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Summative Evaluation of the Pilot Project on Non-Lapsing Appropriations for Capital Asset Management

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Acknowledgements

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Abbreviations

Abbreviations	Description
AAFC	Agriculture and Agri-Food Canada
ARLU	Annual Reference Level Update
CAR	Capital Asset Review
CCG	Canadian Coast Guard
CRA	Canada Revenue Agency
DFAIT	Foreign Affairs and International Trade Canada
DFO	Fisheries and Oceans Canada
DPR	Departmental Performance Report
MAF	Management Accountability Framework
MOU	Memoranda of Understanding
NLA	Non-lapsing appropriation
OAG	Office of the Auditor General of Canada
PWGSC	Public Works and Government Services Canada
RCMP	Royal Canadian Mounted Police
RPMPD	Real Property and Materiel Policy Division
Secretariat	Treasury Board of Canada Secretariat
SOP	Standard Operating Procedure
SPA	Special Purpose Allotment

Executive Summary

Evaluation Objectives and Governance

The evaluation of the Pilot Project on Non-Lapsing Appropriations (NLAs) for Capital Asset Managementwas undertaken as a Treasury Board commitment and part of the Secretariat's Five-Year Evaluation Plan. The evaluation was conducted in 2009–10 with the following objectives:

- Assess the relevance of two-year non-lapsing appropriations;[1]
- Assess the overall implementation and designof thepilot project;
- Determine the extent to which the pilot project has achieved immediate outcomes and has made progress toward intermediate outcomes (i.e., its success); and
- Document best practices and lessons learned and identify possible alternatives.

Using multiple lines of evidence, 45 documents were examined, 33 key informant interviews were conducted and all related administrative data were analyzed. Due to inadequate administrative data sets, the evaluation was limited by its reliance on qualitative data.

The evaluation's governance structure included an interdepartmental advisory committee, the pilot project working group, the program office and the Secretariat's Internal Audit and Evaluation Bureau. This evaluation was also guided and reviewed by the Departmental Evaluation Committee, which recommended it for approval by the Secretary.

Background

The 2004 Capital Asset Review (CAR), named as one of the government operational reviews, was undertaken by the Secretariat with the aim of identifying "best practices, problem areas and solutions" in the management of capital assets. This was achieved by examining overarching framework issues, such as asset management policy, asset information, funding for assets and historical expenditures—all in the context of best practices.

The CAR noted several issues including the lack of funding for adequate maintenance of capital assets, which is widely believed to increase costs nearly fivefold. This lack of funding led to addressing pressures in the short-term at the expense of the long-term stewardship of assets. The CAR recommended providing "non-lapsing asset funding over a 3 to 5 year time frame, contingent upon the quality of the long-term asset plan and department performance." This recommendation would allow departments to "carry unexpended asset funds forward from one fiscal year to the next and [would] give managers a more stable funding base for planning their operations without fear that their resources will be cut off." During this period, a report from the Office of the Auditor General of Canada (OAG) also recommended that capital assets be managed using an accrual method of accounting (i.e., departments must improve and use financial information for their daily decision-making, management and reporting practices).

Prior to the launch of the NLA pilot project, only two other carry-forward mechanisms existed: reprofiling and the 5% carry-forward. The 5% capital carry-forward allows eligible departments and agencies to carry forward capital budget amounts from one fiscal year to the next, up to 5% of their capital vote to a maximum of $75 million. Reprofiling, on the other hand, has no explicit limit, but requests must meet eligibility equirements and are subject to certain conditions. Neither mechanism, however, supports long-term planning and management needs as stated in the CAR.

In response to the CAR recommendations, the Secretariat embarked on a pilot project involving four federal organizations: Agriculture and Agri-food Canada (AAFC), Foreign Affairs and International Trade Canada (DFAIT), the Royal Canadian Mounted Police (RCMP), and Fisheries and Oceans Canada (DFO). The pilot's objectives were as follows:

- Improved overall effectiveness of capital spending (including improved management decisions and enhanced value for money);
- A move toward a longer-term, strategic investment approach consistent with the nature of the asset; and
- An ability to respond to recommendations from the OAG regarding accrual accounting (i.e., the OAG recommended that departments improve and use accrual financial information for daily decision making).

Evaluation Findings and Conclusions

Relevance

The NLA pilot project responds to the recommendations from the CAR and the OAG. Its objective, namely, improved overall effectiveness of capital spending, shows clear alignment with federal government priorities for delivering results to Canadians while maintaining fiscal discipline.

The evaluation of the pilot project demonstrates that departments see a need for a mechanism such as NLA to facilitate the management of federal government capital programs while taking into account the uncertainties faced in managing them. Both participating and non-participating departments believe that no other carry-forward mechanism provides more certainty and advantageous timing than NLA to enable overall effective project management.

Performance

The pilot project produced a strong base of qualitative evidence that shows progress on immediate outcomes including improved financial management, project management and risk management. Similarly, the evaluation found progress on intermediate outcomes, such as enhanced value for money, improved management decisions and optimal allocation of resources in investment plans.

The overall evidence, ranging from project-level benefits to increased rigour in governing and managing departmental capital asset investments, links better capital asset decisions to the pilot's design. These improvements were overwhelmingly attributed to the flexibility, timing and predictability provided by the pilot's non-lapsing mechanism, as follows:

1. **Timing**—Most key informants provided positive feedback on the timing for identifying carry-forward amounts. The pilot allowed participants to identify funds after the March 31 year-end, which contrasts with existing mechanisms that require departments to predict their lapses up to six months in advance.

2. **Predictability**—Because departments make the decision themselves to carry forward, the availability of funds is not contingent on Treasury Board approval and the related uncertainty. By providing an alternative to lapsing funds, the pilot altered the decision-making environment, allowing managers to:
   - plan over a longer duration;
   - apply more disciplined focus on project management; and
   - make higher-quality decisions.
3. **Flexibility**—Flexibility was identified as a key advantage in determining the amount of funding to carry forward and in adjusting project schedules and activities to changing circumstances. The evaluation found

that departments with the most flexibility under the NLA pilot were also the most successful at minimizing net lapses.

Although results were not quantified, the evaluation did find that participating departments demonstrated behaviour that would generally be considered cost-effective, such as the following:

- Ensuring that funding availability corresponds to the optimal construction season;
- Targeting certain times of the year to minimize costs related to construction cycles, availability of materials and contractors;
- Maintaining focus on project-related timelines rather than on corporate reporting timelines;
- Maintaining original project scope without adversely impacting other operations or projects; and
- Delaying project start dates to ensure adequate internal capacity.

Options

The following four options are proposed for discussion as a follow-up to the evaluation:

1. Extend the pilot project temporarily;
2. Extend NLA to qualifying departments;
3. Discontinue the NLA mechanism, enhance existing mechanisms and make available to qualifying departments; and
4. Expand the NLA mechanism to be available to all custodial departments.

Since the evaluation demonstrates that the pilot was successful, the option of discontinuing the NLA mechanism without considering an alternative was not included.

Recommendations

1. Given that the Secretariat had various views on NLA, it would be beneficial for the department to develop a position on the NLA pilot project in light of the evaluation results and in relation to the other mechanisms. This process would facilitate a discussion and enable a decision regarding the proposed options. The discussion would address key questions including the following:
    - To what extent can the 5% carry-forward and reprofiling mechanisms be modified to build in the flexibility, timing, and predictability that resulted in the improved decision making when NLA was used? What are the benefits and risks of this?
    - Would enhancing existing mechanisms still result in improved decision making, financial management and project management?
    - What criteria should be used to qualify a department to participate in a new mechanism or enhancements to an existing mechanism?

    It is recommended that the Secretariat review existing mechanisms to determine whether they can be modified to build in the flexibility, timing and predictability that resulted in the improved decision making under the NLA pilot. Based on the results of the evaluation and the review, the Secretariat would then determine which of the options (2, 3 or 4) should be implemented.

    If the NLA pilot is continued or an existing alternative mechanism is enhanced (options 1 to 4), the following recommendations are made:

2. It is recommended that a performance measurement strategy be put in place with clear reporting requirements for participating departments.

3. Clear criteria for the selection of departments and design of projects for NLA should be developed and communicated. Criteria should be linked to the department's investment plan.

4. Roles and responsibilities between and within the Secretariat, the Department of Finance Canada and departments should be clearly defined, articulated and communicated.

5. SOPs regarding the functioning of the mechanism, rules and restrictions, and reporting requirements should be developed, articulated and communicated.

6. Departments should be reassessed for qualification whenever submitting a revised investment plan. Their capacity and track record (e.g., ability to carry out the projects in the investment plan, net and gross lapsing, MAF ratings, audit results, and results against indicators in the performance measurement strategy) should be carefully reviewed for this reassessment.

1.0 Introduction

This report represents the results of the Evaluation of the Pilot Project on Non-Lapsing Appropriations (NLA) for Capital Asset Management that was undertaken in 2009–10.

The NLA pilot project was launched in 2005 as part of the response to recommendations made by two reports. The first was a 2004 Capital Asset Review (CAR) conducted under the umbrella of Government Expenditure Reviews in December 2003. The second was a 2004 report from the OAG that strongly recommended introducing accrual appropriations for federal expenditures. The purpose of the pilot was to study the potential impact of a possible government-wide application of a two-year NLA carry-forward mechanism.

The evaluation was overseen by the Secretariat's project authority at the Real Property and Materiel Policy Division (RPMPD), the Working Group for the Pilot Project on NLA for Capital Asset Management, and the Secretariat's Internal Audit and Evaluation Bureau. The evaluation was required to be completed as per the 2006 Treasury Board submission.

1.1 Background/Context

1.1.1 Overview

By providing the required structures, land, machinery and equipment, capital assets are a fundamental support to the majority of government programs. Over the years, issues concerning capital asset management in the federal government have emerged. Insufficient investment in capital assets has led to deteriorating infrastructure (i.e., "rust out"). A review was undertaken to examine expenditures and business processes and to identify opportunities for improvement in management, governance and effectiveness. The final CAR report, published in 2004, stated the following:

> Though the management of assets is generally well done at the local level, the most costly item in this domain is deferred maintenance. It has been estimated by reliable sources that deferral of maintenance can cost up to five times the cost of doing maintenance on time…. The savings are found in both the repair and operating costs.

Following logically from this finding, the report went on to recommend that the federal government "provide non-lapsing asset funding over a 3 to 5 year time frame, contingent upon the quality of the long-term asset plan and department performance." The concept of "lapsing" refers to unspent budget at the end of the fiscal year-end. Under current processes at fiscal year-end, unspent funds in a department's budget are no longer available to the department. Instead, these funds are redirected into a government-wide consolidated account and spent on government priorities (e.g., paying down the national debt) or reallocated to other program areas. A "non-lapsing appropriation," then, would be a portion of a department or agency's budget that, if unspent at year-end, can be carried forward into the following fiscal year.

Also in 2004, a report from the OAG strongly recommended introducing accrual appropriations for federal expenditures. In this context, NLA for capital assets may be viewed as part of a possible broader vision to optimize federal government asset management.

