

School Renewal and Maintenance

Follow-up on VFM Section 3.13, *2008 Annual Report*

Background

Ontario has 72 district school boards with about 5,000 schools and more than 2 million students. About half of Ontario's schools were built at least 45 years ago. In 2002, the Ministry of Education (Ministry) hired consultants to inspect each school to assess its capital renewal needs and input the results into a database. The consultants concluded that addressing the capital renewal needs of Ontario schools by the 2007/08 fiscal year would cost \$8.6 billion, of which \$2.6 billion would be required to address urgent needs. The replacement value of Ontario's schools was estimated to be \$34 billion in 2003.

In our *2008 Annual Report*, we noted that since 2005 the Ministry had committed \$2.25 billion for essential repairs and renovations to Ontario's publicly funded schools through its Good Places to Learn initiative and a further \$700 million to replace those schools in the worst condition.

In the 2009/10 fiscal year, the Ministry provided school boards with almost \$1.9 billion (\$1.7 billion in 2007/08) in grants for school operations, which are primarily used for ongoing maintenance, custodial services, and utilities. The Ministry also provided \$306.2 million (\$305.8 million in 2007/08) in capital renewal grants for repairs and renovations.

Our 2008 audit focused on how three school boards—the District School Board of Niagara, the Durham Catholic District School Board, and the Kawartha Pine Ridge District School Board—managed and maintained their school facilities and used the capital funding provided by the Ministry.

Some of our more significant observations were as follows:

- The initiative to inspect each school in Ontario and enter the results into a database had provided valuable information on the state of Ontario's schools and where renewal funds should be invested. We noted that such a database can only continue to be useful, however, if it is kept up to date.
- Boards had not always spent the funds they received under the Good Places to Learn initiative in accordance with ministry requirements and on the highest-priority needs. Also, the Ministry needed an action plan to address schools that were considered to be uneconomical to maintain.
- All three schools boards we audited generally had good policies for the competitive acquisition of facility-related goods and services, and all three boards were generally following their prescribed policies. However, one board had not done so in purchasing plumbing services from four suppliers: invoices had been split

into smaller amounts to avoid competitive purchasing requirements and lacked sufficient detail to verify the amounts charged.

- With respect to maintenance and custodial services, we found that there was little formal monitoring; expected service levels were rarely established; and only limited feedback was being obtained from teachers, students, and parents on how well their individual school was being maintained and cleaned. We recommended that, to identify inefficient or costly practices that warrant follow-up, school boards should more formally track the comparative costs for these services between schools within each board or compare their costs to other boards in the same geographical region.
- Electricity, natural gas, and water costs are a major expense. While all three boards had introduced energy conservation measures, they should have been comparing energy costs for schools of a similar age and structure and following up on those instances where costs differed significantly between comparable schools. We noted instances where the average energy costs per square metre between schools in neighbouring boards differed by over 40%.

We made a number of recommendations for improvement and received commitments from the Ministry that it would take action to address our concerns.

Status of Recommendations

To assess the status of our recommendations with respect to the entire school board sector, we obtained an update from the Ministry, which, as of June 2010, had reviewed the facilities, staffing, and financial operations of 61 of the 72 school boards. According to the information we received from the Ministry, it has undertaken a number of significant

initiatives and policy changes to address the recommendations we made in our *2008 Annual Report*. However, in some instances, more work will be required at the school board level to fully address the recommendations. The status of action taken on each of our recommendations was as follows.

SCHOOL RENEWAL

Information on Renewal Needs

Recommendation 1

To help ensure that the school renewal capital planning database contains up-to-date information and accurately reflects major repair and renewal needs, school boards and the Ministry of Education should:

- *ensure that the database is periodically updated with completed renewal projects; and*
- *periodically reassess the condition of school buildings and adjust the database accordingly.*

Status

From 2005 to 2009, the Ministry provided funding to school boards under the Good Places to Learn (GPL) initiative for essential major repairs and renovations at Ontario's publicly funded schools. The Ministry informed us that school boards are required to maintain and update the asset management database as GPL activity occurs. In May 2009, the Ministry reminded boards of this obligation and requested that all GPL-supported renewal projects be board-approved, active, or completed by August 31, 2010, and that all such information be updated in the asset management database. The information that the school boards were required to submit included the status of the project, actual costs of the project, and reasons for any variances from the original estimate.

