
SERVICE INNOVATION IN THE CANADIAN COAST GUARD

SERVICE DELIVERY OPTIONS ANALYSIS TOOL



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DISCUSSION DRAFT

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INTRODUCTION

Business Case Assessment (BCA) methodology is a logical and comprehensive decision-making tool that supports the presentation of the type of compelling reasons that are required to convince decision-makers to proceed with the implementation of the initiative presented for their consideration. The following explanation of a generic BCA methodology is intended to provide general guidance to the various teams involved. While it is important to consider or address, in one way or another, the steps outlined in this methodology, follow proven methodology, each business case is unique and will lead analysts in different areas of emphasis.

The **Service Delivery Options Analysis Tool (SDOAT)** being presented here is essentially a **checklist** that has been designed as a **complementary tool** for use in conjunction with DFO's *ASD Framework* and *Guide for Considering Alternative Delivery* as well as other documents and tools designed by TBS¹, PCO, DND² and others³. The tool is meant primarily to be guide for following the type of BCA methodology required to obtain approval firstly for proceeding with an in-depth analysis and secondly for implementing potential service delivery and organizational improvements.

For the purpose of this checklist, the SDOAT regroups the DFO 12 step process into six separate sequential Stages. Communications are considered an integral part of all Stages, although the message and consultation may differ between stages. In addition, the working teams, review groups and decision-making bodies may differ considerably depending on the size, complexity and sensitivity of the changes being considered. It is this differentiation between the type of projects under consideration that may prove most helpful to the reader and those wishing to undertake analysis. Chart 1 on page IV compares some of the characteristics of smaller service delivery initiatives and those of larger and organizational change initiatives.

There are five primary phases to delivering any service improvements:

- 1) Opportunity Identification;
- 2) Business Case Assessment;
- 3) Preparation;
- 4) Implementation; and,
- 5) Monitoring

¹ TBS is currently reviewing a revised policy for Alternative Service Delivery. Once the policy has been approved by TB, any required additions or changes will be made to the SDOAT.

² DND has highly developed costing methodology.

³ For example, Consulting and Audit Canada has developed a number of comparative model characteristic tables and methodologies based on best practices of others who have gone through similar processes and these are being made available through the WEB.



As in the DFO framework, the SDOAT is designed to address the first two of these phases. The latter three phases are entirely dependent upon the type⁴ of service or organizational change that is being contemplated and the type of oversight envisaged. Chart 2 (page V) outlines the Stages of the Business Case Assessment Approach being followed in this Checklist.

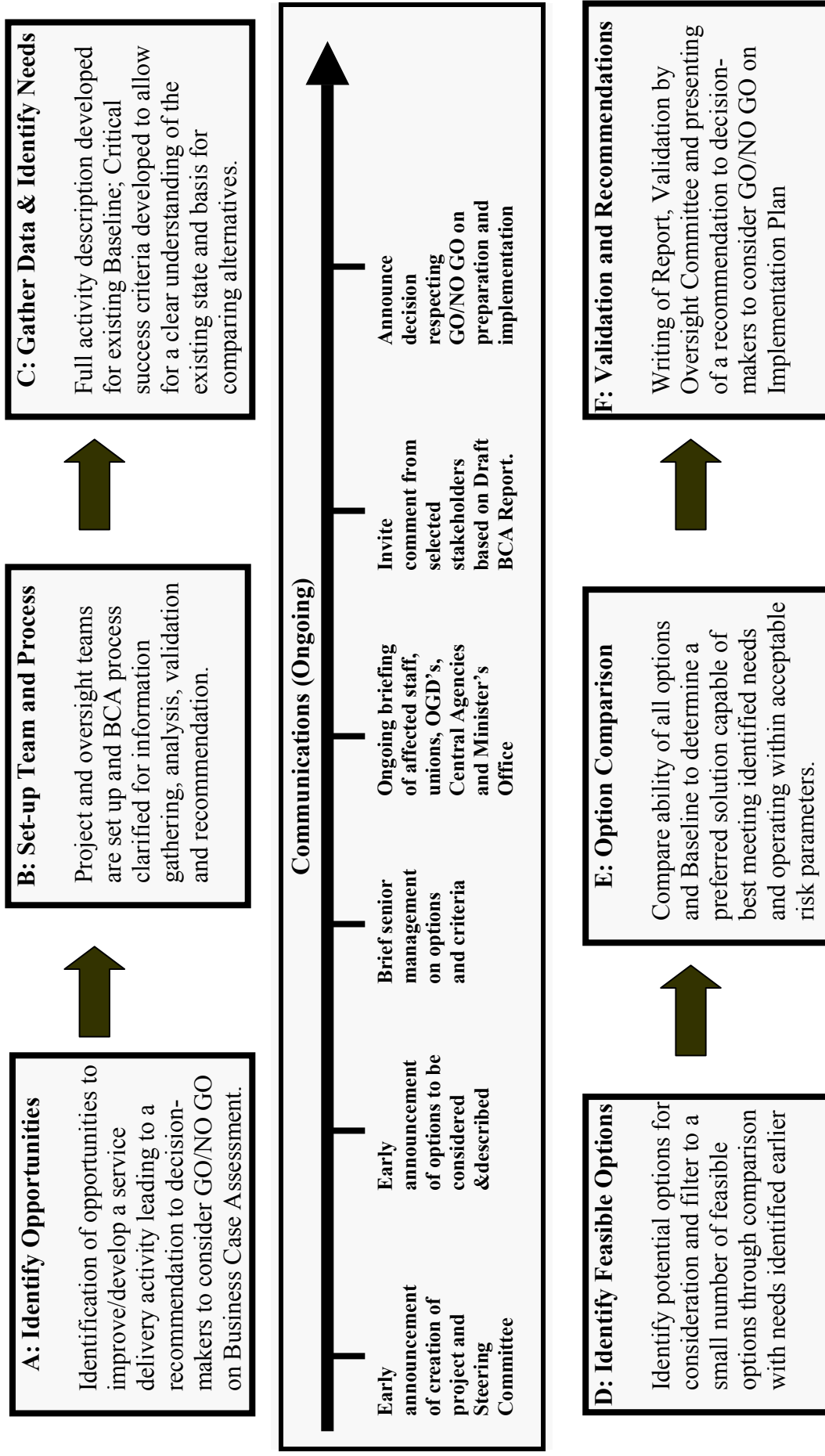
Chart 1: Initiative Characteristics

Organizational Reviews [Larger (and/or CCG-wide) and Organizational Change (complex and/or sensitive)]	Service Delivery Reviews [Smaller (local) Service Provision Change (few complex or sensitive issues)]
<ul style="list-style-type: none"> • Usually done under departmental-level control. • Requires senior management and ministerial support. • Department has often already identified for in-depth review (i.e., Stage A has already at least partly been done) • Process must be very transparent • Usually requires Central Agency involvement • Organizational change may require Cabinet involvement • Usually requires extensive resources • Depending on complexity and sensitivity, may require extensive consultation • Often requires a substantive time period from identification to implementation, particularly if legislation is involved • Each study is hand-built (case-by-case differences in issues and circumstances) • Usually requires a strong qualitative (issues driven) Business Case Assessment, with quantitative (\$) oriented) analysis not being the primary deciding factor. • HR issues are more complex, particularly if legislative changes are sought. • Usually entails a cultural shift that requires buy-in by employees and other stakeholders. 	<ul style="list-style-type: none"> • Usually done under Branch (or Regional, as appropriate) level control. • Requires support of appropriate decision-making authority. • Depending on size and other issues may be subject to TB approval. • Best suited to less complex activities. • Essentially good business practices with related to contracting out (MOB) or internal improvements (MEO) undertaken within overall CCG/DFO policy. • Resources required directly related to the complexity of the activity, the changes contemplated and oversight contemplated. • Entire process should be possible within 12 months. • Case-by case analysis, but process follows well-established practices and criteria. • Normally requires a strong quantitative (\$) oriented) Business Case Assessment with few if any sensitive issues sufficient to override the value for money objectives. • HR issues primarily relate to transition, such as notification period, job guarantees or termination benefits. • Requires union consultation (depending on number of employees affected).

⁴ Preparation for a local contracting out situation is significantly less complex than a national contract that is subject to trade agreements and policy considerations. Preparation for an organizational change requiring new legislation, financial and HR systems, etc., take considerably longer to achieve.



Chart 2: Stages in the Business Case Assessment Approach



1.0 STAGE A: IDENTIFYING AND SCREENING INNOVATION OPPORTUNITIES⁵

The key objective of this step is to identify the services, systems, decisions, information, resources, processes, activities, tasks, etc. (hereafter referred to as “services”) that may benefit from being delivered in an alternative way.

As noted in the DFO *Alternative Service Delivery Framework*⁶, identification and screening of service innovation opportunities is an **ongoing and continuous** activity in any dynamic organization. Indeed, many of these opportunities are identified and acted upon at the local level as a matter of course, with little or no fanfare, basically following established procedures for making good business decisions. That is the decisions are largely quantitative, based on cost-effectiveness. For the sake of clarity, we shall refer to opportunities that do not entail complex and or sensitive issues requiring changes to existing policy or enactment of new policy, or significant changes in the CCG organization that delivered the service, as potential candidates for “**service delivery**” reviews.

At the regional and/or national level, consideration should also be given to any significant strategic, organizational, program or management change idea that would benefit from internal or external innovations. However, while cost-savings remain a major issue, national/regional projects tend to be more qualitative and policy oriented. For this reason, larger scope innovations usually face more complex and/or sensitive issues requiring both a longer timeframe to resolve a more transparent screening process⁷. Again, for the sake of clarity, we shall refer to such opportunities within this volume as being potential candidates for “organizational” reviews.

The two types of innovation activities are not necessarily mutually exclusive. Once policy decisions have been taken, there may be different solutions possible within the policy framework depending on regional or local situations. Initial identification may take place at either the local or national level as a result of pending needs and issues and/or overall policy objectives. At the national level, in many instances the project has already been the subject of discussion for some time or is the direct result of a policy decision⁸ and, thus, in those cases the Stage A can be considered to have already been completed.

⁵ Stage A corresponds to DFO Step 1 (Screen for opportunities) and part of Step 4 (Develop the Business Case)

⁶ *Alternative Service Delivery Framework*, Fisheries and Oceans Canada, January 18, 1999.

⁷ Larger projects within DFO are normally developed in consultation with DFO’s ASD Centre of Expertise (CoE).

⁸ CCG’s and DFO’s strategic, business and performance planning processes are perfect opportunities to draw attention to larger areas that will be screened or where innovations will be considered. Smaller initiatives are highlighted during the sector or entity (i.e., CCG, Fleet, CHS, etc) strategic, business and performance planning processes



Where the service or organization has not already been identified for a more in-depth review, Chapter 1 provides an illustrative basis for the types of questions you need to ask yourself in order to determine if the required resources for such a review will justify the anticipated benefits of proceeding.

1.1 INITIAL IDENTIFICATION, REVIEW, AND DECISION-MAKING TEAMS

The reason for identifying innovation opportunities follows directly from the needs to improve performance and/or budgetary constraints. Therefore, those charged with identifying potential candidates should be familiar with the services/organizations themselves, as well as alternative options for the way the services can be delivered. At this stage there need not be formal teams organized with respect to identifying service delivery opportunities. In those cases where organizational-wide changes are being contemplated and the opportunity is complex, risky and/or sensitive, the decision-making bodies tend to be at the departmental level and a more formal group may be advisable. It is important to remember that at this stage the team is charged only with initial identification of potential candidates for further review and no decision as to whether the project will be implemented will take place until after the further review has taken place.

After the analysis in each stage is completed, it is highly recommended that every work undertaken benefits from use of an impartial “sounding board” team, charged with challenging whether the conclusions and recommendations reached are the result of a logical, balanced and objective analysis and that a transparent process was followed in reaching these conclusions and recommendations. Where a large number of potential candidates have been identified, the review team can also be charged with filtering those potential candidates to present the decision-making group with a prioritized list and recommendations of where to put limited resources for further reviews.

Once this **impartial review** has taken place, any additional analysis is done and any immediate issues/concerns resolved, it will be possible for your team to finalize the list and present to the decision-making group for a “GO/NO GO” decision on proceeding to in-depth analysis. The decision-making group is comprised of those people who have the authority to decide whether an opportunity should be further studied and have the authority to provide required resources to undertake that study. For example, low-risk service delivery reviews operating within established policy may only require approval at the director level to proceed, while more sensitive cases may require approval of the regional director or director general. Organizational reviews tend to be done at the departmental level and thus decisions tend to be taken at the ADM or DM level.



1.2 IDENTIFYING INNOVATION OPPORTUNITIES

Section 1.2 is designed to confirm that the service/organization being considered for change has been appropriately scoped to lend itself to a review. Services are the various means by which CCG's⁹ program objectives are achieved. Normally the activity level being examined is defined at the level of the "unit" within CCG delivering the service, but it may be at some lower service level because of particular environmental factors, or at a higher (group of units delivering same activities/services) level if a case for doing so can be made (e.g., national policies apply to service). As previously noted that consideration of services at a national level for policy purposes does not necessarily exclude regional innovations for delivery of the service within that policy.

If a service can't be described separately, it shouldn't be considered separately, but, at the same time, any grouping of services should only be done on a common sense basis that allows for proper description and consideration.

All services provided by and for the unit are potential subjects for service innovation reviews. At the same time it must be remembered that all **service innovation is needs driven** and these needs may originate at the local, regional or even national level. To allow for meaningful evaluation, it is essential that the service under consideration be properly defined prior to undertaking the screening process. At this Stage responses are not expected to have the detailed information that will have to be gathered if the decision is taken to provide the resources necessary to undertake a more in-depth review of the potential candidate. The following questions are representative of those that will help you in determining the needs that drive the innovation objectives for the service.

1) Situating and understanding the service:

Q1.1 Please identify the particular service/organization for which you are supplying screening information (including unit and location):

⁹ By extension, this also includes the program objectives of its components (e.g., CCG, CHS, Science).



Q1.2 What are the primary **functions** of this service/organization?

- ☐ Health and safety
- ☐ Regulatory/enforcement activities
- ☐ Research and development
- ☐ IT/IM
- ☐ Operations
- ☐ Construction/maintenance
- ☐ Marketing/promotion
- ☐ Co-ordinated support or administrative services
- ☐ Policy development
- ☐ Other? Please explain:

2) Rationale for seeking service innovation

Q1.3 What are the problems, needs or business opportunity objectives that are giving rise to considering this service/organization for review? That is, need or needs:

- ☐ To reduce expenditures in response to current and/or anticipated budget cuts;
- ☐ To improve risk management to clients (including public) and government?
- ☐ To broaden base of resources and knowledge? (I.e., to share costs, infrastructures, technology, expertise, information)
- ☐ To exploit information technologies potential/opportunities?
- ☐ To benefit from private sector approaches, flexibility, opportunities, and possible synergies?
- ☐ To harmonize programs or delivery of a service across jurisdictions?
- ☐ To avoid duplication?
- ☐ To achieve greater service responsiveness to clients?
- ☐ To achieve greater operational flexibility?
- ☐ To obtain and allow for greater stakeholder input and involvement?



- ☐ To build capacity in a particular group or sector, to promote greater self-sufficiency and ownership of outcomes?
- ☐ To support other national policy objectives? E.g., to contribute to economic development, or provide infrastructure that would not otherwise be available?
- ☐ Other? Please explain:

Q1.4 Are the services under consideration primarily (*check one or more*):

- ☐ Used for the overall benefit of unit's operations (e.g. support services)?
- ☐ Provided as inputs or services to other specific portions of the unit?
- ☐ Provided directly to another DFO client?
- ☐ Provided directly to another government departmental client?
- ☐ Provided directly for the benefit of external clients (including the general public)
- ☐ Other? Please explain:

1.3 TESTING THE POTENTIAL CANDIDATE

Limited resources mean that not all potential innovations can be addressed at the same time, if at all. Section 1.3 is designed to help the reader evaluate and establish whether or not the potential benefits associated with the opportunity are sufficient to justify the resources required to see it through to completion. Stage A is the first step in developing the primary criteria that are seen as being relevant to your organization's needs. There are several other useful screening tests that can be applied, and some of these will be discussed in more detail in Chapter 4, if the process proceeds to Stage D. The following tests and questions are designed to help to determine if the service/organization should be a candidate for change.

a) Public Interest Test¹⁰

Does this service/organization continue to serve a public interest directly or indirectly by ensuring a more efficient or effective Public Service?

¹⁰ This is one of PCO's six *Program Review Tests*, the others will be examined in Chapter 4.



This test is intended to answer the questions of whether the organization is delivering a service that is essential to meeting the future needs of Canadians and whether continued direct delivery is necessary to fulfil the legal mandate of the Department?

