

Guide to the 2016 ICT Capital Funding Process

1. Introduction

Commencing with the 2002-03 fiscal year, the GNWT implemented capital planning on a corporate (government-wide) basis. Information Communications Technology (ICT - which includes Information Management (IM), Systems (IS) and Technology (IT)) projects are included in this capital planning process.

1.1. What is the ICT Capital Fund?

“Capital” is the accounting term for the money the government invests into new and improved assets each year. The GNWT has an annual capital fund of roughly \$80M which goes to bridges, schools, buildings and so on, as well as technology (ICT) assets. The ICT Capital Fund is a subset of the GNWT Capital Fund dedicated to ICT Projects. The ICT Capital Fund is currently \$6.5M. The purpose of the ICT Capital Fund is to provide consistent access to funding for ICT projects that would otherwise be unable to compete against large, high-profile capital projects, but are critical investments nonetheless.

1.2. What is a Tangible Capital Asset?

Tangible Capital Assets (TCA) are defined as non-financial assets that are purchased, constructed, developed or otherwise acquired for the delivery of services or programs. TCAs have a life of more than one year and are not held for resale in the normal course of operations. ICT projects are included in TCAs.

The GNWT has adopted a threshold value of \$50,000 for TCAs. Assets costing less than \$50,000 will be included in operations expenses (O&M). For a full understanding of accounting for Tangible Capital Assets, please consult FAM [2201](#) and [2210](#).

2. Special Directives for ICT Projects

2.1. Eligibility as an ICT Project

A project is considered an ICT project if 50% or more of its capital costs are purely related to ICT, such as software development, software licenses and hardware acquisitions.

2.2. Eligibility of Costs as Capital

[FAM 2210](#) has been developed to provide guidance on the accounting treatment for the development or acquisition of ICT assets including eligibility as O&M versus Capital. A chart of typical eligible and

ineligible costs is included in Appendix A. If you have further questions, consult your department's Finance division, the [Office of the CIO](#) or the Office of the Comptroller General, Department of Finance.

2.3. Betterments versus Repairs

Extensions to large systems can and should apply as new projects, if the extension adds considerable value and extends the useful life of the system. This type of extension is called a betterment. A typical example is a new module of an enterprise system. These projects will be rated on their individual merits. To better understand the difference between betterments (such as new modules, which are eligible for capital) and repairs (such as widespread improvements, fixes and enhancements, which are not eligible for capital), consult FAM [2203](#).

2.4. Financial System Obligations

The *Financial Administration Act* (FAA) and the FAM ([1601](#) and [1604](#)) require systems that may contain financial functionality to be reviewed by the Office of the Comptroller General. The Comptroller General has legislated responsibility under the *FAA* for the form and content of financial records and accounting systems. Specifically the Comptroller General, under *FAA* section 2(b) establishes the form and content of financial records and accounting systems. Under *FAA* section 2(c), the Comptroller General shall establish and maintain systems and procedures to ensure financial matters under their responsibility in carried out in accordance with his or her requirements.

This pertains to systems such as HMIS, CMAS, vehicle licensing system, as well as stand-alone systems such as Simply Accounting used by some departments for specific business applications. Confirmation of this consultation is a required step of the Project Proposal.

2.5. Three-Year Limitation

No project is allowed to go more than three years as a single phase. Projects of duration longer than three years are discouraged, due to their high risk. However, if a project must go longer than 3 years, it must apply for funding as a new project in the 4th year. Longer project should be broken up into phases that can be individually assessed and approved, each phase being 3 years or less.

2.6. Systems Implementation Methodology (SIM)

All ICT capital projects must use the Systems Implementation Methodology (SIM). Equivalent methodologies can be used (see [comparison guide](#)) if there is a strong reason to do. Also, in most cases, SIM templates can be substituted with templates of your choice. However, regardless of methodology and templates, some activities in the SIM are mandatory and part of broader GNWT-wide processes, so the SIM should still be understood and frequently consulted.

3. Project Proposal and Review

For the 2016 business planning cycle, several changes have been made to the funding process. The funding process starts in the Fall, 19 months prior to the release of capital funding.

3.1. Capital Planning Workshop for IS Managers

In September-October, the PMO will hold a Capital Planning Workshop with ISAC members intending to submit a project proposal for the coming capital planning cycle. The workshop is an early opportunity to find out how much money is available, what the total estimated request will be, as well as what other departments are planning. Participants are asked to bring a brief description of their projects including a roughly-estimated budget.

3.2. Capital Planning Workshop for BAC

After the IS Managers Workshop, a similar workshop will be held for the Business Advisory Committee (BAC). The purpose is to become familiar with upcoming projects and to discuss corporate investment priorities at a high level. The results of the IS Managers workshop will be summarized and presented to BAC. BAC will also have the opportunity to discuss broad areas for prioritization, whether those are certain business areas, certain types of projects, etc... Lastly, BAC will determine an ideal balance between Program Enhancement, Operational Excellence and Risk Management that they would like to have in the upcoming project portfolio.

