



Guide to portfolio management and the real property portfolio strategy

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des biens immobiliers

Guide to portfolio management and the real property portfolio strategy

1. Introduction

This guide:

- reflects best practices in real property portfolio management
- supports the development, implementation and monitoring of a real property portfolio strategy, as set out in subsections 4.1.4 and 4.2.5 of the Treasury Board *Directive on the Management of Real Property*

Custodians: ¹

- are responsible for the administration of federal real property ²
- may adjust their approach to portfolio management to align with their structure and operational context

The full technical guide to portfolio management and real property portfolio strategies can be obtained by contacting the Investment Management Directorate at TBS-SCTInvestmentManagement-Gestiondesinvestissements@tbs-sct.gc.ca.

Custodians are required to:

- develop, implement and monitor a real property portfolio strategy
- use this strategy when making investment decisions ³

A real property portfolio strategy is a strategic planning document that:

- has a planning horizon of at least 10 years
- looks beyond singular assets
- sets the direction for how the real property portfolio ⁴ will be intentionally and proactively managed to support:
 - the custodian's mandate, strategic business objectives and forward-looking program requirements
 - the Government of Canada's priorities for real property and socio-economic and environmental outcomes (for example, greening government operations)
 - sound stewardship and best value to the Crown

Using evidence-based analysis, a real property portfolio strategy:

- assesses the current state of the portfolio
- describes the desired future state of the portfolio
- identifies financial and non-financial risks and resource gaps associated with achieving the desired future state
- charts a strategic road map for the portfolio as it evolves and responds to program needs, the Government of Canada's broader objectives and the context of corporate real estate

2. Roles, responsibilities and governance

Deputy heads are responsible for compliance with Treasury Board policies, including designating a senior official ⁵ or senior officials responsible for the management of real property and the development, implementation, and monitoring of a real property portfolio strategy. ⁶

Federal real property is a strategic platform that supports custodians in delivering mandated programs and services to Canadians. To meet the requirements set out in subsections 4.1.1.4 and 4.1.1.5 of the *Directive on the Management of Real Property*, and as a best practice, there should be a consultation on a real property portfolio strategy. In addition to the consultation, the strategy should be communicated internally by the custodian and endorsed by an appropriate governance body (for example, a senior advisory board) at the assistant deputy minister level. This governance body should include the senior designated official or officials for the management of real property and key stakeholders, including the chief financial officer and senior officials responsible for the delivery of programs and services. ⁷ The development of the portfolio strategy should integrate and reflect the feedback and decisions made by the appropriate governance body or senior advisory board.

3. Portfolio management principles

Portfolio management:

- is the ongoing process of aligning the real property portfolio with strategic priorities and forward-looking program requirements while considering risks and resource constraints
- overcomes geographic and functional silos through central oversight of the performance of the portfolio and its related investments

The foundation of a real property portfolio strategy rests on five principles of portfolio management. The way in which these principles are applied may be tailored to suit a custodian's specific operational context.

3.1 Enable strategic objectives and contribute to government priorities

Real property supports the delivery of programs and services to Canadians and enables the advancement of broader strategic objectives (for example, achieving net-zero carbon operations and contributing to climate resilience, furthering Indigenous reconciliation, driving digital transformation, improving accessibility, conserving heritage value and stimulating the economy).

3.2 Use information management

Comprehensive, reliable and current information on real property assets and the use of an information management system to facilitate data analysis are the backbone of evidence-based portfolio management.

3.3 Analyze segments, not just individual assets

Similar assets are considered together to allow for a higher-level perspective of the portfolio, typically organized by function, asset type, priority and location. This higher-level perspective promotes the discovery of opportunities within and between segments, such as consolidation, resource-sharing, talent mobility, collaboration across government and economies of scale.