Q1.5 Is the current manner in which this service is delivered the **only way** that it can **continue to support**:

Yes No

- | | | |
|-----------------------|-----------------------|--|
| <input type="radio"/> | <input type="radio"/> | CCG's <i>raison d'être</i> (as seen through its mandate, values, mission, vision and strategic objectives)? |
| <input type="radio"/> | <input type="radio"/> | The values, mission, strategic objectives, etc. of other portions of DFO (where applicable)? |
| <input type="radio"/> | <input type="radio"/> | Overall DFO values, mission, strategic objectives, etc.? |
| <input type="radio"/> | <input type="radio"/> | The government's main reason for being involved in ensuring that this service is delivered (whether directly or indirectly)? |
| <input type="radio"/> | <input type="radio"/> | Other federal policies and goals? |
| <input type="radio"/> | <input type="radio"/> | Canada's stated international obligations and goals (if applicable)? |

If the answer to any of the above is yes, please explain:

b) Alternative Provider Test

If the government is not required to directly provide a service, but must continue to ensure delivery of the service, are there other existing or potential suppliers available to provide the service on a competitive basis?

Transferring the delivery of the service to one or more private sector entities does not necessarily relieve the government from its obligation to ensure that delivery takes place in accordance with such standards as it develops. In this case, the government's role in the delivery changes from one of "process control" provider to one of a "results-based" purchaser. As such it is necessary to consider the potential impacts of such a change as well as the more obvious cost benefits.



Q1.6 If private sector provision is being considered for this service:

Yes No

- ☐ ☐ Is private sector provision being considered only for a particular location/region?
- ☐ ☐ Is local presence for a firm required for provision?
- ☐ ☐ Are there currently private sector providers or firms capable of providing this service?
- ☐ ☐ Can the service be provided on a competitive basis (i.e., is there likely to be more than one supplier)?
- ☐ ☐ Would the government provider relationship allow for clear criteria, rules and meaningful performance measures to be set on how, when and where the service is to funds can be invested?

As can be seen from the above, simple contracting-out where there is local provision is not likely to greatly impact on other portions of CCG. However, where major reforms are being undertaken, other costs, impacts and risks become much more important considerations.

c) Cost-effectiveness Test

At this stage, what is being looked for is rough order of magnitude estimations. If the expected savings are found sufficient to justify the resources to move on to a more in-depth review, detailed costing will be done in Stage C (Chapter 3)¹¹.

Q1.7 Expected savings:

- ☐ What is the approximate budget of this service? _____
- ☐ What are the expected savings in terms of the overall budget (i.e., Less than 10%, 10-20%, 20-30%, greater than 30 %)? _____
- ☐ Would private sector provision allow for retention of critical resources (skills and capital) on a cost-effective basis? Yes___ No___
- ☐ Would additional CCG personnel be required for oversight services and quality control? Yes___ No___

¹¹ In some cases policy considerations can override apparent cost savings.



d) Risk Test

This test examines some of the primary risks that the organization and the government might face as a result of either going ahead or not going ahead with the potential service/organization changes.

If what is being considered is essentially a commercial venture, albeit one that supports specific government policy and objectives, it is essential that the Crown have the potential to be held harmless from the non-sanctioned actions of the new provider. At the same time, because the government remains identified as being the party ultimately responsible for the provision of the service, it is essential that the organization operate under a set of rules that recognizes the federal government's authority and obligations in specific areas. Risks, therefore, take both monetary and political form.

Q1.8 What are the potential **monetary risks** associated with having another party deliver the service:

Yes No

- ☐ ☐ Would a new service provider allow the federal government limited liability with regard to its operations?
- ☐ ☐ Would an alternative arrangement allow for a decision process that facilitates investment decisions being made in a flexible and timely manner?

Q1.9 What are the potential **political risks** associated with having another party deliver the service:

Yes No

- ☐ ☐ Would having a new provider allow the federal government to continue to be able to ensure that its overall policies, objectives and international obligations are being followed?
- ☐ ☐ Would having a new provider continue to support the Minister's other Portfolio constituents (department and agencies)?

If the answer to either of the above questions is No, please explain:



- ☐ ☐ Would naming a single private sector provider impact negatively on other potential suppliers? If yes, please explain:

1.4 NEXT STEPS

After undertaking this preliminary review of the potential service delivery innovation opportunity and the identification of objectives for the services through the series of questions, your responses should be used to assist in assessing the merits of this service as a candidate for improvement and change. Based on your responses assess whether this is a good candidate for changes from the status quo.

Once an innovation opportunity has been identified and the need confirmed to explore the service delivery options in more depth this is the trigger for a more complete service delivery options analysis. The following parts of this tool found in Stages B – F describe the components of such an assessment. The options analysis tool is geared to logical and transparent examination of a series of options that could be suitable to address the service delivery opportunity identified.

1.5 COMMUNICATIONS CONSIDERATIONS¹²

Communications are an essential part of each step of the process, but can differ widely in their content at each stage.

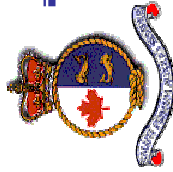
At this initial stage it is important to be open and transparent in the identification of the services which are being considered as possible opportunities for innovation. The individuals who are intimately involved with the services under consideration will likely be concerned and should be briefed on the process that is being followed in the assessment of the service for possible changes and why. Indeed these individuals may be the source of valuable information to be used in the assessment. If the service is indeed identified as worthwhile reviewing in more depth then there should be a briefing or a communique explaining the next steps. Transparency from the start of the review and analysis process can go a long way to easing the introduction of any change.

¹² Developing the Communication Plan is Step 4 in the DFO ASD process. In the Business Case Assessment (BCA) approach, various communications needs are treated as an integral and essential part of all BCA Stages.



1.6 IDENTIFYING AND SCREENING OPPORTUNITIES: SUMMARY

	Organizational Reviews [Larger (and/or CCG-wide) and Organizational Change (complex and/or sensitive)]	Service Delivery Reviews [Smaller (local) Service Provision Change (few complex or sensitive issues)]
Key Focus	<ul style="list-style-type: none"> Support of CCG/DFO/Gov. strategic and operational goals and needs 	<ul style="list-style-type: none"> Primarily good business practices with emphasis on most efficient (cost and otherwise) provision of services
Primary Objectives	<ul style="list-style-type: none"> Identify, review and prioritize organizational units with greatest potential to benefit from and to provide benefits from such change. 	<ul style="list-style-type: none"> Identify, review and prioritize potential for internal (MEO) and external (MOB/partnering) service improvements
Working Group	<ul style="list-style-type: none"> Departmental Committee of managers familiar with overall CCG/DFO strategic needs, goals and operations 	<ul style="list-style-type: none"> In-house panel of managers familiar with how services fit into overall activity and CCG/DFO operations
Review Group(s)	<ul style="list-style-type: none"> Senior Management Committee with <u>authority to decide</u> on potential candidates and assign resources. Agreement of Deputy Minister and Minister should be sought. 	<ul style="list-style-type: none"> Management Committee with <u>authority to decide</u> on potential candidates and <u>assign resources</u>.
Typical Criteria And Issues	<ul style="list-style-type: none"> Potential strategic and operational support Ability to separate out policy functions Potential costs/benefits Unacceptable risks 	<ul style="list-style-type: none"> Demonstrable efficient and effective service improvements Potential costs/benefits Transition costs/concerns Ease of implementation Unacceptable risks
Key Decisions	<ul style="list-style-type: none"> CCG organizational units to be screened for potential Potential candidates that will be subject to in-depth review for organizational change Commitment of resources to in-depth review 	<ul style="list-style-type: none"> CCG services to be screened for potential Potential candidates that will subject to additional review for internal (MEO) service improvements Potential candidates that will subject to additional review for external (MOB/Partnering) service improvements Commitment of resources to additional review
Timing for Stage A	≤ 1 month	≤ 1 month
Business Plan Implications	<ul style="list-style-type: none"> Announced CCG candidates and change objectives must be consistent with stated CCG, DFO and overall government strategic objectives Business Plan announcements should reflect information at decision points 	<ul style="list-style-type: none"> Announced CCG candidates and change objectives must be consistent with stated CCG, DFO and overall government strategic objectives Prioritization of potential candidates should be consistent with TBS MEO and MOB Guidelines Business Plan announcements should reflect information at decision points



1.7 CONTACTS FOR ADDITIONAL HELP

(Will need some help from CCG identifying the internal resources)

1.8 REFERENCES

Alternative Service Delivery Framework, Fisheries and Oceans Canada, January 18, 1999,

Program Review Tests, Privy Council Office, 1994

Framework for Alternative Program Delivery, Treasury Board Secretariat (http://www.tbs-sct.gc.ca/Pubs_pol/oepubs/TB_B4/FR_e.html)

A Policy Framework for Service Improvement in the Government of Canada, Treasury Board Secretariat (http://www.tbs-sct.gc.ca/pubs_pol/sipubs/si_as/pfsi_e.html)

How to Guide, (http://www.tbs-sct.gc.ca/si-si/sii-ias/howto/index_e.shtml)

Reporting Guidelines, (http://www.tbs-sct.gc.ca/si-si/iqs-isq/guide/guidelines_e.htm)

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DND Policy –Alternative Service Delivery, Vice Chief of Defence Staff 1995 (updated) (http://www.vcds.dnd.ca/dgsp/dsc/asd/intro_e.asp)

Alternative Service Delivery in the Ontario Public Sector, Ontario Public Service Secretariat (<http://intra.gov.on.ca/CFL/extra/asdindex.htm>)



2.0 STAGE B: SETTING UP THE PROJECT TEAM AND REVIEW PROCESS

The activities described in Section 1.0, Stage A, establish that a potential opportunity for service innovation exists, and documents the department's defined objectives for the success of the innovation. Stage B involves setting up the project team and the process to be used in exploring the opportunity further, including the overall review and oversight within the department of the options analysis undertaken and recommendations for senior management consideration.

Stage B involves setting up a multi-functional Project Team and defining the responsibilities for various components of the work to be undertaken. The first step in this Stage will be to establish the key objectives and the proposed composition of the Project Team to meet that objective. An effective Project Team is critical to the successful conduct of the analysis, validation, and preparation of recommendations. This team must have:

- Clear objectives provided by senior management;
- Active interest in and engagement by senior management on the Service Delivery Option (SDO) initiative;
- Full support of management at all levels;
- Adequate resources;
- Appropriate priority;
- A proactive communications strategy which involves senior management as an audience as well as communicators, both inside and outside DFO; and
- Commitment of the key stakeholders to examine service delivery options for delivering and receiving the service under consideration

At the conclusion of Stage B there should be a Project Team with clearly defined objectives and reporting lines that can then be introduced to affected managers and employees as a precursor to establishing their understanding and co-operation for the initiative. That team should be composed of dedicated resources representing the full range of skills, knowledge and interests necessary to undertake the analysis under a project leader and an identified project champion. This Stage should set the scene for successful completion of Stages C through F.



2.1 PROJECT TEAM - OBJECTIVE

The key objective of this Stage is to build a team that is able to undertake the necessary analysis to make an informed and well-considered recommendation supported by a strong case for a preferred delivery alternative.

Ideally, such a project team would include dedicated team members with the time and the necessary knowledge and experience to cover off the various topics to be considered during the course of the option analysis and review process. Other resources contributing a specific expertise can be called on to join the team to deal with specific issues.

At the end of this Stage, the Project Team will be formed and will have an approved Project Charter that describes the objectives and statement of work for the analysis, the work plan and schedule, the roles and responsibilities and a listing of the Team's available resources.

2.2 COMMITMENT FOR THE SERVICE DELIVERY OPTIONS ANALYSIS

A key aim of this stage is to build commitment among stakeholders at all levels within DFO who will be impacted by or involved in the options analysis. Commitment is essential in order to ensure that all views are heard and respected. 'Buy-In' is also necessary to ensure that the Project Team obtains the most complete information possible, on which to build its analysis and recommendations.

Support for the SDO review and analysis initiative can only be achieved through active participation and leadership of senior management. An effective communication strategy and plan must be developed and implemented to deliver a consistent message of assurance to all employees who could be affected by any changes being considered. Those messages must be adopted by senior management as well. A key element in achieving the necessary commitment is the designation of a project champion at the senior management level who is at that table to take the analysis forward with the necessary commitment.

2.3 DEFINING THE PROJECT TEAM

The Project Team is the most important functioning element of the individual SDO analysis and review initiative. It does not perform its duties in isolation but rather through active dialogue with stakeholders at all levels of the affected DFO organization, external clients and suppliers, and in some cases, the public at large.



To build a successful Project Team, the Project Leader who is tasked with the development of the options analysis must answer the three key questions posed within the DFO Guide for Considering Alternative Service Delivery, namely:

- 1) What expertise is required to successfully complete the analysis?
- 2) How can this expertise be obtained in a reliable, timely and cost-effective manner?
- 3) Does DFO have the resources (time, space, and budgets) to effectively and objectively carry out the analysis?

No general template can be created for the composition of the Project Team, as each SDO initiative will be somewhat different. Roles that are valuable to have staffed on a project team beyond the project leader would include project manager, financial and costing expertise, HR management, administrator (keeper of project information), subject matter experts, and a dedicated communications expert. Composition of the Project Team will also be driven by the resources and time available, but, ideally, these key roles should be filled by internal dedicated resources and some part-time team members. The team can then be supplemented by external resources to complement and fill any gaps or need for special expertise. By providing for dedicated resources the SDO analysis can be started and completed in a timely fashion while allowing for the necessary consultations and information gathering necessary to support a strong analysis.

Generally, membership in the Project Team for a larger project with department-wide implications¹³, should reflect:

- 1) A mix of personnel from all key disciplines from the National HQ and Regions from the sponsoring organization. This will usually be the organization responsible for the service delivery; (subject matter experts)
- 2) National and Regional representation from the internal organizations that are most directly involved in supporting the sponsoring organization in the service delivery;
- 3) The DFO support Groups that could be affected by any changes in the method of service delivery (DFO Corporate Services, Finance, DFO HR and Communications staffs etc.);

¹³ Smaller initiatives or those of primarily regional impact might not require the same breadth of cross-department representation, but the key roles and areas of expertise are likely still called for.



- 4) Organizations within DFO and CCG that can provide detailed information and knowledge of the impact and considerations associated with an innovative method of service delivery;
- 5) A representative of the Alternative Service Delivery (ASD) Centre of Expertise;
- 6) A representative from any potential inter-departmental partners, as and when appropriate, if the SDO initiative is likely to consider an Interdepartmental Partnering option; and
- 7) A representative of the service delivery client, as and when appropriate.

2.3.1 CCG POINTS OF CONTACT.

The Project Team will have to actively seek out points of contact both the National and Regional levels who can provide quantitative and qualitative information necessary for the analysis. Areas of expertise that the Project Team will need to involve directly in the work of the project team would include¹⁴:

- 1) Regional service delivery experts;
- 2) Financial specialists;
- 3) Contracting specialists;
- 4) Communications officers;
- 5) Information Management experts; and
- 6) HR officers.

¹⁴ Ideally some of these representatives could be part-time members of the project team and attend regular status meetings in order to better understand the full scope and implications of the project and its objectives.



2.4 DEFINING THE PROJECT REVIEW ORGANIZATION

Stage B also involves the establishment or confirmation of an overall oversight and co-ordination process within the department. This would cover the review and analysis of the particular service delivery opportunity identified in Stage A, the briefing of senior management, the milestones and review points for any steering committee, and the identification of the decision-making group to receive and consider the output from the SDO analysis. It is important to confirm the process to be followed for the review of the project team's future work on the options analysis in the early stages as the project team is developing its project charter and related work plans. Maintaining the right level of sharing of findings from the analysis with senior management of the department throughout the entire SDOA process is an essential component of the communications strategy. This sharing of findings will ensure buy-in and timely re-direction and guidance as necessary.

For SDO initiatives that have National level implications, a well-defined project organization is needed to ensure thoroughness of the analysis and consultation among all appropriate stakeholders. For Regional or local SDO initiatives, a more modest organizational structure would be used. The main elements to be provided for in a project review organization and process generally include: the decision-making group who consider the recommendation and output of the SDO Analysis; a steering committee which includes the project champion as a member; and, the project team that is undertaking the analysis and seeking direction or guidance from the other two components during its period of operation.

