



A Progressive Approach to Managing Investments in the Public Service

Public Services & Procurement Canada

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PD WEEK 2022

SEMAINE DE PP 2022

The Journey

Accrual Budgeting is a key pillar supporting the **One PSPC** vision. It is our new way of strategically managing PSPC's entire asset base in a more sustainable and holistic manner.



What is Accrual Budgeting?

PSPC Capital Investment Fund

Capital Investment Fund (CIF)

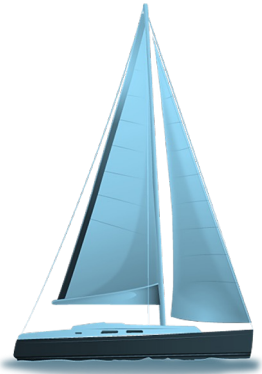
The CIF is a dedicated source of Capital funds (Vote 5) that establishes a ceiling for the accrual profile of PSPC's existing, in progress, and planned Capital assets.

The CIF establishes a “ceiling”
for a 20-year period
(reset every 3 year via request to
Department of Finance)
and
an annual “ceiling” referred to as the
Baseline Accrual Space (BAS)

The CIF is the source
of funds for PSPC
capital investments.

(Office Buildings, Parliamentary
Precinct, Labs, IM&IT, Engineering
Assets, vehicles etc.)

Investment decisions will affect capacity
to invest in future years.



Total Cost: \$1M

Construction Time: 2 years

Expected Useful Life: 20 years

Useful life of sub-components

Sail: 5 years (\$100k replacement)

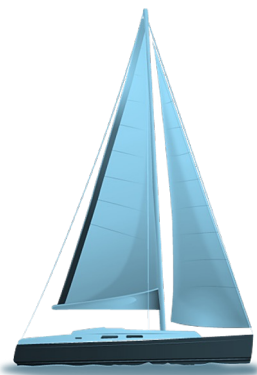
Mast: 10 years (\$200k replacement)

Hull: 20 years (\$700k replacement)

To illustrate Accrual Budgeting principles, we shall use the analogy of building a sailboat.

Let us start by looking at Cash profile, followed by Accrual profile.

Cash Lens: Funding Uncertainty



Total Cost: \$1M

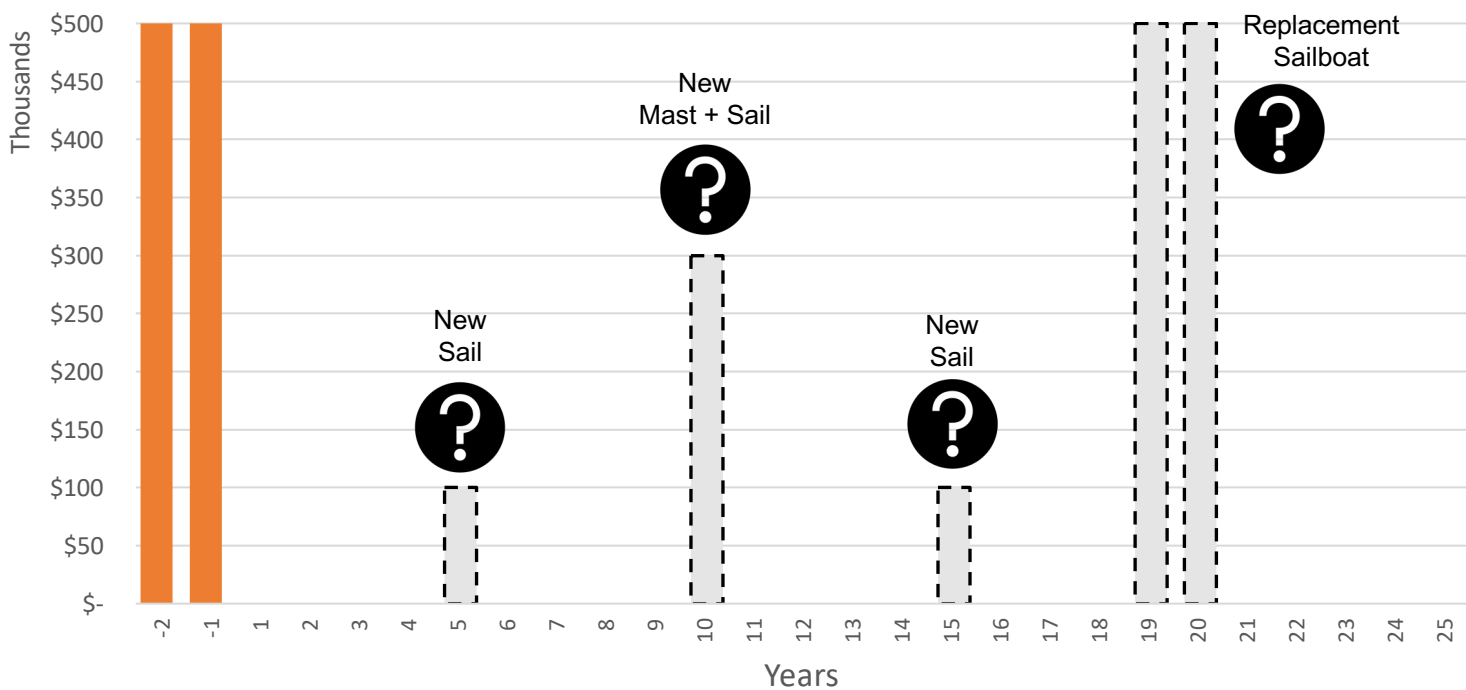
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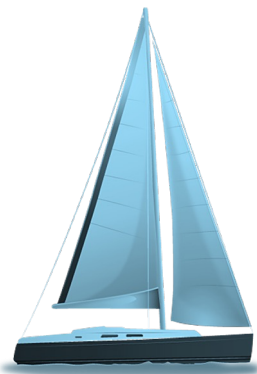
- Sail:** 5 years (\$100k replacement)
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Cash Profile



