


Connecting the Dots

Linking Resources to Results: The Role of the Financial Advisory Community



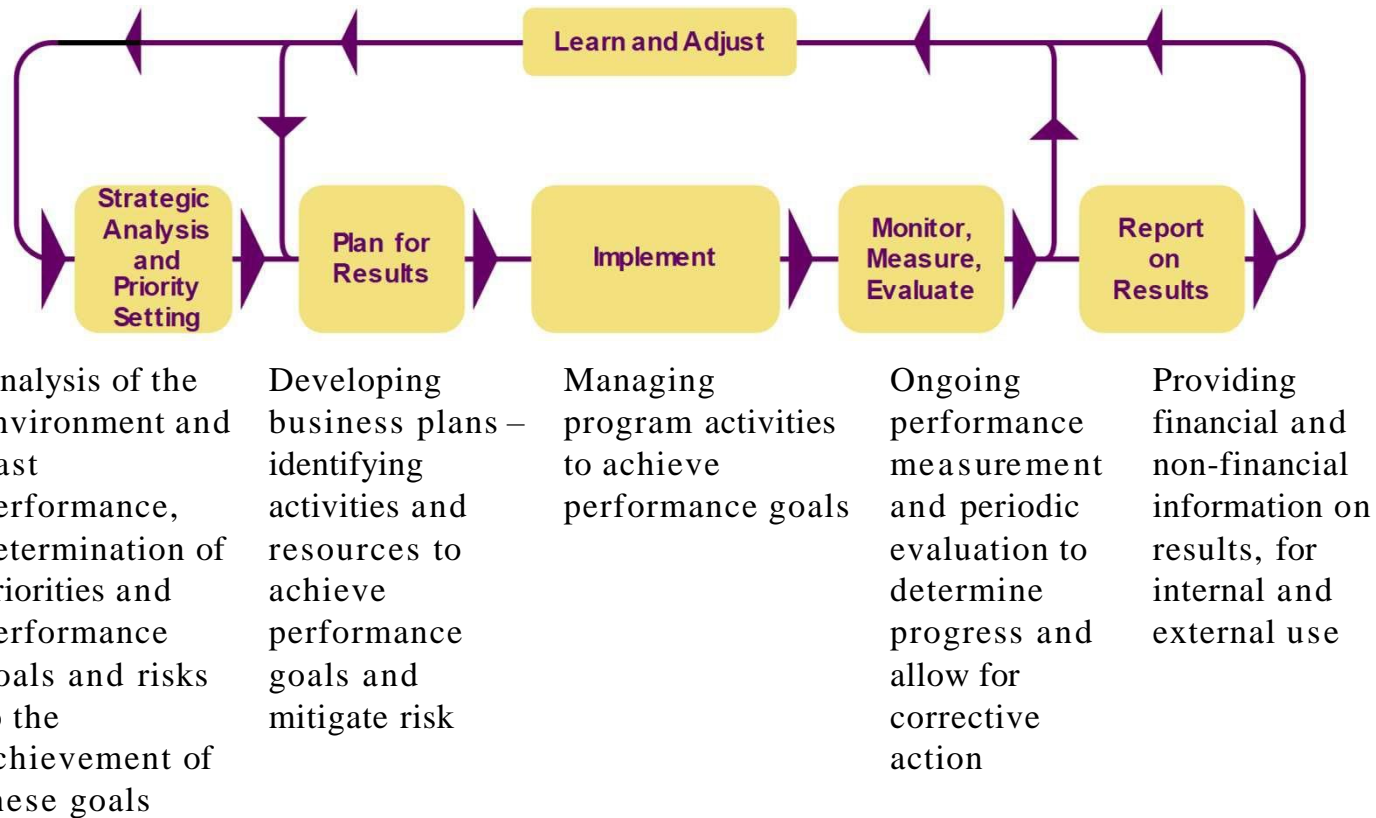
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Prepared for:
FMI-Capital Chapter
Professional Development Day
October 25, 2018

Presentation Overview

- Reflections on the past 20+ years
- Resourcing the resources to results strategy
- Costing guidance key elements
- A resources to results example
- Group discussion on: common gaps; challenges/ issues; some steps the Financial Advisory Community can take to fill the gaps

