



Government  
of Canada

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## 2012 RPIC National Workshop

# INVESTMENT PLANNING AND PROJECT PRIORITIES: What Informs the Decisions Affecting Your Projects?

Treasury Board Secretariat: Greg Kenney, MA, PMP

 **tiree**: Catherine Ella, P Eng, PMP



# Speakers

- **Greg Kenney is a Senior Director at the Treasury Board of Canada Secretariat and is responsible for the Treasury Board policies governing Investment Planning and the Management of Projects.**
- **Catherine Ella is the Vice President of Real Property Advisory Services at Tiree Facility Solutions.**



# Presentation Objectives

## Objective

- **Present the findings of a recent joint Treasury Board Secretariat/ Tiree study examining the resource allocation prioritization processes in various organizations**



# Presentation Outline

## Outline

- **Government of Canada policy drivers for project approval**
  - Policy Renewal Initiative
  - Policy on Investment Planning – Overview
  - Results to date and impacts at TBS
- **How do other organizations approve projects and investments?**
  - Overview of study on resource allocation in the public and private sectors: Participants; Methodology; Interview Guide; Assumptions and Limitations
  - Findings: Planning Processes; Roles and Responsibilities; Information Systems and Performance Measurement; Risk Management; Impact on Internal Processes; International Experience; Leading Practices
  - Conclusion



# Management Excellence in Action

- **Streamlining the “web of rules” and build flexibility back into the system**
- **Oversight focused on areas of highest risk**
- **Clarifying management expectations to support enhanced accountability and excellence in the management of the public service**
- **Achieving excellence in the way programs, operations and spending are managed means government can better meet the priorities of Canadians and provide value for money**



# Policy Renewal Initiative

- One of the Treasury Board Secretariat's key management initiatives
- Introduced in January 2005
- Supports clear accountability and excellence in the management of the public service
- Directly linked to the *Federal Accountability Action Plan*
  - Commitment to reduce the number of policies by at least 50%
  - Streamlining the “web of rules”
- Focus on the suite of Treasury Board management policies

# Policy on Investment Planning

## Requirements:

- Integrated and systematic planning at the enterprise level
- Covers all planned expenditures in assets and acquired services
- Considers the whole-of-life cost of stewardship of all assets and acquired services
- Addresses the key areas of greatest risk to operations
- 5-year plan submitted every 3 years:
  - Provides the context for future investments
  - Highlights high risk investments
  - Based on reference level funding

Planning  Acquisition  Use  Disposal

# Investment Planning Process – Typical Example of Table of Investments

## Projects

Investment Type	Costs (\$,000s)	Real Property Strategy	HR Strategy	Included in IT Plan	Procurement Strategy	Exceeds departmental contracting authority	PCRA	Fiscal Years
907 – New Case Management System	45,000	No	Yes	Yes	RFP	Yes	Level 4	2007 - 2015
908 – Contaminated Sites	30,000	Yes	No	No	PWGSC as contract authority	Yes	Level 3	2007 - 2012
909 – Health Claims Processing	60,000	No	No	Yes	RFP	Yes	Level 2	2008 - 2009



# Investment Planning Process – Typical Example of Table of Investments cont.

## Assets

Investment Type	Costs (\$,000s)	Real Property Strategy	HR Strategy	Included in IT Plan	Procurement Strategy	Exceeds departmental contracting authority	PCRA	Fiscal Years
1 - Fleet Purchase	5,000	No	No	No	RFP	Yes	N/A	2007 - 2009
2 - Machinery and Equipment	2,500	No	No	No	No	No	N/A	2008 - 2009
3 - Informatics	850	No	No	Yes	PWGSC SA	No	N/A	2007 - 2011
4 - Facility	3,000	Yes	Yes	No	RFP	Yes	N/A	2009 - 2010

# Investment Planning Process – Typical Example of Table of Investments cont.

## Acquired Services

Investment Type	Costs (\$,000s)	Real Property Strategy	HR Strategy	Included in IT Plan	Procurement Strategy	Exceeds departmental contracting authority	PCRA	Fiscal Years
505 - Training	450	No	Yes	No	N/A	No	N/A	2007 - 2012
507 - Records Management	800	No	No	Yes	Sole Source	No	N/A	2007 - 2012
507 - Call Centre	1,500	Yes	Yes	Yes	RFP	Yes	N/A	2009 - 2012

