

STRATEGIC CAPITAL INVESTMENT PLANNING PROCESS

1. **REASON FOR ISSUE:** To provide guidance and procedures for the Department of Veterans Affairs' (VA's) corporate capital portfolio strategy — the Strategic Capital Investment Planning (SCIP) process.
2. **SUMMARY OF CONTENTS/MAJOR CHANGES:** This handbook is intended to communicate SCIP requirements by providing specific information regarding:
 - a. SCIP Purpose and Goals;
 - b. SCIP Components;
 - c. SCIP Gaps, Targets and Thresholds;
 - d. Governance;
 - e. Investment Decision Criteria Development Process;
 - f. Action Plan Review Process; and
 - g. Business Case Review Process.

Major changes include:

- a. Inclusion of linkages of the SCIP process to Capital Program Requirements Management Process (CPRMP).
 - b. Removal of SCIP Board review of action plans.
 - c. Inclusion of details of SCIP business case development and review processes.
 - d. Inclusion of Out of Cycle (OOC) process details for entry of urgent need requirements not previously approved through SCIP.
3. **RESPONSIBLE OFFICE:** The Office of Asset Enterprise Management (044), Office of the Assistant Secretary for Management.
 4. **RELATED DIRECTIVE:** VA Directive 0011, Strategic Capital Investment Planning Process.
 5. **RESCISSION:** VA Handbook 0011, Strategic Capital Investment Planning Process, dated August 8, 2011.

Department of Veterans Affairs
Washington, DC 20420

VA HANDBOOK 0011
Transmittal Sheet
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CERTIFIED BY:

**BY DIRECTION OF THE SECRETARY
OF VETERANS AFFAIRS:**

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Table of Contents

1. SCIP PURPOSE and GOALS.....	4
2. SCIP COMPONENTS.....	4
3. SCIP GAPS, TARGETS AND THRESHOLDS.....	5
4. GOVERNANCE.	7
5. SCIP INVESTMENT DECISION CRITERIA DEVELOPMENT PROCESS.	7
6. ACTION PLAN REVIEW PROCESS.....	7
7. BUSINESS CASE REVIEW AND PRIORITIZATION PROCESS.....	8
8. CAPITAL PROGRAM MANAGEMENT REQUIREMENTS MANAGEMENT PROCESS.....	9
9. SCIP OUT OF CYCLE (OOC) PROCESS:	10

STRATEGIC CAPITAL INVESTMENT PLANNING (SCIP) PROCESS

- 1. SCIP PURPOSE and GOALS.** The annual SCIP process enables the Department of Veterans Affairs (VA) to continually adapt to changes in demographics, medical and information technology, and health care delivery, while at the same time incorporating green building technology and other infrastructure enhancements. The SCIP process includes all capital programs (see Paragraph 3 of this handbook): major construction, minor construction, non-recurring maintenance (NRM), and leases with an exception for Information Technology non-construction projects. This continually evolving process allows VA to deliver the highest quality health care, benefits, and memorial services to our Nation's Veterans. Specifically, SCIP aims to:

 - a. Improve the quality, access, and cost efficiency of the delivery of VA benefits and services through modern (i.e., newer and/or better conditioned) facilities that match the location of current and future demand.
 - b. Adopt a future-oriented view of our capital needs within a 10-year planning horizon, which will form the basis of annual budget requests.
 - c. Significantly reduce gaps in Access, Space, Workload/Utilization, Safety, Security, and other performance gaps within 10 years.
 - d. Provide an integrated, comprehensive planning process for capital programs (major construction, minor construction, NRM and leases) across the Department.
 - e. Produce a data driven, rational, and defensible strategic plan that supports VA's annual capital budget request to Office of Management and Budget (OMB) and Congress.
 - f. Create and execute a Long-Range strategic plan to close Departmental gaps in infrastructure that supports the delivery of benefits and services to Veterans.
 - g. Ensure compliance to VA's Capital Program Requirements Management Process (CPRMP), an internal control process designed to address changes to Major Construction and Major Lease projects that have been approved through the SCIP process. CPRMP was put in place to ensure projects are not executed with changes in scope (cost, space, and critical programs) without prior approval from VA leadership
- 2. SCIP COMPONENTS.** Development of a strategic capital investment plan using a corporate portfolio approach requires determining where infrastructure gaps exist (or are projected to be) and developing appropriate solutions to meet them over a 10- year timeframe. The four main components of the SCIP Process are: Gap Analyses; Strategic Capital Assessments; Long-Range Action Plans; and Business Cases.

