Report of the Auditor-General

Auditor-General's Department

Report 9 of 2020

Education capital works:
Planning and governance

Government of South Australia

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3 August 2020

President
Legislative Council
Parliament House
ADELAIDE SA 5000

Speaker
House of Assembly
Parliament House
ADELAIDE SA 5000

Dear President and Speaker

Report of the Auditor-General:
Report 9 of 2020 *Education capital works: Planning and governance*

Under section 31(2) of the *Public Finance and Audit Act 1987* (PFAA), I have conducted a performance audit of the effectiveness of the Department for Education's planning and governance of its capital works program in meeting South Australian government school infrastructure needs.

I present to each of you my independent assurance report on the findings of the audit.

Copies of this Report have also been provided to the Treasurer and the Minister for Education.

Content of the Report

Our audit of the planning and governance for education capital works assessed the effectiveness of the Department for Education's strategic planning for future school infrastructure needs and its planning and governance of the Sustainable Enrolment Growth capital program.

We concluded that important elements of planning and governance for education capital works were not operating effectively.

We also found that the Department for Education had some sound practices for planning for future school infrastructure needs and governance of the Sustainable Enrolment Growth capital program.

We recommended the Department for Education develop a more structured and integrated planning approach for capital works to ensure future school infrastructure needs are systematically identified based on robust information and analysis. We also recommended the Department for Education clarify, formalise and consolidate existing Sustainable Enrolment Growth program governance arrangements to ensure it can exercise robust oversight for the remainder of the program.

My responsibilities

Performance audits conducted under section 31(2) of the PFAA are assurance engagements that assess whether public sector programs or activities are achieving economy, efficiency and effectiveness in using available resources. These engagements conclude on the performance of the programs or activities evaluated against identified criteria.

The Auditor-General's roles and responsibilities in undertaking performance audits are set out in the PFAA. Section 31 of the PFAA empowers me to conduct these audits while sections 37 and 38 deal with the reporting arrangements.

The audit of the education capital works program was conducted in line with the Standard on Assurance Engagements *ASAE 3500 Performance Engagements*. We complied with the independence and other relevant ethical requirements for assurance engagements.

Acknowledgements

The audit team for this Report was Salv Bianco, Kenneth Anderson, Grace Lum and Ryan Tran.

We appreciate the cooperation and assistance given by staff of the Department for Education during the audit.

Yours sincerely

Andrew Richardson
Auditor-General

Contents

1 Executive summary

1.1 Introduction

We have completed an audit of the effectiveness of the Department for Education's (DE's) planning and governance of its capital works program in meeting South Australian Government school infrastructure needs.

The Sustainable Enrolment Growth and other school projects capital program (SEG capital program) is the largest component of DE's capital works program. It replaced the Building Better Schools (BBS) program initiated by the previous SA Government, and is a significant investment in South Australia's government school infrastructure. It provides $890 million to deliver 99 school capital works projects by 2023-24 and includes the $692 million BBS program funding allocation approved by the previous SA Government.

The primary objectives of the SEG capital program are:

- modernising schools and facilities to support DE's ambition to provide a world-class education system

- enabling the transition of Year 7s into high schools in 2022

- supporting sustainable enrolment growth.

DE is the lead agency for the SEG capital program, with the Department of Planning, Transport and Infrastructure (DPTI) responsible for delivering most program projects.

DE manages a very large portfolio of school buildings and facilities across many sites and enrolment growth is expected in the South Australian public education system based on current DE projections. It is therefore important for DE to have robust strategies, plans and information systems in place to effectively manage its asset portfolio and provide sound advice to the SA Government on school infrastructure needs and resource allocations.

Our audit focussed on assessing the effectiveness of DE's strategic planning for future school infrastructure needs and its planning and governance of the SEG capital program. Section 3 provides further details on our audit scope.

1.2 Conclusion

We concluded that important elements of planning and governance for the capital works program were not operating effectively. They included:

- DE's strategic asset management framework and detailed infrastructure plan were under development but not completed

- key asset condition information was not available to inform capital planning

- the historical accuracy of enrolment projections was not regularly evaluated to confirm the reliability of the projections for capital planning purposes

- there was limited agency documentation and analysis to demonstrate BBS program funding was directed to schools with the greatest need based on program objectives

- a governance framework, implementation plan and risk management plan were not established for the SEG capital program

- the program management agreement with DPTI for the SEG capital program was not finalised and did not clearly specify DPTI performance measures or the projects it is expected to deliver.

We found that DE had some sound practices for planning the capital works program. Its contributions to Infrastructure SA's *20-Year State Infrastructure Strategy* and Capital Intentions Statement 2020 included analysis of demographic and enrolment trends and identified priority capital projects. DE also used data analysis tools to identify school capacity pressures and zoning impacts for capital planning purposes.

These sound practices provide a base for DE to develop a more structured and integrated planning approach to ensure future school infrastructure needs are systematically identified based on robust information and analysis.

We also found that DE had some sound governance practices for the SEG capital program, including:

- a governance committee structure to oversee the program and school projects with governance groups meeting regularly

- regular program status reporting

- an upgrade guide for schools outlining the roles and responsibilities of all key stakeholders

- school project risk registers.

Despite this, there was scope to further clarify, formalise and consolidate SEG capital program governance arrangements to ensure DE can exercise robust oversight for the remainder of the program.

DE is currently progressing initiatives to address our findings and recommendations, including completing its 20-year infrastructure plan and a strategic asset management framework, updating its program management agreement with DPTI, developing a program implementation plan and appointing an independent chair of the Capital Works Governance Committee.

1.3   What we found

Strategic planning for future school infrastructure needs (section 4)

We found important elements of strategic planning for future school infrastructure needs were not in place.

DE's strategic asset management framework outlining its overall capital planning approach, asset information strategy and infrastructure strategy performance measures was under

development but not completed. Its 20-year infrastructure plan and supporting enrolment projections were also in progress but not finalised.

As a result, it was not clear what capital works and funding would be needed to meet school infrastructure needs over the longer term. This increases the risk that decisions on future capital funding allocations will not be made on a robust, informed and systematic basis and directed to the areas of greatest need.

We also found:

- existing condition information on DE assets did not enable systematic and transparent comparisons of infrastructure condition between sites for capital planning purposes
- there was no regular systematic process to evaluate the historical accuracy of enrolment projections feeding into the capital planning process
- the criteria for prioritising school capital works projects did not reflect current strategic capital planning needs and objectives.

Building Better Schools program planning (section 5)

DE kept limited agency records, independent of the information provided to Cabinet on a confidential basis, to support the key decisions made in the BBS program capital funding allocation process.

Year 7 transition capital funding planning (section 6)

There was no documentation to support the calculation of the 'top up' funding provided to schools identified as having some hardship due to redirecting all or most of their BBS program funds to building capacity for Year 7.

SEG capital program design planning (section 7)

The schedule used to identify school learning space entitlements based on their enrolment capacity had not been reviewed to confirm it met current school needs and there was limited guidance on its use.

There were also no documented procedures, guidelines or checklists established over DE review and approval of project briefs and design concept reports.

SEG capital program governance (section 8)

We found that the following important elements of SEG capital program governance were not operating effectively:

- a governance framework, implementation plan and risk management plan were not established
- accountabilities and responsibilities for some key aspects of the program and individual projects were unclear, including risk management, scope variations and issue management

- the program management agreement with DPTI was not finalised and did not clearly specify the performance measures for DPTI to be monitored against or the projects it is expected to deliver

- there was no regular documented assessment of program risks

- governance committee reporting on the program and individual school projects could be improved

- there was no guidance over the use and prioritisation of allocated project funds for school projects.

1.4　What we recommended

Strategic planning for future school infrastructure needs (section 4)

To ensure planning for future school infrastructure needs is systematic, transparent and supported by robust information and analysis, we recommended DE:

- finalise its strategic asset management framework promptly to confirm its overall capital planning approach, asset information strategy and infrastructure strategy performance measures

- finalise its detailed 20-year infrastructure plan and supporting enrolment projections as soon as possible

- liaise with DPTI to ensure regular infrastructure condition and functionality assessments are conducted and recorded for all school buildings and facilities as part of Across Government Facilities Management Framework Arrangements (AGFMA) to support capital investment prioritisation

- implement an independent review and testing program to confirm the historical accuracy of short, medium and long-term enrolment projections feeding into the capital planning process

- update the criteria and weightings used to prioritise future capital works projects to reflect current strategic needs and objectives.

Building Better Schools program planning (section 5)

While planning for the BBS program has been completed, DE analysis and advice provided to the SA Government on future capital funding allocations should explicitly align with its 20-year infrastructure strategy, infrastructure plan and DPTI's strategic asset management framework principles.

The analysis performed for future major capital works program funding allocations should also be documented and maintained as an agency record independent of Cabinet submission working papers to evidence the agency information provided for SA Government decision making.

Year 7 transition capital funding planning (section 6)

We recommended DE document the basis for determining all future capital funding allocation amounts proposed in Cabinet submissions, including supporting calculations, as an agency record.

SEG capital program design planning (section 7)

We recommended DE:

- revise and update the capacity entitlement schedule to ensure it reflects current school needs and establish a policy, procedure or guideline detailing the purpose of the schedule and the steps to be followed in completing it

- establish a guideline outlining the key steps to be followed in reviewing and approving project briefs and design concept reports for capital projects.

SEG capital program governance (section 8)

To ensure a more formalised, structured and integrated approach to governance of the SEG capital program is adopted that clearly outlines governance roles, responsibilities and processes for all stakeholders, we recommended DE:

- establish a specific governance framework, implementation plan and risk management plan for the SEG capital program

- formally clarify accountabilities for risk management, scope variations and issue management by establishing or updating governance frameworks, plans and agreements

- update the program management agreement with DPTI to specify the performance measures that DPTI is to be monitored against and the projects it is expected to deliver

- ensure the program management agreement with DPTI is finalised and signed off by both DE and DPTI as evidence of formal agreement on program delivery roles and responsibilities

- update the program risk register regularly to ensure it reflects the current phase of the program and ensure risk is given regular and specific focus at governance committee meetings

- update governance program reporting to capture additional information on program and project status, financial position and scope changes

- issue formal guidance to schools on how SEG capital program project funds are to be used and prioritised.

1.5   Response to our recommendations

The Chief Executive of DE responded positively to our detailed findings and advised a number of initiatives were in progress to address our recommendations.

Strategic planning for future school infrastructure needs

DE advised that its 20-year infrastructure plan is currently being developed and is due for completion in 2020. The overarching DE strategic asset management framework, including an asset management policy, strategy and portfolio asset management plan, is also being developed. DE will ensure that our audit findings and recommendations are addressed in this documentation.

DE also noted:

- some recommendations relate to it working with DPTI to progress improvements to existing services provided under the AGFMA, including condition assessments for education assets

- the SA Government has made a decision to progress to a fully outsourced service delivery model for a future AGFMA, with this model to commence from late 2021

- DE will continue to raise the importance of meaningful condition assessments to support robust, evidence-based decision making about priorities for investment and will ensure that this is prioritised in the transition to any new arrangements.

BBS program planning and Year 7 transition capital funding planning

DE noted our recommendations about retaining agency records for future programs, including those supporting the basis for determining capital funding allocation amounts.

SEG capital program design planning

DE supports our recommendations about design planning, including a review and update of the capacity entitlement schedule, as part of a broader review of the school planning standards already in progress, and developing a checklist to guide the preparation of project briefs and concept reports.

SEG capital program governance

DE advised it is progressing initiatives to address our recommendations, including:

- improved reporting across the program and development of a digital dashboard

- developing a program implementation plan and an updated program management agreement ensuring clear articulation of roles and responsibilities

- implementing a scope change process

- conducting an independent schedule review of all projects to identify opportunities for time savings

- documenting risk and cost management frameworks

- appointing an independent chair of the Capital Works Governance Committee to provide impartial oversight on the delivery of the program and ensure recommendations for improvement are appropriately implemented and monitored

- engaging a consultant to review the delivery of projects assessed as high risk by DE, specifically the Norwood Morialta High School, Glenunga International High School and Adelaide High School projects.

The Chief Executive of DE also provided a response to our proposed report to Parliament, which is included as Appendix 1.

We thank the staff of the Infrastructure division of DE and the schools we visited for their cooperation and assistance during our audit.

1.6   Key future challenges

DE will face several challenges in ensuring SEG capital program projects are completed on time and budget consistent with planned designs and specifications, particularly for projects needed to transition Year 7s to high school in 2022. The more significant challenges include:

- COVID-19 potentially impacting the availability of building materials while also reducing productivity on construction sites owing to social distancing requirements

- the large volume of Public Works Committee submissions and reports required within short time frames to ensure building works can commence as scheduled

- the capacity of the SA building industry to cope with the significant volume of works required within short time frames and the potential for associated cost pressures on project budgets

- ensuring any reductions to standard concept design durations and school consultation time frames to achieve targeted timelines do not compromise design quality or result in works not aligning to user needs.

2 Background

2.1 Department for Education's school asset portfolio

2.1.1 Department for Education has a large school infrastructure asset portfolio worth $4.5 billion

DE manages a large portfolio of school infrastructure assets valued at $4.5 billion spread across over 500 school sites. Figure 2.1 provides an overview of DE's sites and assets.