The MFR Cycle



← Managing Culture Change →

Source: TBS (2002) - Adjusted

Managing for Results Environment Components

Structures

(Architectures/Models/Maps)

- Government of Canada (GC) Outcome Areas
- Departmental Results Frameworks and Program Inventories
- Program Logic Models
- Strategy Maps
- Process Maps
- Governance Structures
- Enterprise Architecture
- Data Models

Enabling Frameworks

- Performance Frameworks
- Risk Management Frameworks
- Planning and Reporting Frameworks
- Control Frameworks
- Governance and Accountability Frameworks
- Project Management Frameworks

Accountability Instruments

- Departmental Plans
- Corporate Business/Operational Plans
- Investment Plans
- Regional Plans
- Strategic Plans
- Program Plans
- Performance Measurement Strategies/Plans
- Work and Project Plans
- Learning Plans
- Performance Management Agreements
- Departmental Results Reports
- Program Performance Reports

Key Enablers

- Leadership
- Governance and Accountability
- Communication
- Culture Change

- Resourcing
- Human Capacity
- Enabling Systems

- Roles/Responsibilities Definition
- Process/Workflow Integration
- Structural/Framework Alignment
- Tools and Templates
- Translation and Direction Setting
- Custodianship of RBM Artifacts

20 + Years of Managing for Results Initiatives

Timeframe	Management Initiative
1997/1998	Improved Reporting to Parliament Project, First Reports on Plans and Priorities and Departmental Performance Reports
1998	Modernizing Accountability Practices in the Public Sector
1999	Modernizing Comptrollership
2000	Results for Canadians
2001	Results-based Management and Accountability Framework (RMAF)
2001	Integrated Risk Management Framework/Risk-based Audit Framework (RBAF)
2003	Management Accountability Framework
2004/2005	Program Activity Architecture and Management, Resources and Results Structure Policy and Integrated RMAF/RBAF
2007	Policy on Investment Planning
2008	Guide to Costing
2009	Guide to Performance Measurement Strategies
2012/2013	Common Indicators for Internal Services, Tagging, Efficiency Indicators
2016	Guidelines on Costing
2016/2017	Policy on Results, Departmental Results Frameworks and Program Information Profiles

Previous Resources to Results Messaging

- “...It is important that integrated information is available on how much was spent, what was done, and how much was actually achieved”
- “...easier access to performance information is required; and the reporting of costs and results in a linked manner needs to be improved”
 - Managing for Results 1998, Annual Report to Parliament

Current Resources to Results Messaging

- Policy Objectives
 - 3.1.1 Improve the achievement of results across government
 - 3.1.2 Enhance the understanding of the results government seeks to achieve, does achieve, and the resources used to achieve them
- Expected Results of Policy
 - 3.2.3 Resources are allocated based on performance to optimize results, including through Treasury Board submissions, through resource alignment reviews, and internally by departments themselves
 - 3.2.4 Parliamentarians and the public receive transparent, clear and useful information on the results that departments have achieved and the resources used to do so

Previous Assessments of Resources (\$7.7 billion) to Results Linkages

- “It is not clear that the reporting framework will provide the information needed to oversee the initiative. Much of the funding was allocated not to establish new programs but to increase the capacity of existing programs. Consequently, while departments and agencies can estimate the amounts they have spent, it will be difficult to separate the results of the initiative's activities from those of ongoing departmental programs”

- 2004 March Report of the Auditor General of Canada: Chapter 3- National Security in Canada-The Anti-Terrorism Initiative (PSAT)

Current Assessments of Resources to Results Linkages

- “We don’t have a solid understanding of how our resources are flowing through the system”
- “It is difficult to determine how resources are allocated to distinct activities/outcomes”
- “A key issue is not having expenditure information coded to specific program elements that we are evaluating; for example, cross-cutting issues that are addressed in a variety of ways by different parts of the organization”

Current Assessments of Resources to Results Linkages

- “Since the new Policy introduced that flexibility to move away from evaluating each core issue each time, we have taken a very moderate (ie: light touch) approach to assessing resource utilization (or as formerly called, efficiency and economy) – mainly due to the overall lack of sufficiently detailed or available information at the necessary level to do it well. A pretty common challenge across town I’d say.”