In DFO the Project organization for a National level initiative would likely involve the following component levels:

- 1) The Departmental Management Committee (DMC), which sets departmental policy on SDO and reviews for recommendation to the Minister all major SDO initiatives;
- 2) A Steering Committee, which identifies the improvements (success objectives) that management wishes to achieve by use of SDO for a particular candidate service / business opportunity;
- 3) A Project Team, which conducts the detailed analysis described the remaining sections of this SDOAT for the particular candidate service



2.4.1 DEPARTMENTAL MANAGEMENT COMMITTEE.

Authorizes the formation of a Steering Committee responsible for offering direction to a project team to examine an SDO opportunity. Reviews SDO initiatives at the onset and after analysis has been completed in the broadest context to confirm:

- 1) Compatibility with government objectives, DFO vision and mandate;
- 2) Contribution to satisfying client requirements;
- 3) Contribution to efficiency, effectiveness and quality of service;
- 4) Potential to engage and integrate stakeholders in the new service delivery method;
- 5) Contribution to ensuring departmental control and accountability;
- 6) Potential for risk or adverse impact, particularly related to DFO employees currently providing the service.

2.4.2 STEERING COMMITTEE

Established by the DMC to ensure that departmental objectives are interpreted and applied correctly, and to evaluate the findings and recommendations of the SDO analysis. Provides guidance on the content and approves the Project Charter. Monitors progress of the Project Working Team and provides executive level direction where required. Reviews and approves the SDO analysis for submission to DMC.

The SC will normally be chaired by the ADM whose branch would be the primary beneficiary of the SDO. Membership of the SC should consist of appropriate Directors General from:

- 1) The sponsoring organization (usually the DG responsible for the current delivery of the service);
- 2) Other National level DFO branches impacted by the proposed SDO initiative;
- 3) DFO Corporate Services;
- 4) DFO Region(s)



- 5) OGD or other level of government (OLG) clients or service providers that would be significantly impacted by the proposed SDO initiative, as and when appropriate; and,
- 6) Treasury Board Secretariat (TBS) or the Department of Finance, as and when appropriate.

2.4.3 PROJECT TEAM

The project team under the direction of a project manager is responsible to carry out the detailed analysis of the service delivery opportunity, including drafting of the Project Charter, Project Plan and Communication Plan for SC approval. The team performs all data collection and analysis necessary to develop a well-balanced and researched analysis of the service delivery options for the opportunity identified in Stage A. There will also be a Project Leader and “Champion” who is normally a manager or Director of the organization responsible for the services. The Project Leader as principal project champion is responsible for delivering the completed analysis and recommendations to the SC within an agreed time, scope and budget. The project team through its Project Leader would brief the Steering Committee at key pre-determined milestones throughout the analysis process.

2.5 ALTERNATIVE SERVICE DELIVERY – CENTRE OF EXPERTISE

Within DFO Corporate, the ASD Centre of Expertise is available to assist managers at all levels who are examining the possibility of service delivery alternatives. The Project Team should consult with the Centre of Expertise early in their mandate to obtain guidance and assistance.

The Centre of Expertise can assist the Project Team through the DFO ASD Network and by introducing team members to other managers who have considered similar service delivery challenges. The Centre of Expertise can also assist the WG in defining the clients’ needs and in identifying tools available to explore the range of SDO.



2.6 COMMUNICATIONS

Once the Project Team has been set up and work on the service delivery options analysis can begin this is a key communications point at which to keep individuals who could potentially be affected by the study and their representatives up to date on progress and next steps. The presentation of the project charter and work plan to the steering committee should also serve as a communications point to senior management audience within the Department.



3.0 STAGE C: DEVELOPING THE BASELINE AND SUCCESS CRITERIA

Chapter 1, Stage A confirmed that a potential opportunity for service innovation exists, and documented the objectives of senior management for the success of the innovation. Stage C goes on to develop and document a full activity description of the existing baseline and success criteria based on those objectives.

The detail developed at this stage should include the identification and documentation, in appropriate detail, of:

- 1) The range of activities conducted in delivering the service;
- 2) Business Processes: Inputs, Outputs and relationships to other activities and processes;
- 3) Required Levels of Service (LOS) and related performance requirements;
- 4) Costs and financial data;
- 5) Resources (Human Resources (HR), infrastructure and materiel);
- 6) Critical Success Factors, both existing and desired; and,
- 7) Assessment criteria and a framework within which a comparative analysis of selected options can be conducted.

Stage C should result in a clear consensus understanding of the “As Is” state. This provides the basis for comparing options.



3.1 DEFINING THE RANGE OF ACTIVITIES

The key objective of this step is to identify the range of activities performed by CCG in delivering the service. This step provides a high level description of the service and the component activities that comprise the service. The activities can be described in terms of the requirement, the activities performed to meet the requirement, and the required results. This section serves as a framework for the more detailed analysis described in the remainder of Stage C.

The description can be in a narrative format that describes the service in overall terms. The description should clearly describe the overall purpose of the service and show the linkage to the overall CCG mandate.

The description should address the way the service is currently being performed: the “As Is” state. This information can be obtained through reviewing procedural documentation and interviewing personnel involved in delivering the service. At this stage, opportunities might be identified for improved ways of doing the business. These can be noted for future reference, but should not be included in the “As Is” description.

3.2 BUSINESS PROCESS DESCRIPTIONS

The aim of this stage is to produce accurate descriptions of the component activities of the service, at a level of detail sufficient to permit a clear consensus understanding of the “As Is” state, and a foundation for the development of an accurate cost baseline. The level of detail required will depend in part on the size and complexity of the service. For services of more limited scope, narrative descriptions supported by simple flowchart graphics might be sufficient. For larger and more complex services, a more formal business process modelling methodology, supported by a more elaborate set of tools and requiring a greater investment in time and resources might be required.

Process descriptions are normally the product of workshop activities involving stakeholders from various groups, including service providers, recipients of the service, policy makers and associated groups with an ancillary interest in the service. The use of focus groups is an effective way to gather this information.



This stage of the analysis describes the activity under review in terms of outputs and then details all those factors that contribute to the output. This is part of the scoping process. This is a necessary preliminary activity to any baseline costing. Process descriptions provide not only a description of how the service is currently performed, but describe outputs and linkages to other processes that might not be an integral part of the service under review. This can be an opportunity to identify other candidates for optional service delivery.

The effort devoted to this phase should be commensurate with the expected benefits. However, whatever the level of detail that is deemed appropriate, sufficient effort must be applied to ensure accuracy of the descriptions. The importance of properly defining the scope of the service cannot be overemphasized, because it invariably affects the identification of cost. The output of this process will be a key component of the baseline against which optional means of providing the service will be measured.

3.3 LEVELS OF SERVICE (LOS)

Defined LOS are essential to measure the effectiveness of service delivery. Service requirements are initially determined at a higher level by the needs of the program supported by the service. These high level needs are refined into measurable standards through a process of discussion and negotiation between the receivers of the service and the providers of the service. The more formal, agreed service requirements are referred to as LOS and ideally are documented via Memorandum of Understanding, Service Level Agreement, Business Accords, or equivalent documents.

LOS should be described in unambiguous terms that are clearly understood by the parties involved. They should accurately describe the required outputs in concrete terms, such as response times, systems availability, and cost. They should be measurable, and subject to a process of monitoring and review. They should contain mechanisms for feedback and dispute resolution.

Well-defined LOS agreements are essential to the baseline description of the service. They form part of the “As Is” state, against which any optional means of delivering the service must be measured.



3.4 COSTS AND FINANCIAL DATA

The aim of this section is to describe the rationale and process for identifying the costs of providing the service. This section contains a high level description of a costing framework, methodology, and cost factors to be considered. This section provides an overview of factors to be considered¹⁵.

3.4.1 COSTING PRINCIPLES¹⁶

A basic and critical concept is that the assessment of the costs of delivering the identified service under the current delivery method and the options being considered should be based on the same well-defined level and quality of service.

Costs refer to resources expended to achieve a particular result such as the delivery of a service or product. They normally include expenditures for more than one fiscal year. The costing process should be based on the following basic principles:

- 1) **Relevance of the Cost:** Only those costs that would differ between the options (e.g., In-house service delivery or Contracting Out) are **taken into consideration in the analysis**. Costs that remain the same regardless of the mode of delivery need not be calculated.
- 2) **Fairness of Comparison:** The objective of each financial evaluation is to provide a firm and fair basis for comparing the existing costs to the Government of delivering a targeted service to the costs of delivering the service by optional means. For example, in the case of overhead costs, those portions of the costs that are sensitive to the optional means of service delivery and savings that are realistically achievable should be accounted for in the analysis.
- 3) **Same Level of Service Compared:** There should be no significant difference in the level and quality of the service when comparing the costs of delivering the service under the two options.

¹⁵ For detailed information the following representative listing of references is provided: *A Costing Methodology for Make Or Buy Analysis of Government Services*, Treasury Board 1996 (DFO/CCG Guidelines as appropriate)

¹⁶ References: TB Costing methodology, DND ASD Costing Guidelines



- 4) **Avoidable Costs**: The full costs of all resources expended in support of a targeted service must be identified. However, only cash outflows and inflows that are avoidable if CCG undertakes an initiative are relevant in the decision making process. Full cost includes both avoidable and non-avoidable costs. Avoidable costs are those that would not be incurred if the targeted service ceased to exist.
- 5) **Opportunity Cost**: The value of an existing asset used by a targeted service must be considered when an appropriate value can be assigned to it for its best alternative use. Best alternative uses may include being used elsewhere in CCG, in another Department, or being sold to the private sector. The value of the use that is foregone should be considered. This value should be based on a reasonable and achievable market value. In cases where there are no market value and no reasonable alternative use, the asset may be excluded as a “sunk” cost.
- 6) **Period of Comparison**: The ideal period of cost comparison is five years. Data covering a shorter period will present the risk of one-time conversion costs distorting the potential savings accruing to CCG. Comparison periods in excess of five years are subject to an increased level of uncertainty due to program changes, etc.
- 7) **Basis of Comparison**: The financial analysis should use the present value of cost estimates over the period of comparison. This will permit a valid comparison of the costs of differing options and will provide decision makers with a clear indication of the financial implications of each option. The Department of Finance Crown Corporations borrowing rate should normally be used as the discount rate.

3.4.2 COST CATEGORIES

The basis to be used for costing the in-house service delivery should be the “most efficient” scenario. This might be, in the manager’s view, the current way of operations. It might alternatively be some other means, (as a result of a special study or in the manager’s estimation) which would offer “most efficient” delivery. If the alternative scenario is used for in-house costing, regardless of the option ultimately selected for delivery of the service, managers involved are expected to implement necessary changes on a timely basis that will lead the organization to the most efficient state. Cost categories that should be considered include:



- 1) **Personnel Costs:** All personnel costs, either directly or indirectly associated with the target activity must be included in this cost category. Personnel costs include salary, wages, severance pay, and allowances such as uniform or environmental allowances. Personnel costs should be based on the number of Full Time Equivalents (FTE) and include incremental staff required to perform the targeted service. Where personnel are not dedicated full-time to the targeted service, the associated costs should be pro-rated accordingly.
- 2) **Operations and Maintenance (O&M) Costs:** These are the recurring non-personnel costs incurred in the provision of the targeted service. O&M costs are often incurred and accumulated at organizational levels higher than the targeted service. Only the portion of the costs applicable to the targeted service should be computed or estimated when calculating O&M costs. O&M costs consist of the following subcategories:
 - (a) **Material and Supplies:** These are costs of all raw materials, parts, subassemblies and components required in providing the targeted service
 - (b) **Repair and Maintenance:** These are costs for repairing and maintaining equipment in normal operating condition
 - (c) **Other Costs:** Any other O&M expenditures that have not been specifically included should be included here. At a minimum, all capital assets with a current net realizable value of less than \$5,000 are considered minor items and should be lumped together in this costing category
- 3) **Facility Costs:** Facility costs include the costs of maintenance, rent, electricity, heating, and utilities related to CCG buildings. In cases where rent is paid, it should be included under facilities costs. If CCG pays the rent, then it should be included under Facility costs. If PWGSC pays the rent, it should be included as a Non-CCG cost. Where facilities are unique to CCG and have no alternative use in the private sector, rent should be excluded and treated as a “sunk” cost.
- 4) **Capital Costs:** This component includes both existing and new capital assets. In accordance with the opportunity cost principle, existing assets should not immediately be considered a “sunk” cost. The cost breakdown should contain a listing of all existing capital assets used in providing the service. The list should include the assets’ net realizable value and its estimated net realizable value in five years.



- 5) **Overhead Costs:** Overhead includes all indirect and non-personnel support provided to a targeted service that has not been captured in other costing categories. There are three categories of overhead:
- (a) **Service Overhead:** Service overhead costs include all the O&M costs incurred in performing functions that are not directly involved in delivering the targeted service but which support delivery activities. Such costs might include cleaning supplies and local travel costs.
 - (b) **Support Overhead:** These are costs of other activities that support the targeted service. Examples might be procurement support, financial support, and administrative support.
 - (c) **Headquarters Overhead:** These are costs incurred at a higher level in support of a lower level organization. These costs are sometimes referred to as Corporate General and Administrative overhead.
- 6) **Non-CCG Costs:** Other departments incur costs in support of CCG targeted services. These costs must be identified and included in cost comparisons. This cost category would include, at a minimum, the personnel statutory benefits such as pension contributions, CPP, UI, etc., which are paid by Treasury Board on behalf of CCG employees. (The Personnel Cost category would not include any statutory benefits).

3.5 CRITICAL SUCCESS FACTORS

The previous steps should result in a clear understanding and documenting of the “As Is” state of the targeted service, including the Levels of Service desired and achieved under in-house delivery. The baseline description should then go on to confirm and refine if necessary the success objectives related to the options analysis.

3.5.1 SUCCESS OBJECTIVES

Everyone involved with the review must have a clear understanding of what is to be achieved by delivering the service through optional means as opposed to the current delivery mechanism. These are the factors that will first justify transferring the service from the current delivery mechanism to an optional one, and later contribute to determining if a transformation has been successful.



Everyone involved with the review must have a clear understanding of what is to be achieved by delivering the service through optional means as opposed to the current delivery mechanism. These are the factors that will first justify transferring the service from the current delivery mechanism to an optional one, and later contribute to determining if a transformation has been successful.

Success objectives are the results expected once the optional means of service delivery has been implemented. These are a qualitative and/or quantitative refinement or subset of the goals set by senior management at the outset of the analysis. Success objectives normally relate to one or more of the following:

- 1) Increased efficiency;
- 2) Increased cost-effectiveness;
- 3) Improved quality of service provided;
- 4) Improved client/customer satisfaction;
- 6) Improved work environment.

3.5.2 ASSESSMENT CRITERIA

Assessment criteria are used to assess the feasible options against the various review goals and success objectives. They allow qualitative and/or quantitative measurement of the extent to which each feasible option meets the desired objectives.

Assessment criteria will likely be of three types:

- 1) Financial criteria: This might take the form of specific targets for cost savings under the optional service delivery method. Effective use of these criteria depends on the availability of reasonable baseline and transition costs.
- 2) Implementation-related criteria: These might include the level of difficulty, risk, or impediments (legal, political, financial or other) incurred in transferring from the current method of delivery to the selected option.
- 3) Other criteria: These might include factors such as access to capital funds, technology, training requirements and infrastructure limitations.



3.5.3 ASSESSMENT FRAMEWORK

In preparation for Stage E, the comparative options analysis, the information related to CSF should be applied to the development of a framework for the systematic comparison of options. A suggested framework is shown below.

Assessment Criteria	Success Objectives		Success Factors	
	Critical	Desired	Critical	Desired
Financial				
Implementation				
Other				

3.6 COMMUNICATIONS

In Stage C the project team should also identify any underlying assumptions that were used in the development of the baseline information and the success factors and criteria. At the conclusion of Stage C the project team would likely want to share their preliminary description of the baseline information “AS IS” state, as well as the assessment criteria contemplated with the Steering Committee members as well as the current service providers. This would operate as a confirmation and check of any assumptions and provide an opportunity for correction if required.

3.7 REFERENCES



4.0 STAGE D: IDENTIFYING AND SCREENING POTENTIAL INNOVATION OPTIONS

Chapter 3, Stage C, was meant to allow the reader to refine the identification of service delivery needs and objectives that any new delivery arrangements, or improvements to the existing arrangements, must be able to deliver. Too often there is a mistaken belief and temptation to look at one option with appealing capabilities and try to fit your needs to that option. However, it is essential to understand and accept that **specific innovation options are never goals unto themselves, but rather are reflection of the needs identified by service providers and their stakeholders**. Chapter 4, the identification and screening of potential innovation options, follows from and is dependent on those needs and objectives initially identified in Stage A and refined in Stage E.

