



Ministry of Education

**Summary Report of
School Board Operational
Reviews 2008-09**

October 2009

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INTRODUCTION

The Ontario Ministry of Education (the Ministry) is performing Operational Reviews of the 72 district school boards across the province.

This sector summary report is divided into four parts:

Part I – Background

A summary of the operational and follow-up reviews conducted from September 1, 2008 to June 30, 2009.

Part II - Key Findings Based on the 2008-09 Operational Reviews

Provides key findings from each of the functional areas reviewed, and identifies improvement opportunities considered significant to the school boards' business practices.

Part III - Emerging Improvement Opportunities

An overview of the areas where improvement opportunities are emerging as a result of new legislation and policies. The next waves of the Operational Review will include some new leading practices related to these areas.

Part IV - Update on the Seven Areas of Improvement Opportunities reported in the 2007-08 Summary Report

An update on the seven areas of improvement opportunities highlighted in the 2007-08 Summary Report. This incorporates information gathered during the follow-up reviews, and updates the sector on supports provided by the Ministry and other organizations.

PART I - BACKGROUND

An Operational Review focuses on a school board's operations in four functional areas: governance and school board administration; human resource management and school staffing/allocation; financial management; school operations and facilities management. The purpose of a review is to assess the extent to which a school board has implemented the leading practices set out in the "Operational Review Guide for Ontario School Boards". The review also provides recommendations on opportunities for improvement, and highlights exemplary practices that can be shared with the sector.

The Ministry's goal is to enhance management capacity within school boards, by encouraging good stewardship of public resources and by leveraging and sharing best practices. By identifying opportunities for continuous improvement, the reviews assure the public that school boards are administratively and operationally aligned to support the Ministry's highest priority: **student achievement**.

The Operational Review initiative also contributes directly to increasing confidence and support for public education.

School Boards Participating in the 2008-09 Operational Review

In 2008-09, 16 school boards participated in the Operational Review process. Each cycle of operational reviews is referred to as a "Wave". The 2008-09 reviews are considered as Wave III.

Each school board has received an individual report that details the findings and recommendations from the Operational Review. English-language and French-language versions of the reports are available on the School Business Support Branch website.

The school boards that were reviewed in Wave III are:

Near North District School Board	Algoma District School Board
Northwest Catholic District School Board	Rainy River District School Board
Huron Superior Catholic District School Board	Ottawa-Carleton District School Board
Halton District School Board	Waterloo Region District School Board
Windsor-Essex Catholic District School Board	Sudbury Catholic District School Board
Conseil des écoles publiques de l'Est de l'Ontario	Conseil scolaire de district du Nord-Est
CSD catholique du Nouvel-Ontario	Conseil scolaire de district catholique des Aurores boréales
CSD du Grand Nord de l'Ontario	Conseil scolaire de district catholique Franco-Nord

School Boards Participating in the Follow-up Reviews

The Ministry also requires school boards to participate in a Follow-up Review. This requirement is now part of the Operational Review cycle, and occurs approximately 12 months following the release of the Operational Review report to the school board. The Operational Review team selected specific recommendations contained in the Wave I and II school boards' Operational Review reports. They then determined whether the school boards have adopted the recommendations, and evaluated any progress made in implementing the change.

The results of these follow-up reviews are incorporated in this report, focusing on the seven areas of opportunity that were highlighted in the 2007-08 Summary Report.

There were 14 school boards that participated in the initial set of follow-up reviews. They were:

Hamilton-Wentworth District School Board	Avon Maitland District School Board
London District Catholic School Board	Brant Haldimand Norfolk Catholic District School Board
Ottawa Catholic District School Board	Durham Catholic District School Board
Peterborough Victoria Northumberland and Clarington Catholic District School Board	Durham District School Board
Simcoe County District School Board	Lakehead District School Board
Trillium Lakelands District School Board	Lambton Kent District School Board
	Thames Valley District School Board
	Waterloo Catholic District School Board

PART II - KEY FINDINGS BASED ON THE 2008-09 OPERATIONAL REVIEWS

This is a summary of the key findings from each of the functional areas reviewed in 2008-09. It builds on the previous *2007-08 Summary Report*, providing additional improvement opportunities arising from the 2008-09 Operational Reviews.

1. Governance and School Board Administration

General Findings

General findings related to governance and school board administration include:

- all reviewed school boards have generally adopted a policy governance model which delineates the distinct roles and responsibilities of the board of trustees and those of the school board's senior management;
- school boards included in Wave III generally make their policies and procedures available to the public on their websites;
- most of these school boards have established a formal policy review and development process, to support the maintenance of all policies and ensure participation of relevant stakeholders in policy development;
- the majority of school boards reviewed have established strategic plans and priorities;
- generally, school boards also have operating plans which set out goals in the academic area;
- the development of annual operating plans for non-academic departments remains an improvement opportunity for many school boards;
- many school boards emphasized the importance of positive relationships among the Director of Education, senior management, and trustees;
- it is widely recognized by the sector that clear delineation of executive roles and responsibilities, along with a positive relationship between the school board senior administration and the board of trustees, determines the extent to which the school board focuses on student achievement;
- a few school boards noted ongoing challenges in implementing a strong and effective governance model.