- **Initial Build:** \$1m Cash was readily available to build sailboat.
- **Yr 5 / 10 / 15 – Sail is getting torn:** Need \$100k – will those funds be available?
- **Yr 10 – Mast is cracking:** Need \$200k for replacement. May not be possible to secure \$200k.
- **Yr 19-20 – Sailboat approaching end of useful life:** Need to build a replacement.

Accrual Profile (i.e. amortization): component costs are spread over their useful lives



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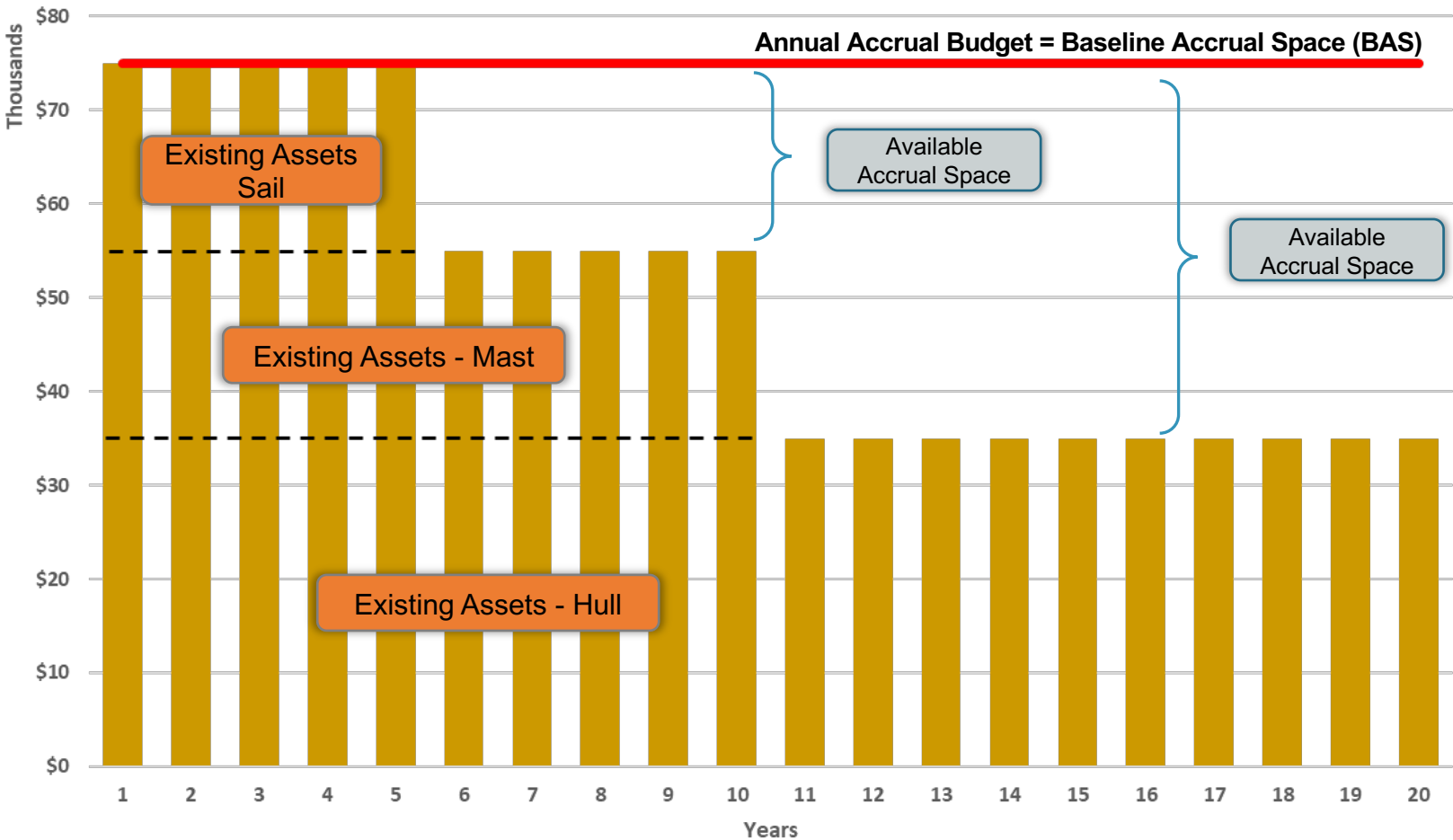
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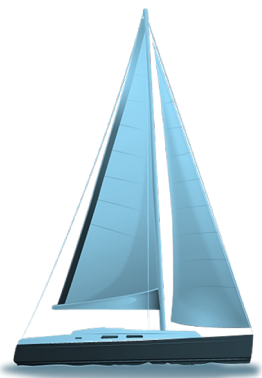
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- In this scenario, our annual accrual limit/budget has been set at \$75k.
- As each asset reach end of useful life, accrual space is freed up for future investments.

Accrual Profile (i.e. amortization): replacement of components is included in the investment plan