4.1 IDENTIFYING FEASIBLE OPTIONS

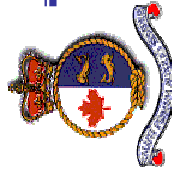
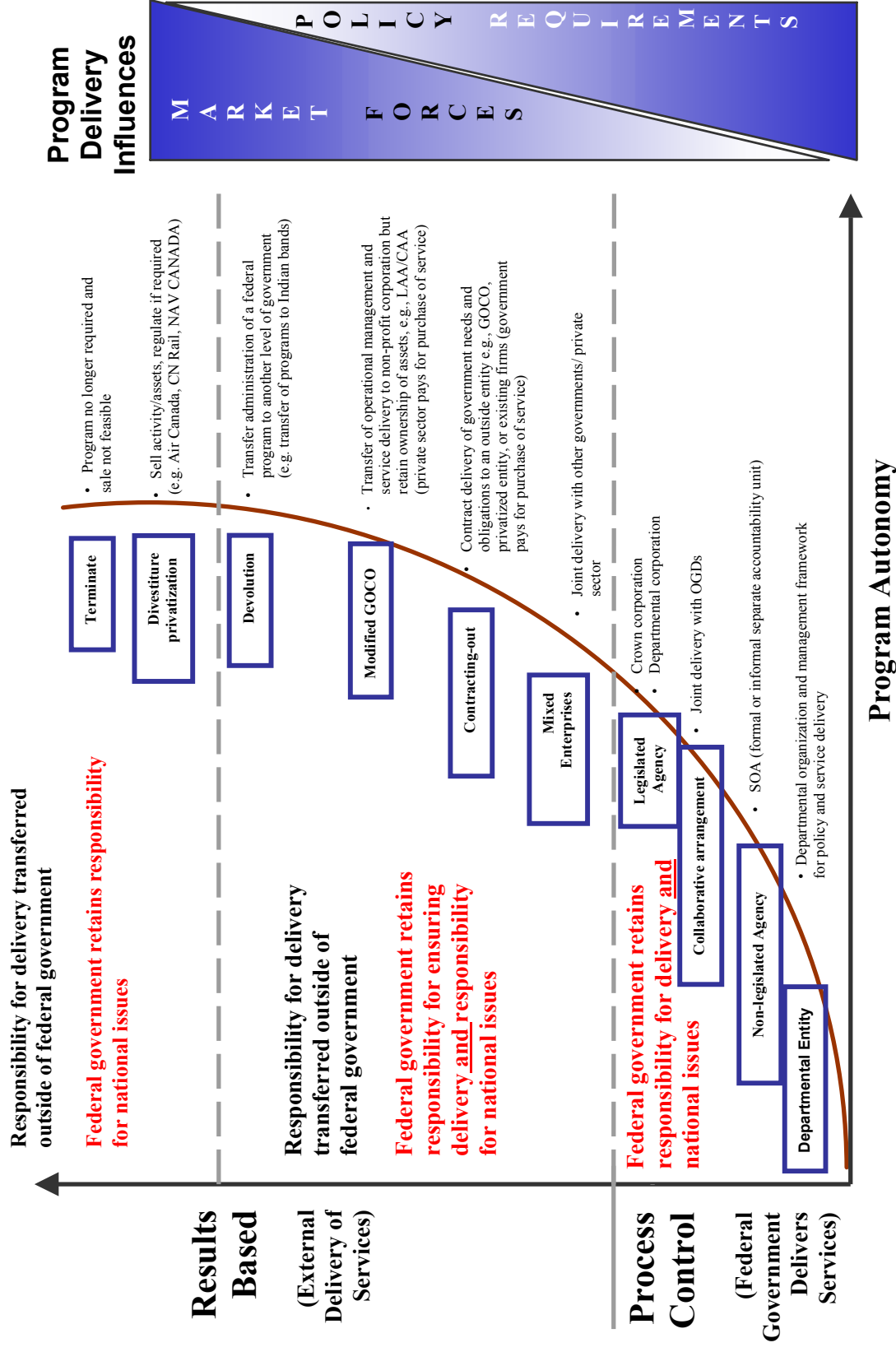
The range of available options theoretically available in any situation starts with the existing organization or arrangements (status quo) as the baseline against which all other options will be compared. *Potential* alternative arrangement options move along a continuous domain that runs from the internal improvements to the existing entity (modified status quo) through to a government decision to simply cease providing the service (termination). However, the number of *feasible* service delivery and/or organizational options, defined as being the type of entity that can practically deliver the service in question while responding to its own and other stakeholder needs, is usually considerably more limited.

A graphic interpretation of the types of options that are possible, based on autonomy from central departmental control, the provider of the service and the applicability of market forces is shown in Chart 4.1¹⁷. While specific organizational models are shown along the curve, in reality most solutions are hybrids, incorporating features from other models where advantageous and allowed by legislation.

¹⁷ Detailed definitions and characteristics of each of the models, including a detailed partnering checklist have been developed by CAC and will be provided for on the CCG/DFO website. The tables are large and detailed and do not easily lend themselves to inclusion in an Annex.



Chart 4.1: Service Delivery Options (Hybrids Possible)



There are effectively two different types of organizational options. Where it is necessary for the Federal government to retain responsibility for both *delivering* services and making policy on national issues, this implies that the government needs to have process control over the actual delivery as well making the policy that determines the requirement for that service. This normally applies primarily to situations where the services in question do not have commercial applications and are not subject to competitive market forces.

The second type of service is one where the government can effectively deliver its responsibility making policy on national issues while *ensuring* that the services are delivered. This changes the government's relationship with its supplier from one of process control to one of a results-based client. It is effectively a contract relationship where the government has an oversight role to ensure that agreed upon results are delivered. A results-based relationship normally requires the availability of a well-developed competitive market to ensure a cost-effective supply base. Where the market conditions have evolved to the point that the government no longer is required to ensure delivery it may still wish to ensure regulation of industry.

Service delivery options and organizational options are not always the same. Some service delivery options are not limited to a single organizational form. For example, contracting out of specific functions can be done through most organizational structures and, unless there is a policy reason for maintaining government delivery, is normally a question of good business sense to consider the benefits of such an option.

4.1.1 BASIC ORGANIZATIONAL MODEL DEFINITIONS

1) Departmental Branch (non-legislated)

A departmental branch is not a legal entity and can only operate under existing legislation. (If the Branch is the current model, it becomes the base against which all required improvements are compared)

2) Special Operating Agency (non-legislated)

An SOA mirrors a branch's accountability to the Minister, through the Deputy Minister, and enhances it through the Framework agreements (Charter Document and Business Plan) that are negotiated with the Deputy Minister and approved by the Minister and Treasury Board. An SOA can facilitate some mandate precision, stability and required flexibility within existing legislation. This model is normally used to give greater operational autonomy to the organization, but its retention within the Departmental framework presupposes its retention for general accommodation of policy development on complex issues, responsiveness to departmental and government-wide policy priorities, and related advice to the Minister. SOAs could



operate in a competitive market environment, but they remain subject to the restrictions imposed under general policies such as the *FAA* and Treasury Board's Policy on User-Charges and Pricing, and financing restrictions on revenue retention, borrowing, etc.

3) Non-corporate Agency (legislated)

Non-corporate agencies are generally branches of departments listed under Schedule 1.1 of the *Financial Administration Act (FAA)* and treated as separate departments for the purposes of that Act. Normally these organizations have separate legislation that establishes them, but the legislation has always been within the boundaries imposed on departmental organizations, e.g., it is not a "legal entity" in its own right. A legislated agency without corporate form would have the advantage of legislated, formal and long-term mandate precision, and presence within the Minister's mandate portfolio. However, restrictions generally applicable to departmental forms would restrict the ability of this model to facilitate legal partnerships, borrowing, etc. If an entity with a strong commercial nature is under consideration, the legislated non-corporate agency cannot offer the benefits of a corporate "legal entity" nor does it provide sufficient unique characteristics over an SOA that would necessarily require separate consideration within a comparative study.

4) Departmental Corporation (legislated)

Recently several new Agencies have been created (Canadian Food Inspection Agency, Parks Canada and Canada Customs and Revenue Agency). All of these are departmental corporations, legislated corporate bodies that are considered as departments for purposes of the *FAA*. In accordance with the *FAA*, creation of departmental corporations is limited to those entities that perform "administrative, research, supervisory, advisory or regulatory functions of a governmental nature". As the commercial nature and purpose of many contemplated entities do not meet this definition, such a model would not be possible, barring the unlikely instance of major changes to the *FAA*. In such cases, the corporate benefits of a departmental corporation may be better covered under the Crown corporation model.

5) Crown corporation (legislated)

Under this model the entity would be established as a corporate entity operating under the *FAA* with a mandate specified in separate enabling legislation. By establishing the entity's mandate legislatively, the mandate could be made as broad or as narrow as required. The introduction of a corporate model with a Board of Directors changes the accountability structure, normally making the Minister more accountable for strategic direction of the entity and less accountable for its day-to-day operations. The Crown



corporation model represents a significant degree of operational and decision making autonomy. The Board of Directors of the government corporation would report through the designated Minister to Parliament. Additional remoteness from the political process ensures freedom of initiative and managerial independence for program delivery within the bounds of framework legislation. At the same time, its increased distance from central policy making authorities decreases the organization's ability to directly influence the overall policies governing the operations of the program.

6) **Government-Owned-Contractor-Operated Model (GOCO)**

This model is most often referred to in consideration of the private sector taking over operation of government assets for their own use. However, another, and in this case the relevant, definition simply refers to the hiring of others to manage the organization on behalf of the owners. As this situation is possible as a sub-set of either the Crown or Mixed Enterprise models, it is simply a sub-option to be looked at when and if a decision has been taken to move to either of those two models. I.e., hiring a management firm simply represents one management tool by which the entity could be run.

7) **Mixed Enterprise Model**

A mixed enterprise is a corporation with both government and private sector shareholders. Depending on the overall purpose of the entity and the closeness of relationship that such organizations are expected maintain, the government might wish to establish the framework under which the organization will operate through specific enabling legislation. A mixed enterprise could either be established at the beginning or after the entity has established a track record as a Crown corporation. As a mixed enterprise, the entity's dealings with federal government agencies would have to take on the nature of formal contracts. Requirements related to providing information and briefing of government agencies could be included in the enabling legislation.

8) **Private Corporation**

Unlike the "mixed enterprise" model, this option can refer to either setting up the entity as a purely private corporation without any government involvement or as dealings with an existing private sector corporation. In either case, the entity's dealings with federal government agencies would have to take on the nature of formal contracts. Requirements related to providing information and briefing of government agencies would all have to be done through contractual arrangements. Note that it is possible for a mixed enterprise to operate in much the same manner as a totally private sector organization while at the same time allowing for protection of government interests.



4.1.2 BASIC ALTERNATIVE SERVICE DELIVERY DEFINITIONS¹⁸

1) Collaboration with other federal government departments

This is possible either as an SOA, a Branch or government corporate models through MOUs¹⁹. If the service delivery is to be taken over by others, it essentially creates a situation wherein CCG becomes a “client” of the other government provider. As with the SOA, the rules of the *FAA* and other federal acts continue to apply. It is usually done pursuant to an organizational arrangement through an administrative arrangement or pursuant to an Act of Parliament. It may involve a transfer of appropriations and/or a transfer of associated staff. The terms of the arrangement are governed by the negotiated agreements.

2) “Contracting-out”

Contracting-out involves a shift from performing a Public Service activity in-house (process control) to buying it from the private sector or from another level of government (results-based relationship). Any employees affected by the change are subject to the Work Force Adjustment Policy and all associated costs. Such costs must be taken into account when comparing the costs and benefits of any such transfer of delivery. Any quality and performance requirements must be specified in the negotiated contracts. Contracting out is possible with virtually any organizational model as long as legislation does not require Public Service employees to deliver the service. Both contracting-out and contracting for services can include such forms as GOCOs, Licenses, Franchises and other public and private arrangements such as infrastructure development through build-own-transfer (BOT) or build-own-operate transfer (BOOT) arrangements.

3) “Contracting for services”

By definition, contracting for services differs from contracting-out by the fact that the services in question have not previously been performed by Public Service employees and no Public Service employees will be directly impacted by acquiring the service from an outside organization. Associated costs are therefore likely to be less when comparing the costs and benefits of in-house versus external delivery. Again, any quality and performance requirements must be specified in the negotiated contracts. Contracting for services is also possible with virtually any organizational model as long as legislation does not require Public Service employees.

¹⁸ These differ from organizational models because it is possible for more than one organizational model to utilize these service delivery methods.

¹⁹ Her Majesty cannot contract with herself and therefore, agreements between departments/Agencies are Memoranda of Understanding. Although equivalent to a contracting situation, they are not subject to contracting policies and hence must be carefully worded to allow for a proper client-supplier relationship.



4) Devolution

This refers to the transfer of a program, activity or function to another level of government or to a non-government organization (NGO) that has the legal authority to deliver the services. While the federal government would not necessarily be the direct beneficiary of the services, it may contract with the new provider to provide these services on its behalf.

4.2 SCREENING THE OPTIONS

This section is designed to help the reader establish a limited number of options that should be analyzed in more detail. The primary criteria that are seen as being relevant to your organizations needs were developed in Stages A and C.

If at this point it appears that organizational change will not be required and that what is at question is largely a question of whether a service can be delivered more effectively internally or externally, then not all of the remainder of the Chapter 4 will necessarily apply, unless the project is particularly large and/or sensitive.

In addition to the previously developed criteria by which suitability of the model will be judged, there are several other useful screening tests that can be applied. The following tests and questions are designed, based on the needs identified earlier, to help situate and understand the types of arrangements represented by the options and their main attributes. Some of the tests were earlier applied to determine if the service should be a candidate for change. These same tests are equally valid for screening the applicability of options and hence are worthwhile to reconfirm initial impressions.

4.2.1 PROGRAM REVIEW TESTS

In 1994, PCO developed 6 basic tests that departments were to apply to their program components in order to allow the department to determine the future direction for those components that provide the best value to Canadians. With some contextual modifications, these tests, among others, are equally valid for evaluating if, where and how new government initiatives would best be delivered. Intended for narrative responses, the six tests are:

- 1) **Public Interest Test:** Would the organization model allow for a mandate that is consistent with existing federal/departmental/agency mandates and that support broad government policy?



- 2) **Role of Government Test:** Would the organizational model allow for the government to play an appropriate role?
- 3) **Federalism Test:** Would the organizational model be able to support any continuing federal government obligations?
- 4) **Partnership Test:** Would the organizational model allow for any required collaborations with other government entities as well as for any required investments and/or joint ventures with the private sector?
- 5) **Efficiency Test:** What is the most cost-efficient organizational form for delivering the entity's services?
- 6) **Affordability Test²⁰:** Do the services represent an affordable and necessary role for the federal government?

The following questions are designed to help decide which of the broad delivery categories appear best suited to apply to any program related innovation needs and requirements that have been identified.

- a) If **CCG** must, or appears to be best suited to, continue delivery on its own or in collaboration with others, please answer questions 4.1 and 4.2:

4.1 If CCG should continue delivery on its own, it should do so because:

- ☐ It is required to do so by legislation; or,
- ☐ It is best suited to do so:
 - ☐ As currently delivered;
 - ☐ If internal efficiency improvements are made; or,
 - ☐ With greater entrepreneurship e.g.:
 - ☐ With structural changes;
 - ☐ With a new control/accountability framework such as an SOA (e.g. GTIS, CAC);
 - ☐ Introduction of user-pay or cost-recovery.

²⁰ The affordability test is independent of the model chosen.



4.2 If CCG should continue delivery, but may be best suited to do so in collaboration (e.g. collocation or joint delivery) with others, the following questions should be addressed:

- 1) What will be the **key purposes** of such collaboration and how much authority/responsibility will be shared? That is, are the arrangements expected to be:
 - ☐ **Consultative or advisory** -- to provide for systematic, ongoing consultations with the other parties?
 - ☐ **Contributory or cost sharing** -- to leverage new resources?
 - ☐ **Operational or work sharing** -- to provide for sharing of effort, resources, expenses and information?
 - ☐ **Collaborative decision-making** -- to permit parties to jointly make and implement decisions?

- 2) Based on the needs and objectives that have been identified, what **type(s) of collaboration** are envisaged as being potentially beneficial for CCG in delivery of this service?
 - ☐ **Co-location** for service delivery?
 - ☐ **Joint delivery**: e.g., single window?
 - ☐ **Joint ventures**²¹: e.g., co-operative undertakings to develop new public facilities? If so, would the joint venture involve:
 - ☐ Joint investment of capital?
 - ☐ Division of work?
 - ☐ Bartering -type of arrangement, based on exchange of services rather than investment of funds?

- 3) **Who will be/should be involved** in this collaboration along with CCG?
 - ☐ Other DFO programs/services? Please name: _____
 - ☐ Other departmental programs/services? Please name: _____
 - ☐ Other federal government organizations? Please name: _____

²¹ The term "Joint venture" is often used in a number of different ways. In corporate situations, the term is most often used to describe investments by two or more corporate bodies in a separate limited liability company.



