

3.0 CAPITAL PLANNING & PROJECT APPROVAL PROCESS

Chapter 3.0 describes the planning and approval process for major health facilities capital projects. It specifically addresses the AHS Multi-Year Facility Infrastructure Capital Submission and HEALTH's submission into Government of Alberta (GoA) annual Capital Planning Process (CPP). It identifies the roles and responsibilities of the Parties in the GoA's annual CPP.

3.1 Government of Alberta Annual Capital Planning Process

This section describes the GoA annual CPP and the HEALTH Capital Plan submission to the CPP.

3.1.1 Overview

Each year the GoA undertakes the CPP. The CPP is led by the Ministry of Infrastructure based on direction from TBF and is supported by the program ministries. The process typically begins in the spring of each year after the provincial budget is tabled. The CPP is used to inform the development of government's 3-year Capital Plan which is part of the annual provincial budget and also to inform the development of a long-term capital plan for government.

Like all program ministries, HEALTH is responsible to prepare their submission into government's annual CPP based on directions provided by TBF and INFRA. INFRA supports HEALTH's submissions confirming facility solutions and project costing. The AHS Multi-year Facility Infrastructure Capital Submission is a very important document used by HEALTH to prepare their submission into government's annual CPP. (i.e., Infrastructure projects)

3.1.2 Components of HEALTH's submission into GoA's annual CPP.

HEALTH's submission into the GoA's CPP typically includes the following:

- updated cash flow information on existing projects;
- identification of the priority health capital projects, including related project costs, recommended for capital funding approval consideration;
- updates to the IMP requirements, typically over a five-year period; and
- a 10-year Capital Plan of all unfunded health capital projects.

INFRA may request additional information as part of the HEALTH's submission to GoA annual CPP.

3.2 Steps in Health Capital Planning and Project Approval Process

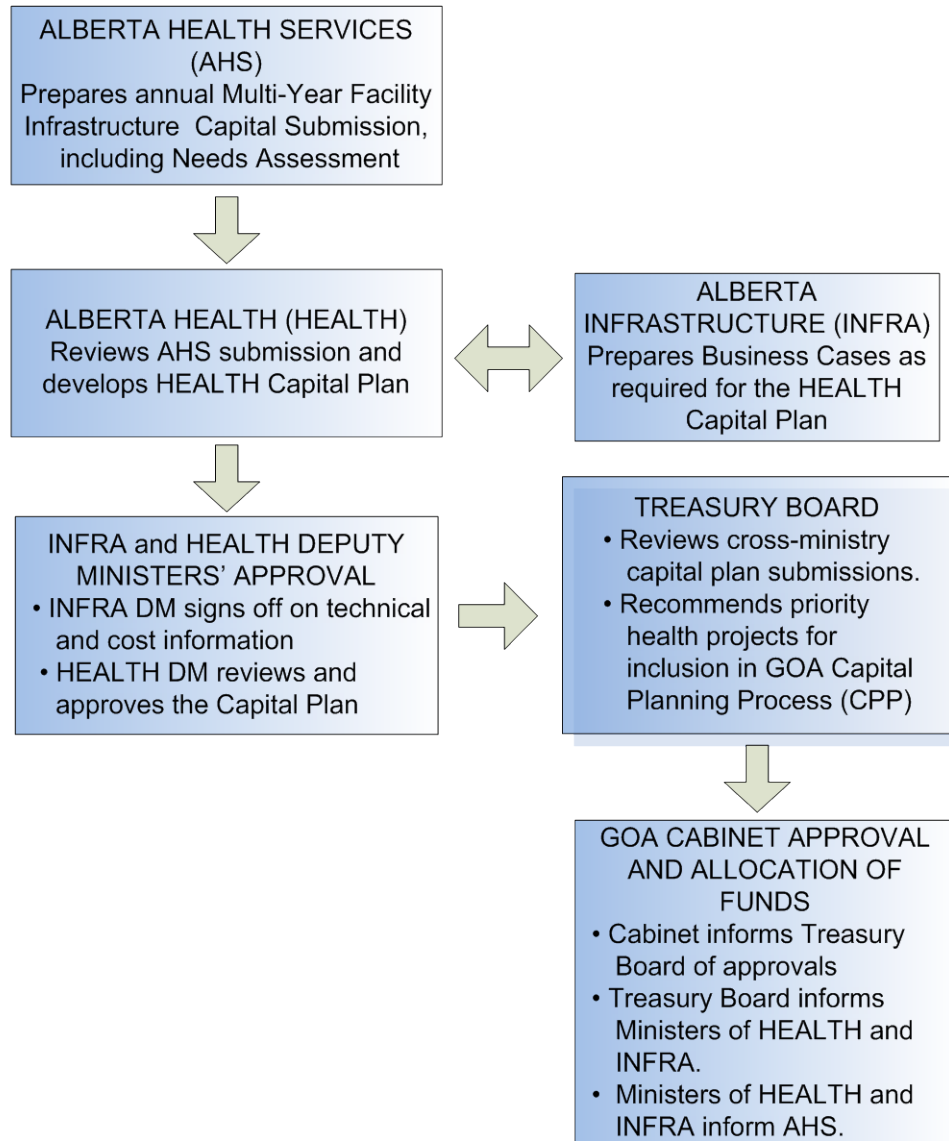
The major steps in the planning and project approval process are as follows:

- proposed health capital initiatives are generated at the Ministry level as a response to an identified program need. One of the key sources for identifying the needs is the AHS Multi-Year Facility Infrastructure Capital Submission
- AHS develops their annual AHS Multi-Year Facility Infrastructure Capital Submission (AHS Capital Submission) and provides it to HEALTH and INFRA by May 31 of each year. [Figure 2](#) provides the high-level workflow and responsibilities of the Parties for the Health Capital Planning and Approval Process;
- throughout the year AHS develops Needs Assessments for their unfunded priority health capital projects and submits them to HEALTH;
- through the Capital Planning Sub-Committee, HEALTH consults with AHS and INFRA to determine the next appropriate step for each Needs Assessment submitted.
- if a Needs Assessment is accepted by HEALTH, then Deputy Minister of HEALTH will write to Deputy Minister of INFRA requesting that INFRA prepare an appropriately rigorous Business Case or Business Case equivalent.
- INFRA leads the preparation of the Business Case, gets the appropriate sign-off from AHS and then sends it to HEALTH. Once a Business Case is completed, HEALTH, through the Planning Sub Committee, consults with AHS and INFRA to determine the next appropriate step for the Business Case.
- AHS submits their annual Multi-year Facility Infrastructure Capital Submission to HEALTH and INFRA. This submission identifies all unfunded priority health capital projects for which AHS is requesting capital funding approval consideration. Each of these unfunded priority projects must be supported by an appropriately rigorous Business Case in order to be eligible for capital funding approval consideration.
- HEALTH makes a submission into GoA's annual CPP as per direction provided by TBF. The information in the AHS Multi-year Facility Infrastructure Capital Submission and the supporting Business Cases provided to date are used to inform HEALTH's submission.

- INFRA, on behalf of government, leads the GoA's annual Capital Planning Process which informs the development of the government's 3-year Capital Plan within the annual Provincial Budget.
- Government tables the Provincial Budget. The Provincial Budget identifies any new health capital projects or new health capital programs. Legislature votes on estimates approximately 3 to 4 weeks after Provincial Budget tabled
- the Ministers of HEALTH and INFRA jointly write the Board Chair of AHS informing him/her of any approved health capital projects in the Provincial Budget and conditions of the approval.

[Figure 2](#) illustrates the health capital planning and approval process.

Figure 2 – Health Capital Planning and Approval Process



3.3 Alberta Health Services Multi-Year Facility Infrastructure Capital Submission

Multi-year capital planning is the process of identifying current and future capital needs and developing strategies and proposals to address those needs. AHS develops a Multi-year Facility Infrastructure Capital Submission (AHS Capital Submission) that supports the [AHS Health Plan](#), which outlines how AHS intends to deliver health services. The AHS Capital Submission is sent to HEALTH annually.