3.4 Use life-cycle costing techniques

Real property decisions must be based on an assessment of full life-cycle costs. Life-cycle costing is a logical, systematic process for estimating the total cost of real property through its whole life from the initial planning to acquisition, use and disposal. ⁸

3.5 Highlight areas of risk

Risk management involves identifying, balancing, and mitigating internal and external risk factors (environmental, legal, operational, reputational and financial) to effectively realize the outcomes that are expected from the real property portfolio. ⁹

4. Portfolio management process

The portfolio management process consists of seven broadly defined steps, which can be undertaken concurrently, and which are illustrated in Figure 1. ¹⁰ The appropriate governance body or senior advisory board should be engaged during each of the seven steps as their role is to allow for input, internal challenge, decision-making and endorsement from the custodian's internal functions.

4.1 Understand the current state of the portfolio (the supply)

Determine how the portfolio is performing using performance indicators and benchmarks. Monitor the functionality, utilization, and physical, environmental and financial performance of real property assets over their life-cycle.

4.2 Facilitate the development of a portfolio vision

Describe the desired state of the portfolio and include strategic objectives and priorities, such as achieving net-zero operations. Senior officials responsible for the delivery of programs and services should be involved in the development of the portfolio vision by participating in strategic planning discussions with the appropriate governance body or senior advisory board. The vision guides decision-making for the rest of the portfolio management process.

4.3 Understand the requirements of the real property portfolio (the demand)

Enable informed and integrated real property management decisions through collaboration between real property officials and program leads. Analyze and forecast demand over time by looking for new ways to support the portfolio vision, including solutions that may not involve real property.

4.4 Compare and analyze supply and demand

Assess the current supply against demand, which includes the portfolio vision, to inform resourcing and sequencing decisions, as well as the investment plan. Consider the results from an environmental scan (for example, market conditions, inflation rates, availability of labour and services, and supply chains).

4.5 Explore options to close the gap between supply and demand

Conduct a gap analysis and explore the most effective ways of optimizing the portfolio while minimizing the gap between supply and demand. Evaluate trade-offs to minimize the gap while respecting resource constraints and risk tolerances. Fully account for the financial and non-financial resources that are committed to the portfolio, including the human resources, contracted real property services and sources of funds (including any spending constraints).

4.6 Prepare the real property portfolio strategy and the portfolio implementation plan

The real property portfolio strategy helps decision-makers and stakeholders understand what the portfolio will achieve in the longer term and how strategic objectives will be met. It covers a planning horizon of at least 10 years and includes a shorter-term, 5-year portfolio implementation plan.

The portfolio strategy includes:

- an overview of the real property portfolio and its performance
- a summary of demand, including the portfolio vision
- a description of the gap between supply and demand and the plan to close the gap
- a summary of planned, low-risk investments and significant investments ¹¹
- a summary of how socio-economic priorities are addressed (for example, accessibility and heritage conservation), including how the commitments in the *Greening Government Strategy* will be met ¹²
- the financial and non-financial resources needed to support and maintain the portfolio
- a risk assessment
- key performance indicators and targets
- a five-year implementation plan

