

# **Management Of Overhead Services**

**December, 1996**

# DEPUTY MINISTER TASK FORCES

## *PREFACE*

During the course of 1995, the Clerk of the Privy Council established nine Task Forces led by Deputy Ministers. The intent was to explore a variety of issues, identified in the wake of Program Review.

The nine Task Forces and their mandates were:

- **Service Delivery Models** - to examine service delivery issues from a citizen's point of view.
- **Overhead Services** - to identify ways to improve management of overhead services on a government-wide level, with an emphasis on cost savings.
- **Federal Presence** - to develop an on-going database on federal presence across Canada, examine how that presence may change over time, and identify issues from a geographical or regional perspective.
- **Federal Presence Abroad** - to report on programs and Canadian government representation outside Canada, and to determine how federal government representation overseas could be made more cost-effective.
- **Strengthening Policy Capacity** - to review our current policy development capacity and to recommend improvements.
- **Policy Planning** - to provide an assessment of the policy agenda to date, survey the environment, and provide strategic advice on key policy issues.
- **Managing Horizontal Policy Issues** - to develop practical recommendations on the management of horizontal issues focusing on improved coherence, and improved collaboration.
- **Values and Ethics** - to examine the relationship between existing and evolving values in the public service, and to consider ways to align values with current challenges.
- **A Planning Tool For Thinking About the Future of the Public Service** - to identify long-term trends which influence the Public Service, and develop a strategic planning tool.

The chairpersons of the individual Task Forces were given broad mandates and the freedom to choose their approaches. Some conducted broad national consultations while others involved only key stakeholders. In some instances, they produced formal reports and recommendations. In

others, the results are tools, such as the database on federal presence and the scenario kit to test options against various future scenarios. Two Task Forces were integrated into broader exercises. The Task Force on Federal Presence Abroad flowed into the Program Review II exercise at Foreign Affairs and International Trade and the work of the Task Force on Policy Planning contributed to the preparation of the Speech from the Throne.

Despite proceeding independently, the Task Forces produced results and recommendations which reveal a high degree of convergence on key conclusions. They all point to a need for action on a number of fronts: horizontal integration, partnerships, culture, service in the public interest, policy capacity, client-focused service and human resource management.

The Task Force findings also echo conclusions emerging from other work in the Public Service during the same period. Within departments, there have been a wide variety of initiatives underway to modernize service delivery and the lessons learned are mutually reinforcing.

There has also been considerable work across departmental lines. In many instances, this work has been undertaken by interdepartmental functional groups. For example, the Council for Administrative Renewal has been working on a variety of initiatives to streamline overhead services. A Treasury Board Secretariat Subcommittee has been active in exploring how technology can facilitate the clustering of services, even across jurisdictional lines, based upon the life cycle needs of individuals and businesses for services from their governments. The Personnel Renewal Council has been working actively to engage unions and managers corporately, on a national basis, to renew our work environments and work relationships. In other instances, the work has been carried out by Regional Councils in developing initiatives to share local services and to integrate program delivery.

The central agencies have also been working to modernize systems and processes. For example, the Treasury Board Secretariat has been leading the Quality Services Initiative which has developed a wealth of material to assist departments in improving the services they provide.

Finally, a new initiative called *La Relève* to improve human resource management within the Public Service will comprise a wide range of initiatives at the individual, departmental and corporate levels, all with the aim of investing in people to build a modern and vibrant institution for the future.

The reports of the Task Forces are now available. Together, they have produced concrete tools and recommendations to improve service to the public and to elected officials. Their results do not constitute and were not intended to serve as a formal blueprint for public service renewal. Rather, they are expected to make a contribution to work already in progress toward getting government right. Departments and agencies working in partnership with central agencies will continue to work toward implementing the Task Force recommendations and will build on the common learning acquired through the Task Force work to further the process of renewal.

**REPORT FROM THE  
DEPUTY MINISTERS' TASK FORCE ON  
THE MANAGEMENT OF OVERHEAD SERVICES**

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## **OVERVIEW**

### Mandate

The mandate of this Task Force is to identify ways to improve the management of overhead services government-wide with an emphasis on cost savings. More specifically, its aim is to identify all overhead type services and select for detailed study those that demonstrate highest potential for short term savings/improvements; to assess selected initiatives in detail and identify emerging issues and principles; and to develop a long term approach to the management and delivery of overhead services government-wide.