In November 2009, the Ministry received approval to proceed with the competitive procurement of services relating to a new assessment of the condition of school facilities. The Ministry informed us that it issued a request for proposals for this procurement in August 2010 and anticipates that a new contract would be in place before the end of

the year. The Ministry intends to conduct facility condition assessments over a five- or six-year period of all schools that are open and operating, except those that were recently constructed.

Use of Renewal Funding

Recommendation 2

To help ensure that one-time and ongoing renewal funding is spent prudently, school boards should:

- *formally rank all capital renewal projects to ensure that they are prioritizing the most urgent ones appropriately;*
- *require that trustees approve capital renewal plans and any significant revisions to them; and*
- *spend Good Places to Learn (GPL) and annual capital renewal funds only on eligible projects.*

Status

In December 2007, the Ministry announced that operational reviews would be undertaken at all 72 school boards over a three-year period to strengthen business practices and management capacity. The Ministry had reviewed 61 of the 72 boards as of June 2010. Boards were assessed according to leading practices in a number of areas including governance, human resource management, and facilities management. The leading practices related to facilities management include the standard that school boards should develop a multi-year facility maintenance and renewal plan and that this plan should be reviewed and approved by senior management and the school board trustees.

Upon completion of the operational review at a school board, the Ministry sends a report to the board providing an evaluation of how the practices at the board align with leading practices, plus recommendations for improvement. Approximately 12 to 18 months after the operational review, the Ministry conducts a follow-up review to determine if the school board has implemented the recommendations made in the initial report. Finally, the Ministry produces annual province-wide reports that summarize the operational-review findings of all

school boards reviewed that year in order to identify systemic issues and to note recommendations for improvement for the school system as a whole.

The summary report of the 2007/08 operational reviews, released in September 2008, noted that almost all boards use the asset management database to guide the development of annual maintenance and renewal priorities. However, although many boards were maintaining a database of prioritized projects extending several years out, few boards were formally communicating these priorities in the form of a comprehensive multi-year maintenance and renewal plan. The 2008/09 summary report, released in October 2009, noted some improvement in this area: many school boards have started to establish multi-year maintenance and renewal plans, but they still need to formalize these plans for approval by senior management and the board trustees.

The Ministry informed us that, since the introduction of the GPL initiative, it has communicated to the boards on several occasions the eligibility criteria for spending these funds. In addition, to help monitor GPL funding, boards are required to report GPL renewal funding in their estimates, revised estimates, and audited financial statements.

Prohibitive-to-repair Schools

Recommendation 3

To help ensure that students have acceptable, suitable environments to learn in, the Ministry of Education should develop an ongoing process to identify and address urgent capital renewal needs before schools become prohibitive to repair.

Status

In October 2008, the Ministry requested that boards prioritize and provide business cases for their top capital priorities over the 2009/10, 2010/11, and 2011/12 fiscal years for funding consideration. The Ministry summarized this information and estimated the amount of capital funding required to address these priority needs. The

Ministry then allocated \$350 million to 45 capital priority projects, and subsequently, an additional \$150 million to 35 capital priority projects from the energy efficiency funding initiative.

The Ministry informed us that the facility condition assessments of schools over the next five or six years will further help to provide the Ministry and school boards with information necessary to assess the overall condition of the province's schools, renewal needs, and current priorities.

SCHOOL CLOSINGS

Recommendation 4

To help school boards make the best possible decisions on closing schools, the Ministry of Education should:

- *review the impact that top-up grants have on keeping schools open to ensure the grants are meeting their intended purpose; and*
- *assess the impact that its guideline is having on school closures and address any concerns identified.*

Status

The Ministry informed us that it had reviewed the top-up grant process and revised it for urban schools to help ensure that they operate more efficiently. Top-up funding had been provided, up to a maximum of 20%, to urban schools that were not at full capacity in an amount equal to what they would have received if they had had additional students. In 2010/11, the Ministry will reduce the maximum top-up funding to 18% and, in 2011/12, to 15%. Also beginning in 2010/11, the Ministry will not provide top-up funding to new schools for the first five years of operations. These changes will not affect the top-up funding provided to rural or other schools in need of additional support.

