

Evaluation of the Capital Assistance Program

Evaluation Scope

The Evaluation of the Capital Assistance Program (CAP) was conducted in compliance with the Treasury Board Policy on Results and meets the obligations of the *Financial Administration Act*. The evaluation examined the extent to which CAP is aligned with the priorities and needs of the Department of National Defence (DND) and the Canadian Armed Forces (CAF); accomplished its intermediate objectives; and delivered projects efficiently between fiscal years (FY) 2019/20 and 2023/24.

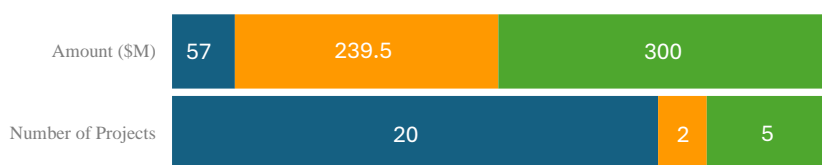
Program Overview

CAP is unique as the only infrastructure grants and contributions program in DND. Created in 1983, it is a Vote 10 contribution program that is used to fund off-base capital projects related to the operation of military bases, wings and installations located within Canada. DND uses CAP to fund capital projects undertaken with provinces, territories, municipalities and public utilities.

Baseline funding is \$5.45 million a year, and supplementary funding is allocated for large capital projects, such as \$230 million for the Inuvik runway extension. Seven projects were completed in FY 2019/20 to 2023/24.

CAP Funding and Projects FY 2019/20 to 2023/24

■ CAP Budget ■ Dedicated ■ Awaiting Dedicated



CAP projects must meet one of the following principal objectives of the program:



- reduce DND non-core infrastructure and non-core services through consolidation and joint-use opportunities with eligible recipients;
- reduce DND operating, maintenance and recapitalization costs of municipal-type works and public facilities over the long term; or
- modernize or construct locally owned facilities for shared use by DND and local communities.

The final expected results of the program are:



- the optimization of DND infrastructure to support the evolving force structure; and
- enhanced quality of life in the CAF.

Overall Conclusion

CAP is a unique program within DND that continues to fulfill an important role, given its ability to divest/reduce non-core infrastructure and meet departmental requirements through investments in infrastructure owned by local authorities; however, the program's lack of visibility at the strategic level challenges its ability to further advance departmental real property (RP) objectives.

The evaluation found that CAP is achieving its intermediate outcomes; however, its ability to do so is constrained by the program's baseline and dedicated funding levels. CAP's ability to measure impact and advance its objectives would be enhanced through the collection of performance measurement data that better reflects the program terms and conditions, including estimated cost savings data.

CAP has low administrative overhead costs. The overall project monitoring process, however, is not sufficient for the program's larger and more complex projects, such as the Inuvik runway extension. CAP project funding is often a long and complex process. The program should review reporting requirements for larger, more complex future projects to promote accountability without assuming undue liability. The process timeline is mainly driven by the activities of other stakeholders that are beyond the program manager's control. Improved communication and coordination amongst the various stakeholders would facilitate project delivery. CAP is in the process of enhancing program management, such as the clarification of stakeholder roles and responsibilities in the revised CAP Project Guide and Procedures Manual and updating communication products for internal and external audiences.

Recommendations

1

Improve the integration of CAP with departmental RP planning and priorities.

2

Ensure management actions underway are completed to enhance project guidance regarding:

- recipient reporting requirements;
- coordination between DND/CAF stakeholders; and
- cost-benefit analysis from DND/CAF applicants.



Relevance

Finding 1: The Capital Assistance Program fulfills a departmental need by funding projects that divest non-core infrastructure and improve shared-use infrastructure. The Capital Assistance Program could be leveraged to a greater extent for divestment and upgrades to shared-use infrastructure through improved integration in Assistant Deputy Minister (Infrastructure and Environment)’s real property planning.

CAP is a useful mechanism to achieve RP strategic objectives.

The RP portfolio is not affordable within current resource levels and continues to deteriorate. CAP contributes to the management of DND/CAF’s RP portfolio by funding minor and major capital projects that divest non-core infrastructure and improve dual use infrastructure. CAP’s baseline funding represents just \$5.45 million in a \$2 billion Assistant Deputy Minister (Infrastructure and Environment) (ADM(IE)) annual budget.