Figure 2.1: Overview of school sites and infrastructure assets
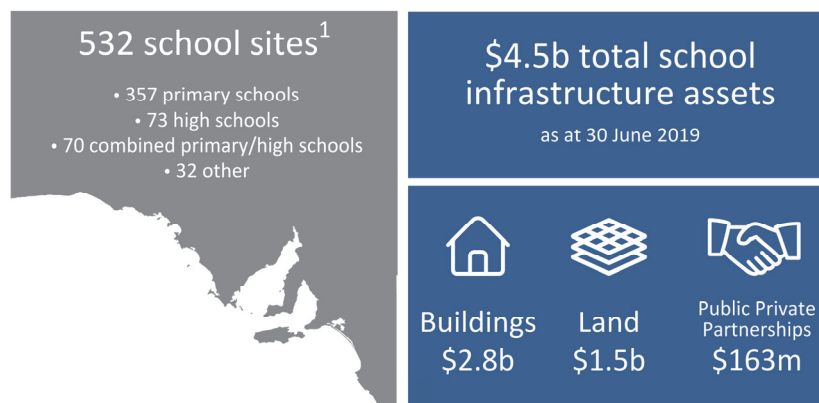
[1] This excludes 407 pre-school sites with a total value of $181 million. A school may also have more than one site (ie schools with multiple campuses).

Source: Department for Education.

2.1.2 The quality of infrastructure assets contributes to educational outcomes

According to the World Bank there is strong evidence that high-quality infrastructure improves student outcomes among other benefits.[1] Its importance is also recognised by the South Australian Public Education Advisory Committee in its Education in South Australia statement:

> *The relentless pursuit of the highest quality education for all is a central tenet of public education in South Australia. This includes quality teaching, leadership, curriculum, resources, relationships and infrastructure – all of which must be of the highest standard to achieve and maintain educational excellence. High quality public schools provide young people with the opportunity to reach their full potential, and the capabilities to live full, productive and contributing lives as citizens, workers and community members.[2]*

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[1] Teixeria J, Amoroso J, Gresham J 2017, *Why education infrastructure matters for learning*, World Bank Group, viewed 9 June 2020, <https://blogs.worldbank.org/education/why-education-infrastructure-matters-learning>.

[2] Reid A 2017, *Public Education in South Australia*, South Australian Public Education Advisory Committee, viewed 9 June 2020, <https://www.education.sa.gov.au/sites/default/files/public-education-in-south-australia-statement.pdf?acsf_files_redirect>.

Consequently, it is important that DE has a comprehensive long-term strategy for making capital investment decisions across the public education system and providing high-quality assets.

2.1.3 Some building assets are no longer fit for purpose or able to cater for contemporary learning

DE's building stock comprises around 5600 buildings mostly built in the 1960s and 1970s. Figure 2.2 breaks down the age and type of buildings.

Figure 2.2: Permanent and demountable buildings at 30 June 2019
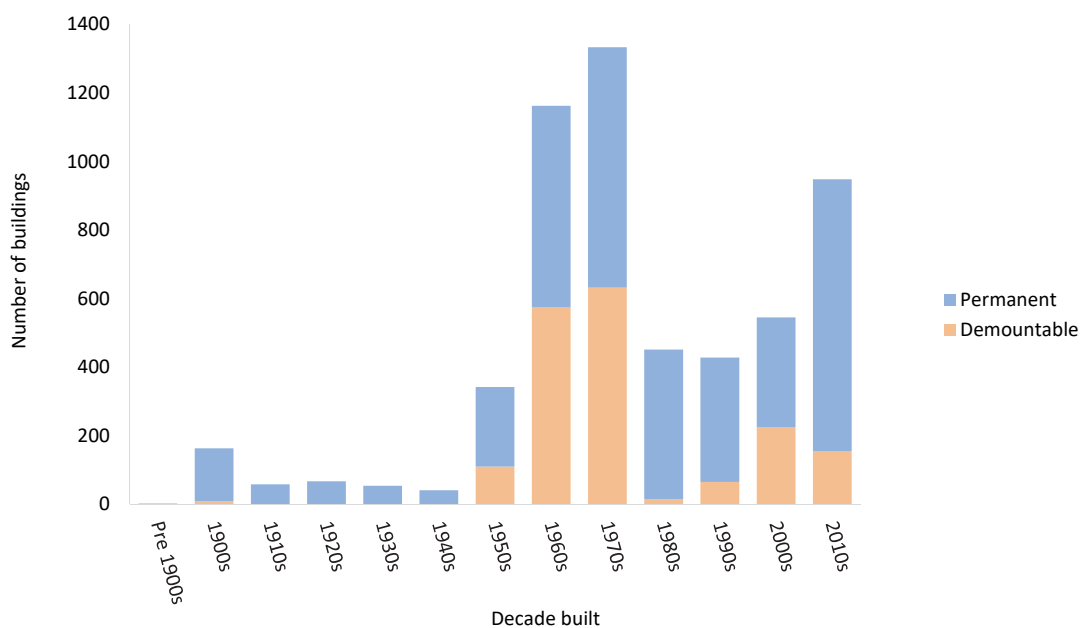
Source: Department for Education (unaudited).

About 30% of buildings are demountables that were mainly constructed in the 1960s and 1970s. Demountable buildings are prefabricated buildings designed to be relocated from one site to another and have been in use in schools since the 1950s to cater for enrolment fluctuations. As noted by Infrastructure SA in its *20-Year State Infrastructure Strategy*, some of DE's building assets are no longer fit for purpose or able to cater for contemporary approaches to inclusive education, which makes it challenging to provide an equivalent educational experience at a school that has not had a significant upgrade compared to those with new facilities.[3]

Infrastructure SA also notes that while teaching practices and quality are the most significant determinant of educational outcomes, certain equity issues can arise at schools that do not have contemporary facilities.

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[3]   Infrastructure SA 2020, *20-Year State Infrastructure Strategy*, Infrastructure SA, viewed 21 May 2020, <https://www.infrastructure.sa.gov.au/__data/assets/pdf_file/0006/197511/20-Year-State-Infrastructure-Strategy-Full.pdf>.

The SEG capital program aims to remove some aged demountable buildings that are no longer fit for purpose and replace them with modern new buildings with contemporary learning facilities.

2.1.4 The Sustainable Enrolment Growth capital program is one of the most significant capital investments in public school infrastructure

Figure 2.3 shows historical capital expenditure on school infrastructure since 2005-06 and budget and estimated expenditure for the four years of the 2019-20 State Budget.[4]

Figure 2.3: SA Government school infrastructure – capital expenditure 2005-06 to 2022-23
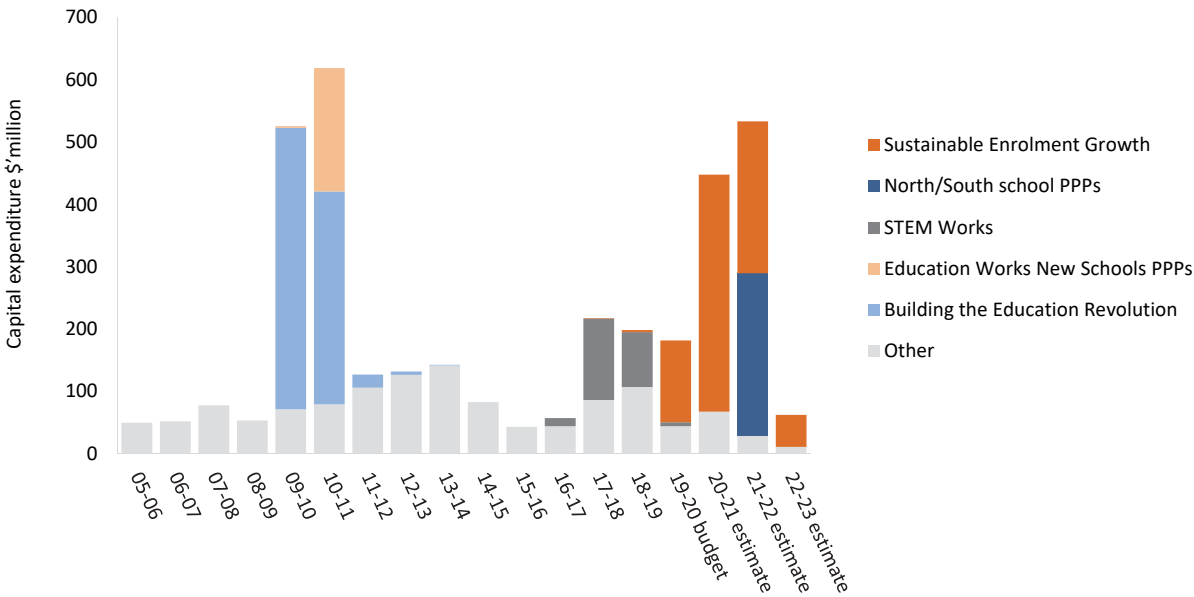
Source: Department for Education (unaudited).

There have been some large one-off investments in public school infrastructure over this period including:

• the Commonwealth Government's Building the Education Revolution program mainly in 2009-10 and 2010-11 ($821 million)

• delivering six schools[5] through public private partnership (PPP) arrangements known as the Education Works New Schools PPP project in 2009-10 and 2010-11 ($200 million)

• the SA Government STEM Works program which commenced in 2016-17 ($232 million).

The SEG capital program is worth $890 million over seven years and represents one of the most significant SA Government capital investments in public school infrastructure in recent times.

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4   Original budget in the 2019-20 Budget Papers.
5   John Hartley School, Adelaide West Special Education Centre, Woodville Gardens School, Blair Athol North School, Mark Oliphant College and Roma Mitchell Secondary College.

2.2 Trends in government school enrolments

2.2.1 Two thirds of the school-aged population attend government schools

The public education system is the main provider of school education in South Australia. In 2019, approximately 65% of the South Australian school-aged population (177 000 students) were enrolled in government schools. After a period of declining market share from 2010 to 2014, the size of the government sector increased by 1.2% to 65% between 2014 and 2019 mainly due to a shift away from Catholic schools.

2.2.2 Government school enrolments are climbing steadily

Figure 2.4 shows that the number of government school students was relatively stable between 2010 and 2013 but has been steadily climbing over the past five years. Government school enrolments increased by about 10 000 students (6%) between 2014 and 2019 reaching 177 000 students in 2019. Enrolments are impacted by growth in the school age population as well as shifts between government and private education.

Figure 2.4: SA school students by sector 2010 to 2019[6]
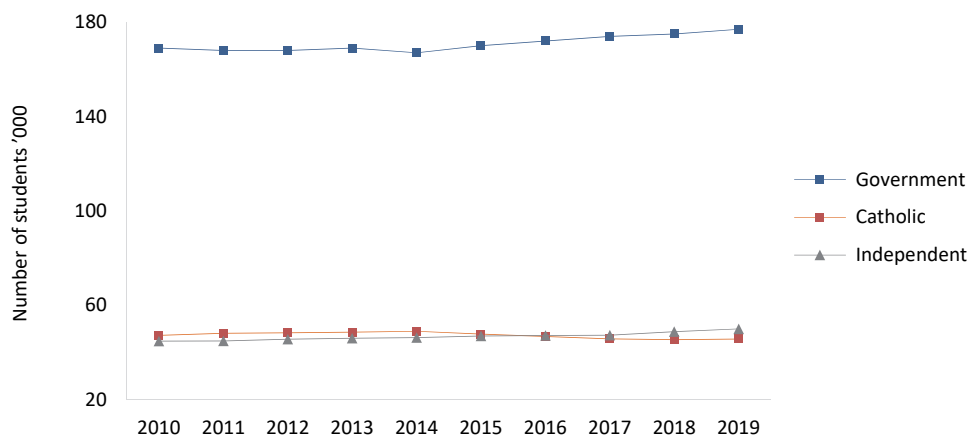
2.2.3 Comprehensive strategic capital planning is essential to support future needs

Figure 2.5 shows historical South Australian government school student enrolments from 2010 to 2019 and projected enrolment growth from 2020 to 2040. Between 2019 and 2040, enrolments are projected to increase by approximately 13 800 students to 191 000 students.

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[6] Data sourced from the Australian Bureau of Statistics 2020, *Schools, Australia, 2019*, 'Table 42b: Number of Full-time and Part-time Students by Affiliation, Sex, Grade and Indigenous Status, States and Territories, 2006-2019', data cube: Excel spreadsheet, cat. no. 4221.0, viewed 17 July 2020, https://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/4221.02019?OpenDocument.

Figure 2.5: South Australian government school students 2010 to 2040[7]
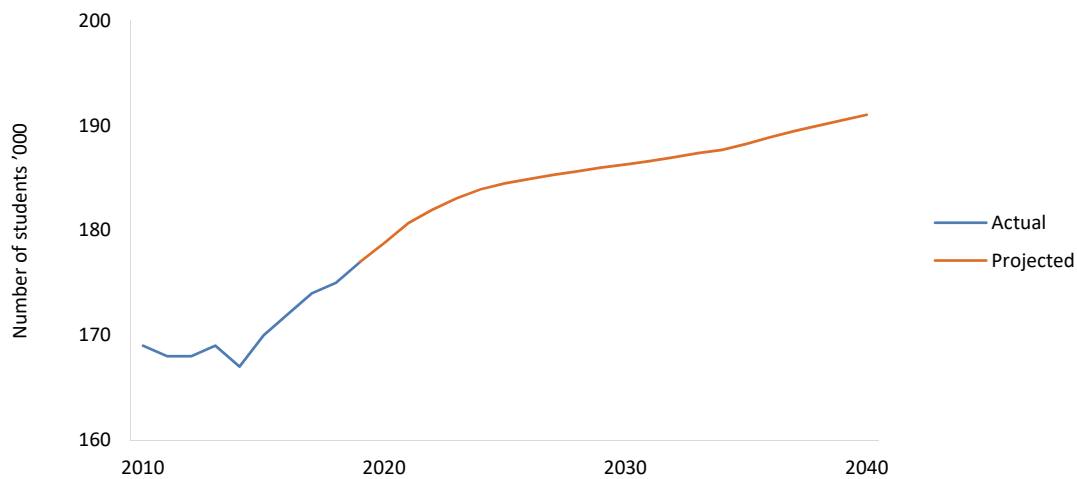
The Infrastructure SA *20-Year State Infrastructure Strategy* notes that enrolment growth is not consistent across the State:

> *In the 10 years to 2019, schools in Greater Adelaide experienced a 15% increase in enrolments. Meanwhile, in the rest of the State, enrolments declined by 3%. The Inner Metro region of Greater Adelaide (consisting of the City of Adelaide and immediately surrounding councils – Prospect, Walkerville, Norwood Payneham and St Peters, Campbelltown, Burnside and Unley) experienced the greatest increase in enrolments: 27% in the 10 years to 2019.*

Comprehensive strategic capital planning and capacity management strategies are required to cater for the growth in the public education system and ensure there are enough places for students where and when required.

