

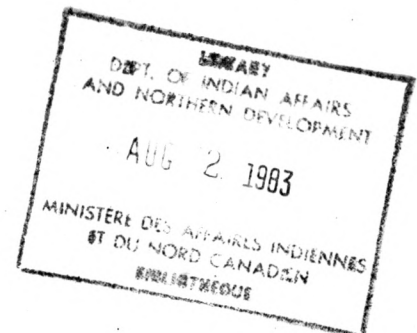
Making capital management work in
Ontario.

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MAKING CAPITAL MANAGEMENT WORK IN ONTARIO

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NOTE

This study may seem overly critical to some readers. It should not be taken as such, but looked at in a positive light. There have been a number of improvements in the management of Capital in Ontario over the last year. These improvements are not listed here as that is not the purpose of this study. The very fact that such a difficult study as this was attempted is a good sign of intention to improve management.

CHAPTER I

WHY DO THIS STUDY?

By 1980 it was obvious that problems existed in managing Capital Appropriations in Ontario: Bands knew it; Districts knew it; Region and even Headquarters knew it. Some problems and the appropriate solutions were obvious (for example, the woefully inadequate numbers of Technical Services staff). This type of problem was increasingly being dealt with and solved in 1981.

Other problems were not so obvious and the appropriate solutions were downright elusive. It was this group of problems that the A/Director, Band Support, decided to investigate by means of a study. A study which would ideally identify the problems and propose enough solutions to allow the existing levels of staff to fully meet the requirements of the Capital Management System (CMS). Or, if this was not practical, to determine what increased levels of staff would be required and the implications of making no changes. At the same time as wanting a study, the A/Director, Band Support, wanted to avoid a study if it was only going to tell him what he told it. This would be an expensive waste of scarce resources.

As luck would have it, Region had a staff member available to carryout such a study internally, so Terms of Reference were drawn up in late September 1981 (APPENDIX A). It was hoped that an internal study would be able to leave the field staff with some sense of ownership of the study. An ownership that would translate into actions to bring improvement. It was recognized that the danger of losing objectivity in the study would need to be guarded against.

The methodology chosen for the study was to develop a questionnaire based on the requirements of the CMS and to use a sample of projects (APPENDIX B) to obtain answers (APPENDIX C) from visits to District offices. These answers would be analysed and the draft recommendations discussed with a plenary session of interested parties for feedback (APPENDIX E) into the final report. The final report would include the intended action plan of the Director, Band Support.

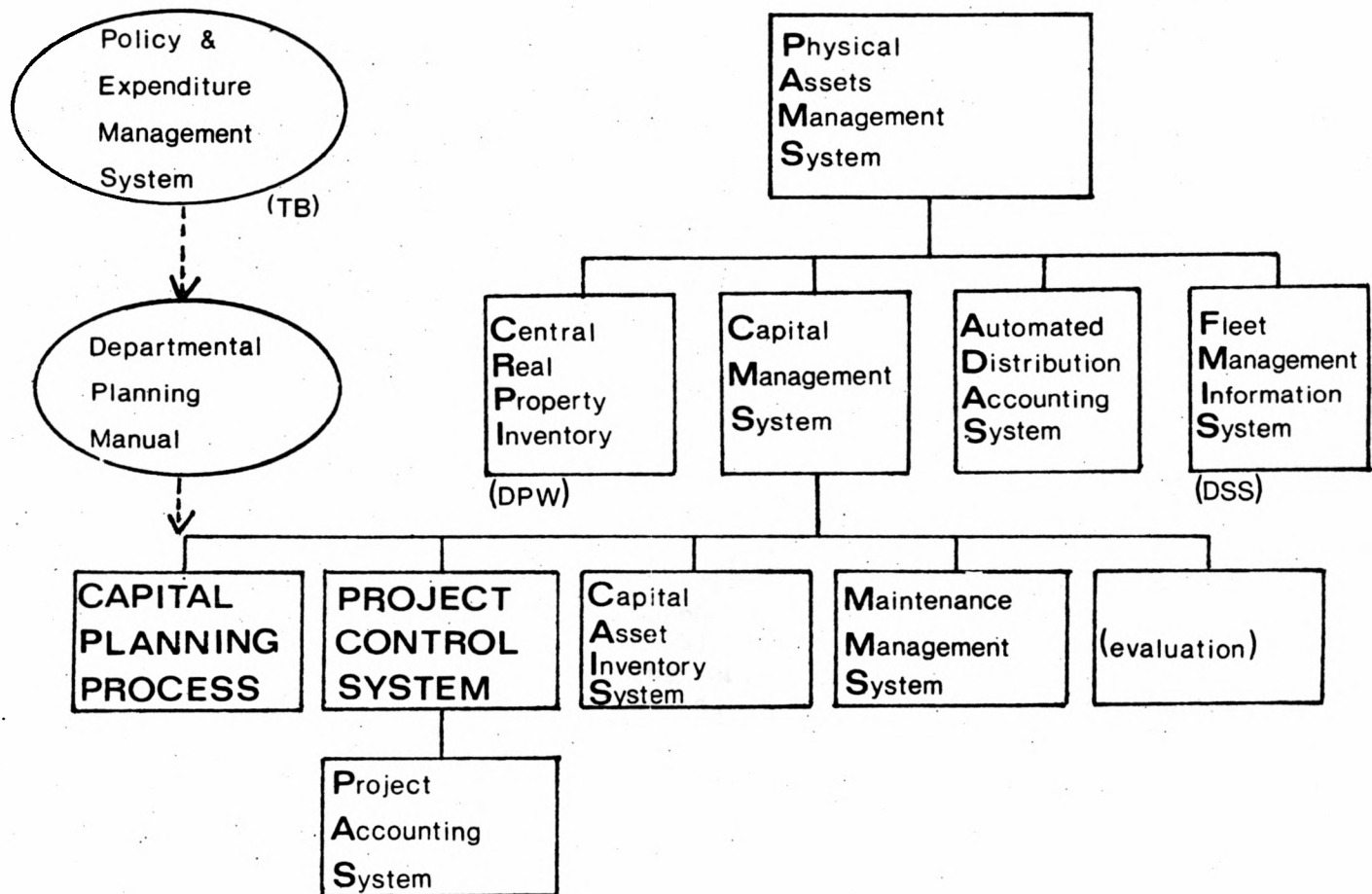
Indeed the organization of this study is intended to facilitate action: Chapter IV in particular. The appendices are provided to allow for further analyses of particular areas, should this be desirable. An important caution is made, however, that this selection of projects was taken Regionally: if one wants to draw District or other inferences, one will have to take an appropriate sample.

CHAPTER II

WHAT DOES CMS EXPECT?

The first order of business for this study was to determine what the requirements of the Capital Management System (CMS) were, for these would form the basis for the questionnaire. This proved to be easier said than done, however. There is no consolidated document which expounds upon the CMS. The writings are contained in a diverse number of publications ranging from letters and memos to engineering manuals. The linkages are not always obvious.

Correctly or incorrectly, the following view came to be taken of the systems and processes which can bear upon the items called "Capital" by our field staff.



Two of these components, the Planning Process and the Control System, were chosen as being most pertinent to this study. A third component, the Project Accounting System would have been chosen had it not been in such a mess (\$30,000,000 "in suspense" compared to a \$32,000,000 budget). The other components were merely skimmed for relevant features.

Accordingly, the following two documents were reviewed in detail to determine the requirements of the Capital Management System:

- (1) a "Report for Discussion Only", prepared by Operational Planning Program Support entitled PROJECT CONTROL SYSTEM, JUNE 1979; and,
- (2) a kind of descriptive report, prepared by an unidentified Departmental group entitled CAPITAL PLANNING PROCESS, JUNE 1981.

The Capital Management System begins with the Capital Planning Process which in eight specific steps leads to the National Program Operational Plan. These steps require the involvement of Bands and Program Managers and the making of appropriate investment decisions. The Plan which is thereby produced is required to cover five planning years in a co-ordinated fashion. Obviously the Plan covers a multitude of projects any one of which may span more than one year of the Plan.

The Capital Management System proceeds then to the Project Control System. This system essentially isolates a project (which is contained in the Plan) and then sets out to provide control over the project "...with a view to ensuring that the right manager makes the right decision at the right time". The Project Accounting System is designed to facilitate this control, but unfortunately has not yet "worked". The Project Control System defines certain roles to be respected and carried out by the Band, Responsibility Centre Manager and Project Manager. The Project Control System then sets out requirements to be met at 22 milestones in 5 phases.

The Capital Management System thus expects that the following basic elements will be completed as evidence of meeting its requirements.

- 1 - Band Substantiation (CP1)
- 2 - Project Listings (CP2)
- 3 - Project Initiation & Change Document (PICD)
- 4 - Project Control Chart (22 Milestones)
- 5 - Capital Project Status Report

Not mentioned here are the PIF and PUF from PAS.

Before translating these Capital Management System requirements into a questionnaire, however, Regional Management wanted to ensure that the degree of variance between actual and planned would be elicited by the questionnaire, and not just whether we had done a plan. The following questions were developed.

- Q1 - Does the Band have a Comprehensive Plan?
If not, are they part way along?
- Q2 - Does the Band prepare their own Capital Plan annually or does the Department do it for them?
Do they use the CP1 and CP2 forms?
- Q3 - Does the Band prioritize the projects?
Does the District? Region?
- Q4 - Does the Project Name and Number agree to the Budgetary Control System Table 04 - Cost Elements Table?
- Q5 - Does the Project show in the 1981-82 Estimates tabled in Parliament, if it should have?
- Q6 - Was the plan for the selected project at September 1981 the same as it had been at September 1980?
- Q7 - Does the September 1981 plan for the selected project as indicated by the Department agree with the plan for this project as indicated in the Band's plan, where they have a plan?
- Q8 - Is there evidence in the District files to substantiate our involvement in this project to date? In particular is there a properly approved PICD?
- Q9 - Is there evidence in the District files of project control? In particular is there a Project Control Chart or physical schedule with cash flow? Is there a PIF? PUF? Are there Capital Project Status Reports?
- Q10 - Is there evidence in the District files of an active project team? Minutes?

- Q11 - If the selected projects indicated at September 1980 a planned level of expenditure for 1980/81, was the actual expenditure for 1980/81 the same?
- Q12 - If the selected projects indicated at September 1980 a planned level of activity for 1981/82, did this start on time?
- Q13 - Notwithstanding some of the difficulties which may have been noted in questions 1 to 12, is this project generally on schedule?

Although these questions certainly do not deal with every aspect of the requirements of the Capital Management System (for example, the whole area of operations and maintenance is ignored), they were felt to be appropriate to this study. They should be able to draw out trends or common problems if asked of a representative sample of projects. The answers should allow senior Regional Management to look, not only at how well (or poorly) the requirements were being met, but also, at possible ways to bring about management improvement.

CHAPTER III

WHAT DO WE DO?

The next order of business for this study was to select a representative sample of projects (APPENDIX B) and use it to obtain answers to the questionnaire during visits to the Districts. The answers, in a summary way, should be able to tell us what we do (and what we don't do). This chapter will look at the summary answers grouped in various ways, including by question asked. The individual answers are set out in APPENDIX C.

Curiously, the first thing that was noticed is that we do an awful lot of adding and cross-adding. It took a competent adding-machine operator six full hours to add, cross-add and correct the SEP '80 PLAN before the sample was taken. It would take an untrained adding-machine operator four weeks a year to do the same work considering three updates and two or three revisions to each. Regional Band Support have no trained adding-machine operators. While this in itself is trivial, a combination of a number of such inefficiencies generates further inefficiencies and becomes significant.