Improvement Opportunity #1 – Clear delineation between the roles and responsibilities of the school board’s Trustees and Director of Education

Overview and Significance

A governance model that delineates the division of duties between the board of trustees and Director of Education supports an effective working relationship to achieve the board’s goals, including student success and operational effectiveness. The recent report of the Governance Review Committee emphasized that good governance requires clarity and a shared understanding of roles, responsibilities, rules, and reporting.¹ Another important aspect of good governance is a positive and trusting relationship and synergy between the board of trustees and the Director of Education.

In its report, the Governance Review Committee recognized that while some boards have a policy governance model which clearly delineates roles and responsibilities, others govern using rules established in their by-laws. The Committee emphasized that there is no one prescriptive governance model for school boards. Specific models adopted by school boards should reflect the organization’s mission, culture, traditions, and relationships.

Following the Governance Review Committee’s report, the government introduced amendments to the *Education Act* to strengthen school board governance and improve student achievement. If passed, the proposed *Student Achievement and School Board Governance Act* will clarify what is expected from school boards, trustees, board chairs, and directors of education.

Expected Practices

A positive and trusting relationship between the board of trustees and Director of Education is crucial if a school board is to achieve its strategic and operational objectives. The establishment of clearly defined duties, roles, and responsibilities of trustees and senior administration is a critical success factor.

Trustees should be focused on setting the strategic direction, making policy, and monitoring policy implementation. This role should be clearly established, communicated and recognized by trustees. The key roles of the director of education and the school board senior administration are implementing policies and directives of the board, and managing the day-to-day operations of the school board. This is done in a manner consistent with the strategic direction and operational objectives of the board.

¹ School Board Governance, A Focus on Achievement. Report of the Governance Review Committee to the Minister of Education of Ontario, April 2009/2009 available on the Ministry’s website at <http://www.edu.gov.on.ca/eng/policyfunding/grc/>

Improvement Opportunities from Current Practices

Many reviewed school boards have adopted a policy governance model which includes a clear delineation of roles and responsibilities between the board of trustees and Director of Education. It is also widely recognized by the sector that the governance model of each school board should account for individual governing styles of trustees, and other unique aspects of the school board. However, a number of Boards acknowledged challenges in strengthening their governance models. In particular, some Boards did not have clearly established and documented roles, responsibilities and duties of trustees and school board administration. Others experienced difficulties in ensuring that the established roles and responsibilities are consistently fulfilled.

School boards should also continue to ensure that these roles and responsibilities are clearly understood by all parties. This can be achieved through formal, structured training for new trustees, as well as periodic refresher courses for current trustees.

Sector Examples:

<p>Clear roles and responsibilities of the board of trustees and school board administration</p>	<ul style="list-style-type: none"> ▪ The Halton District School Board approved a governance model supported by three policy directives: <ul style="list-style-type: none"> ○ <i>Board Governance Policies</i> that address topics such as the commitment to and style of governance, the chair’s role, committee structures, agenda planning, members’ code of conduct and trustee expenses; ○ <i>Board/Director Relationship Policies</i> that address topics such as the role of the Director of Education, the monitoring of organizational performance (including student achievement), and the performance appraisal of the director; ○ <i>Executive Limitation Policies</i> that address operational topics such as budgeting/financial planning, asset protection, compensation and benefits, negotiation teams, etc. ▪ The Northwest Catholic District School Board has clearly documented its governance structure. The Director’s role is broadly stated in the Board’s policy, and includes accountability to the Board and compliance with Outcomes policy and Executive Limitation policy. The Delegation to the Director of Education policy clearly states the authority and accountability of the Director. ▪ The <i>Conseil scolaire de district catholique des Aurores boréales</i> has adopted a governance structure based on guiding principles, and a common understanding of the roles and responsibilities between the board of trustees and the Director of Education. The governance model is supported by a transparent relationship, based on the collaboration between the Director of Education and the Chair of the Board.
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Improvement Opportunity # 2 – Formal succession plans for senior management and implementation of supporting initiatives

Overview and Significance

Successful school board leadership is one of the factors contributing to student achievement. A formal succession plan for senior administration is a key element of a school board's leadership capacity development. The issue of succession planning has become increasingly pressing over the past decade, with demographic changes in Ontario affecting the education system. Succession planning for senior administration is crucial to ensure uninterrupted management of school boards, and the further development of a continuous improvement and student achievement-driven education culture.

Responding to these issues, the Ministry of Education's policy initiatives include a study on Succession Planning for Ontario Schools and School Boards, and the establishment of the Ontario Leadership Strategy.² As of summer 2009, the Ontario Leadership Strategy (which includes performance appraisal for principals and mentoring for newly appointed school and system leaders) has gained momentum, with additional funding allocated for implementation of succession planning and talent development. School boards will be expected to have succession and talent development plans in place in 2009-2010.

Expected Practices

To help school boards understand and meet the expectations for succession planning and talent development, the Ministry developed a document entitled *Leadership Succession Planning and Talent Development Ministry Expectations and Implementation Continuum*. This sets out expectations for the elements and strategies that are to be included.

Since boards are at different stages in this area, it is not expected that all boards will be at a fully-implemented level in the first year. For this reason, three areas of focus were identified that all boards *must* include in their plans in 2009/10:

- data collection
- skills and competencies
- professional learning

The practice of incorporating succession and talent development planning into a larger strategic plan is beneficial to school boards. Succession planning can provide a context to implement mentoring or talent development for newly-identified school and system leaders. In addition, it provides strategic opportunities to identify talent from multiple levels of the organization, early in the employees' careers.