3.3.1 Purposes of the AHS Multi-Year Facility Infrastructure Capital Submission

The purpose of this submission is to:

- outline the overall planning and management of health infrastructure;
- communicate the capital expenditures needed to effectively maintain the existing asset base and modify it as needed to support service delivery strategies;
- provide the Ministers of HEALTH and INFRA with the information needed to recommend appropriate future funding levels for health infrastructure;
- provide a rational context to HEALTH and in turn to TBF, for annually assessing individual project recommendations relative to provincial capital proposals (including all the ministries' capital submissions) and priorities; and
- when possible provide a preliminary estimate of operating costs for the proposed capital investments.

3.3.2 Description of the Alberta Health Services Capital Submission

The AHS capital submission is updated and submitted annually to Alberta Health, at a minimum the information required as follows:

Executive Summary

The executive summary provides an overview of the AHS Capital Submission and identifies the highest priority projects being requested in an appropriate format for review and approval by AHS senior executive and the Board.

Introduction

This section describes the operational directives that will influence all capital initiatives. The objective of capital investment, and all capital projects, is to support service delivery needs. AHS is responsible for delivering a range of core health services, as set out in AHS' Vision, Strategic Plan and Health Plan. This, along with addressing existing infrastructure issues (safety, physical and functional obsolescence) is the central factor driving the CPP.

The link between the AHS Capital Submission and its Health Plan should be clearly articulated by including:

- a descriptive overview of the mandate, core services and priorities in the health plan;
- an explanation of how the capital submission supports AHS' Health Plan; and
- where relevant, a summary of how the AHS Capital Plan links to broader government strategic priorities.

This information provides important context to government decision-makers.

Major Health Trends

This part briefly summarizes the health status of Albertans and the challenges and influences currently impacting the delivery of care.

Overview of Infrastructure Asset Base

This part of the submission provides an inventory of all infrastructure used by AHS, including owned, leased and contracted facilities. This inventory information:

- allows for more meaningful comparisons between assets;
- may help form the basis for ranking or prioritizing proposals;
- helps determine the nature, cost and timing (urgency) of work required; and
- supports the development of capital strategies that meet service needs in the most cost effective and efficient manner (e.g. by identifying and capitalizing on excess/under-utilized capacity).

AHS and INFRA jointly develop and annually update a comprehensive asset inventory. The land and building information for each asset includes:

- ownership status (e.g. owned, leased or contracted);
- location;
- structural type;
- size (land area, square meters, capacity);
- age (year of original construction for each component structure) and history (e.g. significant rehabilitation, repairs, additions, renovations);
- replacement value;
- current use; and
- any other significant issues.

Data on structural type, size and age is submitted to INFRA and maintained in the Evaluation module of the Building and Land Inventory Management System (BLIMS). Replacement Values are typically calculated by INFRA's Project Services Branch.

Appendices (e.g. Facility Condition Index (FCI) report, Real Estate Capital Asset Priority Planning (RECAPP) report etc.) may be included to provide additional descriptive or statistical detail.

Capital Submission Parameters

The AHS capital submission overview describes key program and service delivery strategies and objectives for the next three years or longer. The AHS capital submission must show evidence that capital strategies are directly linked to operational strategies. It should also identify and briefly describe the most significant factors underlying AHS' needs for capital expenditures (e.g. demographics, technological change, program change, etc.)

Capital Priorities

Capital Submission Priorities translate the AHS strategic priorities into proposed short and long-term project plans by providing information on the major capital proposals and divestiture initiatives needed to implement the strategies outlined.

