

4.

EDUCATION - REGIONAL SCHOOL BOARDS' PROPERTY SERVICES EXPENDITURES

BACKGROUND

4.1 The management of school facilities in Nova Scotia is a massive undertaking. In 2001-02 there were 466 public schools in operation with an estimated replacement cost of \$1.7 billion. Regional School Boards (RSBs) spent \$82.1 million (see Exhibit 4.1) on the 22.8 million square feet (see Exhibit 4.2) of school and administration buildings for which they are responsible. RSB property services expenditures in 2001-02 ranged from \$404 to \$778 per student or \$2.72 to \$3.93 per square foot (see Exhibits 4.4 and 4.3).

4.2 Since June 2000 the Province has approved \$298.8 million in capital funding for 20 new schools and 198 existing schools. The level of capital spending for new school construction is related to the condition of existing school facilities. The frequency of repair and replacement depends on a number of factors such as school usage, quality of original components, and exposure to the environment. Furthermore, the rate of school replacement increases when inadequate maintenance regimes are in place. The useful life of a typical school is considered to be twenty-five to thirty-five years. However, with proper maintenance and timely refurbishing, a school's expected useful life can be extended.

4.3 Internal Department of Education reports indicate a serious deferred maintenance problem in the Province's public schools. The cost of this deferred maintenance is estimated by the Department of Education to be \$500 million. Deferred maintenance can lead to serious issues such as air quality and other environmental problems, and may result in an inability to use the building for educational purposes. Ultimately, deferred maintenance can lead to the need to replace the building.

4.4 The following sections of the Education Act make it clear that Regional School Boards are responsible for the day-to-day operations and maintenance of public school buildings. Major renovations and construction of new schools are the responsibility of the Province. Section 64(2) of the Education Act states

"A School Board shall, in accordance with this Act and regulations, ... (ac) supervise capital expenditures; (ad) provide and pay for adequate equipment and furnishings for public schools and for the maintenance and operation of equipment, furnishings and school buildings; (ae) manage, maintain, repair and keep safe all real and personal property owned, leased or used by the board."

Section 88(1) states

"Where the Minister has received a report pursuant to the regulations and the Minister is satisfied that it is necessary to acquire property or to construct, purchase, alter, add to, improve, furnish or equip buildings or other work for public school purposes, the Minister may, with the approval of the Governor in Council, (a) acquire property for such consideration and on such conditions as the Minister may deem proper; (b) construct, alter or add to buildings or other works for school purposes; or (c) furnish and equip such buildings, and all expenditures for such purposes shall be paid by the Province."

4.5 In order to understand the property services functions, the reader should be familiar with the following terminology.

- *Property services costs* are the costs to operate and maintain school facilities.
- *Operating costs* are the regular day-to-day expenditures (e.g., custodial salaries, supplies and utilities).
- *Maintenance expenditures* relate to the activities that keep the school operating at an optimal level within the current life cycle of the building (e.g., electrical, carpentry, mechanical and painting).
- *Deferred maintenance* is the backlog of major maintenance projects unfunded in operating budgets and deferred to a future business cycle.

4.6 Paragraphs 5.30 to 5.37 in Chapter 5 of the 2000 Report of the Auditor General discussed the Department of Education's approach to Regional School Board funding. The current approach is generally the same as it was in 2000 with the majority of formula funding being unrestricted or global in nature (i.e., the Boards can allocate total funding through budget processes to various expenditure categories, including property services costs, without restriction).

4.7 The Department also provides restricted funding for the more significant major maintenance projects, as well as new construction, additions and alterations - work which will be capitalized in the Province's accounts. The projects funded are suggested by the Regional School Boards and approved by the Department. Usually, Boards manage the major maintenance projects and the Province manages the new construction, addition and alteration projects.

RESULTS IN BRIEF

4.8 The following are our principal observations from this audit.

- The current system of funding property services expenditures and major capital construction and renovation does not motivate Regional School Boards to invest in preventive maintenance.
- The Department of Education does not currently have an adequate process in place to monitor Regional School Boards' performance in appropriately maintaining schools.
- Regional School Boards are not currently receiving all the information required to appropriately perform their governance functions in the property services area.
- A comprehensive planning process for property services does not currently exist.
- Systems and controls over property services operations are generally informal and require improvement.
- There is a lack of information available to management to use in the planning, monitoring and assessment of property services operations.

AUDIT SCOPE

4.9 The objectives of this assignment were to:

- assess the assumptions supporting the property services budget items;
- review the accountability relationship between the RSBs, RSB management, and the Department of Education;

- assess the sufficiency of information being received by the Department from the RSBs supporting the maintenance of facilities with due regard for economy and efficiency;
- determine whether Regional School Boards' management processes, operational systems, and practices over property services operations and capital expenditures help to achieve due regard for economy and efficiency;
- assess whether RSBs' efforts are directed to improving efficiency of property services operations;
- determine if the RSBs' property services and capital expenditures are made in compliance with the Government's Procurement Policy (ASH sector);
- assess whether the information management systems and processes supporting RSB property services operations and capital expenditures are adequate;
- document the process supporting the acquisition and implementation of the MegaMation Directline Maintenance Software.

4.10 The audit criteria were taken from recognized sources including the Canadian Institute of Chartered Accountants' *Accounting Handbook* and *IT Guidelines*, and the Office of the Auditor General of Canada's *Auditing of Efficiency, Financial Management Capability Model* and *Modernizing Accountability Practices in the Public Sector*.

4.11 Our audit included an initial survey document sent to all seven Regional School Boards, followed up with field visits to the Annapolis Valley (AVRSB), Cape Breton-Victoria (CB-VRSB) and Halifax (HRSB) Regional School Boards. Our audit included examination of policies and procedures; contracts and agreements; business and operational plans; 2002-03 budgets and a sample of procurement files; as well as interviews with RSB management and staff, governing Board Chairpersons and appropriate sub-committee Chairpersons at the Boards visited.

