

Chapter 20

Education—Capital Asset Planning for Schools

1.0 MAIN POINTS

The Ministry of Education (Ministry) is responsible for aligning capital project funding with the educational needs of communities and the provincial Pre-Kindergarten (Pre-K) to Grade 12 systems as a whole. As such, effective capital asset planning processes are essential to reduce the risk of funding lower priority capital projects.

In our *2013 Report – Volume 1*, Chapter 8, we concluded that the Ministry did not have effective capital asset planning processes for facilities to house and support educational programs and instructional services for students in school divisions. We made eight recommendations; by February 2015, the Ministry had implemented three of them.

By February 2015, the Ministry had improved the processes it uses to collect capital asset information for each school division, determine and prioritize overall current and long-term capital asset needs of the provincial Pre-Kindergarten to Grade 12 system, and track capital projects of school divisions. It has plans for further improvements to address the remaining five recommendations.

On March 18, 2015, in conjunction with the release of the *Saskatchewan Provincial Budget 15-16*, the Government announced its plans to have the Ministry fund 100% of capital costs for future major school projects, including those previously announced but where construction has not yet begun. This reflects a change in policy. Previously, the Ministry expected school divisions to directly finance a portion of the costs of these projects.¹

2.0 INTRODUCTION

The Education Act, 1995 requires the Ministry to approve all major capital projects (i.e., those costing more than \$1 million). This includes construction of new school buildings, additions to existing school buildings, or major renovations of school buildings (section 351).

This chapter reports the results of our follow-up work on the implementation status of eight recommendations we made our *2013 Report – Volume 1*, Chapter 8.

To conduct this review engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate the Ministry's progress towards meeting our recommendations, we used the relevant criteria from the original audit. Management agreed with the criteria in the original audit.

We reviewed the Ministry's policies and procedures manuals, and examined information the Ministry used to analyze capital projects recommended by school divisions. We also interviewed Ministry officials as necessary.

¹ www.finance.gov.sk.ca/budget2015-16/2015-16governmentdirection.pdf (1 April 2015).



3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at February 28, 2015, and the Ministry's actions up to that date.

By February 2015, we found that the Ministry had implemented three recommendations, partially implemented two, and had not implemented the remaining three.

3.1 Measurable Capital Asset Strategy Needed

We recommended that the Ministry of Education develop and use a capital asset strategy that coordinates overall capital needs for schools in the provincial Pre-Kindergarten to Grade 12 system. (2013 Report – Volume 1; Public Accounts Committee agreement January 14, 2015)

Status – Not Implemented

We recommended that the Ministry of Education develop and implement measures and targets to monitor the success of its capital asset strategy across the provincial Pre-Kindergarten to Grade 12 system. (2013 Report – Volume 1; Public Accounts Committee agreement January 14, 2015)

Status – Not Implemented

We found, by February 2015, the Ministry had not completed the development of its capital asset strategy. The Ministry is developing this strategy so that it encompasses all school divisions. The Ministry indicated that it has started to work towards developing some measures and targets to monitor success.

In 2014, the Government engaged SaskBuilds to lead an inter-ministerial 10-year integrated capital planning process and hired an external consultant to coordinate this process. Also, the Ministry formed an Infrastructure Advisory Committee (IAC). IAC has met quarterly since December 2013. IAC provides the Ministry with advice and support regarding the development of new infrastructure policy, procedures, and process development. The 16-member IAC includes representation from across the province including Ministry representatives, Saskatchewan School Board Association, League of Educational Administrators, Directors and Superintendents, Saskatchewan Association of School Business Officials, Saskatchewan Teachers Federation, Federation of Saskatchewan Indian Nations, and Métis Nation-Saskatchewan.

Lack of a system-wide capital asset strategy increases the risk that the Ministry may provide capital funding or support for the project to proceed when other projects may be a higher priority given limited resources.

Performance measures can assist organizations in identifying strategies that are not effective to allow timely adjustments. Without measures and targets to evaluate the success of its capital asset strategies, the Ministry cannot appropriately measure whether capital funding is effectively used across the provincial Pre-K to Grade 12 system.

3.2 Timely Review of Capital Asset Policies Needed

We recommended that the Ministry of Education formally review, update, and communicate its capital asset policies (including Funding Guidelines) for the provincial Pre-Kindergarten to Grade 12 system on a timely basis. (2013 Report – Volume 1; Public Accounts Committee agreement January 14, 2015)

Status – Partially Implemented

With IAC's establishment, the Ministry started to review and update its capital policies and as of February 2015, it had completed the following policies: Emergent Funding Program Policy, Borrowing for Approved Infrastructure Projects Policy, and Preventative Maintenance and Renewal Funding Policy. However, as of February 2015, the review of all policies was not complete. The Ministry indicated that it anticipates developing additional capital-related policies over the next year. These policies are expected to include self-funded capital projects, relocatable funding program, community-funded space, and contingency funding and use.

The Ministry has adequately communicated policies it has completed (through Blackboard, an internal website, and the Government of Saskatchewan website) to affected parties.

Periodically reviewing and updating capital asset policies and the Funding Guidelines is essential to maintain their relevance. Relevant policies will help ensure that required schools are built in the right location at the right time to meet the evolving needs of communities.

