

**MEDIA RELEASE****19 December 2019****Maintenance of ACT Government School Infrastructure**

Auditor-General, Mr Michael Harris, today presented a report on **Maintenance of ACT Government School Infrastructure** to the Speaker for tabling in the ACT Legislative Assembly.

Mr Harris says ‘The Education Directorate has a sound framework for the management of school infrastructure assets, including repairs and maintenance activities, which is documented through its *Strategic Asset Management Planning Framework for ACT public schools* (May 2016) and *Strategic Asset Management Plan* (December 2016). While there is a sound framework in place its implementation is hampered by poor supporting systems and processes’.

The audit found that the lack of operational or asset management plans means that high-level strategic asset management planning issues and considerations identified in the *Strategic Asset Management Plan* (December 2016) are not translated into specific, documented and actionable asset management activities.

Mr Harris says ‘The majority of repairs and maintenance managed by schools is reactive maintenance, rather than the preferred and more cost-effective planned maintenance. Maintenance planning by schools is limited. When maintenance is planned, it is of a general nature rather than a specific task where a quotation could be provided by a contractor. As a result, school repair and maintenance requirements are not effectively managed, with the cost of most planned maintenance being unknown. Reactive maintenance by its nature is more expensive than planned maintenance, and this is reflected in the expenditure by schools on repairs and maintenance. Schools consistently reported expenditure on repairs and maintenance that was above funding through the School Operational Allocation’.

The audit found that ACT public schools’ allocation of repairs and maintenance funding through the School Operational Allocation and expenditure on repairs and maintenance as recorded in the Directorate’s MAZE management information system shows: for 2017 schools were allocated a total of \$5.2 million in funding, but reported spending a total of \$6.9 million; and for 2018 schools were allocated a total of \$5.4 million in funding, but reported spending a total of \$8.2 million. This suggests that ACT public schools are using other components of the School Operational Allocation to pay for repairs and maintenance activities or are funding repairs and maintenance activities through other sources of revenue.

The summary of the **Maintenance of ACT Government School Infrastructure** audit, with audit conclusions, key findings and eight recommendations are attached to this media release.

Copies of **Maintenance of ACT Government School Infrastructure: Report No. 11/2019** are available from the ACT Audit Office's website [www.audit.act.gov.au](http://www.audit.act.gov.au) . If you need assistance accessing the report please phone 6207 0833 or go to 11 Moore Street, Canberra City.

# SUMMARY

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## Conclusions

### MANAGING SCHOOL INFRASTRUCTURE ASSETS

The Education Directorate has a sound framework for the management of school infrastructure assets, including repairs and maintenance activities, which is documented through its *Strategic Asset Management Planning Framework for ACT public schools* (May 2016) and *Strategic Asset Management Plan* (December 2016). While there is a sound framework in place its implementation is hampered by poor supporting systems and processes.

The Education Directorate has not identified or articulated asset management objectives for its school infrastructure assets, nor has it implemented operational asset management planning. Annual asset maintenance planning undertaken by the schools was inconsistent and where plans were produced, they varied in their purpose, quality and comprehensiveness.

An important factor in asset management is understanding the condition of assets. Building condition data, through a regular program of assessment can be used to inform budgets, plan maintenance and inform the lifecycle of an asset. Building condition assessments of school infrastructure that were to be undertaken by the Directorate every three years, were scaled back in 2014 and stopped in 2018. This has led to the Education Directorate not having a clear and consolidated understanding of school infrastructure asset conditions. (The condition of some assets that give rise to specific legislative and health and safety compliance risks, e.g. fire monitoring systems, fire protection systems and roofs, are assessed and addressed as necessary through the *Annual Works Program*, which is delivered by the ACT Property Group on behalf of the Education Directorate through a Service Level Agreement). SPM Assets software that was purchased by the Directorate in 2015 to support the collection of building condition data, and facilitate detailed management and lifecycle planning of school assets, has not been effectively used. Building condition data has only been populated for two of the 88 schools managed by the Education Directorate.

Guidance that is provided to schools from the Education Support Office could be improved. In some instances, specific maintenance tasks that are regularly recommended by school building condition assessments do not have responsibilities defined in guidance material. This increases the risk that regular maintenance tasks are overlooked and can lead to increased cost and service issues.