### Linkage

This Task Force on the Management of Overhead Services is one of nine created in the Spring of 1995, as a result of the Deputy Ministers' retreat, to assess the future of the public service and the role of government, among other issues. The review of Overhead Services also subsumed the direction from the Program Review requiring TBS and PWGSC, with the involvement of PCO and Finance, to undertake a review of the Common Services Policy.

In undertaking this study, it was recognized that the time available was limited (seven months) and that vast amount of work had already been undertaken by the federal government to make administrative services more efficient. Organizations such as the Council for Administrative Renewal (CAR) and the Advisory Committee on Information Management (ACIM) have made significant contributions in this area. In effect, the easy solutions had already been made. Thus the aim of this Task Force was not to re-invent methods of delivery of overhead services in the federal government, but rather to identify means of initiating savings and improvements in service delivery government-wide.

The outcome and conclusions of the Task Force on the Management of Overhead Services must be assessed in the context of the results and recommendations of the other Task Forces.

## **APPROACH**

A three phased approach was adopted:

- |           |                                                                                                                                                                            |
|-----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Phase I   | identification of all overhead type services in government and selection for detailed study those that demonstrated highest potential for short term savings/improvements; |
| Phase II  | detailed assessment of selected initiatives and identification of emerging issues and principles;                                                                          |
| Phase III | development of a long term approach to the management and delivery of overhead services government-wide.                                                                   |

One of the intentions of this approach was to allow the evolution of a generic model which could be used to identify and assess new initiatives in the future.

## **SUMMARY OF ACCOMPLISHMENTS**

- ☞ Detailed list of overhead services developed
- ☞ Model template for selection of initiatives established
  - ▶ assumptions made for initial selection of overhead services
    - government-wide, horizontal application
    - program independent
    - linked to centrally imposed requirement or government-wide standard
  - ▶ principles established for further refinement of selection
    - overall cost of initiative (order of magnitude)
    - level of effort required for assessment to be minimum
    - some savings to be realized over the first 6-18 months
    - current initiatives preferred to maximize value to government
- ☞ Model template used for initial selection of overhead services for review
  - ▶ potential impediments to success identified

- ▶ nine specific overhead services selected for further assessment
  - four were currently being studied through CAR
  - these nine divided into two groups

Services requiring significant initial assessment:

1. IM/IT Network Services
  - telecommunication costs estimated at over \$ 1 billion per annum
2. IM/IT Transport Services
  - costs are in the order of \$ 110 million per annum (part of the above telecommunication costs)
  - note that IM/IT Network and Transport Services were collapsed into one study
3. Audit and Evaluation
  - costs have not been quantified
4. Property Management
  - annual federal real property expenditures are in the order of \$ 5 billion
  - 25,000 FTEs involved in provision of services
  - total federal inventory is in the range of 31 million m<sup>2</sup> of space

Services already being reviewed and requiring minimal assessment

5. Shared Systems
  - in 1993 there were approximately 60 personnel systems, 30 financial systems and 30 materiel management systems in the federal government resulting in excessive expenditures for similar solutions
  - development and maintenance costs are not known
6. Procurement and Payment
  - federal government procurement is about \$ 8 billion per annum (excluding major crown projects)
  - 16 million invoices handled per year, requiring 4,800 full-time employees and costing \$ 240 million

7. Pay and Benefits
  - total annual costs are in the order of \$ 91 million
  - 485 sites across Canada with 4,600 employees involved
8. Locally Shared Support Services
  - some 300 LSSS ventures initiated to date
  - proven potential exists for savings and efficiencies
9. Inventory Management
  - \$ 10-12 billion in visible inventory and about the same in invisible inventory
  - cost of holding inventory is about \$ 2.5-3.5 billion annually
  - Note: this initiative was a late addition to the Task Force's list

☞ Framework for evaluation of initiatives developed

☞ Each initiative evaluated for potential benefits

- ▶ Observations and recommendations presented to Task Force for direction, with following results\*:
  - IM/IT Network and Transport Services - recommendations endorsed
  - Audit and Evaluation - dropped for this review as significant changes made in fall 1995
  - Real Property Management - assessment continuing
  - Shared Systems - recommendations endorsed
  - Procurement and Payment - recommendations endorsed
  - Pay and Benefits - recommendations endorsed
  - Locally Shared Support Services - recommendations modified
  - Inventory Management - recommendations endorsed

\* note that recommendations and savings associated with each initiative are listed in the Annex



## **GENERAL OBSERVATIONS**

This Task Force has essentially fulfilled its original mandate. It has demonstrated that over the short term, relatively significant savings and improvements can be realized through a rigorous, collaborative approach to the efficient delivery of overhead services in government. As indicated earlier, the Task Force was able to build on a number of important initiatives that have already been ongoing through the Council for Administrative Renewal (CAR) and other areas.