4.12 Examination of documents at the Cape Breton-Victoria Regional School Board was somewhat limited due to a fire on September 13, 2002 that destroyed the Support Services building and contents.

PRINCIPAL FINDINGS

Introduction

4.13 To fulfill its responsibilities for funding Regional School Boards' property services expenditures and major construction of school buildings, the Department of Education requires certain performance information about Board operations:

- Information on the condition of school buildings, including requirements and plans for minor and major repairs and construction
- Information on performance, and compliance with legislation and policies
- Information on whether RSBs' property services operations have been managed with due regard for economy and efficiency

4.14 In addition to information required by the Department of Education, there are certain key elements required in each Regional School Board to properly manage the property services function. These are:

- An effective governance function
- Long-range and operational planning
- Management systems to control and monitor operations
- Project management systems
- Information systems

Our principal findings are listed below under the above headings.

Overall Comments

4.15 The division of responsibilities between Regional School Boards and the Department of Education for funding the day-to-day operations and maintenance of public schools, as opposed to major renovations and construction of new schools, has the potential to make expenditures on preventive maintenance and other discretionary maintenance items a low priority. The Province is responsible to improve the building and possibly construct a new facility if the existing building is beyond maintaining.

4.16 The responsibilities of the Department of Education and Regional School Boards are contained in the Education Act and Regulations. The Minister of the Department has certain responsibilities - primarily to finance capital construction and provide annual funding. This responsibility seems to be well understood by all parties - the Department, the governing Boards and Regional School Board management and staff.

4.17 In many situations the Department acts as a facilitator or coordinator in bringing the RSBs together to identify and share common needs and best practices. The Department supports across-the-board initiatives but allows the Boards autonomy in managing property services operations. The Department does not set standards or guidelines but makes Boards aware of possible standards and guidelines and allows each Board to determine a workable approach.

I. Information Required by Department of Education

Information on Building Condition

4.18 Section 7(3) of the Governor in Council Regulations to the Education Act states

“Each school board shall, at least annually, determine whether the buildings used for school purposes, and the equipment in them, are adequate to provide for the students to be enrolled in the ensuing school year or years.”

4.19 Although there is no annual report either to the governing Board or to the Department of Education noting the adequacy of each school building, from our discussions with Property Services management and staff in the Boards we visited, there is continuous assessment of building inadequacies by teaching, custodial and maintenance staff. One Board manages the list of inadequacies by creating and scheduling work orders for a future time. Building assessments were also part of the process used by all three Boards in the development of school capital construction requests to the Department.

4.20 The Regional School Boards do not regularly report building condition information to the Department of Education. Section 7(4) of the Governor in Council Regulations under the Education Act states

“Each school board shall report to the Minister a) the extent to which it is necessary to erect, acquire, purchase, alter, add to, improve, furnish or equip buildings for school purposes or barrier-free access, or to acquire land therefor; b) the extent to which the cost may be provided from the board’s annual budget for capital expenditure, repair and renovation, including any accumulated surplus...”

4.21 Such reports are usually only prepared upon request by the Department as part of its planning for specific school capital construction. We believe that reporting information on service levels, building condition and deferred maintenance would give the Department of Education better information for decision making. Subsequent to our fieldwork, HRSB management informed us that the Board made a formal request to the Department to assist in the funding of a joint project for a comprehensive evaluation of HRSB school buildings.

Recommendation 4.1

We recommend that the Department of Education work with Regional School Boards to establish a protocol for reporting on the condition of school buildings.

Information on Performance, and Compliance with Legislation and Policies

4.22 There is no formal system in place to monitor Regional School Boards’ compliance with Department of Education legislation and policies regarding property services. No information on RSB performance is submitted to the Department, and there are no established service standards. Such standards would be useful in measuring and reporting on performance. Reports on whether service standards are achieved with current funding would be useful information for the funding process.

Recommendation 4.2

We recommend that the Department of Education work with Regional School Boards to establish service standards for property services operations and a process for reporting on achievement.

Information on Whether Property Services Operations Have Been Managed with Due Regard for Economy and Efficiency

4.23 *Expenditure reporting* - Regional School Boards are required to provide annual audited financial statements to the Department of Education. The Department collects and records this information but does not routinely analyze property services expenditures in any detail. As noted above in paragraph 4.6, formula funding is global and there is no requirement for the Department to ensure that a certain portion of the funds provided have been spent on property services.

4.24 For the more significant major maintenance projects, Boards are required to provide an accounting of costs to the Department prior to reimbursement. This process was improved for the projects funded in 2002-03 to ensure timely reporting. There are no reporting requirements for Boards for new construction, addition and alteration projects as these projects are managed by the Province.

Recommendation 4.3

We recommend that the Department of Education develop a process to assess whether Regional School Boards are maintaining schools appropriately. This process should consider compliance with legislation and policies, and due regard for economy and efficiency.

II. Requirements at the Regional School Board Level

Governance

4.25 Structure - Survey responses from the Regional School Boards indicate that of the seven Boards in the Province, only two currently have Board sub-committees with a primary mandate related to property services issues. The remaining Boards either assign this responsibility to committees with several responsibility areas or to committee of the whole. Our audit work indicated that property services issues are given little attention by committees with broader mandates.

Recommendation 4.4

We recommend that Regional School Boards review committee structures to determine whether a separate committee dedicated to property services would enhance governance of the function.

4.26 Roles and responsibilities - The roles and responsibilities of Regional School Boards are detailed in the Education Act and in the terms of reference for sub-committees. Based on interviews with Board members and review of sub-committee terms of reference, the roles and responsibilities of the Boards in the property services area are documented and appear to be well understood.

4.27 Reporting and information requirements - Reporting to the sub-committees by management tends to include monthly budget variance explanations, general activity reports for the period, status reports on capital projects, and updates on current issues. Board members interviewed indicated that the current level and type of information reported by management was appropriate and sufficient for their needs. If Board members required additional information from management, they indicated it was provided in a reasonable amount of time.