2.3   DPTI's strategic asset management framework

DPTI's *Strategic Asset Management Framework – A Guide for Managing South Australian Government Buildings* aligns with the asset management standards issued by Standards Australia and provides guiding principles for SA Government agencies on:

- asset information
- asset management strategy
- asset management planning
- governance

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[7]   Actual data sourced from the Australian Bureau of Statistics 2020, *Schools, Australia, 2019*, 'Table 42b: Number of Full-time and Part-time Students by Affiliation, Sex, Grade and Indigenous Status, States and Territories, 2006-2019', data cube: Excel spreadsheet, cat. no. 4221.0, viewed 17 July 2020, <https://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/4221.02019?OpenDocument>.

Projected data provided by the Department for Education.

- performance monitoring and improvement
- risk and review.

The framework also outlines important principles for effective planning and governance of capital works programs, including:

- aligning capital expenditure initiatives with agency strategic plans

- developing a strategy describing the long-term approach to managing an agency's asset portfolio

- establishing appropriate performance standards and targets for agency assets

- understanding the agency's existing asset base condition, capacity, capability and usage

- prioritising activity based on the criticality of assets and services

- identifying the asset information needed to support the delivery of the agency's asset management strategy and objectives

- understanding and managing asset and business risks

- clarifying responsibilities and accountabilities

- identifying lessons learnt from the performance of the existing asset portfolio base to improve the evaluation and delivery of new projects.

2.4   20-Year State Infrastructure Strategy

Infrastructure SA issued its *20-Year State Infrastructure Strategy* (ISA Strategy) and Capital Intentions Statement 2020 (ISA Statement) in May 2020. The ISA Strategy sets the long-term strategic direction and initial priorities for infrastructure development in South Australia. The ISA Statement is a five-year rolling annual plan that identifies specific major projects or programs to be undertaken as a priority in South Australia.

The ISA Strategy and ISA Statement were informed by consultation with industry, community groups and government. DE's contributions to them were prepared using guidance and templates issued by Infrastructure SA and submitted in August 2019.

DE's contribution to the ISA Strategy identifies its strategic vision and priorities for school infrastructure for the next 20 years, supported by analysis of:

- historical trends in government school enrolments
- demographic drivers of historical and future enrolment growth
- trends between government, independent and catholic school sectors.

DE also identified potential future capital projects to be reflected in the ISA Statement, including analysis of costs, benefits, alternative options and risks for the projects.

2.5 Building Better Schools program

2.5.1 Overview of the Building Better Schools program

The BBS program was announced by the previous SA Government in October 2017 and provided $692 million over six years for infrastructure upgrades at 91 public primary and high schools. The funding was provided to 30 primary schools, 44 high schools, 16 Reception-Year 12/area schools and one Aboriginal school.

A more detailed breakdown of BBS program funding by school is provided in Appendix 3.

2.5.2 Objectives of the Building Better Schools program

DE advised that the key objectives of the BBS program were:

- demolishing or removing aged relocatable accommodation and/or lightweight modular facilities where appropriate

- delivering new buildings to provide additional accommodation in identified growth areas

- refurbishing existing infrastructure to provide flexible, contemporary learning spaces

- improving street presence and connectivity to the community to make a positive statement about public education.

2.5.3 Building Better Schools program planning

DE advised that the BBS program was identified through analysis of its asset master planning analysis tool, which was designed to determine departmental investment priorities. Schools were prioritised for BBS program funding based on:

- analysis of current and historical enrolment figures
- forecast school-aged population growth
- school capacity and condition
- historical maintenance
- enrolments greater than 300 students.[8]

Schools with enrolments fewer than 300 students were not eligible for funding as the overall intention of the previous SA Government was for the BBS program to impact a larger number of students by focussing on larger schools.

The planning for the BBS program was a data driven approach conducted by DE, with schools not required to bid for funding.

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[8] Weatherill, J (Premier) 2017, *Building Better Schools – unprecedented infrastructure investment in SA*, news release, 30 October.

Concept planning reports, feasibility studies and demographic studies previously completed for some school sites were considered in selecting schools for funding, determining funding amounts and the high level proposed scope of works.

Further details on the timelines and key events involved in BBS program planning are provided in Appendix 2.

The BBS program funding allocation was not informed by an infrastructure strategy or plan. There was also limited agency documentation kept by DE detailing the planning process for the BBS program. Further details on the ineffective elements of BBS planning are provided in section 5.

2.6   Sustainable Enrolment Growth capital program

2.6.1 The Sustainable Enrolment Growth capital program replaced the Building Better Schools program

In March 2018 the current SA Government confirmed that no changes would be made to the BBS program funding committed to individual schools by the previous SA Government. It also announced that Year 7 students would transition to high school in 2022. DE advised that planning for BBS program project scopes and designs was in the very early stages at the time of the change of government and the announcement of the Year 7 in High School policy.

In January 2019, the SA Government approved additional capital funding of $185 million to ensure the availability of required infrastructure to support the transition of Year 7s to high schools in 2022.

The SEG capital program was announced in the 2019-20 State Budget. It captures the former BBS program funding ($692 million), the funding announced to meet Year 7 transition and sustainable enrolment growth needs ($185 million) and additional funding for Glossop High School and Kapunda High School ($13 million).

The SEG capital program totals $890 million and aims to deliver 99 school projects by 2023-24. Further detail on the SEG capital program funding allocation is provided in section 2.6.4.

The timelines and key events involved in developing the SEG capital program are provided in Appendix 2.

2.6.2 Objectives of the Sustainable Enrolment Growth capital program

The primary objectives of the SEG capital program are:
- modernising schools and facilities to support DE's ambition to provide a world-class education system

- enabling the transition of Year 7s into high schools in 2022

- supporting sustainable enrolment growth.

This is to be achieved by:

- providing additional learning areas and facilities in high schools for the transition of Year 7

- demolishing aged relocatable accommodation and/or lightweight modular facilities where appropriate

- constructing new buildings to provide additional accommodation in identified growth areas

- refurbishing existing infrastructure to provide flexible, contemporary learning spaces

- improved street presence and connectivity to the community to make a positive statement about public education

- removing asbestos.

Project funds for the SEG capital program are to be prioritised by high schools towards supporting capacity for Year 7s in 2022. Project funds are only to be used by high schools for other purposes where there are available allocated project funds after meeting Year 7 capacity needs.

2.6.3   Year 7 transition capital funding planning

2.6.3.1 Overview of allocation process

The Year 7 transition to high school policy will have a significant impact on high school capacity needs from 2022. DE advised that approximately 13 500 students are expected to transition into high school in 2022.

The 2019-20 State Budget includes a capital investment of $185.3 million over seven years for additional works at a number of South Australian government schools to accommodate Year 7 in high school, manage future enrolment growth and improve general learning areas.

The $185.3 million comprises:

- $140 million for building capacity to accommodate Year 7 in high school and other capacity pressures

- $22 million for schools where DE identified there would be some hardship in redirecting all or most of their BBS funds to building capacity for Year 7

- $13 million for additional demountable capacity that can be flexibly deployed across schools experiencing short-term capacity issues

- $10.3 million to establish special units and special classes for students with special needs moving from Year 7 to high school.

A data driven funding allocation approach was adopted by DE, with schools not required to bid for funding. The process is outlined in figures 2.6 and 2.7.

Figure 2.6: Identification of Year 7 capacity needs

For each school accepting high school enrolments (ie high schools, combined primary/high schools and area schools), DE projected the number of places required in 2022 when Year 7 joins high school. It developed these projections based on current enrolment trends and agreed policy settings. Consideration was also given to whether demand could be reasonably accommodated in nearby under-capacity schools.

Schools needing additional capacity in 2022 to accommodate Year 7 in high school were determined using verified enrolment data and projected demand, which was then compared to current built capacity.

Figure 2.7: Calculation of Year 7 funding requirements

Infrastructure costs were calculated for these schools based on capacity needs and spatial entitlements, considering different build options and risks.

Separate costings were prepared for the following schools with restrictive land-parcel sizes where vertical builds (ie builds of at least two storeys) were identified as the only feasible option:

- Adelaide High School
- Marryatville High School
- Brighton Secondary School
- Glenunga International High School
- Norwood Morialta High School.

As vertical builds are much more expensive than conventional builds, the funding requirements for these schools were substantially higher than for other schools with comparable capacity requirements.

Based on this analysis, DE recommended to the SA Government that funding be provided to 20 schools.

As noted in section 2.6.1, the current SA Government committed to maintain the BBS program funding allocations to individual schools made by the previous SA Government, however it required that BBS program funds be prioritised to supporting capacity for Year 7s in the first instance.

In total, $142.5 million (21%) was reallocated from the BBS program to support the Year 7 transition. Nine schools were considered likely to experience hardship in redirecting all or most of their BBS funds to building capacity for Year 7 and were provided with 'top up' funding.

Appendix 3 contains a full list of the 20 schools and their Year 7 transition capital funding allocations, including any 'top up' funding.

2.6.4 Allocation of Sustainable Enrolment Growth capital program funding

Given the large number of government school sites and limited available capital funding, robust planning is required to ensure capital funding provided to schools is directed to the highest priority areas and aligns with the educational needs of the community.

2.6.4.1 One in five government schools received SEG capital program funding

The SEG capital program provides $890 million to 99 schools. This equates to about one in five government schools, excluding pre-schools, receiving funding from the program. Most funding was directed to high schools and combined primary/high schools. Figure 2.8 provides a breakdown of the number of schools that received funding and the amount of funding that went to each type of school.

Figure 2.8: SEG capital program funding by school type

	Primary schools	High schools	Primary/ High combined	Other	Total
Total number of South Australian government schools[9]	350	68	61	31	510
Number of schools that received funding	30	48	20	1	99
% of schools that received funding	9%	71%	33%	3%	
Amount of funding received ($'million)	174	551	126	16	867[10]
% of total funding received	20%	64%	14%	2%	

Appendix 3 contains a full list of schools and their funding allocations.

Norwood Morialta High School, Unley High School and Glenunga International High School collectively received $101.6 million, accounting for 12% of the total funding allocation. Most schools received funding of between $5 million and $20 million, with a reasonable spread across metropolitan, peri-urban[11] and regional areas.

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[9] Schools with multiple sites or campuses have been reflected as one school.

[10] Excludes funding for additional demountable capacity ($13 million) and additional disability capacity ($10 million).

[11] Peri-urban areas are zones of transition from rural to urban land uses located between the outer limits of urban and regional centres and the rural environment.

Figure 2.9: SEG capital program projects by value[12]

Project value	Number of schools	Total project value $'million
Less than $5 million	15	48
$5 million but less than $10 million	49	300
$10 million but less than $20 million	29	357
$20 million or more	6	162

2.6.4.2 The 2019-20 State Budget includes other significant investments in school infrastructure

The 2019-20 State Budget includes significant investment in three new schools in addition to the SEG capital program to address projected enrolment demand from strong population growth in these areas:

- a new Whyalla Secondary School ($100 million)

- two new birth to Year 12 schools under PPPs in the outer north (Angle Vale) and outer south (Aldinga) ($261 million).

These new schools are scheduled to open in term 1 of 2022.

2.6.5 Current status of the Sustainable Enrolment Growth capital program

2.6.5.1 Projects are being delivered in three rounds

The 99 SEG capital program projects will be completed over three rounds, resulting in procurement activity and construction being staggered across the life of the program. There are 49 schools in Round 1, 12 in Round 2 and 10 in Round 3. The remaining 28 projects are being accelerated through a Modular Education Facilities program.[13] DE advised that these projects are being delivered using modular construction to enable shorter delivery time frames, while also addressing capacity and condition issues and relieving pressure on the construction market once larger projects are released for construction tender.

Projects for high schools that require additional accommodation to support the transition of Year 7 students in 2022 have been prioritised, with most primary school upgrades to be undertaken later in the program.

Figure 2.10 provides an overview of the value and timing of the three project rounds.

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[12] Excludes funding for additional demountable capacity ($13 million) and additional disability capacity ($10 million).

[13] Modular construction is a method that involves constructing modules away from the building site, then delivering them to the intended site.

Figure 2.10: Overview of project rounds as at 31 May 2020

	Number of schools	Total revised budget[14] $'million	Target completion date
Round 1	49	605	October 2021
Round 2	12	85	October 2021
Round 3	10	63	October 2023
Modular	28	147	October 2023

Source: Department for Education (unaudited).

2.6.5.2 DE expects projects to enable Year 7 transition to be completed by 2022

DE advised that the program is on track to enable Year 7s to transition to high school by 2022 and to complete all 99 projects by 2023-24 as originally planned. DE also advised that COVID-19 has not impacted the planned timing of the Year 7 transition or general program scheduling.

Construction had started on nine school projects at 31 May 2020, with the remaining projects at various stages of planning and design. Figure 2.11 summarises the status of the 99 projects.