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Construction Time: 2 years

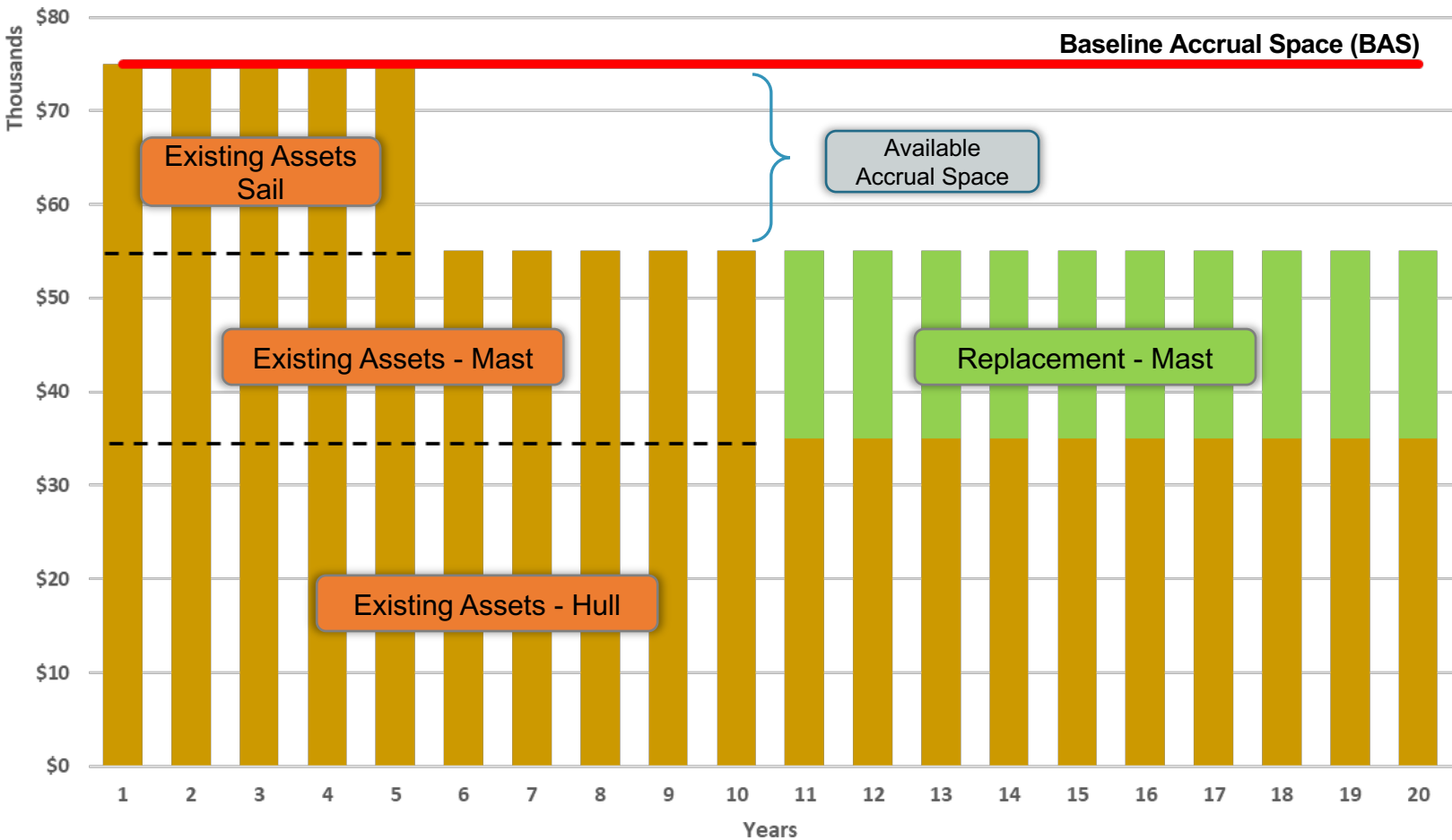
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Useful life of sub-components