This section describes in detail AHS' highest priority projects for provincial capital funding approval, listed in priority order, and including the following information for each proposal:

- the location and name of the facility or proposed location of a new facility;
- the ranking of the proposal relative to other proposals in the plan;
- a brief description of the proposed scope of work;
- a description of the link between the proposal and the capital strategies;
- a description of how the project is to be procured (e.g. by a traditional or an alternative capital funding approach);
- when possible an order of magnitude estimated capital cost of the project and the provincial contribution required (stated in constant dollars). This estimate would be developed in consultation with INFRA and would explain the impact on provincial capital funding requirements of any proposed alternative capital funding or alternative sources of funds (e.g. partnership with private, voluntary or public sector organization);
- when possible an order of magnitude, an estimate of the additional annualized operating cost, the reasons for the increase and an indication whether AHS can support the increased expenditure in future years' program and operating budgets. Alternately, an estimate of annualized operating savings following completion of the project and the reasons for such savings;
- summary of any investigative analyses or planning completed to date (master plan, feasibility study, Business Case, etc.) and related reports that are available for review;

- identification of the funds required and the year in which funds are needed if a Needs Assessment has not yet been completed or if some other type of investigative study is needed; and
- if all preliminary planning is complete and the identification of the year in which approval for the project is being requested.

Information of any future capital proposals that may need to be initiated in a two to three year horizon plus potential projects beyond that time frame (four to ten years). It is understood that these projects may lack detail and be subject to significant change.

Asset Divestiture Plan

This section provides an overview of any surplus or underutilized infrastructure and describes plans for its disposition or alternate use.

Appendices

The AHS Capital Submission must include, at a minimum, a Needs Assessment for each of the high priority projects identified in the document (may be submitted separately from the Capital Submission). Appendices may include summaries and status of projects identified in previous capital submissions. Supporting reports or studies for projects identified in the current Capital Submission may also be included.

3.3.3 Needs Assessment

Purpose of a Needs Assessment

AHS leads the development of Needs Assessments. A Needs Assessment provides an analysis of the clinical needs and is in turn used for the identification and development of health capital project proposals. It informs and supports proposals identified in the annual AHS Capital Submission, and is consistent with health service delivery plans (see [section 2.2](#)). A Needs Assessment involves:

- articulation of clinical needs;
- identification of gaps between current conditions and desired conditions;
- identification of problems, deficits, weaknesses, opportunities and strengths in service delivery; and
- identification of possible operational solutions to address the stated need or gap in service delivery.

Components of a Needs Assessment

A Needs Assessment includes the following components:

- problem or opportunity;
- background or current situation;
- strategic and environmental alignment;
- desired end-state;
- gap analysis (e.g. savings in staffing, time, costs, etc.); and
- risk assessment of alternative service delivery options.

For a detailed description of each of these components see the Needs Assessment Template and Flow Chart ([Appendix 5.1](#) and [Appendix 5.2](#)).

Process for Approval of a Needs Assessment

HEALTH is responsible for reviewing a completed Needs Assessment and where appropriate, requesting the development of a Business Case by INFRA. This includes:

- reviewing of each Needs Assessment to determine compliance with provincial health strategies and service delivery plans; and
- identifying priority Needs Assessments, congruent with provincial health strategies priorities.

3.3.4 Submission and Review of the Alberta Health Services Capital Submission

The AHS Capital Submission is approved by AHS and then formally submitted by the Board Chair to the Ministers of HEALTH. The response is led by HEALTH with consultation with INFRA and signed by both Ministers. The response may comment on:

- the general acceptability of the AHS Capital Submission;
- whether or not all information requirements have been met; and
- individual proposed projects included in the AHS Capital Submission.

Where the Ministers indicate that information requirements have not been met, the specified information should be forwarded as soon as possible to AHS senior executive.

Upon receipt of the AHS Capital Submission, the Joint Operations Capital Planning Sub-Committee will initiate an assessment and review of the specific proposals identified in the AHS Capital Submission to determine or update the current status of the proposals, and to reach consensus on the appropriate next steps, as follows:

- the Needs Assessment for the proposal is reviewed in consultation with AHS staff. Consensus is reached on the most appropriate next step;
- new proposals in the plan, not previously identified by AHS, will be assessed by HEALTH for compliance with provincial capital guidelines based on information provided in the Needs Assessment;
- proposals that comply will be prioritized;
- INFRA reviews and confirms the costing information for proposals that had been submitted for consideration in prior years;
- for higher priority proposals, recommendations will be prepared to proceed with the appropriate next step in the CPP; and
- a recommendation drafted by the Joint Operations Capital Planning Sub-Committee is presented to Joint Operations for their approval on which Business Cases are to be developed by INFRA.

