

## Chapter 9 Education—Capital Asset Planning for Schools

### 1.0 MAIN POINTS

Effective capital asset planning helps to ensure the right size of schools are built in the right location to meet student needs. By January 2023, the Ministry of Education used measures related to school condition and utilization to monitor capital asset strategies and decide where to best focus capital efforts and funds. At January 2023, the Ministry was responsible for providing capital funding to 638 provincial schools in Saskatchewan.<sup>1</sup>

The Ministry also began piloting a new capital program in 2022–23, the Minor Capital Renewal Program, to address minor capital funding requests that fall outside of existing capital funding programs.

School divisions are required by the Ministry to identify and manage capital asset projects. Each school division conducts analysis of its capital asset needs compared to its existing capacity and requests Ministry approval for projects to meet its needs.

The Ministry used evaluation guidelines to determine priorities for capital projects for schools. These guidelines consider health and safety, utilization rates, efficiency, projected growth, and facility condition index (FCI).<sup>2</sup> We found the Ministry appropriately used these guidelines to rank capital projects requested by school divisions. It also appropriately listed the top ranked capital projects it forwarded to Cabinet for funding approval.

Further, the Ministry continued working with the Ministry of SaskBuilds and Procurement to update facility condition indices for all schools in each of the 27 school divisions, and plans to complete all school assessments by March 31, 2024. At January 2023, of the 267 updated FCI schools, 182 schools had a FCI rating of good, 53 fair, and 32 poor. None of the schools assessed to date were in critical condition (i.e., greater than 30% facility condition index). Knowing a school's condition allows for a risk-informed approach to capital planning.

The Ministry also reassessed and increased funding allocated to its Relocatable Classroom Program in 2022–23 that addresses school capacity issues by adding classrooms onto an existing school building. At June 2022, although 53 schools were over their designed enrolment capacity and in need of relocatable classrooms, this represents an improvement from prior years.

Having suitable and properly maintained educational facilities is key to properly supporting the delivery of education in the provincial prekindergarten to Grade 12 system.

<sup>1</sup> A capital funded school is a school where the Ministry is responsible for funding capital projects. For example, this does not include Public Private Partnership (P3) schools where the agreement requires the Ministry only fund maintenance costs.

<sup>2</sup> Facility condition index amounts are used to assess the current condition of a building (calculated using the amount of required maintenance costs compared to the current replacement value). The higher the amount the worse condition the building is in.



## 2.0 INTRODUCTION

### 2.1 Background

The Ministry of Education is responsible for overseeing capital asset projects for the entire provincial prekindergarten to Grade 12 system. *The Education Act, 1995*, requires the Ministry to approve all major capital projects, such as construction of new school buildings, additions to existing school buildings, or major renovations. The Ministry is responsible for aligning available funding for capital projects with the educational needs of communities and the provincial prekindergarten to Grade 12 system.

Each school division is responsible for identifying and analyzing its capital asset needs compared to existing capacity.<sup>3</sup> Each division is also responsible for seeking Ministry approval for projects to meet identified needs.

The Ministry's capital asset strategies form part of the 2022–23 provincial budget and the Saskatchewan Capital Plan.<sup>4</sup> The Plan included \$108.2 million for school capital projects in 2022–23 (2021–22 actual: \$122 million) and \$60.4 million for maintenance (2021–22 actual: \$67.9 million).<sup>5</sup> This includes funding for various projects (e.g., new school construction, renovation or consolidation of existing schools) and other capital strategies (e.g., preventative maintenance and renewal, relocatable classrooms).

Effective capital asset planning can reduce the risk associated with aging schools and infrastructure. It helps the Ministry to ensure the right-sized and properly equipped schools are in the right location, and reduce the risk of funding lower priority capital projects.

### 2.2 Focus of Follow-Up Audit

This chapter describes our fifth follow up of the Ministry of Education's actions on the eight recommendations we first made in 2013.

Our *2013 Report – Volume 1*, Chapter 8, concluded that, for the 12-month period ended December 31, 2012, the Ministry of Education did not have effective capital asset planning processes for facilities to house and support educational programs and instructional services for students in school divisions.<sup>6</sup> We made eight recommendations. By April 16, 2021, the Ministry implemented seven of the recommendations.<sup>7</sup>

To conduct this audit engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook—Assurance* (CSAE 3001). To evaluate the Ministry's progress toward meeting our recommendations, we used the relevant criteria from the original audit. Ministry management agreed with the criteria in the original audit.

To carry out our follow-up audit, we discussed actions taken with management. We reviewed documentation related to capital planning and how the Ministry monitors the success of its capital asset strategy such as using statistics on school utilization rates.