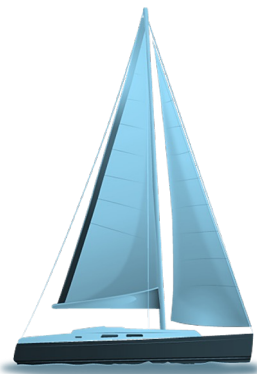
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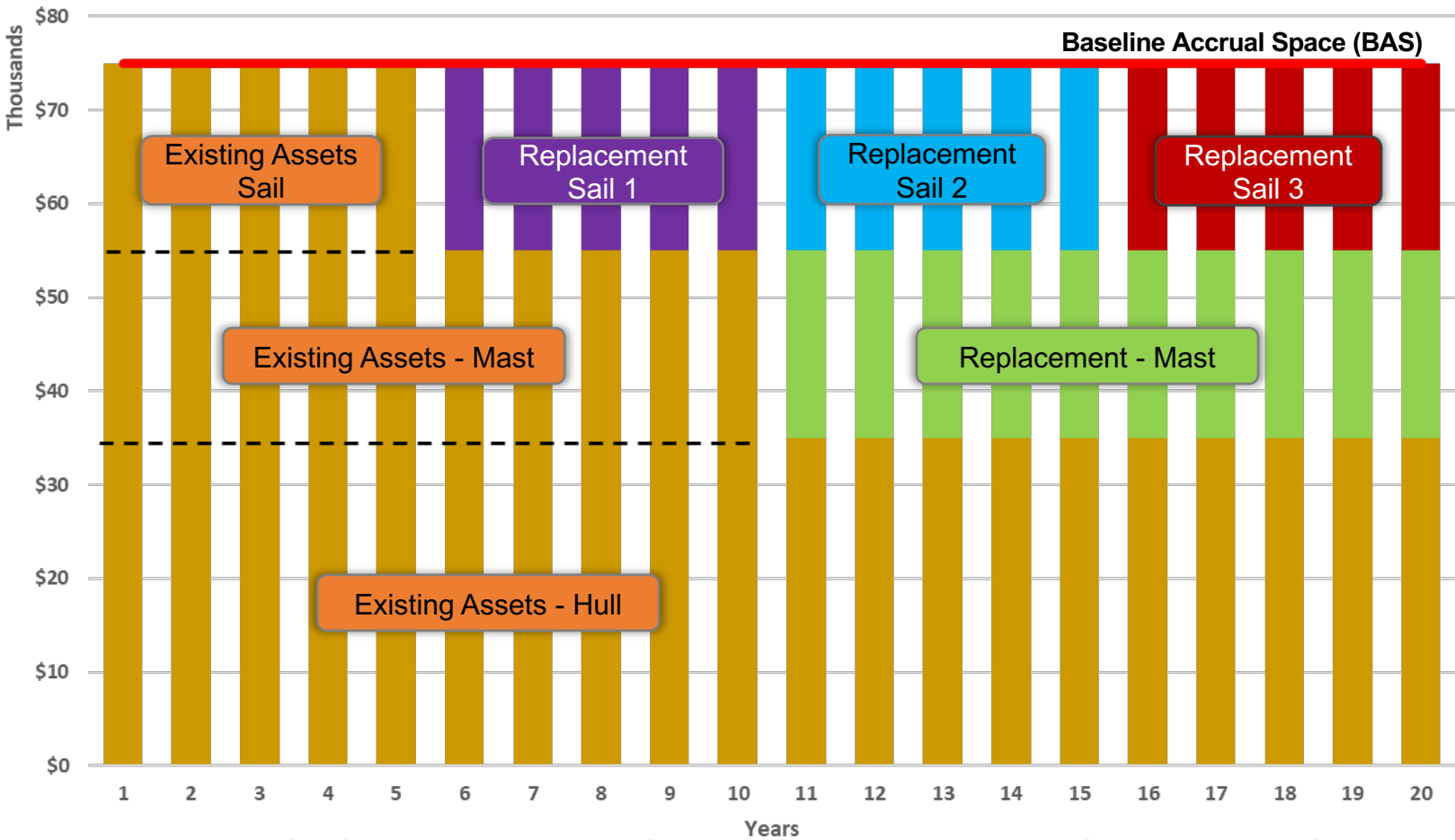
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Construction Time: 2 years

Expected Useful Life: 20 years

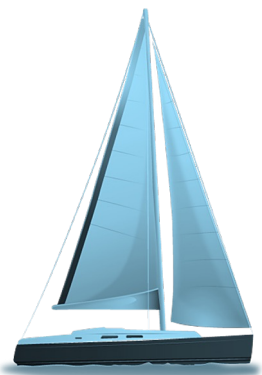
Useful life of sub-components

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- In planning for Capital investments, focus shifts to the Accrual profile rather than Cash needs.
- Stable, predictable 20-yr Capital funds allows PSPC to plan for rejuvenation and renewal of assets across their full lifecycle.

In reality, it's not Cash or Accruals, it's Cash and Accruals. Both are important, but investments are dictated by available Accrual space.