4.28 None of the Boards we visited had formally documented information requirements from management. Based on our Office's review of reports provided to Boards, and through discussions with Board members, it does not appear that Board members are currently receiving the type of information that would allow them to adequately assess the effectiveness and efficiency of management's use of financial resources in the property services area. The following are examples of information which Boards are not currently receiving but we believe members should receive:

- reports on status of projects including percentage completion, costs to date, forecasted total costs and forecasted completion dates;
- formal explanations of variances between budgeted and actual costs; and
- reports of performance in achieving the annual operational plan.

Recommendation 4.5

We recommend that Regional School Boards review and document information requirements in the property services area to help ensure they are receiving sufficient, appropriate information to properly fulfill their roles and responsibilities under the Education Act.

4.29 Committee member expertise - The Education Act requires that Regional School Board members be elected by the general public. Board sub-committees are formed from those elected members who offer their services to the committee. As a result, Board members with specific property services experience may not serve on the sub-committee. We noted through our interviews with Board members and the examination of the employment and educational backgrounds of sub-committee members that, in some cases, the sub-committee responsible for property services was lacking specific expertise in the area.

Long-range and Operational Planning

4.30 *Business plans* - Under legislation, Regional School Boards are required to develop regional strategic and business plans for submission to the Department of Education. Subsequent to our audit of the Halifax and Chignecto-Central Regional School Boards, reported in Chapter 5 of the 2000 Report of the Auditor General, the Department prescribed the outline, format and time lines for the business plan. It is to include goals, priorities, outcomes, measures and targets.

4.31 We reviewed the 2001-02 and 2002-03 Business Plans of the three Boards visited to identify goals and priorities specific to property services. The Cape Breton-Victoria and Halifax RSBs included goals and priorities specific to property services although both require considerable refinement and development. The Halifax Board even reported its accomplishments against these priorities. The Annapolis Valley Board considers the focus of this document should be on educational issues, and as such has titled the document an Education Plan, not a Business Plan. The Education Plan does not include any references specific to property services. Our discussions with Department of Education management indicate that the Department performs very little analysis of these plans with respect to property services expenditures.

4.32 *Budgeting* - Through the budget process Regional School Boards are responsible for allocating global funding among various Board priorities. For the past few years, Regional School Boards have generally developed status quo budgets. Status quo budgets emphasize the future cost of delivering the current level of service. This means relatively little change to the staffing levels and programs from one year to the next. Simply stated, budget managers forecast changes in salary figures for known and anticipated contractual increases and adjust other figures based on prior year actual expenditures. The budgets for property services were developed in this manner. See Exhibit 4.5 for the allocation of property services expenditures in 2001-02 for the Boards we visited.

4.33 We have been told by Board management and staff that the governing Boards have made "*putting the money into the classroom*" a priority. Property services expenditures are generally given a lower priority.

4.34 The budget document provided to us by the Halifax Board includes the assumptions used in the development of the budget. The budget documents provided to us by the other two Boards do not include such assumptions, although we have been advised that Board members would be aware of underlying assumptions. To assist in understanding the budget, we believe assumptions should be disclosed as part of the budget document.

4.35 *Operational and preventive maintenance plans* - Property services operational plans should include expected levels of activity, milestones and target dates, resources required, and priorities. Although the Boards we visited had documented plans for the year to some extent, these documents did not include all the elements of formal operational plans. Without formal operational plans it is very difficult to assess whether operational activities are consistent with the goals and priorities established in the Regional School Boards' business plans and long-term capital plans. A properly developed operational plan, reviewed and approved by the governing Board, can also be a very effective accountability tool to be used in assessment of management's economic and efficient use of Board resources.

4.36 None of the Boards we visited had developed formal preventive maintenance plans for the schools and buildings for which they have responsibility. Management indicated that the lack of funds for preventive maintenance has led to the lack of formal planning in this area. Interviews with management indicated that all Boards had informal processes established for regular maintenance of boilers, water treatment plants, fire and security alarms, and filters on ventilation systems and that all regulatory requirements have been met.

Recommendation 4.6

We recommend that a process be established at all Regional School Boards for the development, approval and reporting of annual operational and preventive maintenance plans for property services operations. Assumptions implicit in such plans should be clearly documented.

Management Systems to Control and Monitor Operations

4.37 Reporting - None of the Boards we visited required regular formal reporting by staff and middle management to senior management. Management at the various levels interviewed indicated that there was constant informal communication of the status of various projects and potential problems. Both the Annapolis and the Halifax Boards have periodic staff meetings where supervisors and staff share information on project status and staffing issues with senior management. We believe that formal reporting of performance in achieving objectives and plans is necessary to achieve good accountability.

4.38 As noted in paragraphs 4.22 and 4.35, none of the Boards we visited had prepared operational plans or developed performance measures to report against. At the present time the only formal reporting of operational performance appears to be a comparison of actual expenditures to budget including explanations of the more significant variances. Management indicated that a good measure of performance is the number of complaints received from the schools or the public at large. Currently, such complaints are not being tracked and reported upon.

Recommendation 4.7

We recommend that Regional School Boards define performance indicators for the property services function and report on achievement.

4.39 Controls over inventory - During our site visits, we reviewed and assessed controls over maintenance materials inventory. We noted that at the Halifax Board the controls in place to ensure the safe guarding of inventory were inadequate. At the time of our visit all maintenance staff had access to the inventory, and although they were required to sign out materials, no inventory counts were taken to reconcile purchases and usage to inventory on hand. Based on our discussions with management at the Board, the requirement to do periodic inventory reconciliations was discontinued when the decision was made to expense materials upon purchase rather than recording as inventory and expensing at the time of usage. The controls over inventory should not be directly related to its treatment for accounting purposes. Controls over material inventory at the other two Boards we visited were adequate.

Recommendation 4.8

We recommend that the Halifax Regional School Board review existing controls over maintenance materials inventory using sound risk management practices, and implement changes as required.