1.1.2 Description of the pilot project

The NLA pilot was launched in 2005 as a step toward implementing these recommendations. The purpose of the pilot was to study the potential impact and effects of a government-wide application of a carry-forward mechanism. The pilot project had three main objectives:

- Improved overall effectiveness of capital spending (including improved management decisions and enhanced value for money);
- A move toward a longer-term, strategic investment approach consistent with the nature of the asset; and
- An ability to respond to recommendations from the OAG regarding accrual accounting (i.e., the OAG recommended that departments improve and use accrual financial information for daily decision making).

The pilot project was designed to simulate non-lapsing two-year capital appropriations. That is, it would allow amounts of unspent capital budgets at year-end to be added to the department's budget for the next fiscal year. Participating departments included Agriculture and Agri-food Canada (AAFC), Foreign Affairs and International Trade Canada (DFAIT), Royal Canadian Mounted Police (RCMP), and Fisheries and Oceans Canada (DFO).[2] These departments were given the opportunity to carry forward 100% of their unexpended capital vote appropriations from the current fiscal year to the one following.

With the exception of DFAIT, all amounts carried forward were to be solely used for capital expenditures. The amounts carried forward by DFAIT were even further restricted to real property expenditures, although this restriction was lifted for fiscal year 2008–09 to include all capital. In this pilot, DFAIT was also limited to carrying forward a maximum of 5% of their capital vote (real property funds only in the first three years of the pilot and all capital funds, except Mission Security, since 2008–09).

Participating departments were chosen based on the following criteria:

- The department or agency must have completed a Long-Term Capital Plan that was approved by the Secretariat;
- The department or agency must have a record of sound financial management; and
- The Secretariat must support the organization's participation in the pilot.

Memoranda of Understanding (MOUs) signed between the Secretariat and the participating departments identified the amounts eligible for carry-forward in the pilot (see Exhibit 1.1).

Exhibit 1.1—Eligible Amounts to be Carried Forward

Departments	AAFC	DFAIT	DFO	RCMP
Amount for Carry-Forward	$30 million	$78 million	$141.8 million	$20 million
Notes		Capped at 5% of the department's capital vote. Carry-forward limited to real property assets. As of 2008–09, all capital, with the exception of Mission Security, was eligible for carry-forward under this pilot.	DFO did not join the pilot until November 2007.	RCMP received one-time permission from Treasury Board to add $53 million to their special purpose allotment (SPA) in fiscal year 2007–08.

Source: MOUs signed with each participating department.

The final year from which appropriations could be carried forward was fiscal year 2009–10. Therefore, the final year for which funds could be included in Supplementary Estimates (A) is fiscal year 2010–11.

Special purpose allotments

SPAs were established for fiscal years 2005–06 to 2009–10 for each participating department for the amounts specified in Exhibit 1.1. Authority was granted to these departments to carry forward the unexpended balance of the SPAs established for Capital Asset Management in the previous fiscal year and to increase the SPAs by the amount carried forward. This was done through the inclusion of items in Supplementary Estimates.

Reporting requirements

The MOUs identified the reporting requirements of participating departments in two broad categories: financial results and impact on management decisions.

Specifically, departments were expected to provide details of financial carry-forward on a project-by-project basis. As well, departments were required to provide descriptive information regarding the impact on their management decisions by illustrating how the ability to carry forward affected their investment and/or business planning (including up to five specific examples).

Further guidance was provided in June 2009 to departments in the form of a template for the annual report. This template required that departments report on both a cash and an accrual basis. It also required the identification of specific projects for which carry-forward amounts were associated. A narrative section asked participating departments to explain how the pilot project had affected the management of capital assets more generally and also asked for descriptive examples of how specific projects were impacted by the pilot.

Roles and responsibilities

MOUs with the participating departments outlined the following roles and responsibilities for the Secretariat and the departments in the implementation of the pilot project.

The Secretariat had responsibilities for:

- Seeking appropriate Treasury Board authority on behalf of the participating departments for non-lapsing capital appropriations;

- Modifying SPAs to operationalize these appropriations, as required;
- Working with the participating departments to identify benefits and solutions to address barriers which may arise during the pilot;
- Tracking capital funds eligible for carry-forward through figures provided to the Public Accounts Committee;
- Ensuring that any funds transferred into the capital vote during the fiscal year were not eligible for carry-forward; and
- Releasing non-lapsing funds to departments through Supplementary Estimates (A).

The participating departments had responsibilities for:

- Seeking ministerial support to participate in the pilot;
- Determining the funds eligible for carry-forward;
- Ensuring that funds eligible for carry-forward were fenced for the duration of the pilot and redirected to capital spending;
- Ensuring that reprofiled funds were displayed by project on an accrual and a cash basis; and
- Meeting agreed-upon reporting requirements.

RPMPD was the lead for this pilot project at the Secretariat. Responsibility to support the management of the pilot was shared by the Secretariat's Program Sector and Expenditure Management Sector.

1.1.3 Logic model for the pilot project

A logic model was developed near the beginning of the pilot to describe how the NLA activities were expected to lead to the outputs and the desired immediate, intermediate and ultimate outcomes. The logic model was used as the basis for developing evaluation questions to address the performance of the program.

Exhibit 1.2—Logic Model for the Pilot Project on Non-Lapsing Appropriations for Capital Asset Management

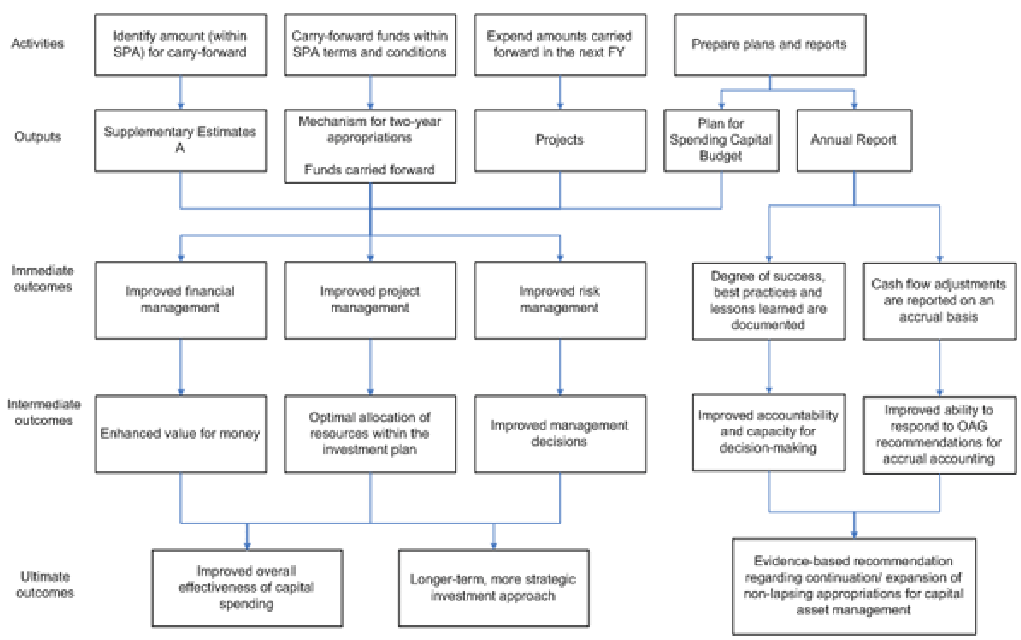

Exhibit 1.2 - Text version

1.1.4 Other mechanisms for transferring capital funds

In order to fully understand the context for the pilot project on NLA, it is useful to review the other mechanisms that were already available to departments and agencies in managing their capital votes. What follows is a discussion of two of these mechanisms along with their key features.

5% capital carry-forward

The 5% capital carry-forward allows eligible departments and agencies to carry forward capital budget amounts from one fiscal year to the next, up to 5% of their capital vote to a maximum of $75 million. The origin of the

5% carry-forward was Treasury Board Circular 1987-53, whose intent was to "give departments flexibility in managing capital funds by allowing them to carry forward limited amounts of these funds into the next fiscal year." This mechanism applies to departments and agencies that have separate capital votes in the Main Estimates, but it does not apply to Crown corporations or to National Defence.

The information requiredto request a carry-forward includes proposals that must be related to specific capital plans, objectives and results and must be justified in relation to the principles outlined in the Circular. Departments must clearly explain the circumstances around the funds that are expected to lapse, demonstrate the need to carry moneys forward, and explain how these would eventually be spent.

By December 15 of each year, deputy heads must write to the Secretary of the Treasury Board to seek frozen allotments equal in amount to the desired carry- forward. Approved amounts are frozen in the current fiscal year, with departments authorized to include them in the Supplementary Estimates for the following year.

Capital reprofiling

The capital reprofiling mechanism allows departments, agencies, and Crown corporations supported by appropriations to carry forward capital budget amounts from one fiscal year to a future fiscal year. In late August, a Secretariat call letter solicits Annual Reference Level Update (ARLU) and reprofile requests from organizations. Although there is no explicit limit on reprofile amounts, requests must meet eligibility requirements and are subject to certain conditions. Requests are then assessed by the Secretariatand the Department of Finance Canada. Decisions are usually made in December, and the approved amounts are included in a future year Supplementary Estimates and frozen in the current year.

1.2 Objectives

This evaluation sought to achieve four main objectives (from which flow the four main evaluation issues):

- Assess the relevance of two-year non-lapsing appropriations;
- Assess the appropriateness of the overall implementation and design of the pilot project;
- Determine the extent to which the pilot project has achieved immediate outcomes and has made progress toward intermediate outcomes (i.e., success); and
- Document best practices and lessons learned and identify possible alternatives.

Because the pilot ended in 2009–10 (i.e., this was the last fiscal year from which appropriations could be carried forward), the evaluation provides options to address the key question of what should follow the pilot project. It is expected that the evaluation will be used as one source of information in developing a future mechanism that facilitates the management of federal government capital programs.

1.3 Evaluation Issues and Questions

The evaluation provides findings to questions under four main evaluation issues: relevance, implementation and design, success[3] and alternatives, and best practices and lessons learned.[4]

Relevance

1. Is the use of non-lapsing appropriations consistent with federal government priorities for capital asset management?

2. Is there a continuing need for non-lapsing appropriations for capital asset management?

Success

3. To what extent has the pilot project led to improved financial management of capital asset budgets?

4. To what extent has the pilot project led to improved management of capital asset projects?

5. To what extent has the pilot led to improved risk management in allocating resources from the capital budget?

6. To what extent has there been progress toward achieving intermediate outcomes?
   a. Improved quality of decisions
   b. Enhanced value for money
   c. Optimal allocation of resources in the investment plan

7. How does the achievement of these outcomes vary by participating department? To what extent can variations be explained by differences in how the pilot project was implemented at each department (i.e.,

proportion of capital vote in the SPA, length of participation in the pilot)?

8. Given what is known about progress toward immediate and intermediate outcomes, how likely is it that this mechanism can achieve ultimate outcomes?

