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**SECTION 7**

**CAPITAL PROJECTS MANAGEMENT**

**7.02 APPROVAL AND IMPLEMENTATION PROCESS**

**AUTHORITY:** *FINANCIAL ADMINISTRATION ACT*

**ADMINISTRATION:** TREASURY BOARD SECRETARIAT  
DEPARTMENT OF TRANSPORTATION AND  
INFRASTRUCTURE

**EFFECTIVE DATE:** DECEMBER 2023

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## 7.02 APPROVAL AND IMPLEMENTATION PROCESS

### (1) APPROVAL AND IMPLEMENTATION PROCESS

The general process for capital projects is:

- (i) Approval in Principle - by Budget Cabinet as a Capital Budget item or by Treasury Board/Executive Council;
- (ii) Project Approval - Treasury Board/Executive Council;
- (iii) Approval to Proceed to Public Tender - Treasury Board;
- (iv) Tender Award - Treasury Board; and
- (v) Significant Project Changes - Treasury Board/Executive Council.

The process may vary depending on the size of the project, direction given during the approval process and related legislation. Tender Packages with a value of \$400,000 or less do not require Treasury Board approval to go to tender or tender award, if they are within the previously approved project budget.

The following steps set out the various stages and responsibilities involved in the approval and implementation of a project:

#### (a) STEP 1 - CONCEPT PLANNING

The first stage in the approval process for a capital project is to determine whether or not the proposed project is compatible with Government's capital needs in light of proposed or approved policies and programs. The client department responsible for delivering a particular program has the primary responsibility to identify the capital resources necessary to implement the program. Program budget submissions to Treasury Board and/or submissions on major policy issues by the client department should clearly identify any capital requirements and the rationale why such capital resources are required to implement the program.

Some capital projects may generate revenues to cover some or all of their ongoing expenses. In such cases, the concept plan should include the long-term financial impacts (benefits/costs) of the project. These impacts will be considered during the approval process.

In preparing these submissions, the client department may require certain technical advice and services from the Department of Transportation and Infrastructure (TI) but the responsibility for submitting the request for approval "in principle" of the capital requirements of a program lies with the client department.

If approval “in principle” is granted, the client department will then formally request TI to start preliminary planning and design and to become responsible for project implementation. It should be noted that approval “in principle” is approval to begin formal planning, not to proceed with tendering or construction.

**(b) STEP 2 - PLANNING, DESIGN AND APPROVAL**

**(i) Project Responsibility**

The client department is responsible for capital projects within its capital budget allocation and may manage its own capital projects. For larger projects, the client department will normally request project management expertise from TI.

When requesting TI to become responsible for planning and implementing a capital project, the client department is expected to provide as much information as possible on the program needs, alternatives, scope and other factors. When TI is satisfied that sufficient information is available to commence the planning exercise, it will then assume project management responsibility for the project. At this point, a Project Manager will normally be appointed by TI and/or a planning committee formed. The specific roles of TI and the client department may vary for specific types and sizes of projects.

**(ii) Planning and Design**

The Project Manager will be responsible to ensure that the detailed planning, design and engineering will be carried out on capital projects to meet the program needs of the client department. The Project Manager may utilize in-house staff or require the services of outside consultants. Any costs associated with services obtained from outside consultants will be charged against the project.

**(iii) Multi-Year Capital Projects Master Schedule**

TI will maintain a multi-year master schedule of all capital projects being carried out by Government, as well as those which are in the planning and design stages. This master schedule will be updated regularly to include new projects, estimated costs in total and by fiscal year, and current status. This schedule will be reconciled with the annual Capital Budget.

**(iv) Project Approval**

When the preliminary planning and estimating have been completed by the Project Manager, a submission in standard format is presented to Treasury Board for financial considerations. The submission to Treasury Board shall be presented in the budget format as set out in Attachment 7.02-I. Where appropriate, alternatives with the associated costs for each should be included in the submission.

Specific capital projects, such as those implemented by Crown corporations, may be outside the appropriation process of Government. A Crown corporation

may be able to borrow funds under their enabling legislation and to generate revenues to cover capital repayment. Project proposals should include borrowing requirements, sales agreements, compliance with legislation and related issues.

Capital Project proposals will normally be considered as part of the annual Capital Budget process. In cases where the preliminary planning work has not been completed at budget time, Budget Cabinet may decide to include budgetary allocations for certain projects which they have approved in principle. When planning has been completed on these projects, the Project Manager will submit the project proposals to Treasury Board in the prescribed format. Treasury Board will consider these proposals on an "as submitted" basis.

