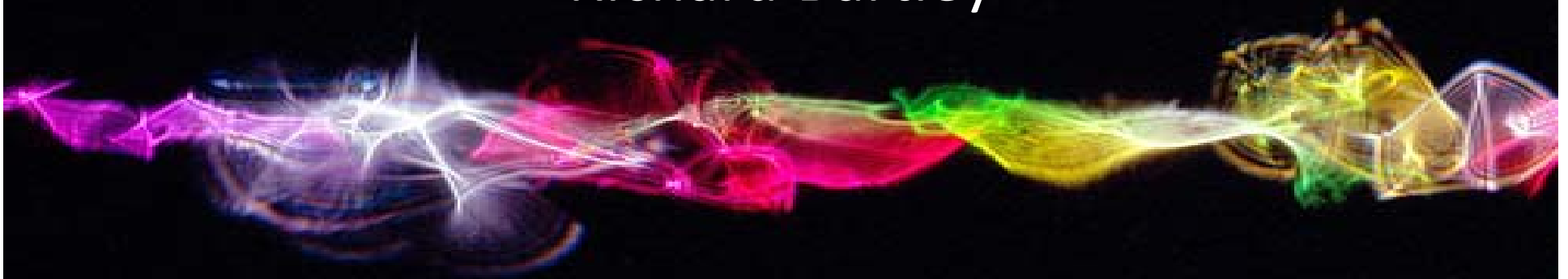



# Alternate options, alternate funding

Richard Bartley



# Overview

- Dundas Central parents expectations as a basis for the future
  - Alternate funding at the
    - Strategic level
    - Operational level
    - Tactical level
  - Summary
- 
- APPENDIX 1: Principles for designing and implementing public-private partnerships
  - APPENDIX 2: Further reading

# Summary of Dundas Central parent's expectations



# Summary of Dundas Central parent's expectations

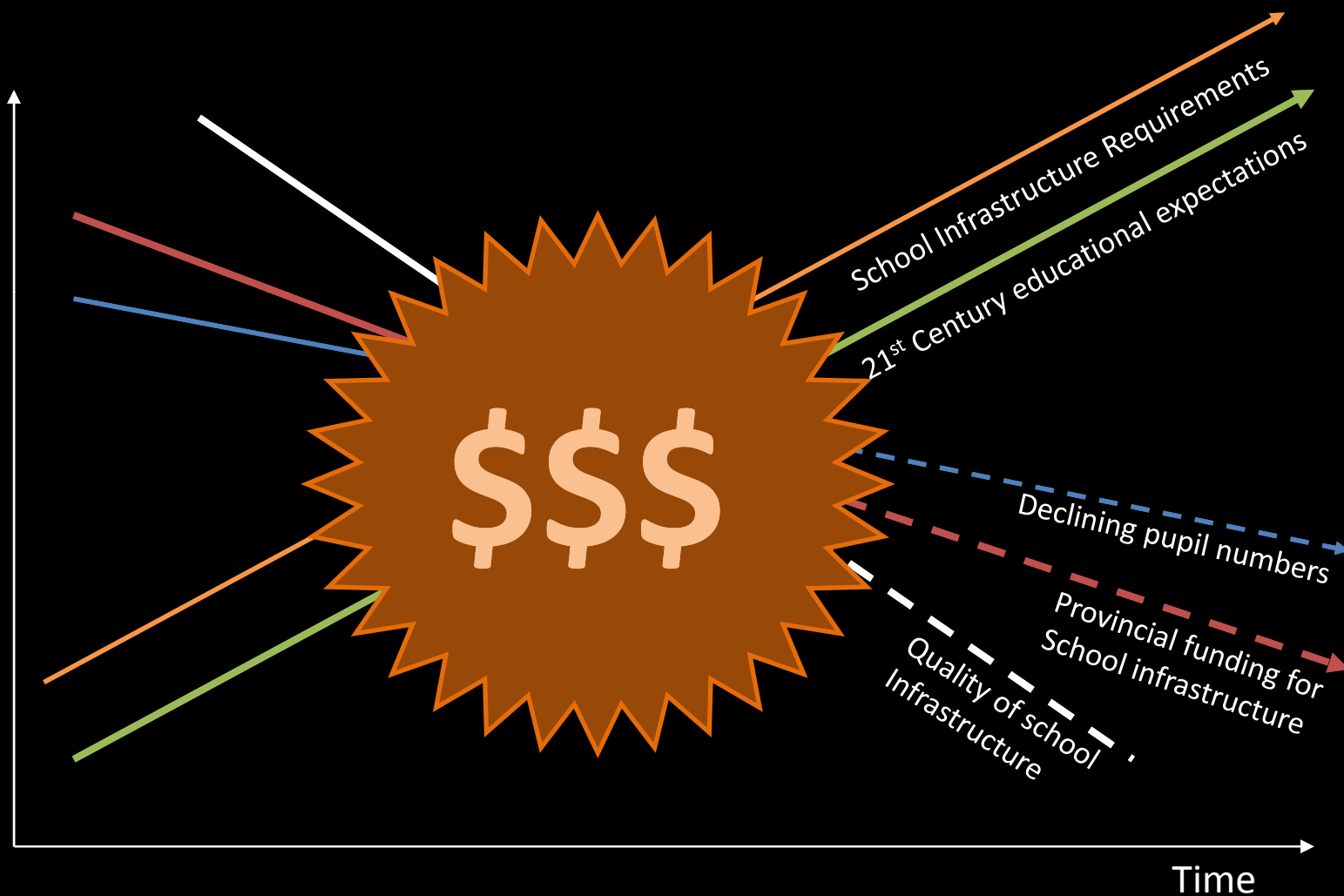
- Any future school must:
  - provide 21<sup>st</sup> Century fluency based programs with
    - Integration of e-learning and wrap-around strategies for support at home and school.
    - Learner-centered rather than “stand-and-deliver”.
  - have good quality infrastructure to be capable of delivering the programs, including:
    - Modern classroom technology to support experiential learning.
    - A well planned IT infrastructure supporting all programs.
  - have capable facilities with:
    - Adequate heating and cooling
    - Good physical access to the school
    - Reasonable food services
    - Free from old building hazards, no use of portables, and no privacy invasive technologies.
  - have good classroom support managing the extremes of overcrowding in popular programs, and having the ability to provide programs to smaller numbers of pupils when necessary.
  - have strong ties with the community – both professionally with local businesses and by use of school facilities by community organizations.