Many of the initiatives examined by this Task Force are large horizontal projects with costs in the order of magnitude of millions (in a few cases, billions) of dollars. However, precise identification of costs and potential savings were difficult to establish.

In today's tight budget climate, estimates of potential savings is likely to err on the side of caution. Part of the hesitation is a function of the complexity of some horizontal overhead services, making it virtually impossible to benchmark existing costs without which firm savings are difficult to defend. In addition, limited data availability in some areas also exacerbate attempts to establish achievable savings targets. In either case, the end result is a reluctance to identify hard savings even for some of those initiatives where obvious potential exists.

Departments have considerable latitude and autonomy. The Task Force has observed that working together, departments can reap significant savings but at the cost of relinquishing some freedom of choice. The willingness to forgo some freedom of choice is a prerequisite for the realization of government-wide savings and maximum benefits will only be attained if initiatives are applied to all departments. Only under exceptional circumstances, supported by a sound business case, should departments be allowed to opt out of a horizontal overhead service initiative.

If the government wishes to achieve greater savings from the Management of Overhead Services, the implementation of a systematic, long term approach remains its main challenge. This will be the most sensitive and the most demanding. A number of common issues have been identified during the course of this Task Force's work. Experience with the nine initiatives demonstrated that these common issues, unless addressed, pose an impediment to efficiency gains in the long term management of overhead services in the federal government.

## **COMMON ISSUES**

### *Leadership*

It is becoming evident that initiatives need a champion, in effect, a facilitating agent, to ensure success from inception through to implementation. This is becoming especially critical with the move from departmental autonomy to horizontal autonomy. In addition, the need for a horizontal management framework has become evident through the success of recent CAR initiatives where common departmental as well as government needs have been addressed cooperatively. Issues of authority, governance and optionality are closely linked, especially when projects reach implementation stage.

This Task Force purposefully selected a number of advanced CAR initiatives because of their potential to demonstrate early payback. Departments donated resources to re-engineer processes as was the case for both Procurement and Payment and Pay and Benefits. While such projects are time consuming and resource intensive, after two or more years of effort, both initiatives were able to demonstrate considerable potential for savings as a result of re-engineered processes.

In order to realize such potential savings, these initiatives must be championed through a sufficiently high level organization or individual to ensure acceptance of recommendations and implementation government-wide.

#### *Speed of Implementation*

Closely related to the common issue of leadership is the need to implement initiatives quickly. Often, too much time is allowed to elapse between the recognition of a need and the final decision to implement. Events can overtake the opportunity, potential savings are deferred or missed and the original situation can be exacerbated. The speed of implementation of initiatives is significantly affected by the voluntary, collaborative nature of the work done to date on horizontal overhead services. The need to build consensus, secure resources, and assure funding also compound the problem, making speedy solutions and delivery difficult.

#### *Incentives and savings*

The point has been made that in order to facilitate departmental participation and buy-in to process re-engineering initiatives, benefits resulting from the implementation ought to accrue back to departments in the form of savings. It is important that savings related to overhead initiatives not be reflected in departmental appropriations, but rather allow departments the flexibility to apply some of these savings towards program delivery.

#### *Clustering*

In order to maintain departmental flexibilities while respecting differences as much as possible, departmental clustering to share common overhead services appears to be a viable objective. While the goal is to find common solutions to varied needs, a certain flexibility must be maintained in order to satisfy and respect differing operational requirements. In other words, in

striving towards horizontal efficiencies, it must be kept in mind that one size doesn't necessarily fit all.

In moving towards clustering, the government may wish to take regional economic impacts into consideration. It should be noted, however, that finding the right balance between savings available to government and regional economic objectives, although a key challenge, is outside the purview of this Task Force.

In addition, while the move towards clustering offers savings through sharing and elimination of duplication, it may also bring about complications related to what overhead services will be shared, would a department be "stuck" within a given cluster, would a department belong to several different clusters, etc.

#### Limited choice within a framework

While increased optionality has been the policy in recent years, stemming from PS 2000, recent initiatives to re-engineer overhead processes have been based on the benefits to be derived through voluntary sharing. With the urgent pressure to realize government-wide savings, it is becoming clear that a policy of limited mandatory services may need to be imposed if the government wishes to achieve maximum horizontal efficiencies in service delivery. While it is important to allow departments choice, the range of choice should be limited to a defined framework. As an example, departments may choose to use any one of four financial management systems. Should they determine the need to use a different financial management system for their program delivery, they would be required to develop a solid business case for exemption.