When a request is received by Treasury Board to approve a capital project outside of the annual budget cycle, it has three options if the project is acceptable:

- (a) delay funding (e.g., actual construction start) until the next fiscal year;
- (b) reassign priorities within the current year's cash flow so that some other project(s) is/are delayed;
- (c) request approval of a Special Warrant by Executive Council.

Once Treasury Board/Executive Council has approved the project, the Project Manager is notified by Treasury Board/Executive Council of the approval and whether funding considerations permit the project to proceed immediately or if it is to be delayed. The decision may also request further consideration of alternatives and a new submission by the Project Manager.

When a project has been approved, the Project Manager will proceed with detailed planning, determining detailed costs and developing the tender package.

Once the tender package is prepared and ready for public tender then the projects with a value of \$400,000 or more must be resubmitted in standard format to Treasury Board requesting approval to proceed to public tender. Any changes to the costs or other aspects of the project in a substantive way should be identified in this Treasury Board submission.

### **(c) STEP 3 - PROJECT IMPLEMENTATION**

#### **(i) Project Management**

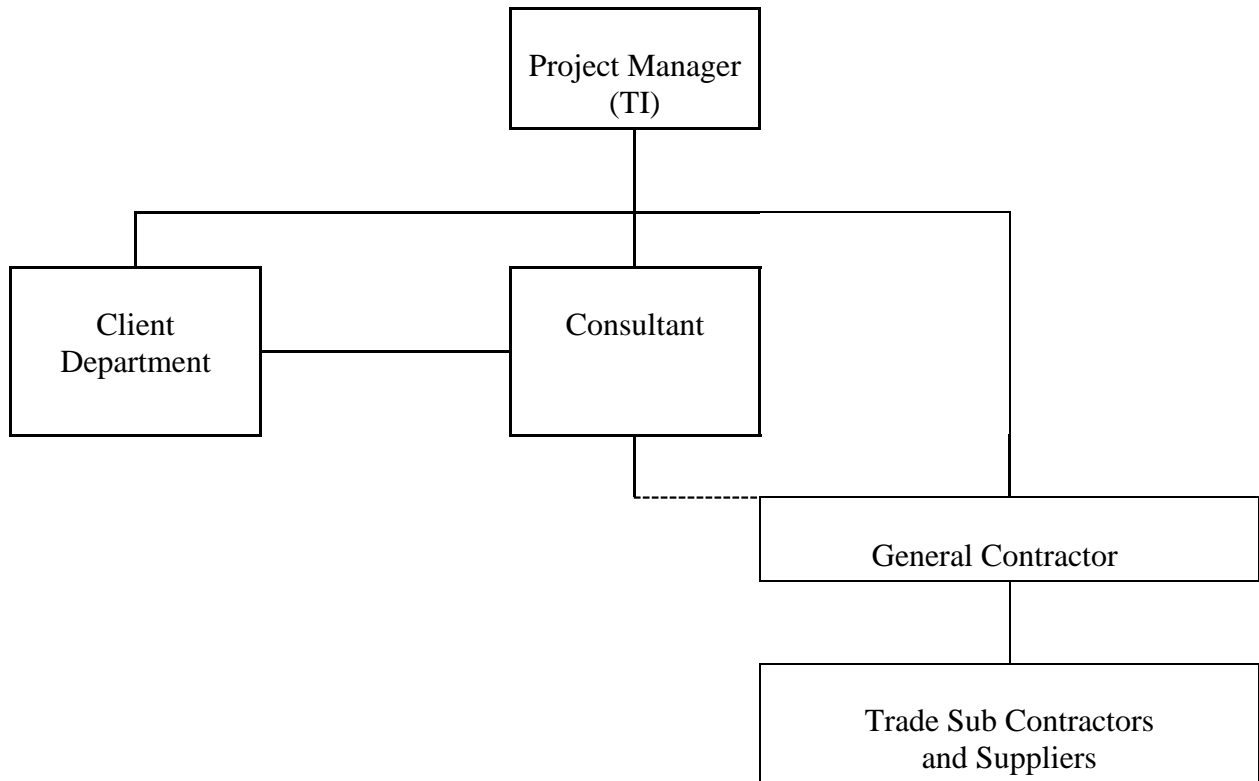
Project management will be the responsibility of the Project Manager. The Manager will ensure that all contracts are properly supervised, and all elements or phases of the project are coordinated.

The Manager is also responsible to ensure that a complete file is maintained on the project. The file should include all the approval documentation, financial records, documentation on changes formally approved and signed minutes of the job meetings, and any other information required to provide an acceptable audit trail as well as for management needs.