² Succession Planning for Leadership in Ontario Schools and School Boards, The Institute for Education Leadership, June 2008; Ontario Leadership Strategy, Ministry of Education, 2008 available on the Ministry's website at <http://www.edu.gov.on.ca/eng/policyfunding/leadership/QuickFacts.pdf>

Improvement Opportunities from Current Practices

In general, school boards have not yet implemented robust succession planning at the senior administration level. However, as part of leadership capacity development, a number of school boards have implemented formal leadership development programs for teachers, school principals, and vice-principals. School boards also encourage staff to pursue further professional development.

The introduction of assistant superintendents is one approach to succession planning being adopted by a few school boards. These positions are deemed to provide the necessary leadership experience to aspiring leader candidates, and ensure uninterrupted management.

Sector Examples:

<p>Succession Planning</p>	<ul style="list-style-type: none"> • The <i>Conseil Scolaire de District Catholique du Nouvel-Ontario</i> has established a formal succession plan for school principals. The succession plan for superintendents and assistant superintendents was recently presented to the board of trustees. • The <i>Conseil Scolaire de District Catholique Franco-Nord</i> is expanding its succession plan. Currently, the Director of Education manages retirements and voluntary leaves of all members of the executive committee. A new plan will allow members of the senior administration committee to train future leaders to take on superintendent and management roles in their respective areas of responsibility.
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2. Human Resource Management and School Staffing / Allocations

General Findings

This section provides an overview of the general findings from the review of HR Management and School Staffing / Allocations in Wave III operational reviews. The school boards reviewed here are aware of the areas of opportunities for improvement identified in the 2007-08 sector report, but have not responded to them for a variety of reasons. For example, many of these school boards have significant progress to make in both the depth and rigor of their attendance management programs.

In other areas of HR management and school staffing/allocations, the review team found very similar results to those of the first two Waves. For example:

- the size, structure and reporting relationships of the HR department are a function of the size of the school board
- all school boards recognize the importance of stable labour relations
- all school boards have recognized the critical importance of staff allocation and monitoring processes, given the impact on student achievement and significant budgetary implications
- all school boards periodically provide some level of updates to the director, senior management and the board on key items such as the status of grievances or specific statistics on the allocation of teachers and support staff
- all school boards integrate initial system-wide enrolment forecasts with more detailed analysis, by grade, by class, and by school.

Improvement Opportunity # 3 – Performance Management for all Employee Groups

Overview and Significance

A well-designed employee performance management system contains the processes and tools that help an organization align the activities of all its employee groups with its vision and strategic directions. It includes the measurement of an individual's performance related to duties, expectations, and core competencies, and helps facilitate opportunities for growth and development.

Expected Practices

A school board's employee performance management process should be guided by requirements set out in the *Education Act*, and by formal Board policies that differentiate between all employee groups (i.e. academic, non-academic, administrative, and support staff).

Many school boards also complement their formal policies with supporting administrative procedures. Again, these should distinguish among different employee groups, including principals/vice-principals, teachers, and all other staff groups. The purpose of administrative procedures is to provide supervisors with the process for documenting employee performance towards expected performance requirements. Key elements within these documents include the definition of roles and responsibilities, principles covering the evaluation process, detailed descriptions of the evaluation process (including frequency of evaluation) and supporting templates.

With respect to teachers, school boards must follow the Ministry's Teacher Performance Appraisal System (TPA) according to the *Education Act*. School boards are required to appraise their new teachers twice within their first 12 months of employment as a part of the New Teacher Induction Program (NTIP). The TPA system also requires school boards to evaluate their experienced teachers on a five-year cycle and complete an Annual Learning Plan (ALP).

As part of the performance evaluation process, every employee should prepare a professional growth plan in consultation with their supervisor. This plan should reflect the professional objectives of the employee, and integrate the objectives of the work environment's objectives and the system. The professional growth plan should be reviewed annually.

The evaluation process should also define the processes for more frequent evaluation when a supervisor identifies performance-related issues. These should include clearly defined escalation protocols for cases where performance issues continue.

Improvement Opportunities from Current Practices

All school boards have adopted the Ministry's Teacher Performance Appraisal System. However, practices vary across the sector for other employee groups. Some school boards do not have procedures in place for principals and vice-principals, while others have not covered all of their employee groups.

Sector Examples:

<p>Performance Management of all employee groups</p>	<ul style="list-style-type: none"> • In accordance with the Ministry of Education's 'Supporting Teaching Excellence' document, the Sudbury Catholic District School Board evaluates its experienced teachers on a five-year cycle, and follows the requirements of NTIP. <ul style="list-style-type: none"> • The school board has also developed two separate administrative procedural guidelines and eight forms to support performance appraisals for teachers, occasional teachers, principals, vice principals and all other employees. • Staff represented by CUPE receive two performance appraisals from their supervisors in their first two years, and one every five years thereafter. Similarly, the performance of non-teaching, non-unionized staff (including principals, vice principals and superintendents) is reviewed annually for the first four years of employment and every fifth year thereafter. • The <i>Conseil scolaire de district du Nord-Est</i> has an evaluation process that is clear and well documented for the entire staff. The evaluation policies used are available on the school board's website.
<p>Systems to support employee performance evaluation process</p>	<ul style="list-style-type: none"> • The Waterloo Region District School Board has helped make its evaluation process more efficient, by developing a custom, web-based evaluation form for all employee groups.