Other Observations: Gaps in Many Organizations

- Planning is mostly bottom up and not top down, while budgeting is most top down not bottom up
- Planning, monitoring and reporting are not continuous and tend to “start’ and “stop”
- Heavy focus on responses to call letters and completion of templates and less on executive engagement informed by the right supporting information

Observations: Gaps in Many Organizations

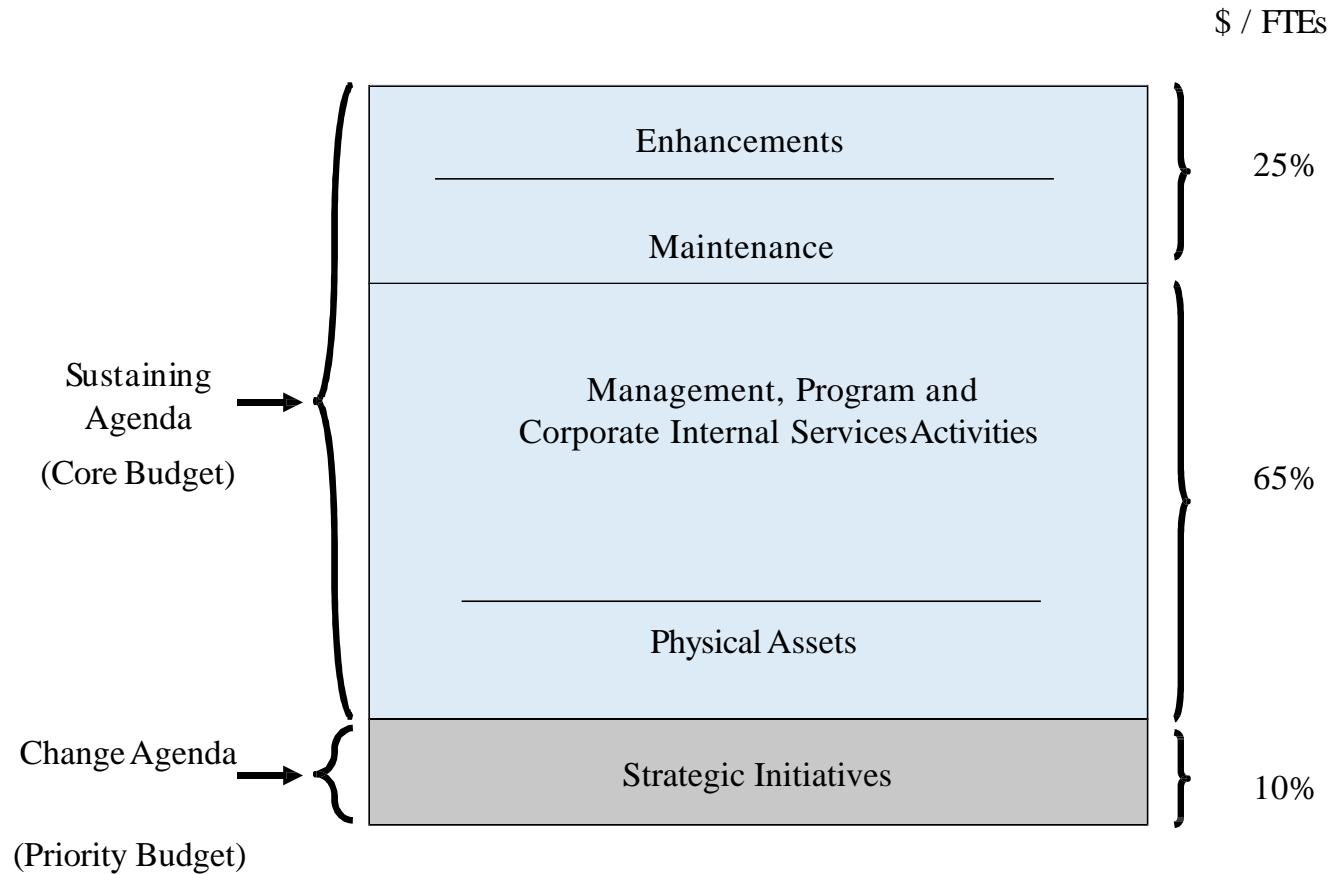
- Costing practices are not as robust as they once were with most programs lacking multiple views of cost
- The terms sustaining and change agenda are part of the management lexicon in many organizations/ programs. However, planning, budgeting and reporting in a disciplined, repeatable manner (financial and non-financial information) against these two agendas is not taking place
- Financial and non-financial information are not well integrated in planning, monitoring and reporting documents
- Executives are generally not being held to account for their management responsibilities through strong governance and accountability structures and practices