#### Management of funding

All initiatives come with a price tag. The first stages of several of the initiatives this Task Force reviewed were funded piecemeal by voluntary departments. Implementation often demands significant up-front investment. Given today's tight fiscal environment, current mechanisms for funding are lengthy and awkward and securing adequate funding can be difficult. Nonetheless, in order to realize potential savings, investment for a common purpose is essential.

#### Human resource issues

Many initiatives have significant impact on employees as re-engineered processes are implemented. In effect, employees are initially asked to identify areas of savings and efficiency improvements, and in many cases, their recommendations for process re-engineering will result in the elimination of their very units and positions.

In at least one initiative, recognition has been given to protecting affected employees. But how is that possible in Most Affected Departments where the right to a reasonable job offer no longer exists for employees displaced by other technological changes? Clearly, a government-wide

approach must be adopted so that all affected groups are treated equitably. There is an obvious need to address a range of related human resource issues.

### **EMERGING FRAMEWORK FOR THE EFFECTIVE MANAGEMENT OF OVERHEAD SERVICES GOVERNMENT-WIDE**

The initiatives assessed by this Task Force demonstrated and confirmed significant potential savings and benefits to be gained through judicious management of the delivery of horizontal overhead services. To realize this potential, however, a systematic, long-term approach is necessary. The identified common issues formed the backbone of an emerging framework which this Task Force endorses as a prerequisite to the effective long term management of overhead services government-wide. The key parameters of this framework follow:

#### *Vision for service delivery is essential*

Much of this Task Force's findings must tie into the work of the Task Force on Service Delivery Models and it seems that overall, there is a need for a vision of how government intends to deliver its services. First and foremost, there has to be a clear understanding of government's overall direction in terms of what business it is in as a whole; only then can it come to grips with how it will deliver its services.

#### *Initiatives to be directed through effective leadership*

If savings and efficiencies are to be gained through the realignment and re-engineering of overhead services, effective high level approval and leadership will be necessary to make it happen. A Deputy Minister level committee such as the Treasury Board Senior Advisory Committee (TBSAC) should be given the mandate to advise on, approve and direct initiatives related to the evolution and management of overhead services government-wide. In support, CAR's role should be expanded to include planning, managing a long term delivery approach and monitoring the management of overhead services within the federal government.

#### *Decisions to be based on government-wide criteria*

Criteria for delivery of overhead services must be based on benefits to be gained by government as a whole and not necessarily on benefits to be accrued to individual organizations. Investments made to realize savings should also be based on relatively tangible payback periods. Because departmental and program needs vary regionally, it should be recognized that asymmetrical service delivery must be an essential modifier of government decisions.

#### *Overhead service delivery to be linked to program delivery*

Whatever overhead services are to be delivered in the end, it is essential that the process of delivery be an integral part of the program delivery it supports; the real challenge is to deliver programs as one single unified and seamless process and overhead services have to be an integral part of that process. As the shift in the delivery of overhead services from departmental autonomy to horizontal autonomy intensifies, there will be a need to re-define the processes and the support mechanisms needed for program delivery.

*Goals and priorities to be set collectively*

One of the evolving tenets associated with the success of horizontal initiatives to date is collective departmental participation in defining and solving common problems. Through organizations such as CAR, the Advisory Committee on Information Management (ACIM) and others, departments have demonstrated willingness to collaborate on common issues and share common solutions. The successes of such collective action must be endorsed and encouraged.

Consideration should be given to extending the role, membership and authority of such committees, tasking them to set collective priorities, goals and standards and monitor results government-wide.

*Up-front investment to be assured*

There are no extra funds in government today. However, if gains are to be realized through reforming and re-engineering the processes associated with the delivery of overhead services, sufficient funds need to be identified and put aside in the beginning of each year to cover investment costs. The Treasury Board Secretariat should be asked to resolve funding issues early in the life of initiatives so that the energy of lead departments will not be diverted from their main objectives.

Affected employees are to be treated equitably

While this has emerged as a common issue, it must also be articulated as part of a management framework. Affected employees must be treated equitably but not different from other employees that may be impacted by other changes. This is a policy issue for the government that must be addressed.

Perhaps a senior HR group needs to be tasked with assessing and managing the human resource impact of initiatives in terms of redeployment and training, taking into consideration the needs of other departments.

