lack of adequate market oversight can undermine investor confidence, both by Canadians and potential foreign investors.
- Investment markets are increasingly integrated across North America and globally, yet regional differences do exist. Increased uniformity of regulation could result in legitimate regional needs not being addressed. Unnecessary duplication of regulation across Canada could impede capital formation and result in firms raising money outside Canada.

Performance Measures	Last Actual	Target 2003-04	Target 2004-05	Target 2005-06
*Stakeholder satisfaction with service levels	–	80% satisfied or better	80% satisfied or better	80% satisfied or better
Investor education program	–	Minimum of four education seminars	Minimum of four education seminars	Minimum of four education seminars
Number of annual examinations	–	40% of registrants subject to annual examination	40% of registrants subject to annual examination	40% of registrants subject to annual examination
Legislation for a uniform Securities Act		June 30, 2004	June 30, 2004	–

* **Key Measure in bold**

MINISTRY STATEMENT OF OPERATIONS

(thousands of dollars)

	Comparable 2001-02 Actual	Comparable 2002-03 Budget	Comparable 2002-03 Forecast	2003-04 Estimates	2004-05 Target	2005-06 Target
REVENUE						
Internal Government Transfers	2,200	200	1,700	200	200	200
Personal and Corporate Income Taxes	6,411,650	6,258,397	7,266,513	7,050,799	7,169,999	7,549,853
Other Taxes	1,148,901	1,416,486	1,428,958	1,431,692	1,457,409	1,480,670
Investment Income	182,901	654,505	(685,820)	496,170	723,580	836,390
Premiums, Fees and Licences	15,070	15,372	14,715	17,100	18,347	19,037
Other Revenue	18,417	16,827	18,027	19,673	20,826	22,646
MINISTRY REVENUE	7,779,139	8,361,787	8,044,093	9,015,634	9,390,361	9,908,796
EXPENSE						
Program						
Tax and Revenue Collection	49,079	40,463	99,246	41,939	41,659	42,319
Investment	85,681	114,739	90,384	120,868	127,401	134,869
Government Risk Management and Insurance	5,914	7,759	8,097	7,684	7,804	8,034
Regulation of Capital Markets	15,073	17,682	20,068	19,423	19,906	20,721
Ministry Support Services	3,699	3,897	3,894	3,962	3,951	3,962
MINISTRY EXPENSE	159,446	184,540	221,689	193,876	200,721	209,905
Gain (Loss) on Disposal of Capital Assets	(35)	-	-	-	-	-
NET OPERATING RESULT	7,619,658	8,177,247	7,822,404	8,821,758	9,189,640	9,698,891

CONSOLIDATED NET OPERATING RESULT

(thousands of dollars)

	Comparable 2001-02 Actual	Comparable 2002-03 Budget	Comparable 2002-03 Forecast	2003-04 Estimates	2004-05 Target	2005-06 Target
Ministry Revenue	7,779,139	8,361,787	8,044,093	9,015,634	9,390,361	9,908,796
<i>Inter-ministry consolidation adjustments</i>	(41,114)	(24,679)	(26,483)	(24,113)	(22,978)	(23,020)
Consolidated Revenue	7,738,025	8,337,108	8,017,610	8,991,521	9,367,383	9,885,776
Ministry Expense	159,446	184,540	221,689	193,876	200,721	209,905
<i>Inter-ministry consolidation adjustments</i>	(26,035)	(26,325)	(27,929)	(28,118)	(28,190)	(28,832)
Consolidated Expense	133,411	158,215	193,760	165,758	172,531	181,073
Gain (Loss) on Disposal of Capital Assets	(35)	-	-	-	-	-
CONSOLIDATED NET OPERATING RESULT	7,604,579	8,178,893	7,823,850	8,825,763	9,194,852	9,704,703