Observations: Gaps in Many Organizations

- Executives and managers are generally not provided with formal training in the areas of strategy execution, performance measurement, risk management, cost management, planning and reporting. This limits their ability to provide informed leadership.
- Lack of understanding at various levels of what the implementation of a Managing for Results culture and regime entails and how all of the puzzle pieces fit together
- No shared vision among Internal Services and programs areas on how to build a Managing for Results environment

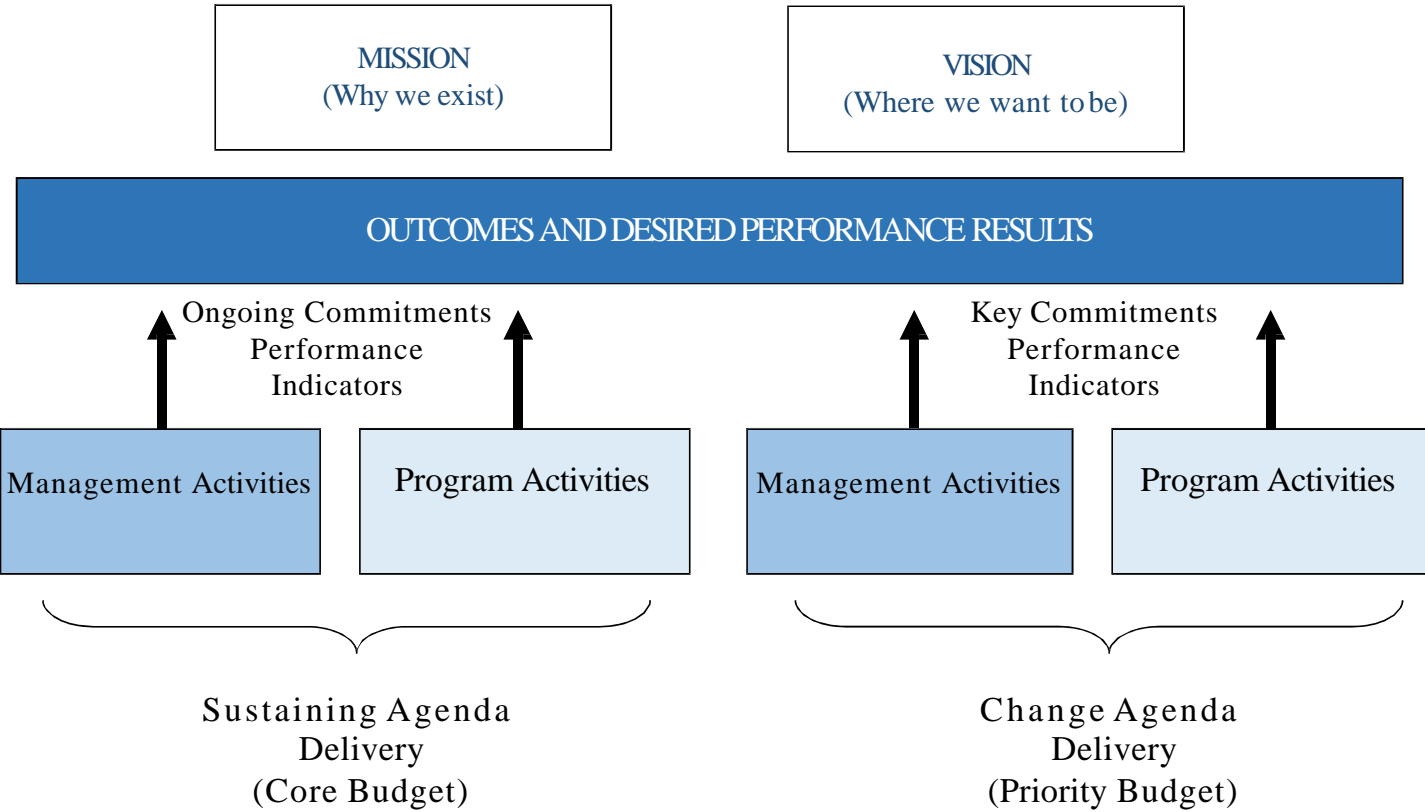
Resourcing the Resourcing to Results Strategy