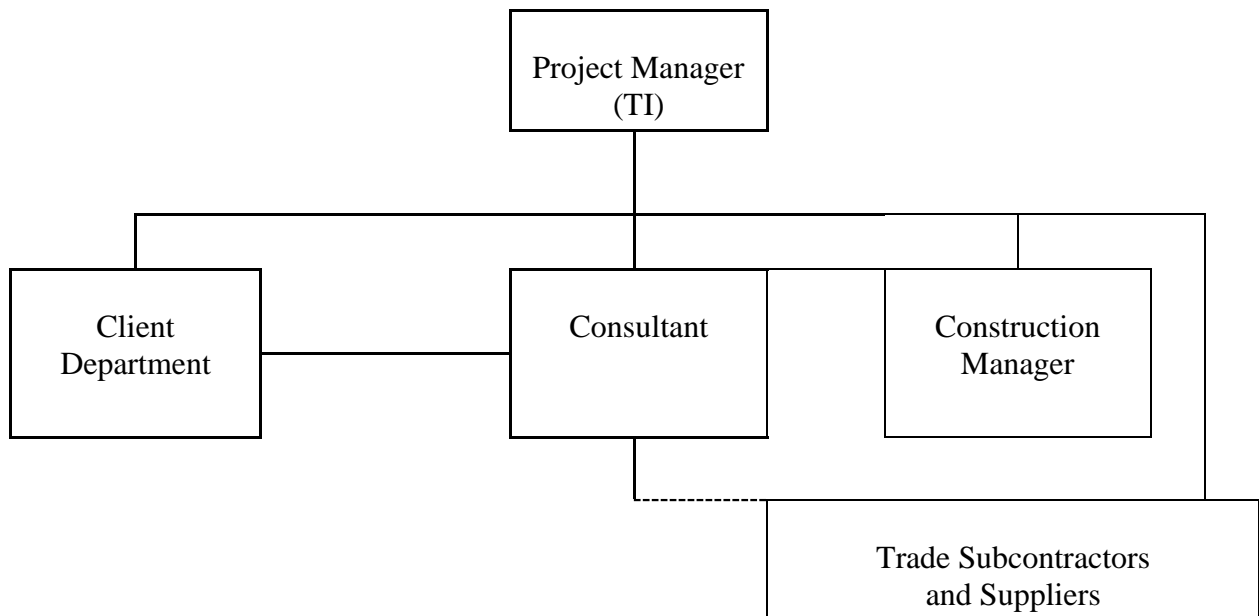
Two main alternatives are used for project implementation: lump-sum tendering and construction management. Under lump-sum tendering, the project is awarded to a single general contractor who is responsible for constructing the overall project. With construction management, a construction manager is employed by the Project Manager to manage the individual contractors. The two alternatives are illustrated in Exhibit 7.1 for specific pieces of the project.

Contracts for capital projects generally follow a standard format for the type of work being done.

**Exhibit 7.1**  
**Project Implementation Structures**  
**Lump Sum Tendering**



**Construction Management**



**(ii) Tendering Procedures**

In order to provide a degree of uniformity in the tendering process on capital projects covered by this policy, the following general guidelines are to be followed:

**(a) Advertisement for Bids**

The tender call for a construction project should be publicly advertised on the Government's procurement website, with the option to also post in local print media. The tender advertisement should generally follow the format indicated in Attachment 7.02-II with any necessary modifications or additions in order to satisfy the particular requirements.

**(b) Tender Period**

Depending on the complexity, size and time constraints on a project, the date for receipt of tenders should be established so that approximately fifteen (15) days is available for tender preparation after the tender has been publicly advertised. An exception to shorten the tender period may be granted in certain circumstances if it is understood that bidders are able to provide competitive pricing within the shortened tender period. Reasons for a shortened tender period must be noted by the Project Manager and retained in the project file's tender documentation. On projects of a complex nature, the tender period may be extended.

**(c) Tender Submission**

Tenders shall be submitted on a tender form generally following the format of the tender forms indicated in Attachment 7.02-II, with any necessary modifications or additions in order to satisfy the particular project requirements.

**(d) Tender and Contract Security**

The security for all projects shall be as outlined in the instructions to bidders.

**(e) Instructions to Bidders**

The instructions to bidders is a document attached to all public tenders. This document is maintained and updated from time-to-time by TI Public Works Division based on current standards set out by the National Master Specification (NMS), the Canadian Construction Documents Committee (CCDC), best practice within other Atlantic provinces, and through consultation with local industry and the Construction Association of Prince Edward Island.

**(f) Completion Date**

The completion date as indicated or required in the instruction to bidders shall be realistic based on the date scheduled for the receipt of tenders.