The program allows the Department to make operationally required improvements to infrastructure not owned by DND/CAF. CAP also enables the divestment of non-core infrastructure, such as water and wastewater treatment plants, to neighbouring municipalities. This allows the Department to avoid future operating costs and transfers key risks to municipalities, which are better positioned to manage them.


CAP has the potential to be leveraged more to advance RP objectives; however, it lacks visibility at the senior management level.


The program is not routinely integrated with the Consolidated Demand List, and the prioritization of CAP projects is done by program staff rather than existing infrastructure governance bodies. At the tactical level, knowledge of the program amongst applicants is largely generated by “word of mouth,” resulting in a lack of awareness about CAP as an option for potential projects. CAP is not underutilized as measured by the spending of its annual baseline budget; however, the program anticipates that its absence from strategic prioritization processes will become a greater issue given increasing project demands. Improved visibility would allow for increased awareness of the program to ensure that CAP is prioritizing the right projects.


Why It Matters


Improving the integration of CAP into RP planning within ADM(IE) would allow the Department to avoid missed opportunities for cost savings, non-core infrastructure reductions and shared-use construction projects. Improved visibility at the senior level would also enhance the program’s ability to respond to departmental priorities such as environmental sustainability and northern infrastructure.

Improved integration with RP planning and priorities would allow CAP to better support RP objectives.

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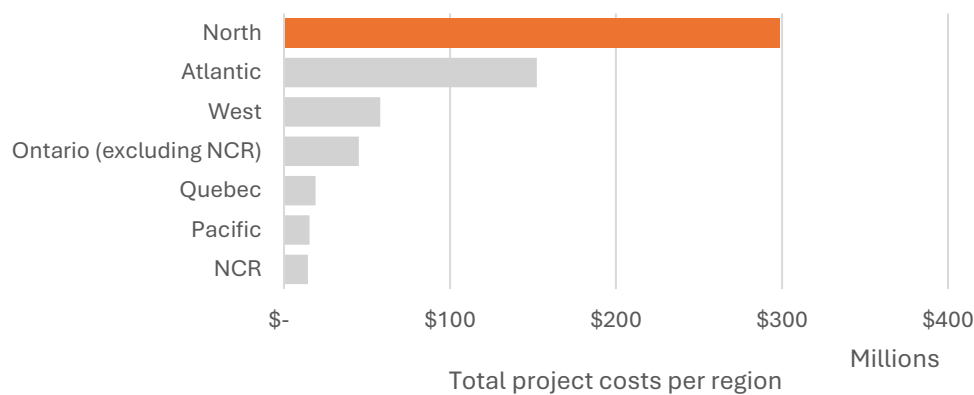
Divestment: Increased divestment of non-core, lower-tier infrastructure through CAP would support the rationalization of the RP portfolio and reduce liability and associated risks; however, CAP needs to be prioritized within ADM(IE) and resourced to take advantage of time-bound offers from municipalities.
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Indigenous reconciliation: CAP is in the process of including Indigenous collectives into the definition of “program recipient.”
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NORAD (North American Aerospace Defense Command) modernization: Given the lack of DND-owned infrastructure in the North, there are potential opportunities for CAP to support NORAD modernization efforts; however, there is a lack of clarity on the role CAP will play, which challenges the program’s ability to act proactively.
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Energy modernization: CAP is funding the transfer and upgrade of a portion of the Canadian Forces Base Uplands power grid to Ottawa Hydro and the upgrade of the electricity supply infrastructure to the Dwyer Hill Campus. ADM(IE) also has a series of energy projects coming online because base infrastructure for electricity is outdated. This will require significant work with local utility services and increase the demand for CAP projects to support utility upgrades, such as in the North.

Total project costs per region: reflective of prioritization of the North with the Inuvik Runway Project, worth \$230 million, amongst other projects



Recommendation 1

Improve the integration of CAP with departmental RP planning and priorities.