<sup>3</sup> *The Education Act, 1995*, gives the Boards of Education the responsibility for the administration and management of school facilities with oversight from the Ministry.

<sup>4</sup> [publications.saskatchewan.ca/api/v1/products/117354/formats/134759/download](https://publications.saskatchewan.ca/api/v1/products/117354/formats/134759/download), p. 2. (25 January 2023).

<sup>5</sup> Ibid.

<sup>6</sup> *2013 Report – Volume 1*, Chapter 8, pp. 71–89.

<sup>7</sup> *2021 Report – Volume 1*, Chapter 12, pp. 173–176.

## 3.0 STATUS OF RECOMMENDATION

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 January 25, 2023, and the Ministry's actions up to that date.

### 3.1 Success of Capital Asset Strategies Monitored

***We recommended the Ministry of Education develop and implement measures and targets to monitor the success of its capital asset strategy across the provincial prekindergarten to Grade 12 system.*** (2013 Report – Volume 1, p. 85, Recommendation 8; Public Accounts Committee agreement January 14, 2015)

**Status**—Intent of Recommendation Implemented

The Ministry of Education monitors the success of its capital asset strategies by monitoring school utilization rates as well as updating and monitoring facility condition indices for provincial schools.

In 2022–23, the Ministry began piloting a new project, the Minor Capital Renewal Program, to address capital projects costing between \$2 million and \$10 million. This Program provides funding to school divisions for capital repairs not usually considered under the major capital program.

During our 2021 follow up, we noted the Ministry established two measures in relation to its capital asset strategies:

- **School Utilization Rate**—an indication of how full a school is based on the size of the facility and enrolment
- **Facility Condition Index (FCI)**—a comparative indicator of the relative condition of facilities expressed as a percentage<sup>8,9</sup>

We expected the Ministry would set and report on targets related to school utilization rates and facility condition indices. Targets could be used to set out at what point schools aim to be at by a particular point in time. Ministry management indicated the Ministry does not plan to set targets for either measure but rather use the measures to monitor and prioritize its capital funding efforts.

We found the Ministry, in collaboration with the Ministry of SaskBuilds and Procurement, report on utilization and condition of facilities in schools province-wide in the Ministry of Education's annual report and capital asset plans respectively. Our review of these reports showed the number of capital-funded schools operating beyond their designed enrolment capacity declined from 79 schools (12%) in 2019–20 to 53 schools (8%) in 2021–22. This

<sup>8</sup> 2021 Report – Volume 1, Chapter 12, p. 175.

<sup>9</sup> The facility condition index (FCI) is the amount of deferred maintenance divided by the current replacement value. Deferred maintenance is the amount of maintenance postponed or phased for future action. The Ministry's facility condition index classification is as follows: Good FCI between 0–5%, Poor FCI between 10–30%, and Critical FCI greater than 30%.



indicates that the Ministry's capital asset strategies are yielding positive results.<sup>10,11</sup> If a school is operating with a utilization rate in excess of 100% (i.e., more students than the school's set capacity), the school division can still manage this capacity within the existing building by, for example, requesting relocatable classrooms.

While the Ministry does not plan to set targets related to school utilization rates and FCI, we found it considered these when recommending capital projects for Cabinet approval. Annually, during the Ministry's budgeting process, it asks school divisions to provide a list of capital funding requests. The Ministry assesses the requests against its major capital funding application evaluation guidelines, which helps the Ministry set its capital project-funding request. These guidelines consider:

- Health and safety (i.e., level of health and safety risk a physical building's condition poses to students and staff)
- Utilization (i.e., school utilization in excess of 100%)
- Efficiency (e.g., project considers consolidating two or more schools into one)
- New growth (i.e., project addresses future significant increases in student enrolment)
- Functionality/contribution to program (i.e., current facility has significant functional short-comings such as poor layout)
- Contribution to community (i.e., project provides added benefit such as a shared fitness facility)
- Facility condition (e.g., FCI is 30% or greater)
- Provincial priorities (i.e., considering whether alternate funding options exist such as cost sharing with the school division)

Our review of the Ministry's list of school division capital projects, found the Ministry appropriately prioritized projects based on the above-mentioned guidelines.<sup>12,13</sup> The Ministry appropriately listed the top ranked capital projects it forwarded to Cabinet for approval. Therefore, while the Ministry has not established targets, it is prioritizing capital projects based on need.