- ☐ Other orders of government? Please name: _____
- ☐ Business/industry? Please name: _____
- ☐ Other (e.g., Non-profit sector, NGOs, Universities/research institutes, Client associations, Volunteer groups, individuals? Please name: _____

b) If the federal government must, or appears to be, best suited to continue delivery, but through an organizational form removed from direct DFO control please answer questions 4.3 and 4.4.

4.3 Is greater autonomy from direct DFO control required because of an identified need for:

- ☐ Greater autonomy, flexible authorities (e.g. tailored financial, administrative and human resource regimes)?
- ☐ Clear performance expectations and reporting requirements, and tailored accountability regimes/
- ☐ Elimination of duplication between delivery agents?
- ☐ Increased cost-effectiveness?
- ☐ Increased commercialization potential?
- ☐ Enhanced opportunities for collaboration with other parties?
- ☐ Minimization of monetary and political risks?
- ☐ Other? Please explain: _____

4.4 Based on identified needs and objectives, would the service appear to:

- ☐ Benefit from a transfer of responsibility to another department?
- ☐ Require a legislated persona by becoming a:
- ☐ Separate Statutory Agency (i.e., effectively a Branch treated as a Department, usually with its own legislation, e.g., Statistics Canada, CIDA)
- ☐ Departmental Corporation (i.e., research, administrative and regulatory agencies, corporate bodies created through legislation, e.g., CCRA, CFIA, Parks Canada)
- ☐ Crown corporation (i.e., particular purpose entities, corporate bodies created through legislation, e.g., Atlantic Pilotage Authority, Hamilton Port Authority, Enterprise Cape Breton)



- c) If the federal government must remain responsible for ensuring that the service is provided, but it appears that delivery of those services can reasonably be transferred to parties external to the federal government, please answer questions 4.5 and 4.6.

4.5 Based on identified needs and objectives, would it appear that service delivery would benefit from involvement of the private sector or others through:

- ☐ Contracting out/contracting for services²² (this may apply to both contracting to the private sector and to other levels of government)²³?
- ☐ Franchising/licensing (e.g., postal outlets, licensing of a Logo)?
- ☐ Joint ventures (this normally requires the body be a corporate body, or that the government has corporate holdings in the delivery agent, e.g., Lower Churchill Development Corporation)?
- ☐ Mixed enterprises (this normally requires the body be a corporate body, or that the government has corporate holdings in the delivery agent e.g. National Sea Products Limited)?
- ☐ Subsidies to private firms to complement what would otherwise be unprofitable ventures such as where fees are fixed by regulation for the “public good” (e.g., certain ferry services)?
- ☐ Regulation of private enterprise (used to ensure that no market distortions result from the federal government ceasing direct provision of service)?
- ☐ Other (e.g., government operations continue to owned by the government but run by private companies [GOCO] such as the “Fixed Link” where private sector was hired to build, finance and run the link for a period of time). Please explain: _____

²² Please note that contracting out for specific services is different from contracting out an entire program, as it is basically a good business decision that can be accommodated with virtually any organizational model.

²³ Primary difference is that contracting-out is usually taken to apply to existing services where the action can affect existing employees, while contracting for services better applies to situations where a new service is being considered and there will be no impact on existing employees.



4.6 In addition to the federal government continuing to be responsible for assuring delivery of the services, for what else would the federal government continue to assume a degree of responsibility:

- ☐ Delivery of some portion of the service?
- ☐ Policy-making?
- ☐ Standard-setting?
- ☐ Monitoring?
- ☐ Evaluation?
- ☐ Other? Please explain: _____

4.7 If there is a requirement for staff and other resources to maintain the relationship noted in 4.6, please estimate:

Approximate number of staff likely to be required: _____

Other resources? _____

d) If the federal government appears to be able to cease providing the service and does not have to maintain any responsibility for ensuring that the service is delivered (the government may maintain a regulatory role of the industry) would this appear to best be done by²⁴:

- ☐ Devolving **responsibility** to other levels of government;
- ☐ Divestiture/sale/transfer assets/rights and to non-governmental entities (i.e., privatization);
- ☐ Winding-up/ cessation of provision of service.

Please explain: _____

²⁴ This represents question 4.8.



4.2.2 GOVERNANCE TESTS

Application of the *Six Principles of Effective Governance*, developed by the Canadian Comprehensive Auditing Foundation (CCAF), constitute a useful set of general criteria for governance tests, and raise a number of issues that have to be addressed as part of the evaluation.

The following recasts the CCAF principles in the form of evaluation questions that incorporate these issues:

- 1) ***Roles and Responsibilities:*** Are the roles and responsibilities of the federal government and the entity's governing bodies well understood under each of organizational options under consideration?
- 2) ***Accountabilities:*** Can the governance system under each of the organizational options under consideration respond to the legitimate interests of the various stakeholder groups²⁵?
- 3) ***Authorities:*** Would the organizational model provide the federal government and the entity's governing bodies with the authority (steering mechanisms) to fulfil their governance responsibilities?
- 4) ***Capacities:*** Would the organizational model provide the federal government and the entity's governing bodies with the capacity²⁶ to fulfil its governance responsibilities and represent stakeholder interests?
- 5) ***Tools:*** Would the organizational model allow the federal government and the entity's governing bodies to have access to the information they need to fulfil their governance responsibilities? Would the organizational model allow other stakeholders be provided with the information they need to assess whether their interests are being well served or not?

²⁵ This question addresses the issue of interest representation from a stakeholder perspective. In a complex governance system, there is a possibility that the interests of certain stakeholder groups might not be represented by any of the principals.

²⁶ Capacity refers to the skills, knowledge, ability, commitment and organization.



The following questions are designed to help decide which of the broad delivery categories appear best suited to apply to any governance related needs and requirements that have been identified.

4.9 If any issues have been identified that relate to a need for enhanced clarity and/or stability of the organization's mandate and objectives, as well as the roles and responsibilities of the federal government and the entity's governing bodies:

YES NO

- ☐ ☐ Is the mandate specifically stated in legislation? If YES, why are there perceived to be clarity or stability issues? _____
- ☐ ☐ _____
- ☐ ☐ Is new legislation required to allow for a clear and stable mandate?
- ☐ ☐ Is new legislation required to allow for a clear roles and responsibilities of management?
- ☐ ☐ Is the cost (\$100k+) and time (12-18 months+) associated with new legislation justified by the size of the organization?
- ☐ ☐ Can the required clarity be accomplished through agreement with the department? If NO, please explain: _____
- _____

4.10 Whose interests would the entity's governing bodies be expected to represent?

- ☐ CCG?
- ☐ Another federal department?
- ☐ Federal government responsibilities?
- ☐ Own (e.g. private sector provider)?
- ☐ Other stakeholders? Please identify _____
- _____

4.11 If a party other than CCG delivers the service, how would the provider's accountability obligations to CCG, and other stakeholder groups, be expected to be fulfilled?

- ☐ MOU (collaborative arrangement with other federal departments or Agencies)?
- ☐ Contract (collaborative arrangement with external parties)
- ☐ Other? Please specify; _____
- _____



- 4.12 Are there any special authorities that are required by entity's governing bodies to fulfil their governance responsibilities? YES __ NO __. If YES, please identify

- 4.13 Would the entity's governing body require any additional independence from the department or the federal government in order to carry out their duties (e.g. Board of Directors)? YES __ NO __. If Yes, Please explain

- 4.14 Are special skills, knowledge, ability, commitment and organization required for the management or delivery of the service that are not elsewhere available? YES __ NO __. If YES, please explain

- 4.15 Would other organizational models continue to allow CCG, DFO and federal government governing bodies access to the information they need to fulfil their governance responsibilities? YES __ NO __. If NO, please explain

4.2.3 RISK TESTS

Attempts to completely negate risks both limit the number of options available and increase the costs associated with risk aversion. Government provision tends to be more politically risk adverse because the government suppliers control the process and are, by definition, following government policy. However, because of the lack of necessity to follow businesslike practices and minimal application of market forces, there is a monetary risk associated with cost-effective provision. If what is being considered is essentially a commercial venture, albeit one that supports specific government policy and objectives, it is essential that the Crown have the potential to be held harmless from the actions of the entity delivering the service, beyond the amount of any specified investment. At the same time, because the government remains identified with the entity delivering services on its behalf as a major investor, it is essential that the organization operate under a set of rules that recognizes the federal government's authority and obligations in specific areas. Risks, therefore, take both monetary and political form.



The following questions need to be asked of any organizational model under consideration:

4.16 Monetary Risks: Each of the organizational models under consideration must be able to satisfy all of the following criteria:

- ☐ The delivering entity is able to provide the federal government with limited liability with regard to the operations of the entity?
- ☐ The organizational model allows for CCG to ensure that the delivery entity can be made applicable to clear criteria and rules to be set on what is expected in terms of product and service standards?
- ☐ The organizational model allows for a decision process that facilitates investment decisions being to be able to be made in a flexible and timely manner?
- ☐ The organizational model allows for the entity's operations to be adequately monitored?

4.17 Political Risks: Each of the organizational models under consideration must be able to satisfy all of the following criteria:

- ☐ Would the organizational model allow the federal government be able to ensure that its overall policies, objectives and international obligations are being followed by the delivering entity?
- ☐ Would the organizational model support the Minister's other Portfolio constituents (DFO and its Agencies)?

4.2.4 OPERATIONS TESTS

The previous tests primarily deal with the needs of the stakeholders, including the federal government, the entity's managing bodies, clients and domestic industry. The operational tests look at whether the models can deliver these needs in an efficient and effective manner and look at organizational abilities and costs. The following checklist is representative of some of the operational requirements often identified with needs for organizational change. However, these should be accompanied by any other needs that have been previously identified in this analysis.



4.18 Which are the following abilities that any acceptable organizational model is required to have?

YES NO

- | | | |
|-----------------------|-----------------------|---|
| <input type="radio"/> | <input type="radio"/> | Ability to operate under a clear, stable and unique mandate? |
| <input type="radio"/> | <input type="radio"/> | Ability to operate at arm's-length from influence of other government organizations? |
| <input type="radio"/> | <input type="radio"/> | Ability to operate in a timely and flexible manner in response to market forces? |
| <input type="radio"/> | <input type="radio"/> | Ability to be subject to meaningful performance measurements and to report on those measures to stakeholders? |
| <input type="radio"/> | <input type="radio"/> | Ability to provide the entity's current basic services? |
| <input type="radio"/> | <input type="radio"/> | Ability to provide new and other of the entity's other related services on a commercial basis? |
| <input type="radio"/> | <input type="radio"/> | Ability to borrow in the market place? |
| <input type="radio"/> | <input type="radio"/> | HR flexibility requiring separate employer status? |
| <input type="radio"/> | <input type="radio"/> | HR flexibility beyond what can be provided by separate employer status? ²⁷ |
| <input type="radio"/> | <input type="radio"/> | Capacity to adapt/evolve in accordance with changing client needs? |
| <input type="radio"/> | <input type="radio"/> | Ability to attract and involve private sector investment |
| <input type="radio"/> | <input type="radio"/> | Other? Please identify _____ |

4.19 With respect to operating costs identify the systems and expertise that will be required of any organization delivering the service:

²⁷ While separate employer status offers some additional abilities, in reality these are greatly limited. Further flexibilities require exemptions provided by specific legislation or delivery by an entity that is not subject to the PSSRA (e.g. Crown corporations or private sector entities).



4.2.5 RECOMMENDED OPTIONS FOR COMPARATIVE ANALYSIS

At this point, you will have identified and tested the ability of individual options to meet the basic criteria developed in Stage C and tested them against established tests to validate various abilities. However, the ability of an option to meet set criteria and conditions does not necessarily mean that it is the **best** solution. Comparative evaluation of the feasible options will now be done Stage E (Chapter 5). The comparative analysis will allow for the formation of recommendation to decision-makers of the what is the best course of action to be followed.

4.3 REFERENCES



5.0 STAGE E: COMPARATIVE OPTION ANALYSIS

This Chapter will examine the ability of the feasible models identified in Stage D to meet the critical needs and objectives in Stages A and C, utilizing the baseline and other information gathered in Stage C. The evaluation criteria have been grouped by their ability to meet different characteristics and requirements that will be present regardless of the model chosen. An example of how different models can meet the criteria are presented in a number of tables comparing different model capabilities and presenting CAC comments regarding the model or models best able to deliver against particular evaluation criteria. **Remember comparative evaluation is a holistic exercise that looks primarily at the different models' abilities to meet your identified needs, not simply something that contains desirable but non-essential capabilities.**

5.1 MODEL CHARACTERISTICS:

In evaluating alternative service delivery models, the following governance characteristics have been found to be common to all models. The criteria have been grouped under what was considered to be the most fitting characteristic. However, it should be noted that while different groupings were possible, it is the overall conclusions that are important and these are not greatly affected by listing any single criteria against another characteristic. The characteristics are:

- A) Legislative Framework;
- B) Mandate;
- C) Roles and Responsibilities;
- D) Accountability Principles;
- E) Funding and Budgetary Requirements;
- F) Planning and Reporting Requirements;
- G) Service Requirements;
- H) HR Framework and Other Issues.

5.2 COMPARATIVE MODEL EVALUATION²⁸

The following tables provide a description of governance framework applicable to a number of different models with respect to the specific characteristic and comparison of each of the models by its ability to meet the evaluation criteria.

²⁸ The following models are representative only.



TABLE 5.1A: COMPARATIVE MODEL EVALUATION: LEGISLATIVE FRAMEWORK

Evaluation Criteria	Departmental Model (Departmental Baseline and SOA)	Crown corporation	External Delivery (Private or Mixed corporation)	Comments
	<ul style="list-style-type: none"> Branch has no formal structure or legal entity status SOA has a formal structure within the Department, but does not have legal entity status. Subject to broad Departmental enabling legislation. Subject to other legislation for which Minister is responsible, explicitly or by delegation Subject to 'Public Service' framework legislation (e.g. FAA, PSSRA etc.) 	<ul style="list-style-type: none"> Separate enabling legislation provides both legislated structure and legal entity status (i.e. a body corporate). Applicability of other legislation for which Minister is responsible may have to be specified explicitly. FAA is applicable, but application of other 'Public Service' statutes only if warranted (e.g. PSSA could apply, etc.) 	<ul style="list-style-type: none"> If required, separate enabling legislation can be used to provide both legislated structure and legal entity status (i.e. a body corporate). Applicability of other legislation for which Minister is responsible must be specified explicitly in the enabling legislation. Exempt from FAA and other Public Service statutes. 	<ul style="list-style-type: none"> SOAs are intended to be non-legislated agencies that operate within overall departmental frameworks and as such have very low political risk, but are not designed to facilitate the type of investment flexibility that some commercial entities require. While the two corporate models are better capable of addressing monetary risk issues, the further away from the central control associated with the departmental system, the greater the greater the need to have the accountability framework formalized. If corporate entities are to be made subject to specific government policies and obligations, it is preferable to have those needs provided thorough specific legislation. Existing private sector entities are set up through federal or provincial incorporation legislation, and any relationship with those organizations is therefore subject to standard contracting legislation and policies. Aside from the fact that corporate bodies are able to have contracts in their own name and greater flexibility in making these contracts, there is nothing that prevents any of these models from entering into contracts or MOUs with other departments where warranted by business conditions and subject to government policy.
Able to support broad government policy and international obligations?	<p>Medium - High:</p> <ul style="list-style-type: none"> Part of a government department, required to support broad government policies. Part of a government department, subject to mandated obligations including those assigned by Int'l Treaties and/or Agreements. However, low ability to support commercial market objectives. 	<p>High:</p> <ul style="list-style-type: none"> Part of Public Service of Canada, required to support broad government policies, although specific exemptions may be legislated. Explicit obligations, including those assigned by Int'l Treaties/Agreements, provided for in enabling legislation and/or Articles of Incorporation. 	<p>Medium-High:</p> <ul style="list-style-type: none"> Explicit obligations, including government ability to enforce requirements and those assigned by Int'l Treaties/Agreements, must be provided for in enabling legislation and/or Articles of Incorporation. 	
Able to support Minister's Portfolio and OGDs/Agencies?	<p>High:</p> <ul style="list-style-type: none"> Remains part of Minister's Portfolio SOAs may require own MOUs for OGD/Agency arrangements. 	<p>Medium-High:</p> <ul style="list-style-type: none"> Operates within [Ministerial] Portfolio type management, but more with independence than a department. Requires formal MOUs and/or contracts with 'other' portfolio members and OGDs/Agencies. 	<p>Medium:</p> <ul style="list-style-type: none"> Corporate investment part of designated Minister's Portfolio Contracts required with 'other' portfolio members and OGDs /Agencies. 	
Able to allow for private sector investments?	<p>Very Low:</p> <ul style="list-style-type: none"> FAA limits the ability to undertake investments to corporate bodies 	<p>High:</p> <ul style="list-style-type: none"> FAA allows Crown corporations to undertake corporate investments and equity positions. 	<p>Very High:</p> <ul style="list-style-type: none"> All the authorities and flexibilities of any other private sector corporation. 	
Able to limit government liability?	<p>Very Low:</p> <ul style="list-style-type: none"> Both departments and SOAs are government agents and this is one of reasons investments prohibited by FAA. 	<p>Medium - High:</p> <ul style="list-style-type: none"> Government liability is much more limited for non-agent Crowns, but not eliminated (e.g., moral obligations remain). 	<p>High:</p> <ul style="list-style-type: none"> Government corporate investments are by definition, of limited liability, but cannot be completely eliminated. 	