 - a. Gap Analyses will be completed with facility level data where possible and rolled up to the appropriate Veteran's Integrated Service Network (VISN), Memorial Service Network (MSN), Region, or Area level. A call for updates to infrastructure gap data -

including definitions - shall be issued annually by the Office of Asset Enterprise Management (OAEM) by November 15th of each year.

- b. Strategic Capital Assessments (SCA): Based on VA's strategic priorities that inform capital investments and the gap analysis, this annually updated narrative document shall be maintained at the VISN, MSN, Region, or area level. The SCA describes the strategic approach taken to close infrastructure gaps through SCIP, why certain investments were chosen, and how capital investments were prioritized. Guidance for completing the SCA shall be provided through the annual SCIP call memorandum.
- c. Long-Range Action Plans: Annually updated plans that are developed for each facility and contain the portfolio of capital investments necessary to address identified infrastructure gaps over a 10-year planning horizon. Depending on the capital program, projects necessary to reduce gaps are listed for three (3), five (5), or ten (10) years. For remaining years, where specific capital investment projects cannot be accurately be forecasted, estimated resource requirements, known as "lump sums", are required. Further instructions for action plan reportings shall be provided through the annual SCIP call memorandum.
- d. Business Cases: Capital investments for specific asset categories that are individually identified in the annual Long-Range Action Plan and are seeking current budget planning year consideration (and meet established thresholds) require a completed business case application. Depending on the asset category, additional compliance documentation may be required for the project to be considered for funding. The business case application contains a series of questions about the proposed project that describes how well a project is aligned to the Department-wide SCIP decision criteria. Business cases shall be evaluated and prioritized based on how well the project contributes to the decision criteria. A call memorandum for business cases shall be issued each year that includes specific guidance for asset categories that require business cases, thresholds, and any additional requirements.

3. SCIP GAPS, TARGETS AND THRESHOLDS.

- a. Performance gaps (SCIP gaps) identified at the corporate level are expected to have projects and lump sum resources identified with the intent of reducing the SCIP gaps by a specific percentage goal over a 10-year period, subject to funding availability. Gaps and targets shall be reviewed and updated each year as necessary.
- b. SCIP gaps and associated targets are subject to change with the issuance of the budget year action plan call memorandum. SCIP gaps currently include:
 - (1) Access;
 - (2) Utilization;
 - (3) Workload;

- (4) Space;
 - (5) Condition;
 - (6) Energy;
 - (7) Security; and
 - (8) Emergency Preparedness.
- c. The SCIP Action Plan thresholds for listing individual projects and/or lump sum resource requirements in the Projects and Resources section of the 10-Year Action Plan are provided below. Thresholds are subject to change with the issuance of the budget year action plan call memorandum.
- (1) Major Construction (Construction projects that are expected to cost more than \$20M): All new projects listed individually for years 1-10.
 - (2) Minor Construction (Construction projects that are expected to cost equal to or less than \$20 million): All new projects will be listed individually for years 1-5; project resources will be included in the lump sum category for years 6-10.
 - (3) Major Leases (Facility lease procurements expected to have annual rent expenses that exceed \$1 million): All new and replacement leases by VA or the General Services Administration (GSA) must be provided and individual projects must be identified for all 10 years of the long-range plan.
 - (4) Minor Leases (Facility lease procurements expected to have annual rent expense less than or equal to \$1 million): All new and replacement leases by VA or GSA must be provided. Specific projects must be identified for the first five (5) years of the long-range plan and the lump sum category should be used to identify remaining requirements for years 6-10.
 - (5) VHA NRM: No threshold. Specific projects must be identified for the first three (3) years of the long-range plan and the lump sum category should be used to identify remaining requirements for years 4-10.
 - (6) NCA NRM: All new projects \$1M or greater must be listed. The lump sum category should be used to identify projects for the first three (3) years only of the long-range plan.
 - (7) Enhanced-Use Leases: No threshold; all new projects are required. List individual projects beginning in the first five (5) years and use the lump sum category to identify requirements for years 6-10.

