



Government
of Canada

Gouvernement
du Canada

Canada

Canada: Spending Reviews

Central Agency and Departmental Perspectives

Financial Management Institute

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Spending Reviews – Overview

A. History and Purpose of Reviews

- Reviews: the global experience (OECD)
- Canada's experience – A trip down memory lane
- Lessons learned from previous reviews

B. Recent Experience

- Reviews since 2016
- Current review process
- What Government wants
- Departmental and horizontal review models
- Lessons learned - TBS perspective
- What to expect if your department is selected for review
- The view from within a Department
- Lessons learned - Departmental perspective

C. Annex – Comprehensive Reviews

- Benchmarking internal services
- Know your cost drivers
- Traveller facilitation and compliance program

Reviews: the global experience

OECD's three models of reviews

1

BOTTOM-UP

Departments self-review with central agency guidance

2

JOINT

Departments and central agencies collaborate

3

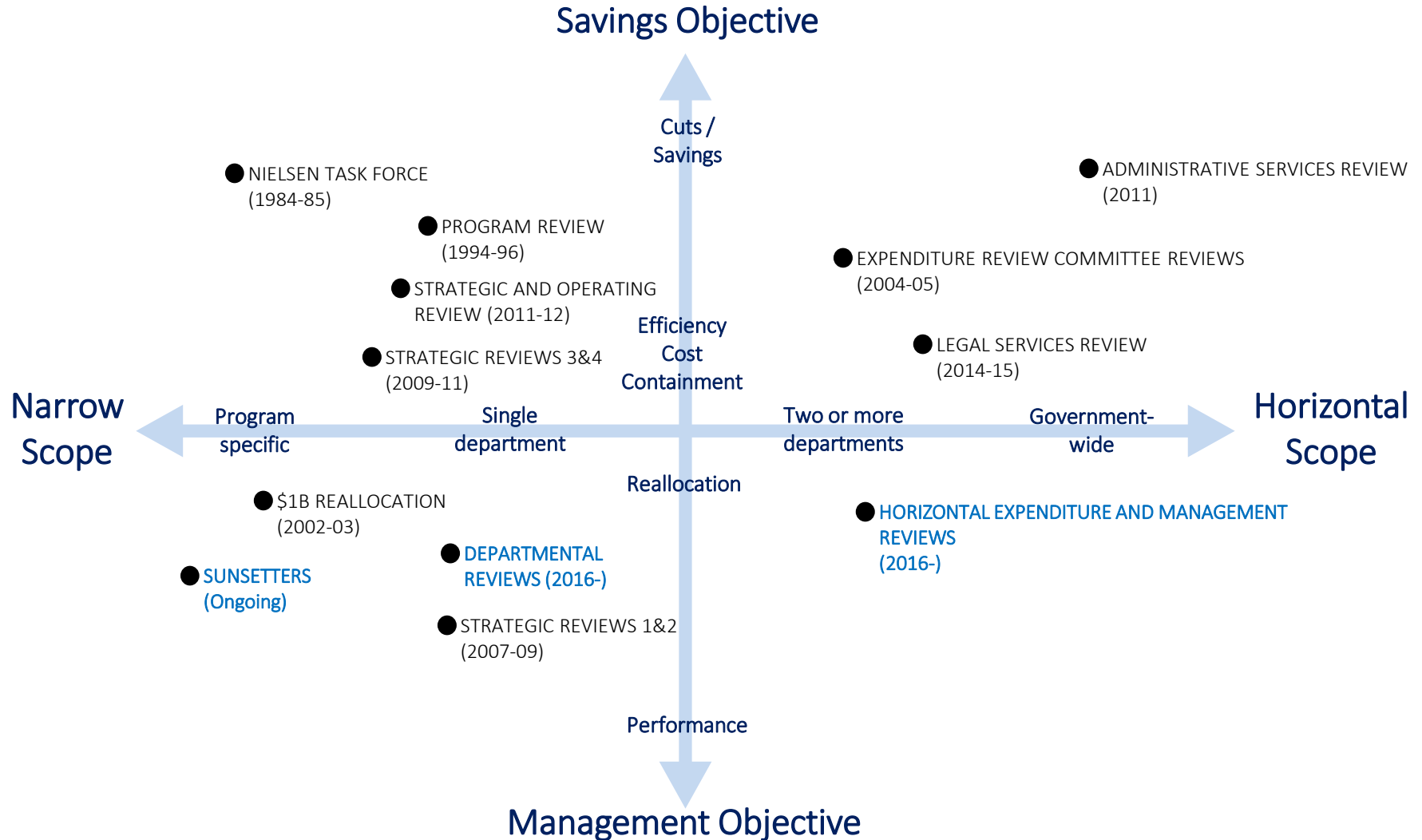
TOP-DOWN

Central agencies develop review options with limited departmental involvement





Best Practices:

- ✓ Reviews are integrated into the overall budgeting process
- ✓ Criteria for success are clear and established early
- ✓ Reviews are driven by political leadership
- ✓ Reviews are conducted by public servants, supported by external expertise when appropriate

Canada's experience – A trip down memory lane



Lessons learned from previous reviews

	Not all plans stick ...	Aggressive savings-focused reviews are effective at alleviating short-term fiscal problems, but can lead to overestimated savings. As savings measures are implemented, unforeseen obstacles or consequences can lead to reversals, restarts, or requests for additional funding
	Reviews are resource-intensive	Large, government-wide savings reviews are onerous, can require a long time for results to be implemented (several years or more), and occupy substantial capacity in departments, central agencies, and at Treasury Board
	Brevity is a virtue	Short, targeted reviews maintain senior level attention and are more often successful. Longer reviews can be lost among shifting priorities and changes in expert personnel, management, and political leaders
	Horizontal issues require a different approach	Departmental reviews cannot effectively address crosscutting policy or management issues; the bottom-up approach preferred in departmental reviews cannot be transplanted to such issues

Reviews since 2016

Our Model:

- Three to five departments at a time
- Maximize horizontal opportunities
- Minimize overlap
- Focus on program realignment, not savings

Horizontal Reviews:



Fixed Assets Review
(2017-18 to 2019-20)



Innovation Review
(2017-18)



Regulatory Review
(2018-21)



Skills Review
(2018-19)

Departmental Reviews:



Canada Border Services Agency
(2017-18 to 2018-19)



Canada Revenue Agency
(2018-19)



Canada School of Public Service
(2017-18 to 2018-19)



Department of Fisheries and Oceans
Canada (2016-17)



Health Canada
(2017-18)



Royal Canadian Mounted Police
(2016-17 to 2018-19)



Shared Services Canada
(2016-17)



Transport Canada
(2016-17)

Current review process



Assessments

Departmental Ministers

- Engage the President of the Treasury Board on objectives and outcomes
- Confirm governance and assessment methodology
- Challenge and validate assessments of programs



Recommendations

Departmental Ministers

- Develop options for reallocation and investment
- Present results to Treasury Board

Treasury Board

- Considers findings
- Makes recommendations to inform Budget



Decisions

Budget

- Confirms reallocations and investments
- Announces review results

What Government wants from reviews

Budget 2017 – BUILDING A STRONG MIDDLE CLASS



BUILDING A STRONG MIDDLE CLASS
#Budget2017

INVESTING IN PRIORITIES

The Government is committed to making smart, necessary investments in the economy to ensure a thriving middle class, and remains committed to a responsible approach to fiscal management that maintains Canada's low-debt advantage.

As a first step towards meeting this commitment, Budget 2016 announced annual reductions of \$221 million in professional services, travel and government advertising.

Budget 2017 announces that the Government will initiate three new expenditure management initiatives:

- 1) In 2017–18, the Government will begin a comprehensive review of at least three federal departments, to be determined following Budget 2017, with the aim to eliminate poorly targeted and inefficient programs, wasteful spending, and ineffective and obsolete government initiatives.
- 2) The Government will initiate a three-year horizontal review of federal fixed assets, staged by asset-type—e.g., engineering assets, science facilities, etc. A comprehensive review of government fixed assets has not been completed in decades. The Government spends roughly \$10 billion annually to purchase, construct, renovate, repair, maintain and operate both owned and leased capital assets. This review will look to identify ways to enhance or generate greater value from government assets.
- 3) The Government will initiate a horizontal review of all federal innovation and clean technology programs across all departments, as federal innovation programs are dispersed. Consistent with the principles of Canada's new Innovation and Skills Plan (discussed in Chapter 1), the horizontal review will look to simplify programming and better align resources to improve the effectiveness of innovation programs.

Over the coming year, the President of the Treasury Board and Minister of Finance will lead these reviews of departmental spending to improve the delivery of results, increase efficiency and ensure better alignment with priorities. The Government will report on the progress of these reviews in Budget 2018.