9. Were there any unintended outcomes of the pilot project (negative or positive)?

Implementation and design

10. To what extent were roles and responsibilities for the pilot project clearly defined and articulated?

11. To what extent were the standard operating procedures and practices for the pilot project well defined, documented and understood? What were the particular areas of concern or confusion?

12. What were the main challenges encountered during the implementation and management of the pilot project?[5]

13. How could monitoring and reporting of the pilot project be improved? To what extent are data currently available to assess the overall success of the pilot project? To what extent did participating departments provide accrual-based reports?

Best practices, lessons learned and risks

14. What best practices were observed by participating departments?

15. What were the main lessons learned from the pilot project? How can these be applied to future pilot projects generally and to the possible continuation and expansion of the pilot project for non-lapsing appropriations for capital asset management?

16. Does the concept of non-lapsing appropriations pose any unreasonable or unmanageable risks for the fiscal framework?

Alternatives

17. Is there an alternative mechanism (including existing mechanisms) that would achieve similar outcomes for departments in managing their capital budgets?

1.4 Methodology

Three main lines of evidence were employed for this evaluation: document review, key informant interviews, and administrative data review.

1.4.1 Document review

A document review was conducted using a template developed in the design phase of the evaluation. In all, 45 documents were reviewed, public documents (n=13), decision documents (n=19), and monitoring and reporting documents (n=13).

1.4.2 Key informant interviews

In all, 20 interviews with 33 individuals were conducted for the evaluation as follows:

- Seven interviews with 10 individuals representing participating departments;
- Nine interviews with 15 individuals representing the Secretariat and the Office of the Comptroller General of Canada;
- One interview with two individuals representing the Department of Finance Canada;
- Two interviews with three individuals representing non-participating departments with 100% carry-forward; and
- One interview with three individuals representing non-participating departments with 100% carry-forward.

Interviews were semi-structured and followed an interview guide tailored to each respondent group (see Appendix A).

1.4.3 Administrative data review

The administrative data review included all financial information available to populate the template on expenditure management data (presented by department in Appendix B) and was done in two parts. The participating departments' financial information for fiscal years 2005–06 to 2009–10 was gathered from the

Public Accounts of Canada, which are posted on the Library and Archives Canada website. Subsequently, the financial data contained in the template were verified and completed by departments. The intention was that once the template was fully populated, the financial information (i.e., amount of carry-forward, amount reprofiled, amount of capital funds lapsed) would be analyzed with a view to responding to the evaluation questions on the success of the pilot project.

The second component of the administrative data review involved gathering financial information on capital project spending. This information was obtained from the Departmental Performance Reports (DPRs) for fiscal years 2003–04 to 2008–09 for all participating departments. These data were gathered for several years prior to pilot implementation in order to identify trends from pre- to post-pilot implementation. Projects identified in the NLA Annual Reports were cross-referenced with the information contained in the DPRs in order to focus on projects that utilized the NLA mechanism. The intention of this analysis was to examine the extent to which the pilot project influenced decision making around capital asset management. Further, the analysis assessed whether the pilot project allowed participating departments to make different decisions in carrying out capital projects than they would have made before participating in the pilot.

1.5 Limitations

Several limitations of the study affect the interpretation of the findings:

- Inconsistency in how the NLA pilot project was applied to participating departments restricted the ability of the evaluation to make direct comparisons of the pilot's impact across departments, though qualitative evidence was used to identify key trends and themes.
- Turnover in key positions at the Secretariat has meant that many of the individuals responsible for the launch of the pilot were unavailable. Data regarding challenges faced during the earliest stages of implementation have largely been gathered from indirect sources.
- Some documentation from the earlier years of the pilot was simply unavailable or non-existent, such as annual reports from participating departments for the 2005–06 fiscal year. Data were taken instead from subsequent annual reports and DPRs. In addition, as templates for reporting were not disseminated to departments until 2009, annual reports prior to this are of lower quality and detail.
- Financial information received from departments often did not align with the same information found in the Public Accounts of Canada. These discrepancies were noted, and financial information used was verified through multiple rounds of cross comparison.
- Information on accrual reporting was not available since departments did not report on an accrual basis.

There was an expectation in the evaluation design that the administrative data would contribute to the findings for many evaluation questions relating to success. However, after a careful review of the various sources, the evaluators found it difficult to draw meaningful conclusions from the financial data. The conclusions of the evaluation are based largely on the qualitative evidence.

1.6 Organization of the Report

Findings and conclusions are presented in Section 2.0. To facilitate the flow of the report, evaluation questions have been reordered. Section 3.0 presents the options for moving forward. Section 4.0 presents a summary of conclusions while Section 5.0 presents the recommendations.

2.0 Findings and Conclusions

2.1 Relevance

2.1.1 Is the use of non-lapsing appropriations consistent with federal government priorities for capital asset management?

Conclusion: The use of NLAs is consistent with the federal government priorities for capital asset management and fiscal discipline.

Broadly speaking, federal government priorities for capital asset management have been influenced by the need to maximize the impact of available resources on assets and investments and by the imperative of fiscal discipline. The use of NLAs is consistent with both of these lines of thought.

As previously indicated, the CAR was undertaken "to strengthen the management of assets through identification of best practices, problem areas and solutions." A major finding of the review was that year-to-year budget allocations were impeding a longer-term perspective for the management of assets.

The CAR found several problem areas that likely contribute to Canada's escalating "infrastructure deficit." A key contributor to this deficit is the lack of funding for "proper maintenance" of capital assets. Deferred maintenance essentially creates a liability for the government.

The review recommended to the following:

> Provide non-lapsing asset funding over a 3 to 5 year time frame, contingent upon the quality of the long-term asset plan and department performance. This approach will allow the departments to carry unexpended asset funds forward from one fiscal year to the next and will give managers a more stable funding base for planning their operations without fear that their resources will be cut off.

The need for fiscal discipline, management of the fiscal framework, and responsible spending has been reflected in Speeches from the Throne and Budget Speeches from 2005 to 2009. For instance, the Speech from the Throne 2008 states:

> As Canada navigates today's economic uncertainties, it is even more important that we keep our sights fixed on responsible fiscal management.

The objectives of the NLA pilot include better management of capital funds, which supports the government priority on responsible spending.

Criteria for participation in the pilot project were based on the department's track record in capital asset management. This is consistent with recent trends regarding delegations of authority to departments based on risk. For instance, the Treasury Board *Policy on the Management of Projects* (approved June 2007) explicitly links higher delegations to departments that demonstrate greater capacity to manage investments in assets and acquired services. This policy sets out a rigorous set of criteria for assessing the ability of federal government departments to manage projects.

2.1.2 Is there a continuing need for non-lapsing appropriations for capital asset management?

Conclusion: The pilot project demonstrates that departments see a need to deploy a mechanism such as NLA that facilitates the management of large federal government capital programs.

The ongoing need for NLAs is linked to the expected outcomes from the project logic model (Exhibit 1.2), which include better overall project management and decision making. This is supported by interview results at participating departments that consistently showed a continuing need for NLAs.[6] Key informants felt that the timing for declaring a carry-forward of funds (i.e., after the fiscal year-end) was advantageous, as was the predictability of annual access to this mechanism.

Improved project management and decision making were seen to derive from specific conditions—flexibility, predictability and advantageous timing in managing funds. These conditions also help to mitigate the risks created by circumstances outside of managers' control, such as weather, supplier availability or winter/summer cost differentials, which can delay projects and lead to unplanned, suboptimal spending at the year-end (i.e., low priority spending and lapsing of funds that are returned to the consolidated fund). As one informant stated, “"There is better long-term decision making. Looking forward to plans for the next year allows attention to the most important investments rather than being driven by cash-flow issues."”

The Secretariat's key informants, on the other hand, expressed several different views regarding the continuing need for the NLA mechanism, being at once supportive, cautious and critical:

- Supportive—It was said the mechanism should be made available to departments that have demonstrated the capacity to use such a mechanism effectively;
- Cautious— Limitations were suggested, such as only using the mechanism on a project-specific basis or using it only for larger, riskier projects or by departments that forego use of the other mechanisms; and
- Critical—It was said that the conduct of the pilot, especially in the earlier years, did not form a sufficient basis for determining its usefulness.

2.2 Success

This section of the evaluation is based on the logic model for the NLA pilot (Exhibit 1.2). A program's logic model shows how activities are expected to produce outputs that in turn lead to achieving immediate outcomes and then intermediate and ultimate outcomes. The logic model for the NLA pilot shows this progression, though it should be noted that these immediate and intermediate outcomes are somewhat circular. The achievement of some immediate outcomes—good project management, financial management and risk management—intrinsically involves good decisions. However, improved management decisions also occur as a result of these immediate outcomes and are therefore shown at the intermediate level on the logic model. This evaluation demonstrates that the pilot project has led to all of the outcomes discussed above.

2.2.1 To what extent has the pilot project led to improved financial management of capital asset budgets?

Conclusion: There is evidence to suggest that improved financial management of capital asset budgets has occurred. In addition, some pilot departments achieved lower net lapses than in previous years.

Indicators of improved financial management

A key indicator of improved financial management is the extent to which there are fewer instances of goods and services purchased at above market value close to the fiscal year-end. Evidence from both the interviews and the document review suggests that improvement in this area did occur during the pilot project. Key informants in three of the participating departments specifically identified the certainty associated with the NLA mechanism as directly contributing to improved financial management. This certainty was contrasted with the uncertainty of not knowing whether Treasury Board would approve the funds requested, a situation in which departments might spend those amounts rather than risk losing the funds completely.

Another key indicator of improved financial management is the degree to which pilot departments have net lapses at year-end under the NLA as compared with the years before they entered the pilot. The concepts of gross and net lapsing, as well as the change in mindset about lapses, are important in understanding how this second indicator is used to measure improved financial management.

Gross lapsing is the amount of unspent funds at year-end without considering any carry-forward provisions. It is therefore a simple calculation: budget **less** expenditures. Traditionally, an indicator of good financial management is how close a manager or department comes to spending their budget without going over. Thus, managers are encouraged to minimize their gross lapses and to use the 5% carry- forward provision as a safety net.

On the other hand, net lapsing is the amount of unspent funds at year-end after considering carry-forward provisions. Its calculation for the NLA pilot departments is as follows: budget **less** expenditures, **less** the amount being carried forward through the 5% provision, **less** the amount being carried forward through NLA. Under the NLA, gross lapses are not used as an indicator. Instead, the indicator of good financial management relates to the amount of the net lapse since this incorporates how well a manager or department planned for and managed their overall capital spending over two years using the mechanisms available to them. The evaluation therefore compared the amount of net lapses before and after each department entered the pilot.

Improved financial management

As shown in Exhibit 2.1, results were mixed. However, departments with the most flexibility under the NLA were the most successful at minimizing net lapses. AAFC and DFO both had net lapses of zero for each year they participated in the pilot. DFAIT and the RCMP were less successful in this regard. DFAIT's lapses stayed about the same before and after participating in the pilot. As shown in Exhibit 1.1, DFAIT's SPA through the NLA was capped at 5% of its capital vote and was limited to real property assets. This does not apply to 2008–09 when all capital became eligible except Mission Security.

