

Infrastructure Investment Evaluation Process Internal Audit – Administrative Response

Recommendation 1:

We recommend that City improve the timeliness and focus of the Strategic Plan update process.

- *Incorporate updated strategic priorities and more focused objectives and performance indicators within the Capital Strategy practices by June 2021 to drive the 2022-2025 multi-year planning, budgeting and evaluation process for infrastructure investment in a more timely manner. Note that the next municipal election is scheduled for November 2020 and that the recently approved Multi-Year Business Plan and Budget Policy requires City Council to develop and approve its strategic priorities in the first full year of a Council term.*

Administrative Response: Administration agrees with the recommendation and will incorporate into the next City Council Strategic Planning Session.

Implementation Date: June 2021

Recommendation 2:

We recommend that City directional plans demonstrate consideration of all strategic goals. Council strategic priorities may also be considered, where appropriate and long term in nature.

- *Assess directional plans as part of the regular review cycle, or in alignment with the Strategic Plan update process, whichever is earliest. Where required, update directional plans to demonstrate consideration of all strategic goals by indicating how each principle within the plan will support achievement of desired strategic outcomes.*

Administrative Response: Administration agrees with the recommendation and will incorporate strategic goals into directional documents.

Implementation Date: June 2021

Recommendation 3:

We recommend the City prioritize the key performance indicators included within the Strategic Plan to identify a maximum of two indicators for each strategic outcome.

- *Provide additional training to those involved in the Strategic Plan update process to facilitate the selection of a maximum of two key strategic performance indicators for each outcome that are realistic, measurable, actionable and timely.*

Administrative Response: Administration agrees with the recommendation and will incorporate into the next City Council Strategic Planning Session.

Implementation Date: June 2021

Recommendation 4:

We recommend that Council consider risk appetite by integrating risk within the Strategic Plan update process and revisited as part of the next four-year update.

- *Revisit risk categories and risk appetite to provide a better alignment to strategic goals and desired outcomes included in the 2018-2021 Strategic Plan. A staggered approach to updating could be taken beginning in the next annual review cycle to fully update to facilitate integration with the 2021 Strategic Plan update process.*

Administrative Response: Administration agrees with the recommendation and will incorporate into the next City Council Strategic Planning Session.

Implementation Date: June 2021

Recommendation 5:

We recommend that City business objectives included within directional plans identify prioritized risks and appropriate risk responses to drive performance.

- *As part of the regular review cycle, or to support the next Strategic Plan update process, identify risks for each business objective included within each directional plan. Conduct a risk assessment to assess the severity of each risk in order to develop appropriate risk responses and implementation plans for key risks.*

Administrative Response: Administration agrees with the recommendation and will incorporate into the next City Council Strategic Planning Session.

Implementation Date: June 2021

Recommendation 6:

We recommend the preparation and analysis of alternative scenarios that could achieve desired strategic outcomes or performance targets within an established tolerance.

- *Provide guidance and/or training in conducting good practice scenario analysis. Require the inclusion of a scenario analysis, or a reason why it is not applicable, within the business case for proposal review.*

Administrative Response: Administration agrees that this recommendation would be useful in some scenarios but not for all capital projects.

Requiring scenario-based analysis for all capital projects would require significant work and resources for all capital projects. Administration will implement a scenario-based approach for major initiatives beginning as part of the 2022 Business Plan and Budget cycle.

Implementation Date: June 2021

Recommendation 7:

We recommend the development of industry good practice tools and templates to assess capital budget proposals. Furthermore, we recommend establishing policy to require submission of a standardized business case as part of the divisional capital budget request.

- *Develop a business case template that includes a comprehensive cost estimation for implementation in the 2021 capital budget process. Consider whether an Opportunity Intake template would be sufficient to facilitate Administration's review of projects under a certain dollar threshold.*

Administrative Response: While Administration agrees with the recommendations in principle, due to the City's current funding and reserve strategy this approach would only be beneficial for projects that are competing for a discretionary source of funding (e.g., Reserve for Capital Expenditures, Gas Tax Funding or other funding plans).