- (8) Sharing of Space: No threshold; all new projects required. List individual projects for the first five (5) years of the long-range plan and use the lump sum category to identify requirements for years 6-10.
- (9) Green Management Program (GMP) Energy Management: No threshold, all new GMP Projects must be included. List projects beginning in the first five (5) years only of the long-range plan.
- (10) Thresholds for business case applications and Prospectus requirements shall be issued under the annual SCIP Business call memorandum.

4. GOVERNANCE. Approvals of Action Plans, decision criteria, priority weights, and capital projects included in the annual prioritized lists (and further used to develop annual OMB capital requests) must be conducted through the SCIP Governance process. Staffed and overseen by OAEM, the SCIP process shall be governed by both a Panel and Board comprised and staffed respectively by VA staff officials and leadership officials representing each of the Staff Offices and Administrations with substantive interests in capital decision outcomes. Operational recommendations and decisions regarding SCIP inputs and outputs shall be developed at the SCIP Panel level. For activities impacting SCIP outputs, SCIP Panel shall provide recommendations to the SCIP Board for approval including (but not limited to) final action plans, major process changes, criteria, criteria weights, and prioritized project lists. The SCIP Board shall provide final recommendations for approval of SCIP major criteria, weights, and project selections to SECVA.

5. SCIP INVESTMENT DECISION CRITERIA DEVELOPMENT PROCESS.

- a. Decision criteria are developed to address the various priorities of the Department such as safety, security, facility condition, client and customer access, space needs, and alignment to the Strategic Plan. Each year the SCIPBoard evaluates the current decision criteria to determine if adjustments are necessary. Priority weights for each criterion are also developed and evaluated by the SCIP Board on an annual basis.
- b. A multi-attribute decision methodology that utilizes priority weights is used to generate prioritized capital project lists to support development of VA's annual capital budget requests. This methodology facilitates complex decision making by allowing multiple evaluators to consider diverse (quantitative and qualitative) criteria to make decisions.

6. ACTION PLAN REVIEW PROCESS. Each Long-Range Action Plan goes through a multi-stage validation and review process. At each phase, results are communicated back to the submitter, who is then given the opportunity to revise their submissions. The SCIP Action Plan review process is as follows:

- a. Initial validation check: Staff review of Action Plan and project submissions for completeness and general compliance with call memorandum requirements.

- b. **SCIP Panel Review:** The SCIP Panel reviews plan and project submissions for compliance, reasonableness, feasibility, inclusion of non-capital solutions, and consistency.
- c. **SCIP Board Review:** The SCIP Board reviews Panel recommendations related to projects and plans that appear to have compliance issues.
- d. **Subject Matter Expert (SME) Review:** SMEs review and evaluate Action Plans and project submissions based on their specialized criteria in the following subject areas: Construction and Leasing Standards, Security, Energy, VA/Department of Defense (DoD) Collaboration, Research, Information Technology, and Women Veterans Health matters. Other SME teams or reviewers may be added as deemed appropriate.