TABLE 5.1B: COMPARATIVE MODEL EVALUATION: MANDATE

Evaluation Criteria	Departmental Model (Departmental Baseline and SOA)	Crown corporation	External Delivery (Private or Mixed corporation)	Comments
	<ul style="list-style-type: none"> Mandate an interpreted extension of Minister's responsibilities. Predominately public policy objectives requiring a longer-term planning period SOA has possibility of more independent priority setting in consultation with remainder of department under policy framework set out with Minister and DM. 	<ul style="list-style-type: none"> Mandate prescribed legislatively to ensure consistency with existing federal departmental/Agency mandates. Mix of public policy and financial objectives requiring a corporate form. Mandate includes strong public good objectives, so organization remains in government 	<ul style="list-style-type: none"> Mandate prescribed legislatively to ensure consistency with existing federal departmental/Agency mandates. Government able to ensure acceptable level of control over objectives through regulation and oversight rather than control of processes 	<ul style="list-style-type: none"> While an SOA has the ability to be subject to a more clarified and formalized mandate than other departmental entities, the mandate remains an interpreted extension of the Minister's responsibilities. <ul style="list-style-type: none"> As such, it is subject to change as departmental priorities change. Capacity to adapt and evolve is also limited, as it must be negotiated with the departments and central agencies. By contrast the legislated mandate of a Crown corporation relates uniquely to that corporation and cannot be changed without legislation. <ul style="list-style-type: none"> Crown corporations' limitations to adapt and evolve primarily relate to its continuance as part of the Public Service of Canada, a point that is not necessarily negative given the political visibility of such an entity. Provided a private sector corporation is established through unique legislation, it is possible to ensure that the mandate of the company remains consistent with broad government objectives. <ul style="list-style-type: none"> Unless limited by enabling legislation or by-laws, a private sector enterprise would have few limitations on its ability to adapt and evolve.
Able to operate under a clear, stable and unique mandate?	Limited: <ul style="list-style-type: none"> Continuing' mandate can be clarified/formalized by the Dept and, in case of SOA by TBS in framework documents; but Interpreted mandate affected by strategic government initiatives 	High: <ul style="list-style-type: none"> Legislated mandate relates uniquely to the corporation and cannot be changed without legislation. Affected by strategic government initiatives, but with direct control on related planning. 	Very High: <ul style="list-style-type: none"> Legislated mandate relates uniquely to the corporation and Articles of Incorporation may be written so as to not allow change without government agreement. Not directly affected by strategic government initiatives. 	
Capacity to adapt and evolve?	Limited: <ul style="list-style-type: none"> For Branch, accountability for related outcomes and available flexibilities 'negotiated' with DFO. For SOA, accountability for related outcomes and larger number of available flexibilities 'negotiated' with DFO and TBS 	Medium-High: <ul style="list-style-type: none"> Able to adapt and evolve within the larger framework available to corporate bodies. Limited primarily by the fact that it remains a government entity subject to the FAA and public expectations. 	High: <ul style="list-style-type: none"> Able to adapt and evolve within the much larger framework available to private sector corporate bodies; May have to be limited in legislation to ensure that it follows overall expectations for an entity that is associated with the government. 	



TABLE 5.1C: COMPARATIVE MODEL EVALUATION: ROLES AND RESPONSIBILITIES

Evaluation Criteria	Departmental Model (Departmental Baseline and SOA)	Crown corporation	External Delivery (Private or Mixed corporation)	Comments
	<ul style="list-style-type: none"> DM remains responsible for departmental entities. SOA Head has functional control over organization in accordance with Framework agreed to with DM and approved by TB. 	<ul style="list-style-type: none"> Minister appoints Directors in accordance By-laws of corporation for appointment and removal of directors set out in enabling legislation. Board of Directors responsible for strategic direction of the Corporation. Enabling legislation and FAA define Board responsibilities. CEO of Corporation responsible for day-to-day management of operations. 	<ul style="list-style-type: none"> Shareholders appoint Directors in accordance By-laws of corporation for appointment and removal of directors set out in enabling legislation. Board of Directors responsible for strategic direction of the Corporation. Enabling legislation and <i>CBCA</i> (or provincial legislation) define Board responsibilities CEO of Corporation responsible for day-to-day management of operations. 	<ul style="list-style-type: none"> The need to maintain government policy goals can be easily met by a departmental model (Branch/SOA) or a Crown corporation However, a departmental model would have trouble delivering many business development goals. Correspondingly, an external enterprise may have to have continuing developmental objectives carefully formalized. Entities that are commercial enterprises are expected to operate as self-sustaining enterprises in accordance with specific criteria while maintaining government goals. In some cases, these organizations may start out as departmental entities and then progress to corporations that are expected to become self-sustaining.
Continuing government role?	Very High: <ul style="list-style-type: none"> Direct role based on process control. 	High: <ul style="list-style-type: none"> Indirect role based on approval of Corporate Plans and appointment of Directors. Minister may issue direction to Board on matters affecting public policy or materially affecting public finance 	Medium: <ul style="list-style-type: none"> Indirect role as shareholder and appointment of some directors. Possible government veto on some changes to Articles of Incorporation. Not normally subject to Ministerial directives 	
Capacity to fulfil governance responsibilities	Limited-High: <ul style="list-style-type: none"> Entirely dependant upon the type of service, e.g., required organization and specialized skills demanded by service may not be consistent with departmental models. 	High: <ul style="list-style-type: none"> Use of corporate model proven in some entities with mixed public and commercial roles (e.g., BDC and EDC) Board of Directors with private sector membership adds credibility. 	High: <ul style="list-style-type: none"> Depending on entity's objectives, both government and mixed corporate models have worked well elsewhere. Mixture of government and private sector directors protects shareholder interest. 	
Able to operate at arms-length from outside influence?	Limited: <ul style="list-style-type: none"> SOA status could rationalize increased operational autonomy within the department. SOAs may be less affected by internal budgetary decisions than are Branches, but program delivery still affected by annual appropriations process and centrally managed policies, programs and processes. 	High: <ul style="list-style-type: none"> Independent Board of Directors set strategic direction of corporation. Corporation's day-to-day operations in accordance with fixed principles and performance targets. Government relationship with organization more results-based than process control. Corporate budgets etc., subject to corporate plan approval process. 	Very High: <ul style="list-style-type: none"> Independent Board of Directors set strategic direction of corporation. Government relationship with organization results-based and limited process control must be contained in legislation, Articles of Association or contracts. Corporate budgets etc., not subject to government corporate plan approval process. 	



TABLE 5.1D: COMPARATIVE MODEL EVALUATION: ACCOUNTABILITY PRINCIPLES

Evaluation Criteria	Departmental Model (Department Baseline and SOA)	Crown corporation	External Delivery (Private or Mixed corporation)	Comments
	<ul style="list-style-type: none"> Minister accountable to Parliament Head of the SOA reports to and is accountable to the DM in accordance with Framework agreed to with the Minister and the DM. 	<ul style="list-style-type: none"> Corporation accountable to Parliament through Minister. Board of Directors accountable to the shareholder (government) via Chairperson for strategic direction of the Corporation CEO of Agency accountable to the Board for day-to-day management of operations of Corporation. Accountable to other stakeholders in accordance with legislation. 	<ul style="list-style-type: none"> Board of Directors accountable to the shareholders (government and others) for strategic direction of the Corporation. CEO of Agency accountable to the Board for day-to-day management of operations of Corporation Accountable to other stakeholders in accordance with legislation. 	<ul style="list-style-type: none"> The entity could have a number of stakeholders from both the public and private sectors: <ul style="list-style-type: none"> Corporations with representatives of the private sector on their Boards are better able to understand the needs of a private sector-oriented commercial enterprise than is a departmental enterprise that is primarily engaged in government-related activities. Departmental models are better able to understand the needs of a public sector oriented entity delivering “public” goods. A primary difference between a Crown corporation and a private sector corporation is how the government's delivers on its responsibility to represent public stakeholders: <ul style="list-style-type: none"> In the Crown corporation model, the government continues to deliver the service and is directly accountable; However, in the external enterprise model, the government continues to remain responsible to the public, but no longer directly delivers the services.
Capacity to represent <u>all</u> stakeholder interests?	Limited: <ul style="list-style-type: none"> Departmental models can, by definition, represent government interests and, by extension, broad public interests. Departmental models are not normally oriented towards commercial relations with external clients. 	High: <ul style="list-style-type: none"> Federal departments remain accountable to public for policy and delivering objectives. Corporation becomes accountable to government shareholder for delivery of goods and services within its mandate. Board of Directors have a fiduciary responsibility for the long-term well-being of the Corporation Board of Directors chosen with essential skills and background to understand stakeholder needs. 	Medium - High: <ul style="list-style-type: none"> Federal government remains accountable to public for policy and ensuring delivery of objectives. Corporation becomes accountable to all shareholders for delivery of goods and services within its mandate. Board of Directors have a fiduciary responsibility for the long-term well-being of the Corporation Board of Directors chosen with essential skills and background to understand stakeholder needs. 	
Able to allow for input and respond to stakeholder interests?	Low -Medium: <ul style="list-style-type: none"> Ability to allow for stakeholder input is high, but lack of commercial capabilities limits response to interests primarily to policy and regulatory activities. 	High: <ul style="list-style-type: none"> Ability for stakeholders to have input and requirements for follow up would normally be part of the enabling legislation or Articles of Incorporation. It may not always be possible to have direct stakeholder input and another stakeholder would have to act on their behalf. 	Medium - High: <ul style="list-style-type: none"> If specific venue for enabling stakeholder inputs and responses are necessary, this should be part of the enabling legislation. The federal government may have to take on the role of representative for some stakeholder groups. 	



TABLE 5.1E: COMPARATIVE MODEL EVALUATION: FUNDING AND BUDGETARY REQUIREMENTS

Evaluation Criteria	Departmental Model (Departmental Baseline and SOA)	Crown corporation	External Delivery (Private or Mixed corporation)	Comments
	<ul style="list-style-type: none"> Subject to Public Service annual budget cycle/TB controls etc. Primarily Appropriations-based. 	<ul style="list-style-type: none"> Part X of <i>FAA</i> requires, and sets out rules for, annual corporate plans, reports, audits and financial controls. Initial investment funding (repayable only if entity ceases functioning) provided as government equity. 	<ul style="list-style-type: none"> Any reporting requirements to Government would be covered in the enabling legislation or contracts. Initial funding provided through shares issued to government and/or private sector investors. 	<ul style="list-style-type: none"> Commercial corporations require the maximum flexibility to allow for their most efficient operation: Departmental model entities normally are not designed to possess the required commercial abilities because their policy delivery and regulatory mandates do not foresee the necessity to operate in a competitive market. At the same time, the closer an organization is to the government the greater the potential government liability: For this reason the FAA imposes limits on certain financial transactions of Crown corporations that are not present for private sector or mixed corporations operating under private sector rules. Corporate bodies would normally only be considered as an option if a very strong business case indicates that corporate flexibilities are sufficient to justify the cost and time required to implement them and an policy case can be made to justify Parliamentary approval.
Able to provide for longer-term capital investment and carry forwards?	Low: <ul style="list-style-type: none"> Longer-term capital investment capability and flexibility for carry-forward are limited in departmental context. 	High: <ul style="list-style-type: none"> Part X of <i>FAA</i> requires that longer-term capital investment capability contained in corporate plan and approved by Minister and GIC. 	Very High: <ul style="list-style-type: none"> Reporting and accountability arrangements included in the By-laws. Unless specifically legislated, no government approvals required. 	
Able to provide for an adequate accounting system?	Low: <ul style="list-style-type: none"> Essentially a cash-transaction accounting system within Public Accounts of Canada. 	High: <ul style="list-style-type: none"> Accrual-based accounting system (GAAP). 	High: <ul style="list-style-type: none"> Accrual-based accounting system (GAAP). 	
Able to borrow from Government and in the market place?	Limited: <ul style="list-style-type: none"> Internal (GOC) borrowings are limited. No external borrowing capability. <i>FAA</i> provides that only corporate bodies may borrow outside of government. 	Medium - High: <ul style="list-style-type: none"> Self-sufficient Crowns can borrow from the private sector with approval of Minister of Finance, but must repay out of self-generated revenues. Both external and internal (GOC) borrowing capability approved by Minister of Finance through borrowing plan in corporate plan. 	Very High: <ul style="list-style-type: none"> Unless limited by enabling legislation, entity has almost all the rights of a natural person and can borrow, invest, etc. without Government approval. Board of Directors would approve corporation's borrowing plans. Restrictions on the type of borrowing to be undertaken would have to be included in enabling legislation and By-laws. Internal (GOC) borrowing not applicable. 	
Able to retain and spend revenue earned?	Limited: <ul style="list-style-type: none"> Subject to TB Policy on user charges. Vote-netting possible but no net revenue retention. 	High: <ul style="list-style-type: none"> Can keep and spend revenues earned, subject to approved corporate plans. Have own private sector bank accounts. 	Very High: <ul style="list-style-type: none"> Can keep and spend all revenues earned in accordance with own corporate plan. Have own private sector bank accounts. 	



TABLE 5.1f: COMPARATIVE MODEL EVALUATION: PLANNING AND REPORTING REQUIREMENTS

Evaluation Criteria	Departmental Model (Departmental Baseline and SOA)	Crown corporation	External Delivery (Private or Mixed corporation)	Comments
	<ul style="list-style-type: none"> Branches do not have separate (official) business plans, information feeds in Departmental Business Plan. SOAs have separate Business Plan that feeds into Departmental Business Plan SOA Annual Report in accordance with Framework agreement with President 	<ul style="list-style-type: none"> Part X of <i>FAA</i> requires annual corporate plans, reports, audits and financial controls. Corporate and Capital Plans approved by TB on recommendation of Minister; Annual Reports and Summary tabled in Parliament Board of Directors responsible for policies/processes affecting financial statements of corporation and of any corporate holding or investment which affects the financial statements of the Corporation and/or appropriations 	<ul style="list-style-type: none"> Enabling legislation and/or By-laws cover mode of holding meetings, Annual Reports, records, etc. Board of Directors responsible for policies/processes affecting financial statements of corporation and of any corporate holding or investment that affects the financial statements of the company. 	<ul style="list-style-type: none"> All of the models are able to meet the planning and reporting requirements to some degree: <ul style="list-style-type: none"> Departmental models fall down in their ability to address performance measurements of the type associated with a commercial enterprise dealing primarily with the private sector, but can respond more easily to public good responsibility measurements and ability to ensure redress mechanisms. The external enterprise's ability are lowest with respect to redress mechanisms for stakeholders. This can be rectified but only if spelled out in unique legislation and/or Articles of Incorporation. Redress mechanisms may have to be spelled-out in the Crown corporation's legislation as well.
Able to ensure government access to required information?	<p>High:</p> <ul style="list-style-type: none"> TB and Expenditure Management System (EMS) processes via the departmental appropriations documents, SOAs also have a distinct business plan, Auditor General's Report 	<p>High:</p> <ul style="list-style-type: none"> Continues to operate within budgetary cycle and produces major documents required by appropriations process (ARLU, Estimates). Formal audit/opinion on financial statements provided annually by AG 	<p>Medium - High:</p> <ul style="list-style-type: none"> Because government relationship with the service provider is, at most simply one of an investor, controls, e.g., allowing for reviews by a government body would need to be provided in the enabling legislation and/or By-laws. 	
Able to provide for an adequate Performance Measurement Framework for a commercial enterprise?	<p>Low – Medium:</p> <ul style="list-style-type: none"> Subject to Public Service Framework/TB standards, measurement and reporting processes SOAs have a separate Business Plan, but not separate appropriations so targets and performance included as part of those of rest of Department. 	<p>High:</p> <ul style="list-style-type: none"> Major requirements specified within enabling legislation Performance Measurement Framework established in Articles of Incorporation Measurement reported in Annual Report for Corporation 	<p>High:</p> <ul style="list-style-type: none"> Major requirements specified within enabling legislation (if unique) Performance Measurement Framework established in Articles of Incorporation Measurement reporting according to By-laws 	
Able to provide for stakeholder redress mechanisms?	<p>Medium - High:</p> <ul style="list-style-type: none"> Unless Framework agreement provides for a specific redress mechanism, SOA is subject to same redress mechanisms as any other government departmental entity. 	<p>Medium - High:</p> <ul style="list-style-type: none"> Unless enabling legislation and/or By-laws provides for a specific redress mechanism, entity is subject to same redress mechanisms as any other Crown corporation. 	<p>Low - Medium:</p> <ul style="list-style-type: none"> Unless any unique enabling legislation and/or By-laws provides for such, entity is not subject to any specific redress mechanisms 	