The RCMP was the lone pilot department whose net lapse increased during the years it participated in the pilot. The RCMP experience may be an anomaly due to specific circumstances:

- The department was limited to a relatively small proportion of their capital budget in the SPA (between 6% and 28%);
- Its capital budget allocation increased significantly year over year during the pilot (including a 32% increase in one year and a 24% increase in another); and
- Challenges were encountered with a number of its very large capital projects during the time of the pilot.

Exhibit 2.1—Net lapsing for NLA pilot departments before and after pilot ($)

Fiscal year	AAFC	DFO	DFAIT	RCMP
2002–03	12,078	2,217,455	80,304	3,329,118
2003–04	20,360,371	1,223,515	20,248,919	9,655,541

2004–05	360,001	23,066,313	4,134,365	5,525,243
* **2005–06**	**0**	**7,356,499**	**0**	**0**
* **2006–07**	**0**	**0**	**0**	**47,162,657**
* **2007–08**	**0**	**0**	**29,559,227**	**21,778,191**
* **2008–09**	**0**	**0**	**2,984,151**	**81,636,678**

***Fiscal years in which departments participated in NLA pilot are highlighted**

2.2.2 To what extent has the pilot project led to improved management of capital asset projects?

Conclusion: The evaluation found that there was improved project management under the NLA pilot.

Improvement in project management was demonstrated in the following areas, all of which imply greater cost effectiveness:

- Improved cash management;
- More strategic resource management;
- Better control in maintaining original project scope;
- Improved ability to phase in projects and use more effective scheduling; and
- Assurance that funding availability corresponded to the optimal construction season.

A review of the annual reports revealed that the NLA mechanism directly affected project management in a number of ways. The following excerpts illustrate this:

- "The … pilot project has helped the Canadian Coast Guard (CCG) improve the management of its capital budget and capital projects by increasing flexibility to better manage the cash profile of CCG projects. It has enabled CCG to be more proactive in the implementation of its project delivery by extending the carry-forward timeline to a point that allows more strategic and planned resource management." (DFO 2009)
- "The non-lapsing authority allows the project to maintain the original scope and business plan objectives without impacting other core agency activities." (DFO 2009)
- "The increased project planning flexibility is evident during construction delays at remote sites that are accessible only by ship or helicopter. The implementation of these projects can now be phased in to optimize delivery of project work." (DFO 2009)
- "Carry-forward has enabled this project to address escalation and Western construction capacity and to schedule the project over fiscal years to decrease the impact on other projects and maintain essential operations." (AAFC 2008)
- "Purchases of two of the units were concluded during fiscal year 2008–09, but the third acquisition for a total value of $2.3 million could not be concluded until the early part of 2009–10. Therefore, having the non-lapsing authority permitted this transaction to be completed early in the new fiscal year using both old-year and new-year funds." (DFAIT 2008–09)
- "With non-lapsing, the RCMP can be assured that funding availability will correspond to the optimal construction season, thereby facilitating project planning and reducing excess construction costs generated by such things as winter construction." (RCMP 2008)

Respondents noted that the flexibility to transfer funds into the next fiscal year with limited notice and a high degree of certainty was particularly beneficial for the efficient management of projects.

2.2.3 To what extent has the pilot led to improved risk management in allocating resources from the capital budget?

Conclusion: The evaluation found that risk management improved as a direct result of the NLA mechanism.

Financial management, project management and risk management are all interdependent; improvements in one area generate improvements in the others. There were many examples of project risks that the NLA mechanism was able to address. In general, NLA helped to mitigate the risks of poor financial and project management, as well as the risks of poor decision making. For instance, the following example from a DFO annual report details project risks that could be mitigated with the use of NLA:

> This project entails the procurement of a large number of small craft, dispersed throughout the country. This creates a risk of procurement complications [and can] lead to the delay of certain planned acquisitions. (DFO 2009)

In addition, key informants from participating departments also stated that the NLA mechanism addresses key risks associated with project delays when funding has run out for that fiscal year. Risks that the NLA mitigates in these instances include the following:

- Increased costs to restart the project after a break;
- Loss of dedicated project management attention; and
- Loss of human resources that had been previously allocated to the project.

2.2.4 To what extent has there been progress toward achieving intermediate outcomes?

Conclusion: There has been progress on almost all of the pilot's intermediate outcomes, which include improved quality of decisions for capital asset management, enhanced value for money, and optimal allocation of resources in the investment plan.

Improved quality of decisions

Key informants from all participating departments emphasized that the improved quality of decisions for capital asset management was one of the most important outcomes of the pilot project. Despite limitations in the administrative data, findings from key informant interviews revealed that other outcomes (including value for money and the optimal allocation of resources), were largely achieved because managers were able to make better decisions. It was reported that these decisions were facilitated by removing the artificial fiscal-year funding framework and replacing it with a more fluid and realistic mechanism that recognizes project cycles and the reality of managing large capital asset projects.

Key informant interviews revealed that the NLA mechanism enabled better decision making at two main levels:

- **Tactical decision making—**This usually involves shorter-term decisions at the project level. Tactical decisions can also refer to decisions about how to manage the capital budget and when to declare carry-forwards or reprofiling of funds. Often, tactical decisions revolve around how to avoid lapsing at the fiscal year-end. Key informants at the Secretariat and the Department of Finance Canada indicated that the other mechanisms can adequately inform tactical decisions but acknowledged that they do not offer the same advantages as the NLA mechanism.
- **Strategic decision making—**This involves decisions that consider the entire portfolio of projects in the investment plan. They usually favour higher-priority, larger, multi-year projects.

Both levels of decision making were important in realizing the expected outcomes of the pilot project. It is at the level of strategic decision making, though, where the NLA mechanism offered the incremental advantage of being able to strongly adhere to the priority projects that departments identified. Key informants from all participating departments indicated that the NLA mechanism allowed them to focus their efforts and spending on the highest-priority projects. This benefit was also confirmed by departments that already have 100% carry-forward.

Enhanced value for money

Key informants from participating departments reinforced the fact that there was greater value for money in the way capital budgets were implemented due to the NLA mechanism. For example, departments could better target certain times of the year to minimize costs related to construction cycles, availability of materials and contractors, and operational needs. The following examples from annual reports illustrate this:

- "The delivery of construction material could be phased to align with actual installation plans in lieu of accepting material well in advance, frequently before fiscal year-end" (DFO 2009). This avoided incurring the additional cost of prolonged storage and redistribution and transportation to project work sites.
- "With non-lapsing, the RCMP can be assured that funding availability will correspond to the optimal construction season, thereby … reducing excess construction costs generated by such things as winter construction." (RCMP 2008)
- "The non-lapsing enables the RCMP to deal partly with market and industry capacity issues. For example, if there is a shortage of key labour or materials for a particular fiscal year, the RCMP may choose (where possible) to defer its project to the following year and thus generate savings to the Crown (e.g., construction in the Vancouver area prior to the 2010 Olympics may prove to be very expensive in light of pre-game construction demand)." (RCMP 2009)
- "This project, to replace leased units, was undertaken because the return on capital purchases in Mexico results in an attractive saving in rent. Having the non-lapsing authority provided a source of funds that enabled each of these important transactions to be completed early in the new fiscal year." (DFAIT 2006–07)

Optimal allocation of resources in the investment plan

Key informants from participating departments indicated that the NLA mechanism encouraged management of projects at a portfolio level (as identified in the investment plan). Knowing that there is certainty around the ability to carry forward funds as required and flexibility in terms of when that amount has to be declared, managers can target those projects where it is financially beneficial to do so.

Another result of the NLA mechanism according to several key informants was the ability to take a multi-year perspective on the investment plan. For example, before the pilot project, capital projects would cascade forward (due to slippage), thereby eating into the budget for the following year. The NLA mechanism allowed the department to move funds forward without disrupting the plan for the next year. Since many capital projects (particularly high-priority ones) are multi-year, the overall impact of non-lapsing funds was to introduce more certainty in the availability of the total expected envelope in future years.

Annual reports provided many examples of improved resource allocation in the portfolio of projects, such as the following:

> "At the end of [fiscal year] 2007–08, the Bureau was working toward the closure of a property purchase in London of $3.1 million. The remaining funds of $1.41 million on March 31 were insufficient to conclude this transaction. Therefore, having the non-lapsing authority permitted this transaction to be completed early in the new fiscal year using both old- and new-year funds." (DFAIT 2007–08)

A respondent from a department with 100% carry-forward indicated that having flexibility results in less focus on the annual cycle of funding and a greater focus on project management. More specifically, it was stated that managers are able to plan projects over a longer duration and in a more practical way which resulted in better spending decisions.

2.2.5 How does the achievement of these outcomes vary by participating department? To what extent can variations be explained by differences in how the pilot project was implemented at each department (i.e., proportion of capital vote in the SPA, length of participation in the pilot)?

Conclusion: All participating departments were able to achieve the expected outcomes of the NLA pilot to some extent.

Each of the participating departments was able to achieve outcomes of improved financial, risk and project management, in spite of differences in the way they implemented the pilot. The following high-level synopsis based on the financial tables in Appendices B and C and evidence from the annual reports shows how each department used the NLA mechanism:

- **AAFC** joined the pilot in 2005–06. From that time, the amount in the SPA ($30 million) has been close to its total capital budget. Since 2006–07, AAFC has been using its SPA to carry forward large amounts (i.e., 44.4% of the amount in their SPA from 2006–07, 62.6% from 2007–08, and 80.9% from 2008–09). Between 2007–08 and 2008–09, out of the 16 different projects identified in the annual reports there was a relatively even mix of large and small amounts being carried forward. Projects were largely focused on renovations, repairs and the replacement of aging assets. Annual reports outlined a number of reasons for delays in some projects, such as construction capacity and cost escalations as well as changing needs and new priorities.

- **DFAIT** joined the pilot in 2005–06. The amount in the SPA was limited to 5% of its real property budget until 2008–09. At that time it was expanded to 5% of all capital with the exception of Mission Security. Largely due to the small absolute amount in the SPA, DFAIT used the NLA mechanism for a total of 3 large projects between 2007–08 and 2008–09. Two of the three projects related to purchases and one was a new construction project.

- **DFO** joined the pilot project in November 2007 and applied the SPA to the Canadian Coast Guard (CCG). The amount in the SPA ($141.8 million) is approximately 50% of the total value of CCG's capital budget. Between 2007–08 and 2008–09, 80% of the value of the department's NLA carry-forward was used for multi-year Crown projects, accounting for 8 of the 22 projects declared in the annual report. The remaining projects were smaller and less strategic in nature. CCG used the NLA for both new construction and the repair of vessels. Although DFO was the newest member of the pilot project, its late start does not appear to have affected the achievement of expected outcomes. This demonstrates that the benefits of NLA can be realized fairly soon after it is in place.