7. BUSINESS CASE REVIEW AND PRIORITIZATION PROCESS.

- a. Business case submissions are required for the following project types in order to be considered for inclusion in the current year budget request: 1) major construction; 2) minor construction; 3) major lease (new presence and replacement); 4) new presence minor lease; and 5) minor lease replacement with expansion (that increases in size greater than 10% or 2,500 net usable square feet (NUSF) from the current size, whichever is smaller). Lease projects include both clinical or non-clinical functions, regardless of size and annual rent.
- b. Each business case is evaluated using a two-step process.
 - (1) **Validation:** The first step is validation. This step ensures that the project is included in the Long-Range Action Plan for the budget year being developed. The validation step also ensures the project is within SCIP goal targets and meets all guidance and direction in the SCIP Business Case call memorandum. Please note that NRM and Replacement lease projects with growth less than 2,500 NUSF or 10% are exempt from submitting business cases.
 - (2) **Prioritization:** The second step is prioritization, which involves the SCIP Panel and auxiliary Panel members if necessary. The SCIP Panel evaluates each project on how well it addresses or contributes to the decision criteria. Ratings for each criterion are entered into decision software that automates the calculations required by the multi-attribute decision methodology. A project's score is a combination of the ratings for each criterion and the priority weights for those criteria, times the number of panel members. The result is a listing of capital projects ranked in priority order. This prioritized listing of capital projects is then used to formulate the annual capital budget request to OMB, which is granted final approval through the Governance process.

- c. Business cases are not required for minor leases that don't increase space more than 10% or 2,500 NUSF from the current size, whichever is smaller, and NRM projects. These minor leases are not scored or prioritized but are considered SCIP-approved. NRM projects are scored and prioritized in SCIP based on action plan data.

8. CAPITAL PROGRAM MANAGEMENT REQUIREMENTS MANAGEMENT PROCESS.

- a. CPRMP policy guidance was approved by SECVA on August 20, 2013, and signed by Principal Executive Director, Office of Acquisition, Logistics, and Construction (003) and Executive in Charge, Office of Management (OM), and Chief Financial Officer (004) on February 19, 2014.
- b. Projects subject to CPMRP include SCIP approved major construction and major lease projects. The CPRMP includes three separate reviews, referred to as Compliance Reviews and Acquisition Milestone Decisions, during a project's lifecycle. Below are the timelines for the three primary compliance reviews:
 - (1) At schematic design completion / ahead of prospectus; performed no later than the 35 percent design completion for Major Construction (prior to release of solicitation for leases).
 - (2) At design completion, performed ahead of execution / award.
 - (3) During construction and construction completion/activation (as required by scope changes).
- c. The most recent of SCIP Business Case, Prospectus, or Congressional communication containing project's scope and cost will serve as the baseline or control document for reviewing potential changes in project scope.
- d. All proposed project changes will be submitted and/or reviewed through the CPRMP. The review begins at the Administration/Staff Office level in coordination with the Office of Construction and Facilities Management (CFM). All VA Administrations must provide supporting workload justification. Approval or rejection of proposed changes will occur at the following levels:
 - (1) All proposed changes will initially require VA Administration/Staff Office approval and CFM's estimate of impact to scope, cost and schedule.
 - (2) CFM has authority to approve proposed cumulative space changes that are less than 5,000 square feet (SF) or cost changes that are less than \$5,000,000. On a quarterly basis, CFM will notify the SCIP Board and the SECVA of all CFM approved changes.
 - (3) The SCIP Board must approve all proposed program/critical service changes. The Board will also approve proposed cumulative space and cost changes that are equal to or greater than 5,000 SF or \$5,000,000. The SCIP Board will

forward all project changes and space and cost changes over 10 percent to the SECVA for approval.

- (4) Acquisition Decision Authority (ADA) will confirm the major project's contract acquisition capability and compliance and adherence to approved scope.
- (5) SECVA will approve all project changes, space, and cost modifications greater than 10 percent. CPMRP policy and guidance is available through VIEWS #ARC-446883.

9. SCIP OUT OF CYCLE (OOC) PROCESS:

- a. Capital project requirements not previously approved through SCIP but deemed urgent need are required to complete an OOC submission in the SCIP Automated Tool (SAT) Budget Execution Module (BEM). OOC submissions must receive approval before proceeding.
- b. Specific guidance on how to submit new OOC project requirements is provided by OM's annually issued call memorandum to the Under Secretaries, Assistant Secretaries, and Other Key Officials of all Administrations and Staff offices for submission of their operating budget and performance plans for construction and leasing programs.