4.40 Assessment of staff performance and quality of work - None of the Regional School Boards we visited had formal policies and procedures in place for the assessment of staff performance and quality of work. The Boards currently do not conduct annual performance evaluations on staff although all indicated plans to do so in the future. Boards indicated that quality of work is assessed on an informal basis through visual inspections during site visits. The Cape Breton - Victoria Board has principals prepare quarterly reports providing comments regarding satisfaction with the general custodial and maintenance work performed at the school. In cases where the performance of a particular staff member warrants significant improvement, a formal letter will be issued by

management indicating the nature of the problem and a target date for improvements. The Halifax Board indicated it is currently in the process of developing a formal appraisal process and that formal performance management has occurred where necessary. Generally, the systems currently in place by the Boards to assess staff performance and quality of work are informal and need to be formalized if they are to be used to help increase productivity.

Recommendation 4.9

We recommend that the Regional School Boards develop a formal process for the evaluation of staff performance.

4.41 *Management constraints* - Maintenance and custodial staff in all seven Regional School Boards in the Province are unionized and as a result the Boards are bound by the terms of respective Collective Agreements. Typical clauses in the Collective Agreements include no contracting out provisions, standard work days, requirements for full-time caretakers in certain sized schools, down sizing provisions, and no formal performance evaluations.

4.42 The amalgamation of the old District School Boards into the new Regional School Boards in 1996-97 resulted in various staffing levels for maintenance staff being inherited from the old District Boards which may not be the optimum level for the new Regional Boards. Management has recognized this as a problem but, because of Collective Agreement constraints and the lack of resources available for new staff, has limited ability to make necessary changes.

4.43 There have been no significant increases in property services expenditures over the last four years as detailed in Exhibit 4.6. Management has indicated that increases in annual salary costs leave very little in additional funding to be directed toward such areas as preventive maintenance, planning and analysis of service delivery alternatives, and development of information systems. The reality of day-to-day property services operations is that a significant amount of a Board's available resources are used to deal with emergency situations requiring immediate attention. These emergencies require that management use resources originally planned for discretionary areas such as preventive maintenance.

Project Management Systems

4.44 *Maintenance project management* - The operations departments of the three Boards we visited, although varying in size and structure, have responsibility for the repair and maintenance of school and administration buildings. Generally, each Board has maintenance trade staff (electricians, carpenters, and plumbers) responsible for repairs, maintenance of buildings, inspections of fire alarms and security systems, operating water treatment plants, etc. In addition to these ongoing operational requirements, staff and management are required to supervise the work of contractors hired for larger capital projects such as roof repairs, window replacements, and small scale renovation projects.

4.45 Management at the Halifax Board indicated that, on average, 1,300 work order requests flow through property services monthly. Both the Cape Breton - Victoria and Halifax Boards, which are much larger in size than the Annapolis Valley Board, can have as many as 20 or more trades staff reporting to one supervisor. Due to the sheer volume of work order requests, the number of schools and buildings for which the Boards have responsibility, and the large number of trades staff requiring supervision, it is essential that Board management have in place appropriate project management techniques to help ensure that the resources available are being used in the most economic and efficient manner possible.

4.46 *Outstanding work orders and staff supervision* - Trades staff are notified of assignment to specific projects through the issuance of a work order request. All three Boards we visited use the MegaMation software (see paragraph 4.49) to produce the initial work order based on the details in the request. In the Annapolis Valley and Cape Breton - Victoria Boards, staff use the system to

record completion of work orders. This allows management at these two Boards to review outstanding work orders and easily access the work order assignments for specific staff at any given point in time. At the Halifax Board, due to limited staff resources, work orders are not recorded as completed in MegaMation. Management indicated they use manual log books to record all work orders issued and completed by staff and to control work assignments and outstanding work orders. The log books presented for our review were incomplete and do not appear to be useful in controlling outstanding work orders or assisting staff in scheduling or monitoring staff.

Recommendation 4.10

We recommend that the Halifax Regional School Board review its current procedures for controlling work orders and staff assignments to ensure they are appropriate and working as designed.

4.47 *Maintenance staff work allocations* - At the present time none of the Boards we visited have established policies or procedures to allocate staff to projects. The development of time standards for typical repair and maintenance jobs would be a useful tool for supervisors to use in allocating resources and assessing the efficiency of completed assignments. Time standards could also be used in the development of operational plans and provide useful information for management when analyzing alternative service delivery mechanisms such as whether it is more economic to do repairs in house or contract out.

4.48 The allocation of staff to work orders in all the Boards we visited is the responsibility of the trades staff person's direct supervisor. Management indicated that, although not formalized, staff are allocated to projects in a manner that provides a wide range of experience for staff, while limiting downtime, such as travel. Management also indicated that much of the work performed results from emergencies and is allocated to the first available trades person. Ultimately, the allocation of staff to projects is based on the supervisors' professional judgement.

Information Systems

4.49 *Maintenance management system* - In 1997, with the phasing out of the Halifax Regional School Board's work order system, the Board, along with the Department of Education and the other Regional School Boards in the Province, worked collaboratively to select a replacement system to be used in all Boards. A committee with representation from all Boards was formed to manage the process. The committee evaluated the bids submitted and chose MegaMation Directline Maintenance software.

4.50 The committee prepared a common contract to be used by each Board when negotiating a contract with the supplier. From this point on, the Boards each negotiated with the supplier and developed an implementation schedule to bring MegaMation into each Board. MegaMation has been in use in some Regional School Boards since shortly after the vendor selection while other Boards have implemented MegaMation more recently.

4.51 Regional School Boards could also decide on which modules of MegaMation to implement. Each Board was to bring in MegaMation with no additional funding from the Province. The Halifax Board uses only the Work Request module to input and print a paper work order. The Annapolis Valley and Cape Breton-Victoria Boards use the Work Request and other modules to input, assign and track the work order until completion. These two Boards also enter labour and material costs for the work order. This allows them to plan and report the status and costs of work orders entered.

Recommendation 4.11

We recommend that the Halifax Regional School Board use its available maintenance management software to track the full costs associated with completion of work orders.