The second thing that was noticed is that a numeric comparison of variation from plan would be meaningless. A \$5,000 variation for a \$2,000 plan is terrible, but a \$5,000 variation for a \$1,000,000 plan is nothing. On the other hand a \$200 and a \$100,000 variation would each respectively represent the same 10% increase from plan. Accordingly, a decision was taken to show Variation From Plan by a letter designation. The letter would indicate a factor by which the change could be measured, either by dividing or multiplying. For example, if the 1981 figure is double or half the 1980 figure it would vary by a factor of "2" and so be deemed to vary by "D". And so on for each of the other letters. For the balance of this report, the letters A to F will denote the magnitude of the dollar variation, usually

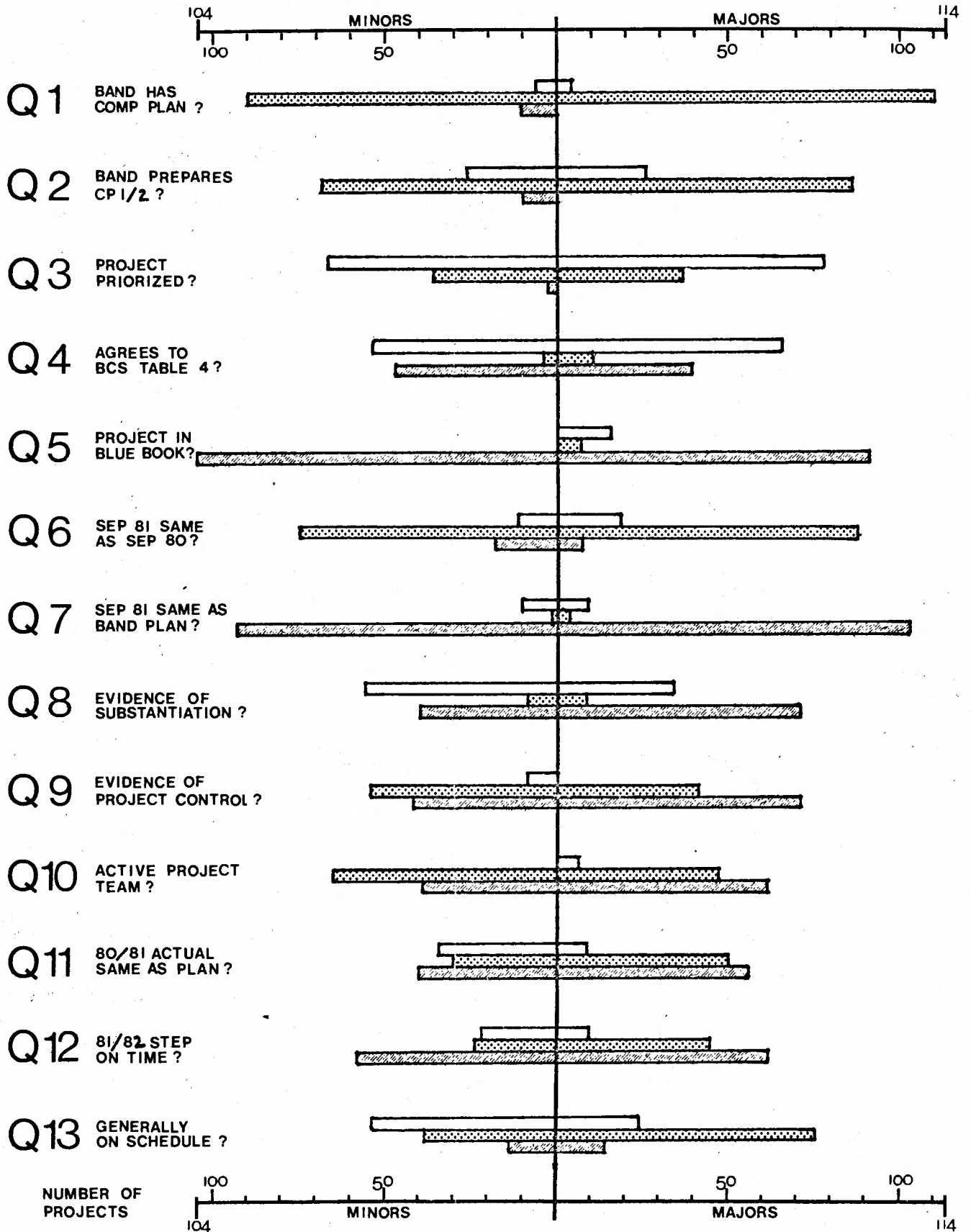
from SEP '80 PLAN to SEP '81 PLAN as follows:

<u>VARIATION</u>		<u>FACTOR</u>
A	None	1.00
B	Small	1.01 to 1.12
C	Medium	1.13 to 1.50
D	Large	1.51 to 2.00
E	Major	2.01 to 3.00
F	Complete	3.01 & over

Now, to the answers. If there is such a thing as a typical project, the graph on the next page would lead us to believe that this typical project:

- 1) is not related to a Comprehensive Plan, since the Band does not have one;
- 2) is planned by DIAND staff in consultation with the Band;
- 3) is prioritized in relation to other projects;
- 4) agrees to the BCS Table 04;
- 5) does not need to be listed in the Estimates;
- 6) is largely changed from a year ago;
- 7) may or may not be what the Band now wants;
- 8) has evidence of substantiation;
- 9) has no evidence of project control;
- 10) has no active project team, although it has been talked of many times;
- 11) stands a 50:50 chance of having last year's expenditure agree to the mid-year estimate;
- 12) stands a 50:50 chance of starting the current year's phase on time;
- 13) stands a 50:50 chance of being generally on schedule;
- 14) has a plan that tells us exactly what the Main Estimate expenditure will not be (it will vary by "F"); and,
- 15) is not recorded in PAS.

ANSWERS (YES NO N/A)



While not all these answers are surprises, it was considered useful to give an overview. The balance of the chapter will look at each question and a few other groupings individually.

Q1: BAND HAS COMPREHENSIVE PLAN?

Quite predictably the answer was a resounding "NO". Of more interest for this study were the 3 Bands in 10 who had taken some CCP steps compared to those who had not. Would there be a difference in the predictability of their individual projects? The answer appears to be yes: the closer a Band gets to having a CCP in place, the less their capital plan will vary from year to year. This is taken from the ABC:DEF ratio seen in APPENDIX F.

<u>ANSWER</u>	<u>SOME CCP STEPS</u>	<u>SELECTED PROJECTS</u>	<u>ABC:DEF RATIO</u>
YES	CCP in place	7	22:10
NO	CCP well advanced	13	8:10
NO	CCP actually started	43	5:10
	<u>NO CCP STEPS</u>		
NO	LAND USE seen as plenty	7	4½:10
NO	No effective interest yet	138	4:10

The ABC:DEF ratio is the sum of "good" variances from SEP '80 to SEP '81 compared to the sum of "bad" variances. The average ratio is 4 3/4:10. These variances come from the PLAN box for each project in APPENDIX C. The variances include the six years 1980/81 to 1985/86.

While this type of analysis does not comment directly on the quality of the estimating, it may do so indirectly when one considers that the closer a project gets to being implemented, the more it tends to vary.

VARIATIONS BY PLANNING YEAR

Comparing ABC:DEF ratios by planning year we find that the Current Year varies the least, as expected, but that the Upcoming Year varies the most. This may mean that the Main Estimates is the "worst" year, but more likely means that the quality of our estimating is generally poor. It is not that the later years are "better" but just not as urgent. In fact the later years might be quite illusory as Bands typically are disinterested in talking about anything beyond the Main Estimates Year: they feel they have a hard enough time prying "their" money out of the Department in the current year.

<u>PLANNING YEAR</u> (*)	<u>SELECTED PROJECTS</u>	<u>ABC:DEF RATIO</u>
1980/81 CURRENT	123	12:10
1981/82 UPCOMING	103	2½:10
1982/83 PY 1	107	3:10
1983/84 PY 2	104	3½:10
1984/85 PY 3	99	4½:10
1985/86 PY 4	90	4½:10

(*) - As at September 30, 1980 where sample was picked.

Q2: BAND PREPARES CP1, CP2?

For 2 projects out of 3 the District initiates and prepares the update to the Plan with some form of consultation (meeting, telephone call, etc.) with the Band. For a surprising 1 out of 4, the Band initiates and prepares the Plan, sometimes with CP1 assistance from the District. The first way (2 out of 3) produces capital projects that vary more from plan to plan than the second.

<u>ANSWER</u>	<u>BAND INITIATES</u>	<u>SELECTED PROJECTS</u>	<u>ABC:DEF RATIO</u>
YES	Entirely (Disagree that \$ limited)	20	5 1/3:10
YES	With DIAND Assistance (with CP1)	33	7:10
	<u>CONSULTATION</u>		
NO	Local Government initiates	118	4:10
NO	Non-Local Government initiates	23	3:10
	<u>NO CONSULTATION</u>		
NO	District tells Band	7	2 3/4:10
NO	Band not interested (if \$ limited)	7	9:10
N/A	District responsibility	10	11:10

In 9 out of 10 cases the planning is done to the DIAND targets. Planning for amounts in excess of the targets, due to need, does not seem to be done. As one consequence, Ontario Region recently has not been able to spend all of the Capital funds that were available to it.

Q3: PROJECT HAS BEEN PRIORIZED?

It would seem that the projects are prioritized with relative consistency across the Region. The Region has provided Priority Rating Forms for the Majors and the Districts have used them. In the Minors, of course Housing is the top priority. Perhaps the prioritization is consistent because no one has yet had to use it to decide between two seemingly equal projects? If the ability to prioritize is genuinely held by the staff, this would bode well for being able to allocate funds based on need at some point in the future. That is, at that point in the future when Headquarters and Region start allocating based on need. At the moment, funds are allocated on population, location, price, type of project, nature of Program and size of project with an advance/credit system thrown in for good measure, presumably to offset all or some of the other factors where this is desirable.

At the recent Capital Management Workshop considerable discussion was devoted to the topic of allocation of funds, presumably the main reason for prioritizing projects. Clearly the Districts wanted to simplify the system. The Lakehead District proposal seemed the most favoured although no clear decision was reached. This is discussed further in Chapter IV.

An interesting prioritizing exercise is carried out in the Brantford District. They prioritize next year's plan rather than this year's. Should any funds "come free" this year they will advance the first project on the list, all things such as weather being equal.

Whether staff genuinely hold the ability to prioritize is suspect if one looks to the fall of 1980. The planned expenditures of \$56,000,000 had to be cut more than in half. This exercise was performed somewhat arbitrarily by Regional Office, particularly as to Minors. The Majors were prioritized using amended Priority Rating forms. The first step in prioritizing the Minors was to cut out all items that did not qualify as projects (e.g. Economic Development). The second step was to keep in the Housing and related services, making sure that the units were consistent. The last step was to cut as far as was necessary into the community projects to get within the new targets.

Q4: AGREES TO BCS TABLE 04?

The selected projects do not agree to the August 7, 1981 BCS Table 04 nearly so cleanly as was anticipated.