# Assumptions and givens

- The Board's proposal to close Parkside does not achieve Dundas Central's parent's expectations
- New thinking should be brought to bear in order to achieve the aims of the School Board<sup>1</sup> delivering 21<sup>st</sup> Century education.

<sup>1</sup> <http://www.hwdsb.on.ca/parents/documents/strategic-directions.pdf>

# What are the issues?



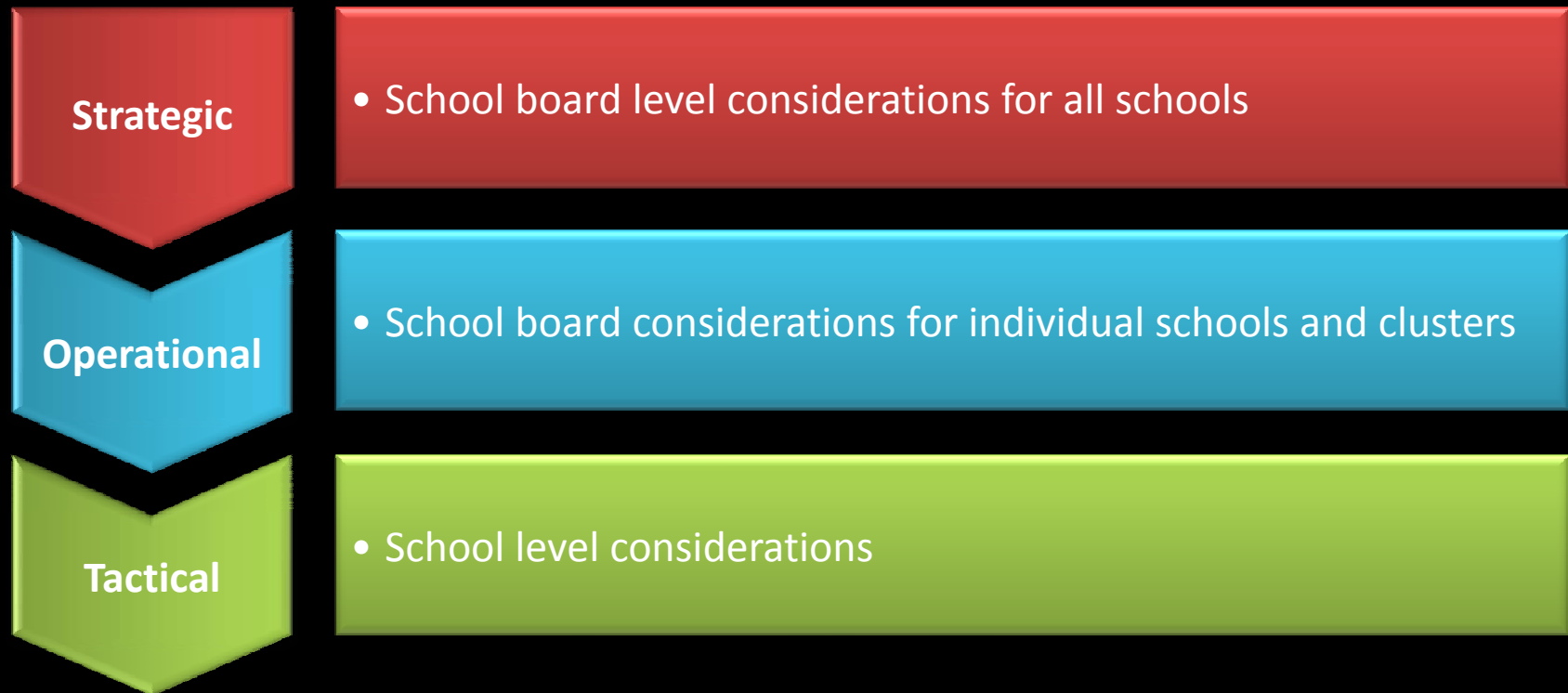
# What are the issues?