There would be minimal value in comparing a Roadway Project to a Saskatoon Light & Power project as these projects have dedicated funding sources which are funded in accordance with the approved service level or asset management plan. The ability to utilize Saskatoon Light & Power funds to complete a higher priority roadways project is not possible under the City's current funding/reserve strategy.

A tool will be developed in order to capture decision-making as part of the 2022 Business Plan and Budget.

Implementation Date: June 2021

Recommendation 8:

We recommend the inclusion of intangible or social costs/benefits within the infrastructure investment proposal.

- *Develop an approach to measure total value of an infrastructure investment proposal. Include a section to demonstrate divisional consideration of all strategic goals within the business case template.*

Administrative Response: Administration agrees with this recommendation and is currently in the process of developing a triple bottom line approach to evaluate financial, environmental and social impacts of capital projects.

It is anticipated that this tool will be complete and phased in beginning in 2020.

Implementation Date: June 2021

Recommendation 9:

We recommend that cross divisional teams be encouraged to collaborate and discuss innovative ways to progress strategic goals and desired outcomes within a targeted funding amount before developing a capital budget cost estimate.

- *Supplement the Multi-Year Business Plan and Budget policy with additional guidance to indicate how funding targets will be communicated, and set expectations with respect to collaboration and innovation for developing solutions that minimize costs. Consider utilizing a form to establish a consistent template to use in investigating internal and external partnership opportunities (i.e. Opportunity Intake form referenced in the common practice section of this report).*

Administrative Response: As part of preparing the multi-year business plan and budget, Administration has already implemented cross-divisional teams in order to coordinate priorities and projects aimed at achieving City Council's Strategic Priorities.

While this is a step in the right direction, Administration agrees that more guidance regarding funding targets, expectations and innovation is required in order to improve the process. Administration will include these recommendations in changes to the Business Plan and Budget cycle for 2022.

Implementation Date: June 2021

Recommendation 10:

We recommend that 3 to 5 evaluation categories be identified and supported by the development of key decision criteria and a scoring methodology that aligns to desired community outcomes and strategic goals. Furthermore, we recommend that the City consider whether implementation of the decision criteria and scoring methodology may require changes to the Bylaw or policies to minimize funding constraints.

- *Establish a cross-divisional working group of no more than five members to develop and recommend 3 to 5 evaluation categories and decision criteria that align to desired community outcomes and strategic goals. Provide an opportunity for all project managers and divisional stakeholders to provide feedback. As the CFO is responsible for providing a corporate review of all budget proposals before submission to City Council, the CFO should approve the evaluation categories and decision criteria, and lead the development of the scoring methodology. The current budget approach and reserve allocation bylaw would need to be aligned with decision criteria and scoring methodologies.*

Administrative Response: As previously stated, this recommendation would only apply to those projects competing for a discretionary source of funding, as the City funds reserves based on an approved service level or business case and the individual projects funded by that reserve are prioritized by the technical experts.

Based on this, Administration will continue to develop a more comprehensive prioritization process for discretionary funds utilizing key decision criteria. The estimated time for implementation would be as part of the 2022 Business Plan and Budget cycle.

Implementation Date: June 2021

Recommendation 11:

We recommend that the rationale supporting the infrastructure investment decision be documented and communicated back to the submitting division.

- *Create a simple, yet effective tool within Microsoft Excel to support efficient, evidence-based decision making referencing the common evaluation practices identified within this report. The evaluation tool should be developed at the same time as the capital budget tools included in Recommendation 7 to support alignment and divisional accountability.*

Administrative Response: As stated in the previous response, this recommendation would only apply to those projects competing for a discretionary source of funding, as dedicated reserve allocations are already prioritized by recipient departments in the best way to utilize those funds.

A tool will be developed in order to capture decision making as part of the 2022 Business Plan and Budget cycle.

Implementation Date: June 2021