Improvement Opportunity # 4 – Compliance Audit of Benefit Carriers

Overview and Significance

Many school boards use third party providers to administer their employee benefit packages for benefits such as health, dental and drug plans. Given the material costs of these programs, it is important for school boards to monitor insurance carriers' adherence to the benefit plans' terms and conditions. This will help school boards ensure that changes to premiums fairly reflect the actual claims experience.

Expected Practices

School boards should periodically conduct independent compliance audits of their employee benefits insurance carriers, to ensure adherence to the benefit plans' terms and conditions. This may be performed by the benefits provider or carrier, who can provide an internal resource to conduct the audit, a third-party consultant, or an appropriate member of the school board's HR staff.

Improvement Opportunities from Current Practices

Many school boards engage specialized benefits consultants to advise them on the terms and costs of their insurance plans, but these services are more advisory in nature rather than compliance-based. It is also common practice for school boards to work with the insurance company to ensure the completeness and validity of employee records and information.

Only a few school boards have conducted compliance audits of their insurance carriers. This represents an improvement opportunity across the sector, as it can be possible to identify a savings of 1-5% through these audits.

Sector Examples:

<p>Compliance Audits of Employee Benefit Carriers</p>	<ul style="list-style-type: none"> • The Rainy River District School Board hires an external consultant to annually review the benefit plan, and conduct audits to ensure accuracy of the claims paid. As part of this review, the consultant completes an analysis of benefits usage and compiles trends, which are reported back to the management. This analysis includes cost per employee for the various benefit plans, benchmarked against other boards. • The Windsor-Essex Catholic District School Board conducts compliance audits of its retirement benefits plan every two years.
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3. Financial Management

General Findings

This section provides an overview of the general findings from the review of financial management during Wave III operational reviews. The review team found very similar results during the first two Waves. These school boards are aware of the areas of opportunities for improvement identified in the 2007-08 sector report, but have not responded to them for a variety of reasons. Specifically:

- the level of detail and formality of annual department planning varied significantly across school boards
- the format and usefulness of interim financial reports varied significantly across school boards
- most of the school boards reviewed lack an independent internal audit function
- the majority of school boards have not established an audit committee
- there are opportunities to expand the use of purchasing through consortia to achieve further efficiencies and savings
- not all school boards have implemented or fully expanded PCards, to reduce the volume of low dollar value purchase orders and related administrative costs
- most school boards have not implemented online or site-based receiving, to support finance department oversight necessary to pay vendors.

Improvement Opportunity # 5 – Procurement Policies and Procedures

Overview and Significance

The primary objective of a procurement function is to meet a school board's goal to manage public funds efficiently and effectively, and to ensure value for money for the goods and services purchased. This objective can be achieved by adopting transparent and comprehensive procurement policies and procedures.

Expected Practices

Periodically reviewing procurement policies and procedures ensures that dollar thresholds and approval authority levels are in line with school board needs, and that effective methods of procurement with adequate financial controls are in place.

The removal of “low dollar” spends out of the administratively-intense purchase order (PO) system can be facilitated by expanding the use of PCards. Identifying these opportunities and potential PCard usage targets may require school boards to perform an annual spend analysis on “low dollar” transactions. A high volume of low dollar transactions through POs indicates where PCards can improve efficiency, without sacrificing control of spending.

The completeness and control of the purchase cycle can be established with school board policies and procedures that ensure vendor payments are based on a three-way matching system. This method relies on matching, where invoices entered into the financial system are matched by finance staff (or automatically by the system) to existing purchase orders and the receipt of goods. Receipting directly into the system at the school level is a preferred practice.

School boards are operating in a business environment with increasing scrutiny of their procurement practices. The master Transfer Payment Agreement between the Ministry and school boards (updated June 1, 2009) states that all school boards should continue to comply with all requirements in policies, directives and guidelines of the Government of Ontario. This requirement includes the Supply Chain Guidelines. By March 31, 2010, school boards will be expected to have aligned their code of ethics and procurement policies with OntarioBuys' Supply Chain Guideline Version 1.0. For more information, refer to Part III of this report – Emerging Areas of Opportunity.

Improvement Opportunities from Current Practices

A common observation from Wave III operational reviews is that some school boards have not updated their procurement policies for a number of years. Many school boards have not revised basic approval thresholds. This has several adverse implications:

- The school board's purchasing levels of authority are no longer commensurate to the job title or role of an individual, or the broader procurement needs of the school board.
- Lower dollar thresholds triggering a purchase order lead to inefficient business practices, since they create higher volumes of manual transactions which could otherwise be directed through a PCard.
- Lower transaction limits do not ensure that a school board has optimized its PCard programs. An analysis of PCard usage by user, by department, by transaction value, and by merchant category code is useful. A similar analysis for purchase orders also allows school boards to develop optimal PCard programs that meet the needs of users, while maximizing purchasing efficiency and ensuring budgetary control.

Another important element within the procurement policy requiring attention is the need for transparent procedures to support competitive tendering. Advertising and posting practices during a competitive process must utilize accepted media to maximize the number of competitive responses. Transparency and openness for larger bids can be best achieved by school boards through the use of Merx (www.merx.com). The Government of Ontario currently has a contract in place with Merx. It is available to all BPS organizations, including school boards.

The review team has also identified examples of school boards that need to improve the controls associated with the payment of vendor invoices. There are examples of school boards that use the practice of negative confirmation for payment of vendor invoices. In this case, the school board head office approves all school level invoices for payment, unless instructed otherwise by school administrators. A preferred practice for vendor payment relies on matching within the financial system. Invoices in the system are matched to existing purchase orders and the receipt of the goods.