- Where does this leave HWDSB?
  - Shut schools to try and become efficient (ARC processes)
  - Lobby / present business cases for additional funding from the Province
  - Find other ways to provide the right level of services.

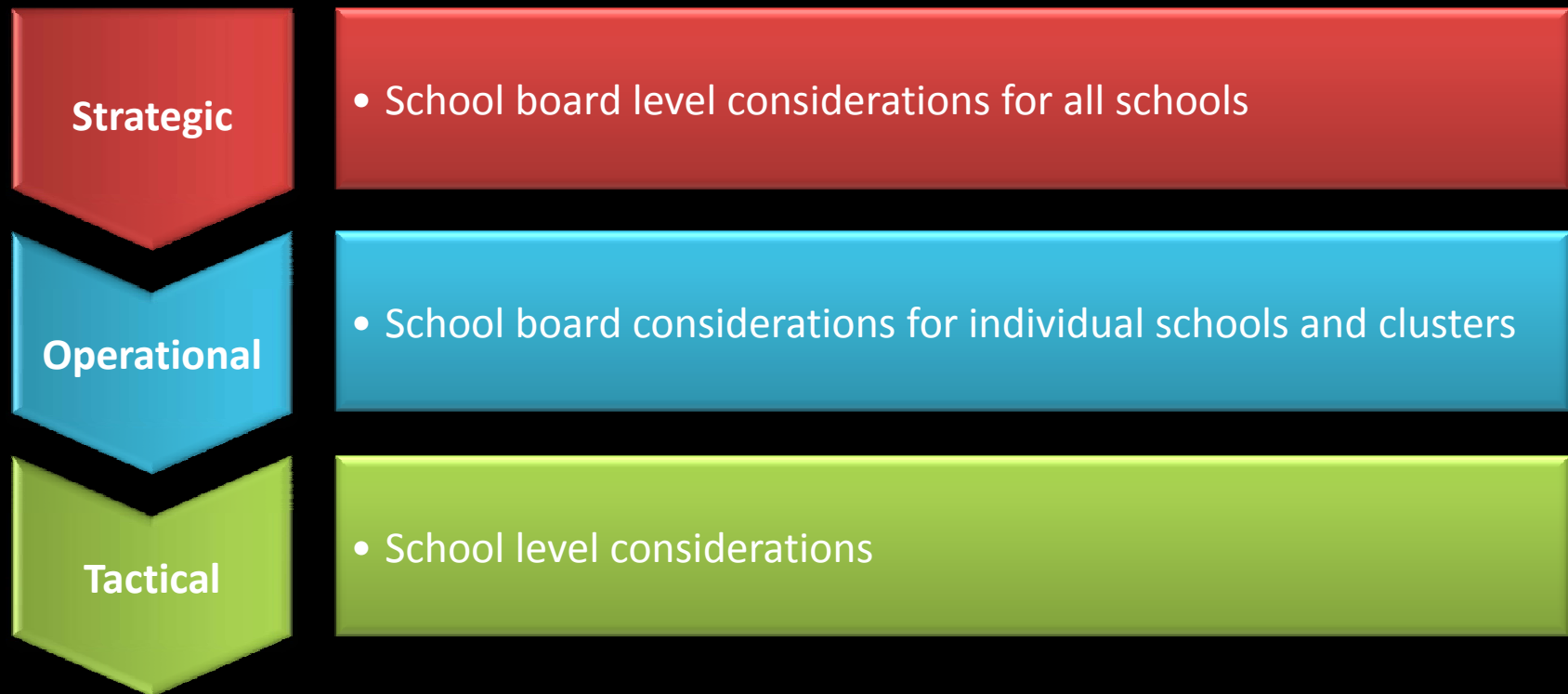
This presentation focuses on the last bullet here.

