

LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

**REVIEW OF
AUDITOR-GENERAL'S REPORT
NO 10, 1998**

Management of Schools Repairs and Maintenance

**STANDING COMMITTEE FOR THE CHIEF MINISTER'S PORTFOLIO
(INCORPORATING THE PUBLIC ACCOUNTS COMMITTEE)**

Public Accounts Committee Report Number 19

June 1999

RESOLUTION OF APPOINTMENT

The Standing Committee for the Chief Minister's Portfolio was appointed by the Legislative Assembly on 28 April 1998 to examine any matter under the responsibility of the Chief Minister's portfolio. The Assembly also resolved that the committee perform the duties of a public accounts committee, specifically:

- (a) to examine:
 - (i) the accounts of the receipts and expenditure of the Australian Capital Territory;
 - (ii) the financial affairs of authorities of the Australian Capital Territory; and
 - (iii) all reports of the Auditor-General which have been laid before the Assembly;
- (b) to report to the Assembly, with such comments as it thinks fit, on any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Assembly should be directed; and
- (c) to inquire into any question in connection with the public accounts which is referred to it by the Assembly and to report to the Assembly on that question.

MEMBERSHIP OF THE COMMITTEE

Mr Ted Quinlan MLA Committee Chair

Mr Trevor Kaine MLA Deputy Committee Chair

Mr Greg Cornwell MLA

Secretary: Bill Symington

1. INTRODUCTION

1.1. Auditor-General's Report No 10, 1998 was presented to the Assembly on 10 December 1998.

1.2. This performance audit examined the management of schools repairs and maintenance by the Department of Education and Community Services, having in mind that the Department utilises land, buildings and improvements valued at \$534m at 30 June 1998 for the provision of school education services and that repairs and maintenance of these facilities cost \$7.3m in 1997-98 - about 3% of overall annual operating costs of government schooling.

2. AUDIT FINDINGS

2.1. The broad audit findings were that:¹

- (i) repairs and maintenance services have generally been provided effectively, efficiently and economically;
- (ii) there is need for a more strategic approach to planning repairs and maintenance which takes account of:
 - (a) the identified need for increasing levels of expenditure in order to keep schools in a satisfactory condition;
 - (b) the age of schools; and
 - (c) the likely utilisation of schools;

and which provides long term budget projections for the next 5 - 10 years.

2.2. The committee sought comment on the audit findings from the Minister for Education and received a Government submission.²

2.3. The next section of this report indicates the Government's response to those audit findings of significance.

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¹ Audit repport p3

² Minister for Education, letter to committee with submisison, dated 31 March 1999

3. GOVERNMENT COMMENT ON THE SIGNIFICANT AUDIT FINDINGS

Overview of repairs and maintenance

3.1. The audit found that the Department of Education and Community Services does not produce performance indicators for repairs and maintenance for public accountability purposes and suggested the Department should produce the following two indicators:³

- (i) annual value of repairs and maintenance divided by the number of students (\$ per student); and
- (ii) scheduled annual repairs and maintenance as a percentage of annual repairs and maintenance.

3.2. The Government agreed with this finding and advised that the Department will develop the suggested input indicators and report on them in its asset management plans and annual management report.

Condition of schools

3.3. From an audit survey of school principals assessments of the condition of their schools it was found that:⁴

- (i) 41% of principals considered their schools to be in "poor" condition although none considered that their schools were in an unsatisfactory condition; and
- (ii) although at least 80% of schools had experienced little or no disruptions to normal educational operations due to equipment failure or maintenance and repairs, the remaining 20% of schools had experienced disruptions to classes more than twice a year due to equipment failure and 10% due to maintenance or repair work;

3.4. The audit also noted that the 1996 Departmental condition assessment of schools found that all schools were at least in a satisfactory condition.

3.5. The Government response was that the findings confirm the audit's primary finding that government school repairs and maintenance have generally been provided effectively, efficiently and economically. However, the Government offered no comment on the findings noted in paragraph 3.3 above.