Effectiveness

Finding 2: The Capital Assistance Program is achieving its stated outcomes; however, there is a lack of formal reporting on the benefits of Capital Assistance Program projects, and the program’s effectiveness is constrained by its funding levels.

Why It Matters

CAP has the potential to better support the Department’s RP goals but is constrained by a lack of formal and accurate performance data, as well as baseline and dedicated funding levels. Collecting outcome-related data, such as estimated cost-savings, would enable the program to make data-driven decisions on how to allocate limited resources.

The evaluation found that the program is achieving its intermediate outcomes.

Program Outcome	Data (FY 2019/20 to 2023/24)	Example
CAP contributes to the reduction of DND non-core infrastructure and services.	8/22 ongoing and completed projects result in reduced DND non-core infrastructure.	The St-Jean Pump Station Project transfers the on-base wastewater pumping station (market value of \$36,100) to the City of St-Jean.
CAP provides some cost savings and reduces DND liability by transferring assets and risk to third parties.	In a sample of five projects worth \$26.3 million (actual and projected costs and incomplete data on operation and maintenance), CAP saved DND an estimated \$1.4 million, and 8/22 ongoing and completed projects involve a transfer of responsibility that reduces DND liability.	The Bagotville Sewer Connection Project facilitates the transfer of all existing non-DND wastewater services from Garrison Bagotville to the City of Saguenay. This project transfers the risk of owning and maintaining the asset to the municipality and provides the Department an estimated cost-saving of about \$2 million.
CAP improves shared-use infrastructure for CAF/DND, their personnel and families.	22/22 ongoing and completed projects result in improved/maintained/new shared-use infrastructure.	The Vernon Storm Water Project allows for major repair requirements to be met while having the military camp’s storm water drainage system incorporated into the City of Vernon’s municipal infrastructure.

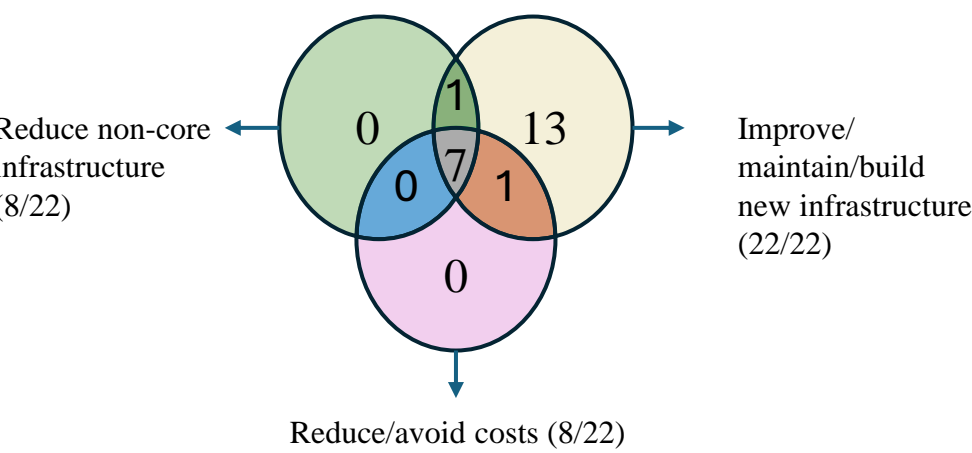
CAP does not systematically collect or report on data related to the benefits of CAP projects.

Performance measurement information is captured and maintained by the program, though not systematically and not measured as per the indicators of the terms and conditions. CAP does not categorize its projects by outcome; however, it does use a screening checklist to conclude whether a project meets at least one of the three main objectives of Treasury Board’s approved mandate for CAP. All the ongoing/completed projects were assessed as aligning with one or more of the three intermediate outcomes:

The eight projects that include the divestment of non-core infrastructure enable the rationalization of the Department’s RP portfolio and allow the Department to transfer risks associated with maintaining ownership of infrastructure. The program, however, lacks data on cost savings for its divestment projects. The evaluation found that in a sample of five projects worth \$26.3 million (actual and projected costs, with incomplete data on operation and maintenance), CAP saved DND an estimated \$1.4 million.¹ This data, however, was not readily available.