This information will be summarized and communicated back to IS Managers.

3.3. Business Cases

In February, departments will be asked by the Informatics Policy Council (IPC) to prepare a business case for each project requiring capital funding. Starting in 2016, a general-use Business Case template is available that replaces the older Project Proposal, Business Case Summary and PA Phase Summary. Signed proposals must be submitted to the OCIO on paper or electronically by the submission deadline. (Consult the [PMO Capital Funding calendar](#) for this year's dates) For examples of past business cases, consult the [PMO Project Archive](#).

There are three types of project proposals, as described below. The templates are on the SIM [here](#).

3.3.1. New Projects

The Business Case template is to be used for all new projects, projects entering a new phase or projects entering their 4th year of funding. For help filling out the business case, consult the following table:

	Explanation
Authority Signatures	Signatures should be obtained top-to-bottom using the page provided.

Executive Summary	A summary of the business case. This will be extracted for Deputy Ministers and Ministers.
Cost Estimates	How much will the project cost? These numbers determine the funding your project will receive.
One-Time Capital	How much capital will the project require over the next three years? This is the primary figure that determines project funding. Consult Appendix A – Eligible and Ineligible Capital Costs for details on what costs to include as capital.
One-Time O&M	How much one-time O&M does the project require? This is most important for your department to understand and support.
TSC Capital	What capital will the TSC need to buy the hardware needed by your project? This figure should come from the TSC, after consultation with your project team. Contact your Business Relationship Manager to determine capital costs.
Contributions	If the project receives contributions from a 3 rd -party, list them here.
Investment Profile	How investment into the project is allocated across three investment categories.
1 Business Needs and Desired Outcomes	The first phase of the business case. Deals with the problem to be solved and the expected outcomes of the project.
2 Preliminary Options Analysis	The first part of the second phase of the business case. Deals with the various alternatives, both viable and non-viable
3 Viable Options	The second part of the second phase of the business case. Analyzes the various viable alternatives.
4 Justification and Recommendation	The final part of the second phase of the business case. Justifies and supports the recommended approach.
5 Managing the Investment	The final phase of the business case. Identifies how the project will be managed successfully.

Once the business case has been signed, the signed document should be emailed or delivered to the PMO at the 5th Floor Laing Building or ocio@gov.nt.ca. Lastly, provide an unsigned, un-scanned PDF version of the proposal by email, which is helpful for reading, searching and archival.

3.3.2. Proposal for Multiyear Projects Underway

This template is to be used for projects that have been approved in past years (that is, for the 2nd and 3rd year of funding). This template is shorter and focuses on progress and change. The submission process is the same as for new projects. For the 4th year of funding, projects must submit as a New Project. Long projects should be broken into 1-3 year phases to accommodate this requirement.

3.3.3. Proposal for Capital ICT Infrastructure

Requests for capital for TSC critical infrastructure are their own class of project. They are reviewed by BAC but using different criteria than typical proposals. They use a shorter template that focuses on infrastructure-specific questions. These proposals are reviewed by the PMO.

3.4. PMO Review of Proposals

Once the deadline for project proposals has passed, the PMO will conduct an analysis of the proposal, requesting additional information from the department if necessary. The PMO will prepare a scorecard for each proposal, determining the balance between Program Enhancement, Operational Excellence and Risk Management, and giving each proposal a grade in eight categories. These grades do not directly determine project prioritization (as they did prior to 2015) but rather, they highlight issues and guide BAC's decision-making. The categories are:

Category	Explanation
Purpose	Refers to the clarity of the project's purpose and scope.
Costing	Refers to the cost-effectiveness of the project, as well as the project's plan to obtain the required O&M funding and other 3 rd -party funding opportunities.
Management	Refers to the quality of project management, planning and sponsorship of the project.
Technology	Refers to the quality of the solution options review and how well the selected option fits within the GNWT's preferred technology environment (for instance, reuse before buy, buy before build)
Timing	Refers to how corporate or departmental factors influence the timing of the project, whether positively or negatively.
Cost-Benefit	Refers to the reasonableness of the cost-benefit analysis, as well as a strong cost-benefit ratio, both qualitative and quantitative.
Risk	Refers to various risks that contribute to the project failing to meet stated objectives.
Overall	Refers to the sum of the above categories, as well as other positive or negative qualities that were not reflected above. It is not an average.

If more information is required, the PMO will request more information, including specific project documents, from IS Managers. The PMO may even meet with departments to discuss issues and possible alterations to proposals. The goal is to make sure the proposals are as good as they can be, before they are assessed by BAC. The scorecards from the PMO will be distributed to the departments and to BAC prior to the next step.