# The Policy Supports

- **The *Federal Accountability Act* and Action Plan**
- **TBS Policy Renewal Initiative**
- **TBS Management Accountability Framework**
- **Initiative to address the “Web of Rules”**
- **Recommendations of the Auditor General (Nov. 2006)**
  - regarding the assessment of organizational capacity to manage projects
- **Recommendations of the Expert Panel outlined in the 16<sup>th</sup> annual report to the Prime Minister on the Public Service of Canada**
  - recognize importance of integrated planning;
  - deputy ministers to drive planning and model behaviours;
  - share experience and learn from successes; and
  - central agencies to support integrated planning across GC



# Results to Date

- **Consolidated approach to investment planning and the management of projects**
- **Investments and resource allocations explicitly linked to program outcomes and government priorities**
- **Deputies, TB and TBS provided with a holistic picture of departmental investments at the enterprise level, as well as advance notice of planned projects**
- **Risk-based approach to the management of projects; project management capacity commensurate with project risk – over time, reducing project related submissions**
- **Deputies and TB strategically positioned to allow for early oversight and direction to departments**



# Impacts at TBS

**TBS provided with :**

- **Better understanding of “affordability” and strategic direction of planned investments**
- **Information to support a focus on high risk and complex investments**
- **Insight into complexity and risk of individual projects regardless of project approval limits**
- **Payoff is much better information facilitating other tasks (review of transactions, MAF, etc.) and in reduced submissions over time as departments establish the capacity needed to manage planned projects**



# Investment Plan as a Management Tool

- **Investment planning process assists organizations in determining investment priorities**
- **Ensures resources are allocated diligently in consideration of greatest risks**
- **Contributes to fact-based, strategic decision-making**
- **Enhances efficiency and effectiveness of capital planning, governance and project delivery regimes**
- **Provides better insight into the complexity and risk of projects**
- **Provides the deputy head with a comprehensive view of priorities and risks**



# **WHAT ARE ORGANIZATIONS DOING?**



# Study Objectives

- **Interview a sample of organizations across a number of public and private sectors to compare and contrast management approaches to resource allocation**
- **Assess if and how corporate or departmental processes were impacted by their approach**





# Methodology

- **Invitations to participate in the study were sent out to 23 organizations and leading academics with expertise in resource allocation planning**
- **Organizations were chosen based on sector (federal, provincial, municipal government, university, college, school board, financial services, utilities, technology, retail) and comparable asset mixes (real estate, IM/IT, fleet, equipment)**
- **13 organizations and 2 academics agreed to participate in the study**



# Interview Guide

- **The Interview Guide covered 6 broad topics:**
  - Background Information
  - Investment Planning Cycle – Processes and Timing
  - Investment Planning Governance – Roles and Responsibilities
  - Risk Management Approach
  - Key Performance Indicators
  - Information Systems and Technology Tools



# Assumptions and Limitations

- **Assumptions:**
  - That a sampling of this small size (<15 organizations) would yield qualitative findings reflective across a broad cross-section of public and private sector
- **Limitations:**
  - Federal government policy restrictions on asking opinion-based questions
  - Varying interpretations of the language used in TB policies, including “investment”, “capital asset investment” and “acquired services”
  - Varying nature of assets and variances in how organizations are allocating resources to different business lines made it difficult to aggregate and compare total spending

# Comparison to Federal Departments

- Of the 13 organizations interviewed, 3 are subject to the federal government's new investment planning policy. The remaining 10 organizations have almost all instituted a formal planning process for their capital assets. The following highlights many of the common practices between the federal government and other organizations:

Element	Federal Government	Others
Plan approval interval	3 years	1 – 3 years
Plan horizon	5 - 20 years	3 – 10 years
Priority setting process used	Yes	Yes
<b>Plan coverage</b>	<b>Assets and acquired services</b>	<b>Capital assets</b>
Plan approval	Elected officials	Elected officials for public sector and Board of Directors/Senior VP for private sector
Senior recommending committees	Executive team members	Executive team members
Allocation and re-allocation approach	Strategic, horizontal and transparent	Strategic, horizontal and transparent
Challenges in implementation	Process, structural and behavioral changes	Process, structural and behavioral changes
<b>Risk integration</b>	<b>Plan and project level</b>	<b>Project level</b>
Information systems for planning	Spreadsheets and databases	Spreadsheets and databases
<b>Information systems for asset condition</b>	<b>Not reported</b>	<b>Custom software and methodology to collect, analyze and prioritize capital assets repair and maintenance</b>

# Planning Process and Plan Content

## **Federal government policy requirement:**

- **Deputy heads are responsible for ensuring the effective governance and support of investment planning**
- **The departmental investment plan must be submitted at least every three years to the Treasury Board Secretariat and the decision whether or not to submit to TB for approval is based on a variety of factors, including the significance of the plan and any required expenditure authorities**

## **Key findings:**

- **Almost all organizations had some type of formal capital planning process instituted in the last five years—evidence of a broad and cross-sectoral trend toward more integrated investment planning.**
- **Almost all organizations used some sort of priority setting process. Factors influencing prioritization of investment allocations are associated with:**
  - **Government priorities, risk, program/business requirements, asset conditions, demographics**

# Planning Process and Plan Content

## Observations:

- **It appears that the federal government is unique in requiring investment plans to include both capital and operating expenditures**
  - Not all respondents were able to comment on how their operating budgets were planned or allocated—the individuals interviewed were typically in positions of oversight of capital expenditures and not of operating expenditures, which were separate
  - For those who did comment on operating budgets, most responded that the operating budget was reviewed annually and it covered acquired services
- **Practices relating to the length of planning cycles revealed slightly different approaches to timing, with plans being renewed by all respondents' organizations on an annual or three-year basis**
  - Planning horizons were set predominantly at five to ten years
- **Some personnel had reservations about long-term forecasting: addressing such concerns an important step in achieving staff support**



# Roles and Responsibilities

## **Federal government policy requirement:**

- **Deputy heads ensure that an investment planning process is in place; and that key federal stakeholders—including, but not limited to central agencies, relevant socio-economic departments and common service providers—are informed of the department's planned investments**

## **Key findings:**


- **Accountability for investment decisions (both the plan and the process) resided with the most senior person in the respondent organizations**
- **Elected officials in public sector organizations were responsible for the approval of the plan**
- **Board of Directors and/or Senior Vice Presidents were responsible for approving investment decisions in private sector (depending on the size and complexity of the investment decision)**

# Roles and Responsibilities

## Observations:

- Respondents noted that because of the formal planning process, project proponents are now required to provide more robust business cases and to be more disciplined in their requests.
- The role of the CFO varied among the respondents
  - Although the CFO played a key role in participating in the senior recommending committee, the CFO did not universally “sign off” on the plan.
  - The CFO’s office played a challenge role, providing funding constraints and establishing funding priorities
- Organizations followed similar processes in which formal technical input was gathered according to program areas and priorities, then consolidated into an overall plan, which was then vetted and recommended to the organization’s head by a senior level committee





# Information Systems and Performance Measurement

**Federal government policy requirement:**


- **That information systems are in place to support planning, budgeting and accounting for resource allocation, and enable performance measurement and reporting related to the management of departmental investments**



# Information Systems and Performance Measurement

## Key findings:

- **Prevalent use of spreadsheets and databases to prepare and monitor the capital planning process: no COTS or enterprise solution in use**
- **There were a variety of metrics used to measure both corporate (program/business objectives) and operational performance (project or asset specific) but only the federal government appears to measure the performance of the investment planning process itself**
- **With the exception of the federal government respondents (which did not report on specific software), most other organizations have committed to a software solution and a methodology that provides an understanding of the state of their physical assets including replacement costs, lifecycle analysis, and funding needs**