The extent to which CAP can achieve its objectives is constrained by its baseline and dedicated funding. CAP’s annual funding of \$5.45 million per year is insufficient and results in projects that are deliberately prolonged. While the program’s baseline funding can be managed to ensure CAP contributes to the projects undertaken, it results in delayed project timelines and limited ability to uptake new projects. Further, CAP has \$300 million in major capital projects pending dedicated funding. The projects that await dedicated funding face even longer timelines. The current funding ceiling and limited dedicated funding constrains CAP’s ability to achieve its objectives in a timely manner and limits its ability to support DND’s RP goals.

Alignment of CAP Projects to Program Objectives



*22 total ongoing/completed projects (excludes the 5 projects awaiting dedicated funding)

[1] Note: If the Comox project is excluded as a sensitivity analysis, the four remaining projects resulted in a loss of about \$3.5 million. The non-monetized factors of liability reduction, non-core divestment and improvement of infrastructure for DND/CAF personnel and their families need to be added to the overall assessment to determine the true value of the program.

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Efficiency

Finding 3: While the Capital Assistance Program has low administrative costs, the overall project monitoring process is not sufficient for larger and more complex projects.

CAP management measures are being updated.

The CAP program and project management measures in place are aligned with ADM(IE) directives and procedures but are not comprehensive and current (e.g., CAP handbook, screening guidance, etc.). The program is currently updating guidance instruments as part of an overall review of program processes, such as:

- CAP handbook updated to the CAP Project Guide and Procedures Manual, including a revised generic project charter, clarified roles and responsibilities, and descriptions of new or unclear procedures;
- revisions made to the quarterly CAP report; and
- terms and conditions revised to incorporate ongoing enhancements.



Stakeholders are unclear on roles and responsibilities.

There is minimal governance regarding project selection due to the program's small scale and lack of visibility. Stakeholders indicated a lack of knowledge of the program and were unclear on roles and responsibilities. The general opinion amongst DND/CAF applicants was that CAP requires greater promotion and visibility, such as on RP operations (ops) courses and base/wing presentations. Moreover, since there was little knowledge of the program by RP ops, there was little incentive to use it.

CAP is developing information packages for internal and external audiences and updating CAP communication documents to address this concern.

There are opportunities to enhance project monitoring and reporting.

While CAP is not responsible for project implementation, it does collect reports from recipients to monitor progress; however, the monitoring and reporting requirements are limited and need to be aligned with accountability requirements for larger projects. To ensure robust project monitoring is in place, the program is updating the CAP handbook and revising the quarterly report.

Local and regional RP ops are involved in the front end of a project with a technical review of the plan and may also use local experts/technicians; however, the plans belong to the recipient. Although interaction with recipients varies by region and local site, RP ops does not perform a final inspection of the completed project, nor does it monitor construction by the recipient unless the project infrastructure touches DND property.

Why It Matters

DND/CAF must remain accountable for how contribution program funding is used by recipients for larger and more complex projects. Rigorous monitoring processes and clear stakeholder roles promote accountability without assuming undue liability.



Case study: Inuvik Runway Extension

- The evaluation found that the existing monitoring and reporting processes were not sufficient for a large project of that scale. Control measures such as third-party estimates of project costs and predefined reporting requirements were not in place at the outset. The program should review reporting requirements for larger, more complex future projects.
- The project's budget grew from an initial estimate of \$150 million to \$230 million. Pricing was based on estimates from the past 10 years. COVID had an impact on product pricing and labour availability. The estimates were generated by the Government of the Northwest Territories, though DND worked closely with them.
- A revised Implementation Agreement was completed in January 2023 to reflect the new cost.

CAP has a low overhead ratio.

Due to its small size, with only two dedicated positions during the evaluation period, CAP maintained a low overhead ratio. As a result of the pandemic, the program saw an increase in its administrative overhead ratio, re-establishing a ratio of about 4 percent in FY 2023/24.

FY	Total Admin Expenses (Y)	Expenditures (X)	Ratio Y/X
2019/20	\$225,064	\$5,400,000	4%
2020/21	\$190,941	\$5,400,000	4%
2021/22	\$201,515	\$1,132,623	18%
2022/23	\$199,659	\$2,550,910	8%
2023/24	\$232,367	\$5,450,000	4%

Table based on baseline funding only. It excludes the Employee Benefit Plan and the salaries and administrative costs associated with the work of other departmental stakeholders, including RP ops, lawyers and DND/CAF subject matter experts.