Resourcing the Sustaining and Change Agendas



Adapted from "The Strategy-Focused Organization" (R. Kaplan, D. Norton, 2001)

Program Delivery and Management Accountabilities



Adapted from "The Strategy-Focused Organization" (R. Kaplan, D. Norton, 2001)

Costing Guidance Key Elements

Costing Guiding Principles (source: TBS2016 Guidelines on Costing)

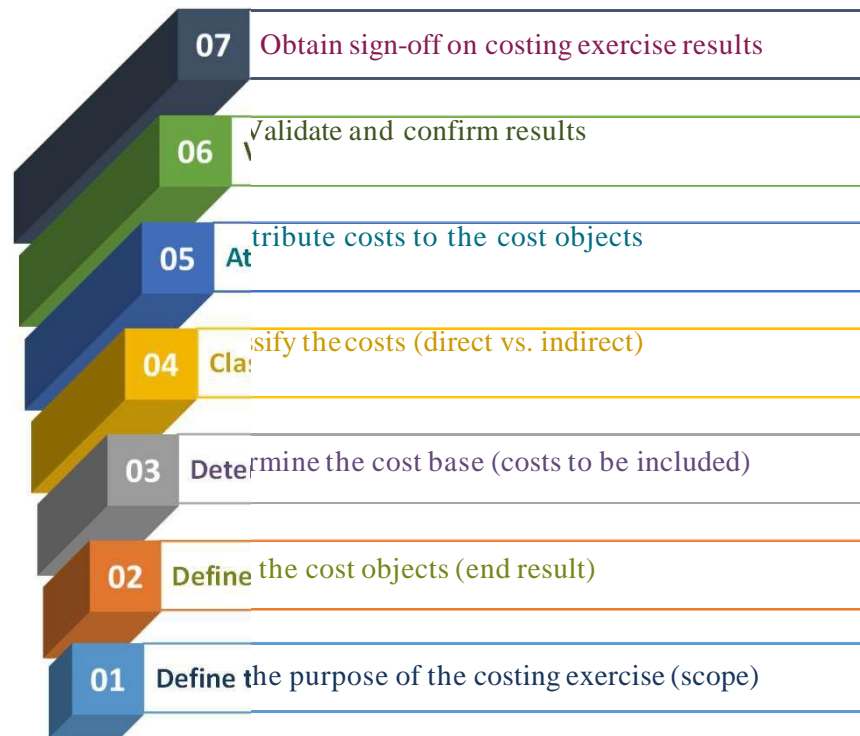
- Costing requires consultation and judgement
- Costing must be tailored to the purpose for which the cost information will be used
 - Examples of different purposes could be the following: (a) to determine the cost to establish and deliver a new program; and (b) to determine the cost of expanding an existing service to meet additional demands.
- Where the same circumstances and purposes exist, costing must be done consistently
- Costs rarely vary in proportion to changes in the level of activity
 - Numerous variables will influence how costs vary or not, in relation to a change in a situation. The consumption of resources supporting activities needs to be fully understood.
- Data and documentation for a particular costing exercise must be reasonable, consistent, defensible, reconcilable and current
- There must be a balance between the following competing elements: level of detail/precision, timeliness, accuracy, complexity and affordability

Common Purposes for Cost Information (source: TBS2016 Guidelines on Costing)

- Resource allocation/optimization (new programs; changes to existing programs; capital investment; cost reduction/avoidance; resource capacity/utilization; reallocations)
- Performance measurement (cost efficiency; cost effectiveness; value for money; benchmarking)
- Program delivery options (in-house vs. outsourced; collaborative and shared services; discontinuance)
- Cost recovery (full cost; incremental cost)