4.52 Subsequent to the introduction of MegaMation, the Department of Education and Regional School Boards agreed to implement a new financial information system (SAP).

4.53 The financial and procurement modules of SAP were implemented on April 2, 2002. Access to the system was limited to those persons who had access to the system being replaced and tended to include only the staff directly involved in the financial accounting and procurement processes. Generally, property services management and staff were not provided access in the initial implementation, although we understand Boards plan to extend access. Property services managers are not able to query the system to determine how they are doing in relation to budget, but must wait for the reports to be generated by their respective finance groups. At the time of our visits to the Regional School Boards in late summer and early fall, not all Property Services managers were receiving accurate budget-to-actual reports on a timely basis. It is unclear whether MegaMation will be replaced by the relevant SAP module.

III. Achieving Economy and Efficiency

4.54 *Operational best practices* - The following is a list of some of the operational best practices observed during our site visits. We believe they should be explored by all Regional School Boards in an effort to use limited resources in the most efficient and economic way possible.

- *Energy management systems* - At the present time, energy management systems at the three Boards we visited are in various stages of implementation. Many schools in the Annapolis Valley RSB have building control systems. Energy management systems are also in place within schools of the former Halifax City District School Board. The Cape Breton-Victoria RSB appears to have the most advanced systems in place in the majority of its schools, and indicated that the Board has realized considerable cost savings as a result of increases in operational efficiency. We believe all Boards should continue to explore the potential benefits of energy management systems.
- *Joint procurement opportunities* - All Regional School Boards in the Province purchase similar types of custodial and maintenance supplies. Other than the Annapolis Valley RSB's joint procurement of certain paper products with the Southwest Board, and the Halifax Board's use of the Provincial tender for certain products, there has been no analysis of cost savings from joint procurement opportunities. We believe joint procurement provides an opportunity for cost savings and suggest these opportunities be explored. We recognize that joint procurement could require more standardization of systems and components in certain areas.
- *Annual maintenance conference* - Representatives from all Regional School Boards in the Province meet at an annual maintenance conference. Topics covered during the 2002 conference included legislation and technical updates, implementation and use of custodial time standards, and innovative ideas implemented by Boards over the year. We see this conference as an effective means by which information between Boards can be shared and encourage its continued existence.
- *Custodial staff allocation and schedules* - Custodial staffing and scheduling efficiencies are achieved when Regional School Boards can accurately determine custodial staffing needs. The use of staffing formulas facilitates this. The Boards we visited use staffing formulas, however, regular use and monitoring is not occurring.

Because Boards vary in size, comparison of Board custodial staffing levels requires calculation of a ratio of area to be cleaned with the number of custodians (full-time equivalents). Exhibit 4.7 shows this ratio by Board and that there are differences among Boards. Such differences might be explained by differences in age of schools, staffing formulas, economies of scale, service levels, etc. We believe that regular review of staffing formulas and comparison among Regional School Boards could lead to more consistency and potentially to cost savings for some RSBs. We believe that Province-wide service standards in this area should be explored.

Recommendation 4.12

We recommend that the Department of Education and Regional School Boards investigate implementation of best practices including energy management systems, joint procurement and custodial staffing and scheduling standards.

4.55 Most Boards use employees to perform the vast majority of property services functions. One exception is the Annapolis Valley Board which uses contracted custodial services at several schools. The Cape Breton-Victoria Board has a practice of using employees to perform the majority of major maintenance projects, rather than contracting out, and hiring casual replacement staff. The Halifax Board contracts out larger projects when in-house resources are not available. At the time of our visit to these Boards, none could provide an analysis showing whether the current manner of providing the service was the most cost effective. Analysis of alternatives should be performed, savings tracked and information shared among Boards.

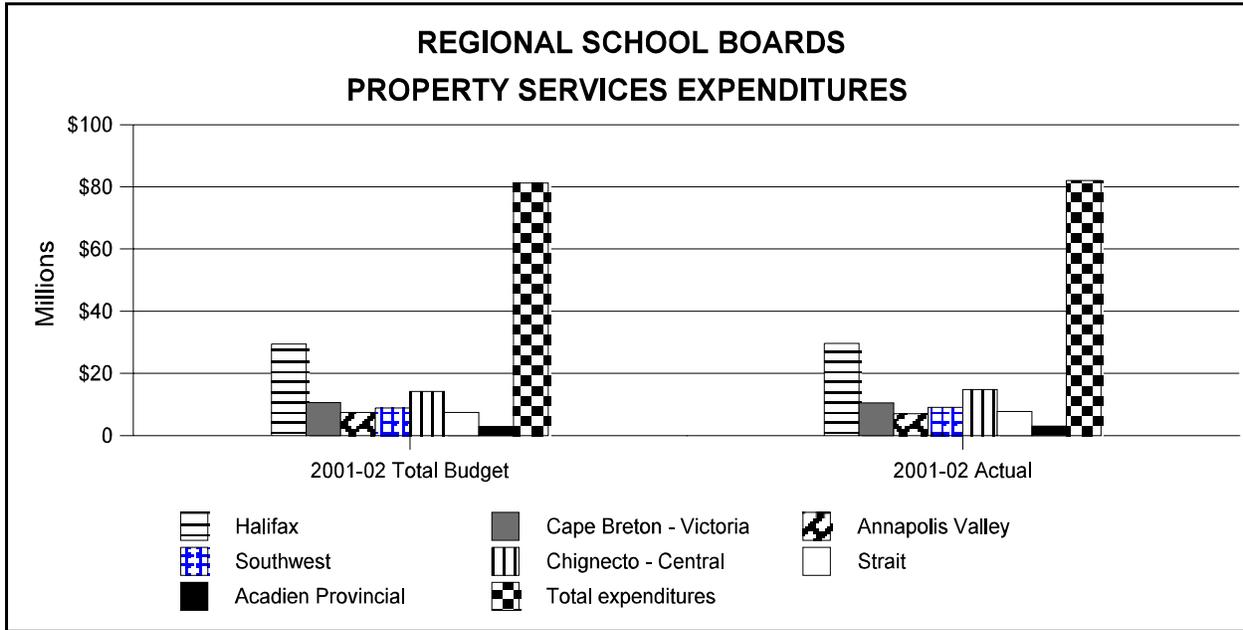
CONCLUDING REMARKS

4.56 The Department of Education's move toward global funding, as well as the current division of responsibility for major capital renovations and construction and ongoing maintenance and upkeep of schools, does not provide Regional School Boards with the motivation to spend limited resources on preventive maintenance and other discretionary property services expenditures. In addition to a system that provides little intrinsic motivation, the Department does not receive information from Boards to allow it to make an adequate assessment of Board performance in managing property services.