TABLE 5.1G: COMPARATIVE MODEL EVALUATION: SERVICE REQUIREMENTS

Evaluation Criteria	Departmental Model (Departmental Baseline and SOA)	Crown corporation	External Delivery (Private or Mixed corporation)	Comments
	<ul style="list-style-type: none"> Departmental business lines and services defined in accordance with departmental mandate. SOA business lines and services defined in its Framework documents. Intended to be in accordance with existing legislative abilities. 	<ul style="list-style-type: none"> FAA, enabling legislation and By-laws define the abilities of any Crown corporation to undertake services and business lines. 	<ul style="list-style-type: none"> Enabling legislation and By-laws describe any limitations placed on the organization. 	<ul style="list-style-type: none"> The ability of the different models to meet service requirements is highly dependent upon the type of service that is being considered. Services that have a high policy component are considered to be best handled closer to the source making that policy. Services that are highly commercial and for which a competitive market already exists benefit from arms-length highly flexible means of delivery. The reality is that, unless a service is pure policy/regulatory related or purely commercial, most models will be a hybrid that allows for some combination of the two. For example, while there may be policy reasons for keeping control on the type of service to be delivered, if properly documented it may be feasible to have the service delivered by the private sector or another government department.
Able to provide new and other related services?	<p>Medium:</p> <ul style="list-style-type: none"> DM may approve new services within defined limitations. In other cases TB or GIC approval may be required, within defined limitations for those bodies/ 	<p>Medium-High:</p> <ul style="list-style-type: none"> Authority provided by enabling legislation and in accordance with FAA. Board of Directors may approve new services within defined limitations. 	<p>High:</p> <ul style="list-style-type: none"> Authority provided by enabling legislation and/or by general legislation applying to private sector firms. Board of Directors may approve new services within any defined and/or specified limitations. 	
Able to provide regulatory and regulatory oversight services?	<p>High:</p> <ul style="list-style-type: none"> Departmental models are, by definition set up to provide regulatory services. However, the regulatory oversight may be delivered by others where warranted (e.g., various inspection, 	<p>Medium-High:</p> <ul style="list-style-type: none"> Most Crown corporations are not commercial and have certain regulatory aspects in their mandate. Provided enabling legislation is clear, most regulatory requirements are easily handled. 	<p>Low-Medium:</p> <ul style="list-style-type: none"> Few commercial private sector organizations are authorized to make regulations on a government's behalf. Verifying that regulations are being followed is often performed by commercial firms. 	
Able to provide for clear policing activity authorities?	<p>High:</p> <ul style="list-style-type: none"> Policing authorities as provided by CCG and DFO are contained in legislation. 	<p>Medium-High:</p> <ul style="list-style-type: none"> While it may be possible to delegate DFO/CCG authorities to a Crown corporation it may be preferable to it would be necessary to duplicate the existing policing authorities in the Crown corporation's enabling legislation for greater clarity. 	<p>Low-Medium:</p> <ul style="list-style-type: none"> While it is possible for private sector organizations to be allowed specific policing authorities (e.g., privately run prisons and bail bondsmen authorities), the political risks associated with such an arrangement would need to be very carefully considered. 	
Able to facilitate collaborative arrangements in a flexible and timely manner?	<p>Medium-High:</p> <ul style="list-style-type: none"> Departmental models are limited by their inability to enter into contracts in their own name and contracting limits. However, since Her Majesty does not contract with herself, the ability to collaborate with other government agencies is very good 	<p>Medium High:</p> <ul style="list-style-type: none"> Crown corporation's ability to enter into contracts in their own name facilitates contracts with the private sector. Ability to collaborate with other government agencies is good, although may be complicated by corp's arms-length status. 	<p>Medium-High:</p> <ul style="list-style-type: none"> Private sector firms are not normally subject to many constraints with respect to contracting or collaborative arrangements. However ability to deal with government agencies is still limited by those agencies own abilities. 	



TABLE 5.1H: COMPARATIVE MODEL EVALUATION: HR FRAMEWORK AND OTHER ISSUES

Evaluation Criteria	Departmental Model (Departmental Baseline and SOA)	Crown corporation	External Delivery (Private or Mixed corporation)	Comments
Able to provide a flexible HR Framework.	<p>Low:</p> <ul style="list-style-type: none"> • Universal' Public Service framework legislation, providing for the application of the <i>Public Service Staff Relations Act (PSSRA)</i>, <i>Public Service Employment Act (PSEA)</i> and, <i>Public Service Superannuation Act (PSSA)</i> • TB-approved Terms and Conditions of Employment; TB-sponsored benefit plans; TB-approved compensation arrangements for excluded employees and TB policies and directives related to HR (core policies, NJC, etc) 	<p>High:</p> <ul style="list-style-type: none"> • Corporation is the 'employer' • Public service legislation no longer applies and now subject to <i>Canada Labour Code</i>. • Direct control over personnel management and collective bargaining • Sets own classification • Broad negotiating scope • Recent tendency is towards separate pension plans for Crown corporations. • Separate benefit packages • Need to negotiate transition issues for any affected Public Service Employees. 	<p>High:</p> <ul style="list-style-type: none"> • Corporation is the 'employer' • Public service legislation no longer applies and now subject to <i>Canada Labour Code</i>. • Direct control over personnel management and collective bargaining • Sets own classification • Broad negotiating scope • Separate pension plan and benefit packages • Need to negotiate transition issues for any affected Public Service Employees. 	<ul style="list-style-type: none"> • Experience has shown that the type of HR flexibility required for a commercial entity is limited within the Public Service framework. - An SOA, even if it were to become a separate employer, remains part of the Public Service and as such remain subject to same basic legislation as a department. - Both of the corporate models are subject to the <i>Canada Labour Code</i>, which provides considerably more flexibility. • HR transition can be an expensive undertaking.
Able to apply other government priorities:	<p>High:</p> <ul style="list-style-type: none"> • <i>Access to Information Act</i> and <i>Privacy Act</i> apply. • <i>Official Languages Act</i> applies. • Employment Equity Act applies. 	<p>Medium - High:</p> <ul style="list-style-type: none"> • Enabling legislation would have to clarify application of <i>Access to Information Act</i> and <i>Privacy Act</i>. • <i>Official Languages Act</i> applies. • Application of <i>Employment Equity Act</i> depends on size of organization. 	<p>Medium:</p> <ul style="list-style-type: none"> • Enabling legislation would have to clarify application of <i>Access to Information Act</i>, <i>Privacy Act</i>, <i>Official Languages Act</i> and <i>Employment Equity Act</i>. 	<ul style="list-style-type: none"> • SOAs and Crown corporations remain subject to most general government legislation • External corporation would require unique enabling legislation in order to clarify the government's requirements respecting the application of these Acts to a mixed enterprise.



5.3 FUNDING OPTIONS: CORPORATE ENTITIES²⁹

The organizational options analysis has been done under the assumption that any required start-up funding would come from government, possibly supplemented by funding from private sector sources.

In the following discussion, *initial funding* refers to the initial equity capital infusion required to ensure that the organization is able to operate at an expected level for the foreseeable future and to allow the organization to become self-sustaining after a period of time. The following discussion is based on the assumption that all the initial funding would be provided entirely from government sources and that any additional private sector infusions would be provided at a later date.

There are four primary ways in which the government can fund a corporate entity:

- 1) **Statutory budgetary authorities:** A section of the legislation authorizing the corporation would provide for the authority and limits for funding to be provided to the entity. These funds would not constitute a loan, investment or advance to the corporation and would not constitute equity on behalf of Her Majesty.
- 2) **Statutory non-budgetary authorities:** A section of the legislation authorizing the corporation would provide for the authority and limits for funding to be provided to the entity, and the conditions under which these funds would be provided, e.g., as a loan, investment or advance to the corporation. Because the funds would continue to represent an asset on the Government's books, they are not considered to be an expenditure (i.e. they are non-budgetary). Funds provided for the purchase of shares in the corporation would constitute equity on behalf of Her Majesty.
- 3) **Non-statutory budgetary authorities:** This refers to funds that are provided on an annual basis in accordance with existing legislation and normally through the Estimates (and Supplementary Estimates). These are primarily used for annual appropriations and would not constitute an equity infusion for the new corporation.
- 4) **Non-statutory non- budgetary authorities:** This refers to appropriations that are provided through the annual funding process and used for the purpose of loans, advances or investments. This is the method by which some government funds could be re-profiled from Departmental A-Bases to meet at least some of the needs of the new corporate body. Depending on the timing, the funding would be examined in accordance with the Estimates or Supplementary Estimates.

²⁹ Departmental models receive initial funds through appropriations.



5.3 IN-DEPTH ANALYSIS (STAGES C, D AND E) SUMMARY

The previous tables relate primarily to changes in organization **models**. That is, simple changes in service delivery that can be accomplished using the existing model such as contracting out as well as certain forms of collaboration do not require extensive organizational changes, although they may benefit from internal improvements.

So far the analysis has concentrated on a single model being used to deliver the services. However this may not necessarily be the case with national services that delivered on a regional basis, such as those that exist within CCG and DFO. In such cases it is necessary to confirm that the most efficient delivery of a service meets particular regional needs and capabilities. It is, of course, up to the regional authorities to provide business cases that justify any such exemptions or differences on such services and how the differences continue to support national policy in the most cost-effective manner.

At the same time, not all issues are national or affect other portions of the organization. Rather such changes tend to be basically matters of good business and within authorities already delegated to the service deliverer. While a business case should always be prepared for any changes in the way a service is delivered, it will not necessarily require the type of in-depth analysis or detailed report that is required for an organizational change. In addition the approval authorities for such action tend to be located at the local or regional level, rather than at Cabinet or Parliamentary.

The larger the organization change contemplated the more time consuming and expensive such changes are going to be. Every additional condition tends to add cost and time to the analysis and the more likely that detailed consultation is going to be required. For example, an SOA may require three to six months to implement after approval but will require new systems if the organization is to run somewhat more independently, while any organization requiring separate legislation is normally looking at 12 to 18 months, at a minimum for approval of legislation and costs that can run into the millions of dollars.

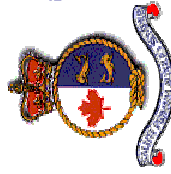
Therefore, in all cases it is essential to differentiate between what is merely desired in a delivery model versus what is essential to its delivery.

Table 5.2 provides a summary of what the in-depth analysis has intended to provide.



TABLE 5.2: IN-DEPTH ANALYSIS SUMMARY

	Organizational Reviews [Larger (and/or CCG-wide) and Organizational Change (complex and/or sensitive)]	Service Delivery Reviews [Smaller (local) Service Provision Change (few complex or sensitive issues)]
Key Focus	Business Case Assessment to verify that institutional change will support strategic objectives needs. Stakeholder consultations.	Business Case Assessment to verify that alternative approaches to service delivery will provide net benefits when compared to existing or improved internal (MEO) service delivery. Stakeholder consultations.
Primary Objectives	<ul style="list-style-type: none"> To identify what institutional organization, including status quo (baseline) with process improvements, will best allow CCG and DFO to meet its strategic objectives. 	<ul style="list-style-type: none"> To determine if external delivery or partnering will provide more efficient and cost effective delivery or whether in-house improvements (MEO) can be done to achieve the same impact.
Working Group	<ul style="list-style-type: none"> Neutral Working Team lead by full-time head and composed primarily of full-time staff, with additional expertise brought in as required. Affected stakeholders can be <i>Working Committee</i> members. 	<ul style="list-style-type: none"> Neutral Working Team lead by full-time head and composed either full-time or part-time staff (as justified by the size/sensitivity of the project), with additional expertise brought in as required. Affected stakeholders can be <i>Working Committee</i> members.
Review Group(s)	Steering Committee made up senior level officials from affected stakeholders (HQ and Region) and Central Agencies (TB, PCO, Fin).	Steering Committee made of officials who have been authorized to speak on behalf of potentially affected stakeholders. (Central Agency involvement as justified by the project size/sensitivity).
Typical Criteria And Issues	<ul style="list-style-type: none"> Public Policy Role Mandate/Mission/Vision requirements Flexibility requirements HR issues/impacts/implication Management framework requirements Preparation requirements 	<ul style="list-style-type: none"> Option costs/benefits MEO costs Transition costs/concerns Oversight costs Competition issues Ownership issues (e.g. Monopoly)
Key Decisions	<ul style="list-style-type: none"> Recommended Organizational Option to be prepared for transition Commitments to resources for preparing Option for Implementation 	<ul style="list-style-type: none"> Preferred Make or Buy (MOB), Partnering Option and/or need for any MEO action. Commitments to resources for preparing Option for Implementation
Decision Maker	Ministerial/DM approval must be sought to continue to preparation stage (for corporate entities Cabinet and PMO approval may be required).	<ul style="list-style-type: none"> Unless delivery is a national issue, such decisions can be made by authorized authorities at local or regional levels. Ministerial/DM agreement to proceed if size/sensitivity justifies.
Timing	≤ 3 months	≤ 3 months
Business Plan Implications	Business Plan announcements should reflect decision to prepare candidate for organizational change.	Business Plan announcements should reflect decision taken and intentions with respect to services.



6.0 STAGE F: VALIDATION AND RECOMMENDATION

Chapter 6 now takes a look at presenting the previous information and analysis in terms of a written **Business Case Assessment** (BCA) report for consideration of the decision-makers charged with approving that the initiative be moved to the preparation and implementation Stages. Upon completion of the Draft BCA Report the Steering Committee (or other such group charged with validating the results) and presenting the recommendations to the decision-making bodies.

6.1 THE BUSINESS CASE ASSESSMENT REPORT

By this point sufficient information should have been gathered and the analysis undertaken to reach conclusions and recommendations respecting the preferred option to be followed. The BCA Report is a written record of what has been done that will allow those with the proper authority to decide whether to go ahead with any required preparation plan and implementation plans for service delivery or organizational changes. At this point is important to remember that no matter how good the analysis that has taken place, a poorly written and present BCA Report can significantly reduce the credibility of the analysis and by association, the results. However, as was seen in the previous Chapters, not all changes require the same degree of in-depth analysis and this is reflected in the required BCA report.

6.1.1 ORGANIZATIONAL AND MAJOR SERVICE DELIVERY REVIEWS

The following is a representative outline of the primary sections that are expected in a BCA Report dealing with the type of complex and/or sensitive issues more prevalent in larger and/or CCG-wide service delivery change reviews and common in organizational change reviews. The Report itself should be as concise as possible with detailed analysis being included in the Annexes for reference by the reader.

1) EXECUTIVE SUMMARY

The Executive Summary is a short (2-5 pages unless justified by complexity of study) section outlining the purpose and issue of the BCA and presenting the conclusions and recommendations. There should not be anything in the Executive Summary that is not in the body of the Report.