The Ministry advised us that it had considered various reports (including the Declining Enrolment Working Group's report, *Planning and Possibilities*) and hundreds of comments from numerous stakeholders in assessing the *Pupil Accommodation Review Guideline*. This guideline, issued in 2006,

provides a framework for assessing a school's value to students, the community, the school board, and the local economy when determining if it should be closed. Feedback received from these stakeholders identified several areas where the guideline could be strengthened to better support school boards' accommodation review processes. As a result, in June 2009, the Ministry made several revisions to the guideline, such as the introduction of terms of reference for accommodation review committees and clarification of the committees' role in making accommodation recommendations.

ACQUISITION OF GOODS AND SERVICES

Recommendation 5

To help ensure that their purchases of goods and services are economical, school boards should:

- *ensure that all purchases are made competitively and in accordance with board policies;*
- *conduct reasonableness reviews to ensure that supplier invoices are not artificially split into multiple invoices for smaller amounts;*
- *require that invoices have enough detail for board staff to assess their accuracy and reasonableness; and*
- *check invoices for possible errors before they are paid.*

Status

The Ministry informed us that, effective April 1, 2009, the Treasury Board of Cabinet directed that the government's *Supply Chain Guideline* be incorporated into the transfer payment agreements of all broader-public-sector organizations, including school boards, that receive more than \$10 million in funding annually. As a result, the Ministry of Education's transfer payment agreement with school boards now reflects this new requirement. The guideline focuses on procurement policies and procedures and on a code of ethics, which all school boards are required to implement. In its 2010/11 operational review update, the Ministry noted that, although many boards had procurement policies

and procedures in place, the requirement to comply with the *Supply Chain Guideline* has helped boards revisit and strengthen their policies and procedures in this area.

The procurement policies and procedures set out standardized rules for competitive procurement and contracting. These rules are designed to balance numerous objectives including accountability, transparency, value for money and, ultimately, effective and high-quality service delivery. In addition, the rules specifically state that school boards are not permitted to divide requirements into multiple procurements in order to reduce the estimated value of a single procurement and thereby avoid exceeding an identified value threshold. In addition, formal documentation must be completed to support and justify purchasing decisions, including verification and approvals by the appropriate authority levels within the organization.

The Ministry is required to report on the compliance of school boards in implementing these requirements. To help meet this requirement, school boards must attest to having done the following:

- reviewed their existing code of ethics and procurement policies for compliance;
- assessed compliance with the code of ethics and the mandatory requirements listed in the *Supply Chain Guideline*; and
- posted procurement policies and a code of ethics on the school board's website.

The Ministry informed us that it expects all school boards will have their procurement policies publicly available by December 31, 2010.

SCHOOL UPKEEP

Setting Clear Expectations and Assessing Quality of Service

Recommendation 6

To help ensure that funding for custodial and maintenance services is spent well and that work is properly completed, school boards should:

- *establish certain basic service-level objectives for custodial and maintenance services;*
- *periodically inspect the work of staff for quantity, quality, and completeness and document the results; and*
- *conduct surveys to determine the satisfaction of school users with the services provided.*

Status

The Ministry informed us that school boards' maintenance and custodial policies and procedures were evaluated during the operational reviews to determine whether cleaning standards for schools had been adopted and whether a standard set of processes and tools to monitor, manage, and report on results had been developed. Although concerns were noted and recommendations for improvement made in individual board reviews, the summary report on the 2008/09 operational review did not note any systemic areas where significant improvements were required.

For example, one of the boards we audited in 2008 had adopted APPA (Association of Physical Plant Administrators, now known as the Association of Higher Education Facilities Officers) cleaning standards, which it uses to evaluate the performance of custodial staff at each facility. Operations co-ordinators and school principals monitor compliance through custodial log books and inspection forms. The operations co-ordinator frequently meets with custodial staff to ensure that performance expectations are clearly communicated. In addition, to assess the satisfaction of school users, this board has established a formal stakeholder communication process, including a template to track its interactions with the community and issues raised as well as actions planned to address these issues.

Cost Management

Recommendation 7

To help minimize costs and prevent service disruptions, school boards should:

- compare maintenance and custodial costs between schools within boards to identify variances that may be indicative of both good and poor practices and take corrective action; and
- determine whether additional expenditures on preventive maintenance could reduce long-term costs.