4.57 The current systems and controls in the property services operations at the Boards we visited were characterized by informality. There appears to be a fundamental lack of management information available to appropriately plan, monitor and assess the performance of property services operations.

4.58 The Department needs to monitor property services expenditures by Regional School Boards. Poorly maintained schools can lead to health problems, school closures resulting in disruptions to the public school system, and the eventual replacement of schools. The Province has recognized the need to make a significant investment in new schools and renovations to address current poor condition. To ensure the best long-term value for its investment, the Province must also ensure that all schools in the public school system are being appropriately operated and maintained.

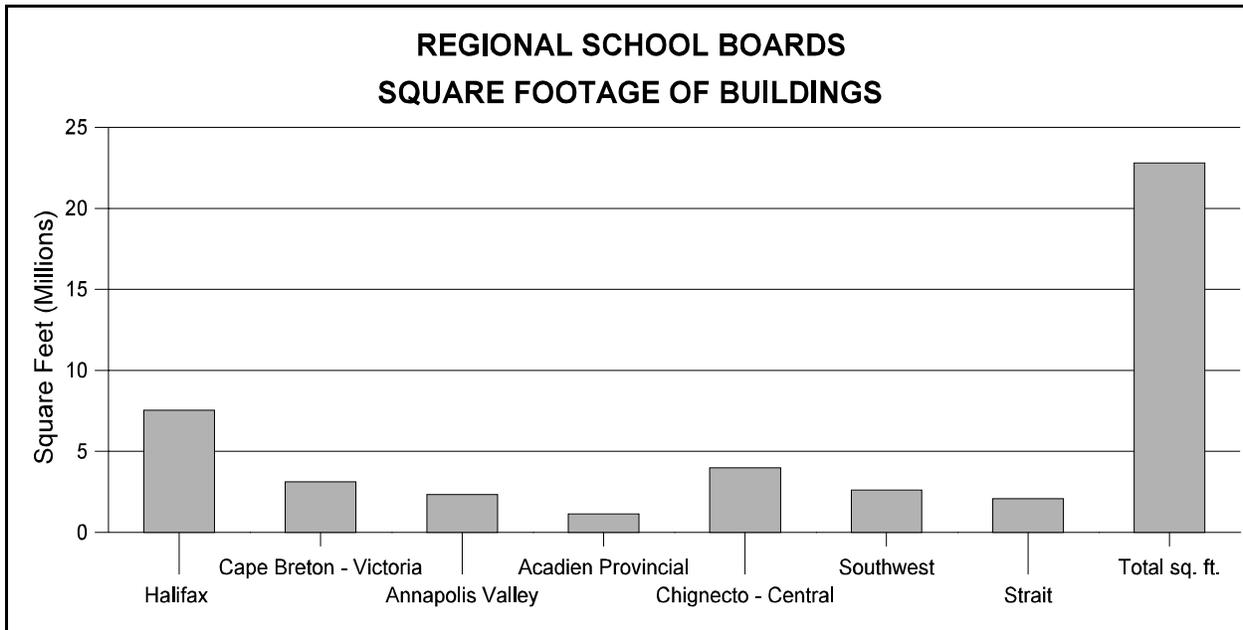
Exhibit 4.1



Source: RSBs' 2001-02 audited financial statements.

Note: Conseil scolaire acadien provincial's property services expenditures are unaudited.

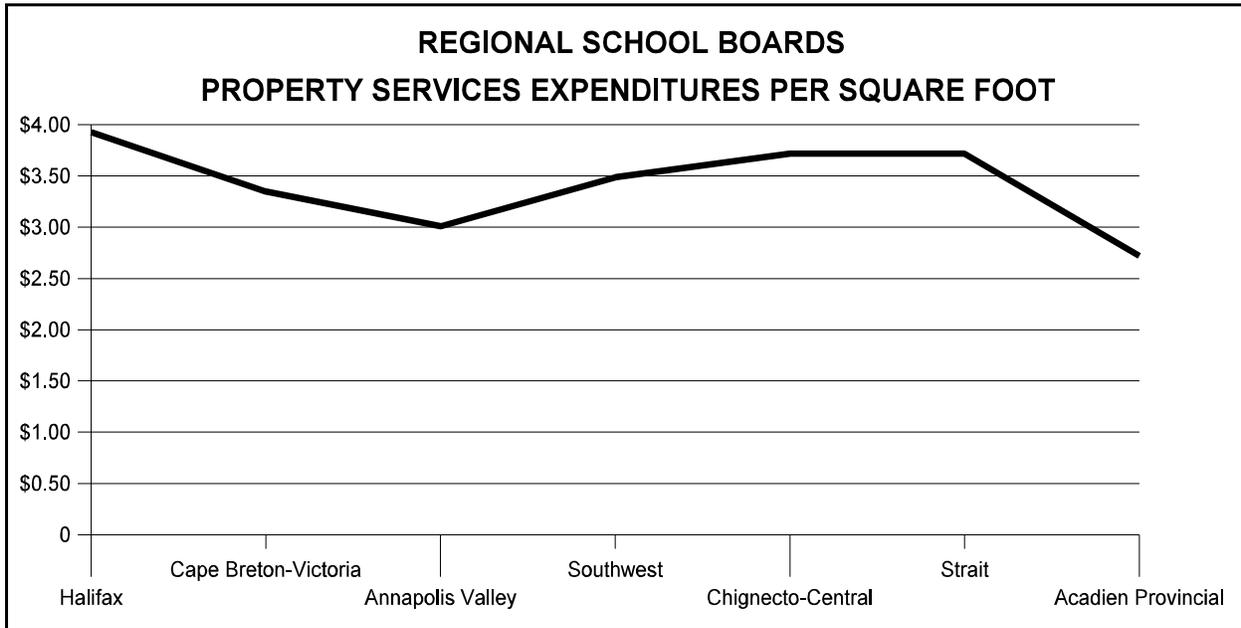
Exhibit 4.2



Source: Information provided by Department of Education and not audited by the Office of the Auditor General.