# Information Systems and Performance Measurement

## Observations:

- Only one of the respondents was investing in an Enterprise Resource Planning (ERP) customization project to meet its reporting requirements
- Financial and retail organizations reported that they track operational metrics such as energy usage, space utilization and cost metrics (costs per sq. ft., costs per FTE) in addition to building condition assessment data



# Risk Management

## **Federal government policy requirement:**

- That departmental project management capacity is assessed as well as the level of complexity and risk of planned projects
- This information is captured in the departmental investment plan

## **Key findings:**

- Almost all organizations integrate risk management at some level of their investment planning process
- Project complexity and risk tools are not unique to the federal government: similar practices exist in the UK and Australia



# Risk Management

## Observations:

- **Risk analysis and mitigation is an integral element of the project management process for almost every organization interviewed. Risk is communicated specifically for each project or in the business case that is seeking funding for a project**
- **Risk-based approaches to investment plan priority-setting were more prevalent in government departments and agencies and in the municipal and educational organizations**
  - Outside of the federal government, risk management practices are more commonly carried out at the project level or the corporate level
  - Educational services organizations, in addition to managing the risks of their capital projects, need to analyze the risk associated with their funding levels



# Impact on Internal Processes

- **Most respondents reported change management issues in:**
  - Personnel: challenges in adopting process and moving from a reactive attitude to a proactive one
  - Reporting: challenges obtaining accurate data from piecemeal information systems
- **Budget managers initially feel “loss” of resources of fixed program budgets until familiar with integrated process**
- **Some organizations needed to create new internal processes and committees**



# Impact on Internal Processes

- **Organizations reported that since implementing formal planning processes they have experienced more informed decision making:**
  - Planning at departmental level with multi-year perspective enables organizations to plan for and smooth out spikes and valleys; reallocation becomes strategic, not opportunistic
  - Process able to look at lifecycle cost of assets instead of annual pressures
  - Formalized planning processes make relative priority and risk explicit and visible: increased deputy head/senior VP awareness and visibility on investment decisions
- **Consistent response: benefits of strengthened governance, oversight and engagement are worth the effort to implement and maintain investment planning processes**



# International Experience

## United Kingdom

- **Major Projects Authority (MPA) body created January 2011**
- **Formalizes the role of Her Majesty's Treasury (HMT) in collaboration with Cabinet to oversee ongoing approvals and assurance reviews of projects**
- **Supported by the compulsory Integrated Assurance framework covering the lifecycle of each Major Project**
- **All acquisition and procurement projects subject to Gateway Review based on risk profile assessment**
- **Departmental performance targets and budget allocation set by Cabinet committee; departments have authority to launch and execute spending initiatives**





# International Experience

## Australia

- **Lead Agency Framework adopted by Cabinet, August 2009**
- **Five departments identified as “lead agencies” to provide assistance preparing project submissions based on complexity and significance**
- **Project risk level determined by Gateway Assessment Tool; oversight of project is tailored to assessed risk level**
- **High-risk projects subject to Gateway Review Process managed by Department of Finance and Deregulation; projects assessed as High Risk must move through Gateway process for their full lifecycle**



# Leading Practices

- **Creative means of revenue development (proactively trading real estate to generate funds to address needs) and resource allocation (funding based on tuition income minus corporate services charge) observed in educational organizations**
- **Program Budget and Marginal Analysis (PBMA) process in health care for priority-setting and making re-allocation recommendations could be adapted to other sectors**
- **Inclusion of a Chief Risk Officer on Resource Investment Management Committee: elevated consideration of risk**
- **Benefit Realization Assessment as part of project gating process, requiring investments to identify, document and measure eventual benefits to organization**
- **Approach and toolset (i.e. PCRA) used in federal government departments to assess complexity and risk**



# Conclusion

- **There appears to be a common approach to ensuring that those making the investment decisions are provided with accurate data, relevant priorities, corporate context and risk so that sound financial decisions can be made that are aligned with strategic objectives**
- **Based on feedback from respondents, formal investment planning processes have become more horizontally integrated and transparent**
- **The federal government's approach appears to be in step with the other organizations interviewed in that they are neither leading nor lagging in the implementation of a formal resource allocation process**



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