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Construction Time: 2 years

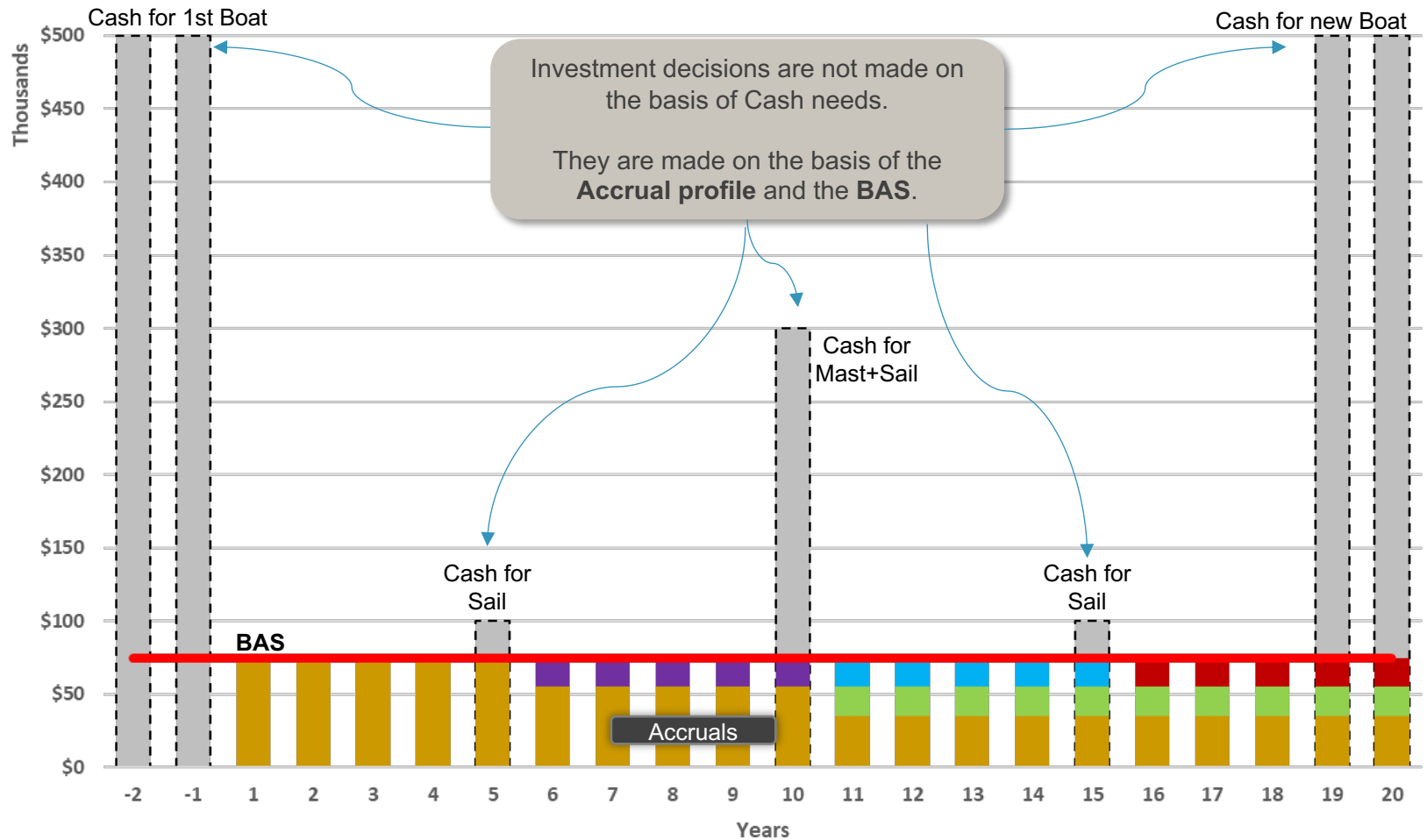
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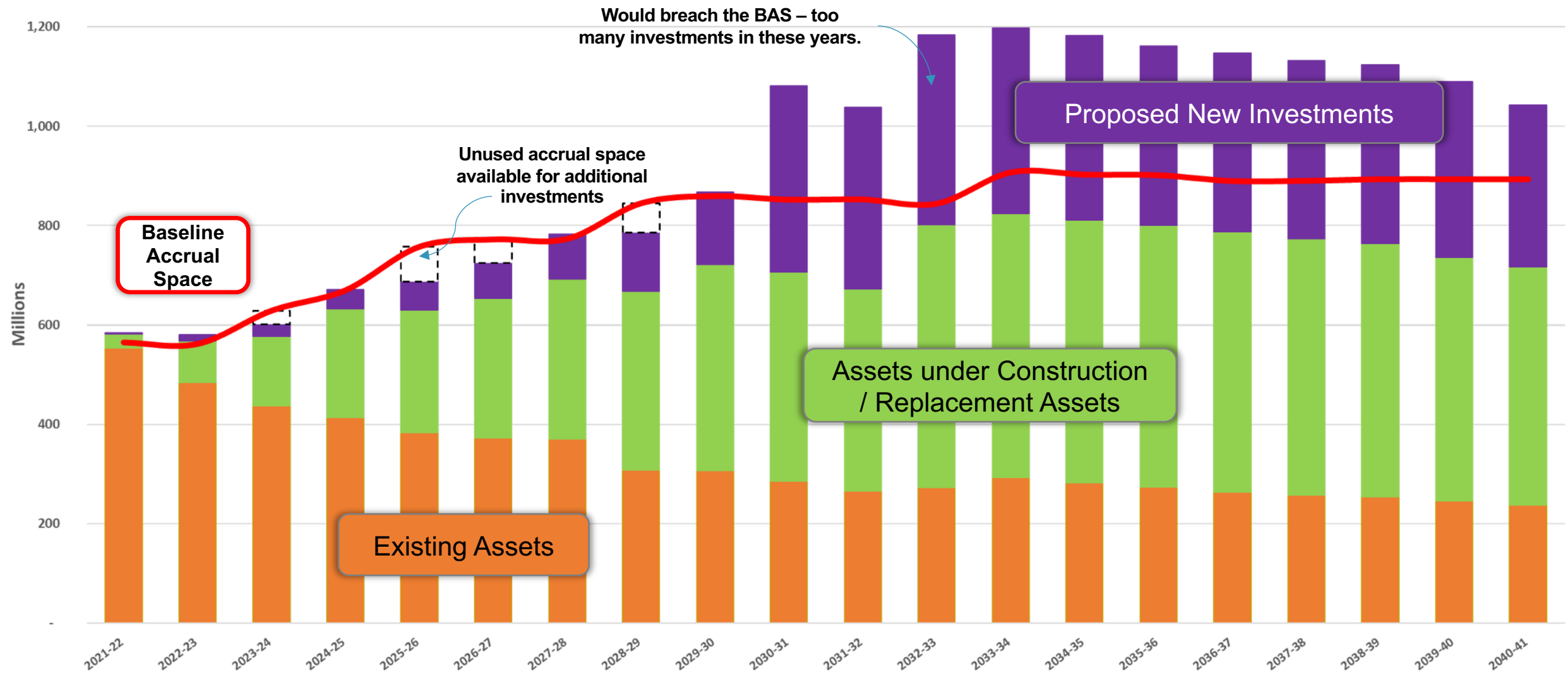
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- Capital investment plans are no longer tied to the availability of Cash.
- As long as the Accrual profile fits within the BAS, the **Cash will be made available.**

