

Funding to Universities

Department of Advanced Education

Key Messages

Department is not effectively funding, monitoring, or holding universities accountable for public funds; new 2024-25 bilateral agreements, if followed, should improve accountability

- Financial health and sustainability of universities is not defined or regularly assessed
- Over five years, \$1.9 billion in public funds for unrestricted operating grants based on unsupported arbitrary allocation
- Funding agreement terms and conditions not adequate to protect public funds
- No financial performance accountability to protect public funds despite concern raised with the long-term financial sustainability of certain universities
- No plan to assess if \$276.9 million in health education funding over five years will achieve intended priorities

Why We Did This Audit

- Nova Scotia's 10 universities received \$2.5 billion in Department funding over last five years
- Financially healthy and sustainable universities are important to Nova Scotia's economy
- University sector has evolved in the 10 years since our last audit
- Current one-year funding agreements expire March 31, 2025

Department's Approach to Funding Prioritizes Unrestricted Operating Grants, Although New Bilateral Agreements Should Improve Accountability

- Department placed no restrictions on \$1.9 billion in operating grants for universities over five years
- Allocation of university operating grants is arbitrary and not supported
- Committee responsible for implementing the 2019-24 Memorandum of Understanding did not create the required work plan
- New 2024-25 bilateral agreements should improve accountability through performance targets, however \$139.9 million paid to universities before agreements were signed

Program Grants of \$276.9 Million Over Five Years to Address Provincial Healthcare Priorities Lack Protections for Public Funds and a Plan to Assess Outcomes

- Testing revealed the Department has not assessed whether \$163.8 million in health education grants are achieving healthcare priorities
 - Unclear if nursing seat expansion, despite \$65 million spent, is adding more nurses to the provincial workforce
 - \$119.4 million in health education grants unspent by universities as of September 2024
- Funding agreement terms and conditions not adequate to protect public funds
- Enforcement of funding agreements requires improvement

Department Does Not Adequately Monitor the Financial Health and Sustainability of Universities

- Department has not defined financial health and sustainability for universities
- No indicators or benchmarks to assess financial health and sustainability of universities
- Some universities report a pattern of year-end deficits
- Universities owe \$370.3 million in long-term debt and rely on government, on average, for a third of their annual revenue
- Department highlighted concern with the long-term financial sustainability of certain universities, but places no financial performance accountability to protect provincial funding
- 2015 *Universities and Accountability Sustainability Act* intended to promote greater funding accountability, but is not effectively used by Department