Figure 2.11: Status of school projects at 31 May 2020
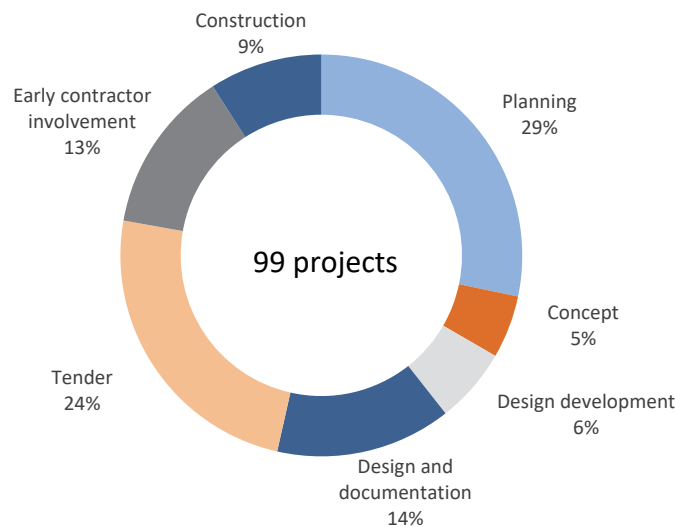
Source: Department for Education (unaudited).

2.6.5.3 The program budget has increased by $30 million to $920 million

DE advised that the program budget was revised upwards from $890 million to $920 million,[15] mainly due to:

- Norwood Morialta High School – to address infrastructure services upgrades and support specialist facilities and classrooms across the precinct ($12 million)

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[14] Excludes funding for additional demountable capacity ($10 million) and additional disability capacity ($9 million) not yet allocated to individual schools at the time of the revised budget.

[15] The budget revisions include adjustments that are pending final approval and the use of site funds and loans to expand the scope of school projects.

- Adelaide High School – to achieve project objectives due to costs from site complexity ($5 million)

- Aberfoyle Park High School – to support additional scope of building refurbishments, external works and landscaping ($4 million funded by site[16])

- Reynella East College – to support additional scope of a new gymnasium and performing arts centre ($3 million funded by site)

- Heathfield High School – to support additional scope of a health and fitness centre, building refurbishments and other improvements ($1.7 million funded by site).

DE also advised that Glenunga International High School was provided with $2.8 million in additional funding to allow the school's preferred build option to proceed and help it to manage forecast enrolment growth. This was funded through the allocation for additional demountable capacity (refer to section 2.6.3.1 for details about this allocation).

As minimal construction activity has occurred to date, total program investing expenditure was only $44 million at 31 May 2020.[17] Expenditure is expected to grow significantly from 2020-21 as construction activity ramps up and projects from later rounds commence.

Figure 2.12 summarises the financial status of the program at 31 May 2020.

Figure 2.12: Program financial status at 31 May 2020
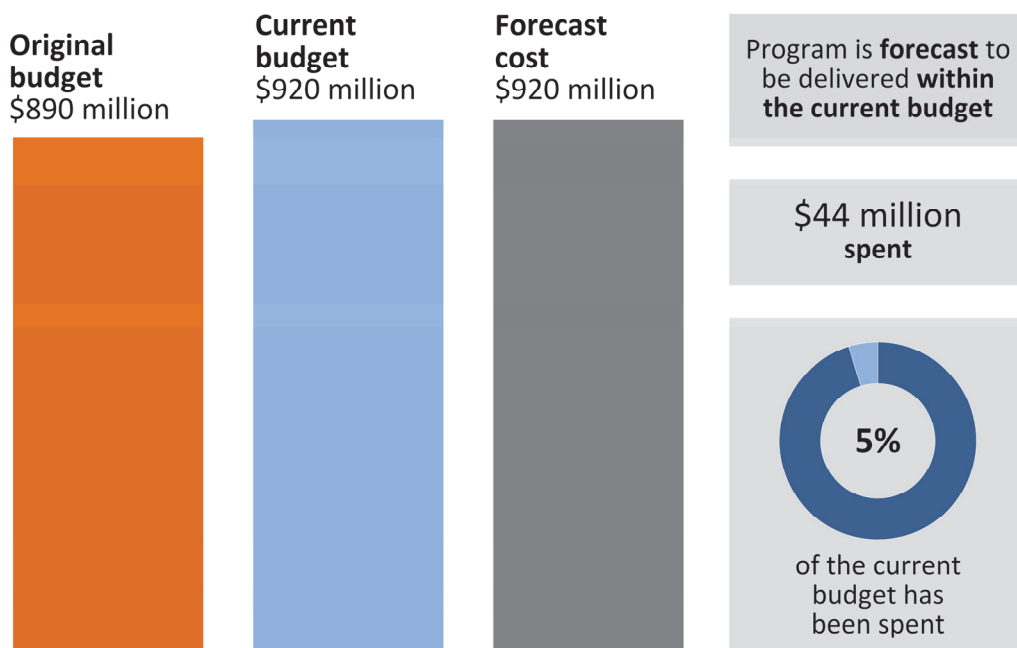
Source: Department for Education (unaudited).

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16   Schools can contribute their own funds to expand their project's scope or assist in its delivery. Schools may have funding available through their financial reserves, or they can apply for a loan through DE's capital works assistance scheme.

17   $1.7 million in additional operating costs had also been incurred on the SEG capital program at 31 May 2020.

2.6.5.4 A substantial number of projects are to be referred to the Public Works Committee

Section 16A of the *Parliamentary Committees Act 1991* requires a public work to be referred to the Public Works Committee if the total amount of money provided by Parliament or a State instrumentality for construction of the work will exceed $4 million. No public money can be spent on the construction of the public work until the Public Works Committee has presented its final report.

Most SEG capital program projects exceed $4 million and therefore must be referred to the Public Works Committee. At the end of May 2020, 35 projects had been referred and another 49 projects were still to be referred.

2.7 Sustainable Enrolment Growth capital program governance

2.7.1 Overview of governance arrangements

SEG capital program projects are being delivered by DPTI, Sensum[18] and through PPP arrangements. Figure 2.13 shows the split of projects between delivery partners.

Figure 2.13: Split of projects by delivery partner

DPTI is responsible for delivering the majority of projects under the SA Government's *Construction Procurement Policy – Project Implementation Process* (PIP).[19] Sensum is delivering the 28 projects being accelerated through the Modular Education Facilities program and two projects (Roma Mitchell Secondary College and Mark Oliphant College) are being delivered under PPPs.

The program governance arrangements are complex due to the large number of stakeholders involved. Two government agencies, school sites, professional consultants and building contractors need to effectively work together to successfully plan and deliver the program. This highlights the importance of having an effective governance framework.

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18 Sensum is a project management firm that delivers prefabricated and modular building projects.

19 The PIP details the process for developing and delivering construction projects. Under the PIP, DPTI is designated as the Infrastructure Agency to manage procurement and construction activities for these projects. Most SEG capital program projects are being delivered under the PIP with the exception of the Modular Education Facilities component.

2.7.2 Department for Education roles and responsibilities for the Sustainable Enrolment Growth capital program

As the lead agency for the SEG capital program, DE is responsible for:

- sponsoring, funding and leading the program

- setting scope, quality, time and cost for the program and individual projects and ensuring that these parameters are met

- the initial planning, budgeting and approval elements of the projects

- ensuring end user (ie schools) requirements are met

- ensuring that projects meet the requirements of the government and agency strategic asset management plan

- achieving Cabinet, statutory and gateway approvals under the PIP.[20]

The DE Chief Operating Officer is the senior responsible officer for the program with accountability for program outcomes. The Capital Programs and Asset Services directorate within DE's Infrastructure division is responsible for managing the program.

DE has assigned a Capital Project Manager to each project who works with schools to understand their requirements and support their day-to-day needs throughout the project. They are also responsible for ensuring DE project directives and approved project parameters are communicated and adhered to. Ten Capital Project Managers are responsible for managing all 99 SEG capital program projects. They also have project management responsibilities for other capital works program projects.

2.7.3 School roles and responsibilities

The school's primary role is to ensure the project design meets the learning needs of students by:

- consulting with staff, students and governing council to ensure stakeholder interests are considered as part of planning and design

- briefing the design team on the operational needs of the school

- facilitating the onsite project during decanting,[21] construction and commissioning phases.

2.7.4 Program management agreement with DPTI

The program management agreement (PMA) outlines the governance arrangements between the lead agency (DE) and infrastructure agency (DPTI) for delivering the SEG capital program and school projects.

The PMA is currently in draft and yet to be signed. Refer to section 8.2.2.1 for further details.

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[20] The PIP prescribes that gateway approvals be obtained at the completion of critical activities before projects can progress to the next stage.

[21] Decanting is the temporary relocation of staff and students from a building or part of a building to enable construction works.

The stated purpose of the draft PMA is to:

- provide a formal program management framework, agreed between DE and DPTI defining all key roles, obligations, responsibilities and accountabilities
- help to ensure that the program is rigorously controlled to meet all performance and accountability obligations to the SA Government
- set out DPTI Building Projects' services and the associated commercial arrangements.

DPTI's responsibilities under the draft PMA include:

- undertaking and reporting on program management and risk management
- managing the procurement process for all professional service and construction contractor engagements, including determining the appropriate procurement models and managing procurement risks
- providing construction advice, cost review and design review processes
- directing and managing professional service and construction contractors
- contract administration, including making payments to professional service contractors and construction contractors.

The draft PMA allows for DPTI to charge DE a fee for its services (4.1% of the overall allocation for each project).[22]

2.7.5 Governance groups

Figure 2.14 illustrates the key governance groups and their reporting relationships.

Figure 2.14: Program governance groups

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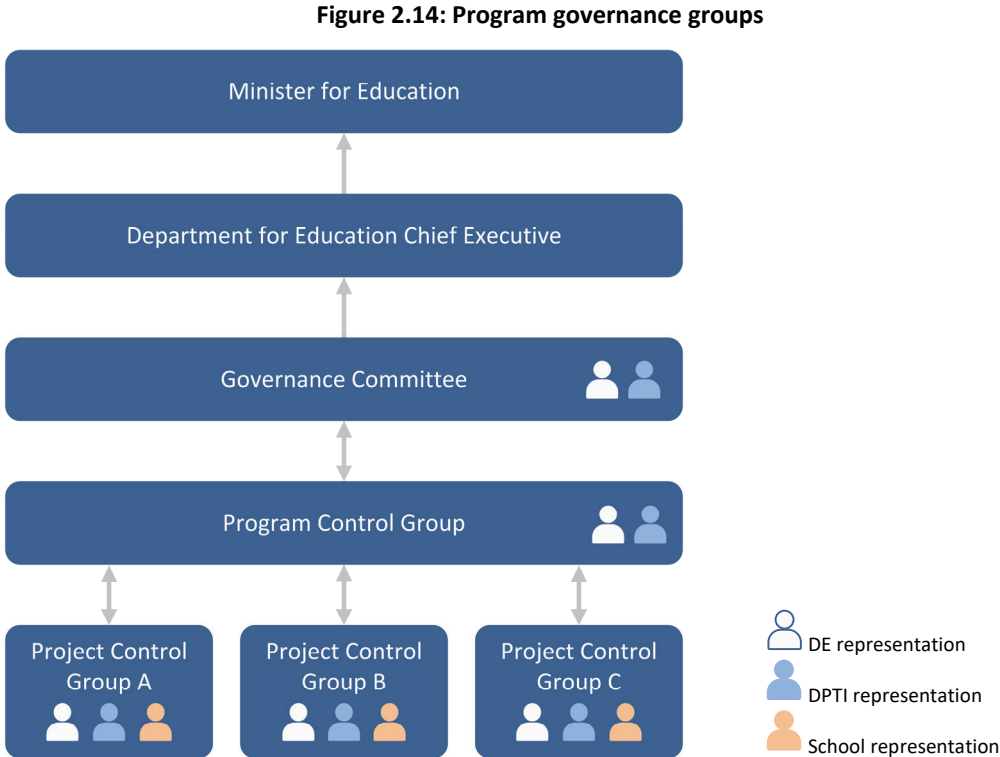
[22] DPTI advised the 4.1% fee is comprised of a 3.3% fixed fee per project and an additional allowance for disbursements of up to 0.8% where costs are charged as incurred.

Program reporting is provided to the Minister for Education and DE Chief Executive.

A Governance Committee has been established to oversee the program, comprising executive representatives from DE and DPTI. It was chaired by the DE Chief Operating Officer until June 2020, at which time an independent chair was appointed.

Supporting the Governance Committee is a Program Control Group, comprising senior representatives from DE's Infrastructure division and DPTI program managers. It is accountable for planning, strategy development and operational oversight of the SEG capital program to ensure the overall program objectives are achieved. The Program Control Group is chaired by the lead agency representative, the DE Director Capital Programs and Asset Services.

Project Control Groups (PCGs) have also been established and are accountable for the effective day-to-day management of each school project. Each PCG includes the DPTI project manager, lead professional services contractor, cost manager, DE Capital Project Manager and school representatives. PCGs are a key information sharing forum for schools and are chaired by the relevant DPTI project manager.

3   Audit mandate, objective and scope

3.1   Our mandate

The Auditor-General has authority to conduct this audit under section 31(2) of the *Public Finance and Audit Act 1987*.

3.2   Our objective

We assessed the effectiveness of DE's planning and governance of its capital works program in meeting South Australian government school infrastructure needs.

3.3   What we reviewed and how

Our audit scope included:

- strategic planning for future school infrastructure needs
- SEG capital program funding allocation planning[23]
- SEG capital program design planning
- SEG capital program governance.

We visited the following schools as part of our audit:

- Norwood Morialta High School
- Murray Bridge High School
- Seaton High School
- Golden Grove High School
- Paralowie R-12 School
- Heathfield High School.

The purpose of our school visits was to gather evidence and identify examples of how DE's planning and governance of the SEG capital program could be improved. We did not form any conclusions on the effectiveness of planning and governance of individual school projects.

3.4   What we did not review

We did not review:

- the procurement of architects, design consultants and construction contractors for SEG capital program school projects

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[23]   The SEG capital program funding allocation is comprised of two main components which are the BBS program funding allocation and the Year 7 transition to high school capital funding allocation. Our review of SEG capital program planning covered both of these components and our findings are outlined in sections 5 and 6.