- The case of the **RCMP**, which joined the pilot project in 2005–06, is less straightforward. Due to a misunderstanding at the outset related to the maximum amount that could be included in the SPA, the RCMP only identified 10% of their total capital budget. Significant increases to the RCMP capital budget in subsequent years, coupled with limited capacity to carry out a number of large capital projects, created additional challenges. The amount in the SPA was originally 10% of their total capital vote. In 2007–08, the amount carried forward in the SPA was increased to 28% of their total capital vote for one year only. According to annual reports, it appears that the RCMP used the SPA for both large projects (over $30 million) and small ones. The types of projects that have benefited from the NLA mechanism included purchases, new construction and replacement of assets.

2.2.6 Given what is known about progress toward immediate and intermediate outcomes, how likely is it that this mechanism can achieve ultimate outcomes?

Conclusion: It is very likely that the ultimate outcomes of the pilot project can be achieved, given the significant progress toward all intermediate outcomes.

Due to the high degree of achievement of immediate and intermediate outcomes, it is likely that the pilot project can achieve the ultimate outcomes of improved overall effectiveness of capital spending and a longer-term, strategic investment approach.

There is evidence from interviews and annual reports that progress toward these outcomes is being made. Key informants from most participating departments indicated that outcomes at this level were expected or already achieved within their departments.

2.2.7 Were there any unintended outcomes of the pilot project (negative or positive)?

Conclusion: Key informants identified a number of positive unintended outcomes.

Key informants from participating departments identified the following unintended outcomes:

- A more accurate picture of cash-flow management and projections;
- Increased rigour of capital budget management overall, including more effective use of all funds; and
- Decreased dependency for asset management divisions on their departments for funds, resulting in more flexibility and freedom in making business decisions.

2.3 Implementation and Design

2.3.1 To what extent were roles and responsibilities for the pilot clearly defined and articulated?

Conclusion: The division of roles and responsibilities between the Secretariat and participating departments was clearly articulated. However, this was not the case within the Secretariat.

The MOUs between the Secretariat and each of the participating departments articulated the roles and responsibilities for each party. However, they did not identify to whom these roles were assigned in the respective departments over the course of the project.

In the majority of interviews at the Secretariat, respondents found that the roles and responsibilities within the Secretariat were not well-defined or communicated. Key issues were the lack of clarity and coordination of the Secretariat's position on the amounts in or changes to the SPA. Respondents felt that, as a result, departments interpreted the NLA mechanism differently in implementing the two-year simulated NLA. In addition, respondents felt that the Secretariat did not maximize the use of the reporting mechanism to improve the quality of reports and should have used the reports for accrual reporting and provided feedback on how departments might better use the NLA.

Key informants from all participating departments felt that the roles and responsibilities within their departments were clearly defined. Most of the difficulties raised by key informants were generally a result of ambiguities in the introductory stages of the project. However, additional clarification and improvement by the Secretariat enabled participating departments to address these early challenges.

The evaluation question did not address the role of the Department of Finance Canada because this was not identified at the outset of the pilot. Department of Finance Canada officials were interviewed and indicated a preference for participating more fully in the pilot project.

2.3.2 To what extent were the standard operating procedures and practices for the pilot project well defined, documented and understood? What were the particular areas of concern or confusion?

Conclusion: Standard operating procedures (SOPs) were not clearly defined and documented until late in the pilot project.

A review of the available documents early in the pilot project (including MOUs, Treasury Board decision letters and précis documents) reveals that there was no explicit description of how the pilot was to be implemented or how the mechanism was going to work. A document was prepared with input from the Secretariat's pilot project working group and circulated to departments in February 2009.[7] This document includes SOPs and attempts to clarify a number of ambiguous areas, such as the following:

- Concept and use of two-year NLAs;
- Link between carry-forward amounts and the related projects;
- Reporting requirements; and
- Use of and appropriate timing for the other mechanisms.

Key informants at the Secretariat were more concerned about the lack of SOPs than respondents from participating departments. In fact, almost every informant at the Secretariat voiced some concern about the ambiguity around the SOPs. Issues raised include the following:

- How the amount in the SPA was originally identified;
- The lack of clearly articulated SOPs; and
- What mechanism at the Secretariat was to be used to enforce the MOU.

The way the pilot project related to the budget estimates planning cycle was also raised as an issue. Specifically, there was a general sense of disconnect in all units at the Secretariat in terms of how the pilot related to the expenditure cycle.

Key informants from participating departments were largely unconcerned about SOPs. Some specifically indicated that the MOU provided enough direction. Key informants from only one department voiced significant concerns, mostly about how to set the amount in the SPA and about the availability of other mechanisms while participating in the pilot project. The lack of clear and consistent SOPs until late in the pilot project may have contributed to the different forms of implementation at participating departments.

2.3.3 How could monitoring and reporting of the pilot project be improved? To what extent are data currently available to assess the overall success of the pilot project? To what extent did participating departments provide accrual-based reports?

Conclusion: The NLA pilot project did not have adequate quantitative data and reporting information to support an assessment of overall success. However, annual reports provide some information to facilitate decisions about the future of the mechanism. Departments did not provide accrual-based reports during the pilot project.

The document review found that, outside of the MOU, there was little direction provided for reporting in the first few years of the pilot project. There was no template or sample report for participating departments until early 2009 when a template was provided. Without a consistent reporting format or common performance measurement strategy and ongoing monitoring with a clear purpose, it was not possible to adequately track the progress of program participants (e.g., regarding the types of projects benefiting from NLA, cash flow, etc.)

The evaluation found that accrual reporting was not undertaken. The pilot project was cash-focused, that is, making cash available to departments when they need it. Therefore, the annual reports were also cash-based and highlighted how cash flows were affected by the NLA carry-forward.

2.4 Best Practices, Lessons Learned and Risks

2.4.1 What best practices were observed by participating departments?

Conclusion: A number of best practices were found regarding governance of the pilot project, maximizing high-quality decision making, and using the NLA mechanism in concert with other mechanisms.

A number of best practices were identified by key informants in participating departments. Most of these practices speak to the way in which departments chose to use the mechanism to maximize its usefulness.

Two of the four participating departments identified best practices for engaging the department's investment management board in the governance of the pilot. In one of these departments, the investment management board contributed to a shared understanding of how the pilot would impact year-end processes. In this case, the investment management board approved all projects for use in the NLA and also served a useful function in managing risks. Another department's board reviewed projects mid-year to assess whether projects had to be slowed down or sped up. The NLA mechanism was then used to shift funds to projects that were experiencing delays.

Departments that involved their investment management boards also developed more rigorous processes of reporting internally. One department added a step in the project approval process to better manage its finances in light of the NLA mechanism. Monthly reporting on the percentage of completion at each stage of each project facilitated the prediction of which funds would be spent and which funds were best reallocated. Another department had a set of principles at the investment management board for tracking the carry-forward.

Taking a selective approach or targeting NLA usage seems to be a generally recognized best practice, as in the following examples:

- Distinguishing which projects are best suited for NLA, as opposed to other available mechanisms, rather than treating it as a lump sum of capital to be carried forward;
- Limiting the use of NLA to when it is most needed to avoid carrying forward too much funding; and
- Using the mechanism to further an organization's mandate. In other words, given a large number of projects within a diverse asset base, the continuity of funding should be used to address those projects which further the goals of the organization as a whole.

2.4.2 What were the main lessons learned from the pilot project? How can these be applied to future pilot projects generally and to the possible continuation or expansion of the pilot project for non-lapsing appropriations for capital asset management?

Conclusion: One important lesson learned from the pilot project is that capacity should be a criterion for determining a department's access to NLA.

If departments lack the capacity to spend their capital budgets in a given fiscal year, the NLA has the potential to exacerbate this problem. Departments that carry forward funds because they are incapable of disbursing large amounts of capital quickly run the risk of having their capital budgets accumulate with every passing year. This creates a "snowball effect." Key informants suggested that if the pilot is expanded, measures would need to be put in place to manage the risk of excessive lapsing, especially if funds were to be carried forward for more than one fiscal year.

2.4.3 Does the concept of non-lapsing appropriations pose any unreasonable or unmanageable risks with respect to the fiscal framework?

Conclusion: This evaluation concludes that the risks posed by NLAs are reasonable and manageable.

A number of potential risks were identified by key informants at the Secretariat, the Department of Finance Canada and some participating departments. Many of these risks were common to all three mechanisms. Exhibit 2.2 shows risks specific to NLA, identified through the document review and key informant interviews, and their related mitigation strategies.

Exhibit 2.2—Potential Risks and Mitigation Strategies Related to NLA

Potential Risk	Possible Mitigation Strategies
1) Expanding the mechanism across a wider set of federal government departments would pose a risk to the fiscal framework.	The ceiling amounts made available to participating departments will remain only a small fraction of the $6.6 billion the federal government spends through the capital vote every year. Amounts for carry-forward through NLAs are capped through the MOU that Treasury Board signs with each department.

2) The mechanism may encourage the phenomenon of "kiting" whereby funds are transferred from the operating vote to the capital vote in year 1, carried forward in the capital vote from year 1 to year 2, and then transferred back from the capital vote to the operating vote in year 2. This manoeuvre would thwart the intended purposes of NLAs.	The Secretariat can select departments through rigorous performance-based criteria. Periodic audits are available to ensure appropriate use of the NLA mechanism.

In addition to the mitigation strategies for the risks listed above, many key informants from both the Secretariat and participating and non-participating departments indicated that the use of the NLA mechanism discourages sub-optimal year-end spending.

2.5 Alternatives

2.5.1 Is there an alternative mechanism (including existing mechanisms) that would achieve similar outcomes for departments in managing their capital budgets?

Conclusion: As they currently exist, reprofiling and using a 5% carry-forward would not achieve similar outcomes as NLAs since they do not include the timing, predictability and flexibility benefits associated with NLAs.

Re-profiling and the 5% carry-forward were examined to assess the extent to which these mechanisms would achieve outcomes for departments similar to those of the NLA in terms of managing their capital budgets. Key informants from all of the participating departments were clear in affirming that NLA provided value over and above these other mechanisms, although Secretariat respondents were not as decisive about the matter. Most respondents from all groups generally agreed on the main characteristics of each mechanism and their relative strengths and weaknesses.

Timing—Described in one case as "de facto reprofiling," the April/May time frame for declaring the carry-forward amount for NLA was considered by key informants in participating departments to be ideal for providing maximum flexibility. This differs greatly from reprofiling, where funds must be declared four to six months prior to a parliamentary vote, and the 5% carry-forward which requires that funds be declared by December 15 of the current fiscal year.

Degree of certainty or predictability—It is important to recognize that, for NLA, reporting to the Secretariat is generally for purposes of information rather than justification. Participating departments can make the carry-forward decision themselves, which provides a level of predictability not afforded by the other mechanisms and which facilitates longer-term planning. Unlike NLA, reprofiling requires rigorous justification by departments and carries with it the uncertainty of approval. The 5% carry-forward includes both operating and capital vote amounts and therefore could be subject to greater scrutiny than the pre-approved NLA amount, creating greater uncertainty.

Flexibility in terms of the amount—Under NLA, amounts carried forward are only limited by the ceiling of the SPA. In many cases, this ceiling amount constitutes a fairly large proportion of the departments' capital vote (e.g., approximating 100% in the case of AAFC). In addition, since the amount carried forward does not have to be declared until after the end of the fiscal year, there is maximum flexibility in terms of the amount that is actually transferred. Reprofiling, on the other hand, is generally used only for large amounts, and carry-forward is limited to 5% of the capital budget.