Sector Examples:

<p>Establishing Thresholds and the Use of P-Cards</p>	<ul style="list-style-type: none"> ▪ The Ottawa-Carleton District School Board has developed a policy and procedure on spending authority and controls, stipulating authorization levels by staff title. The school board has also developed a policy for the use of PCards. Spending limits were developed after performing a spend analysis.
<p>Use of Three-way matching</p>	<ul style="list-style-type: none"> ▪ The Rainy River District School Board uses electronic purchase orders to initiate purchases which encumber funds against available budgets. Electronic receipting is performed at receiving locations relative to approved purchase orders. Accounts payable then matches invoices prior to payment.

4. School Operations and Facilities Management

General Findings

This is an overview of the general findings related to the school operations and facilities management function. Many findings from Wave III reviews resonate with results of the previous waves of the review. Improvement opportunities highlighted in the 2007-08 Sector Report remain important for the sector:

- Relatively few school boards have developed formal annual operational plans for their facilities and operations functions. This is an improvement opportunity for school boards to increase the effectiveness of the department's annual planning activities.
- Many school boards prioritize their maintenance and renewal projects annually. However, few school boards communicate these priorities in the form of a multi-year maintenance and renewal plan. This remains an improvement opportunity for many school boards.
- Energy management continues to be an area for improvement for school boards. While many school boards have implemented numerous energy conservation measures and initiatives, the review has not identified any school boards with a multi-year energy management plan in place. A few school boards tracked their energy consumption data, but they have not used it to develop measurable reduction and conservation targets. For more information refer to Part III of this report – Emerging Areas of Opportunity.

In addition there are two noteworthy areas:

- All school boards have developed multi-year capital plans and supporting funding forecasts, which account for the status of their current and projected operating and capital grants, relative to the ongoing operating and maintenance costs and future capital requirements.
- School boards generally use cost-effective construction practices, including cost-effective designs, standard footprints and energy conservation. School boards which have recently undertaken construction projects used management processes to monitor and control construction projects and their costs.

PART III - EMERGING IMPROVEMENT OPPORTUNITIES

Improvement opportunities are emerging as a result of new legislation and policies. The next waves of the operational reviews will include some new leading practices related to these emerging areas.

Shared Services

Overview and Significance

Shared Services refers to the provision of a common service by one part of an organization or group, where that service was previously found in multiple parts. A form of shared services that has already achieved savings for the sector is the recent development of transportation consortia across the province.

The significance of shared services within the school board sector is directly related to the on-going funding challenges associated with declining enrolment. While revenues are variable, based on enrolment, some costs may not be directly related to enrolment. For example, the HR department may be more closely linked with staffing levels. However, enrolment is also a reasonable proxy for staffing in the absence of policy changes.

Shared services create the economies of scale and consistency of process and results that come with more centralized models. It also allows school boards to maintain the benefits of decentralized control, allowing individual administrators to retain oversight of curriculum, education, and other aspects of non-shared processes.

A recent report from the Declining Enrolment Working Group³ highlighted the need for school boards to consider opportunities for shared use of school facilities and other resources. On August 18, 2009, the Ministry circulated a draft B-Memo to school boards, encouraging them to expand their policies and processes regarding facility partnerships with other boards and potential community partners. The Ministry also requested feedback on the draft policy by October 9, 2009.

Considerations for the Sector

The sector could actively investigate the opportunities that shared services may present, while respecting the uniqueness and independence of school boards. Staff should become accustomed to conducting assessments to determine that sharing services makes economic sense, since a shared model will not always fit local needs and circumstances. A careful business case that weighs costs and benefits will make this clear.

During this exercise, the following questions should be addressed:

- Do shared services make sense considering local circumstances?
- What processes are the best candidates for shared services?
- What shared services legal structures best match our needs?

³ Planning and Possibilities: The Report of the Declining Enrolment Working Group, March 2009 available on the Ministry's website at <http://www.edu.gov.on.ca/eng/policyfunding/DEWG.pdf>

- What is a realistic timeframe for integrating the service?

If implementation proceeds, all parties must participate in the definition of service level agreements. Baselines should be documented, to avoid entering into arrangements with misplaced expectations. Finally, clear performance criteria and measures, explicit sanctions for non-performance, an open monitoring scheme, and frequent performance reviews are essential components of a shared services approach.

Future Opportunities

The considerations described above outline the process which school boards could undertake to assess the feasibility of a shared service arrangement, as well as a high level view of implementation activities. The major improvement opportunity within the sector is first and foremost a cultural shift. This would see school boards recognizing that shared services are an important way to meet service levels within a challenging economic environment.

One potential area of opportunity concerns the maintenance and support of technology applications in departments such as finance and human resources. Over the last two years, the Operational Review team has noted that many school boards use identical technology for these functions. Yet, there are few examples of shared services, with the notable exception of the French-language school board's centre of excellence.

There are also Opportunities for functional shared services also exist within the finance and HR areas. Usually, these functions are not economically affordable when the costs are entirely borne by a single school board. However, they can become feasible when shared between several boards. Examples of such functional shared services scenarios include internal audit, treasury management, and certain professional development functions.

Another increasingly important opportunity for shared services concerns the use of school board facilities. This was highlighted in the Declining Enrolment Working Group's recent report as an area with great opportunities for partnerships. For example, coterminous school boards could consider opportunities for shared use of facilities and other resources. School boards with excess capacity could investigate opportunities to enter into partnerships that would help alleviate the pressure of declining enrolment.