- the management of design and construction contracts for SEG capital program school projects
- project management over the delivery of SEG capital program school projects
- DE asset maintenance systems, programs, policies and procedures, including AGFMA and asset maintenance planning
- operational planning for the transition of Year 7s to high school in 2022.

The following DE capital projects were also not covered by our audit:

- Adelaide Botanic High School
- Science, Technology, Engineering and Mathematics (STEM) facilities in schools
- new Aldinga and Angle Vale Birth to Year 12 Schools being delivered in conjunction with the Department of Treasury and Finance under PPP arrangements
- new Whyalla Secondary School.

4 Strategic planning for future school infrastructure needs

What we found

We identified the following important elements of strategic school infrastructure planning were not operating effectively:

- DE's 20-year infrastructure plan and strategic asset management framework were under development but not completed.

- Key asset condition information was not available to inform capital planning.

- The criteria and weightings for prioritising school capital works projects did not reflect current strategic capital planning needs and objectives.

- The historical accuracy of enrolment projections was not regularly evaluated to confirm the reliability of the projections for capital planning purposes.

- There was limited procedural guidance over the upload and verification of enrolment and asset data used in capital planning dashboards.

What we recommended

To ensure planning for future school infrastructure needs is systematic, transparent and supported by robust information and analysis, we recommended DE:

- finalise its detailed 20-year infrastructure plan and supporting enrolment projections as soon as possible, to identify the capital upgrades or new infrastructure required to meet future needs and ensure there are sufficient fit-for-purpose places for students where and when required

- finalise its strategic asset management framework promptly to confirm its overall capital planning approach, asset information strategy and infrastructure strategy performance measures

- ensure regular infrastructure condition and functionality assessments are conducted and recorded for all school buildings and facilities to support capital investment prioritisation

- update the criteria and weightings used for prioritising future capital works projects to reflect current strategic needs and objectives

- implement an independent review and testing program to confirm the historical accuracy of enrolment projections feeding into the capital planning process

- formalise processes for transferring enrolment and asset data to the database supporting the capital planning dashboard.

4.1 Introduction

4.1.1 Department for Education's strategic infrastructure planning approach

There are several components that inform and guide DE's current strategic infrastructure planning approach. The DE Strategic Asset Management Framework (DE SAMF) is the overarching framework that will guide the preparation of DE's infrastructure strategy, infrastructure plan and its Capital Intentions Statement project submissions to Infrastructure SA. Figure 4.1 shows the current status of each component.

Figure 4.1: Status of DE's strategic infrastructure planning approach
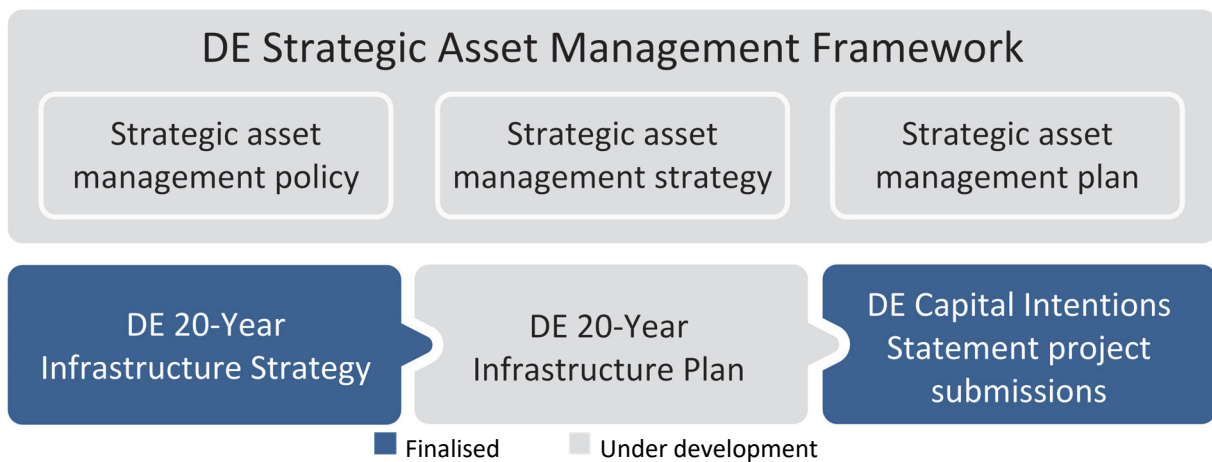
A formal, structured and integrated strategic asset management framework was not in place to guide and inform the development of the DE 20-Year Infrastructure Strategy. There was also no detailed long-term infrastructure plan to assist with identifying priority capital projects for inclusion in the Capital Intentions Statement project submissions provided to Infrastructure SA.

4.2 Audit approach

4.2.1 Assessment performed against guiding principles in DPTI's Strategic Asset Management Framework

We assessed whether DE's strategic infrastructure planning was consistent with principles in DPTI's Strategic Asset Management Framework for the following areas:

- asset management strategy and planning
- asset information
- performance monitoring and improvement.

4.2.2 Asset management strategy and planning

DPTI's Strategic Asset Management Framework says agencies should establish a strategy

describing the long-term approach to managing their asset portfolios, including:

- the current and projected service levels the agency is planning to deliver and the current and future resource capabilities required to deliver those outcomes

- how the agency will use its assets to support its service delivery objectives and incorporate planning for assets over different periods of time.

4.2.3   Asset information

DPTI's Strategic Asset Management Framework says agencies should develop an asset information strategy that describes how asset information supports the delivery of its asset management strategy and objectives, including:

- defining the agency's minimum information requirements in asset information standards and guidelines

- establishing processes to identify, monitor and record the condition of the agency's asset portfolio in asset information systems

- establishing procedures, controls and audit trails to maintain the integrity of asset information

- defining data owners, consumers, validation processes and the expected life of data.

4.2.4   Performance monitoring and improvement

DPTI's Strategic Asset Management Framework says agencies should:

- establish key performance indicators and targets for assets driven by government, agency policy objectives, service delivery needs, established service standards and available resources

- monitor performance against an agency's own established asset standards, targets or benchmarks to establish whether assets are being managed effectively in terms of cost, performance and risk.

4.3   Findings

4.3.1   Department for Education's detailed 20-year infrastructure plan and supporting enrolment projections not completed

Recommendation

DE should complete the update of its enrolment projections methodology promptly and use it to inform the development of the DE 20-Year Infrastructure Plan. The plan should identify:

- projected demand for future learning spaces

- the capital upgrades or new infrastructure required to meet identified future capacity, teaching and learning needs and ensure there are sufficient fit-for-purpose places for students where and when required

- the estimated total funding needed to deliver the required infrastructure, including the split of funds between building, upgrading and maintaining school facilities

- the impact on future capacity and learning space needs of the current SEG capital program projects underway

- the impact of the Year 7 transition to high school policy on primary school space needs

- utilisation of existing school facilities (including extent of reliance on demountable and modular classroom buildings).

DE should engage independent experts as appropriate to review the plan's assumptions, data quality, proposals and cost estimation approach.

Finding

The DE 20-Year Infrastructure Strategy and Capital Intentions Statement 2020 project submissions to Infrastructure SA do not specifically:

- capture projected school capacity needs across the whole sector over the next 20 years

- identify the gap that will need to be addressed through capital upgrades or new infrastructure to ensure there are enough fit-for-purpose places for students where and when required over this time period.

DE advised that two pieces of work have been commissioned from a contractor on enrolment projections. One project was undertaken in 2019 for the provision of enrolment projections and a report detailing where additional future school capacity, including new schools, were projected to be required over the next 20 years. A second project commenced in 2020 to make improvements to the 2019 methodology with the aim of providing a sustainable process for updating enrolment projections going forward. The second project is scheduled for completion by the end of July 2020.

DE also advised that an Infrastructure Plan for Public Schools, Preschools and Children Services is under development and is expected to be finalised in 2020.

Establishing a detailed infrastructure plan will ensure there is greater clarity over the capital works and funding needed over the medium to long term to provide the school infrastructure and learning spaces necessary to meet the educational needs of students. It will also help to ensure decisions on future capital funding allocations are made on a robust, informed and systematic basis and directed to the areas of greatest need.

4.3.2   A consolidated framework outlining Department for Education's overall capital planning approach not in place

Recommendation

The DE SAMF currently being developed should:

- provide clear direction on the overall departmental approach to capital planning, asset management and maintenance

- clarify roles and responsibilities between departmental business units and schools for capital planning
- provide guidance on how various supporting information and processes will be used to develop annual program plans and longer-term strategic infrastructure plans.

Finding

Several different units across DE, as well as schools, provide inputs into the capital planning process. These inputs include asset management systems data, capital planning dashboards, enrolment projections, site master plans and learning environment opportunity studies.

DE's existing suite of policies and procedures did not clearly outline DE's overall departmental approach to capital planning and how the various supporting inputs and processes feed into that approach.

It is important that DE and schools have a common holistic understanding of their roles and responsibilities and how inputs will be used in a single consolidated reference.

This will ensure greater transparency for schools about capital planning processes and that a consistent approach is adopted for capital planning over time periods extending beyond annual programs and current government policy initiatives.

DE advised that the DE SAMF it is developing will consolidate guidance and requirements over the capital planning and asset management process.

4.3.3 Department for Education's asset information strategy yet to be established

Recommendation

DE should prepare and implement an asset information strategy and associated asset information standards and guidelines consistent with DPTI's Strategic Asset Management Framework principles as part of its new DE SAMF. The strategy should outline the approach to defining, collecting, managing, reporting and governance of asset information needed to support the asset management function. It should also include an approach to ensure the minimum property data set as required by Premier and Cabinet Circular PC114 *Government Real Property Management* (PC114) is maintained.

DE will need to liaise with DPTI in developing the strategy given DPTI's responsibilities for collecting and maintaining certain asset information under the AGFMA.

Finding

DE does not have an asset information strategy or asset information standards and guidelines. This increases the risk that:

- information required to support effective asset management and decision making is not collected, including the minimum property data required by PC114

- information is collected that is not required to support asset management and decision making, incurring unnecessary costs

- information systems and business requirements to support asset information needs are not understood

- responsibilities and accountabilities for asset information management are not clear and understood.

DE advised that the DE SAMF it is developing will outline its asset information strategy.

4.3.4 Performance measures for Department for Education's infrastructure and asset management strategies are yet to be developed

Recommendation

DE should finish developing performance measures for its 20-year infrastructure strategy, infrastructure plan and asset management plans as part of the new DE SAMF. The performance measures should be based on:

- operational performance of assets in meeting service delivery objectives

- asset utilisation (eg capacity usage, functionality, availability, reliability and condition)

- legislative, regulatory or statutory compliance (eg work health and safety standards and environmental impact)

- operating costs (eg utilities cost reductions and planned maintenance costs compared to reactive maintenance costs)

- stakeholder satisfaction.

These performance measures should be specific, relevant, measurable and formally reported against regularly to senior DE management.

DE should also consider whether separate specific performance measures and monitoring arrangements are required for the SEG capital program, as distinct from the broader capital works program, to confirm whether it has been successful in meeting its key objectives.

Finding

The DE 20-Year Infrastructure Strategy does not include any performance measures. They have also not been established for asset management planning purposes. As a result, it may not be possible for DE to effectively evaluate whether its infrastructure and asset management strategies and plans are meeting its objectives.

DE advised that the DE SAMF it is developing will include infrastructure strategy and asset management performance measures.

4.3.5 Existing asset condition information did not enable systematic and transparent comparisons of infrastructure condition between sites for capital planning purposes

Recommendation

DE should liaise with DPTI as part of the AGFMA[24] to develop a grading system for school buildings and facilities that describes current asset condition and functionality consistent with DPTI's Strategic Asset Management Framework and PC114 principles.

DE should also liaise with DPTI under the AGFMA to ensure infrastructure condition and functionality assessments using the grading system are regularly performed for all school buildings and facilities and recorded in asset management systems.

The condition gradings and functionality assessments should be used to prioritise school capital funding.

Finding

There is currently no condition grade information available to DE for individual school buildings and facilities (for example on a scale of 1 to 5). As a result, there is no information available to systematically and efficiently identify school buildings and facilities that are in poor condition, end-of-life condition or are not fit for purpose. There is also no information to enable objective and transparent comparisons of infrastructure condition between sites for capital planning purposes.

Without current and complete condition assessment data, DE does not have objective evidence on the physical state of its property assets. Incomplete asset condition information also increases the risk that decisions about maintenance, major replacements, refurbishments and investments are not well informed. This could expose DE to legal, social and other risks associated with deteriorated facilities.

4.3.6 Criteria and weightings for prioritising school projects did not reflect current strategic needs and objectives

Recommendation

DE should update the criteria for prioritising future capital works projects as part of the DE SAMF it is developing. This includes confirming how the criteria reflects current strategic needs and objectives and how they will be weighted in prioritising and ranking projects.

The prioritisation criteria should also inform and align with future infrastructure strategies and plans and drive capital investment resource allocation decision making.

Finding

DE has a template for prioritising capital works projects that outlines assessment criteria

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[24] DPTI provides facilities management services to DE under the AGFMA.

weighted according to their importance to derive a final score for ranking purposes.

We found this template was last updated in 2014 and does not reflect the needs and objectives of DE's current infrastructure strategy. As a result, there is a lack of clarity and transparency as to how factors such as capacity, infrastructure condition and suitability, and work health and safety are to be considered and weighted in future capital planning decisions. This increases the risk that future capital funding allocations may not be directed to areas of greatest need based on current strategic objectives.

DE advised that it plans to confirm the current criteria for prioritising future school infrastructure projects, including weighting of relevant criteria, as part of the DE SAMF it is developing.