The above process may not apply to specific situations. Where the contract manager proposes to follow a different tendering process, this should be identified as part of the project approval requested from Treasury Board.

**(iii) Tender Award**

When tenders have been received and evaluated by the Project Manager and/or the Consultant (as applicable under the contract terms), a request to award is forwarded to Treasury Board. The request should include a summary of the bids submitted, recommendation for the award, reason for recommending a bid if it was not the low bid received and an indication of the relationship of tender price to estimate for approved project. If the new estimate for the project (including the contract components) exceeds the approved estimate by 5%, the request to award the tender should include an explanation as to why the award should be made. Treasury Board submissions for tender awards are not required for projects with a value of less than \$400,000, if they are within approved project budget.

In the case of projects where a client department is responsible for appropriating the project funds and TI is the Project Manager, the request should be jointly signed by the client department and T&I.

**(iv) Payment Control**

- (a) When a contract is awarded, the contract price may be divided into sections which consist of the main sub-contracts (e.g., mechanical and electrical) and the major sections of the project (e.g., carpentry and site work). This breakdown is reviewed by the Consultant and the Manager and agreed upon prior to the first payment.
- (b) Progress claims are submitted on a schedule based on percentage completed of each section, less the holdbacks as are required under the *Mechanics' Lien Act*. The Project Manager and the Consultant confirm that the work was done and verify the percentages.
- (c) The claim, along with a certificate of payment, is reviewed by the Consultant and recommended for payment.
- (d) The claim and certificate of payment is then reviewed by Project Manager/client department and approved for payment.
- (e) Payment authorization is prepared and forwarded to the Deputy Minister or their delegated officer (per Section 6.06 - Delegation of Signing Authority of the Manual) for approval.
- (f) On the second and subsequent payments, the contractor is required to submit a statutory declaration which certifies that any obligations to sub-contractors and suppliers arising from previous claims have been discharged.



(g) When construction has reached a point where it is suitable for its intended use and it is at least 97.5% complete, the project is accepted as being substantially complete. At this time, the 60-day period for the release of the mechanic's lien hold-back commences. Any work which is not completed at this time is valued and that amount is doubled. This amount is then held from payment until the work is completed.

(v) **Project Changes**

Provision for minor project changes or cost increases is by way of the contingency allowance provided in the project budget. If the cumulative project cost increases at any time are estimated to exceed the allotted contingency allowance, the client department (and TI, if applicable) is to return to Treasury Board to seek approval for the increase.

Significant changes in the scope or financial requirements of the project must be approved in advance by Treasury Board. If the change in the scope of the project (size of facility, services to be provided, etc.) is considered to have policy implications, Treasury Board will refer the policy issue to Executive Council for a decision.

If the change in total project costs is considered to have a major impact on future capital budgets or require a Special Warrant in the current fiscal year, the issue will be referred to Executive Council by Treasury Board.

It is the responsibility of the Project Manager to request approval for changes as soon as it is known such changes are required or desirable. The submission to Treasury Board will be on the same form as used for original submissions, as set out in Attachment 7.02-I.

Requests for project changes shall also be signed by the Minister or Deputy Head. The Project Manager should use judgment and discretion regarding changes in scope. Small changes, easily accommodated by the contingency allowance, do not require reporting.

However, if the change has a material effect on the original purposes, intended use, program objectives, etc., it must also be signed by the Minister or Deputy Head of the client department and be submitted for approval regardless of cost implications.

(d) **STEP 4 - PROJECT COMPLETION**

When TI is acting as Project Manager for a client department, appropriate liaison should be maintained during construction.

When the project nears completion, the Project Manager should ensure that the client department is aware of the completion date and the earliest date when various

components of the project could become operational. The Project Manager also should ensure that the necessary technical information is made available on the facility's operations.

The operator of the building is responsible to set up necessary heating, lighting and maintenance budgets. The client department is responsible to budget for programs to be delivered from a facility.

**(e) STEP 5 - POST-COMPLETION REVIEW**

**Capital projects which cost more than \$2,000,000** should be reviewed, within one year of completion by the Project Manager or their designate.

The post-completion review should include:

- comparison between original estimates and final costs;
- explanation of major changes required;
- suitability of final project to meet program needs;
- energy efficiency results; and
- recommendations for improving design, implementation and management of future projects.

The results should be reported in the level of detail appropriate for the project.

**(2) INTERPRETATION**

In cases where an interpretation is required, such should be referred to the Secretary to Treasury Board or their delegated officer who will make the interpretation or refer the matter to Treasury Board, if a Treasury Board decision is deemed necessary.