Benefits resulting from improvements to overhead service delivery initiatives are to be reflected as savings to participating departments

This point has also been identified as a common issue. Savings associated with overhead service delivery initiatives may not directly benefit individual departments but rather benefit government as a whole. However, if such savings could be accrued back to all participating departments, it could loosen tight budgets and enhance acceptance and buy-in to improved processes.

## RECOMMENDATIONS - WHERE DO WE GO FROM HERE?

This Task Force has identified overhead services in government, formulated a model template for selection and assessment of initiatives, selected a few initiatives to demonstrate potential savings and service delivery improvements (documented in the Annex) but most important, it has identified the common issues/impediments associated with overhauling and streamlining overhead service delivery. As a result, it was able to develop a framework for the management of overhead services in government.

The results of this Task Force are intrinsically linked to the findings and recommendations of the others. However, from its vantage point, this Task Force can make a number of recommendations:

**1. Continue the implementation of the high level initiatives endorsed by this Task Force**

- ☞ eight of the nine initiatives have demonstrated considerable potential for savings and the significant progress already made should not be wasted

**2. Endorse specific elements of the framework described by this Task Force to ensure effective, long term management of overhead services delivery in government**

- ☞ address associated legislative, policy, human resource, accountability, and funding issues identified in the framework

**3. Identify a Deputy Minister level committee to oversee the evolution of overhead services and direct specific initiatives**

- ☞ the Treasury Board Senior Advisory Committee (TBSAC) should be given the mandate to advise on, take decisions and direct initiatives related to the evolution and management of overhead services government-wide
- ☞ a Deputy Minister from TBSAC should be named to specifically chair this committee (champion), be accountable for ensuring that a strategic, government-wide perspective is followed and that the requirements and concerns of small and medium size departments' are adequately reflected
- ☞ the proponents or departmental sponsors of initiatives should present their proposals directly to this DM level committee
- ☞ in support, CAR's role should be expanded to include planning, managing a long term delivery approach and monitoring the management of overhead services within the federal government
- ☞ CAR should also monitor how overhead services are delivered and results should be measured against a criteria that recognizes benefits attributable to the government as a whole

**4. Endorse clustering of user departments to enhance sharing of common overhead services**

- ☞ departments must have joint ownership of common issues and should have the freedom to cooperatively develop and manage shared overhead services
- ☞ ensure that decisions are taken from the perspective of both the impact on specific departments as well as the government as a whole

**5. Manage the integration and streamlining of overhead services government-wide through a four step process:**

- ☞ **identification of overhead services**
  - this has been completed
- ☞ **consolidation**
  - merge or cluster like overhead services
  - eliminate duplication
  - apply model template to select overhead services for further study in order to streamline processes as much as possible

☞ **rationalization**

- identify what overhead services are needed and which can be eliminated
- assess what is affordable
- assess how the various services can be improved
- link overhead service delivery to program delivery
- determine what is the most appropriate accountability structure for the management and delivery of overhead services
- investigate alternate service delivery vehicles

☞ **implementation**

**6. Over time, tailor delivery of overhead services to reflect the evolving roles of the public service and of government**

- ☞ the delivery of overhead services must parallel the delivery of government services to the taxpayer and as such, must be viewed not only from the taxpayers' perspective but also from the government's perspective - i.e. what overhead services should be delivered, what is affordable, how should these services be delivered and what organizations and vehicles are best suited for their delivery
- ☞ rationalize the implications of findings and recommendations of all Task Forces vis-à-vis delivery of overhead services



**ANNEX**  
**SUMMARY OF INITIATIVES**

## IM/IT NETWORK AND TRANSPORT SERVICES

### Scope

Communications among computers through a "Single Window" delivery of information and quality services is a prerequisite for information sharing and process integration across programs and departments and has been identified as a key government priority. The current communications infrastructure tends to reflect departmental operational requirements, especially in major departments, thus making communications across networks difficult. Networking provides for the transfer of information between computers and consists of basic transport and network management. Current total costs are estimated in the range of \$ 1 billion.

### Proposal

In order to rationalize and optimize existing Network Services, it is proposed that cluster groups of departments be established as an interim measure to consolidate departmental networks. As a more permanent long term measure, TBS, PWGSC (GTIS) and departments are developing and implementing a strategy to establish a common network infrastructure.