### REPAIRING AND MAINTAINING SCHOOL INFRASTRUCTURE ASSETS

In 2018-19 the Education Directorate spent \$26.71 million on repairs and maintenance activities. These were undertaken through the *Annual Works Program* (a program of routine inspection and maintenance activities of specific school assets managed by the ACT Property Group through a Service Level Agreement), the *Specific Works Program* (a program managed by the Education

Support Office through which schools submit requests for funding for repairs and maintenance activities) and by schools themselves using their annual School Operational Allocation funding. The poor systems and processes identified in Chapter 2 of this report, including the lack of asset management objectives for school infrastructure assets, operational asset management planning and building condition data, increases the risk that any repairs and maintenance activity that is undertaken through the different programs is costly, reactive and uncoordinated.

The Education Directorate does not have a clear understanding whether the *Annual Works Program* delivered by the ACT Property Group is being delivered efficiently and effectively. While a program of works was delivered by the ACT Property Group in 2018-19, the program budget was exceeded due to an increase in reactive maintenance costs (i.e. repairs and maintenance activities that are identified and undertaken following planned inspections) and the ACT Property Group charged a 12 percent management fee on top of actual costs. While the Education Directorate expects to have benefits from this arrangement, through efficiencies from economies of scale and better school infrastructure management outcomes, without any documentation to justify the creation of the agreement, or baseline data against which to judge financial performance, the effectiveness and efficiency of the arrangement cannot be determined. Furthermore, the lack of information on the purpose, intention or scope of the *Specific Works Program*, as well as insufficient documentation to support funding decisions, impairs the program's effectiveness and its contribution to school infrastructure management.

The majority of repairs and maintenance managed by schools is reactive maintenance, rather than the preferred and more cost-effective planned maintenance. Maintenance planning by schools is limited. When maintenance is planned, it is of a general nature rather than a specific task where a quotation could be provided by a contractor. As a result, school repair and maintenance requirements are not effectively managed, with the cost of most planned maintenance being unknown. Reactive maintenance by its nature is more expensive than planned maintenance, and this is reflected in the expenditure by schools on repairs and maintenance. Schools consistently reported expenditure on repairs and maintenance that was above funding through the School Operational Allocation.

## Key findings

### MANAGING SCHOOL INFRASTRUCTURE ASSETS

Paragraph

Module 7 of the *School Management Manual* provides practical guidance on administrative roles and responsibilities for school infrastructure asset management, including how responsibility for school infrastructure asset management is allocated between the Infrastructure and Capital Works Branch and the schools. Whilst Module 7 of the *School Management Manual* generally provides concise guidance with respect to responsibilities, the document does not always address tasks that regularly arise in building condition assessments. Module 7 of the *School Management Manual* could be more effective in documenting and clearly defining

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asset management responsibilities between schools and the Infrastructure and Capital Works Branch.

The *Australian Standard on Asset Management* (AS ISO 55000:2014) notes the importance of an asset management system in providing ‘a structured approach for the development, coordination and control of activities undertaken on assets by the organisation over different life cycle stages, and for aligning these activities with its organisational objectives’. In support of an asset management system for the Education Directorate, in May 2016 a *Strategic Asset Management Report* and an *Asset Management Planning Framework for ACT public schools* was prepared by consulting firm Deloitte. The Report, which included six recommendations for improvement, and the Framework provided a sound basis for an asset management system for the Directorate, including ‘the principles and guidelines necessary to make informed decisions regarding the management of Schools buildings’.

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The *Australian Standard on Asset Management* (AS ISO 55000:2014) discusses the importance of developing a strategic asset management plan to guide an organisation’s strategic asset planning, including ‘[documenting] the relationship between the organisational objectives and the asset management objectives, and [defining] the framework required to achieve the asset management objectives’. In support of this requirement the Education Directorate developed the *Strategic Asset Management Plan* (December 2016). The *Strategic Asset Management Plan* (December 2016) provides high-level, summary information on a range of considerations and activities for repairs and maintenance and capital upgrades of school infrastructure. This is useful in setting out the high-level context for the strategic asset management of school infrastructure.