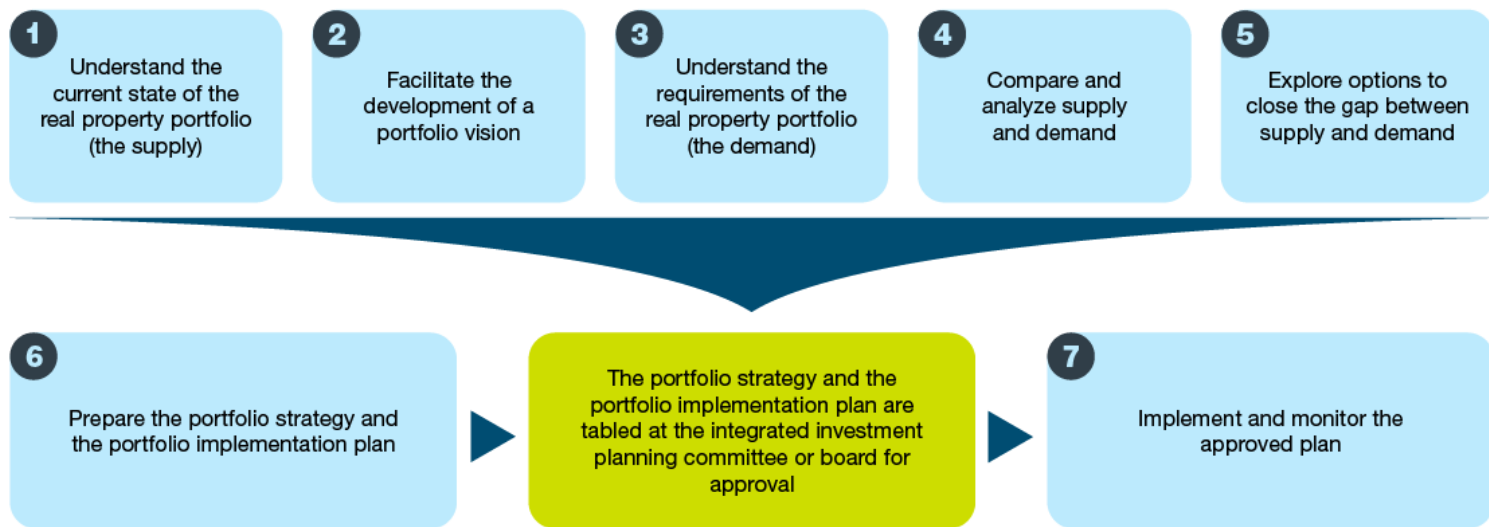
The five-year implementation plan details planned investments. It includes a delivery schedule, specific financial and non-financial resource allocations, and key interdependencies. The implementation plan is used in the investment planning process.

For more information on the contents of the real property portfolio strategy, see "[Contents of the real property portfolio strategy.](#)"

4.7 Implement and monitor the approved plan

Implementation refers to the delivery of the implementation plan. Monitoring ensures that progress is regularly assessed and reported against a baseline. Monitoring keeps implementation on track and makes visible whether the real property portfolio is delivering on expected results. ¹³

Figure 1: the portfolio management process



► Figure 1 - Text version

5. Contents of the real property portfolio strategy

This section outlines what custodians should include in a real property portfolio strategy.

Table of contents

It is helpful to include a table of contents.

Executive summary

The executive summary gives readers the essence of the document. They should be able to read only the executive summary and know basically what the document contains.

Introduction

The introduction outlines the contents of the document.

It can explain what a real property portfolio strategy is and describe its purpose.

It can also indicate:

- how the strategy will help address gaps in the portfolio and policies and priorities influencing the management of the real property portfolio
- how it will help achieve expected policy results and government-wide priorities

Methodology

This section explains how the real property portfolio strategy was developed.

Custodians that have not yet developed a real property portfolio strategy must use this section to outline their plan for developing one, including timeframes and key milestones.

Current portfolio

This section describes the current real property portfolio (the supply).

It is informed by documents such as:

- asset condition reports
- asset management plans
- environmental reports
- financial reports

The description should include the following information about the current portfolio:

- size
- estimated replacement value
- composition (asset types, for example, laboratory, warehouse, general purpose office space)
- asset mix (for example, the ratio of Crown-owned assets to leased assets)
- environmental performance, greenhouse gas (GHG) emissions, climate risk and resilience
- utilization
- functionality
- physical condition, including average age
- number and status of surplus assets
- financial performance, including annual expenditures to maintain the portfolio (for example, operations and maintenance, capital and payment in lieu of taxes), and financial liabilities (for deferred maintenance, for example)

Portfolio vision

This section describes the desired future state of the portfolio. It can include strategic objectives and priorities that will help focus and guide decision-making throughout the portfolio management process.