Efficiency

Finding 4: Capital Assistance Program project funding is often a long and complex process. The process timeline is mainly driven by the activities of other stakeholders that are beyond the program manager’s control. Improved communication and coordination amongst the various stakeholders would make project delivery easier.

Multi-stakeholder coordination complicates project timelines.

Factors external to the program can delay project timelines, requiring enhanced coordination with program stakeholders. In particular, the following activities contribute largely to the project timeline (stakeholders in parentheses):



Acquiring dedicated funding
(ADM(IE) governance bodies)



Duty to Consult and archeological work
(Indigenous Peoples)



Divestment process, including due diligence and priority circulation
(Director General portfolio requirements)



Construction schedule
(Recipient)



Contribution Agreement negotiation
(Recipient)



Requirement for provincial approval under Act M-30
(Government of Quebec)

There are many steps and stakeholders involved in the CAP project identification, definition and implementation processes. Feedback from interviews indicates there is an opportunity to improve coordination between DND/CAF stakeholders including divestment, RP ops, legal and other Level 1 (L1) representatives. This would enable greater efficiency during project delivery and could reduce project timelines.

For projects that use CAP’s baseline funding, the time required from start of the project (project identification) to the second contribution agreement approval (or provision of funding) averaged 32 months. There was a median of 13 months. CAP projects that require dedicated funding must wait for ADM(IE) funding to become available. Five projects currently awaiting dedicated funding have been on hold for 1 to 10 years. Protracted timelines associated with a dedicated funding requirement risk missing time-bound shared opportunities.



Case study: Inuvik Runway Extension

In 2008, Commander 1 Canadian Air Division stated that “it is essential to the current and future conduct of Northern Air Sovereignty Operations that the Inuvik runway is extended as soon as possible.” Current project timelines estimate construction on the Inuvik Runway Extension will be completed by 2027. There is also a potential risk that the original technical requirements will not meet future operational needs of the new CC-330 Husky.

Why It Matters

- Delays to project timelines can:
- cause municipalities to lose interest in possible projects;
 - contribute to increases in project budgets and cost overruns;
 - have an operational impact; and
 - lead to lapsed and/or returned funding (as indicated in the following table).

In general, projects were achieved more expeditiously when the following conditions were in place: the project was already linked to a plan envisaged by the recipient; divestment was not required; Act M-30 did not apply; there was no impact on public servant job retention; and baseline-funded projects were of lower value, permitting an annual funding that completed projects quickly.

Spent Funding			
FY	Budget (millions)	Spent (millions)	% Spent
2019/20	\$5.45	\$5.4	99
2020/21	\$5.45	\$5.4	99
2021/22	\$5.45	\$1.13	21
2022/23	\$5.45	\$2.55	47*
2023/24	\$5.45	\$5.45	100

*Unspent funding was returned prior to the end of FY.

CAP needs to be more agile to take advantage of time-bound offers by municipalities that will reduce DND non-core assets and offload liabilities.

- RP ops stakeholder

Recommendation 2

- Ensure management actions underway are completed to enhance project guidance regarding:
- recipient reporting requirements;
 - coordination between DND/CAF stakeholders; and
 - cost-benefit analysis from DND/CAF applicants.