<u>SELECTED PROJECTS</u>		<u>ANSWERS</u>		
		<u>YES</u>	<u>NO</u>	<u>N/A</u>
104	Minors	53	4	47
114	Majors	65	10	39
<u>218</u>		<u>118</u>	<u>14</u>	<u>86</u>

Of the 118 YES answers only 86 agreed cleanly: some 26 need not have been in the table at all. Of the 14 NO answers only 7 are properly explained. The N/A answers, of course, are those projects with no anticipated 1981/82 expenditures

<u>YES ANSWERS</u>	<u>SELECTED PROJECTS</u>
81/82 activity and TABLE 4 agree	86
81/82 activity dropped	8
81/82 activity never planned	18
New number given by Region in error	4
34748 drops "EXTENSION", looks like 30210	1
Wrong geographic location	1
	<u>118</u>
Total YES answers	<u>118</u>

A twofold concern with these YES answers would seem to be the assigning of two numbers to the same project and secondly the lack of consistency shown concerning which projects are to be included in the Table.

It was somewhat surprising that any projects differed with the BCS Table 04. Remember that this is only a sample. If it is representative, as it should be, then there are likely 50 or more projects which are described differently in the Plan than in the Table.

<u>NO ANSWERS</u>	<u>SELECTED PROJECTS</u>
Project in Plan, but not in Table 04	
- 81/82 activity now dropped	3
- 81/82 activity recently added	3
- Combined with another (neither show)	1
- No reason given	1
Plan name and Table name differ	
- Oneida reads SIOUX LOOKOUT	1
- Saugeen reads FORT FRANCES	2
- Webeque reads SIX NATIONS	1
- Marten Falls reads WALEPOLE (sic) ISL.	1
Plan number and Table number differ	
- 34929 reads 34529	1
	<hr/>
Total NO answers	<u>14</u>

The main concern with the NO answers would seem to be the assigning of the same number to two different projects.

Q5: PROJECT IN BLUE BOOK?

Ontario Region informed Headquarters that sixteen projects should be printed in the 1981-82 Estimates for Parliament. And the sixteen were printed, although three somehow ended up in the wrong Parliamentary Vote.

So far so good. But how does 1981/82 seem to be turning out compared to the Estimates? Well, five of the sixteen projects did not proceed, eight varied widely and three were the same (i.e. an A or B variation).

why?

The current figures for the eleven of sixteen that proceeded are shown below along with the variance from SEP '80 PLAN to the SEP '81 PLAN.

		PARL. VOTE	THOUSANDS \$	
			81/82	TEC
Cornwall Island	School	10	1,614-C	2,459
Long Lake 58	W & S	10	80-F	1,196
Wilmot Lake Services	W & S	10	122-F	2,578
Webeque	Elect'n	10	81-A	707
Pic Heron	Water	10-*	141-F	962
Bearskin Lake	Elect'n	10-*	320-A	1,225
Marten Falls	Elect'n	10-*	70-F	734
Spanish River	Road, WS	15	900-E	1,267
Rankin	Mun.Serv.	15	7-F	332
Saugeen	Drainage	15	126-B	399
Fort William	Drainage	15	195-E	500

(* - printed in Vote 15 in the Estimates, different amounts)

In addition to these eleven projects, there were seven projects which proceeded, but were not included in the sixteen and obviously not included in the 1981-82 Estimates.

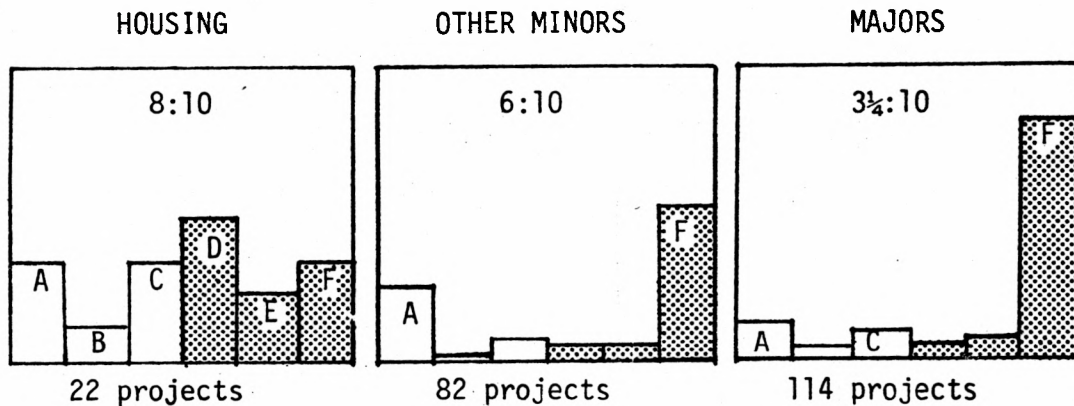
		PARL. VOTE	THOUSANDS \$	
			81/82	TEC
Sheshegwaning	Water	10	\$ 339	\$ 361
Islington	Water	10	591	616
Sachigo Lake	Sewage	10	60	318
Sucker Creek	Pump	10	616	717
St. Regis CH103	Road	15	276	290
St. Regis CH102	Road	15	438	461
Lac La Croix	School	15	346	346
Total "NO" answers			\$2,666	\$3,109

ND. Some experience in B.C.

The estimating of Major projects seems to be particularly difficult for Ontario. Perhaps because they have more such projects and fewer staff compared to other Regions? In any case, deferring Majors means "speeding up" ten times as many Minors, pulling already short staff off one crisis in favour of another, lapsing budgets and many other problems.

MAJORS, MINORS AND HOUSING

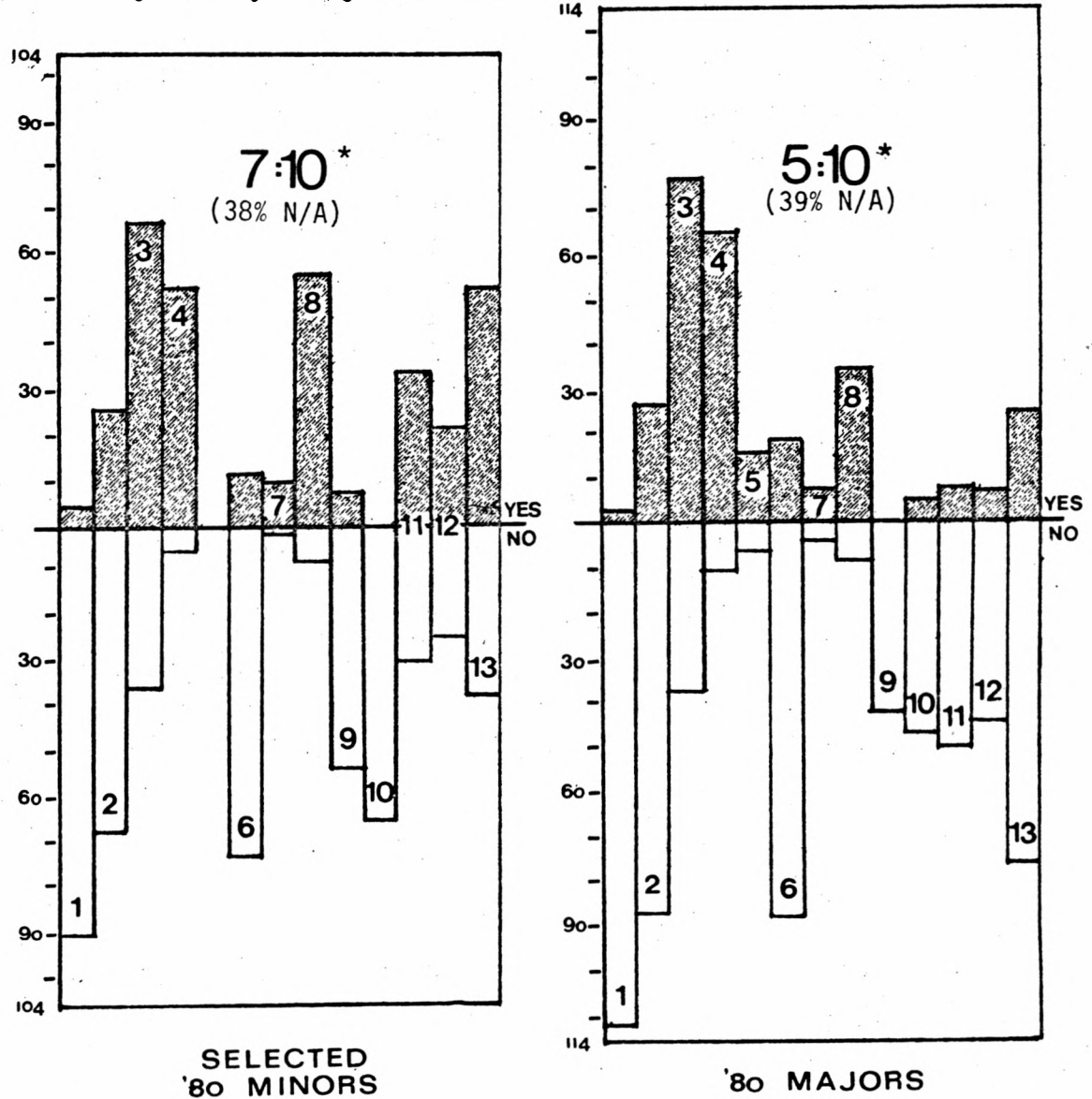
The three categories of Majors, Minors and Housing each represent very roughly a third of the amounts in the total Capital Plan. The three bar graphs visually display the sum of the variances and the ABC:DEF ratio. The reader will recall that the average ratio is $4 \frac{3}{4} : 10$.



Quite striking is that Housing is much better than average, Minors are above average and Majors are below average. Again this analysis does not comment on the quality of the construction, but on the relative stability of the plans from one year to the next.

One of the suggestions which arose in the plenary session at the Regional Capital Management Workshop in Niagara Falls was that we could take a look at the quality of construction in some formal way. It was noted that if this was deemed desirable, then the Director, Band Support, should identify a qualified staff member, presumably an Engineer, to carry out such a study, rather than the staff member who carried out this study.

Another way to analyse these categories is by comparing the answers to the thirteen questions. Again, Minors are "better" than Majors, in this case by 40% as shown in the following bar graphs. The Minors are "better than the Majors from question 8 onwards, and particularly in the areas of substantiation, actual agreeing to plan and generally being on schedule.



(* - ratio of YES to NO answers, not ABC:DEF)

The graphs show the number of YES or NO answers to each question. N/A answers are omitted. The number in each bar refers to the question number. Its placement indicates which answer predominates, or if they are essentially balanced.

From a District perspective then, for that is the source of information for this study, Majors do not come off very well. A look was therefore taken at how well Region is able to obtain approvals for the largest projects. Ontario has 19 projects which require Treasury Board submissions. These projects on average are spread over three fiscal years (53 Years in total) and typically require separate submissions for each phase. We should be averaging ten Treasury Board approvals a year. In calendar 1981 Ontario only made five submissions. We got one of those approved, many people feel only because the Band went and "sat on the ADM's doorstep". Needless to say the backlog of Majors keeps growing as "submissions" go back and forth between Region and Headquarters without seeming to get to the Treasury Board.

Q6: SEP '81 SAME AS SEP '80?

Fewer than one project in five has the same plan a year later. Projects finishing in 1980/81 are N/A of course.

<u>SELECTED PROJECTS</u>	<u>ANSWERS</u>		
	<u>YES</u>	<u>NO</u>	<u>N/A</u>
104 Minors	11	75	18
114 Majors	19	88	7
<u>218</u>	<u>30</u>	<u>163</u>	<u>25</u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>

It is interesting to review the reasons given for the NO answers between the two categories. The explanation "Regional rearrangement" means that the Districts were informed by Region to change the plan and profess not to know why the change was required. If this is the case, it means that the District is in the dark a lot more often than they presumably should be. Remember that the District is typically the RCM, even though Region may "pull the strings". If Majors are going to improve it would seem helpful to improve Region/District communications. The James Bay District made a particular note that this was a two-way need for improvement.