³ Audit report p13

⁴ ibid pp30,31

Planning school maintenance

3.6. The audit noted that Totalcare as the maintenance provider is also involved in preparing school condition assessment reports and assessing their maintenance requirements, but further noted that the Department is in the process of establishing a purchaser-provider relationship on a commercial basis with Totalcare. The audit considered there would be a potential conflict of interest in this situation and suggested a party independent of Totalcare should undertake future condition assessments on behalf of the Department.⁵

3.7. The Government acknowledged the potential for conflict of interest wherever the service provider is also the assessor and advised that now that departments are not tied to Totalcare for maintenance work, there is greater scope for a range of service provision and condition audit arrangements to apply. However, in many cases, firms qualified to undertake condition audits are also potential service providers. To guard against creating a potential conflict of interest situation, the Department will ensure that a competitive environment exists for condition audits and the provision of services.

Central office management

3.8. The audit's primary finding was that government school repairs and maintenance have generally been provided effectively, efficiently and economically but found that there is scope for implementation of upgraded property management information systems such that the Department should:⁶

- (i) maintain data in a controlled systems environment with standard performance reports made available for managers;
- (ii) examine the development of a facilities management database to link property and financial information in a standardised environment in addition to the upgrade of school information systems; and
- (iii) consider the use of a facilities management database as a subsidiary system with an interface to the Department's financial accounting system to overcome the data management issues mentioned.

3.9. The Government advised that while an integrated property information management system would be an improvement on current arrangements, the costs of installing and maintaining such systems compared to the additional benefits must be carefully assessed. The Department had previously considered various integrated asset management information systems and had not been convinced that the

⁵ ibid p44

⁶ ibid chapter 5

considerable initial and recurrent investment needed would be an effective use of scarce resources. However the Department would keep the matter under review.

School based management

3.10. The audit noted that:⁷

- (i) schools have reported that school based management has increased the effectiveness of the management of school repairs and maintenance and that most schools have the skills and expertise to take on the full school based management role;
- (ii) the amount of time that schools are providing to manage the repairs and maintenance tasks is reasonable;
- (iii) there was a 12% underspend of school specific repairs and maintenance expenditure in 1997-98;
- (iv) the Department has not set standards or benchmarks for appropriate levels of repairs and maintenance expenditure for schools; without such standards there is a risk that school managements may allow schools to run down by using repairs and maintenance cash for other school purposes; and
- (v) some mandatory maintenance is not being carried out properly; the extent of the problems found indicate that schools may not have the skills to effectively manage their repairs and maintenance program.

3.11. With regard to setting standards or benchmarks for appropriate levels of repairs and maintenance expenditure for schools the audit suggested that the Department should introduce management controls to identify where schools are neglecting their maintenance responsibilities. The audit also suggested several ways to improve the management by schools of repairs and maintenance and mandatory maintenance. These included greater use of janitors to undertake minor project and contract management, use of professional program management and maintenance inspection services from private contractors and development of schools cluster arrangements for program management and maintenance inspection services to achieve economies of scale.⁸

3.12. The Government advised that while there is potential for schools to neglect their maintenance responsibilities there is no evidence that this is the case. The 12% underspend in maintenance funds in 1997-98 represented a responsible, and cautious, approach in the first year of school based management. It may also indicate that schools are benefiting from being able to obtain maintenance within a more competitive environment. The Government noted that a range of essential maintenance requirements had been made mandatory and schools have no discretion

⁷ ibid pp63,64

⁸ ibid pp71-78

about whether to undertake those maintenance activities. A regular three year condition audit also identifies and prioritises any problem areas.

3.13. The Government agreed with the audit suggestions for improving the management by schools of repairs and maintenance and mandatory maintenance and advised that the Department intends to incorporate them, where appropriate, in the School Management Manual.

Strategic planning

3.14. The audit found that:⁹

- (i) about 75% of schools are more than 20 years old and the older schools are either becoming due or are overdue for large amounts of specific maintenance or refurbishment work;
- (ii) although the Department has implemented a comprehensive asset management plan, there is a growing difference between repairs and maintenance requirements and the level of funding provided;
- (iii) the school condition assessments identified the need for up to 100% more repairs and maintenance expenditure within the next five years;
- (iv) continued maintenance funding at current levels combined with the progressive deterioration of school facilities will, in the relatively near future, result in schools which are not fully effective for the delivery of education services;
- (v) there was approximately 30% excess student capacity in schools as at February 1998; and
- (vi) this excess capacity involves substantial costs to maintain schools without increased educational benefit to students.

3.15. The audit suggested the Department develop a strategic maintenance plan which:¹⁰

- (i) takes into account the increasing need for repairs and maintenance funding, the age profile of schools and the likely utilisation levels of schools; and
- (ii) provides long term budget projections for the next 5-10 years.