4.3.7   Enrolment projections are not regularly evaluated to confirm their reliability for capital planning purposes

Recommendation

DE should implement an independent review and testing program to confirm the historical accuracy of short, medium and long-term enrolment projections feeding into capital planning.

Finding

We found that although there was a one-off exercise to confirm the reliability of enrolment projections for Year 7s transitioning to Year 8 in 2020, no formal systematic and regular process was in place to test the historical accuracy of enrolment projections feeding into the capital planning process.

Robust, evidence-based enrolment projections are essential to support effective school infrastructure planning. Forecasting school enrolments can be challenging because they are driven by a range of demographic and other factors.

Inaccurate or unreliable enrolment projections may result in capital works not being directed where they are needed most.

To ensure assumptions and methodologies used in the modelling process are appropriate and enrolment projections are reliable for capital planning decision-making purposes, the historical accuracy of the projections should be regularly evaluated.

4.3.8   Limited guidance over upload and verification of data used in capital planning dashboard

Recommendation

DE should develop policies and procedures to formalise and communicate management's expectations for ensuring the accurate and complete transfer of source system data to the

database used for its capital planning dashboard. The policies and procedures should cover:

- data owners and roles and responsibilities for managing data in the database
- processes for uploading data from source systems to the database
- processes to confirm data has been accurately and completely uploaded to the database (ie automated data validation/verification checks or manual processes).

Finding

DE has established a dashboard for capital planning which uses a comprehensive range of data analysis tools to identify school capacity pressures and zoning impacts. The dashboard is an important part of DE's asset master planning toolkit for future capital planning and decision making.

The dashboard uses enrolment data from school administration systems and asset data from asset management systems. It sources this data from a DE database.

We found policies and procedures outlining the upload and verification processes for the transfer of enrolment and asset data from source systems to the database were limited.

This increases the risk that required processes could be unclear or not properly performed. This could result in key enrolment, capacity and asset information in the dashboard relied on for capital planning purposes being incomplete or inaccurate, leading to compromised decision making.

5 Building Better Schools program planning

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What we found

There was limited documentation maintained as an agency record by DE to:

- support the key decisions made in the BBS program capital funding allocation process

- demonstrate how BBS program funding allocations were directed to schools with the greatest need based on the program objectives and school funding selection criteria.

What we recommended

DE analysis and advice provided to the SA Government on future capital funding allocations should explicitly align with its 20-year infrastructure strategy and infrastructure plan, as well as DPTI's Strategic Asset Management Framework principles.

The analysis performed for future major capital works program funding allocations should also be documented and maintained as an agency record.

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5.1 Introduction

DE advised that between August and October 2017, it was asked by the previous SA Government to provide data to the then Office of the Minister for Education and Child Development on potential capital works priorities. DE also indicated that it was not provided with the total budget available for potential works.

DE was advised that a Cabinet submission about capital works priorities would be lodged in the last quarter of 2017. As a result, all emails, information and spreadsheets about capital works priorities were prepared as working papers supporting the development of a Cabinet submission and were therefore designated as 'Cabinet-in-Confidence'.

DE advised us that it responded to numerous requests for information and provided a number of high-level options to the previous SA Government for consideration, based on various criteria including enrolment numbers, previous capital works, backlog maintenance and the index of socio-economic disadvantage.

DE also advised us that the overall funding allocation was set by the previous SA Government, but that DE used information from previous major works and completed feasibility studies at the time, as well as asset condition and demographic data, to develop high-level costings and scopes for what could be achieved at each school.

The final list of projects and respective project funding totals were confirmed following approval by the previous SA Government in October 2017.

Cabinet documents are the primary means for the public service to communicate ideas and recommendations to decision makers in the SA Government. They are highly confidential so that there can be full and frank discussion and decision making and are subject to strict access controls. As the Cabinet submission for the BBS program and supporting working papers were designated as 'Cabinet-in-Confidence', this documentation was not made available to us by the previous SA Government for audit.

5.2   Findings

5.2.1   Lack of agency documentation to demonstrate how Building Better Schools program funding allocations were directed to schools with the greatest need

Recommendation

DE advice and analysis provided to the SA Government on future capital funding allocations should explicitly align with its 20-year infrastructure strategy and infrastructure plan, as well as DPTI's Strategic Asset Management Framework principles.

The analysis performed for future major capital works program funding allocations should also be documented and maintained as an agency record, separate from Cabinet submission working papers.

The documented analysis maintained as an agency record should include:

- clear linkages to the DE infrastructure strategy and any supporting plans
- the selection criteria and weightings adopted in prioritising and ranking projects
- analysis of costs, benefits and risks of proposed investments and alternative options
- analysis of how individual school funding amounts were determined
- the reports and other information sources used to support the allocation process.

The selection criteria and weightings for future major capital works programs should also be formally communicated to relevant stakeholders at the start of the funding allocation process to ensure transparent decision making.

Finding

The record keeping for much of the BBS program was prepared on a 'Cabinet-in-Confidence' basis for the previous SA Government and this information was not made available to us for audit.

We found there was limited documentation maintained as an agency record by DE, independent of the information provided to Cabinet on a confidential basis, to support the key decisions made in the BBS program capital funding allocation process. As a result, there was little agency documentation to demonstrate how BBS program funding allocations were directed to schools with the greatest need based on the program objectives and school funding selection criteria. There was also no transparency over how the funding amounts allocated to individual school projects were determined.

Reliance should not be placed solely on content in Cabinet submission working papers to support and evidence agency decision-making processes. Comprehensive documentation detailing the process followed and information considered in determining funding allocations for major capital programs should be kept as an agency record.

6   Year 7 transition capital funding planning

What we found

Hardship funding totalling $22 million was allocated across nine schools that DE identified as using 70% or more of their BBS program funding to meet Year 7 capacity needs. There was no agency record to support the calculation of hardship funding recommended by DE in the Cabinet submission for this.

What we recommended

DE should document the basis for determining all future capital funding allocation amounts recommended in Cabinet submissions as an agency record.

6.1   Introduction

The 2019-20 State Budget included a capital investment of $185.3 million for additional works at a number of South Australian government schools to accommodate Year 7 in high school, manage future growth in the number of students enrolled and improve general learning areas. This funding comprised:

- $140 million for building capacity to accommodate Year 7 in high school
- $22 million for schools where DE identified there would be some hardship in redirecting all or most of their BBS funds to building capacity for Year 7
- $13 million for additional demountable capacity
- $10.3 million for additional disability capacity.

6.2   Findings

6.2.1   Lack of documentation to support calculation of hardship funding provided to schools

Recommendation

DE should document the basis for determining all future capital funding allocation amounts recommended in Cabinet submissions, including supporting calculations, as an agency record.

Finding

There was no agency record to support how the amount of hardship funding allocated to each school in the Cabinet submission for this was calculated, such as what costing estimates for planned works were used.

It is important that DE maintains appropriate documentary evidence of how capital funding amounts recommended to Cabinet are calculated, to demonstrate that a transparent, equitable and consistent allocation process has been conducted in line with set program objectives and criteria.

7 Sustainable Enrolment Growth capital program design planning

What we found

The capacity entitlement schedule used to develop the scope of works for school projects may not reflect current school needs and there is limited guidance on its use.

No formal documented procedures, guidelines or checklists were established over DE review and approval of project briefs and design concept reports.

What we recommended

DE should revise and update the capacity entitlement schedule to ensure it reflects current school needs and establish a policy, procedure or guideline detailing the purpose of the schedule and the steps to be followed in completing it.

DE should also establish a guideline outlining the key steps to be followed in reviewing and approving project briefs and design concept reports for SEG capital program projects.

7.1 Introduction

7.1.1 Overview of design development and review process

Figure 7.1 gives an overview of the design development and review process for SEG capital program school projects.[25]

Figure 7.1: Design development and review process for SEG capital program school projects

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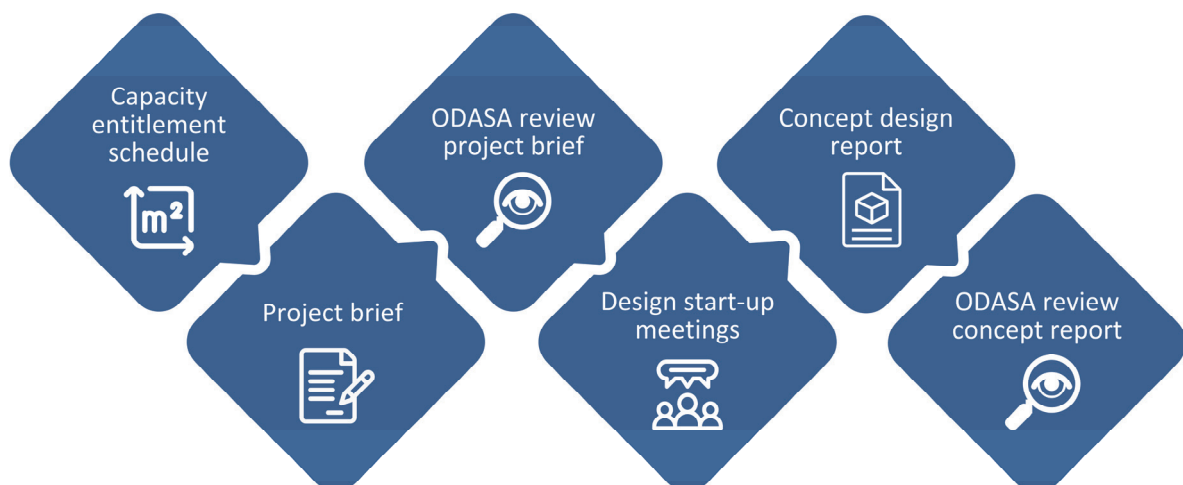
[25] DPTI advised that it leads further technical reviews after the concept phase, including reviews of buildability and maintenance considerations, as well as standard and code compliance.

7.1.2 Capacity entitlement schedule

A capacity entitlement schedule has been established by DE to identify school spatial needs based on projected enrolments and targeted capacity. The spatial needs include the following areas and facilities:

- general learning areas
- specialised learning areas for science, arts and home economics
- performing arts, library, gymnasium and technology areas
- administration and student amenities areas.

The schedule is used for all school projects to determine the scope of works to be included in the project brief.

7.1.3 Project brief

Project briefs are established for all school projects using a standard template and include high-level descriptions of the site, current and projected enrolments and the planned scope of works, budget and timeline.

A cost manager is appointed to prepare the preliminary costings to be reflected in the project brief.

Project briefs are signed off by a DE representative and the school principal as evidence of review and approval. Following approval of the project brief, architects are engaged to prepare the concept report for the project.

7.1.4 Design start-up meetings

Design start-up meetings are held at the beginning of the design concept phase after engagement of the design team. Representatives from DE, the school, DPTI, the architect and other relevant consultants attend these meetings.

A design start-up meeting information package and upgrade guide are provided to schools outlining the roles and responsibilities of each of these parties for school project design planning.

Design team meetings are held regularly during the design concept phase.

7.1.5 Concept design report

Project concept design reports are prepared by consultants for each school project based on the project brief and discussions with school and DE representatives on their design needs. These reports must comply with Education Facilities Design Standards issued by DE.

The project concept reports include analysis of existing facilities, the concept proposal, proposed schedule of works, risk issues, approvals and compliance requirements, cost estimates and the proposed project program. They are signed off by a DE representative and the school principal as evidence of review and approval of the project design.

Appendix 4 provides an example design drawing for the Murray Bridge High School.

7.1.6 Office for Design and Architecture South Australia (ODASA) review of project briefs and concept design reports

ODASA, which resides within DPTI, assesses key elements of the project brief using a project brief review assessment checklist and 'traffic light' rating system. The purpose of this review is to ensure appropriate information has been provided and considered as part of the project brief, including project budget costings, site information and accommodation requirements.

ODASA also reviews concept design reports for all SEG capital program projects. The design review process provides a design risk overview to ensure the design meets lead agency brief requirements and complies with lead agency, DPTI and government standards and guidelines.

7.2 Findings

7.2.1 The capacity entitlement schedule may not reflect current school needs and there is limited guidance on its use

Recommendation

DE should revise and update the capacity entitlement schedule to ensure it reflects current school needs. This includes consulting schools on improvements that can be made to the schedule and benchmarking it against similar tools used in other jurisdictions.

DE should establish a policy, procedure or guideline detailing the steps to be followed in completing the schedule and confirm the role of the schedule in developing the scope of works for individual school projects. This includes clarifying:

- the process for determining the school enrolment entitlement figure to be used in the schedule

- which learning spaces and other facilities schools will be fully funded for based on their enrolment entitlement in the schedule (eg specialised learning areas, gyms and performing arts spaces)

- how timetabling and capacity utilisation factors are considered in determining school entitlements and project scope of works.

Finding

The guide to understanding and using the capacity entitlement schedule is very high level and has not been updated since 2007. It also does not outline the process for determining the school enrolment entitlement figure it uses. This figure is the major driver of the entitlement calculation, so it is important that the source of the figure is clear.

The staff in schools we visited also expressed concerns about the use of the schedule in developing the scope of works for their SEG capital program projects, including how the schedule considers:

- school needs for specialised learning areas
- the treatment of corridor areas in calculating learning area spaces
- the calculation of staff space impacts arising from additional teachers required to meet enrolment growth
- fencing, air-conditioning and storage facilities.

It was also unclear what schools are entitled to and will be funded for based on the schedule.

7.2.2 No formal guidelines or checklists established over Department for Education review and approval of project briefs and design concept reports

Recommendation

DE should establish a guideline explaining the key steps to be followed in reviewing and approving project briefs and concept reports, including ensuring:

- all issues identified through ODASA review of project briefs and concept reports are appropriately followed up with details of actions taken documented
- the concept report aligns with the project scope, objectives, timelines and budget in the project brief
- the concept report aligns with all discussions and agreements with key stakeholders and appropriate risk identification has been completed
- the concept report contains all key information, including cost plan, program plan and project risk register
- the design in the concept report will meet the school's learning space needs under the capacity entitlement schedule
- site visits are conducted regularly to confirm school needs are being met throughout the planning and design process.