GoC 7-Step Approach to Costing (TBS 2016 Guidelines on Costing)

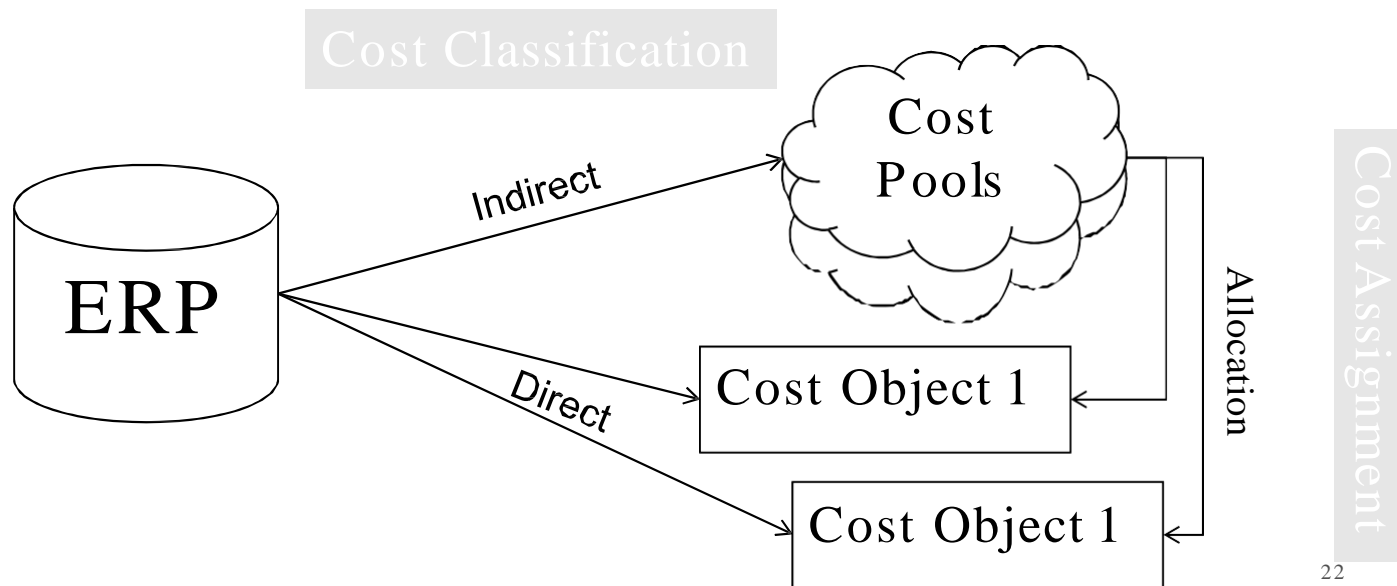
To produce meaningful costing information that will be used by all levels of management, the Guidelines put an emphasis on the consultation that must take place between the CFO organization, program managers, and all other stakeholders to establish a clear understanding of the information needs to which the costing exercise will respond