Supply Chain Guideline 1.0 Alignment

Overview and Significance

In March 2008, Ontario's Treasury Board of Cabinet directed that a Supply Chain Guideline setting out supply chain standards, metrics, and a code of ethics be incorporated into the transfer agreements of Broader Public Service (BPS) organizations receiving more than \$10 million in funding per fiscal year. The directive includes district school boards.

The Ministry identified in SB Memorandum 28 that it will work closely with school boards to ensure a smooth transition and timely implementation of the Supply Chain Code of Ethics and Procurement Policies and Procedures, by March 2010, including the implementation of additional metrics and standards by March 2011.

Considerations for the Sector

School boards should now be in the process of planning to adopt a procurement code of ethics, or supplementing their existing employee code of ethics to properly define acceptable behaviours. Since supply chain affects most departments and employee groups in school boards, the code of ethics should apply to anyone involved in planning, purchasing, bid evaluation and awarding, contracting, logistics, payment and receiving. The code should be approved by the board of trustees and contain statements that support the following:

- personal integrity and professionalism
- accountability and transparency
- compliance and continuous improvement.

To ensure that the code is available and visible to employees involved in supply chain-related activities, boards are encouraged to post it on internal websites, include it in procurement and new hire orientation sessions, and append it to any procurement materials.

Once a code of ethics has been established, school boards should fully adopt the BPS Supply Chain Secretariat's Supply Chain Guideline 1.0 or align current policy and procedures with the 22 mandatory elements of the document.

The guideline presents a comprehensive procurement policy and set of procedures that clearly sets out standardized rules for activities such as competitive procurement and contracting. The rules are aligned with the Agreement on Internal Trade (AIT), and balance numerous objectives that are key to school boards, including accountability, transparency, value for money and, ultimately, effective and high-quality service delivery to front-line staff.

The revised or newly adopted policy should be presented to the Board for approval and referenced on the school board's website and communicated to staff.

Future Opportunities

The key improvement opportunity within the sector is transitioning from a basic procurement policy, with broad reference to the Agreement on Internal Trade, to a more comprehensive and single-source document that is "owned" by the school board. The single source of supply chain ethics and procurement policy would also support the board's obligation to effectively communicate policy, and make it easily accessible (in its entirety) to all staff and the vendor community.

Another opportunity for improvement common to school boards concerns how staff identify their rationale for bypassing a competitive sourcing process. Although sole or single sourcing of goods and services may be warranted from time-to-time, the staff's rationale should be documented and where possible provided to senior staff prior to the purchase or as a minimum, routinely summarized in a report to the trustees.

Energy Management (Revisited)

Overview and Significance

Given its identification as one of the seven areas of opportunity in the 2007-08 summary report, Energy Management has been extensively documented as a priority for the sector. However, implementation of energy management planning by school boards, including priorities for energy management and resource conservation, has now received a stronger emphasis with the adoption of the *Green Energy Act* in May 2009.

Considerations for the Sector

The *Green Energy Act* provides guiding principles for the Government of Ontario in constructing acquiring, operating and managing government facilities. These principles include reporting on energy use and greenhouse gas emissions, ensuring energy efficiency in the planning and design of government facilities, making environmentally and financially responsible investments in government facilities, and using renewable energy to provide energy for government facilities.⁴

Under the Act, school boards may be required to prepare an energy conservation and energy demand management plan, with prescribed energy and environmental standards. Such a plan, if required, should include a summary of energy consumption for each operation, a description and a forecast of expected results of current and proposed energy management and conservation initiatives, and a summary of the progress and achievements. The Act also stipulates that public agencies may be required to consider energy conservation and energy efficiency in their purchasing practices.

Future Opportunities

The expected leading practices identified as part of the operational review during the previous Waves are consistent with the provisions of the new *Green Energy Act*. As a result, school boards that have implemented the leading practices will be well positioned to meet the new regulatory requirements.

The significance of leading practices in the area of energy management has been reinforced by provisions of the *Green Energy Act*. As such, school boards could be considering how they will strengthen their focus on establishing formal multi-year energy management plans that incorporate quantifiable measures. Energy management planning should include the development of policies, guidelines, goals (conservation targets), and priorities for energy management and resource conservation. The plan should include short-term and long-term opportunities, with milestones, roles, responsibilities, and budgets with a process for ensuring community support. School boards should also implement purchasing practices consistent with their energy management plans.

⁴ Explanatory Notes. Bill 150, An Act to enact the *Green Energy Act, 2009* and to build a green economy, to repeal the Energy Conservation leadership Act, 2006 and the Energy Efficiency Act and to amend other statutes.

Another improvement opportunity for school boards is if the school board voluntarily accesses the Utility Consumption Database (UCD). The database will collect and track information related to electricity and natural gas accounts in schools and board administrative buildings across the province. The UCD will link with other databases such as SFIS and RECAPP to provide relevant facility information such as square footage, age of construction, air conditioning that will allow for meaningful analysis.

There are approximately 5,000 sites and it estimated that there will be approximately 5,000 natural gas accounts and 7,500 electricity accounts. The database will collect consumption data for each account on a daily basis. Local Distribution Companies (LDCs) will provide historical consumption data on each account for the 24 months prior to the first information request. The database will be provided to all boards at **no cost**.