### Progress to Date

An agreement has been signed by RC, HRDC, National Defence, TBS and PWGSC to develop and implement clustered services to share backbone, subnetwork and services infrastructures. Negotiations between potential service providers (the aforementioned line departments) and service users (smaller line departments) are in progress. TBS is providing strategic direction and PWGSC's GTIS is providing technical support to the departments. A steering committee has been formed to guide network planning. A number of related issues are still being addressed.

**Estimated Costs:** \$ 1 billion annually

**Estimated Savings:**

- not available for network services
- \$ 5 million annually after 2 or 3 years (for transport services)

### Recommendations:

1. Establish and implement the vision of an integrated, interoperable network (real or virtual) and network services.
2. Form network clusters as a necessary intermediate building block in achieving this vision and to reduce duplication and improve efficiency. Opting out requires justification through a business case.
3. Provide seed money as well as capital for the network and Blueprint related infrastructure initiatives.
4. Affirm the role of GTIS to provide implementation support to the departmental clusters.

**Task Force Direction:**      **concurred**

## AUDIT AND EVALUATION

### Scope

A Report to Parliament by the President of the Treasury Board, "*Strengthening Government Review*" has been prepared by TBS. The report shows that much has been done to improve review but a horizontal view of issues is lacking and there is a need for more results-oriented information. For purposes of the Task Force on Overhead Services, there is a need for the report to be more specific in identifying potential for savings.

While neither costs nor savings can be quantified, it is understood that some savings should accrue from establishing a central repository of review information, which should lead to less duplication of effort. There should also be savings from better planning and focusing on areas of highest priority and highest risk. Further assessment is required.

**Task Force Direction:** The Task Force agreed that this initiative should not be investigated further through this forum.

## REAL PROPERTY MANAGEMENT

### Scope

Annually, the federal government spends approximately \$5 billion and utilizes some 25,000 FTEs in real property management. Over the last ten years, these declined from \$8 billion (in current \$) and 35,000 FTEs. The total federal inventory amounts to approximately 31 million m<sup>2</sup> of office, common-use and special-purpose facilities. Opportunities exist for further major savings.

### Proposal

An assessment is underway to examine the management of real property in the federal government to identify major savings and productivity gains and to examine alternate service delivery approaches.

### Progress to Date

An ADM Advisory Committee representing nine major departments and BRPM has been formed to provide advice and assistance on real property management improvements and associated cost savings. Order of magnitude data was gathered from ten major departments with regard to inventory, operating costs and personnel for real property management, and an analysis was undertaken on the full range of options for management of real property and on specific opportunities for cost savings.

The Committee concluded that departments will continue to be confronted with enormous fiscal pressures and the need for change, and that real property will be an important strategic instrument to address these requirements. To do this effectively requires an active and cooperative management among departments, PWGSC and BRPM. The Committee endorsed the current real property management system, recognizing the significant improvements and savings achieved since 1985, but favoured the further evolution of the system to where program departments would have full accountability for their real property management with the full support of a real property common service agency.

The Committee supported the strategy of the Real Property Services Branch of PWGSC to become the recognized real property expert and advisor to departments. This would involve offering a full range of real property expertise and support through dedicated service teams. Departments could buy the total service package from the Branch, including coordination and management of all requested services which would leave them free to concentrate on program delivery.

In addition seven specific initiatives for significant cost savings and productivity improvement have been recommended for more detailed examination. Terms of Reference have been prepared for each and cost savings will be determined.

1. Opportunities for Concerted Effort
2. Inventory Rationalization/Urban Strategies
3. Improved Information Management
4. Alternative Work Arrangements
5. Savings through New Technologies and Technology Transfer

6. Improvement in Real Property Government Contracting
7. Reducing Federal Regulatory and Policy Cost Pressures

**Estimated Costs:** \$5 billion annually.

**Estimated Savings:** Unknown at this time

**Recommendations:** Expected shortly

**Task Force Direction:** Continue assessment

## SHARED SYSTEMS

### Scope

The Shared Systems initiative's objectives are to improve the management of administrative systems, to realize significant cost avoidance and to enhance and promote community based planning. The initiative is jointly managed by TBS and government departments and has been underway since 1993. The approach has been a voluntary movement toward shared personnel, financial and materiel management systems clusters supported by TBS and managed by client departments in a horizontal manner.

### Proposal

The long term, phased approach initiated in 1993 targeted the reduction in the number of personnel systems from about 60 to 3, of financial systems from 30 to 4 and materiel management systems from 30 to 3. The long term targets for the financial and materiel administrative applications has since been revised to a single target of 7 integrated financial/materiel management systems.