Administrative burden—While this issue was not explored explicitly, many key informants highlighted the advantage of lower administrative requirements, including business case preparation and reporting for the NLA mechanism, compared with the other mechanisms. The administrative burden was considered to be reasonable even after the implementation of reporting templates.

Exhibit 2.3 summarizes the NLA, the 5% carry-forward and the reprofiling mechanisms using the factors discussed above.

Exhibit 2.3—Comparison of Carry-Forward Mechanisms

Factors	NLA Pilot	Reprofiling	5% Carry-Forward
Timing (declaring and receiving funding)	Amount to be carried-forward is identified after year-end (April/May). Approved through *aide-mémoire* to Treasury Board minister in the Supplementary Estimates (B) in October.	Generally, departments must declare funds to be reprofiled 4–6 months prior to parliamentary vote.	Carry-forward amount must be declared to the Secretariat by December 15 each year. Amount is approved through *aide-mémoire* to Treasury Board minister in Supplementary Estimates (A).

Degree of Certainty (obtaining the requested amount)	SPA provides the ceiling under which departments have freedom to propose amounts for carry-forward. Decision to carry forward is made by the departments. Secretariat review is limited. Access to funding is subject to Treasury Board ministerial approval of *aide-mémoire*.	Re-profiling requires completion of a specific template and requires rigorous justification on a project-by-project basis.	Departments have freedom to propose amounts up to 5%. Amounts must be justified, and departments must explain how funds will be spent.
Amount of Carry-Forward	Allows for transfer from current year to the next budget year of any amount below the SPA ceiling.	Allows for transfer from current year to the next budget year or to subsequent budget years. Generally used for larger projects. No explicit limit on amounts.	Allows for transfer from current year to the next budget year of a limited amount.

3.0 Options

The evaluation found that a mechanism that simulates two-year NLAs is consistent with federal government priorities and can result in a number of benefits such as the following:

- Improved quality of decision making and longer-term planning;
- Improved value for money; and
- Optimal use of resources in the investment plan.

It also offers some value-added features over other mechanisms, including flexibility of amounts, timing, and predictability of access and use.

Options for managing capital assets were developed based on the assessment of the existing mechanisms against the benefits of the NLA as found by the evaluation and shown in Exhibit 2.3.

3.1 Options considered

Four options were considered and are described as follows:

Option 1

Extend the pilot project temporarily—This option would entail continuing the pilot project for one or two more years for participating departments only. It would include a Treasury Board requirement for performance measures, improved reporting, and clear delineation of roles and responsibilities within the Secretariat. This could provide the quantitative information and data that would facilitate a sounder basis for decisions about a potential expansion.

Option 2

Extension of NLA to qualifying departments—This option would only make the NLA mechanism available to departments that meet a range of capacity and maturity criteria such as Management Accountability Framework (MAF) assessment ratings, lapsing patterns and approved investment plans. To ensure that the value-added features of the mechanism are still present, the NLA mechanism would operate with a probationary period. Qualifying departments could have access to NLA up to a determined percentage of the capital vote (i.e., somewhere between 35% and 50%). Again, to ensure appropriate oversight, scope restrictions could also be applied depending on department capacity, including the following:

- Size of the project;
- Inclusion in the investment plan;
- Limited access to other carry-forward mechanisms; and
- Restricting application to identified high-risk cash flow projects.

This option carries some risk in that the data for this evaluation have been inadequate to fully assess the quantitative outcomes of the pilot, although the qualitative results are strong.

Option 3

Discontinue the NLA mechanism, enhance existing mechanisms and make available to qualifying departments—Some respondents believe that enhancing the existing mechanisms could offer value to the 5% carry-forward and reprofiling options as they currently exist. The extent to which this could provide the same benefits as the NLA, however, is unclear since it was beyond the scope of the evaluation to fully assess the other mechanisms in terms of their risks and benefits.

Option 4

Expand the NLA mechanism to be available to all custodial departments and agencies—This option would see the NLA operating as a mechanism available to all custodial departments and agencies, similar to other existing mechanisms.

3.2 Analysis of options

An analysis of the pros and cons of each of the considered options is presented in Exhibit 3.1.

Exhibit 3.1—Pros and Cons of Proposed Options

Option	Pros	Cons
1. Extend the pilot project for one to two years	With strengthened performance measurement requirements, this option would provide evidence to confirm the qualitative findings and provide greater certainty upon which to base a decision on a potential expansion of the pilot.	Would further delay a decision.
2. Extension of NLA to qualifying departments	Improved government-wide spending on capital assets; Consistent with evaluation findings on improved financial and project management and improved decision making; Consistent with evaluation findings on need for a mechanism that offers predictability, flexibility (in terms of timing and amounts) and decreased administrative burden.	Administrative data not extensive enough to confirm findings.
3. Discontinue NLA pilot project, enhance existing mechanisms and make available to qualifying departments	It may be administratively simpler to enhance an existing mechanism than to roll out the NLA on a larger scale.	Since the evaluation scope did not include the results of possible enhancements to existing mechanisms, it is unclear to what extent improvements in capital asset management could be achieved.
4. Expand the NLA mechanism to be available to all custodial departments and agencies	Improved government-wide spending on capital assets; Consistent with evaluation findings on improved financial and project management and improved decision making; Consistent with evaluation findings on need for a mechanism that offers predictability, flexibility (in terms of timing and amounts), better timing and decreased administrative burden.	Administrative data not extensive enough to confirm findings. The administrative burden of developing and maintaining an NLA mechanism in addition to the department's access to the existing two mechanisms may exceed the benefits achieved by the NLA. Contrary to evaluation findings, which indicate the need for criteria to select participants who have best chance of achieving similar benefits as participants in the pilot.

Options 1, 2 and 4 are consistent with the evaluation findings. However, given the small number of participating departments and the evaluation's data limitations due to late and inconsistent reporting requirements, these options may need further study. It was outside of the scope of the evaluation to assess how existing mechanisms could be expanded to achieve the benefits of the NLA. Recommendations in section 5.0 are made in the context of both evaluation findings and limitations.

4.0 Summary of Conclusions

4.1 Relevance

- The use of NLAs is consistent with federal government priorities for capital asset management and fiscal discipline.
- The pilot project demonstrates that departments see a need to deploy a mechanism such as NLA that facilitates the management of large federal government capital programs.

4.2 Success

- There is evidence to suggest that improved financial management of capital asset budgets has occurred. In addition, some pilot departments achieved lower net lapses than in previous years.
- The evaluation found that there was improved project management under the NLA pilot.
- The evaluation found that risk management improved as a direct result of the NLA mechanism.
- There has been progress on almost all of the pilot's intermediate outcomes, which include improved quality of decisions for capital asset management, enhanced value for money and optimal allocation of resources in the investment plan.
- All participating departments were able to achieve the expected outcomes of the NLA pilot to some extent.
- It is very likely that the ultimate outcomes of the pilot project can be achieved, given the significant progress toward all intermediate outcomes.
- Key informants identified a number of positive unintended outcomes.

4.3 Implementation and Design

- The division of the roles and responsibilities between the Secretariat and participating departments was clearly articulated. However, this was not the case within the Secretariat.
- SOPs were not clearly defined and documented until late in the pilot project.
- The NLA pilot project did not have adequate quantitative data and reporting information to support an assessment of its overall success. However, annual reports provide some information to facilitate decisions about the future of the mechanism. Departments did not provide accrual-based reports during the pilot project.

4.4 Best Practices, Lessons Learned and Risks

- A number of best practices were found regarding governance of the pilot project, maximizing high-quality decision making, and using the NLA mechanism in concert with other mechanisms.
- One important lesson learned from the pilot project is that capacity should be a criterion for determining a department's access to NLA.
- This evaluation concludes that the risks posed by NLAs are reasonable and manageable.

4.5 Alternative Mechanisms

- As they currently exist, reprofiling and using a 5% carry-forward would not achieve similar outcomes as NLAs since they do not include the timing, predictability and flexibility benefits associated with NLAs.

5.0 Recommendations

1. Given that the Secretariat had various views on NLA, it would be beneficial for the department to develop a position on the NLA pilot project in light of the evaluation results and in relation to the other mechanisms. This process would facilitate a discussion and enable a decision regarding the proposed options. The discussion would address key questions including the following:
    - To what extent can the 5% carry-forward and reprofiling mechanisms be modified to build in the flexibility, timing, and predictability that resulted in the improved decision making when NLA was used? What are the benefits and risks of this?
    - Would enhancing existing mechanisms still result in improved decision making, financial management and project management?
    - What criteria should be used to qualify a department to participate in a new mechanism or enhancements to an existing mechanism?

    It is recommended that the Secretariat review existing mechanisms to determine whether they can be modified to build in the flexibility, timing and predictability that resulted in the improved decision making under the NLA pilot. Based on the results of the evaluation and the review, the Secretariat would then determine which of the options (2, 3 or 4) should be implemented.

If the NLA pilot is continued or an existing alternative mechanism is enhanced (options 1 to 4), the following recommendations are made:

2. It is recommended that a performance measurement strategy be put in place with clear reporting requirements for participating departments.

3. Clear criteria for the selection of departments and design of projects for NLA should be developed and communicated. Criteria should be linked to the department's investment plan.

4. Roles and responsibilities between and within the Secretariat, the Department of Finance Canada and departments should be clearly defined, articulated and communicated.

5. SOPs regarding the functioning of the mechanism, rules and restrictions, and reporting requirements should be developed, articulated and communicated.

6. Departments should be reassessed for qualification whenever submitting a revised investment plan. Their capacity and track record (e.g., ability to carry out the projects in the investment plan, net and gross lapsing, MAF ratings, audit results, and results against indicators in the performance measurement strategy) should be carefully reviewed for this reassessment.

Appendix A—Interview Guides

Interview Guide for the Secretariat (including the Comptroller General) and the Department of Finance Canada

1. Please describe your familiarity, roles and responsibilities with respect to the Pilot Project on Non-Lapsing Appropriations for Capital Asset Management.

Relevance

2. Prior to the pilot, what would you identify as the most significant challenges for line departments in terms of managing capital assets?

3. From your perspective, has the Pilot Project on Non-Lapsing Appropriations for Capital Asset Management addressed any of these challenges? If so, how?

4. Has the implementation of the pilot project posed any risks to the fiscal framework to date? Please explain.
    a. Do you anticipate any risks to the fiscal framework if the pilot were expanded to more or all departments?
    b. How could these risks be mitigated (e.g., by keeping it limited to: two-years, real property, or a certain amount within the SPA)?
    c. Are any of these risks unreasonable or unmanageable?