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The *Australian Standard on Asset Management* (AS ISO 55000:2014) discusses the importance of ‘[establishing] asset management objectives at relevant functions and levels’. The Education Directorate has not identified or articulated asset management objectives which serve as ‘the essential link between the organisational objectives and the asset management plan(s) that describe how those objectives are going to be achieved’. Nevertheless, the *Strategic Asset Management Plan* (December 2016) identified that the Directorate was in the process of developing property quality standards, which the Directorate would use ‘to assess the performance of school building assets and asset components [and] identify if the assets are being appropriately used, maintained and are fit for purpose’. Once developed, the property quality standards could usefully serve as asset management objectives but, at present, they are of limited use because they have only been developed for some school infrastructure assets (school canteens, toilets and carparks) and they have not been incorporated within the asset management information system. They are not serving as a means to measure, report and review asset infrastructure performance.

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The *Australian Standard on Asset Management* (AS ISO 55000:2014) notes the importance of developing operational asset management plans which outline activities that will be implemented and resources required to implement a strategic asset management plan. The first recommendation from the *Strategic Asset Management Report* (May 2016) was for the Education Directorate to develop asset management plans ‘which can be aggregated by school, network and asset type to

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inform the long term strategic asset planning for the Directorate'. No operational asset management plans have been prepared or developed by the Directorate. The lack of operational or asset management plans means that high-level strategic asset management planning issues and considerations identified in the *Strategic Asset Management Plan* (December 2016) are not translated into specific, documented and actionable asset management activities.

The *Strategic Asset Management Planning Framework for ACT public schools* (May 2016) discusses the importance of developing asset management plans for school infrastructure assets and translating these into 'an annual maintenance plan which details the maintenance tasks to be performed each year'. Comprehensive asset maintenance plans have not been developed for ACT public school infrastructure assets, as required by the *Strategic Asset Management Planning Framework for ACT public schools* (May 2016). 2.69

The *Strategic Asset Management Plan* (December 2016) establishes a requirement for schools to prepare annual maintenance plans and Module 7 of the *School Management Manual* establishes a requirement for schools to prepare an annual maintenance program. In practice these have been regarded as the same thing. In support of this requirement the Infrastructure and Capital Works Branch has developed a sample maintenance plan template to assist ACT public schools and their development of annual maintenance plans. The sample maintenance plan template has a twelve-month calendar year timeframe and allows for the allocation of a dollar amount to a series of line items allocated to four overall categories. The template does not prompt schools to identify and report asset condition assessments and does not facilitate forecasting of major replacements. In the absence of operational asset management plans, the annual maintenance plans, with a twelve-month calendar year horizon, do not facilitate effective infrastructure asset management planning. For the six schools that were considered as part of the audit there was considerable variability in what was presented to the Audit Office as a maintenance plan; one school had not prepared a maintenance plan and one school advised that it was in the process of drafting a maintenance plan. Maintenance plans prepared by the other schools varied in their purpose, quality and comprehensiveness. 2.79

The *Strategic Asset Management Planning Framework for ACT public schools* (May 2016) and the *Strategic Asset Management Plan* (December 2016) require that building condition assessments be conducted for each ACT public school every three years. The Infrastructure and Capital Works Branch coordinated building condition assessments for schools up to 2014 through a rolling program. The rolling program of building condition assessments was scaled back in 2014 and stopped in 2018. In June 2019 the Infrastructure and Capital Works Branch commenced a procurement process to engage a contractor to undertake a rolling program of building condition assessments, but this procurement activity did not lead to the identification of an acceptable, value for money service provider. The lack of contemporaneous building condition assessment data through a rolling program of assessments across ACT public schools impairs the ability of the Education Directorate to effectively plan and manage its repairs and maintenance activities. 2.90

In late 2015, the Education Directorate purchased SPM Assets as an asset management information system. It was purchased for \$52,500 (GST ex) in 2015, with an initial annual subscription cost for core modules of \$18,600 (GST ex), and since then the Education Directorate has paid an ongoing subscription and support cost of \$8,865 (GST ex) every three months, i.e. \$35,460 (GST ex) each year. The Infrastructure and Capital Works Branch entered building condition assessment data for two schools as part of a pilot exercise in November 2018, but no other building condition assessment data is in the system for other schools. SPM Assets is not being effectively used to assist in the planning and management of school infrastructure assets.