### Progress to Date

Significant progress has been made in reducing the number of systems currently in use. Currently there are shared systems established for Human Resource Management, Financial Management, Materiel Management, Travel and Salary Management. Every department is participating in the initiative and a number of departments have adopted a strategy of only using shared systems. A series of new initiatives are underway for Business Planning, Executive Correspondence and Records Management.

Additional opportunities include expanding the shared systems concept into program delivery areas, broadening benefits to ancillary services, applying the concept to shared technology management and improving support for LSSS.

**Estimated Costs:** unknown

**Estimated Savings:** significant

### Recommendations:

1. Reaffirm the direction and goals of the Shared Systems initiatives:
  - \* significant cost avoidance through reduction of redundant system development and maintenance requirements
  - \* improved management of administrative systems through the establishment of supporting teams of users, product managers and service delivery agents
  - \* community-based planning for the evolution or replacement of current systems to provide a more effective systems infrastructure to support administrative renewal.

2. Establish a Shared Systems Support Centre (SSSC) in Consulting and Audit Canada under the guidance of a TBS chaired Board of Directors. Initially the Centre would support Shared Systems but could be expanded to support other types of co-operative initiatives.
3. Vest the responsibility for administering joint funding of cluster group initiatives with the proposed SSSC.
4. Aggressively use government wide employee recognition programs for shared solutions participation and management. Provide secondees working on shared solutions with home department re-integration protection by having secondment agreements contain an assured re-integration clause which is authorized at the Assistant Deputy Minister level.
5. Treasury Board Secretariat, working with departments actively pursue opportunities to:
  - a) expand the use of Shared Systems to other administrative, program support and program delivery applications
  - b) apply the cluster management model to other co-operative initiatives (Eg. Shared Technology Management) and
  - c) develop Shared Systems solutions in support of regionally based LSSS initiatives.
6. Departments must participate in the shared systems process. In particular when making significant investments in information systems, departments must consider the use of existing shared systems as an alternative and only choose another alternative if justified by the respective business cases. In acquiring or constructing new systems departments must take into consideration the potential for creation of a new shared system cluster for the application.

**Task Force Direction:**            **concurred**



## PROCUREMENT AND PAYMENT

### Scope

Current procurement and payment processes generate some 16 million invoices annually, require 4,800 full-time employees and costs \$ 240 million. Existing processes are complex and paperbound and differ at a detailed level among departments. Considerable non-value added work has been identified.

### Proposal

To implement the re-engineered procurement and payment process

### Progress to Date

A "*Guide for Re-engineering Procurement and Payment*" has been developed with the participation of about 150 departmental stakeholders and sent to all departments. The guide is intended to assist departments in streamlining processes and reducing costs for low-dollar, low-risk and high-volume transactions. CAR determined that a voluntary approach was appropriate, though departments should be strongly encouraged to implement the changes.

Support for this initiative is needed: 1) to increase delegation for goods procurement authority to NAFTA levels; 2) to promote more integrated material management and financial systems; 3) to promote the implementation of re-engineering scenarios as proposed in the Guide; and 4) to promote innovative procurement practices. It should be noted that the \$ 250 million savings resulting from this initiative have already been reflected in departmental reference levels as part of Program Review.

**Estimated Costs:** \$ 240 million (in annual operating costs)

**Estimated Savings:** \$ 250 million over five years (already reflected in departmental reference levels)

### Recommendations:

1. Increase the delegation levels for goods procurement.
2. Promote the use of more integrated Finance/Materiel Management Systems in government.
3. Promote the implementation of re-engineering scenarios presented in the Guide for Re-engineering Procurement and Payment particularly scenario 1 - procurement and payment using the acquisition card (NRCan Model).
4. Promote the use of innovative procurement practices such as just-in-time inventory/supply.

**Task Force Direction:** concurred

## PAY AND BENEFITS

### Scope

Departmental pay and benefits administrative processes are very complex, labour intensive and require modernization. In addition, the proliferation of collective agreements, rules and regulations has contributed to the growing complexity of pay and benefits over the years. Some 3,100 line departmental employees and 1,500 common service agency employees are involved in the process in 485 sites across Canada. Total annual costs are \$ 91 million.

### Proposal

To implement the re-engineered Pay and Benefits business process model

### Progress to Date

The re-engineering initiative resulted in the development of a future business process model which has been validated through the participation of twenty departments and agencies. The model involves 38 short, medium and long-term solutions with extensive use of enabling technology. While an initial investment would be required, the payback period would be 18 - 24 months, assuming full implementation. Cost reductions are estimated to be about \$ 25 million annually. Should the number of collective bargaining groups be reduced, even greater cost reductions could be realized.