3.5. Presentation to BAC

Several weeks after the deadline, departments will be asked to make a presentation to BAC. The presentation is to be no longer than 15 minutes per proposal with another 15 minutes for questions (30 minutes allotted per project). The presentation format is used in order to give a fair chance to all departments to give accurate and current information about their project, regardless of their department's representation on BAC. The person with the most knowledge about the project should give the presentation – ideally, an ICT manager and a business sponsor should give the presentation, so that both technical and business-related questions can be fielded. [Presentation templates](#) are available on the SIM to help presenters cover the right information. A schedule of the day will be distributed to all presenters in advance so that presenters know when and where to arrive. Email a copy of your presentation to the PMO in advance so that it is available immediately.

3.6. BAC Recommendation

After the presentations are finished, BAC will meet to discuss the project portfolio to recommend to IPC, given funding limits. The decision will be made through a consensus amongst BAC members. BAC members are not allowed to advocate for their own department's projects during these discussions. BAC will also establish conditions for each project, in the event that they are approved by IPC.

3.6.1. If No Consensus Emerges

If BAC is unable to arrive at a consensus, the meeting will adjourn for the day. The PMO will research further the areas of contention and assemble several scenarios representing various portfolio options. Then, at the next meeting, BAC will vote on the preferred scenario and the majority vote will be the recommended portfolio. In the event of a tie, the CIO's vote will carry.

3.7. IPC Approval

BAC's recommended portfolio will be presented to IPC who will make the final decision. Departments will be notified of IPC approval, as well as any conditions imposed by BAC and IPC, soon afterwards.

4. Project Reporting

For ICT Capital Projects, quarterly reporting is mandatory. There is a standard status report template on the SIM, although a similar report can be substituted, so long as it contains the mandatory components shown below.

Report Component	Description	Status
Status Update	A textual description of the progress since the last report, focusing on approved changes.	Mandatory
Financial Update	A snapshot of the project's budget, forecasted budget and variance.	Mandatory

Recent Accomplishments	Project activities that have recently completed in the last reporting period	Optional
Upcoming Activities	Project activities that are planned for the next reporting period	Optional
Milestone Review	Milestones along with their planned and actual completion date	Mandatory
Major Issues	The high priority issues and problems you're encountering. These can be taken from an Issue Log, if you have one. (5 max)	Optional
Risks	The high impact risks that you are tracking. These can be taken from the Risk Register, if you have one. (5 max)	Optional

A schedule of due dates for the reports is available on the SIM and on the PMO calendar. Reporting for a project should start as soon as the project is approved by IPC and the project charter is signed. Reports should be emailed to the PMO at ocio@gov.nt.ca. The PMO will send a reminder to IS Managers two weeks before reporting due dates.

Reports will be compiled and analyzed by the PMO and summarized for BAC once per year. If the PMO finds that corrective action needs to be taken, it will proceed in close consultation with your department.

Appendix A – Eligible and Ineligible Capital Costs

Due to confusion over the eligibility of certain type of costs as capital, the following chart is provided with many of the common project expenses. The general rule is that if the cost is one-time, it is capital, whereas if it starts during the project but continues over the life of the system, it is O&M. Consult FAM [2201](#) and [2210](#) for more information.

Type of Cost	Eligible?	Notes
Computer Hardware	✓	Computer hardware (servers, networking and associated equipment) is capital, if it is a one-time purchase. See “Individual Assets” for information on ongoing hardware costs.
Consulting Services	✓	Includes project management, technical consultants, product experts, etc...
Data Migration Costs	✓	Includes additional software needed
Individual Assets	✗	Includes any asset that will continuously be bought over lifespan of the capital asset, such as desktops, laptops, monitors, peripherals, printers, scanners, desktop software. They usually have a serial number.
Software Development	✓	Includes design, analysis, programming, business analysis, testing and so on.
Software Licenses	✓	Licenses are owned by the GNWT in perpetuity, even if they are only practically usable if we continue to pay for support. See “Software Subscriptions” for the difference between licenses and subscriptions
Software Products	✓	Includes any software that is bought outright
Software Subscriptions	✗	If we pay for access, and not a right to use the software, then it is a subscription. The project may still qualify as a capital project, but the first year of subscription is not a capital cost. Most cloud services are subscriptions.
Parallel System Support	✓	The cost of supporting a legacy system during the project implementation can be considered a capital cost of the new system.
Term Positions assigned to Project	✓	Includes new term employees and transfer assignments
Training for Administrators	✓	Includes training for trainers, database administrators, system administrators, etc...
Training for End-Users	✗	This type of training should be budgeted under O&M, since it is ongoing.

Appendix B – ICT Capital Funding Flowchart