3.3 Formal Review of Prioritization of Capital Projects

We recommended that Ministry of Education formally review, update and communicate the process for the prioritization of provincial Pre-Kindergarten to Grade 12 system capital assets. (2013 Report – Volume 1; Public Accounts Committee agreement January 14, 2015)

Status – Implemented

The Ministry implemented a new prioritization framework in October 2013. Also, as part of the framework, the Ministry developed a standardized funding application form. The new form includes project type, location of school, key drivers of the project (e.g., health and safety risk, infrastructure condition), estimated costs, functionality concerns,



contribution to the community, and expected utilization rates. The Ministry requires school divisions to complete this form when requesting major funding. It presented the new framework to all of the school divisions and, in these presentations, highlighted the changes to its processes.

The Ministry used this framework to prioritize capital projects for 2014-15. We found that it had reviewed and updated its prioritization of capital projects consistent with the framework and communicated the changes to its processes to the school divisions. The Ministry indicated that it expects to use the same framework for the prioritization of capital projects in 2015-16.

3.4 Accurate and Complete Data Available to Determine School Division Capital Asset Needs

We recommended that the Ministry of Education use accurate and complete capital asset information for each school division to determine overall current and long-term capital asset needs of the provincial Pre-Kindergarten to Grade 12 system. (2013 Report – Volume 1; Public Accounts Committee agreement January 14, 2015)

Status – Implemented

With the use of the new form mentioned in **Section 3.3**, the Ministry has better information to determine current capital needs. The form requires school divisions to prioritize their capital needs and submit only their top three requests for approval and funding.

We found that since 2006, the Ministry has used a computer system, known as Asset Planner.² This system tracks pertinent data on past and current capital projects, as well as future capital needs for all school divisions. Information tracked includes building area, date of construction, and replacement costs.

We noted that discrepancies in school areas exist as the Ministry did not always or consistently update the system for changes to school floor plans. At February 2015, the Ministry was verifying gross school area data with school divisions and expects to complete this data verification before it finalizes 2015-16 funding decisions.

We found that the Ministry obtains information on the condition of the facilities in school divisions by hiring a third-party contractor to perform building condition assessments of each facility in each school division on a five-year cycle. When facilities need significant updates, an independent inspection is conducted. The results of this inspection (including condition of the facility) are documented in Asset Planner. Also, school divisions may hire a third party for an additional condition assessment of school facilities as needed, and may share the results with the Ministry as support for their funding request.

² Asset Planner was initially known as FAME; the product name changed in 2013.

The Ministry uses gross areas of facilities from Asset Planner to calculate school utilization rates and make certain capital planning and funding decisions such as the amount of funding given to school divisions for preventative maintenance.

3.5 More Assessment Needed of Capital and Non-Capital Alternatives

We recommended that the Ministry of Education assess both capital and non-capital alternatives to address identified capital asset needs across the provincial Pre-Kindergarten to Grade 12 system. (2013 Report – Volume 1; Public Accounts Committee agreement January 14, 2015)

Status – Partially Implemented

While we found that the Ministry had developed a new standardized funding application for major capital projects, the application did not ask the school divisions to consider other capital and non-capital alternatives for these projects. The Ministry has recognized this and is planning to amend the 2015-16 funding application to include this information.

Without appropriate analysis of other capital and non-capital alternatives, the Ministry is unable to assess whether its resources are being utilized appropriately.

3.6 Consistent Prioritization of Capital Projects

We recommended that the Ministry of Education consistently prioritize all capital projects across the provincial Pre-Kindergarten to Grade 12 system and track all capital projects of school divisions. (2013 Report – Volume 1; Public Accounts Committee agreement January 14, 2015)

Status – Implemented

Using the prioritization framework discussed in **Section 3.3**, the Ministry consistently prioritized the 2014-15 capital projects; it expects to use the same framework in 2015-16.

The new prioritization framework has resulted in the Ministry modifying its methodology for determining capital project prioritization. It calculates a Facility Priority Index (FPI) for each capital funding request. FPI takes into account health and safety issues (which are weighted more significantly than others), utilization factors, as well as building conditions. The higher the calculated FPI, the higher the capital request is placed on the priority list.

This consistent method for determining prioritization helps ensure that the Ministry focuses its efforts and resources on the most critical capital projects.



3.7 More Analysis Needed for Financing Alternatives

We recommended that the Ministry of Education select the method of financing for capital projects of school divisions based on analysis of capital financing alternatives. (2013 Report – Volume 1; Public Accounts Committee agreement January 14, 2015)

Status – Not Implemented

At February 2015, school division capital projects were financed either through provincial borrowing (from the General Revenue Fund), school division borrowing, and/or private sector borrowing (for those projects selected for a public-private partnership [P3] procurement method). Different financing alternatives may have different borrowing rates available to the Government (provincial borrowing rate), the school division, and to a private sector partners (if any), resulting in differing overall project costs to the taxpayer.

For nine joint-use school capital projects, Cabinet has asked SaskBuilds to determine whether a P3 procurement approach is suitable. SaskBuilds' process includes considering the costs of financing under both P3 and conventional procurement approaches. For these projects, the Ministry has provided SaskBuilds with the requested information to enable SaskBuilds to make its determination.

For projects following the conventional procurement approach, we found that while the Ministry has a policy that gives some guidance to school divisions about financing, the policy does not require the Ministry nor the school division to analyze the benefits and risks of the various capital financing options. As of February 2015, while the Ministry had indicated its intent for future capital projects to be financed from the General Revenue Fund, it had not formalized or communicated this change.