As mentioned in the 2016 Fall Economic Statement, the Government will introduce legislation to: establish the Parliamentary Budget Officer as an independent Officer of Parliament, with a renewed mandate to focus on costing and financial analysis of the federal government; and bring to an end the secrecy surrounding the Board of Internal Economy.

The Government will also introduce legislative changes to improve the organization and efficiency of government operations, as needed.

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Departmental and horizontal review models

DEPARTMENTAL



- Typically bottom-up: both assessments and recommendations are developed by review departments
- Focus is on alignment with priorities, improved results, and stronger management – no savings targets
- Recommendations to TB are made both by the review department and TBS

HORIZONTAL



- Joint approach: driven by a dedicated TBS team collaborating with multiple departments
- Focus is on rationalizing government's approach to a policy or management area
- Recommendations to TB are made by TBS based on evidence gathered during the review

All reviews require a presentation of findings and recommendations to Treasury Board

Lessons learned – TBS perspective

Preparing for the review:

Dedicated team



Bottom-up departmental reviews need an independent team with authority to lead the review

Diversity of expertise



Reviews are more than financial: the departmental review team needs policy and program expertise

External advisor



Required by TBS for all departmental reviews. A skilled, experienced advisor from outside department provides a valuable independent perspective

During the review:

Stick to a timeline



Early review phases can take longer than expected; budgeting time realistically will help keep review on track

Communicate often



TBS and other central agencies are your partners. Reviews work better with regular check-ins

Get your Minister onside



Brief your Minister regularly to prepare for their presentation to Treasury Board

As the review comes to an end:

Expect a few bumps



Departmental and central agency views of the messages from reviews can differ, causing some tension

Your story for TB



Explain to TB Ministers what your review found, and the concrete improvements you want to make

Your story for the world



Central agencies will work with you to communicate your review's outcomes to employees and Canadians

What to expect during a comprehensive review

TBS provides a Program Assessment Template that must be completed by Program Inventory

- Expected Results and Performance Indicators
- Brief Description
- Related Programs
- Program Accountability and Collaborative Interest
- Cabinet Authorities
- Delivering instruments
- Explanation of year over year spending variance
- Government Priority rationale and ranking
- Federal Role rationale and ranking
- Departmental Priority rationale and ranking
- Relevance – continues program need
- Performance – effectiveness
- Performance – efficiency
- Managing for Results
- Revenues and Cost Recovery
- Assets and Acquired Services *
- Overall Program ranking (high, medium, low) for above items

Recent experience – The view from within a Department

- Senior Management is Engaged – Expect DM participation
 - Your work has never drawn such interest, use this to your advantage to gain insight on priorities and otherwise
- Governance and Transparency are Paramount to Success
 - Work with Central Agencies; ensure they are part of the process
- Collaborate – Operational Perspectives are Critical
 - how things work – what works well and where is there ambiguity – dig to cause and effect of results
 - Have a multi-disciplinary team engaged on the CR, dedicate resources (if you are lucky)
- Leverage from DRF Implementation – Performance Indicators are Refreshed
 - Understand how Performance Targets were established, and the impact of achieving them
- Benchmarking Internal Services is Challenging, Departments must Work Together (annex A)
- TBS can be relentless in their Curiosity
 - Agree that priorities will need to be established; if you are undergoing a CR, chances are you are broke
 - A NO JUDGEMENT RULE must apply on both sides
- Don't get stuck in the detail – if you can't answer a question; first look for the bigger picture answer – otherwise you get stuck in a loop
- Look for quick wins and gain support from Governance to implement immediately
- Monitor, Monitor, Monitor all findings – Ensure processes in place to celebrate success

Lessons learned – Departmental perspective

Examples of Low Hanging Fruit – don't wait until tomorrow . . .

- Demonstrating how Performance Targets are established
 - what is the impact of exceeding or not meeting them?
 - What if your performance targets are based on past achievement and have less link to risk and/or impact tolerance?
- Know what Drives your Costs – what is fixed and variable and what is needed to disrupt this relationship
- MOUs and other Perpetual Contractual Arrangements
- Understanding service you are expecting to receive, measuring it, isolating issues
- System application redundancy (may be a short term cost to optimize)
- Manual processes that would benefit from automation
 - ensuring automation does not exceed manual cost is one factor –sharing information to avoid making the same decision twice saves money and reduces risk
- Organizational Structures that do not support clear accountability to the DRF
- System limitations in providing sufficient support for Evidenced Based Decision Making
 - Including the timeliness of obtaining information
- Ensuring Governance bodies are receiving Strategic Information to enable actions that Continuously Improve your Department

Annex

Comprehensive Reviews

Benchmarking internal services

Given a lack of Benchmarking Data to Inform Efficiency of Internal Service Resource allocations; CBSA performed its analysis compared to Public Service Employee Survey results

- While the Agency's proportional spending on IS is comparable to OGDs, indicators such as MAF and the Public Service Employee Survey indicate that a **similar level of performance is not being achieved.**

- A number of factors increase the complexity of IS at CBSA

Distributed operational model increases complexity:

- High regional presence;
- Multiple locations including remote; and
- High number of FTEs overall.