The timing for proceeding with the appropriate next step for an individual proposal may involve the consideration of issues that are not contemplated in the AHS Capital Submission. It is possible that the arguments for proceeding with a proposal are well documented and compelling, but other provincial infrastructure priorities may take precedence.

3.3.5 Business Case

Purpose of a Business Case

A Business Case is a systematic process to evaluate different options and develop a facility solution that meets the requirements identified in a Needs Assessment (see section 3.3.3). The Business Case includes associated risks or impacts and cost benefits of each option. HEALTH uses the results of the Business Case to develop its submission to the annual GoA CPP.

Components of a Business Case

A comprehensive Business Case includes the following components:

- executive summary;
- current situation;
- project description;
- strategic alignment;
- environmental analysis;
- alternatives;

- business and operational impacts (including estimated projected incremental capital maintenance and operating costs);
- project risk assessment;
- cost/benefit analysis that incorporates both capital and estimated operating costs, including Furniture and Equipment/Information Technology (F&E/IT) estimated costs;
- conclusions and recommendations;
- implementation strategy; and
- appendices.

For more information, see Business Case Template and Process Flow Chart ([Appendix 6.1](#) and [Appendix 6.2](#)).

As the process owner, INFRA leads the development of the Business Case in close collaboration with AHS. Each party is responsible for providing background data to support the Business Case development, according to their area of responsibility. For example, user requirements and operational costing data is supplied by AHS, while capital infrastructure development data is provided by INFRA.

Process for Developing a Business Case

The Joint Operations Capital Planning Sub-Committee prioritizes Needs Assessments for Business Case development.

INFRA:

- determines the requirement for a consultant;
- obtains funding for the Business Case development;
- procures a consultant (if required);
- assembles a project team comprised of planning representatives from the Parties. The AHS Strategic Planner would be responsible for coordinating input from staff in other AHS operational areas such as FM&E, Financial Services (for operating costs), Zone Clinical Staff/User Groups and CPSM to address F&E/IT requirements; and
- schedules a start-up meeting with the project team and/or the consultant.

INFRA/Consultant (if hired), in collaboration with the project team:

- schedules and facilitates project team meetings;
- develops a draft Business Case for review by the Parties;
- in collaboration with AHS identifies the plausible alternatives and the corresponding infrastructure development; and

- in collaboration with AHS identifies and recommends the preferred facility solution option.

The Business Case will include a set of assumptions/parameters upon which it is developed. Since such assumptions may directly impact the analysis and outcome of the Business Case, it may be necessary for the Business Case development team to consult with their respective organizations, including the affected AHS Zone/Provincial Program representative, to ensure the assumptions are both comprehensive and valid.

HEALTH is responsible for providing correspondence to INFRA and AHS to formalize Business Case development decisions, consistent with the prioritized plan developed by the Capital Planning Sub-Committee and endorsed by the Joint Operations Committee.

Process for Business Case Approval

Since the Business Case may inform future capital submissions to the Ministry of TBF, the Parties must ensure sufficient review and rigor in the analysis of the information, including the cost/benefit analysis and selection of the preferred option.

The Joint Operations Capital Planning Sub Committee reviews the Business Case and if there are issues with the Business Case it is brought forward to the Joint Operations Committee. If there is no issue with the Business Case it is sent directly to HEALTH after AHS and INFRA sign off.

Once a Business Case has been completed, the Business Case is signed and dated by the Parties as follows:

- AHS (CEO or delegate) will sign the Business Case as “recommended”;
- INFRA (DM or delegate) will sign as “reviewer”; and
- HEALTH (DM or delegate) will sign as “approver”.

See [section 3.1](#) and [section 3.2](#) for more information on the CPP.

Process for updating a Business Case

When a Business Case is updated from a previous version for inclusion to the AHS Capital Submission the facility solution and costing information will require verification against an updated Needs Assessment and the information updated where appropriate.

On completion of the updates the business case will follow the same approval process as documented above.