Success

5. To your knowledge, to what extent did the pilot achieve its main objectives in regards to:
    a. Improved overall effectiveness of capital spending?
    b. Movement towards a long-term, strategic investment approach?
    c. The ability to respond to recommendations from the OAG regarding accrual concepts?
6. To what extent has the pilot allowed for improved financial management and expenditure practices? (probe for examples)

7. Has the pilot resulted in any outcomes (positive or negative) that were unforeseen?

Implementation and design (Secretariat only)

8. To what extent were the Secretariat's roles and responsibilities well defined with regard to the implementation of the pilot? Did you feel the roles of participating departments were clear?
    a. How were these roles and responsibilities communicated (e.g., discussions with departments and the Secretariat, MOU, other documentation)?
    b. Were there any particular areas of confusion? (probe: were these areas of confusion tracked?) (specify)

    c. If so, how did the Secretariat respond to these challenges? (probe: how were these areas of confusion managed, how were the appropriate people made aware?)

9. To what extent were procedures and practices for the pilot well defined?
    a. How were these procedures and practices communicated? (e.g., discussions with departments and the Secretariat, MOU, other documentation).
    b. Were there any particular areas of confusion?(probe: were these areas of confusion tracked?) (specify)
    c. If so, how did the Secretariat respond to these challenges?(probe: how were these areas of confusion managed, how were the appropriate people made aware?)
10. Were the monitoring and reporting requirements appropriate? How could monitoring and reporting be improved?

11. Were there any (other) challenges with the implementation of the pilot project? How were these challenges addressed?

12. Was there anything about the design of the pilot that may have limited its ability to simulate non-lapsing two-year capital appropriations?

Alternatives, best practices and lessons learned

13. What value does the pilot mechanism provide over and above existing mechanisms for managing capital budgets such as: (probe for specifics)
    a. The 5% carry forward?
    b. Reprofiling?
    c. Any other mechanisms for managing capital budgets?
14. If it were up to you, would you recommend that the pilot be continued, expanded, or dropped? Why?

15. If it were to be done over again, what would you suggest be done differently in implementing the pilot? What would you keep the same? (best practices and lessons learned).

16. If the pilot mechanism is continued or expanded to other departments, what would your message be to newly participating departments?

17. Does your experience with the pilot project hold any broader lessons in terms of the value of accrual concepts?

18. Do you have any other comments that you think may be useful to the evaluation?

Thank you for your participation.

Interview Guide for Participating Departments

1. Please describe your familiarity, roles and responsibilities with respect to the Pilot Project on Non-Lapsing Appropriations for Capital Asset Management.

2. Please describe how the pilot was implemented at your department (i.e., size of SPA and coverage of asset categories).

Relevance

3. Prior to the pilot, what would you identify as the most significant challenges for your department in terms of managing capital assets?

4. Has the Pilot Project on Non-Lapsing Appropriations for Capital Asset Management addressed any of these challenges? If so, how?

5. Has the management of capital assets changed in your department since the introduction of the pilot? In what ways? What would your department do in its absence?

Success

6. (Operational staff only.) Could you provide any examples from your department's experience with the pilot that demonstrate improved (probe: significance of the improvements, whether the improvements were a direct or indirect result of the pilot project):
    a. Project management practices?
    b. Risk management practices?

   c. Financial and expenditure management practices (e.g. budget planning, costing, allocation and control, variance analysis and forecasting, and monitoring reporting)?
7. To what extent has the pilot allowed for a more strategic investment planning approach in terms of (probe for examples):
   a. Improved quality of decisions regarding capital asset management (e.g., lease versus buy)?
   b. Optimal allocation of resources?
   c. Enhanced value for money (i.e., were project and portfolio outcomes achieved in a cost effective manner)?
8. Has the pilot resulted in any outcomes (positive or negative) for your department that were unforeseen?

Implementation and design

9. (Operational Staff only.) To what extent were the roles and responsibilities of participating departments well defined with regard to the implementation of the pilot? Did you feel that the Secretariat's roles were clear?
   a. How were these roles and responsibilities communicated (e.g., discussions with departments and the Secretariat, MOU, other documentation)?
   b. Were there any particular areas of confusion? (probe: were these areas of confusion tracked?) (specify)
   c. If so, how did your department respond to these challenges? (probe: how were these areas of confusion managed, how were the appropriate people made aware?)
10. (Operational Staff only.) To what extent were procedures and practices for the pilot well defined?
   a. How were these procedures and practices communicated? (e.g., discussions with departments and the Secretariat, MOU, other documentation)?
   b. Were there any particular areas of confusion?(probe: were these areas of confusion tracked?) (specify)
   c. If so, how did your department respond to these challenges? (probe: how were these areas of confusion managed, how were the appropriate people made aware?)
11. (Operational Staff only.) Were the monitoring and reporting requirements appropriate?

12. How could monitoring and reporting be improved? (probe: gaps, extra requirements, systems in place?)

13. Were there any (other) challenges with the implementation of the pilot project? How were these challenges addressed?

14. Was there anything about the design of the pilot which may have limited its ability to simulate non-lapsing two-year capital appropriations? (probe constraints on the amount of funds, timing, sources of funds)

Alternatives, best practices and lessons learned

15. What value does the pilot mechanism provide over and above existing mechanisms for managing capital budgets such as: (probe for specifics)
   a. The 5% carry-forward?
   b. Reprofiling?
   c. Any other mechanisms for managing capital budgets?
16. (Operational Staff only.) If it were to be done over again, what would you suggest be done differently in implementing the pilot? What would you keep the same? (best practices and lessons learned).

17. If the pilot mechanism is continued or expanded to other departments, what would your message be to newly participating departments?

18. Does your experience with the pilot project provide any broad lessons about the value of accrual concepts?

19. Do you have any other comments that you think may be useful to the evaluation?

Thank you for your participation.

Interview Guide for Non-Participating Departments *with* a Non-Lapsing Mechanism

1. Please describe your familiarity, roles and responsibilities with respect to capital asset management at your department.

2. Please describe your familiarity with the Pilot Project on Non-Lapsing Appropriations for Capital Asset Management.[8] How did you become familiar with the pilot project?

3. Please describe your capital asset portfolio and planning processes. What amount does your department typically carry forward in terms of the percentage of capital budget? (probe for level of delegated authority, the number and scope of capital projects per year, the status of the Long-Term Capital Plan or Investment Plan).

4. Please describe the extent to which current mechanisms (100% carry-forward and reprofiling) may allow you to appropriately manage your capital asset portfolio? Do these mechanisms meet your needs?

5. Overall, what would you identify as the most significant challenges for your department in terms of managing capital assets?

6. Does the ability to carry-forward 100% of your capital budget address any of these challenges? If so, how?

7. How else does the carry-forward mechanism affect capital asset management at your department in terms of:
    a. Improved quality of decisions regarding capital asset management (e.g., lease versus buy)?
    b. Optimal allocation of resources?
    c. Enhanced value for money (project and/or portfolio outcomes achieved in a cost effective manner)?
    d. Other ways to allow for a more strategic investment planning approach?
    e. Other (reporting burden, process issues, uncertainty)?
8. With regards to capital asset management, what are some best practices your department has developed or adopted with respect to:
    a. Project management practices?
    b. Risk management practices?
    c. Financial expenditure management practices (e.g., budget planning, costing, allocation and control, variance analysis and forecasting, and monitoring and reporting)?
9. Do you have any other comments that you think may be useful to the evaluation?

Thank you for your participation.

Interview Guide for Non-Participating Departments *without* a Non-Lapsing Mechanism

1. Please describe your familiarity, roles and responsibilities with respect to capital asset management in your department.

2. Please describe your familiarity with the Pilot Project on Non-Lapsing Appropriations for Capital Asset Management.[9] How did you become familiar with the pilot project?

3. Please describe your capital asset portfolio and planning processes. What amount does your department typically carry forward in terms of the percentage of capital budget? (probe for level of delegated authority, the number and scope of capital projects per year, the status of the Long-Term Capital Plan or Investment Plan).

4. Please describe the extent to which current mechanisms (5% carry-forward and reprofiling) may allow you to appropriately manage your capital asset portfolio? Do these mechanisms meet your needs?

5. Overall, what would you identify as the most significant challenges for your department in terms of managing capital assets?

6. Would the introduction of a two-year non-lapsing mechanism address any of these challenges? If so, how?

7. How else might a two-year non-lapsing mechanism affect capital asset management at your department in terms of:
    a. Improved quality of decisions regarding capital asset management (e.g., lease versus buy)?
    b. Optimal allocation of resources?
    c. Enhanced value for money (were project and portfolio outcomes achieved in a cost effective manner)?
    d. Other ways to allow for a more strategic investment planning approach?
8. With regards to capital asset management, what are some best practices your department has developed or adopted with respect to:
    a. Project management practices?
    b. Risk management practices?
    c. Financial expenditure management practices (e.g., budget planning, costing, allocation and control, variance analysis and forecasting, and monitoring and reporting)?

9. If the pilot project were expanded to include your department, how would this affect the way in which you currently manage your capital assets?
10. Do you have any other comments that you think may be useful to the evaluation?

Thank you for your participation.

Appendix B—Financial Templates for Participating Departments

DFAIT: Template for Expenditure Management Data

Total current year capital from all sources

Vote 5	2005–06	2006–07	2007–08	2008–09	2009–10	2010–11
Main Estimates (includes amount in SPA)	Foreign Affairs: 123,814,000 International Trade: 17,210,000	115,719,000	114,781,000	122,670,000	140,030,132	159,060,010
Amount in SPA (included in Main Estimates)	5% of 105,000,000 in Main Estimates vote 5 = 5,250,000	5% of 143,000,000 in Main Estimates vote 5 = 7,150,000	5% of 114,800,000 in Main Estimates vote 5 = 5,740,000	5% of 122,700,000 in Main Estimates vote 5 = 5,943.500 (see Note 1)	5% of 140,030,132 in Main Estimates vote 5 = 6,835,000 (see Note 1)	5% of 159,060,010 in Main Estimates vote 5 = 7,953,000
Standard Supplementary Estimates	Foreign Affairs: 7,969,722 International Trade: 49,500,743	23,264,001	75,407,120	48,794,029	83,386,643 Supplementary Estimates (C) funding of $40,194,695 is not yet confirmed	
Carry-forward from SPA in Supplementary Estimates			865,000	1,409,619	4,336,538	
Adjustments, warrants and transfers	Foreign Affairs: … International Trade: (5,000,000)	4,552,024	16,032,600	10,536,790	(20,562,080)	
5% standard carry-forward from previous year		0	1,900,000	2,000,000	0	
Reprofiling from previous year		0	500,000	0	0	
Other		0	0			
Total Capital	Foreign Affairs: 131,783,722 International Trade: 61,710,743	143,535,025	206,220,720	182,000,619		
Total allowable carry-forward amount under non-lapsing capital		5% of capital vote	5,785,950	8,910,041		

appropriation pilot						

Note 1: According to the agreement signed between DFAIT and Mr. Wayne Wouters (Secretary of Treasury Board for fiscal year 2008-09 and 2009-10) all the budgets with the exception of the Mission Security SPA budget are to be included in the non-lapsing capital appropriations.
For 2008-09: Main Estimates of $122.7 million less the Mission Security SPA of $3.8 million = $118.9 million x 5% = 5,943.5 million.
For 2009-10: Main Estimates of $140.0 million less the Mission Security SPA of $3.3 million = $136.7 million x 5% = 6,835 million.