Note: Square footage includes schools, administrative and other buildings.

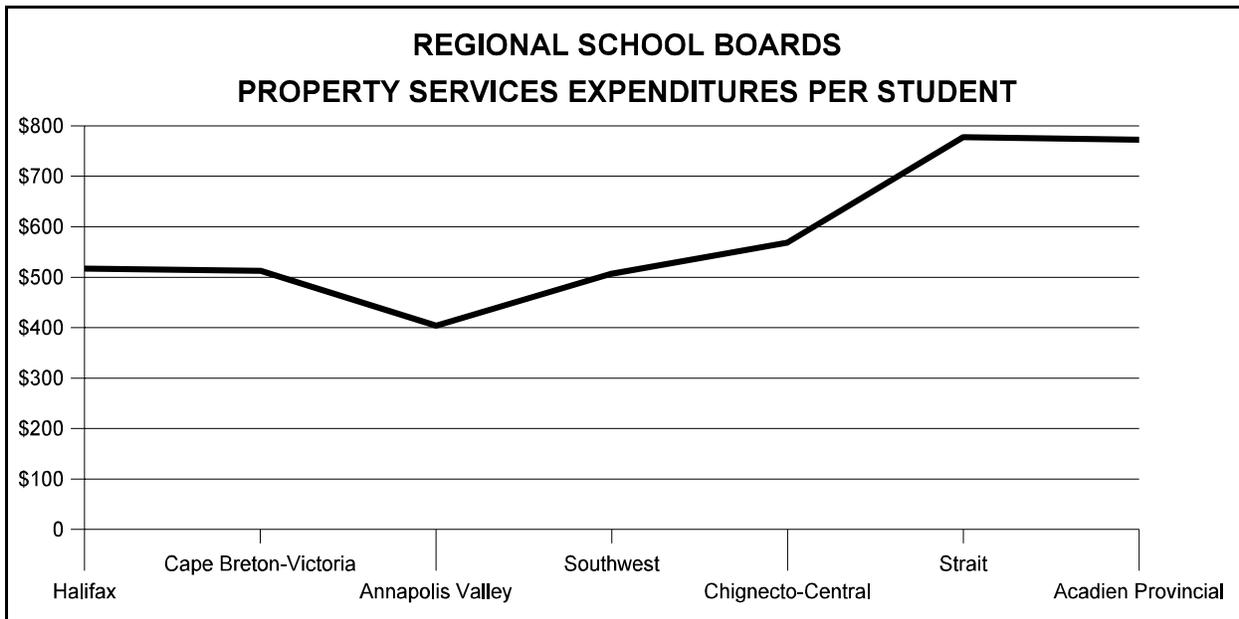
Exhibit 4.3



Sources: Information provided by Department of Education (not audited by the Office of the Auditor General) and RSBs' 2001-02 audited financial statements.

Note: Conseil scolaire acadien provincial's property services expenditures are unaudited.

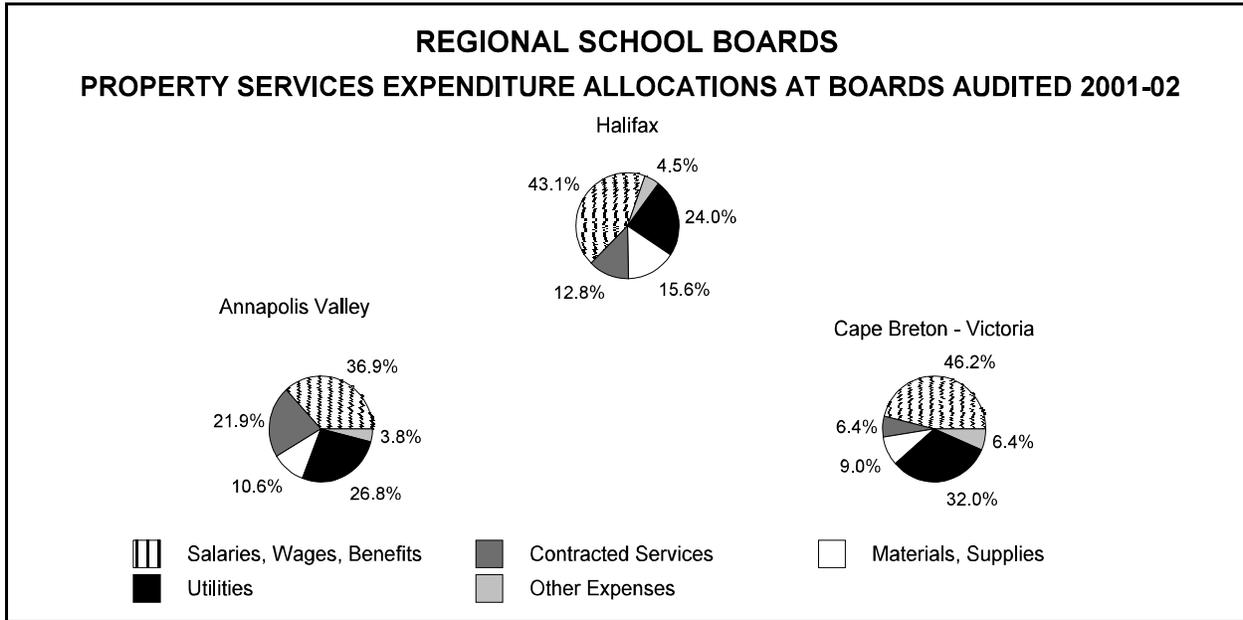
Exhibit 4.4



Source: RSBs' 2001-02 audited financial statements.