<u>BAND ACTION</u>	<u>SELECTED PROJECTS</u>	
	<u>MINORS</u>	<u>MAJORS</u>
Change in priorities (e.g. new Council)	16	3
Change in phasing	5	3
Projects dropped or rearranged	5	3
	<u>26</u>	<u>9</u>
	<u>—</u>	<u>—</u>
 <u>DIAND ACTION</u>		
Regional rearrangement	5	21
Deferred to complete a study	-	8
Change due to completion of study	-	4
Housing subsidy increase	7	-
Speeded up due to extra \$	3	3
Deferred due to lack of \$	3	10
Deferred until Band reach decision	3	12
Error in recording figures	6	-
	<u>27</u>	<u>58</u>
	<u>—</u>	<u>—</u>
 <u>OTHER</u>		
Change too small to worry about	7	6
Various (e.g. equipment breakdown, weather)	15	15
	<u>22</u>	<u>21</u>
	<u>—</u>	<u>—</u>
Total NO answers	<u>75</u>	<u>88</u>
	<u>—</u>	<u>—</u>

The two most curious things we do in the above would seem to be the mysterious "Regional rearrangements" and the apparent belief that we defer some projects due to lack of budget. Recent years have had sizeable transfers of Capital Appropriations to O & M, not a lack of budget.

This latter practice in fact will lead to difficulties in the not-too-distant future. When the Majors are stabilized there will be two new pressures for additional O & M funds: firstly, to meet the maintenance needs of the new Major assets; and, secondly, to meet the regular O & M requirements now being met by transferring Capital.

Q7: SEP '81 SAME AS BAND PLAN?

This question was not well handled in this study. The results cannot be used. The original intention was to compare the Department's version of what was planned for Capital with the Band's version of what was planned. Unfortunately, different messages were given by the interviewer to different Districts.

Q8: EVIDENCE OF SUBSTANTIATION?

In four cases out of five (90/107) the Districts have a file for the current and previous years for each project containing at least a PICD and usually a Contribution Arrangement or Contract as well. In fact, they often have two or three PICD's in each file, one of which has an amount that agrees with the expenditure for that year. The PICD's are seldom completely signed, but it is difficult to tell how many signatures a PICD should have since nowhere does it indicate who is actually approving. The approval levels change from time to time as well. The PICD's are typically photocopies in the Districts. The originals are kept in Region, by Finance (RP&A) until the fall of 1981. The TEC's on these PICD's are often different from each other and from the Plan (changes continuously).

SELECTED PROJECTS		ANSWERS		
		YES	NO	N/A
104	Minors	56	8	40
114	Majors	34	9	71
<u>218</u>		<u>90</u>	<u>17</u>	<u>111</u>
<u> </u>		<u> </u>	<u> </u>	<u> </u>

The NO answers occurred in twelve cases because the file contained no PICD at all and in five cases because the PICD (or PICDs) in the file did not agree to the expenditure for that year.

For half of the selected projects the question of evidence of substantiation did not apply for the reasons set out below:

<u>N/A ANSWERS</u>	<u>SELECTED PROJECTS</u>
Would have been YES or NO except (page 60):	
- District was not visited	18
- District file not available	12
Project cancelled by SEP '81	15
Project has no spending in 80/81 or 81/82	36
Project essentially still just an idea	30

Q9: EVIDENCE OF PROJECT CONTROL?

A basic element of the Project Control System is the Project Control Chart. No one in Ontario uses it. Neither do they seem to replace it with anything. This is not to say that Technical Services people fail to control projects for which they are the manager. It is to say that they do not put substantiation on file to show that control was exercised. In fairness, it must be pointed out that they were not hired for their administrative skills and are now expected to carry out roles they have not generally been trained for.

Having some invoices and similar documents randomly stuck in a file was not accepted as evidence of project control. Only one District, Kenora, had files which had PICD, Contract (or Contribution Arrangement) invoices, schedule, cash flow, pertinent telexes (or letters) and other highlight documents organized in one file in a manner that indicated project control. This District accounts for all eight YES's. Whether the actual control is better here than in other Districts is not answered by this study.

One other District volunteered that they have organized project control files for their Vote 10 projects. These files were not reviewed because none of these projects were Selected Projects as it turned out. Whether the files would have been judged a YES or NO is not known.

*I was under
the impression
this was
not in use*

Q10: ACTIVE PROJECT TEAM?

Only six Major projects evidenced minutes on the District files of at least some Project Team meetings. None of the other selected projects did. Although there is no doubt that some other projects had some meetings, the notion of an active Project Team would seem to be viewed as a luxury in most instances.

What is more typical is that the "Program Managers" within a District will get together periodically to discuss District Capital, perhaps with other items. In one District, Peterborough, formal minutes were kept for nearly a year of these weekly, then monthly meetings. The formal minutes stopped abruptly in August 1980 when one particular staff member transferred to another District. It is believed that these meetings have continued (although without minutes) and that consideration is being given to inviting Band representation to the meetings.

There is no apparent common significance to the six projects with YES answers (e.g. - five different Project Managers, six different Districts, three Water, two Sewer, one Bridge), except that it was always an outside consultant who prepared the minutes.

STAFF TIME

This would seem an appropriate point in the report to direct attention to the divergent tasks assigned to the Superintendants of Local Government (sic) in the Districts. Their tasks may include direct administration of welfare, welfare counselling and supervising of elections, as well as relating to Band Financial Advisors, advising Band Administrators and supervising Local Government Advisors (see APPENDIX D). The time left over for carrying out their role as Responsibility Centre Manager for most Capital projects in the District (including Majors) is far from ideal.

On top of this when they do devote time to Capital, an inordinate amount is spent "fiddling the plan". In Ontario, the plan is continuously adjusted to agree to the intended actual expenditures. This results, not only in a continuous flow of PICD's for "approval", but unfortunately in no variances for analysis. Little time is left to control or monitor sound capital construction, no effective use is made of PAS and everyone wishes they had any time available to evaluate how projects are proceeding.

Q11: 80/81 ACTUAL SAME AS PLAN?

Majors are the main reason why the final 1980/81 expenditures differ from the estimate made at mid-year in SEP '80. We said we would spend \$8,784,000, but we were \$2,526,000 short of this. Selected Minors were short only \$2,000 in total, if one project is ignored. That one project was a high school scheduled to be finished by the Band in 1981/82 for \$130,000. It was finished as scheduled, but the Department convinced the Band to accept \$129,000 at the end of 1980/81 to carry this out. This, less the \$2,000 underspent above, put the total selected Minors as overspent by \$127,000. The Majors were underspent by \$2,653,000. More than half of the Minors had a YES answer, but only 15% of the Majors. It is no surprise, now, that the ABC:DEF ratio is better for the YES's than NO's and better for the Minor NO's than the Major NO's.

<u>ANSWERS</u>	<u>80/81 EXPENDITURES (\$000)</u>			<u>ABC:DEF RATIO</u>
	<u>PLAN</u>	<u>ACTUAL</u>	<u>OVER (UNDER)</u>	
<u>MINORS</u>				
- 53% YES	\$ 990	\$ 990		10:10
- 47% NO	1,671	1,798	\$ 127	6:10
	<u>2,661</u>	<u>2,788</u>		8:10
<u>MAJORS</u>				
- 15% YES	1,016	1,016		17:10
- 85% NO	5,107	2,454	(2,653)	3:10
	<u>6,123</u>	<u>3,470</u>		4:10
TOTALS	<u>\$8,784</u>	<u>\$6,258</u>	<u>\$(2,526)</u>	6:10

If only we could get the Majors closer to Plan, or Plan closer to Actual. To be out \$2,653,000 on an estimate of \$5,107,000 just six months after the estimate is "not so hot".

Incidentally the TEC for these projects increased during the same period by \$7,836,000 from \$73,690,000 to \$81,526,000. This indicates that our underspending each year is not disappearing, but looming ever larger on the horizon as the backlog of Major projects grows.

It should be noted that 32 selected projects showed a to date balance in the plan which was at odds with the actual expenditure.

<u>SELECTED PROJECTS</u>		<u>ANSWERS</u>		
		<u>YES</u>	<u>NO</u>	<u>N/A</u>
104	Minors	34	30	40
114	Majors	9	50	55
—		—	—	—
218		43	80	95
==		==	==	==

Q12: 81/82 STEP ON TIME?

By this point in the study the point had sunk home about Majors and Minors. Accordingly, since the following was no surprise it was not studied in any detail.

<u>SELECTED PROJECTS</u>		<u>ANSWERS</u>		
		<u>YES</u>	<u>NO</u>	<u>N/A</u>
104	Minors	22	24	58
114	Majors	9	48*	57
—		—	—	—
218		31	72	115
==		==	==	==

(* - The actual count was 44, but 4 inadvertently seem to have been marked N/A. The individual sheets have not been corrected.)

For 36 of the NO answers the reason given was the same as for question 6 looked at in detail earlier. The only new reasons here were the ponderous pace of the DSS bulk-buy system and the slowness of our own Contribution Arrangement Process.

Q13: GENERALLY ON SCHEDULE?

The same for this question as Q12, only more so. The answers were not studied at all.

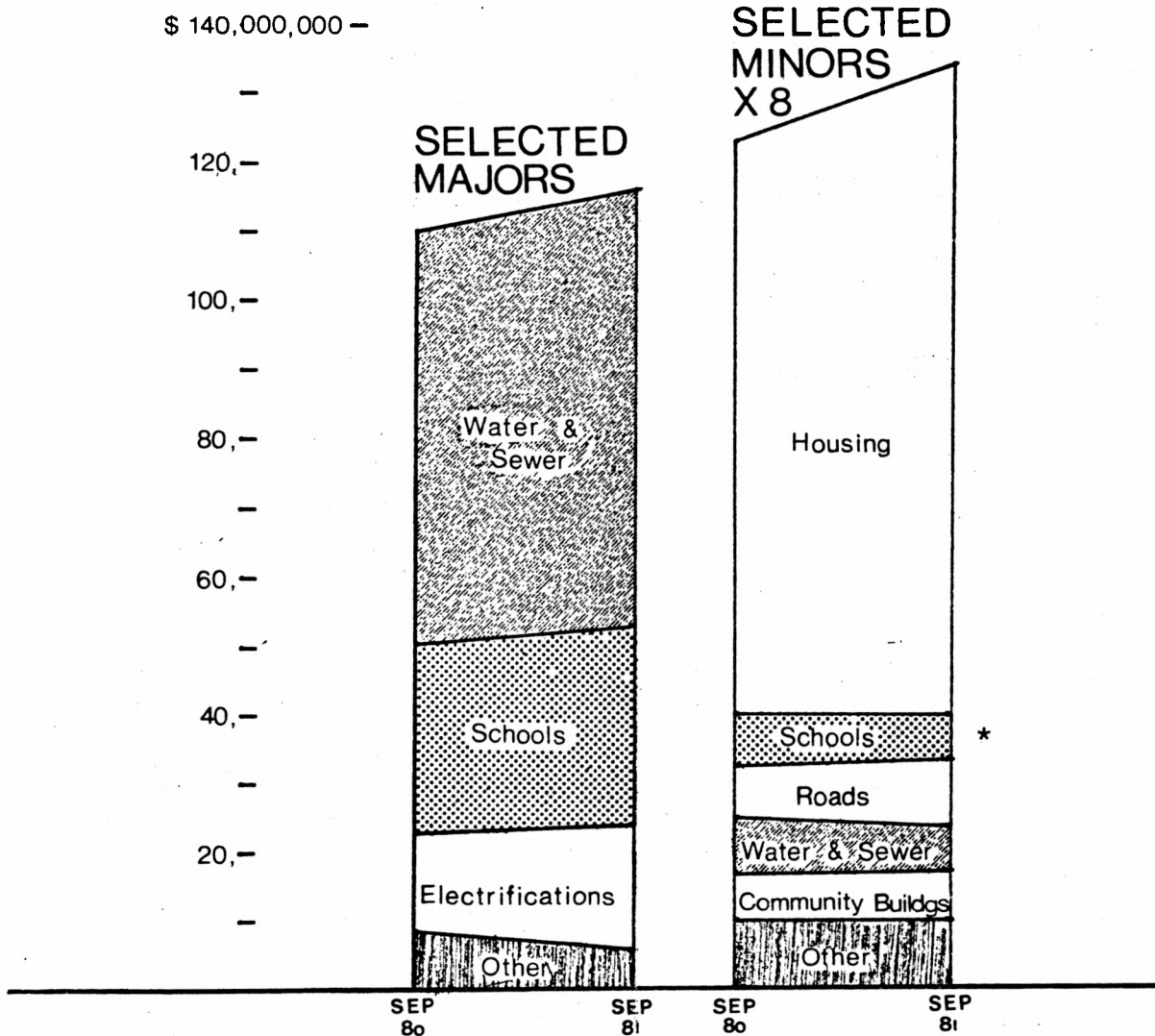
<u>SELECTED PROJECTS</u>		<u>ANSWERS</u>		
		<u>YES</u>	<u>NO</u>	<u>N/A</u>
104	Minors	53	38	13
114	Majors	24	76	14
<u>218</u>		<u>77</u>	<u>114</u>	<u>27</u>
<u> </u>		<u> </u>	<u> </u>	<u> </u>