Finding

There were no formal policies, procedures or guidelines outlining the steps to be taken by DE in reviewing and approving project briefs and concept reports. This is a key part of the design planning process to ensure SEG capital program objectives and school design needs are met. The project briefs and concept reports are lengthy documents and contain several different components.

In the absence of guidance, there is a risk that the nature and extent of review to be performed on project briefs and concept reports will be unclear and inconsistent or ineffective practices will be adopted across school projects. This risk is heightened given the number of capital works projects currently underway is far greater than has ever been historically managed by DE.

8 Sustainable Enrolment Growth capital program governance

What we found

We identified that the following important elements of SEG capital program governance were not operating effectively:

- a governance framework, implementation plan and risk management plan were not established

- accountabilities and responsibilities for some key aspects of the program and individual projects were unclear, including risk management, scope variations and issue management

- the program management agreement with DPTI was not finalised and did not clearly specify the performance measures for DPTI to be monitored against or the projects it is expected to deliver

- there was a lack of regular and documented assessment of program risks

- governance committee reporting on the program and individual school projects could be improved

- there was a lack of transparency and guidance over the use and prioritisation of allocated project funds for school projects.

What we recommended

To ensure a more structured, integrated and formalised approach to governance of the SEG capital program is adopted that clearly outlines governance roles, responsibilities and processes for all stakeholders, we recommended DE:

- establish a governance framework, implementation plan and risk management plan

- clarify accountabilities for risk management, scope variations and issue management by establishing or updating governance frameworks, plans and agreements

- update the program management agreement with DPTI to specify the performance measures that DPTI is to be monitored against and the projects it is expected to deliver

- ensure the program management agreement with DPTI is finalised and signed off by both DE and DPTI as evidence of formal agreement on program delivery roles and responsibilities

- update the program risk register regularly to ensure it reflects the current phase of the program and ensure risk is given regular and specific focus at program governance group meetings

8.1   Introduction

The SEG capital program is significantly larger and more complex than recent DE capital programs and involves multiple stakeholders from DE, schools, DPTI, professional consultants and builders. It is critical that a systematic, integrated and formalised approach to governance is adopted for the SEG capital program to maximise its chances of success.

8.2   Findings

8.2.1 Program governance frameworks and plans

8.2.1.1 A program governance framework was not established

Recommendation

DE should establish a program governance framework to centrally capture and clarify program governance arrangements, including:

- the reporting lines between the various program governance committees
- responsibilities and authorities for making key program decisions
- key controls implemented to ensure DPTI's effective delivery of the program
- arrangements for SEG capital program projects not being delivered by DPTI
- monitoring and reporting arrangements to oversee program delivery
- required approvals
- assurance arrangements to assess program performance.

Finding

DE has not established a governance framework outlining the overall governance approach and specific governance requirements for the SEG capital program.

Given the size and complexity of the program and the number of parties involved in its planning and delivery from DE, schools, DPTI, professional consultants and builders, there is value in having a single reference point for program governance arrangements. This will provide a systematic, integrated approach to governance and maximise awareness of relevant governance requirements.

8.2.1.2 A program implementation plan was not in place

Recommendation

DE should consider two options:

- establish a single program implementation plan for the SEG capital program
- develop separate program implementation plans for the projects delivered by DPTI, projects delivered by Sensum and PPP school projects.

The plan(s) should include the following elements:

- program objectives
- key tasks, milestones and responsibilities
- stakeholder management
- risk management
- relevant regulatory and legal requirements
- resource management
- financial management
- monitoring, review, evaluation and reporting.

For future programs, DE should ensure that a program implementation plan is established from the outset.

Finding

A program implementation plan that sets out the practical details of how the program will be implemented so it is delivered on time, on budget and to expectations was not established.

A program implementation plan provides:

- a shared understanding for those involved in the implementation process
- a structured implementation approach integrating subsidiary plans and individual program components.

The program implementation approach must also be tailored for the different delivery methods for projects comprising the program, with 69 projects being delivered by DPTI, 28 modular projects being delivered by Sensum and two PPP school projects being managed by DE.

8.2.1.3 A risk management plan was not prepared for the program

Recommendation

DE should establish a program risk management plan covering:

- the processes used to identify, analyse, evaluate and treat risks during the various program and project phases
- DE and DPTI's roles and responsibilities for each aspect of program and project risk management

- how often the program and school project risk registers will be reviewed, the process for review and who will be involved

- how risks at the program and project level will be monitored and reported, including which personnel, committee or group updates should be reported to

- when and how project risks are required to be escalated to the program level.

Finding

A risk management plan was not prepared setting out how the broader departmental risk management framework is to be specifically applied to the SEG capital program.

We also found:

- the Governance Committee and Program Control Group's role in risk management was not well defined

- responsibility for risk management was not clearly delineated between DE and DPTI, both at a program and project level

- responsibility for preparing and maintaining the program risk register was not defined.

As the SEG capital program is very large and complex involving many projects and parties, it is important that a program risk management plan is in place to:

- provide a clear, structured and coordinated approach to risk management

- set out how risks are to be managed at both the whole of program and project level, including respective roles and responsibilities

- integrate the various risk management activities at a program and project level.

8.2.2 Program management agreement

8.2.2.1 The program management agreement with DPTI was not finalised

Recommendation

DE should liaise with DPTI to finalise the PMA as soon as possible and ensure that it is signed by both parties.

Finding

The purpose of the PMA is to provide a program management framework, agreed between the lead agency (DE) and DPTI, defining all key program roles, obligations, responsibilities and accountabilities.

The PMA between DE and DPTI was not finalised and signed by both parties at the time of our audit. DE and DPTI have operated without a finalised and signed agreement from the program's inception. In the absence of a signed agreement, there is no explicit acknowledgement of the agreed approach between the two parties.

Given the large scale of the program, the number of stakeholders involved and the high degree of reliance that DE places on DPTI to successfully execute the program, there should be a mutual and clear understanding of roles, responsibilities and accountabilities, the parameters the parties will operate within and the delivery strategy.

It is also important to formalise the obligations of each party so that they can hold each other to account for their actions and resolve disputes. This importance is heightened as activity ramps up for many projects, and more projects commence.

Section 2.7.4 provides further details on the PMA with DPTI.

8.2.2.2 The program management agreement does not specify the projects DPTI is expected to deliver or the performance measures it will be monitored against

Recommendation

DE should liaise with DPTI to include the following in the PMA:

- DPTI's SEG capital program responsibilities, including a listing of the individual SEG capital program school projects DPTI is expected to manage and deliver

- clear and objective performance measures for DPTI in delivering the SEG capital program

- reporting requirements for DPTI performance measures.

Examples of performance measures that could be reflected in the PMA include:

- milestone dates
- financial and budget targets
- quality, safety and environmental outcomes
- compliance with standards, codes and legislation
- end user satisfaction.

DE should also consider implementing a compliance or internal audit review program in liaison with DPTI to confirm key program quality assurance activities are taking place (eg site inspections and post occupancy reviews).

Finding

The PMA does not clearly define the SEG capital program projects DPTI is responsible for delivering. The projects within DPTI's scope have evolved and changed during the program, with some projects being transferred to Sensum through the Modular Education Facilities program. This increases the risk that parties involved in SEG capital program may be unclear on the extent of their responsibilities for individual school projects, including reporting and billing arrangements, and program outcomes may not be delivered as intended.

The PMA also does not include any specific performance measures. As a result, DE may not be able to effectively assess and monitor DPTI's performance and whether it is meeting its

obligations under the PMA. There should be clear performance measures in place to enable DE to independently assess and monitor DPTI's performance at regular intervals over the life of the program.

Section 2.7.4 provides further details on the PMA with DPTI.

8.2.3 Program risk management

8.2.3.1 Lack of regular and documented assessment of program risks

Recommendation

DE should update the program risk register regularly to ensure it reflects the current phase of the program.

DE should add risk management as a standing item on Governance Committee and Program Control Group meeting agendas and ensure that risk information tabled is systematically reviewed, with the outcome of the review documented in the minutes.

Finding

The program risk register was not reviewed and updated regularly. It was only updated twice over 13 months, in March 2019 and March 2020.

The lack of regular update of the program risk register highlights the importance of having a program risk management plan that clearly outlines risk register maintenance responsibilities. Section 8.2.1.3 provides further details on the need for DE to establish a risk management plan.

Our review of governance group minutes also found many instances where there was no evidence that risk information was specifically considered. Risk management is not a standing agenda item at every meeting to ensure that risk is given regular focussed attention.

In the absence of regular consideration and thorough review of risks by key governance groups, risks may not be effectively and promptly identified and addressed over the life of the program and projects, resulting in objectives not being met.

8.2.4 Program reporting

8.2.4.1 Program and project reporting should capture additional financial, scope change and status information

Recommendation

DE should liaise with DPTI to ensure Governance Committee reporting includes the following information:

- actual and forecast program and project expenditure compared to budget, including explanations for any material variations

- a register of major proposed and approved scope changes

- an issues register

- details of actions taken to address project delays and/or issues.

Finding

Information on program financial status provided to the Governance Committee is limited to the total budget figure and forecast cost position. This level of financial information is not sufficient to enable effective monitoring of the program budget. Although only a small proportion of total program expenditure has been incurred to date, it will grow substantially as projects enter the construction phase and more projects come online in 2020-21.

Reporting to the Governance Committee also did not consistently capture detail on:

- major scope changes
- issues escalated from other governance groups
- actions taken to address delays or issues highlighted.

The lack of reporting on these areas may impact the Governance Committee's ability to effectively monitor the program.

8.2.4.2 No formal reporting to the Program Control Group

Recommendation

DE should liaise with DPTI to ensure regular reporting is provided to the Program Control Group so that it can monitor the following areas, which are in its terms of reference:

- program procurement processes
- project brief completeness and sign off
- scope changes
- issues escalated from PCGs.

Review of this reporting should be documented in the minutes of the Program Control Group's meetings.

Finding

The Program Control Group reports to the Governance Committee and is accountable for initial planning and strategy development for the SEG capital program. It supports the Governance Committee oversight of the program and is responsible for managing and responding to issues from PCGs.

We found the reporting to the Program Control Group did not enable it to meet all of its monitoring roles and responsibilities under its terms of reference.

8.2.4.3 Formal lead professional service contractor and project manager reporting not consistently provided to Project Control Groups

Recommendation

DE should liaise with DPTI to ensure all lead professional service contractor and DPTI project management reports are consistently prepared and provided to each PCG meeting.

DE should consider liaising with DPTI to include a requirement for preparing these reports in the PMA.

Finding

Our review of the PCG meeting papers for our sample of six school projects found:

- lead professional service contractor reports were not always prepared
- DPTI project management reports were sometimes only verbal reports noted in the meeting minutes and limited in detail.

We also noted the requirement to prepare these reports was not clearly defined in the PMA.

There is a risk that inconsistent or incomplete reporting may reduce the PCG's ability to effectively monitor the status, budget and scope of school projects.

8.2.5 Program finances

8.2.5.1 No guidance on the use and prioritisation of allocated project funds for school projects

Recommendation

DE should issue formal guidance to schools on:

- the types of costs that project funds are to be used for and how the funds are to be prioritised
- the types of facilities permitted to be upgraded or replaced as part of SEG capital program projects.

Finding

DE advised us that it works with schools to develop a project scope and design to best fit the needs of the school and achieve the program objectives. As the amount of funds allocated to each school is limited, DE must make decisions about how to best use the funds allocated for the project. This may involve adjusting the project scope and/or prioritising how funds are used to deliver the project within the funding allocation.

We found the decision-making principles applied by DE on the use and prioritisation of project funds were not documented and formally communicated to schools. Schools indicated they were unclear on the use and prioritisation of project funds for certain costs, including backlog maintenance, security, ICT and landscaping.

Our school visits also highlighted a lack of formal guidance on the types of facilities permitted to be upgraded or replaced as part of SEG capital program projects. As a result, some schools were unclear on whether certain types of facilities were to be excluded from SEG capital program project scopes, such as gymnasiums.

Establishing guidelines will provide greater clarity for schools on how project funds are to be used across the program and help to ensure the consistent use of project funds.

8.2.6 Construction Procurement Policy – Project Implementation Process

8.2.6.1 Gateway approvals do not consider all elements required by the PIP

Recommendation

DE should ensure the following aspects are specifically considered and documented in the PIP approval document for gateways five and seven for future projects:

- forecast cost and budget information to confirm whether the project was expected to be delivered within budget

- information about the project scope and whether the project developed (at gateway five) and tendered (at gateway seven) was consistent with the approved project scope

- information about the project schedule and if the project was expected to be completed on time.

- information about project quality and whether quality standards were met.

Finding

We reviewed the approvals for gateways five to seven for a sample of six schools. We found the documented approvals for gateways five (concept phase) and seven (tender phase) did not contain information to demonstrate whether the project was consistent with the parameters approved by the SA Government for project scope, quality, budget and schedule, as required by the PIP. This increases the risk that issues such as scope changes, cost overruns and program delays may not be brought to the attention of gateway approvers so that they can be addressed before the project proceeds to the next stage.

9   Improvement opportunities

We identified gaps in process that, although not fundamental to the effective planning and governance of the capital works program, should be addressed to improve current practice.

9.1   Strategic school infrastructure planning improvement opportunities

We suggested that DE analyse historical school maintenance funding and expenditure data to inform future school infrastructure investment and asset management planning. For example, DE could compare maintenance funding as a percentage of asset replacement value to industry benchmarks over the past 10 years.

Historical analysis of school maintenance funding and expenditure can identify historical maintenance funding shortfalls that may have led to the degradation of school buildings and the need for future capital spending to ensure required service levels are met.