Objectives and priorities could relate to:

- new or existing mandates and policies
- forward-looking program requirements
- furthering Indigenous reconciliation
- demonstrating leadership in the fight against climate change, including net-zero operations and enhancing climate resilience
- improving accessibility
- increasing diversity, including diversity in gender identity and gender expression
- conserving heritage value
- supporting digital transformation
- promoting economic growth and capacity development
- increasing the local supply of affordable housing
- supporting educational development in communities
- promoting the use of shared facilities within the federal government and in communities where the federal government operates

Portfolio demand requirements

This section describes what is required to support achieving the portfolio vision.

Possible topics to cover:

- asset types (for example, laboratory, storage, special-purpose space)
- information management and information technology (IM/IT)
- physical security
- IT security
- materiel
- human resources required to manage the portfolio

Supply and demand gap analysis: key challenges and risks

This section:

- analyzes the gap between supply and demand
- identifies any significant challenges or risks associated with closing the gap
- makes recommendations to address these risks

The following are examples of challenges or risks:

- funding pressures
- human resource pressures
- challenging market conditions
- risks associated with achieving a net-zero portfolio by 2050 and risks associated to climate change impacts
- challenges associated with right-sizing the portfolio footprint
- long lead times for real property disposals and acquisitions

Portfolio optimization

This section explains how the custodian plans to:

- optimize portfolio performance
- address the gap between supply and demand
- respond to the challenges and risks identified in the supply and demand gap analysis section

This section could include the following:

- a summary of the planned, low-risk investments and a more detailed summary of the significant investments (in other words, complex, high-risk, sensitive or extraordinary investments) that should be brought to the attention of the deputy head and the Treasury Board of Canada Secretariat
- a summary of how the current *Greening Government Strategy* requirements will be met (including how the custodian's planned actions will help achieve a net-zero, climate-resilient real property portfolio)
- an overview of how the custodian will address the government's environmental compliance priorities (for example, priorities relating to contaminated sites, potable water, asbestos, radon)
- an overview of how the portfolio strategy will help achieve the government's socio-economic priorities (for example, accessibility, heritage conservation, Indigenous interests)

- a disposal strategy for all assets identified as surplus or in critical condition that have more than five years of useful life remaining
- a high-level summary of the financial and non-financial resources needed to implement the real property portfolio strategy
- the estimated target rate of reinvestment to maintain the portfolio in an acceptable condition and to address any deferred maintenance

Implementation plan

This section contains the five-year plan for how the strategy will be implemented.

It contains a delivery schedule and details on:

- short-term investments and activities
- planned allocations for financial, material, IM/IT and human resources
- procurement methods
- risks, challenges and resource shortfalls

Performance measurement and reporting

This section lists the key performance indicators (KPIs) and targets that will be used to measure the success of the portfolio strategy and implementation plan.

Targets must:

- be specific and measurable
- be informed by baseline data
- fall within the custodian's accountabilities

This section should also describe:

- how KPIs will be measured
- how often
- who the KPI results will be reported to

Monitoring

This section describes the process and frequency for monitoring the implementation of the real property portfolio strategy and for updating it.

Footnotes

- 1 A custodian of federal real property is a department or agency whose minister has responsibility for the administration of real property for the purposes of that department or agency.
- 2 The Treasury Board *Policy on the Planning and Management of Investments* defines real property as “any right, interest or benefit in land, which includes mines and minerals, and buildings, structures, improvements and other fixtures on, above or below the surface of the land or water (submerged land). Federal real property is any real property belonging to Her Majesty, including any real property of which Her Majesty has the power to dispose.”
- 3 The Treasury Board *Policy on the Planning and Management of Investments* and the Treasury Board *Directive on the Management of Real Property* describe the responsibilities of deputy heads, senior designated officials and real property practitioners for the management of federal real property. The *Directive on the Management of Real Property* requires the development, implementation and monitoring of the real property portfolio strategy (subsections 4.1.4 and 4.2.5). The *Policy on the Planning and Management of Investments* requires that real property be managed using a life-cycle approach that bases investment decisions on real property portfolio strategies (subsection 4.1.18.1).
- 4 The real property portfolio, which is under the administration of a minister, is the inventory of all real property assets that are required to support the delivery of programs and services to Canadians. The portfolio includes real property assets that are owned, leased and licensed, as well as surplus assets that have not yet been disposed. Assets under construction are also considered part of the portfolio for planning purposes.
- 5 The *Policy on the Planning and Management of Investments* requires the deputy head to designate a senior official or senior officials responsible for the management of real property (subsection 4.1.1). The senior designated official occupies a position at the assistant deputy minister or director general level and has a direct line of communication with and access to the deputy head. The size and complexity of a real property portfolio can mean that it is appropriate to have more than one senior designated official responsible for the portfolio.
- 6 A comprehensive list of the responsibilities of senior designated officials and real property practitioners can be found in subsections 4.1 and 4.2 of the *Directive on the Management of Real Property*. Real property practitioners are responsible for supporting the deputy head and the senior designated officials in their roles and for meeting Treasury Board policy requirements, including the development of a real property portfolio strategy.