3.16. The Government acknowledged the importance of adopting a strategic approach to repairs and maintenance planning. Future Departmental asset

⁹ ibid pp79,80

¹⁰ ibid chapter 7

management plans will incorporate the age profile and utilisation rates of schools and the consequential impact on repairs and maintenance funding.

3.17. The Government also noted the audit estimate that 30% of available space in schools is surplus, of which 35% is in primary schools. The Government advised that its policy on schools with declining enrolments recognises the community's reluctance to see a school close. However, the Government is concerned that scarce resources continue to be committed to maintaining surplus capacity rather than being used to deliver quality educational outcomes for students.

3.18. The Government noted that repairs and maintenance costs are a significant component of a school's site specific costs (in the order of 20%) and, as school buildings age, this component can be expected to increase. While a school remains open, whatever its enrolments, the Government has a duty of care responsibility to ensure that they are safe and functional places. This impacts on scarce resources and strategic maintenance planning.

3.19. The Government noted that the audit acknowledged that it would not be possible to reduce the surplus places to zero and advised that there will be a number of reasons for this including recognising those schools which have yet to reach their peak enrolment, design limitations, changing curriculum needs and the need to have some system and school flexibility.

3.20. However, the Government accepted that there exists significant surplus capacity within government schools, noting that between 1992 and 1997 enrolments declined by 3.6%, the number of schools rose by 4.2%, and that in the 20 years to 1998, the number of schools increased by 11 while enrolments declined by 746. During this period the average school population size declined by 13% with primary schools declining by 25%. In 1999 there are 17 primary schools with a capacity (without transportables) for 460 students which have less than 290 students.

3.21. The Government acknowledged the complexity and sensitivity of the situation but indicated the need for community debate about how available educational resources are being used and whether change is possible and desirable. In this regard, the Government suggested that in some circumstances, school amalgamations and twinning may be realistic options. The Government further expressed the view that the need to ensure that schools are safe and functional places means that, as schools age, the resources devoted to their maintenance must increase.

4. COMMITTEE COMMENT

4.1. This performance audit is unexceptional insofar as the general findings relating to the effectiveness of central office and schools based management and strategic planning are concerned.

4.2. The committee is disappointed that the Government did not provide a substantive response to those audit findings on the condition of schools which pointed to a perceived view by a significant proportion of school principals that their schools were either in poor condition or experienced disruptions due to equipment failure or maintenance or repair work (paragraphs 3.3 and 3.5 above).

4.3. On other aspects of the audit, the committee notes that the Department will keep under review the audit proposal for the development of a facilities management database (paragraphs 3.8 and 3.9 above) and that the Department intends to address deficiencies identified in schools based management of repairs and maintenance (paragraphs 3.10 to 3.13 above).

4.4. The committee is concerned that some mandatory maintenance is not being carried out properly possibly because of the lack of specific management skills under the schools based management program (paragraph 3.10 (v) above), and urges the Government to ensure that appropriate measures are undertaken to rectify any such deficiencies. The committee suggests that a handbook could be prepared for school managements to assist on cyclical maintenance and that there be a process of periodic Departmental inspection of school facilities.

4.5. The audit has drawn attention to the age profile of schools and excess student capacity leading to the need for increasing maintenance expenditures and has proposed a strategic plan for repairs, maintenance and utilisation of schools over the next 5 to 10 years (paragraphs 3.14 and 3.15 above). The committee notes the Government's intention to incorporate the age profile and utilisation rates of schools in developing the impact of repairs and maintenance funding (paragraph 3.16 above).

4.6. The Government response on strategic planning went substantially further than the audit findings and raised a number of policy issues which the committee considers should be exposed to much broader debate than is possible or appropriate in the context of this committees' review of an audit report specific to repairs and maintenance of schools.

5. RECOMMENDATIONS

5.1. The committee recommends that the Government:

- (i) ensure that, with regard to school repairs and maintenance, both central office management and schools based management systems are effective;**
- (ii) ensure that schools have the resources and/or training to adequately manage their repairs and maintenance programs; and**
- (iii) given declining school enrolments, develop, and present to the Assembly, a policy paper on a strategy for ageing and under utilised schools including reference to alternative uses of school facilities and budgetary effects.**

Ted Quinlan MLA
Chair