Status

In response to our 2008 audit, the Ministry stated that it had agreed to co-ordinate a study of school operations costs in collaboration with school boards and unions representing school board custodial and maintenance staff. The Ministry informed us that a working group has been created to define the proposed scope and parameters of this study. At the time of our follow-up, the Ministry was in the process of preparing for discussions with school board and union representatives. The Ministry also informed us that it is committed to contributing to this study, which it anticipates will take place in fall 2010.

During the operational reviews, school boards were also assessed to determine whether senior administration had developed and communicated a multi-year plan to address the board's preventive and deferred maintenance priorities. The 2008/09 summary report on the operational reviews noted that boards generally recognized the importance of planning and how preventive maintenance can reduce long-term costs. The summary report also indicated that, although the process needs to be formalized, many facility maintenance departments have begun to establish multi-year maintenance plans.

Energy Management

Recommendation 8

To help ensure that energy costs are minimized, school boards should:

- develop a formal energy-management program with specific energy conservation targets; and

- compare energy consumption among similar schools within and between boards as well as total energy consumption among boards in the neighbouring area and investigate significant variances for evidence of best practices or areas where energy savings may be realized.

Status

The Ministry informed us that it launched an energy management initiative in 2008 to support school boards with the growing priorities of energy management and conservation. In 2009/10, as part of this initiative, the Ministry initiated a utility consumption database, which is to collect data on electricity and natural gas consumption at every school and administrative building in the sector. The information collected is then used to:

- determine average provincial benchmarks;
- allow boards to analyze year-over-year consumption;
- identify schools and boards that are most energy efficient and those that require technical advice and support to reduce energy consumption; and
- set annual energy-reduction targets for the sector, board, and individual schools.

The operational reviews undertaken at the school boards assessed the boards' energy management programs and the tracking of and reporting on energy conservation. The overall finding was that boards have implemented a variety of energy conservation measures. For example, the operational review of one of the school boards we visited during our 2008 audit noted that the board had gathered site-specific consumption data in order to establish benchmarks for each location and that it had targeted a 10% cost savings. In addition, the review identified that the board had measures in place to monitor abnormal energy usage patterns and to take corrective action if needed.

Attendance Management

Recommendation 9

To help minimize sick-leave absences, school boards should:

- track the attendance of all employees; and
- inform supervisors of any employees with high numbers, or unusual patterns, of absences and, if improvements are not noted, consider implementing a more formal attendance improvement program for such employees.

Status

The Ministry informed us that, in June 2008, the Council of Senior Business Officials' Effectiveness and Efficiency Advisory Committee released its *Report on Leading Practices in Attendance Support for Ontario School Boards*. The purpose of this report was to review leading practices in managing attendance in order to identify opportunities for boards to develop attendance management strategies and reduce unnecessary costs related to absenteeism.

As part of the operational reviews performed at the school boards, the boards were assessed on whether they had appropriate processes and systems in place to monitor staff attendance on a timely basis and whether the effectiveness of the attendance management process is periodically reported on to senior management and school board trustees. The 2007/08 summary report of operational reviews conducted at various school boards identified that, although there are opportunities for improvement, most boards have relevant policies and associated procedures to manage staff attendance. For example, the operational review conducted at one of the school boards

we audited in 2008 identified that the board has developed an attendance support program that requires individual attendance to be monitored by department and employee group, with the objective of assisting those who are at risk of not meeting attendance expectations and who may require counselling and support.

LEGISLATION AND REGULATIONS FOR SCHOOL FACILITIES

Recommendation 10

To help ensure that all school boards are aware of changes in legislative and regulatory requirements affecting facility management and to minimize duplication of effort, the Ministry of Education and school boards should work on centralizing the collection of this information.

Status

Although the Ministry has not developed a centralized system, we were informed that, on an ongoing basis, the Ministry works with other ministries to identify and provide information on policy and regulatory changes affecting the school board sector. It provided as an example the fact that, in March 2009, it gave school boards information about Ontario's ban on certain pesticides, including identification of the pesticides that are allowed for use in school yards. In another example, the Ministry issued a memorandum in September 2009 reminding school boards about their ongoing responsibility under the *Safe Drinking Water Act, 2002* for testing water, and in January 2010, the Ministry advised school boards about recent updates to that act.