7 The senior advisory board should be composed of the:

- senior designated officials for the management of real property
- senior designated officials for the management of projects and programmes, procurement, and materiel
- chief financial officer
- chief information officer
- senior program executives
- senior human resources executives
- chief security officer
- senior legal services executives

The purpose of the senior advisory board is to allow for input, internal challenge, decision-making, and endorsement from the custodian's internal functions (for example, program and service delivery, project and programme management, procurement, real property, materiel management, information technology, finance, human resources, security and legal services). Real property practitioners will prepare information to guide senior advisory board discussions (for example, analyses of portfolio data and options).

8 Subsection 4.1.3.5 of the Treasury Board *Policy on the Planning and Management of Investments* requires that investment decisions “demonstrate best value and sound stewardship, taking into account the life-cycle costs of assets and services.” It is important that life-cycle analyses use the best available projections for future climate change impacts by incorporating estimated costs associated with greenhouse gas emissions and any mitigating or resilience measures.

9 The *Framework for the Management of Risk* provides guidance on effective risk management practices. The framework also encourages tailoring risk management solutions to a department's or an agency's external and internal context, including their mandate, priorities, organizational risk culture, corporate risk profile, risk management capacity, and the interests of their partners and stakeholders.

10 Steps 1 to 3 of the portfolio management process establish the criteria for decisions about assets and investments. The criteria are endorsed by the senior advisory board to inform the vision of the portfolio's future state. Step 4 involves a comparison and analysis of supply and demand. Step 5 includes options analyses to close the gap between supply and demand in line with steps 6 and 7. Step 6 involves the preparation of the portfolio strategy and the supporting implementation plan. The portfolio strategy and the supporting implementation plan are tabled at the integrated investment planning committee or board for approval. Step 7 includes the implementation and monitoring of the approved plan.

11 Significant investments refer to complex, high-risk, sensitive or extraordinary investments that should be brought to the attention of the deputy head and the Treasury Board of Canada Secretariat.

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To demonstrate how the commitments in the *Greening Government Strategy* will be met, custodians should include:

- the integration of key elements of the custodian's net-zero, climate-resilient real property portfolio strategy and plan
- an analysis of current greenhouse gas (GHG) emissions from real property holdings
- a series of measures to reduce GHG emissions, the associated reduction in tonnes of carbon dioxide equivalent (CO₂e) and the percentage of total emissions that such a reduction represents
- a proposed timeline to achieve net-zero operations
- a summary of risks to achieving carbon neutrality by 2050
- a waterfall diagram demonstrating the percentage reduction of GHG emissions, based on the proposed implementation measures, compared to the 2005–06 baseline
- a description of the actions that will be taken to respond to the assessment of risks posed by the impacts of climate change on the real property portfolio

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The portfolio strategy is reviewed and updated every three to five years or sooner if there is a considerable change that affects the management of the portfolio (for example, a new policy, broad program changes or additional funding). The portfolio implementation plan is updated annually in alignment with investment planning.

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