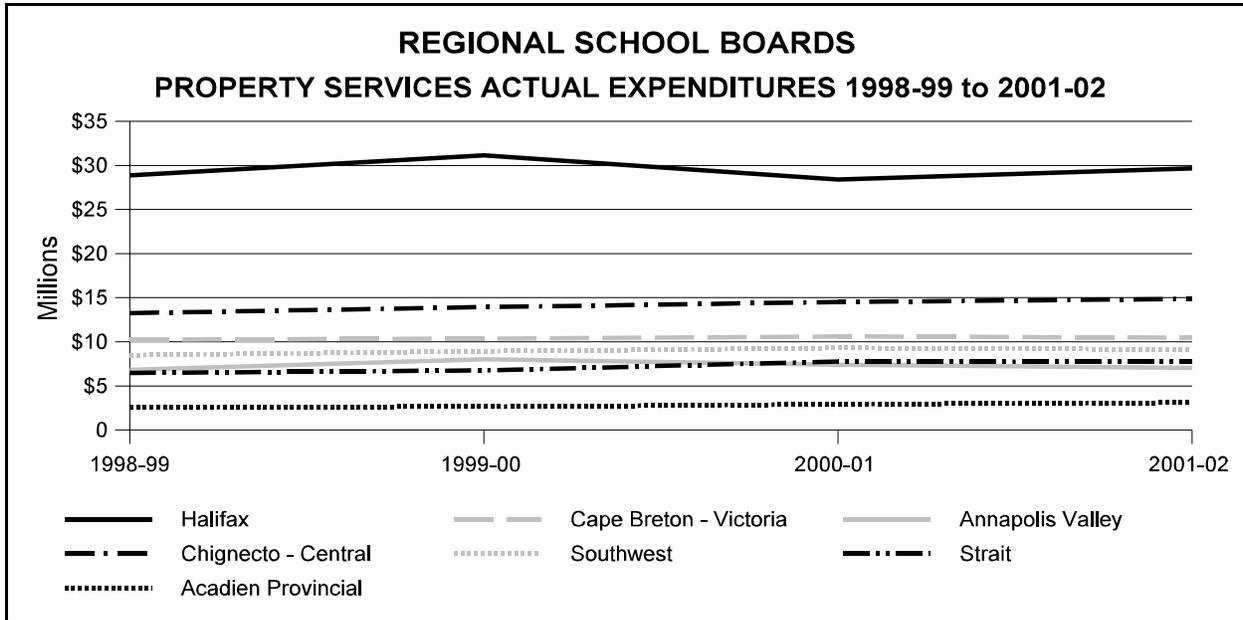
Note: Conseil scolaire acadien provincial's property services expenditures are unaudited.

Exhibit 4.5



Source: RSBs' 2001-02 audited financial statements.

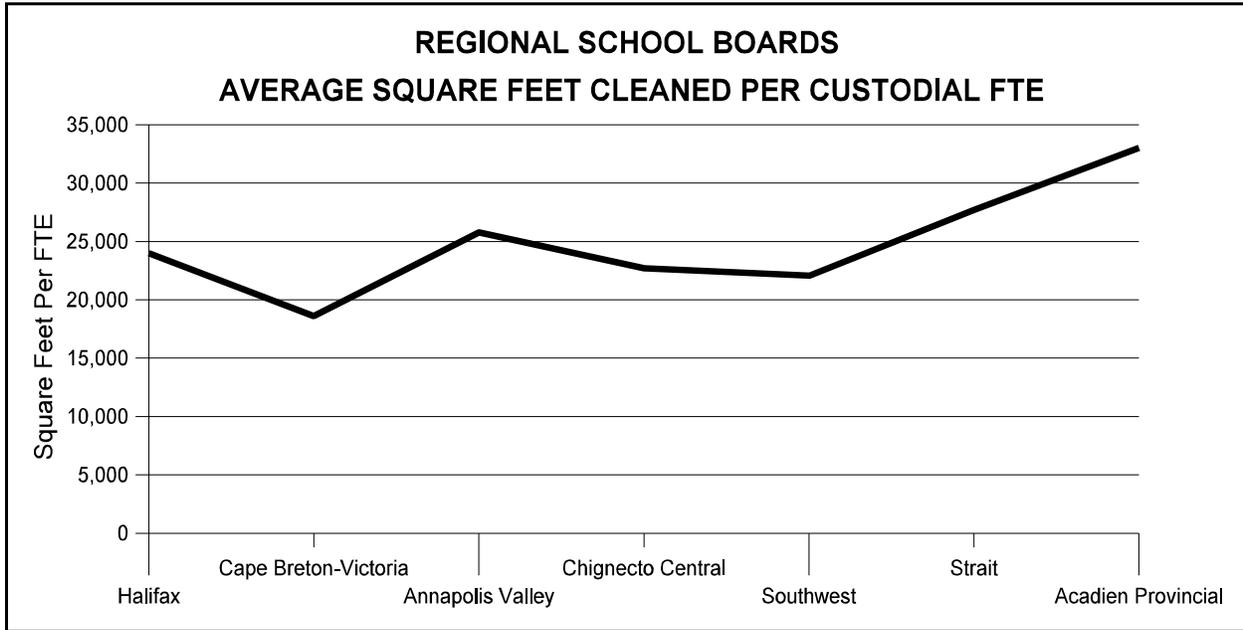
Exhibit 4.6



Source: RSBs' 2001-02 audited financial statements.

Note: Conseil scolaire acadien provincial's property services expenditures are unaudited.

Exhibit 4.7



Source: Information provided by RSBs and Department of Education and not audited by the Office of the Auditor General.