As expected, projects can be generally on schedule notwithstanding problems with other questions. Again, Majors seem the obvious area for improvement with barely one in five (24/114) being considered on schedule. The number actually on schedule surely is lower.

BY TYPE OF PROJECT

The graph on the next page is intended to show what the total Plan would look like between Majors and Minors, if the SEP '80 PLAN is a typical Plan. The selected minors were multiplied by a factor of 8 rather than 10 because although 10% of the minor projects were selected, those projects translated into 12½% of the TEC's for Minors for the SEP '80 PLAN. The other thing which the graph shows is the change (if any) for the total TEC's for the selected projects from the SEP '80 PLAN to the SEP '81 PLAN.

THE CHANGE IN PLAN BY CLASSIFICATION GROUPING



* One anomaly ignored where a Minor school project turned into a Major.

OTHER

The study also looked at the answers by Project Manager, by type of Project Manager, by classification and by District. Either there was nothing significant, or the method of choosing the sample could not support what might appear to be conclusions. These results are thus not included in this report.

Now that we have some idea what we do, the next chapter will offer suggested improvements.

CHAPTER IV

WHAT CAN WE DO?

We can do a lot. We can agree on how and why to meet the project control requirements, and then meet them. We can give some thought to the immediate future (e.g. maintenance management) and prepare for it. We can strive for consistency. We can stop saying "We don't have enough time" and make much better use of the time available.

As the reader will see, this chapter has been set out so that on facing pages the reader can look at one issue from the findings of the study through to the action intended to be taken by Band Support. The full action plan, of course, is set out in the next and last chapter, Chapter V - What Will We Do?

The order of the issues is deliberate, even though they really are intertwined and one about as important as the next. This chapter was most difficult to write because of the problem of which issues to select. Many issues came to mind, were tried, drafted and discarded. It is certainly hoped that the issues finally selected prove to be substantial and the recommendations useful. Time will be the judge.

Please note that the recommendations may relate to more than one issue. Where this is the case the recommendation is shown against both issues, or in other words, repeated. Please also note that a recommendation was made only where a common problem appeared to exist. Observed individual cases which were not common were ignored for this report as being too unique.

ISSUE:

Meeting the requirements of the Project Control System

OBSERVATIONS/ANALYSIS:

This was chosen as the first issue because the study found it to be so poorly documented, particularly in comparison with the Capital Planning Process. Recall that no one uses the Project Control Chart and the District Technical Services staff are generally not trained in administrative functions. On top of this, the RCM/PM relationship on larger projects (and some smaller) is artificial, with someone reporting to another on paper, but not in fact. This seems to result in poor communication and very few active Project Teams, although they all exist on paper.

The study indicates that we recognize the short-comings in this area. In APPENDIX C the reader will find 99 selected projects with SUGGESTED IMPROVEMENTS. Of these, fully 28 related to better and regular monitoring of projects, particularly by the Project Manager and eleven related to improving (even formalizing) communications between RCM's and PM's. More than a few Districts thought there should be a checklist of some sort to make sure everything got done. They did not seem to recognize that the Project Control Chart is in fact a checklist.

The study did not find any evidence that any regular reporting is done such as the required Capital Project Status Report. The study did find that nearly everyone was ignoring the Project Accounting System. When Technical Services wanted to use a Capital Person Year to get PAS operating they reportedly were told they could not by Headquarters.

We can expect that things are only going to get worse if this aspect of the Capital Management System is not improved soon. The departmental auditors in August 1981 said that "Established requirements for project control are not being followed in any of the Regions reviewed...The content and organization of most project files has to be considered unsatisfactory". Their apparent recommendations are to institute more reports, controls, guidelines and minimum Contribution Arrangement conditions. Is this the answer though?

The Capital Management System is still very much in the growing stage. The immediate future will see the addition of inspecting, reporting and other functions. Ultimately an operating Evaluation System will be in place. We need to get our "project control act together" without delay.

CONCLUSIONS DRAWN:

- We have an opportunity to sit down and frankly discuss exactly how it is that we, in Ontario, will meet the requirements of the Project Control System. Every interested party should be involved, even if they are not sure that they are interested (e.g. Education in some locations).
- We should recognize that many staff do not seem to know which papers to keep, which to throw away and where to put the ones they keep, once they find that out. It seems "Files" are looked down on as something the "clerks" keep.
- We think that problems will go away if we ignore them long enough.
- We should consider maximizing our use of current technology.
- The Technical Services staff should be involved in the whole process, right from the very start, on location.

RECOMMENDATIONS:

- Reach a consensus on roles and responsibility for adhering to agreed Project Control System requirements.
- Standardize the Project files, their content and assign responsibility for their orderly maintenance to an officer. Then train the officer(s) how to maintain a pertinent file. Then monitor.
- Produce and maintain a Capital Desk Book such that everyone has the same information on the current Project Control System requirements.
- Ensure Technical Services input into the CPI form.
- Investigate the feasibility of using a Word Processor to produce an individualized Control Chart for each project in anticipation of its being simpler, and so actually used.
- Locate the RCM and PM in the same office and organization.
- Make PAS operative and use it eventually expanding it so as to automate the Capital Plan. Improve the Band management capabilities.

INTENDED ACTION:

(see details of action plan at 5A in next chapter)

- Directive of roles and responsibilities (now developed) to be polished, distributed over RDG's signature and implemented.
- Standardize project files developing minimum requirements and establishing maintenance responsibility.
- Improve quality of "existing" Desk book and standardize the update requirements.
- Establish Technical requirement criteria for CPI formats.
- Word processing equipment being installed in Regional Office. A way will be developed to produce individualized Control Charts.
- Improve communication and team work between RCM and PM/O (locating in same place, to be done where practical)
- Collaborate with F&A to improve PAS to meet needs.

ISSUE:

Approval of Major capital projects.

OBSERVATIONS/ANALYSIS:

This was chosen as the second issue because it is so critical for Ontario. The message was clear in Chapter III that the key to improving the stability of the Capital Plan lies in improving the Majors. At present, our Capital Plan resembles a "fast forward" motion picture as projects appear, disappear, change Votes, change years and change costs. Majors are a prime contributor. Deferring just one Major from the current year will likely generate 50 changes to the Plan, 25 new PICD's and 10 Budget transfers: we defer nearly half our Majors each year. Understandably, the credibility of DIAND as an able planner is questioned by many Bands.

Ontario has an excessively large volume of Majors. There are now 127 projects covering a total of 290 fiscal years, or two and a half fiscal years each on average.

Ontario has experienced little to no success in getting Treasury Board submissions through Headquarters. Part of the problem is indeed our own inadequate preparation due to lack of sufficient staff to conduct proper research and documentation. This would seem to be a national problem by reading the August 1981 Departmental Audit of the Capital Management System "Submissions for Treasury Board and the Assistant Deputy Minister are inadequately prepared and consequently process control points are often weakened".

The increased general concern with value and accountability has quadrupled the time required to write a project submission (one for each phase, each in greater detail). It seems that HQ requirements exceed those of Treasury Board, and where Treasury Board authority is required we seem to rewrite each submission five times. As a result, it now take us twenty (5x4) times as long to prepare the document.

Regional Technical staff has more than doubled in the last year in an effort to improve the management of our Capital Appropriations, particularly Major projects. More increases are intended.

"Political pressure" appears, at the moment, to be the most effective way to obtain approvals for large projects. At the same time it looks like a "PV 15 Major" is a thing of the past, if recently returned submissions (from HQ) are any indication.

CONCLUSIONS DRAWN:

- The Band Support staff in Regional Office should stop wasting their time fiddling with the Plan and the Budget and concentrate on getting approvals for Major project submissions.
- Somehow the working relationship between Region and Headquarters has to be improved. The role which HQ carry out and the role which Ontario would like to see them carry out are far apart.
- A wholesale rethink of Vote 15 Majors may have to be carried out. This will add to the backlog by adding one more delay for those projects which have to move from a planned Vote 15 to a Vote 10 if they are to be approved.
- The whole subsidy, advance and allocation system seems a very complicated, time-wasting way to try to attain "fairness".

RECOMMENDATIONS:

- Drop the notion of subsidies, advances, basic allocations and allocate the entire budget to free Regional staff to deal with Majors.
- Identify "full time" submission writers and investigate feasibility of word processor since there are so many "rewrites".
- Set an attainable schedule to reduce the Major backlog and report monthly to the Regional Capital Management Committee on progress.
- Convene a meeting of TB, HQ and RO representatives to reach an understanding on the requirements for submissions.
- Revise the HOW TO GET APPROVALS manual and train RO staff if needed.
- Annually loan specific RO staff to HQ (2 wks.?) for exposure to "HQ end".
- Insist on active Project Teams with minutes for each Major.

INTENDED ACTION:

(See details of action plan at 5B in next chapter)

- For obvious reasons maintain the policy of basic allocations and subsidies. Phase out the credit/advance system as Capital Plan stabilizes.
- Submission writers will be identified. Staff constraints prevent such being "Full Time Use".
- Rescheduling of projects on an attainable basis will be reviewed and acted upon.
- Regional Office word processor will be installed in the Band Support work area and will be used.
- To develop a Regional perspective and meet with HQ and TB staff to develop an understanding on joint requirements.
- Revisions on "HOW TO GET APPROVALS" manual will be completed & distributed.
- Where possible, selected RO Capital staff will collaborate with HQ staff for updating and orientation (proposed to be reciprocal).

ISSUE:

Improving productivity

OBSERVATIONS/ANALYSIS:

Early in Chapter III it was mentioned that we do a lot of adding and cross-adding. It has also been mentioned that we spend inordinate amounts of time just "fiddling" with the Plan. It should be added that checking and rechecking not only gets harder, it gets less accurate and so more time-consuming the more it continues.