PART IV - UPDATE ON THE SEVEN AREAS OF IMPROVEMENT OPPORTUNITIES IDENTIFIED IN THE 2007-08 SUMMARY REPORT

This examines the seven areas of improvement opportunities reported in the 2007-08 Summary Report, and updates actions taken within the sector and supports provided by the Ministry and other organizations.

Establishment of Strategic Direction and Development and Reporting of Annual Board Improvement Plans – 2007-08 Improvement Opportunity # 1

The establishment of a board's multi-year strategic direction is a critical process, because it provides the framework for all subsequent planning and resource allocation decisions.

A school board's annual operating plan, covering all academic and non-academic departments, provides the basis for an understanding of the current year goals/priorities driving the annual budget development and reporting processes.

Follow-up Review Findings

The Follow-up reviews found that all 14 school boards have taken steps to implement this recommendation.

Following the release of the 2007/08 Sector Report, senior management from many school boards contacted other school boards to identify current practices regarding the establishment of strategic directions and the development of annual operating plans.

In general, all school boards involved in the Follow-up reviews have completed the first part of the recommendation to extend the time the strategic directions will cover, and establish specific and measurable targets and related timelines for the various goals and priorities.

What school boards have taken longer to implement is the second component of the recommendation, regarding extending the annual planning process to all departments. School boards are supportive of this aspect of the recommendation, but found that it usually takes almost one full school year for the information and key messages of this recommendation to filter down to the department or school level. At the time of the follow-up, most school boards have effectively implemented some level of department or school level annual operational planning.

Attendance Management – 2007-08 Improvement Opportunity # 2

An effective attendance management system combines up-to-date policies and procedures, information systems to record and analyze trends, and dedicated resources to develop and implement strategies to improve staff attendance. These elements, combined with employee wellness programs and return-to-work initiatives, reinforce each other to develop a comprehensive attendance management program.

Follow-up Review Findings

The review team found that school boards have been highly supportive of this recommendation, and most have begun to take steps to implement it. However, the complexity of the improvement opportunity lengthens implementation timelines. As a result, progress has been slow in some cases. A number of school boards reported that implementation had been deferred due to collective bargaining taking place in 2009.

In general, those school boards that were more advanced at the time of the operational review remain ahead of other school boards. Other school boards have either participated, or plan to work with third party consultants to establish base-line data. In all cases, it is too early for school boards to assess whether new programs are effective in improving attendance.

An important resource that school boards now have available is the recently released Ontario Association of School Business Officials Report on *Leading Practices in Attendance Support for Ontario School Boards*. This report provides a step-by-step guide to school boards on how to implement an effective attendance support program.

Given the high costs associated with absenteeism, continued focus on attendance management should remain a priority across the sector.

Interim Financial Reporting 2007-08 – Improvement Opportunity # 3

Interim financial reports provide management and the board of trustees with a clear and timely understanding of the status of the current year's budget versus actual expenditures to date, and an outlook for the year.

Follow-up Review Finding

The review team found that schools boards have been highly supportive of this recommendation, and most have taken steps to implement it.

Following the identification of this improvement opportunity, the Operational Review Advisory Committee recommended that the Council of School Business Officials (COSBO) and the Council of Directors of Education (CODE) establish a workgroup to examine the content and form of interim financial reports. The Committee included broad representation from across the sector, as well as Ministry staff from the School Business Support Branch and the Transfer Payments and Financial Reporting Branch.

The committee has worked on two key activities:

- A proposed reporting cycle that allows school board staff to maintain a continuous dialogue with trustees regarding the financial affairs of the school board. Since the proposed interim financial reporting schedule will align with existing Ministry requirements (financial reporting and other), it is anticipated that minimal additional resources will be needed to produce the reports.
- The development of a proposed interim financial reporting template that could be standardized for the sector.

On September 16, 2009, the Ministry released SB Memorandum 38 to school boards, with the final report and recommendations from the Interim Financial Reporting Committee.

Audit Function – 2007-08 Improvement Opportunity # 4

The 2007-08 Sector Report identified two aspects of a school board's audit function: internal audit and the audit committee.

The primary function of internal audit is to provide added assurance that internal controls established by management are operating effectively, and comply with policies and procedures.

The purpose of an audit committee is to provide oversight of financial reporting, disclosure, regulatory compliance, and risk management activities. School boards should establish a separate audit committee. Its primary focus would be related to the issues of the external audit and the other matters of the committee's role, including the oversight of the internal audit function.

Follow-up Review Finding

The establishment of an internal audit function and the creation of audit committees are both areas that are in transition across the sector.

The status of audit committees varies somewhat across the sector. Few school boards had an existing audit committee last year. Some school boards have now taken steps to initiate one. Whether the audit committee is a standalone committee of the Board, or is part of an existing finance committee of the Board (with expanded terms of reference to cover additional audit oversight) also varies across the sector. One consistent practice is that few audit committees include external advisory members.

Bill 177, before the legislature as of October 2009, will require the establishment of audit committees in school boards, with the inclusion of external members. Should Bill 177 pass in its current form, the ministry intends to bring forward a regulation on audit committees which will specify their composition and requirements.

Since announcing funding in the 2009-10 Grants for Student Needs (GSN) for the establishment of audit committees and internal audit, the ministry has consulted with the sector on various options of organizing internal audit functions within school boards. A preferred model of regional-based audit services was supported by the participants to the consultation. The model will promote greater opportunity for collaboration among boards, and encourage the sharing of best practices and knowledge on internal audit.

