

Chapter 19

Education – Capital Asset Planning for Schools

1.0 MAIN POINTS

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

Since our 2013 audit of its processes for capital planning for Pre-K to Grade 12 educational facilities, the Ministry has continued to improve those processes.

By December 2016, the Ministry had implemented three of the five remaining recommendations we first made in our *2013 Report – Volume 1*, Chapter 8, and partially implemented the other two.

It implemented a new process for reviewing, updating, and communicating its capital asset policies, and was assessing both capital and non-capital alternatives to capital projects. In addition, it no longer required school divisions to finance capital projects. Also, by December 2016, the Ministry had begun its work to develop a province-wide capital asset strategy for the Pre-K to Grade 12 system. It has plans to monitor the success of this strategy once developed.

2.0 INTRODUCTION

The Education Act, 1995 requires the Ministry to approve the construction of new buildings, additions to existing buildings, or major renovations of buildings. The Ministry prioritizes all major capital requests (i.e., those exceeding \$1 million) submitted by school divisions. The number of major capital projects approved to proceed is dependent on budget appropriation by Cabinet.

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.

This chapter reports the results of our second follow-up on the implementation of the five remaining recommendations.

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 our 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.



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 December 31, 2016, and the Ministry's actions up to that date.

3.1 Measurable Capital Asset Strategy Needed

We recommended that the Ministry of Education develop and use a capital asset strategy that co-ordinates 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 – Partially Implemented

The Ministry took steps to enable its development of a system-wide capital asset strategy in conjunction with SaskBuilds' infrastructure planning process.

Since 2013 (the initial audit), SaskBuilds has become the Government's lead agency for its long-term infrastructure planning including significant public-private partnership projects (like joint-use schools).¹

Each year, the Ministry provides SaskBuilds with a 10-year capital plan. SaskBuilds assesses the projects on the 10-year plan, uses the results to help the Government develop the annual budget, and provides input into the Government's long-term infrastructure plan. The Ministry developed a new application form in 2014-15 to collect information from the school divisions to meet SaskBuilds submission requirements. In 2016-17, further revisions were made to the application form based on an evaluation of the previous year's submitted data.

By December 31, 2016, the Ministry had designed a capital manual that outlines its strategy to co-ordinate overall capital needs for schools. The manual includes guidance on how to make decisions on a consistent basis, which schools to build and/or renovate and how to support these decisions. The manual's table of contents lists its planned sections (e.g., School Division Long-term Capital Plan), and target dates to complete each section. Most sections are in the process of being written and some are delayed. The Ministry expects to complete the capital manual by April 2018, and use the manual to develop its capital asset strategy.

Not having a consistent capital asset strategy, particularly in an environment of limited resources, increases the risk that the Ministry may approve and provide funding for a capital project when other projects may be a higher priority.

¹ *SaskBuilds 2015-16 Annual Report*, p. 4.

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 – Partially Implemented

Completing the Ministry's capital asset strategy and manual will help the Ministry use measures and targets. The manual's table of contents includes subsections that are to include processes on how it will measure success for all aspects of the strategy.

The Ministry drafted a research paper on evaluating the success of its programs (performance evaluation). It plans to incorporate program evaluation (e.g., customer surveys, Facility Condition Index) into the strategy. The Ministry has evaluated its relocatable classroom program, and the Preventative Maintenance and Renewal (PMR) program. It is using the results of these evaluations to improve these programs (e.g., simplifying the PMR program by removing redundant and under-utilized steps in the workflow).

In addition, the Ministry continues to contract a third party to carry out facility audits. These facility audits determine, through observation, the conditions of facilities in each school division, and assign a Facility Condition Index score to each facility. The Ministry could incorporate this score into its targets and measures when it finalizes its capital asset strategy.

Without measures and targets to evaluate the success of its capital asset strategy, the Ministry cannot appropriately measure whether capital funding is effectively used across the provincial Pre-K to Grade 12 system.

3.2 Review of Capital Asset Policies Timely

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 – Implemented

The Ministry reviewed, updated, and communicated appropriately many of its capital asset policies in the past two years. Ministry management advised provincially-funded Pre-K to Grade 12 school divisions that its policies apply to them.

Since our 2013 audit, it has prioritized policy development. The Infrastructure Advisory Committee (IAC) discusses capital policy and reviews policies. IAC is comprised of representatives of the Saskatchewan School Boards Association, Saskatchewan Association of School Business Officials, League of Educational Administrators, Saskatchewan Teachers' Federation, Federations of Sovereign Indigenous Nations, Métis Nations – Saskatchewan, and the Ministry.



The Ministry plans to continue to review, update and communicate the remaining policies to keep them current and relatable.

The Ministry uploads new or updated policies onto its website. It communicated this in its bulletin to school divisions. The Ministry sends bi-weekly bulletins to the Chief Financial Officer of every school division, and to the Facilities Functional Group.²

Even though the Ministry has not yet updated some policies, it has a well-defined process to do so and to communicate them to affected parties.

3.3 Capital and Non-Capital Alternatives Assessed

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 – Implemented

The Ministry, in conjunction with SaskBuilds, assesses alternatives to address capital asset needs. It encourages non-capital alternatives if they are feasible and appropriate.

The Ministry requires school divisions to use a standard application form when applying for capital project funding and approval. The application form specifically requires school divisions to identify capital and non-capital alternatives to address the deficiency or need identified. In addition, the form requires school divisions to attach supporting documentation for analysis of the options, including an analysis of capital and non-capital alternatives.

These application forms collect information that SaskBuilds requires to analyze capital projects across the government sector. It collects other information to help the Ministry assess all alternatives. This information includes factors such as health and safety of facilities, facility conditions, utilization methodology, and risk analysis.

When the Ministry assesses capital projects, it does additional work to identify alternatives that divisions may not have considered. These include restructuring of grouping of grades, busing students to adjacent schools, or using non-school buildings.

To rank projects by importance, the Ministry uses its prioritization methodology.³ The Ministry considers costs and savings, both short term and long term. It uses projections and forecasts of enrolment and other factors (e.g., utilization of existing school division facilities) to determine which options are most appropriate in the long term.

² The Facilities Functional Group is a group of representatives from all school divisions in the province.

³ An approach to analyze and rank capital projects based on various factors the Ministry considers important.

3.4 Capital Projects Financed by Ministry

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 – Implemented

As of March 2015, the Ministry started funding all capital projects for school divisions unless it directs a school division to use some of its savings. As a result, school divisions no longer incur debt to finance capital projects. The Ministry has incorporated this funding methodology into the standard Capital Funding Agreements it enters into with school divisions. The Ministry noted that it expects to incorporate this strategy into the Education Major Capital Funding section of the capital manual it is developing.