In the process of completing the questionnaire it was noted that a number of staff exhibit poor time management habits (too helpful; unable to control telephone calls and the like; disturb others with misdirected questions or comments). It was also noted that a number of managers exhibit poor staff management habits (pulling staff off one task to do another with no apparent thought to the consequences; lack of discipline).

In addition to poor habits there are tasks to be done that lack consistency and/or logic (rounding one way for the PICD and another way for the Plan; complete rewriting/reapproval of PICD to spend nothing; running once again to dig out the same information for Headquarters in a slightly different format, usually on an urgent basis). All of these tasks, of course, take place in an office that can be conducive to work or disruptive to those who may wish to work. The Regional office in general (not just Band Support) is not seen to provide a very business-like working environment. Fortunately, it is being reorganized next month. Perhaps advantage will be taken of this opportunity to provide an appropriate environment to the staff.

Ontario's staff are typically optimistic when estimating how long it takes to carry out a task. Maybe once it was done in two weeks, but six weeks may be more likely. During this study Regional Band Support published two multi-page calendars of events that fell behind schedule with the very first item on the calendar. Staff also estimate there would be no more problems if only they had more staff.

There are a number of activities that everyone agrees we should do more of, but lack sufficient time (improving Bands' management capabilities; using the latest technology; maintaining active Project Teams). We do, however, devote considerable time to the seemingly complicated subsidy, advance, credit, basic allocation system.

All these little delays add up into a common problem: poor use of the time we do have.

CONCLUSIONS DRAWN:

- If each staff member considers these items plus the extra time spent at coffee, lunch and the like, it is surprisingly easy to come up with two hours a day. If that time could instead be translated into productive work time it could have the same affect as a 40% increase in Person Years.
- Although there may be some small increase in CFT Person Years for managing Capital it is not likely to be the result of additional PYs for the Region, but rather a resorting of existing PY's. Management will have to find ways to substantially improve the effectiveness and efficiency of existing staff.

RECOMMENDATIONS:

- Establish and maintain a proper working environment.
- Train staff in Time Management.
- Management minimize work interruptions.
- Factor know delays or likely delays into timetables, calendars and other periodic estimates of time.
- Drop the notion of subsidies, advances and basic allocations.
- Improve Band management capabilities.
- Use EDP as a tool rather than avoiding it (e.g. PAS).
- Locate RCM and PM in same office and organization.
- Improve Majors before Minors.
- Improve Main Estimates before other Years.
- Stop demanding NIL PICD's.
- Round amounts to the nearest \$100.

INTENDED ACTION:

(See details of action plan at 5C in next chapter)

- Capital Management Branch to move to a more appropriate location within RO conducive to team-work and production.
- Time Management and Project Scheduling Training now scheduled in the Personnel Management-Plan for fiscal 1982/83.
- Known delays will be factored and constraints elaborated early in 1982/83.
- Maintain basic allocations/subsidies: phase-out credits/advances system.
- Band management weaknesses to be addressed by Band Support/Training.
- EDP usage and innovative techniques will be explored.
- Improve RCM/PM communications, locating together where practical.
- Improve Majors, but recognize and elaborate on constraints.
- Rigorous effort to be brought into use on Main Estimates Year.
- Determine the need for NIL PICD and take appropriate action.
- Determine benefits of rounding to nearest \$100 consistent with HQ.

ISSUE:

Finance & Administration as roadblocks

OBSERVATIONS/ANALYSIS:

The point at issue here is not that Finance & Administration are trying to throw up as many roadblocks as possible, but rather that they do (or don't do) a number of things that have that affect. If the reason given is they have to do it because of a Directive, the point should be made that they write the Directives.

We appear to make very poor use of available electronic tools. We instead use a wide variety of manual records. This results in electronic records being constantly out of date and reinforces the using of manual records. The most obvious instance in Capital Management is the Budget. Presumably we could use the Budgetary Control System to control the Budget. In fact we seem to use everything but BCS. The District Superintendants of Finance & Administration are instructed not to process Commitment Certificates for Capital unless they have an approved PICD which they will get from Regional Resource Planning & Analysis. RP&A are not going to release a PICD until their manual cards indicate an appropriate Budget is available. The cards are adjusted by RP&A when Regional Band Support advise that the Plan has changed. Regional Band Support change the Plan using manually recorded advances and credits against formula depending on the rate of Regional subsidy (0%, 50%, 80%, 100%) for the project(s) affected. The projects cannot be amended unless all the years in the Plan can be adjusted to the Targets. Quite simply Finance and Program and District and Regional staff seem to be all wanting to "control the budget" manually. Why? Why not use BCS? The Plan is not a plan, but a control on the Budget.

As mentioned in Chapter III, the numbering of projects has some weaknesses and inconsistencies, the actual and to-date figures disagree far too often, there are too many PICD's to ensure that everyone is working with the same photo-copy, formal approval of a PICD is required even where you want to spend nothing and no comparison seems ever to be made of actual performance against plan.

An issue that is seldom discussed is the subject of Administration. Perhaps it is too big or too out of control, but everyone has their own little system even within sections, let alone between Programs or between offices. More about this under the issue of CONSISTENCY. For this issue we would just note that every office visited seemed to have its own way to keep and process information.

CONCLUSIONS DRAWN:

- Finance & Administration could take a lead role in bringing order to administrative practices in Ontario Region. This would ultimately result in amazing reductions in the volume of paper filed, and, if done right, to files that could be found and were pertinent to the subject rather than crammed with multiple copies of unadulterated filler.
- F & A should find some electronic way to ensure that everyone is working with the same PICD, that it is recorded in the Plan, that approvals automatically commit the Budget (even future years where the Budget does not yet exist) and that changes to a PICD can be highlighted for approval rather than buried in a whole rewriting of the PICD as at present.
- RP&A become an aid to the Program in analysing Actual against Plan rather than insisting that Plan must equal Actual before spending.

RECOMMENDATIONS:

- Standardize the Project files, their content and assign responsibility for their orderly maintenance to an officer. Then train the officer(s) how to maintain a pertinent file. Then monitor.
- Assign a number to every project.
- Superintendent of F & A to recommend when new number needed.
- F & A check "todate" figures to "actual" (EAS-PAS?)
- Use BCS to control budget instead of manual records.
- Key punch PICD to print via terminals (District and Region).
- Investigate feasibility of automating the Capital Plan through accumulations of keypunched PICD's, etc.
- F & A coordinate the orderly improvement of administrative practices rather than Planning, as seems the case at present.
- Allow PICD's to be approved for content and cost of construction, rather than agreement to Plan and Budget. Then the RCM would identify his required Budget using regular BCS procedures and carry on. Some approvals would be "held" until the Budget became available.

*Put the Plan
on computer!*

INTENDED ACTION:

(See details of action plan at 5D in next chapter)

- Request series of project numbers from HQ and assign.
- Program Admin. Officer to assign new numbers as required.
- F&A to be asked to check "to date" to "actual" (discussed with Dir., F&A).
- Rigorous input and close scrutiny of BCS will shift budget control away from manual system in 1982/83.
- Explore with new Wang equipment if possible/feasible to key punch PICD then implement when viable.
- Negotiate with F&A for officer to effect orderly improvement of admin. practices.
- Explore further the benefits/limitations of approving PICDs for content and cost of construction rather than agreement to Plan and Budget.

ISSUE:

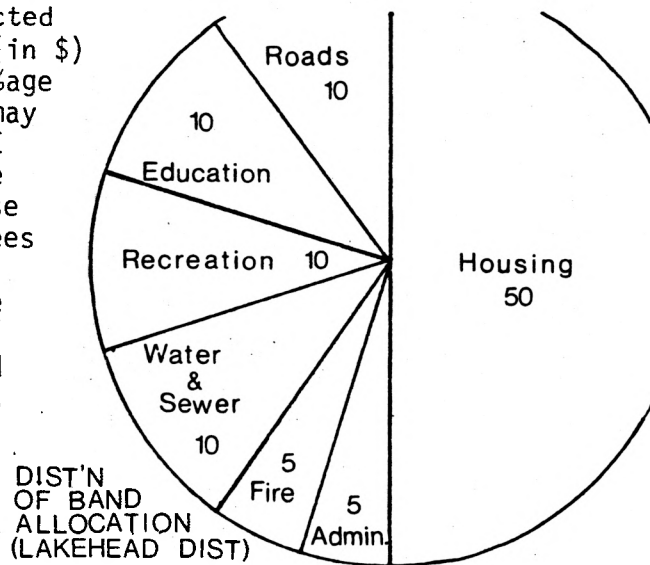
Encouraging Bands and DIAND to plan

OBSERVATIONS/ANALYSIS:

Staff seem overwhelmingly in favour of encouraging Bands to do more and better planning. They seem also to recognize that our own track record as a Department needs substantial improvement. Fully 19 of the 99 SUGGESTED IMPROVEMENTS in APPENDIX C related to better and more consistent planning being in place before approvals be given to projects in the future.

Staff also are aware that many departmental practices in fact provide a disincentive to Bands carrying out planning. The "basic allocation" encourages Bands to think of the Budget as "their funds" and the Department as mounting up "red-tape" hurdles that need to be jumped, just for the sake of jumping. The Band is then encouraged to make trips to Region where the "pot" exists to have these hurdles politically exorcised. As a result, it is easier for a Band to get a PICD processed in October than April. By October there is "free budget" in Region. A clever Band which knows they want to buy a truck, say, in the fall, should not include it in the Plan in April, but come along with a PICD in September which will sail right through and they will get their truck in October. Can this change?

One District, Lakehead, started in 1981/82 to go through a needs assessment exercise with interested Bands to determine how much in percentage terms of an available Budget over a five year period should be spent on various activities. A visual model is produced as shown here for each such Band. Keeping this model in mind, the selected Band sets out the annual components (in \$) of its Plan. Each annual component %age may look very different as the Band may concentrate on WATER, SEWER and FIRE PROTECTION one year, then HOUSING the next year and so on. The sum of these five annual components, however, agrees to the model. There is also a model for the whole District, including the needs of the District office. This method would be aided if Region would change its method of allocating funds using subsidies, advances, credits, etc. This method was of interest to a number of Districts at the recent Capital Management Workshop in Niagara Falls.



The departmental auditors in Aug. '81 recommended that senior management emphasize community planning and provide guidelines/standards to Regions. Further, that information on the relationship of proposed capital projects to existing facilities and future requirements be provided and considered acceptable prior to project approval. These recommendations sit very well.

CONCLUSIONS DRAWN:

- It is almost a Motherhood statement to say that the Department should encourage Bands to plan more, upgrade their skills, complete their own CP documents, etc. And yet it is so obvious. This study indicates in the answers to Q1 and Q2 that the Capital Plans would be more stable, to no one's real surprise.
- If there is a genuine interest in promoting planning by Bands (and the Department), then there have to be some rewards or incentives for those who do plan well, rather than the reverse. HQ cannot say "Do as we say, not as we do": HQ must show leadership.
- The District staff have an apparent ability to prioritize projects if the answers to Q3 are correct. It has not seemingly been "tested under fire", however, depending upon how one interprets the great budget reductions in the fall of 1980.