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### REPAIRING AND MAINTAINING SCHOOL INFRASTRUCTURE ASSETS

Paragraph

The ACT Property Group provides 'maintenance management services' to the Education Directorate for school infrastructure-related repairs and maintenance for the *Annual Works Program* through a Service Level Agreement. The services provided by the ACT Property Group through the *Annual Works Program* comprise routine, compliance-based inspections and preventive maintenance related to legislative and health and safety compliance activities. The Service Level Agreement is described as an ongoing agreement with a '[twelve] month annual budget review'. It commenced on 2 July 2018, but was signed on 28 June 2019. The Service Level Agreement described services to be delivered to 30 June 2019, including a schedule of activities across 2018-19 and payments to be made each month for the services, and in July 2019 a schedule of activities for 2019-20 and associated payments for these services were agreed by the parties.

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In 2018-19 the ACT Property Group charged the Directorate \$4.9 million for repairs and maintenance services provided through the Service Level Agreement. (This figure includes a twelve percent management fee charged by the ACT Property Group for the services. The figure does not include services provided by the ACT Property Group through other programs and activities). The cost of reactive maintenance services provided through the Service Level Agreement was \$2.25 million against a budget of \$1.33 million, an increase of \$0.91 million (69 percent). The twelve percent management fee was also charged in addition to this amount. Prior to entering into the Service Level Agreement with the ACT Property Group, no documentation was prepared by the Directorate justifying the arrangement including the expected benefits and the risks and costs of entering into such an arrangement. By managing these activities centrally through the ACT Property Group, the Directorate advised that it sought to achieve efficiencies from economies of scale and better school infrastructure management outcomes as well as a reduction in administrative effort on the part of the Infrastructure and Capital Works Branch. The lack of baseline data on the cost of these activities, and the effectiveness of their management prior to being delivered by the ACT Property Group, as well as the fact that the ACT Property Group has only been delivering these services for a comparatively short time (less than six months in some instances), means the efficiency and effectiveness of the arrangement cannot be determined.

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The School Infrastructure Management Team within the Infrastructure and Capital Works Branch manages the *Specific Works Program* for 'major repair works and planned maintenance programs that are not school responsibilities under the

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Schools Operational Allocation (SOA) guidelines'. There is no specific description of the *Specific Works Program*, its purpose, intention or scope, and no guidelines have been developed to assist the Infrastructure and Capital Works Branch decision-making for the program. In 2016-17 a total of \$3.9 million was spent under the program, but this has since declined to \$2.6 million in 2018-19. ACT public schools typically request funding for activities well in excess of the program budget, with \$14.3 million sought in 2016-17 and \$16.2 million sought in 2017-18 (poor documentation and record-keeping means there is no consolidated list of funding requests from ACT public schools for 2018-19). In the absence of guidelines or funding criteria the Infrastructure and Capital Works Branch exercises considerable discretion in its decision-making under the program, but for the three years to 2018-19 there has been insufficient documentation of funding decisions. Poor documentation and record-keeping associated with the program, including a lack of information on the purpose, intention or scope, as well as insufficient documentation of funding criteria means that the effectiveness of the *Specific Works Program* in contributing to the management of school infrastructure assets cannot be determined.

A review of ACT public schools' allocation of repairs and maintenance funding through the School Operational Allocation and expenditure on repairs and maintenance as recorded in the Directorate's MAZE management information system shows: for 2017 schools were allocated a total of \$5.2 million in funding, but reported spending a total of \$6.9 million; and for 2018 schools were allocated a total of \$5.4 million in funding, but reported spending a total of \$8.2 million. This suggests that ACT public schools are using other components of the School Operational Allocation to pay for repairs and maintenance activities or are funding repairs and maintenance activities through other sources of revenue. 3.67

A review of the six schools selected as part of the audit and their repairs and maintenance expenditure shows: 3.70

- for 2017 and 2018 five of the six schools recorded repairs and maintenance expenditure in the MAZE management information system in excess of the notional allocation of funding through the School Operational Allocation. The schools reported expenditure of between 32 to 161 percent more than was allocated (\$32 865 and \$109 821 respectively); and
- for 2017 and 2018 five of the six schools reported repairs and maintenance expenditure to the school community through the school Board in excess of the amount reported in the MAZE management information system. It is possible that school board reports include expenditure for other minor works, which are not categorised as repairs and maintenance expenditure in the MAZE management information system.