Total amount to carry forward into next year

Vote 5	2005–06	2006–07	2007–08	2008–09	2009–10	2010–11
Amount to carry forward from SPA		865,000	1,409,619	4,336,538		
Amount to carry forward through standard 5%		1,900,000	2,000,000			
Amount to carry forward through standard reprofiling (ARLU)		500,000				
Other						
Total capital amount to carry forward into next year		$3,265,000	1,409,619	4,336,538		
Total amount of capital spent	Foreign Affairs: 127,649,375 International Trade: 60,882,263	136,399,103	170,921,493	172,881,668		
Total amount of capital lapsed	Foreign Affairs: 4,134,365 International Trade: 828,480	7,135,922	35,299,227	9,119,151		

RCMP: Template for Expenditure Management Data

Total current year capital from all sources

Vote (refer to fiscal year)	2005–06 (vote 70)	2006–07 (vote 65)	2007–08 (vote 50)	2008–09 (vote 55)	2009–10	2010–11
Main Estimates (includes amount in SPA)	197,988,000	261,071,000	264,729,000	328,965,000		
Amount in SPA (included in Main Estimates)	20,000,000	20,000,000	73,000,000	20,000,000	20,000,000	
Standard Supplementary Estimates	...	33,846,030	76,222,493	78,005,718		
Carry-forward from SPA in Supplementary Estimates						
Adjustments, warrants and transfers	5,559,373	(2,361,875)	(12,491,707)	(16,183,560)		
5% standard carry-forward from previous year						
Reprofiling from previous year		8,423,000	32,120,000			
Other		53,266,000				
Total Capital	203,547,373	292,555,155	328,459,786	390,787,158		
Total allowable carry-forward amount under non-lapsing capital appropriation pilot		20,000,000	73,265,718	20,000,000	20,000,000	

Total amount to carry forward into next year

Vote (refer to fiscal year)	2005–06 (vote 70)	2006–07 (vote 65)	2007–08 (vote 50)	2008–09 (vote 55)	2009–10	2010–11

Amount to carry forward from SPA	61,689,000	105,491,000				0
Amount to carry forward through standard 5%						
Amount to carry forward through standard reprofiling						
Other						
Total capital amount to carry forward into next year						
Total amount of capital spent	201,220,561	225,392,497	233,681,596	289,150,480		
Total amount of capital lapsed	2,326,812	67,162,657	94,778,191	101,636,678		

Note: Used capital vote (votes changed by fiscal year as per headings); did not include operational spending in the numbers

AAFC: Template for Expenditure Management Data

Total current year capital from all sources

Vote 5	2005–06	2006–07	2007–08	2008–09	2009–10	2010–11
Main Estimates (includes amount in SPA)	30,631,000	28,631,000	28,631,000	32,022,000	33,957,000	
Amount in SPA (included in Main Estimates) *	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	
Standard Supplementary Estimates (includes carry-forward from SPA)		12,580,000	21,927,158	22,566,874	29,932,810	
Carry-forward from SPA in Supplementary Estimates			17,077,157	20,271,874	24,283,810	
Adjustments, warrants and transfers	563,200	10,000,000	2,216,489			
5% standard carry-forward from previous year						
Reprofiling from previous year (included in carry-forward from SPA above)			3,750,000	1,500,000		
Other						
Total Capital (A)	31,194,200	51,211,000	52,774,646	54,588,874	63,889,810	
Total allowable carry-forward amount under non-lapsing capital appropriation pilot	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	
Amount of SPA per Final Year-End Allotments	31,194,200	28,631,000	28,631,000	24,283,810		
* Not specifically identified in the Secretariat's Initial Allotment Reports with the exception of 2009-10.						

Total amount to carry forward into next year

Vote 5	2005–06	2006–07	2007–08	2008–09	2009–10	2010–11
Amount to carry forward from SPA lapse		13,327,157	18,771,874	24,283,810		
Amount to carry forward through standard 5%						
Amount to carry forward through standard re-profiling **		3,750,000	1,500,000			
Other						
Total capital amount to carry forward into next year		17,077,157	20,271,874	24,283,810		
Total amount of capital spent (B)	31,189,696	34,133,842	32,502,772	30,305,064		
Total amount of capital lapsed (A) less (B)	4,504	17,077,158	20,271,875	24,283,810		
** The reprofiled amounts for fiscal year 2006-07 and 2007-08 were reported against the SPA line in our Final Year-End Allotments.						

Note: Source documents included Public Accounts and the Secretariat's Final Year-End Allotments.

DFO: Template for Expenditure Management Data

Total current year capital from all sources

Vote 5	2005–06	2006–07	2007–08	2008–09	2009–10	2010–11
Main Estimates (includes amount in SPA)	Joined in November 2007 N/A	Joined in November 2007 N/A	Joined in November 2007 N/A	294,650,000		
Amount in SPA (included in Main Estimates)	N/A	N/A	142,287,000	141,787,000	141,787,000	
Standard Supplementary Estimates	N/A	N/A	N/A	16,266,945		
Carry-forward from SPA in Supplementary Estimates	N/A	N/A	N/A			
Adjustments, warrants and transfers	N/A	N/A	N/A			
5% standard carry-forward from previous year	N/A	N/A	N/A			
Reprofiling from previous year	N/A	N/A	N/A			
Other	N/A	N/A	N/A			
Total Capital	N/A	N/A	N/A	310,916,945		
Total allowable carry-forward amount under non-lapsing capital appropriation pilot	N/A	N/A	N/A			

Total amount to carry forward into next year

Vote 5	2005–06	2006–07	2007–08	2008–09	2009–10	2010–11
Amount to carry forward from SPA	N/A	N/A				
Amount to carry forward through standard 5%	N/A	N/A	N/A			
Amount to carry forward through standard reprofiling	N/A	N/A	N/A			
Other	N/A	N/A	N/A			
Total capital amount to carry forward into next year	N/A	N/A	N/A			
Total amount of capital spent	N/A	N/A	N/A	249,382,299		
Total amount of capital lapsed	N/A	N/A	N/A	61,534,646		

Appendix C—Financial Tables Detailing Gross and Net Lapsing

Total current year capital from all sources

AAFC	2002–03	2003–04	2004–05	2005–06	2006–07	2007–08	2008–09*
Total capital available (A)	44,371,000	59,052,518	36,861,475	31,194,200	51,211,000	52,774,646	54,588,874
Total amount in SPA (B)				30,000,000	30,000,000	30,000,000	30,000,000
Total amount of capital spent (C)	44,358,922	38,692,147	36,501,474	31,189,696	34,133,842	32,502,772	30,305,064
Total gross lapse (A less C)	12,078	20,360,371	360,001	4,504	17,077,158	20,271,875	24,283,810
Total net lapse	**12,078**	**20,360,371**	**360,001**	**(0)**	**(0)**	**(0)**	**(0)**
* Has not yet been posted on Public Accounts.							

Total current year capital from all sources

DFO	2002–03	2003–04	2004–05	2005–06	2006–07	2007–08	2008–09*
Total capital available (A)	158,268,254	197,032,704	207,454,945	175,293,000	218,174,000	263,510,229	310,916,945
Total amount in SPA (B)					142,287,000	141,787,000	141,787,000
Total amount of capital spent (C)	156,050,799	195,809,189	184,388,632	167,936,501	195,203,713	211,207,177	249,382,299
Total gross lapse (A less C)	2,217,455	1,223,515	23,066,313	7,356,499	22,970,287	52,303,052	61,534,646
Total net lapse	**2,217,455**	**1,223,515**	**23,066,313**	**7,356,499**	**(0)**	**(0)**	**(0)**
* Has not yet been posted on Public Accounts.							

Total current year capital from all sources

DFAIT	2002–03	2003–04	2004–05	2005–06	2006–07	2007–08	2008–09*
Total capital available (A)	121,633,272	159,472,099	131,783,722	Foreign Affairs: 113,926,225 International Trade:29,210,000	143,535,025	206,220,720	178,200,819
Total amount in SPA (B)				5,250,000	7,150,000	5,740,000	6,135,000
Total amount of capital spent (C)	121,552,968	139,223,180	127,649,357	Foreign Affairs: 110,281,588 Int'l Trade: 27,935,326	136,399,103	170,921,493	172,881,668
Total gross lapse (A less C)	80,304	20,248,919	4,134,365	Foreign Affairs: 3,644,637 Int'l Trade: 1,274,674	7,135,922	35,299,227	9,119,151
Total net lapse	**80,304**	**20,248,919**	**4,134,365**	**(0)**	**(0)**	**29,559,227**	**2,984,151**
* Has not yet been posted on Public Accounts.							

Total current year capital from all sources

RCMP	2002–03	2003–04	2004–05	2005–06	2006–07	2007–08	2008–09*
Total capital available (A)	195,511,000	216,547,676	210,455,510	203,547,373	292,555,155	328,459,786	390,787,158
Total amount in SPA (B)				20,000,000	20,000,000	73,000,000	20,000,000
Total amount of capital spent (C)	192,181,882	206,892,135	204,930,267	201,220,561	225,392,498	233,681,595	289,150,480
Total gross lapse (A less C)	3,329,118	9,655,541	5,525,243	2,326,812	67,162,657	94,778,191	101,636,678
Total net lapse	**3,329,118**	**9,655,541**	**5,525,243**	**(0)**	**47,162,657**	**21,778,191**	**81,636,678**
* Has not yet been posted on Public Accounts.							

1. Non-lapsing appropriations are authorities to spend money that do not expire after March 31 year-end.

2. DFO joined the pilot in 2007.

3. Questions related to success were derived directly from the pilot project logic model presented.

4. Note that this evaluation was designed prior to the Secretariat's revised Policy on Evaluation, which took effect on April 1, 2009. In the new policy, the issues of implementation and design, success and alternatives, and best practices and lessons learned fall under the evaluation issue of "performance."

5. Responses to this question tended to relate more to lessons learned and are therefore included in that section.

6. It became apparent through the conduct of multiple key informant interviews that the NLA mechanism is basically a cash management mechanism to permit funds that would otherwise lapse in one fiscal year to be carried forward into the following fiscal year.

7. Mechanism to Simulate Two-Year Non-lapsing Capital (February 11, 2009)

8. The pilot project was designed to simulate non-lapsing rolling forward two-year capital appropriations. Departments participating in this pilot from the current fiscal year to the following fiscal year were given the opportunity to carry forward 100% of their unexpended capital vote appropriations. Objectives were the following: i) improved overall effectiveness of capital spending; ii) longer-term, more strategic investment approaches; iii) ability to respond to recommendations from the OAG regarding accrual accounting.

9. The pilot project was designed to simulate non-lapsing rolling forward two-year capital appropriations. Departments participating in this pilot from the current fiscal year to the following fiscal year were given the opportunity to carry forward 100% of their unexpended capital vote appropriations. Objectives were the following: i) improved overall effectiveness of capital spending; ii) longer-term, more strategic investment approaches; iii) ability to respond to recommendations from the OAG regarding accrual accounting.