RECOMMENDATIONS:

- Set minimum CCP levels to be met by Bands before a project can be considered for DIAND funding. (Varying levels depending on project.)
- Drop the notion of "worst first" or define it in a Directive.
- Prepare the Capital Plan annually instead of changing it every time one of the 1,200 projects changes and plan to "need" versus targets.
- Evaluate and record Actual performance compared to Plan as part of the annual exercise to determine the next Plan.
- Encourage Bands to prepare their CP1 and CP2 forms by helping them to improve their management capabilities.
- Involve Education and Technical Services in the Planning Process.
- Drop the notion of allocations by population/price formula in favour of a method based on combined need/performance.
- Drop the notion of any sort of Regional "pot".
- Set out a Regional strategy each year to deal with the management of Capital Appropriations (82/83 might concentrate on Majors and Main Estimates, as an example).

INTENDED ACTION:

(See details of action plan at 5E in the next chapter)

- Minimum CCP levels to be set for Majors: Minors and Housing to follow.
- The term "Worst first" has apparently been dropped nationally.
- Explore benefits & limitations of annual "no change" Plans with HQ.
- Explore benefits & limitations of evaluating Actual v/s Plan with HQ as part of the annual planning exercise.
- Bands are currently encouraged to prepare their CP1 and CP2 forms. More importance on this will be stressed.
- Include all Programs through Regional Capital Management Committee.
- HQ to look at dropping population/price formula in favour of need?] - do this recall -
- Regional "pot" to be reviewed. Benefits and liabilities to be articulated before action taken.
- 1982/83 Majors & Main Estimates will receive rigorous attention.

ISSUE:

Comparing Actual to Plan

OBSERVATIONS/ANALYSIS:

There is a different Capital Plan in Ontario, with every change to any PICD. Each time someone wants to spend an amount that is even \$1 different from the PICD (up or down), the PICD needs to be rewritten and reapproved, the Capital Plan amended and however many projects as is necessary moved to whatever year to accommodate the change. And each of those projects needs their PICD's to be rewritten and reapproved. Reapproving a PICD is no mean task. The RCM and PM in the District sign and forward to Region for the Program and Technical Services to sign followed by the RDG. The PICD then goes to RP&A to await the manual checks on budget before being signed by the Director, F & A, who returns it to District for the RCM and PM to sign again. At this point the changed expenditure can be processed. At times there seems to be a continuous flow of PICD's for signature. In other words, the Plan is manually changed on a continuous basis to agree with the intended expenditures and the Budget brought into line with both. This results in:

- 1) no variances for analysis;
- 2) a continuous flow of PICDs for "approval";
- 3) an inordinate amount of time (estimated as 65% to Capital time in APPENDIX D) is spent by District staff manipulating the Capital Plan; and
- 4) little time is left to control or monitor sound construction.

] NB.

This system seems quite different from the "outside world" where typically variances are recorded and regularly analysed to determine corrective action (be that action to correct the actual expenditures or to correct the method of planning or both).

This seeming gap is most curious. It is almost as if someone forgot and will not find out until the last component of the Capital Management System is written (that is, the Evaluation component). Perhaps it is simply a different orientation to the subject of Capital. The Program may take a "macro" view while F&A is concerned with the "micro" project-by-project view. That is, while it is true that the new PICD is expected to set out why the rewriting is required (thus sort of comparing actual to plan), it is, in Ontario at least, impossible for the RDG to keep track or ensure management if he must deal on a PICD by PICD basis.

CONCLUSIONS DRAWN:

- The Capital Plan is not a plan but a control on budget. There is no apparent ability to measure actual performance against plan, since a legitimate question is "Which Plan?".
- We laugh, as Canadians, when we hear that the Russians brushed someone out of a historical photograph and made them a non-person. It seems we do this with our Capital Plan: we go back and keep changing it to agree to intended expenditures, even asking for formal written approval for "non-projects".
- If RCM's could get approval for the content and cost of a PICD, subject to the budget being available, then when the budget was available they could proceed, notwithstanding the fact that the project differed somewhat from the timing in the Plan.
- Planning, budgeting and expending should be seen as separate exercises which need to be measured against each other to determine an overall management performance.

*Get the
Project & similar
Regions
control.*

RECOMMENDATIONS:

- F & A should check "to date" figures to "actual". (EAS-PAS?)
- Prepare a "No Change" Capital Plan annually in June/July.
- Evaluate and record Actual performance compared to Plan as part of the annual exercise to determine the next Plan.
- Set an attainable schedule to reduce the Major backlog; reflect this in the Plan; and report monthly to the Regional Capital Management Committee on progress.
- Quarterly record and analyse the variance between the TB Turnaround document and the "No Change" Capital Plan.
- Use EDP as a tool rather than avoiding it:
 - use BCS to control Budget
 - Make PAS operative and useful
 - consider keypunching PICD to print via terminals.
- Adjust FD-5 so that the PICD can be approved for content and cost, subject to budget being available.
- Indicate on the PICD which is the approving signature.

INTENDED ACTION:

(See details of action plan at 5F in next chapter)

- F&A to be asked to check "to date" to "actual" (discussed with Dir., F&A).
- Explore benefits & limitations of annual "no change" Plans with HQ.
- Evaluation by reviewing variances to be determined by HQ reaction. Some evaluation can take place now.
- Schedule to reduce Major backlog to be set for 1982/83.
- Record of TB Turnaround document kept to discuss & negotiate with HQ.
- Explore with F&A the computerization of all Capital activities and implementation when and where possible.
- FD5 currently being rewritten.
- Identification of approving signature and authority on all PICDs currently being done.

ISSUE:

Consistency

OBSERVATIONS/ANALYSIS:

In the long run this may be the most important issue and the least well handled by us. Why is it that we seem unable to evolve in an orderly fashion? Why do we generate so many annoying little changes and then forget to tell staff? Why do we tell staff that a change is coming, but not tell them what it is until the very last second?

The subject of Administration was mentioned earlier under the issue of F&A AS ROADBLOCKS. In Regional office when a secretary changes managers she has to learn a whole new system, even as to how flimsies are filed. In Regional office every Manager and Section Head is encouraged to keep his or her own black books, filing cabinets, records and systems. Correspondence is almost invariably routed without the file, obviously because the file was not in Central Registry when the correspondence came through. It is a rare officer who takes enough interest in Central Registry files to try to keep them in good shape. Everyone tries to keep their own files, but of course not everyone gets all of the information and so there may be no one with a complete file. The Central Registry file will likely have three copies of one item and none of another. Currently the file numbering system is being changed in Central Registry. Since so few officers know what is changing and why, they are likely to keep more files in their Section. Why not set some administrative standards and implement them?

It is extremely difficult, and haphazard in the end, to try to compare one year's activity with the next when the groupings change. Rumor has it that the expenditure coding and system of committing budget will change for 1982/83.

There does not appear to be any consistent way of dealing with emergency repairs to Departmental buildings. At least no way that will respond on time without circumventing the Capital Management System.

The continuous changes to the Capital Plan have been mentioned, of course, already. As have the inconsistent numbering of projects, failure to check "to date" expenditures to "actual" and the inability to determine easily which photocopy is the "real" PICD.

CONCLUSIONS DRAWN:

- As a bureaucracy, our very business is moving information and making decisions based on documentation. The better and more consistent the administrative system, the more efficient the result.
- Procedures seem to be changed too easily without forethought or testing of the ramifications. The Districts would prefer stability.
- It is important that all pertinent staff maintain a good working understanding of the Capital Management System and its benefits.
- The four broad Social Affairs Envelope goals will not be attained for Indian people if we remain haphazard. The four goals are:
 - improved quality of life/expanded opportunities
 - reduction of poverty and its effects
 - assurance of social justice
 - enhancement of national identity sharing benefits, risks and obligations

RECOMMENDATIONS:

- Standardize the files, their content and assign responsibility
- Assign a number to every project
- Ensure everyone is working with the same PICD
- Produce and maintain a Capital Desk Book such that everyone has the same current Capital Management System information
- Set minimum CCP levels for Bands
- Locate the RCM and PM in the same office and organization

INTENDED ACTION:

(See details of action plan at 5G in next chapter)

- Dealt with in previous sections.

This chapter concludes the report on the work of the study. The main work was directed to Objective (a) of the Terms of Reference (see APPENDIX A) to identify common problems and propose solutions which could allow the existing levels of staff to meet the requirements of the Capital Management System. The second objective, to review and determine a proper level of PY resources, received comparatively short shrift. This because it was difficult to carry out the second objective without knowing what changes were to be made as a result of the first. The third objective became redundant early on in the study as the Director of Operations was seemingly attuned to action. Accordingly no time was spent assessing the implications of making no changes to the existing systems and level of manpower.

The last chapter, Chapter V — What Will We Do?, is the action plan which the Director, Band Support, intends to implement in the immediate future. It has been highlighted, of course, at the end of each issue in this chapter.

CHAPTER V

WHAT WILL WE DO?

The recommendations emanating from this study are oriented to Capital Management improvement in Ontario and as such this Chapter is devoted to making Capital Management more effective and what we are going to do to make it work.

It will be noted that the recommendations span issues that can be dealt with by Band, District and Regional initiatives to Regional and Headquarters initiatives, with some national implications.

The tasks articulated on the following pages are identified by Band Support in Ontario Region and the goal of the Band Support Branch is to assign the specific Regionally oriented tasks to staff members as part of their 1982-83 'work plan'.

The Director of Band Support will also in collaboration with the Director of Operations and other Program directors participate with Headquarters in dealing with recommendations that need mutual attention and action.

5A

PLAN OF ACTION

TASKS TO BE UNDERTAKEN	CONSTRAINTS	RESOURCE REQUIREMENT	TARGET DATE	RESPONSIBILITY
<ul style="list-style-type: none"> - Polish Roles and Responsibilities for adherence to system requirements and create directive (for RDG signature) to Programs, Districts and Bands. 	None	Nil	1-4-82	Band Support
<ul style="list-style-type: none"> - Standardize project files to carry minimum essential documentation in clear and well organized order and develop criteria and rules for maintenance. To be reviewed by F&A regularly for accuracy. 	CR upheaval with new system.	Capital Mgmt. staff; E&A staff; F&A staff. 3 person/days	1-4-82	Lead role. Band Support
<ul style="list-style-type: none"> - Develop Capital Desk Book through use of word processor, then regular weekly updates will be maintained following development. 	Word processing time and equipment not yet available.	1 day week combined Capital staff time.	1-4-82	Band Support E&A
<ul style="list-style-type: none"> - Technical requirement criteria for CP1s will be developed and implemented. To be implemented by directive. 	Availability of E&A staff in field. Sometimes creates poor technical input.	One day developing and typing.	1-6-82	E&A
<ul style="list-style-type: none"> - Explore the feasibility of developing individual project control charts through word processor and if possible/desirable then implement. 	Machine time.	2 Committee Meetings - 2 hrs.	1-6-82	Band Support E&A F&A

PLAN OF ACTION

5B (1)

TASKS TO BE UNDERTAKEN	CONSTRAINTS	RESOURCE REQUIREMENT	TARGET DATE	RESPONSIBILITY
- Phase out the practice of credits and advances to District as projects are deferred and starting-up as Capital Plan stabilizes.	Current instability of Cap. Plan due to changes in regulatory requirements, reporting requirements and funding changes	Staffing of 8 Capital PY's project development positions	1-4-84	Band Support
- Full-time Submission writers to be identified and trained.	PY constraints and ability to attract right personnel at competitive salary levels - standardize requirements.	2 Capital PY's	1-4-83	Band Support Personnel
- Schedule projects at an attainable level to reduce backlog.	Lack of critical path on projects - changes in fund levels, changes in criteria.	Total of 20 wks training @ \$500 per wk = \$10M in critical path development.	31-3-82	Band Support Train.&Dev.
- Utilize word processing facilities in submission writing.	No equipment at present but being installed.	Locating of the facility in the Section	1-6-82	F&A
- Reach consensus on determining submission requirements.	Time involved in arranging meetings of HQs, Region & Treasury Board.	Travel to HQs = \$800 & 7 dys and 1 staff time.	31-8-82	Band Support HQs Staff
- Revise and update "How To" manual by reviewing manual and adding all new requests and related info - then ongoing activity on daily basis.	Time and staff availability (both short).	Scheduled over-time to update. 3 Person days.	1-6-82	Band Support