Under this model, school boards will be grouped into eight regions, with each region supported by a dedicated internal audit team. One board within each region will be designated as the “host board”, and will oversee the administrative requirements for the regional internal audit team. The \$2M funding in 2009-10 and the ongoing \$5M funding (starting in 2010-11) will be advanced to the eight host boards.

During the consultations, school boards were very supportive of this approach. They agreed that the establishment of audit committees and internal audit is an important step in strengthening corporate governance and accountability in the sector.

Participation in Buying Consortia – 2007/08 Improvement Opportunity # 5

Participation in buying consortia can reduce procurement costs, by leveraging the combined purchasing power of the consortia.

The 2007-08 Sector Report noted that a key mechanism to realize benefits will be participation in the proposed Ontario Education Collaborative Marketplace (OECM).

Follow-up Review Finding

There is little change to the status of participation in buying consortia across the sector. School boards generally continue to address these opportunities on a case-by-case basis, as contracts come up for renewal.

In 2009, OECM initiated strategic sourcing activities for various goods and commodities. It plans to undertake additional group sourcing initiatives in 2010. The ministry encourages boards to participate in strategic sourcing and explore further opportunities for collaboration with OECM. The follow-up reviews suggest that awareness is low, with many school boards continuing to take a “wait and see” approach.

Currently, the ministry is working very closely with OECM and the sector to identify common strategic sourcing opportunities. To date, OECM has completed strategic sourcing and has contracts in place for Multifunctional Devices (Xerox), copy paper (Xerox/Buntin Reid), and Natural Gas Advisory Services (Aegent). Additional strategic sourcing events for office supplies, energy audit services, classroom furniture, and office furniture are in various stages of completion. The ministry will also be collaborating with OECM to develop a more comprehensive communications strategy, to ensure a higher level of school board awareness for these projects.

The Ontario government announced in its 2009 Budget that it will propose legislation to expand the OntarioBuys program. If the proposed legislation moves forward to the legislature, it may identify certain supply chain leading practices and procurement activities, including collaborative purchasing for all BPS organizations.

Multi-Year Maintenance and Renewal Plan – 2007-08 Improvement Opportunity #6

The establishment of a longer term (i.e. three to five years) maintenance and renewal plan, setting out planned priorities, is key to communicating the critical needs of the school boards' facilities. The transparency and accountability of the operations and facilities function to the community is also enhanced.

Follow-up Review Finding

The majority of school boards support this recommendation, and have made progress in implementation. During the follow-up reviews, many school boards reported that they have already created major maintenance and renewal plans at least internally within the facilities department. Moreover, many school boards have also started extending the planning horizon beyond three years. Some have established a consultative process to solicit input from relevant stakeholders (i.e. school principals, teachers and other facility users) at different stages of planning.

For the relatively few school boards that have not implemented this recommendation, the pertinent points of discussion focused on the following:

- How practical would it be to consult all relevant internal stakeholders for input regarding major maintenance and renewal projects?
- How do we differentiate and prioritize between user needs (i.e. replacement of roof) versus user wants (i.e. addition of a new gymnasium)?
- How feasible is it to project major maintenance and capital renewal funding three to five years out, when Ministry grants, which are the major source of capital funding, are not forecasted out that far?
- Will the practice of publicly communicating long-range major maintenance and renewal plans set up stakeholder expectations that are too difficult to manage over time? And would sensitive information regarding school facility consolidation plans be inadvertently revealed through the long-range maintenance and renewal plans?

The follow-up process found that for those school boards that have chosen to implement the recommendation, it was important to clearly communicate to stakeholders the purpose of the consultation, and to identify appropriate *caveats* so that a reasonable level of expectation on the part of the stakeholders is established.

School boards have also reported that the key success factor is in maintaining a fully transparent and consultative process, so that internal stakeholders have a full view of the process used to identify, prioritize and select major maintenance and renewal projects.

In general, boards found that stakeholders' expectations can be managed successfully, provided they receive sufficient information throughout the planning cycle.

Energy Management – 2007-08 Improvement Opportunity #7

A formal multi-year energy management plan would provide management, the board of trustees and its stakeholders with a comprehensive overview of energy conservation and related initiatives. It would also show their relative value to the school board, and demonstrate the impact on energy costs over an extended period. This would serve as a framework for the annual planning, implementation and reporting on outcomes from the initiatives.

Follow-up Review Finding

During the follow-up reviews, it was found that all school boards have acknowledged the need to implement a comprehensive energy management plan, as per the recommendation.

Among those school boards that received recommendations in this area, most have started to evaluate the business case in procuring systems to collect and analyze detailed energy consumption data at a facility-level, and to establish baseline data with consideration for external factors.

However, due to the time and financial investment required to fully implement the necessary support systems required for this recommendation, most school boards are still in the early stages of implementation.

It is noteworthy that many school boards are aware of the “Utilities Consumption Database” project which is being sponsored by the ministry. School boards indicated that the Utilities Consumption Database, once fully implemented, would greatly assist them in achieving key aspects of the energy management recommendation. It will also include an optional module that will assist school boards to consolidate invoices from common providers and make payment more efficient.

School boards have also begun to benefit from the Incentive Program Advisor initiative that has been supported by the ministry. This provides assistance to school boards to identify and collect eligible energy rebates/incentives.

Overall, many school boards have taken a “wait and see” approach with respect to Energy Management. While they are supportive of the recommendation, they are awaiting the completion of the Utilities Consumption Database before making further investments to pursue this opportunity.