A business case has been prepared. Funding and staff related issues need to be addressed. Following the development of an Implementation Guide, implementation could begin in the new fiscal year.

**Estimated Costs:** \$ 91 million annually (current)

**Estimated Savings:** \$ 25 million cost reduction annually (payback period estimated from 18-24 months, assuming full implementation)

### Recommendations:

Endorse and support the next action steps proposed by the project team, as follows:

1. the development and issuance of a Guide to Implementation;
2. work with technical specialists to resolve issues related to technology platforms and systems interfaces;
3. address external considerations, such as links to the compensation framework;
4. identify funding strategies;
5. support implementation through a central implementation team and the selection of pilot sites and cluster groups to evaluate the soundness of the proposals;

6. continue to limit communication to the HR community pending assessment of the business case and further consultation with the compensation community;
7. clearly identify and assess the impact on people and implement an HR plan to address difficulties.

**Task Force Direction:**        **concurred**

## LOCALLY SHARED SUPPORT SERVICES

### Scope

To date some 300 LSSS ventures have been initiated on an optional, locally-driven basis but it now seems to be losing momentum. While the current environment results in uncertainty and compartmentalized departmental approach to solutions, experience has shown that where on-site management has the authority and the willingness, there is a proven potential for savings and efficiencies.

### Proposal

To revitalize this initiative, it is recommended that LSSS become a locally driven, government-wide policy with clear delegation of authority. It is also recommended that Regional Federal Councils be recognized as regional governance structures and that the CAR sub-committee be empowered to oversee and monitor efforts and resolve difficulties.

### Progress to Date

Efforts in regional offices across the country have yielded good results in terms of building cooperation between departments.

**Estimated Costs:** unknown

**Estimated Savings:** unknown

### Recommendations:

1. Issue a government-wide policy recognizing LSSS as a viable delivery mode.
2. Re-affirm (in this policy) the principle that LSSS is locally driven.
3. Legitimize Regional Federal Councils as the regional LSSS governing body.
4. Establish a governance structure for the National Capital Region.
5. CAR to monitor progress and address impediments.
6. Issue an annual progress report.

**Task Force Direction:** except for recommendation #3, general endorsement but identified need for more work on next phase. Recommendation # 3 outside the mandate of the Task Force.

## INVENTORY MANAGEMENT

### Scope

The Federal Government holds approximately \$10 to \$12 billion in visible inventory and invisible inventory could very well equal this amount. The cost of holding this inventory is about 30 per cent, or \$2.5 to \$3.5 billion **annually**. Recent Treasury Board Secretariat studies suggest that significant savings can be achieved through better inventory management. About 50 per cent of items need not be warehoused for such reasons as: inventoried items could be easily obtained from local suppliers; space is used inefficiently; excessive amounts of materials, forms and paper are stored; and items such as clothing could be handled by the private sector (i.e. Canada Post uniforms).

### Proposal

To eliminate the major factors contributing to unnecessary holdings, which are:

- inefficient bulk procurement practices. Avoid bulk purchases without a business case analysis which takes into account total costs such as annual holding costs, repackaging, handling, transportation, etc.
- the provision of "free" warehouse space and materiel services to users (lack of visibility of the cost of inefficiency and an erosion of accountability and responsibility).
- inefficient surplus materiel disposal procedures both within departments and CADC. Surplus items should be disposed of immediately when they are no longer in use to avoid costly warehousing.

### Progress to Date:

An interdepartmental team of materiel managers convened to analyse the various studies, report on best practices in government and the private sector, consider options and develop a plan of action. The team feels that if the following recommendations are accepted and acted upon, significant progress will be made in reducing costs to government. All of the recommendations can be implemented in the short term (**within one year**).

**Estimated Costs:** costs of holding inventory \$2.5 to \$3.5 billion annually.

**Estimated Savings:** potential cost avoidance of \$1.25 billion over long term

### Recommendations:

1. Increase the delegation for goods procurement to the NAFTA level and delegate to line operations as appropriate.
2. Designate acquisition cards as the standard for all government purchases within one year.
3. Give departments a choice of private sector firms for the disposal of surplus assets.
4. Implement user pay for warehouses and full visibility of all related inventory costs.

5. Facilitate partnerships and clustering of departments with similar needs to leverage supplier arrangements and share warehouse space when necessary.

**Task Force Direction:**        **concurred**