5B
(2)

PLAN OF ACTION

TASKS TO BE UNDERTAKEN	CONSTRAINTS	RESOURCE REQUIREMENT	TARGET DATE	RESPONSIBILITY
<ul style="list-style-type: none"> - Arrange short time rotational HQs to Region and Region to HQs - to orient both parties to respective needs re: Major Submissions. 	"None"	Travel expenses 20 days annually.	1-6-82	Band Support Dir/Operations
<ul style="list-style-type: none"> - Where possible - locate RCM and PM in same location and improve communications where not possible. 	Space and time.	See previous on this matter	1-6-82	Band Support E&A
<ul style="list-style-type: none"> - Establish and maintain active project committees with formal reporting requirements and minutes (by directive). 	None	None	1-4-82	Dist. Managers Band Support E&A

PLAN OF ACTION

5C (1)

TASKS TO BE UNDERTAKEN	CONSTRAINTS	RESOURCE REQUIREMENT	TARGET DATE	RESPONSIBILITY
<ul style="list-style-type: none"> - Band Support Branch to relocate in Regional Office following renovations. All staff will be in one location and efforts will create a more appropriate and structured work environment. 	<ul style="list-style-type: none"> Following the move, none. 	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> 1-4-82 	<ul style="list-style-type: none"> Band Support
<ul style="list-style-type: none"> - Schedule training for Band Support (Capital Mgmt. Staff) in scheduling projects and time management for appropriate Regional and District staff. 3 - Regional staff and 3 - District staff. Now in Personnel Mgmt. Plan. 	<ul style="list-style-type: none"> Workload at Districts and Region and cost of training. 	<ul style="list-style-type: none"> Training in scheduling, \$500/staff member plus expenses in Ottawa. Total time required 30 person days. 	<ul style="list-style-type: none"> 1-11-82 	<ul style="list-style-type: none"> Band Support Train.&Dev.
<ul style="list-style-type: none"> - Phase out the practice of advances and credits as Capital Plan stabilizes. 	<ul style="list-style-type: none"> Staff shortage to develop quality projects. 	<ul style="list-style-type: none"> 8 Capital PYS To work on proper project development . 	<ul style="list-style-type: none"> 1-6-82 	<ul style="list-style-type: none"> Train.&Dev. Personnel
<ul style="list-style-type: none"> - Negotiate with Training & Development to provide workshops to Band Capital Coordinators 1 - Northwest 1 - Central 1 - South 	<ul style="list-style-type: none"> Financial and time and willingness of Councils to enroll Band staff. 	<ul style="list-style-type: none"> Expenses for Band employees. 	<ul style="list-style-type: none"> 31-8-82 	<ul style="list-style-type: none"> Band Support Train.&Dev.
<ul style="list-style-type: none"> - Explore the use of EDP and inovative techniques to manage Capital program and projects and follow-up for implementation. 	<ul style="list-style-type: none"> With equipment being installed in Region the only constraint is access to technicians. 	<ul style="list-style-type: none"> Regional Computer staff and sufficient time to develop, plus the cost of a terminal in program. 	<ul style="list-style-type: none"> 1-8-82 	<ul style="list-style-type: none"> Band Support F&A

5C ₍₂₎		PLAN OF ACTION		
TASKS TO BE UNDERTAKEN	CONSTRAINTS	RESOURCE REQUIREMENT	TARGET DATE	RESPONSIBILITY
<ul style="list-style-type: none"> - Improve quality and accuracy of Major project proposals: by insisting on proper Technical advice and accurate planning and estimating and CCP gradually becoming a priority requirement of Major projects. <p>Rigorous effort will be applied to Main Est. Year as part of this task.</p>	<p>Ability to acquire 8 Cap. PY's and staff them.</p> <p>Ability to recognize constraints and schedule accordingly.</p> <p>CCP to become priority.</p>	Provision of 8 Capital PY's and salaries.	1-4-84	Band Support Planning
<ul style="list-style-type: none"> - Determine the need for "NIL" PICD and if not required to keep a project on stream abandon their use. 	Capital Management System	HQs and Regional agreement.	1-4-82	Band Support HQs Staff
<ul style="list-style-type: none"> - Determine benefits of rounding off to \$100.00 (Time/cost/benefit analysis) 	HQs to agree.	None	1-6-82	Band Support HQs Staff

PLAN OF ACTION				5D
TASKS TO BE UNDERTAKEN	CONSTRAINTS	RESOURCE REQUIREMENT	TARGET DATE	RESPONSIBILITY
<p>- Standardize project files (dealt with in 5A)</p> <p>- Arrange with HQs for a "block of project nos." and program to allocate nos. (by directive) and have program administrative officer assign nos.</p> <p>- Finance and Administration have been requested to check "To-date" figures against actual.</p> <p>- Explore the possibility of using BCS to control budget and if feasible provide rigorous effort in input and close scrutiny of reports and shift away from manual systems.</p> <p>- Explore feasibility of key punching PICDs when WANG equipment installed in Region if viable implementation.</p> <p>- Negotiate with Finance & Administration for the provision of admin. officer to effect orderly improvement of administration practices.</p> <p>- Explore with HQs the benefits and limitations of allowing PICDs to be approved for content and cost of construction, rather than strict adherence to Plan and Budget.</p>	<p>HQs to agree</p> <p>None</p> <p>Availability of F&A time and assistance. Commitment to use key staff. Accuracy of reports.</p> <p>Time and ability to set up on computer.</p> <p>None</p> <p>HQs agreement on system change. National implication.</p>	<p>None</p> <p>None</p> <p>F&A and program admin. staff. Terminal in program.</p> <p>Terminal in Section. Program development.</p> <p>F&A time.</p> <p>2 trips to HQs Program staff with F. Bradley (\$1,000)</p>	<p>1-4-82</p> <p>1-8-82</p> <p>1-8-82</p> <p>1-4-83</p> <p>1-4-82</p> <p>1-7-82</p>	<p>Band Support HQs Staff</p> <p>F&A</p> <p>Band Support F&A</p> <p>Band Support F&A</p> <p>Band Support</p>

may need some more control for reviews

5E	PLAN OF ACTION			
TASKS TO BE UNDERTAKEN	CONSTRAINTS	RESOURCE REQUIREMENT	TARGET DATE	RESPONSIBILITY
<ul style="list-style-type: none"> - Establish minimum CCP levels for Major projects with Minors and housing following: by establishing minimums and gradually implementing over the next four years. 	<p>Ability of Bands to establish CCPs and of Dept. to provide assistance for such</p>	<p>Planning contributions and terms of reference to be developed and then implemented.</p>	<p>1-4-85</p>	<p>Planning Band Support</p>
<ul style="list-style-type: none"> - Term "Worst-First" has been dropped in Region, encourage HQs to do same. 	<p>N/A</p>	<p>N/A</p>	<p>Now.</p>	<p>Region</p>
<ul style="list-style-type: none"> - Explore with HQs the benefits and limitations of establishing annual Capital Plan without making changes and report on variances to Plan. Then measure performance against Plan as part of annual planning exercise. 	<p>HQs agreement. National impact and implications.</p>	<p>Discussion and analysis of benefits. Region and HQs staff time and expenses for committee work.</p>	<p>1-10-82</p>	<p>Region HQs Staff</p>

PLAN OF ACTION				5F
TASKS TO BE UNDERTAKEN	CONSTRAINTS	RESOURCE REQUIREMENT	TARGET DATE	RESPONSIBILITY
<ul style="list-style-type: none"> - F&A to check "To-Date" against actual. (see Plan of Action 5D) - Prepare "No Change" Capital Plan (see Plan of Action 5E) - Evaluate and record actual against Plan - (see 5E Plan of Action) - Schedule activities to reduce backlog of Major projects: by filling Capital proposed development positions; by determining the maximum no. of projects that can be developed and implemented annually; by rigorous attention to pre-project planning and development. - Discuss and negotiate with F&A for computerization of all Capital activities and implement where and when feasible: by identifying needs from top to bottom in order of priority. 	<p>Increase in Tech. staff will bring on more Majors. Time involved in hiring Capital positions.</p> <p>Time lag from submissions to approvals. Lack of consensus and consistency in approval requirements.</p> <p>Computer time and programming facilities.</p>	<p>8 Capital PY's and training.</p> <p>Active pre-project planning and development capability at Region and District.</p> <p>Training of program staff in scheduling and critical path planning.</p> <p>CCPs covered on previous pages.</p> <p>Capital Management staff time.</p>	<p>30-11-82</p> <p>1-4-83</p>	<p>Band Support</p> <p>Band Support F&A</p>

PLAN OF ACTION

5G

TASKS TO BE UNDERTAKEN	CONSTRAINTS	RESOURCE REQUIREMENT	TARGET DATE	RESPONSIBILITY
Covered on previous pages.				

APPENDIX A

Terms of Reference

The following are the original terms of reference drawn up in September 1981. As the study progressed, the terms were somewhat amended by both additions (e.g. workshop presentations) and deletions (e.g. assessing the implications of making no changes). These changes were not incorporated into the written terms other than to extend the final report date to 12 February 1982.

MAKING CAPITAL MANAGEMENT WORK IN ONTARIO

Terms of Reference

INTRODUCTION

In Ontario Region, the adequacy of existing Local Government manpower in meeting their responsibilities with respect to the Capital Management System has been questioned in both the Region and Headquarters. The deadlines set by the system are missed many times by 12 months. This results in poor quality projects, approvals after the fact, frustration, lapsed budgets and the like.

Accordingly, the A/Director, Band Support, has decided that an internal review be undertaken during October, November and December 1981 to recommend ways in which the Local Government manpower and the Capital Management System requirements can be made compatible.

Objectives

- a) To review the regional and district capital project records and capital reports to determine what improvements could be made so that the existing Local Government manpower can better meet the requirements of the Capital Management System.
- b) To review the regional and district Local Government roles (Band Support, Capital and Social Services) and manpower levels to determine a proper level of resources to meet their responsibilities under the Capital Management System and to meet the demands for service as a result of capital projects.
- c) To briefly assess the implications of making no changes to the existing systems and level of manpower.

APPENDIX A

Methodology

- a) By applying generally accepted methods of statistical sampling, select a representative sample of capital projects to be followed from inception to the present through direct discussion with district and regional staff and direct reference to district and regional records and reports.
- b) By substantiating the September 1981 Quarterly Capital Update report by direct reference to the District (and Major Projects) Capital Plan Project Listings.
- c) By reviewing with regional staff the reasons for maintaining any capital records not yet reviewed by steps (a) and (b) above.
- d) By calculating the manpower that could be applied to capital projects using the existing person-year allocation and adjusting for the other Local Government roles and non-operational time.
- e) By determining various service level indicators for comparison based on the June 23, 1981 Technical Services and Contracts report "A Review of the Ontario Regional Technical Manpower Requirements (Indian and Inuit Affairs)" (i.e. - population or Bands served, asset base etc.)

Target Dates

October 16 - Completion of initial work in regional office
November 13 - Completion of work in district offices
November 27 - Completion of work in regional office
December 4 - Preliminary report
December 31 - Final report