Schools are undertaking repairs and maintenance activities, though evidence shows that the majority of these works are reactive maintenance, rather than planned maintenance. Comprehensive asset management processes, including building condition assessments and annual maintenance planning would assist with planned maintenance activities that are expected to reduce the amount of more expensive reactive maintenance. 3.77

## Recommendations

### RECOMMENDATION 1 POLICY AND PROCEDURAL GUIDANCE

The Education Directorate should revise Module 7 of the *School Management Manual* to clearly identify responsibilities for repairs and maintenance activities between the Infrastructure and Capital Works Branch and schools, and in doing so ensure that there is consistency and clarity in language in both Module 7 and the building condition assessments reports.

### RECOMMENDATION 2 PROPERTY QUALITY STANDARDS

The Education Directorate should complete the development of property quality standards, and incorporate them into the asset management system. Property quality standards should then be used to assess the performance of assets and identify if the assets are being appropriately used, maintained and are fit for purpose.

### RECOMMENDATION 3 OPERATIONAL ASSET MANAGEMENT PLANS

The Education Directorate should develop operational asset management plans for its school infrastructure assets. The plans should contain information to inform long term strategic asset planning for the Education Directorate and should address matters such as responsibility for the asset, arrangements for monitoring asset performance, operational training and estimated operating costs.

### RECOMMENDATION 4 ANNUAL MAINTENANCE PLANS

The Education Directorate should prepare and execute comprehensive annual maintenance plans for school infrastructure assets, which outline the specific tasks which are to be undertaken during the year as well as the estimated resources and cost of maintenance activities. The annual maintenance plans should align with, and support, operational asset management plans to be developed as part of Recommendation 3.

### RECOMMENDATION 5 BUILDING CONDITION ASSESSMENTS

The Education Directorate should:

- a) recommence its rolling program of building condition assessments; and
- b) populate its asset management information system, SPM Assets, with the results of the building condition assessments in order to facilitate and inform asset maintenance planning.

### RECOMMENDATION 6 SERVICE LEVEL AGREEMENT

The Education Directorate should develop baseline data for the cost of activities undertaken under the Service Level Agreement. Expectations should be developed for the benefits that the Service Level Agreement aims to provide and the expectations should be periodically reviewed to inform the performance of the Service Level Agreement.

## RECOMMENDATION 7      SPECIFIC WORKS PROGRAM

The Education Directorate should state the purpose and scope of the Specific Works Program and prepare guidelines and funding criteria. Record keeping should be improved with all funding decisions comprehensively recorded.

## RECOMMENDATION 8      SCHOOL EXPENDITURE ON REPAIRS AND MAINTENANCE

The Education Directorate should review:

- a) the methods used to record repair and maintenance activities, and the expenditure on repairs and maintenance, with a view to achieving consistent and consolidated reporting; and
- b) the operation of the School Operational Allocation, to determine why schools exceeded their maintenance component allocations in 2017 and 2018.

### Agency response

In accordance with subsection 18(2) of the *Auditor-General Act 1996*, the Education Directorate and Chief Minister, Treasury and Economic Development Directorate were provided with:

- a draft proposed report for comment. All comments are considered and required changes reflected in the final proposed report; and
- a final proposed report for further comment.

### Education Directorate response

*The Education Directorate welcomes the Auditor-General's performance audit on the maintenance of schools and looks forward to progressing key issues identified during the audit. The audit findings support the Directorate's mandate to enable schools where students love to learn, and our work programs reflect this key objective.*

*We appreciate that the audit recognised that the Directorate has a sound framework for the management of school infrastructure assets, including repair and maintenance activities. We also remain committed to achieving value for money in public expenditure, meeting our legislative and health and safety compliance obligations, and continually improving our school building maintenance systems and processes.*