PSPC Capital Investment Fund (CIF): \$16.2B over 20 yrs



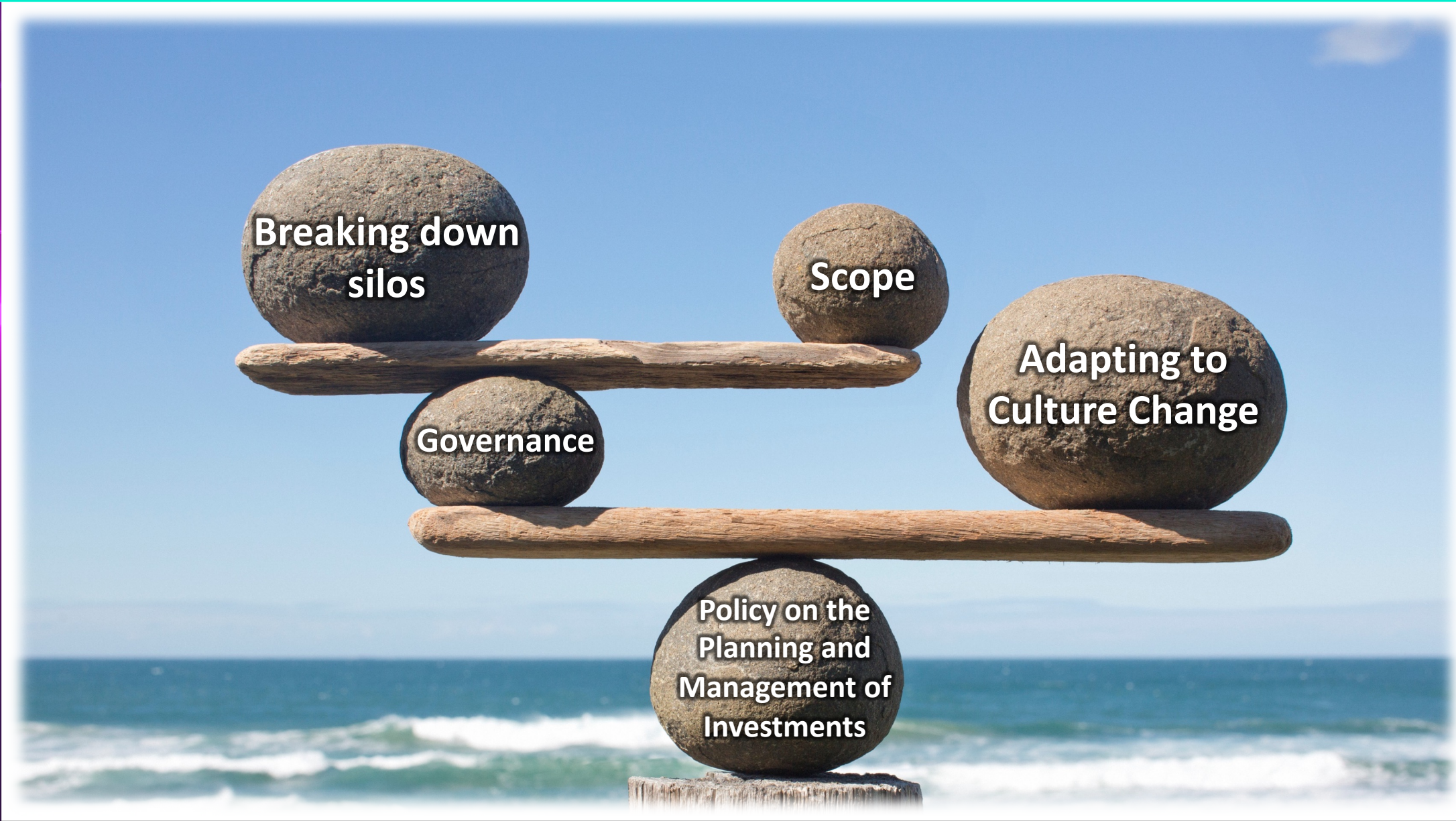


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When you have too many top priorities, you effectively have no top priorities.

Stephen Covey







Common Values

Built Trust

Right People

Focus on Strong Foundation



Prioritization Criteria

	Value Driver	Criteria
Socioeconomic Benefits	Environmental/ Ecological	Measures the contribution an investment makes to the <i>environmental</i> and <i>ecological</i> goals of the Government of Canada (GoC).
	Connecting People(s) / Removal of Barriers / Equal Participation of People(s)	Measures the contribution an investment makes to: either connecting people(s), or removal of barriers, or enabling the full and equal participation of all people(s).
	Economic Impact	Measures the contribution and impact an investment makes to either the <i>economic prosperity</i> of Canadians or the <i>economic benefit</i> to the GoC.
	Identity / Culture / Heritage	Measures the contribution an investment makes to at least one or more social impacts on <i>identity, culture, and heritage</i> .
Sound Stewardship	Health / Safety / Security	Measures the contribution an investment makes to address <i>health, safety, and security</i> objectives.
	Asset Condition	Measures the contribution an investment makes to <i>improve or maintain the asset condition</i> .
	Delivery of Services to Canadians	Measures the contribution of the investment to the <i>continued delivery of services to Canadians</i> .
Service Excellence	Commitments and Obligations of the Government	Measures the contribution of an investment to a <i>commitment or obligation of the Government</i> .
	Business Importance to GoC	Measures the contribution of the investment to <i>the continued or future operations of the GoC</i> .
	Modernization / Research and Development	Measures the contribution the investment makes to <i>either leading technological modernization, research and development, and/or innovation</i> with new capabilities and capacity.



“

When evolving you must get comfortable
with being uncomfortable.

Know that discomfort is a sign of growth.

Unknown

Lessons Learned

Do's

- Do** understand what resources are required for success
- Do** be adaptable and flexible to changing priorities, policies, procedures
- Do** communicate early and often, clearly articulating the roles and responsibilities
- Do** set realistic timelines and goals to allow meaningful engagement from all stakeholders
- Do** take a structured approach to change management
- Do** ensure there is adequate representation across the department and collaborate with different functions

Don'ts

- Do **not** be reactive in providing necessary documents to move forward with project
- Do **not** limit leader engagement to final approvals and sign offs
- Do **not** wait until implementation phase to engage change management
- Do **not** focus solely on project management disregarding other disciplines