9.2   Sustainable Enrolment Growth capital program governance improvement opportunities

We identified areas where there were further opportunities for DE to improve the governance of the SEG capital program. We suggested DE:

- assign risk owners and treatment owners to specific positions and identify treatment time frames in school project risk registers

- develop detailed criteria for classifying program and project status using the 'traffic light' system in governance reporting

- update the terms of reference for governance groups to include more detail on meeting procedures, including recording and approving minutes, monitoring action items, voting arrangements and escalating issues for decision

- ensure governance group meeting minutes are documented to an appropriate level of detail to capture the extent of discussions, decisions made and action items

- run regular workshops across the life of the program to capture learnings from completed projects and record them in a register for reporting to governance committees to ensure they are applied to future projects.

9.3   Other Sustainable Enrolment Growth capital program improvement opportunities

We identified the following other improvement opportunities for the SEG capital program. We suggested DE:

- establish guidelines and eligibility criteria for providing project management support to schools and communicate the guidelines to schools

- consider providing all schools with the option to contribute to the supplier selection process for architects and builders, either by being a member of the procurement panel or in an advisory capacity

- analyse actual project commissioning costs for completed SEG capital program projects (eg costs for furniture, fittings and equipment, decanting and ICT) compared to original budget to inform planning and budgeting for future capital programs.

Appendix 1 – Response from the Chief Executive of the Department for Education under section 37(2) of the *Public Finance and Audit Act 1987*

Government of South Australia

Department for Education

CEW2020/0523

Office of the Chief Executive

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Mr Andrew Richardson
Auditor-General
Auditor-General's Department
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200 Victoria Square
ADELAIDE   SA   5000

Email: records@audit.sa.gov.au

Dear Mr Richardson

Thank you for your letter dated 17 July 2020 regarding the report of the Auditor-General: Report 9 of 2020 Education capital works: Planning and governance.

I appreciate the opportunity to review your proposed report and the extent to which your team has gone to review aspects of our capital works program, which I'm sure you would agree is certainly a challenging but very important program for the Department for Education.

As captured within the report, I have previously responded to the findings and recommendations of your review with progress already underway on a number of improvements to the processes and functions in delivering our capital works program and overall asset management strategies.

In particular recommendations relating to capital program governance currently being progressed include:

- the appointment of an independent chair to the Capital Works Governance Committee, to provide impartial oversight over the delivery of the capital works program and ensure that recommendations for improvement are appropriately implemented and monitored

- improved reporting across the program including development of a digital dashboard

- development of a program implementation plan and an updated program management agreement ensuring clear articulation of roles and responsibilities

- implementation of a scope change process

- an independent schedule review of all projects to identify opportunities for time savings

- documented risk and cost management frameworks.

Furthermore, audit findings in relation to strategic planning for future school infrastructure are being addressed through the development of the department's strategic asset management framework and the 20-year infrastructure plan which is due for completion in 2020.

Additionally my department continues to work with DPTI to progress improvements to existing services provided under the Across Government Facilities Management Arrangements (AGFMA), including condition assessments for education assets.

This work will continue to be prioritised as part of the transition to any new arrangements resulting from the state government decision to progress to a fully outsourced service delivery model for a future AGFMA commencing late 2021.

Your recommendations are certainly appreciated and will help us further strengthen our planning and delivery processes.

I would again like to thank your staff for the way in which they have carried out the review and for the appreciation shown to my team for their support.

Yours sincerely

Rick Persse
CHIEF EXECUTIVE

23 July 2020

Appendix 2 – Timeline of events

Date	Event
2015	
November	Preparations commence on a 30-Year Infrastructure Plan for Education and Care.
2016	
January to December	Development of the 30-Year Infrastructure Plan for Education and Care continues with feedback sought from the Minister for Education and Child Development of the previous SA Government.
2017	
January	Planning commences on capital works priorities for 2017-18 to inform 2017-18 State Budget planning.
August to October	Data provided to the Office of the Minister for Education and Child Development of the previous SA Government on potential capital works priorities.
September	Development of 30-Year Infrastructure Plan for Education and Care is put on hold.
October	Previous SA Government approves Building Better Schools (BBS) program.
2018	
March	Current SA Government announces that no changes will be made to BBS program funding amounts committed to individual schools and that Year 7s will be transitioned to high school in 2022.
2019	
January	Current SA Government approves $185 million capital funding to support sustainable enrolment growth in government schools, to transition Year 7 into high school and to allow other identified priority projects to proceed in a range of schools.
February	Infrastructure SA requests development of a Department for Education (DE) 20-year infrastructure strategy.
June	Infrastructure SA requests Capital Intentions Statement submissions.
August	Final DE 20-Year Infrastructure Strategy and Capital Intentions Statement submissions provided to Infrastructure SA.
2020	
May	Infrastructure SA releases *20-Year State Infrastructure Strategy* and Capital Intentions Statement 2020.

Source: Department for Education (unaudited).

Appendix 3 – Sustainable Enrolment Growth capital program funding allocations at 31 May 2020

School	Original			Revised	Round
	Former BBS program ($'million)	Year 7 transition ($'million)	Total funding ($'million)	Total funding ($'million)[26]	
Aberfoyle Park High School	10	0	10	14[27]	1
Adelaide High School	0	18	18	23	1
Adelaide Secondary School of English	5	0	5	5	2
Aldinga Beach B-7 School	5	0	5	5	Modular
Ardtornish Primary School	5	0	5	5	Modular
Australian Science and Mathematics School	3	0	3	3	3
Balaklava High School	4	0	4	4	Modular
Banksia Park International High School	9	0	9	9	1
Belair Primary School	5	0	5	5	Modular
Black Forest Primary School	5	0	5	5	3
Blackwood High School	7	2	9	9[28]	1
Brighton Primary School	5	0	5	5	Modular
Brighton Secondary School	0	14	14	14	1
Ceduna Area School	4	0	4	4	1
Charles Campbell College	11	0	11	11	1
Christies Beach High School and Southern Vocational College	8	0	8	8	2
Clare High School	5	0	5	5	Modular
Craigmore High School	10	2	12	12	1
Cummins Area School	4	0	4	4	2
East Marden Primary School	8	0	8	8	Modular
Eastern Fleurieu R-12 School	0	2	2	2	Modular
Elizabeth North Primary School	5	0	5	5	Modular
Elizabeth Vale Primary School	8	0	8	8	Modular
Findon High School	10	0	10	10	3
Fregon Anangu School	16	0	16	16	2
Gawler and District College B-12	10	0	10	10	1

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[26] Includes adjustments that are pending final approval.

[27] Total project funding has increased by $4 million. This increase is site funded by Aberfoyle Park High School.

[28] Total project funding has increased by $400 000. This increase is site funded by Blackwood High School.

| School | Original | | | Revised | |
	Former BBS program ($'million)	Year 7 transition ($'million)	Total funding ($'million)	Total funding ($'million)[26]	Round
Glenelg Primary School	7	0	7	7	Modular
Glenunga International High School	0	29	29	32[29]	1
Glossop High School	6	11[30]	17	17	1
Golden Grove High School	10	6	16	16	1
Golden Grove Primary School	6	0	6	6	Modular
Grange Primary School	6	0	6	6	Modular
Grant High School	7	0	7	7	1
Greenwith Primary School	5	0	5	5	Modular
Hallett Cove School	10	0	10	10	1
Hamilton Secondary College	9	0	9	9	2
Heathfield High School	7	5	12	14[31]	1
Henley High School	10	2	12	12	1
Highgate School	5	0	5	5	1
John Pirie Secondary School	10	0	10	11[32]	2
Kadina Memorial School	3	0	3	4[33]	2
Kapunda High School	10	5[34]	15	15	1
Kingston Community School	4	0	4	4	Modular
Le Fevre High School	2	0	2	2	1
Loxton High School	5	0	5	5	1
Magill School	7	0	7	7	Modular
Mannum Community College	2	0	2	2	Modular
Mark Oliphant College B-12	0	3	3	3	1 (PPP)
Mawson Lakes School	6	0	6	6	Modular
Mitcham Girls High School	5	0	5	5	Modular
Mitcham Primary School	5	0	5	5	Modular
Modbury High School	7	0	7	7	1
Moonta Area School	4	0	4	4	Modular
Mount Barker High School	6	0	6	6	1

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[29] Total project funding has increased by $2.8 million. This increase is funded from the SEG capital program's additional demountable capacity funding allocation.

[30] Comprises other additional funding and STEM works funding.

[31] Total project funding has increased by $1.7 million. This increase is site funded by Heathfield High School.

[32] Total project funding has increased by $500 000 to provide capacity for special needs students transitioning to high school. This funding increase is funded from the SEG capital program's additional disability capacity funding allocation.

[33] Total project funding has increased by $500 000. This increase is site funded by Kadina Memorial School.

[34] Includes $2 million STEM works funding.

School	Original			Revised	Round
	Former BBS program ($'million)	Year 7 transition ($'million)	Total funding ($'million)	Total funding ($'million)[26]	
Mount Barker Primary School	8	0	8	10	1
Mount Compass Area School	5	5	10	10	1
Mount Gambier High School	6	0	6	6	1
Murray Bridge High School	20	0	20	20	1
Murray Bridge North School R-7	5	0	5	5	3
Naracoorte High School	5	0	5	5	2
Norwood Morialta High School	30	10	40	52	1
Nuriootpa High School	0	4	4	4	1
Nuriootpa Primary School	8	0	8	8	1
Ocean View P-12 College	5	0	5	5	2
Para Hills High School	5	0	5	5	2
Parafield Gardens High School	10	0	10	10	1
Parafield Gardens R-7 School	6	0	6	6	Modular
Paralowie School	12	0	12	12	1
Playford International College	3	13	16	16	1
Plympton International College	3	0	3	3	1
Port Augusta Secondary School	0	5	5	5	1
Port Lincoln High School	15	0	15	15	1
Reidy Park Primary School	5	0	5	5	3
Renmark High School	5	0	5	5	1
Reynella East College	10	0	10	13[35]	1
Roma Mitchell Secondary College	0	15	15	15	1 (PPP)
Roxby Downs Area School	7	0	7	7	2
Salisbury High School	10	0	10	11[36]	1
Seaford Secondary College	8	0	8	8	2
Seaton High School	20	0	20	20	1
Seaview High School	5	11	16	16	1
Settlers Farm Campus R-7	5	0	5	5	3
Springbank Secondary College	10	0	10	10	3
Stradbroke School	7	0	7	7	Modular
The Heights School	10	0	10	10	1
Trinity Gardens School	6	0	6	6	Modular
Underdale High School	20	0	20	20	1

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[35] Total project funding has increased by $3 million. This increase is site funded by Reynella East College.

[36] Total project funding has increased by $1 million. This increase is site funded by Salisbury High School.

| School | Original | | | Revised | Round |
	Former BBS program ($'million)	Year 7 transition ($'million)	Total funding ($'million)	Total funding ($'million)[26]	
Unley High School	20	12	32	32	1
Urrbrae Agricultural High School	10	0	10	10	1
Valley View Secondary School	10	0	10	10	3
Victor Harbor R-7 School	5	0	5	5	1
Warradale Primary School	8	0	8	8	Modular
West Lakes Shore School R-7	5	0	5	5	Modular
Westbourne Park Primary School	5	0	5	5	3
Willunga High School	2	0	2	2	Modular
Wirreanda Secondary School	9	2	11	11[37]	1
Woodcroft Primary School	6	0	6	6	Modular
Woodend Primary School	5	0	5	5	3
Woodville High School	10	0	10	10	1
Total SEG capital program funding	**692**	**175**	**867**[38]	**901**[39]	

Source: Department for Education (unaudited).

Note: Totals may not add due to rounding.

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[37] Total project funding has increased by $460 000 to provide capacity for special needs students transitioning to high school. This funding increase is funded from the SEG capital program's additional disability capacity funding allocation.

[38] Excludes funding for additional demountable capacity ($13 million) and additional disability capacity ($10 million) not allocated to individual schools in the original funding allocation.

[39] Excludes funding for additional demountable capacity ($10 million) and additional disability capacity ($9 million) not yet allocated to individual schools at the time of the revised funding allocation.

Appendix 4 – Concept design example

Figure A4.1 shows an example of a concept design drawing for the Murray Bridge High School.

Figure A4.1: Murray Bridge High School – Sturt building conceptual image

Source: COX Architecture.

Project	Murray Bridge High School redevelopment
Budget	$20 million
Proposed works	• A new two-storey Sturt building accommodating the middle school and special education centre. • A new technical studies building. • Refurbishment of the former technical studies rooms into a new entrepreneurial centre. • Roof replacement for the gym and music spaces. • Refurbishment of existing art spaces. • Demolition of existing transportable buildings. • Relocation of existing transportable classrooms. • Upgraded landscaping. • Additional carparking and dedicated disability unit drop off zone. • Covered walkways.

Appendix 5 – Glossary of abbreviations and terms

Abbreviation/Term	Description
AGFMA	Across Government Facilities Management Arrangements
BBS program	Building Better Schools program
DE	Department for Education
DPTI	Department of Planning, Transport and Infrastructure
GSC	Governance Steering Committee
ISA	Infrastructure SA
ISA Statement	Infrastructure SA Capital Intentions Statement 2020
ISA Strategy	Infrastructure SA *20-Year State Infrastructure Strategy*
ODASA	Office for Design and Architecture SA
PC114	Premier and Cabinet Circular PC114 *Government Real Property Management*
PCG	Project Control Group
PIP	SA Government's *Construction Procurement Policy – Project Implementation Process*
PMA	Program Management Agreement between DE and DPTI
PPP	Public private partnership
SAMF	Strategic Asset Management Framework
SEG capital program	Sustainable Enrolment Growth and other school projects capital program
STEM	Science, Technology, Engineering and Mathematics