Complex governance and shared accountability:

- Distributed accountability for Programs; and
- High number of Programs.

Mandate and status:

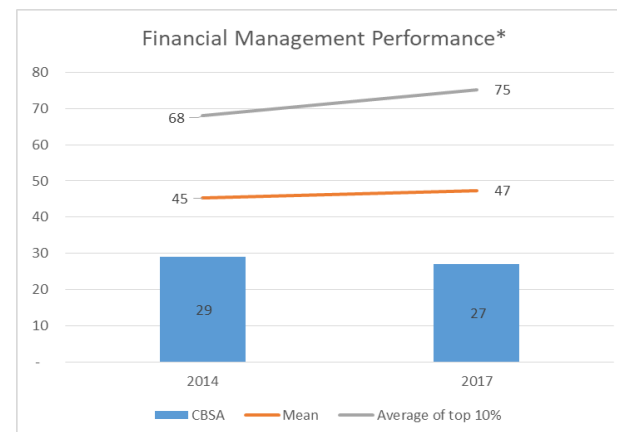
- Enforcement, inspection mandate driven by demand volume;
- Service agency contributing to mandate of OGDs.

IS Function	Benchmark	CBSA: Application of IS Guidance	
		%	\$
Management and Oversight	18.6%	21.6%	\$63.38M
Information Technology Services	22.6%	33.3%	\$97.64M
Financial Management Services	10.4%	6.8%	\$19.96M
Human Resources Management Services	20.3%	18.1%	\$53.14M
Real Property Services	13.2%	4.3%	\$12.69M
Communications	4.7%	2.8%	\$8.21M
Information Management Services	2.7%	2.8%	\$8.27M
Legal Services	2.5%	7.3%	\$21.28M
Acquisition Services	1.3%	2.0%	\$5.99M
Material Services	2.2%	0.8%	\$2.48M
Other	1.5%	0.0%	-
CBSA Total	100.0%	100.0%	\$292.95M

Internal Service	FTEs	Expenditures (in Millions)	% of Agency's Expenditures
3.5 Financial Management	241	\$ 24.9	1.6%

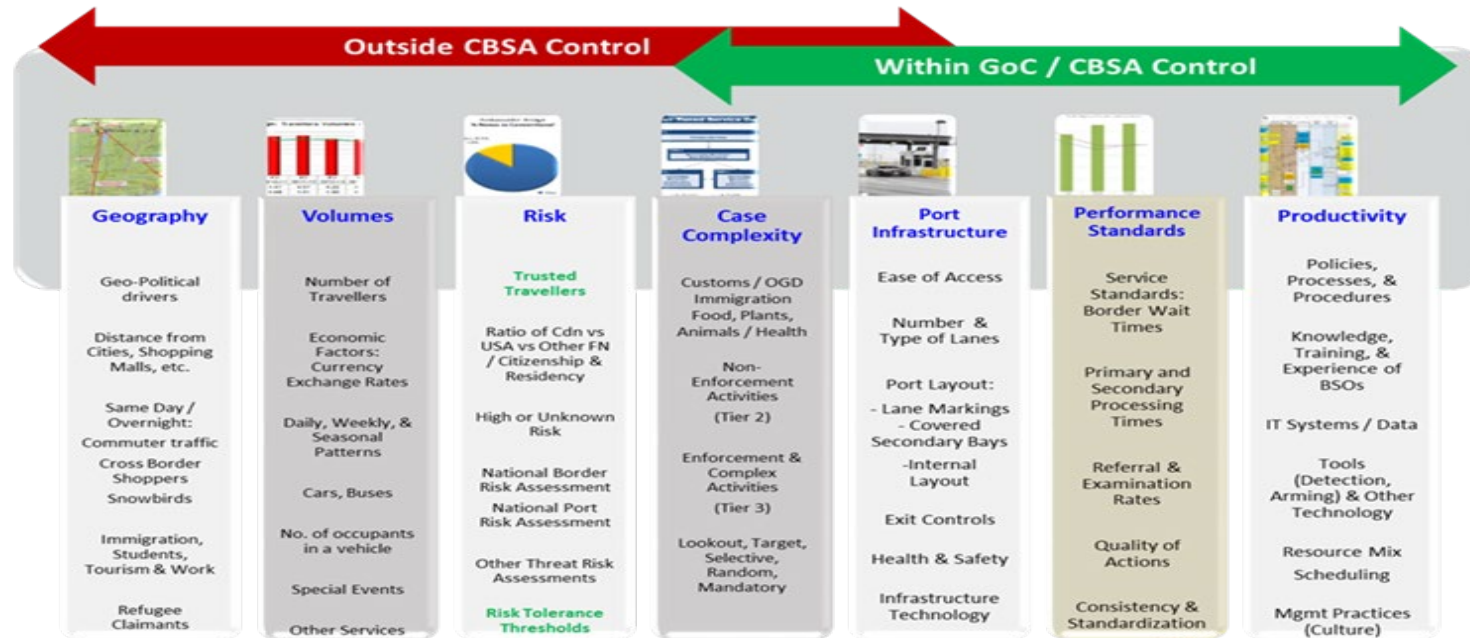
Financial Management:

- Financial management services involve activities undertaken in the department to ensure the prudent use and stewardship of financial resources in an effective, efficient and economic manner.
- Activities include planning, budgeting, accounting, costing, reporting, control and oversight, analysis, decision support and advice, and financial systems
- Financial Management Performance = % of Financial resources that strongly agree they have the materials and equipment they need to do their job
- Data extracted from 2017 PSES Results



Know your cost drivers

Land Traveller Program: Major Cost Drivers



At CBSA, Expenditures consist of:

- Operational Costs
 - Front Line and Program Support
- Lifecycle Asset Management
- Projects

Through expenditure analysis and knowledge of Program Activities; CBSA delineated costs of managing the Traveller Program to Identify – based on known Cost Drivers – the impact on Expenditures

Traveller facilitation and compliance program



- Traveller Facilitation and Compliance represents 31% of CBSA's base expenditures, and employs 5,085 FTEs (excluding overtime).
- The Program services 192* staffed ports of entry (POEs), 582 reporting sites, and processed more than 93 million travellers in FY 2016-17.
- In FY 2016-17, Traveller Facilitation and Compliance Program issued more than 660K immigration facilitation documents, intercepted 21,530 inadmissible persons, and conducted 13,896 customs seizures.

- The main cost drivers of the program include traveller volume and number of POEs.
- Small POEs (151) process 10% of the traveller volume but account for 23% of the total expenditures. Operating costs at these POEs are fixed, resulting in minimum financial flexibility. A flat line cost of \$84.4M is projected for future years if these POEs remain staffed at current levels.
- Costs of 582 telephone reporting sites are subsumed within POEs that service them. Verifications at these reporting sites incur high costs, as officers have to travel to conduct verifications.
- In FY 2017-18, the Agency processed 231,719 rail passengers at 4 passenger rail sites. These costs are also subsumed within POEs that service them.
- POEs are facing challenges in balancing facilitation and compliance. To remain within budgets secondary inspections are reduced; and resources are often prioritized to meet the established BWT Service Standards.

Operations

\$394.5M:

Port of Entry

\$360.3M

(91%),

Program

Support

\$21.2M (5%)

Size	Number of POES	Number of reporting sites	Expenditures*	Primary Volumes*	Average Cost/Traveller
Extra-Large & Large	16	150	\$194.2	54.4	\$ 3.57
Medium	23	113	\$72.8	14.5	\$ 5.03
Small	151	263	\$84.7	9.4	\$ 9.04
Marine	8	56	\$8.6	1.6	\$ 5.25
Grand Total	198	582	\$360.3	79.9	\$ 4.51

Mode	Primary			Secondary		
	Expenditures*	Volumes*	Average Cost/Traveller	Expenditures*	Volumes*	Average Cost/Traveller
Airport	\$52.3	29.2	\$ 1.79	\$70.6	2.2	\$ 31.57
Highway	\$76.7	39.6	\$ 1.94	\$67.4	1.5	\$ 46.00
Grand Total	\$129.0	68.8	\$ 1.87	\$138.0	3.7	\$ 37.28

* Expenditures and volumes are in millions.