Since our 2021 follow up, we found the Ministry completed the following to monitor the implementation of its capital asset strategies:

- **For School Utilization:** The Ministry analyzed its funding sufficiency related to its Relocatable Classroom Program in 2022–23.<sup>14</sup> In 2022–23, it increased its funding for two additional relocatable classrooms, which the Ministry indicated as a lower cost option to increasing capacity compared to replacement or renovation.

<sup>10</sup> Ministry of Education, *2021–22 Capital Asset Plan*, p. 1.

<sup>11</sup> Ministry of Education, *2021–22 Annual Report*, p. 20.

<sup>12</sup> Annually, as part of its budget submission, the Ministry provides Cabinet with a list of Top 10 Major Capital Priorities. Cabinet then decides whether to fund these priorities. Cabinet chose not to fund any major capital project requests from the Ministry of Education in 2021–22 and 2022–23.

<sup>13</sup> [www.saskatchewan.ca/government/news-and-media?ministry=265CA4B069F848EBBA40FD8D8A931548](http://www.saskatchewan.ca/government/news-and-media?ministry=265CA4B069F848EBBA40FD8D8A931548) (31 January 2023).

<sup>14</sup> The Relocatable Classroom Program is designed to address immediate needs for additional classroom space to accommodate increased enrolments. School divisions can move or relocate these classrooms as enrolment fluctuates.

- **For FCI:** The Ministry continued to work with the Ministry of SaskBuilds and Procurement to update the FCI data for schools across the province. The Ministry began updating FCI assessments in 2020–21 and plans to complete these assessments by March 31, 2024.

As of January 2023, for the schools where the Ministry completed updating its FCI assessment (267 of the 638 schools), none of the schools have an FCI above 30% (critical condition).<sup>15</sup>

- **New Programs:** In 2022–23, the Ministry created a new capital-funding program, the Minor Capital Renewal Program.

The Ministry identified school divisions had several minor capital projects (e.g., structural repairs, renovations) that were not funded year after year through its existing capital project funding streams (i.e., Preventative Maintenance and Renewal, Relocatable Classroom Program, Emergent Funding Program, and Major Capital Program).<sup>16</sup> Since 2019, only two minor capital projects received requested funding (the Ministry receives approximately 20 applications per year).

As a result, the Ministry created the Minor Capital Renewal Program to address capital projects costing between \$2 million and \$10 million.

The Ministry began piloting this new program in 2022–23. Two school renewal projects, one in Kyle and one in Moose Jaw, received a combined \$4.5 million in funding to complete structural repairs, renovations and additions to their schools.<sup>17</sup> The Ministry will begin accepting applications for this new program in fiscal 2023–24.

While the Ministry has not set targets for its measures to evaluate the success of its capital asset strategies, we found the Ministry appropriately compiles and monitors these measures (i.e., FCI, school utilization rates) for capital funding decisions. Additionally, the Ministry reviewed capital program-funding requests noting several requests continued to go unfunded for several years. To address this gap, the Ministry established the Minor Capital Renewal Program. This shows the Ministry monitors its strategies and finds ways for projects with the most need to receive funding.

<sup>15</sup> Of the 267 updated FCI schools, 182 schools had a FCI rating of good, 53 fair, and 32 poor.

<sup>16</sup> Preventative Maintenance and Renewal projects are generally valued below \$1 million (e.g., replacement of a boiler). Emergent Funding Program is a last resort for school divisions where a capital repair or replacement is not covered under insurance or the Preventative Maintenance and Renewal funding. Major Capital Program provides funding to school divisions to cover the cost of building a new school or completing a major renovation. [www.saskatchewan.ca/government/education-and-child-care-facility-administration/services-for-school-administrators/school-infrastructure#:~:text=The%20Emergent%20Funding%20Program%20is%20designed%20to%20address.to%20address%20the%20costs%20of%20an%20emergent%20project](http://www.saskatchewan.ca/government/education-and-child-care-facility-administration/services-for-school-administrators/school-infrastructure#:~:text=The%20Emergent%20Funding%20Program%20is%20designed%20to%20address.to%20address%20the%20costs%20of%20an%20emergent%20project). (1 February 2023).

<sup>17</sup> [www.saskatchewan.ca/government/news-and-media/2022/march/29/new-minor-capital-renewal-program-to-provide-needed-renovations-for-two-saskatchewan-schools#:~:text=As%20a%20part%20of%20Budget,of%20schools%20across%20the%20province](http://www.saskatchewan.ca/government/news-and-media/2022/march/29/new-minor-capital-renewal-program-to-provide-needed-renovations-for-two-saskatchewan-schools#:~:text=As%20a%20part%20of%20Budget,of%20schools%20across%20the%20province) (31 January 2023).