2) TABLE OF CONTENTS (As required)



3) CHAPTER 1: INTRODUCTION

- PURPOSE (*Statement of Aim*)
- BACKGROUND (*Reasons for BCA*)
- ISSUE AND FOCUS
- METHODOLOGY
 - *Major Challenges/Constraints*
 - *Key Assumptions/Assessment Criteria*
- REPORT STRUCTURE (*Outline of the BCA*)

4) CHAPTER 2: BASELINE (QUANTITATIVE) AND ISSUES (QUALITATIVE) DEFINITION

- PROGRAM OVERVIEW
 - *Mandate*
 - *Funding and Expenditures*
 - *Client Structure*
- ORGANIZATIONAL STRUCTURE AND INFRASTRUCTURE
 - *Organizational Structure*
 - *Current Program Delivery (National and Regional)*
 - *Infrastructure: Human and Capital Investments*
- SUMMARY OF BASELINE COSTS
- SUMMARY OF QUALITATIVE ISSUES
 - *Expected major impacts*

5) CHAPTER 3: IDENTIFICATION OF FEASIBLE OPTIONS

- IDENTIFICATION OF RANGE OF OPTIONS
- STATEMENT OF EXCLUDED OPTIONS
- TESTING OF REMAINING OPTIONS
 - *Program Review Tests*
 - *Governance Tests*
 - *Risk Tests*
 - *Operations Tests*



6) CHAPTER 4: COMPARATIVE OPTIONS ANALYSIS

- STATEMENT OF MAJOR ASSESSMENT CRITERIA
- SUMMARY OF QUALITATIVE ISSUES
 - *Comparative Advantages and Disadvantages*
- SUMMARY OF QUANTITATIVE ISSUES
 - *Relative Cost/Return on Investment*
- SUMMARY OF RISK ASSESSMENT
 - *Sensitivity Analysis*
 - *Comparative political/monetary risks*

7) CHAPTER 5: SUMMARY CONCLUSIONS AND RECOMMENDATIONS

- PREFERRED OPTION(S)
- REMAINING ISSUES TO BE RESOLVED BEFORE OPTION CAN/SHOULD BE IMPLEMENTED

8) CHAPTER 6: NEXT STEPS

- STATEMENT OF DECISIONS REQUIRED
- SUMMARY OF PROPOSED COURSE OF ACTION
 - *Proposed Transition and Implementation Plans and Resource Requirements*
 - *Proposed Monitoring Plan and Resource Requirements*

9) ANNEXES

- ADDITIONAL BACKGROUND
- DETAILED QUANTITATIVE AND QUALITATIVE ANALYSIS
- DETAILED RISK ASSESSMENT
- IMPLEMENTATION PLAN OUTLINE
- MONITORING PLAN OUTLINE
- ADDITIONAL INFORMATION (*As Required*)



6.1.2 SMALLER SERVICE DELIVERY REVIEWS

Smaller service delivery reviews tend to be generally Make or Buy questions, based primarily on good business principles of cost-effectiveness. As a result the expected BCA Report is considerably smaller than that for the larger service delivery questions or for organizational reviews. The following is a representative outline of the primary sections that are expected in a BCA Report dealing with quantitative issues. Unlike the more-detailed BCA Report, smaller service delivery reviews tend to be closer in form to a submission to a decision-making body rather than a full-fledged report. Once again, the Report itself should be as concise as possible with detailed analysis being provided in the Annexes. The following templates were developed for the Ontario Management Board and are similar to those used by a number of federal bodies.

Program: _____
Service: _____
Purpose of Report (or Submission): Normally 1-2 sentences, e.g.: “The purpose of this submission is to seek approval to proceed with the implementation of a contract for the delivery of the Widget maintenance in the Newfoundland Region”
Recommendation: Point form recommendations – reasons for recommendations discussed in other sections.
Analysis of Current Program/Service: Brief description of existing program/service including: <ul style="list-style-type: none"> • Reason for introducing program/service • Clear definition of program/service and related performance measures • Current method of delivery • Annual resources required to deliver program/service • Clients and client satisfaction with current delivery



Alternatives Considered:

- Reasons for alternatives being considered
- Selection Criteria (*needs/objectives*)
- Feasible option(s) (*those able to meet criteria*)

Analysis of Feasible Delivery Options:

- Legislative/regulatory changes required for implementation
- Human resource impacts – HR impacts of implementing the proposed delivery option and how to manage them during the transition phase and mature phase, including:
 - # of currently involved and # that could be affected by option implementation
 - Strategies to deal with any affected staff
 - Any estimated severance/labour adjustment costs
 - Skill requirements and how to be acquired
- Accommodation Impacts
 - Current locations, costs and ownership
 - Any locations that may have to be closed; timing; disposition strategy; and ,costs
- Risks Assessment, and management strategy for, e.g., where relevant:
 - Political risks – support for government agenda/priorities; public perception
 - Public interest – government remains responsible for public health and safety
 - Governance and accountability –responsibility for cross-departmental initiatives
 - Potential for conflict of interest
 - Financial risks – use of public funds; financial viability of partners/vendors
 - Legal risk – federal liabilities; non-compliance with legislative/regulatory requirements
 - Continuity of service/quality
 - Technical risk
 - Market risk – e.g. probability that rates or fees could change
- Cost Benefit Analysis (see attached template)
- Financial Requirements
- Recommended Option



Transition and Implementation Plans:

Outline **key** features of the plans, including:

- Time schedules and deliverables
- Legislative/regulatory change requirements and anticipated timing
- Financial requirements (follows form the cost-benefit analysis)
- Accountability considerations identifying individuals and what will be their accountabilities
- Labour relations considerations
- Communications plan outline

Monitoring Plan:

Outline **key** features of the plan, including:

- Performance measurement system for results reporting
- Oversight resources required
- Corrective actions if results not achieved
- Contingency plan if new service unacceptable/not viable

Approved by/Date: _____ / _____

Name of Contact/Phone No.: _____ / _____
Branch/Division: _____ / _____

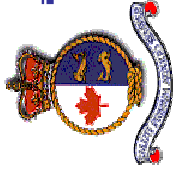
6.1.3 FINANCIAL ANALYSIS TEMPLATES

The following tables are meant as guidelines to presentation of the type of information described in Chapter 3. As previously discussed this information is the core of any smaller contracting-out analysis, but may be only one of many factors in larger and/or organizational studies.



Financial Analysis Template

Cost Categories	Annual Amounts (\$)									
	Current Year		Year 1		Year 2		Year 3		Year 4	
	Full Cost	Avoidable Cost	Full Cost	Avoidable Cost	Full Cost	Avoidable Cost	Full Cost	Avoidable Cost	Full Cost	Avoidable Cost
1) <u>Current Situation</u>										
FTEs (No.)										
Salaries, wages & benefits										
Operations & Maintenance										
- Material & supplies										
- Maintenance & Repair										
- Consulting services										
- Other direct costs										
Facility Costs										
Capital costs										
- Existing										
- New										
Overhead costs										
- Service overhead										
- Regional support cost										
- HQ costs										
- Other										
Non-CCG/DFO costs										
A1) Total annual costs										
B1) Total annual benefits										
- Revenues										
- Recoveries										
- Other										
C1) Total annual net cost (A1 - B1 = C1)										
Discount factor (e.g. 7.5%) (apply to C1)		(1.0)		(0.930)		(0.865)		(0.805)		(0.749)
Net Present Value										(0.697)



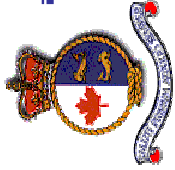
Financial Analysis Template (cont)

Cost Categories	Annual Amounts (\$)					
	Current Year	Year 1	Year 2	Year 3	Year 4	Year 5
2) <u>Alternative Situation</u>						
FTEs (No.)						
Salaries, wages & benefits						
Operations & Maintenance <ul style="list-style-type: none">- Material & supplies- Maintenance & Repair- Consulting services- Other direct costs						
Facility Costs						
Capital costs <ul style="list-style-type: none">- Existing- New						
Overhead costs <ul style="list-style-type: none">- Service overhead- Regional support cost- HQ costs- Other						
Non-CCG/DFO costs						
A2) Total annual costs						
B2) Total annual benefits <ul style="list-style-type: none">- Revenues- Recoveries- Other						
C2) Total annual net cost (A2 – B2 = C2)						



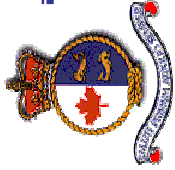
Financial Analysis Template (cont)

Cost Categories	Annual Amounts (\$)					
	Current Year	Year 1	Year 2	Year 3	Year 4	Year 5
2) <u>Alternative Situation (cont)</u>						
Investments required						
- IT expenditures						
- Other Investments						
Employee-related costs						
- Severance/termination						
- Other employee related						
Termination of leases/other contracts						
Other non-recurring costs						
D2) Total Transition Costs						
E2) Total Transition Revenues						
- Proceeds from assets sales						
- Other one-time proceeds						
F2) Net Transition costs						
(E2 – D2 = F2)						
G2) Total Net Costs						
(C2 + F2 = G2)						
Discount factor (e.g. 7.5%) (apply to G2)	(1.0)	(0.930)	(0.865)	(0.805)	(0.749)	(0.697)
Net Present Value						



Contracting Out Evaluation Summary - Template

<u>Contracting Out Costs</u>	Annual Amounts (\$)				
	Year 1	Year 2	Year 3	Year 4	Year 5
Proponent's Bid					
CCG paid Costs					
Capital Assets - Existing	(+)				(-)
One-time conversion costs					
Off-setting revenue	(-)				
Total annual cost					
Discount factor (e.g. 7.5%)	(0.930)	(0.865)	(0.805)	(0.749)	(0.697)
Total government cost					



6.2 VALIDATION

This Stage involves a validation of the BCA report, and more specifically the approach taken and the support presented for the recommendation(s). As such, this stage is a precursor to any actual decision making and is often a penultimate step to the finalization of the BCA report itself. The benefits of including a validation stage in the assessment process are twofold: the input and challenges received from an informed but independent group outside of the project team will allow for improvements in the BCA report (richer data); and, the fact there has been a validation undertaken will assist the project overall by obtaining early buy-in and support from a broader group. Although not necessary for all projects, for larger projects or those where there may be some potential for a perceived favouring of a single option, it is also possible to have a fully independent more formal review and validation performed of the BCA process followed and a confirmation of the necessary balanced analysis. For most projects however, a validation workshop undertaken with both the core project team as well as a broader group drawn from informed stakeholders will generally yield equally valuable results.

6.2.1 THE VALIDATION TEAM

At this Stage, the key objective is to build a team that is in a position to **confirm**, on an impartial basis, that the conclusions reached by, on behalf of, the working group are sound and, that the resulting recommendations should be presented to the appropriate decision-making authorities. It is important to remember that the validation team serves a review function only, and is not being asked to provide the authority to proceed with any organizational or service delivery changes. Therefore, what is required is members who have the appropriate knowledge and understanding of the issues at hand to be able to judge whether there is sufficient information and clarity in the analysis presented to be comfortable in presenting the results to the decision making authorities. There should not be any members of the validation team who stand to directly benefit from the recommendation to be made.

A workable format for the validation exercise might involve a half-day workshop facilitated by project team member(s) which takes the validation team through the process followed in the development of the BCA report. This would include the general findings and empirical information (in chart form), the assessment criteria used, the assumptions made and relied on in the selection of options for review, and finally the comparative analysis made against those criteria. At each point the validation team would be expected to challenge and debate any items that were felt to be unclear or potentially inaccurate by proposing improved details or information. The objective would be consensus before any change is made.



7.0 SUMMARY OF PREPARATION AND IMPLEMENTATION PHASES³⁰

The BCA process lends itself nicely to identifying issues or problems that will have to be overcome if an option is to be implemented successfully. The qualitative analysis and risk assessment will highlight the concerns of stakeholders, effects on operations, policy and other factors. The transition and implementation plans³¹ are formal expressions of how these issues will be proactively overcome and how promised benefits will be realized. The plans will identify time lines and show key milestones that must be met in order for the initiative to meet with success as well as the communications plans required. Some of the subject areas to be addressed (as relevant) include:

- 1) Identification of policy issues remaining to be resolved and plans for resolution;
- 2) How changes to personnel and training requirements will be phased over time;
- 3) How acquisition and disposal plans for equipment or technology will be phased in over time;
- 4) How facility requirements will be implemented;
- 5) Specific assignment of responsibility for overall and sub-areas of implementation;
- 6) Identification of funding and phased budgetary requirements, highlighting who will pay for what and when, and where savings will be recovered from;
- 7) Details or proposals on how to manage impacts in other areas that are affected by the initiative; and,
- 8) Identification of any flexibility within the plans, critical decision dates and risks associated with deviating from the plans.

³⁰ The narrative in this Chapter has been primarily taken from the DND Business Case analysis. The summary tables were developed by Consulting and Audit Canada.

³¹ In smaller MOB projects, the two plans are often combined.



Table 7.1: Preparation Phase -Summary

	Organizational Reviews [Larger (and/or CCG-wide) and Organizational Change (complex and/or sensitive)]	Service Delivery Reviews [Smaller (local) Service Provision Change (few complex or sensitive issues)]
Key Focus	<ul style="list-style-type: none"> Analyze and resolve outstanding issues from in-depth review Prepare organization for transition 	<ul style="list-style-type: none"> Analyze and resolve outstanding issues from in-depth review Prepare organization for transition
Primary Objectives	<ul style="list-style-type: none"> Develop HR Framework Develop Financial Framework/Flexibilities Establish terms and conditions for any asset and/or employee transfers Prepare legislation 	<ul style="list-style-type: none"> Develop HR Transition Plan Develop contract requirements Establish terms and conditions for any asset and/or employee transfers Prepare contracts/MOUs
Working Group	<ul style="list-style-type: none"> Neutral Preparation Team lead by full-time head and composed primarily of full-time staff, with additional expertise brought in as required. Affected stakeholders can be <i>Working Committee</i> members. 	<ul style="list-style-type: none"> Neutral Preparation Team composed either full-time or part-time staff (as justified by the size/sensitivity of the project), with additional expertise brought in as required. Affected stakeholders can be <i>Working Committee</i> members.
Review Group(s)	<ul style="list-style-type: none"> Steering Committee made up of senior level officials of affected stakeholders and Central Agencies. Ministerial and DM agreement to proceed <u>must</u> be sought (may require Cabinet approval) Organizational change may require approval of Prime Minister 	<ul style="list-style-type: none"> Steering Committee made of senior level officials of affected stakeholders authorized to speak for their organization. Ministerial and DM agreement to proceed should be sought if size or sensitivity of service so justifies
Typical Criteria And Issues	<ul style="list-style-type: none"> Outstanding issues needing resolution before implementation were identified during the in-depth review Preparation of legislation (if required) Additional consultations Negotiation for HR transfers to new employers (if applicable) 	<ul style="list-style-type: none"> Outstanding issues needing resolution before implementation were identified during the in-depth review Preparation of contract oversight needs Preparation of RFP Negotiation for HR transfers to new employers
Key Decisions	<ul style="list-style-type: none"> Acceptance of Transition Plan Acceptance of Draft legislation (if applicable) 	<ul style="list-style-type: none"> Preferred Make or Buy/Partnering Option Acceptance of Transition Plan
Timing	≤ 6 month (depending on complexity)	≤ 3 month
Business Plan Implications	<ul style="list-style-type: none"> Business Plan announcements should reflect decision to implement candidate and implementation process to be followed 	<ul style="list-style-type: none"> Business Plan announcements should reflect decision to implement candidate and implementation process to be followed



Table 7.2: Implementation Phase - Summary

	Organizational Reviews [Larger (and/or CCG-wide) and Organizational Change (complex and/or sensitive)]	Service Delivery Reviews [Smaller (local) Service Provision Change (few complex or sensitive issues)]
Key Focus	<ul style="list-style-type: none"> Implementation of organizational or service delivery initiative according to agreed upon transition plan Final Cabinet approvals Passage of legislation (if applicable) 	<ul style="list-style-type: none"> Implementation of service delivery initiative according to agreed upon transition plan Final Departmental and TB approvals (where required)
Primary Objectives (typical examples)	<ul style="list-style-type: none"> Table legislation Obtain Cabinet approvals Obtain Departmental flexibilities Initiate operational changes (e.g., optionality, funding arrangements, etc.) 	<ul style="list-style-type: none"> Obtain final approval for implementation of contracts/MOUs Obtain TB approval (if required) Initiate oversight group Smooth transition of any assets and affected employees
Working Group	<ul style="list-style-type: none"> Neutral <i>Implementation Team</i>, lead by full-time head with full-time staff. Bringing in experts (e.g., financial, legal advisors, etc.) as required 	<ul style="list-style-type: none"> Neutral <i>Implementation Team</i> composed either full-time or part-time staff (as justified by the size/sensitivity of the project), with additional expertise brought in as required.
Review Group(s)	<ul style="list-style-type: none"> Steering Committee made of senior level officials of affected stakeholders and Central Agencies. Ministerial and DM approval to proceed <u>must</u> be sought. 	<ul style="list-style-type: none"> Steering Committee made of senior level officials of affected stakeholders authorized to speak for their organization. Ministerial and DM agreement to proceed should be sought if size or sensitivity of service so justifies
Typical Criteria And Issues	<ul style="list-style-type: none"> Ensure orderly transition Ensure HR and Financial Frameworks in place Ensure legislation and Cabinet approvals in place Ensure new management in place Communications announcements 	<ul style="list-style-type: none"> Finalize contracts/MOUs Ensure contact oversight needs in place Ensure Terms and conditions of HR transfers to new employer are in place Communications announcements
Key Decisions	<ul style="list-style-type: none"> Passage of legislation Implement transition 	<ul style="list-style-type: none"> Implement preferred Make or Buy or Partnering Option Obtain commitment to any required oversight/monitoring resources
Timing	≤ 3 months to ≥ 18 months (depending on whether legislation is required)	≤ 2 months if no employees affected, otherwise a minimum surplus notification period.
Business Plan Implications	<ul style="list-style-type: none"> Business Plan announcements should reflect implementation of initiative 	<ul style="list-style-type: none"> Business Plan announcements should reflect implementation of initiative