Annex A: Management Action Plan

ADM(RS) Recommendation	Management Action
1. Improve the integration of CAP with departmental RP planning and priorities.	<p>Management Action Plan (MAP) 1:</p> <p>ADM(IE) agrees with this recommendation and will act to increase visibility of CAP's potential at the senior management level through increased engagement internally with DND stakeholders.</p> <p>In progress:</p> <ol style="list-style-type: none">1) Consult with Treasury Board Secretariat (TBS) on DND recommendations to revise the terms and conditions and align the program with RP plans and priorities for consideration:<ul style="list-style-type: none">• Develop a gap analysis to identify what areas could align more closely with National Real Property Portfolio Plan priorities such as increased divestment of non-core, lower-tier infrastructure; Indigenous collective infrastructure owner as an eligible recipient; NORAD modernization; and the modernization of energy and water supply.2) Increase engagement with L1 to L3 audiences to improve integration of CAP with departmental RP planning and priorities.<ul style="list-style-type: none">• Increasing robustness of CAP language, inclusion of CAP requirements in NRPPP, in RP requirements gathering processes (e.g. DND Consolidated Demand List Call Letter) as well as increase CAP awareness at various departmental RP management tables. Increase education through communication material, prepared for various audiences and delivered to professional development sessions, senior management committees and governance boards that will address revisions made to CAP as a result of consultations with TBS.3) Through existing departmental processes, explore options for managing CAP funding allocation based on a three-year cycle. The intent is to revise the current \$5.4 million per year funding requirement and allocate funding based on a three-year forecast within our current reference levels.<ul style="list-style-type: none">• This would improve the alignment of the budget allocation with the program's financial pressures, which fluctuate on a year-to-year basis, and departmental priorities. Approval would be sought through a senior management executive brief with committees and governance boards.
	Target date: November 30, 2026
	OPI: ADM(IE)
	Deliverable: This MAP will be considered closed when ADM(IE)/Director General Infrastructure and Environment Engineering Services completes the gap analysis of the terms and conditions, including recommendations for revisions and consults with TBS. The revisions would be organized into an implementation schedule and communications plan to present to senior management. This would include a formal process to address funding requirement fluctuations and would be endorsed at the L1.
	Risk Statement: There is a risk that a failure to complete TBS consultations and reach an agreement would mean that CAP will be governed by existing terms and conditions. This would leave the program less integrated with departmental RP planning and priorities. As a result, this may lead to inefficient senior management decisions, decreased potential divestment, reactive project decision making and an inability to meet the challenges of an anticipated increase in CAP funding applications.



Annex A: Management Action Plan

ADM(RS) Recommendation	Management Action
<p>2. Ensure management actions underway are completed to enhance project guidance regarding:</p> <ul style="list-style-type: none">• recipient reporting requirements;• coordination between DND/CAF stakeholders; and• cost-benefit analysis from DND/CAF applicants.	<p>MAP 2: ADM(IE) agrees with this recommendation and will act to enhance CAP project guidance through increased education internally with DND/CAF stakeholders.</p> <p>In progress:</p> <ol style="list-style-type: none">1) Enhance requirements for recipient reporting with:<ul style="list-style-type: none">• a developed procedure for recipient reporting that includes guidance within CAP documentation on roles and responsibilities of stakeholders; and• a revised contribution agreement with legal services to explore the possibility of including the results of TBS consultations and reporting requirements by recipients. Improve coordination between DND/CAF stakeholders to ensure overall program efficiency and an enhanced CAP Project Guide and Procedures Manual.2) Enhance project community knowledge of the CAP direct funding approach through project-related submissions by a formalized CAP project process with roles and responsibilities established:<ul style="list-style-type: none">• a templated letter of intent, with legal services, that allows project teams with the CAP program manager to initiate works with municipalities that could be eligible for CAP contributions;• a revised contribution agreement template that provides options of legal substitutions for articles that may require frequent revision and legal guidance to shorten the Contribution Agreement development and approval period; and• where data is available, the development of a more rigorous cost-benefit analysis process with various stakeholders, for eligible CAP projects, included in the CAP Project Guide and Procedures Manual.
	<p>Target date: November 30, 2026</p>
	<p>OPI: ADM(IE)</p>
	<p>Deliverable: This MAP will be considered closed when ADM(IE)/Director General Infrastructure and Environment Engineering Services completes updates/revisions to the CAP Project Guide and Procedures Manual. This will be presented through professional development fora with project teams and PowerPoint presentations for engagement sessions with senior management.</p>
	<p>Risk Statement: If the revisions do not align with revised terms and conditions, the program will have limited ability to improve education and coordination with various stakeholders and to direct project teams and eligible recipients regarding procedures. This will limit the ability to instate a reporting requirement for eligible CAP recipients and the program's ability to enhance reporting on cost savings and benefits of the program.</p>