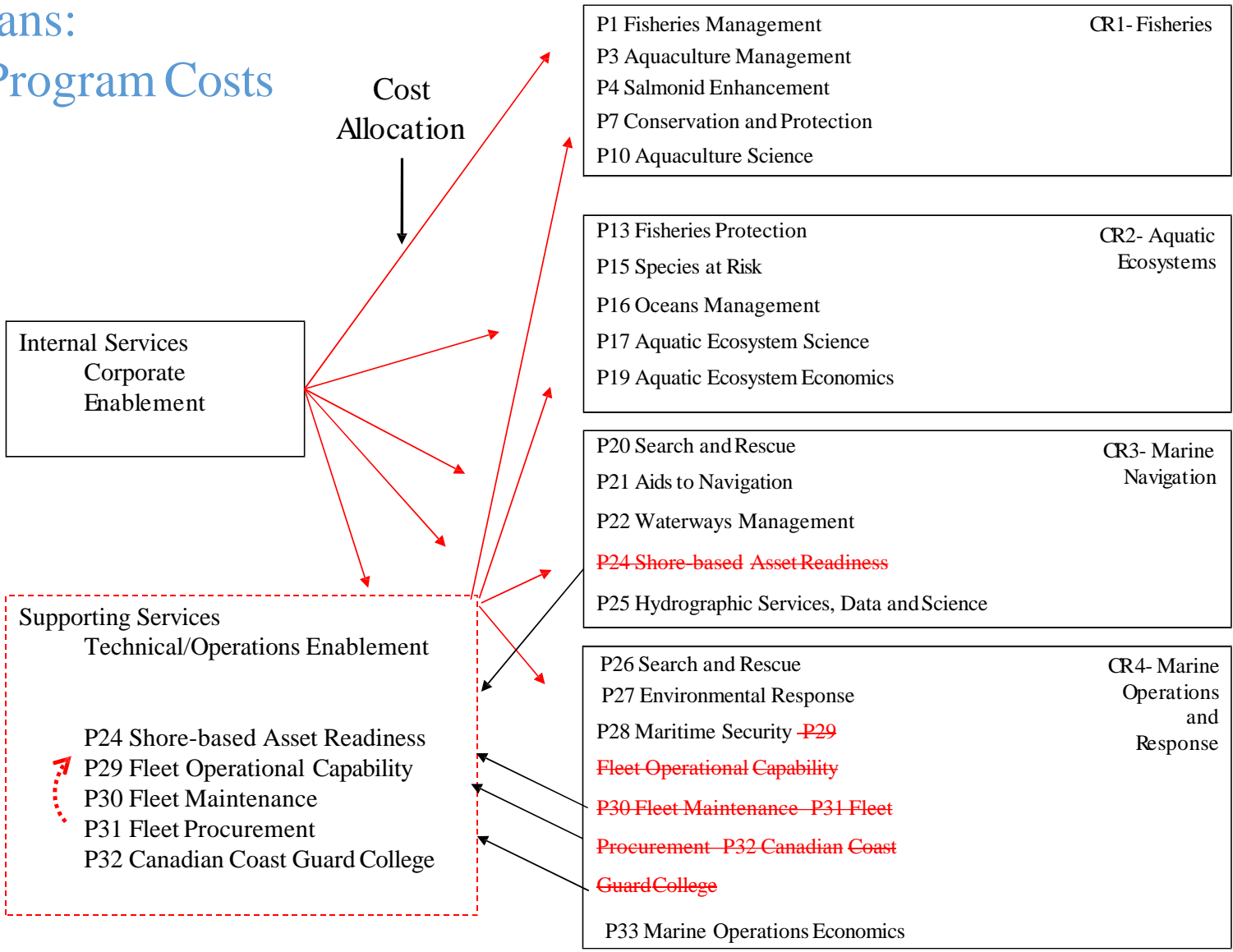
A Working Resources to Results Example

Cost Classification and Assignment

- ❑ Cost classification determines which costs can be identified directly with cost objects, and which costs are less direct
- ❑ Cost assignment determines the methodologies for allocating costs to the cost objects



Fisheries and Oceans: Determining Full Program Costs



Group Discussion on Common Gaps and
the Role that the Financial Advisory
Community Can Play in Filling these Gaps

Annex: Key Elements for GCCosting

- Cost Base
 - Program costs
 - Internal Services support
 - OGD costs (joint or horizontal initiatives)
 - Externally managed costs (i.e. accommodation, EI & WC premiums, legal services)
 - Centrally managed funds (i.e. EBP)
 - Amortization costs for assets
 - Financing costs

Derived from TBS-OCG Guide to Costing (2008)

Annex: Key Elements for GCCosting

- Cost Types
 - Direct - touches the activity, output, product, service, client
 - Indirect - supports direct resources and activities (i.e. training, security, admin)
- Cost Behaviors
 - Fixed - does not vary with quantity of output (i.e. occupancy, salaries, depreciation)
 - Variable - varies with quantity of output (i.e. supplies, overtime, external fees)
 - Semi-variable - has a fixed to variable “break point” (i.e. service contracts)

Derived from TBS-OCG Guide to Costing (2008)

For follow-up, please contact:

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