# Alternate funding approaches

- There are three levels at which alternate funding can be considered:





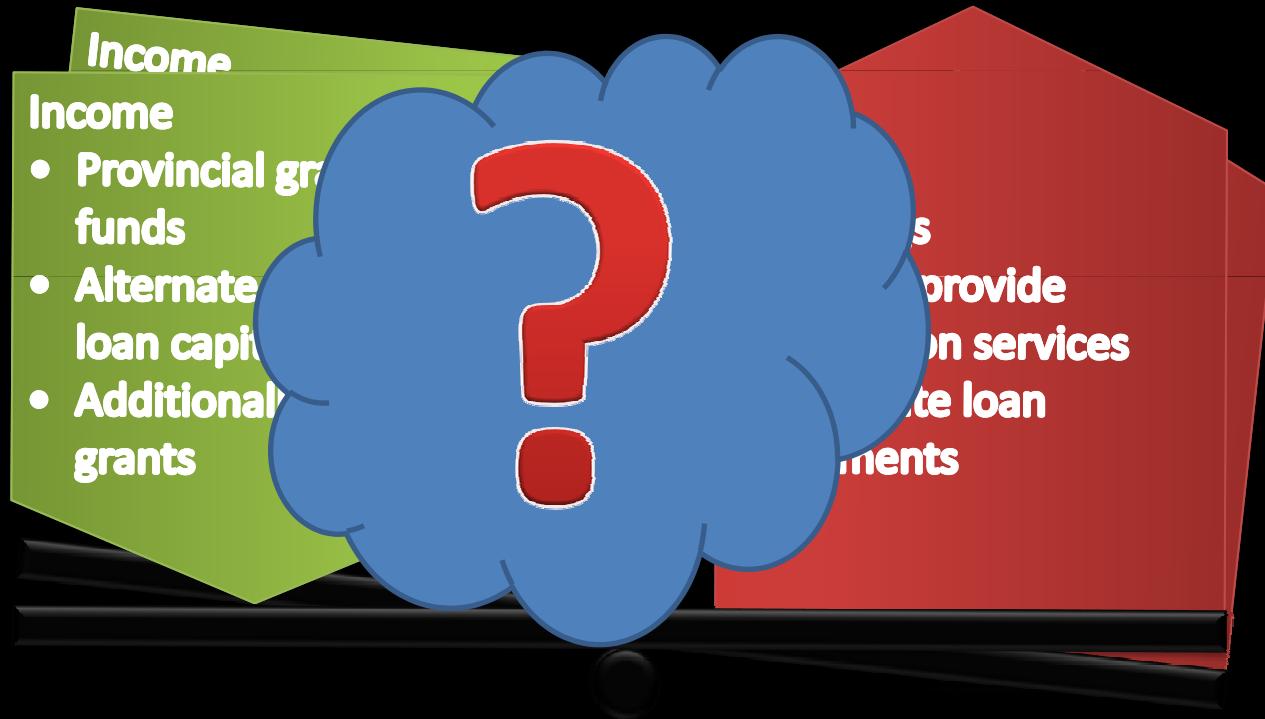


# Alternate funding - strategic

- Board level rework to accommodate different funding models.
- Key points:
  - Schools and facilities remain fully owned and operated by the Board.
  - Use existing capital, freed up by the Ministry?
  - Board borrows to fund capital expenditure
  - Restructure of Board-wide funding model to allow for long-term loan repayment.

# Alternate funding - strategic

- The big problem to solve:



# Alternate funding - strategic

- What does this mean?
  - Provision of education after loans have been taken out **MUST** be fundamentally more efficient and cost effective to balance budgets.
  - How can this be achieved ....

# Alternate funding - strategic

## Hamilton-Wentworth District School Board 2010/2011 Operating and Capital Budget

Achieve savings by:

- Reduced capital expenditure since loans have covered this already
- Reduced year-on-year capital requirements
- Efficiencies in school operations
- Expenditure on computing budget could be swept into loan coverage.

Class Texts,  
General Supplies  
\$44,880

Instructional Computers  
\$3,886,373

Staff Development  
\$3,910,793

School Administration  
\$33,817,800

Board Administration &  
Governance  
\$12,945,708

School Operations  
\$47,575,960

Continuing Education  
\$4,889,235

Transportation  
\$13,946,731

Capital  
\$65,656,588

Contingency  
\$1,000,000

**Total Operating Expenditures = \$486,578,516**  
**Total Capital Expenditures = \$65,656,588**

# Alternate funding - strategic

- Sources of funding<sup>1</sup>:
  - Publicly guaranteed or subsidized bonds
  - Public subsidies
  - Private finance with a government guarantee (or quasi-guarantee)
  - Retained earnings
  - Donations
  - Long-term loans (restricted to large, corporate, non-profit organizations)

<sup>1</sup> [The Role and Impact of Public-Private Partnerships in Education, World Bank, 2009](#)

# Alternate funding - strategic

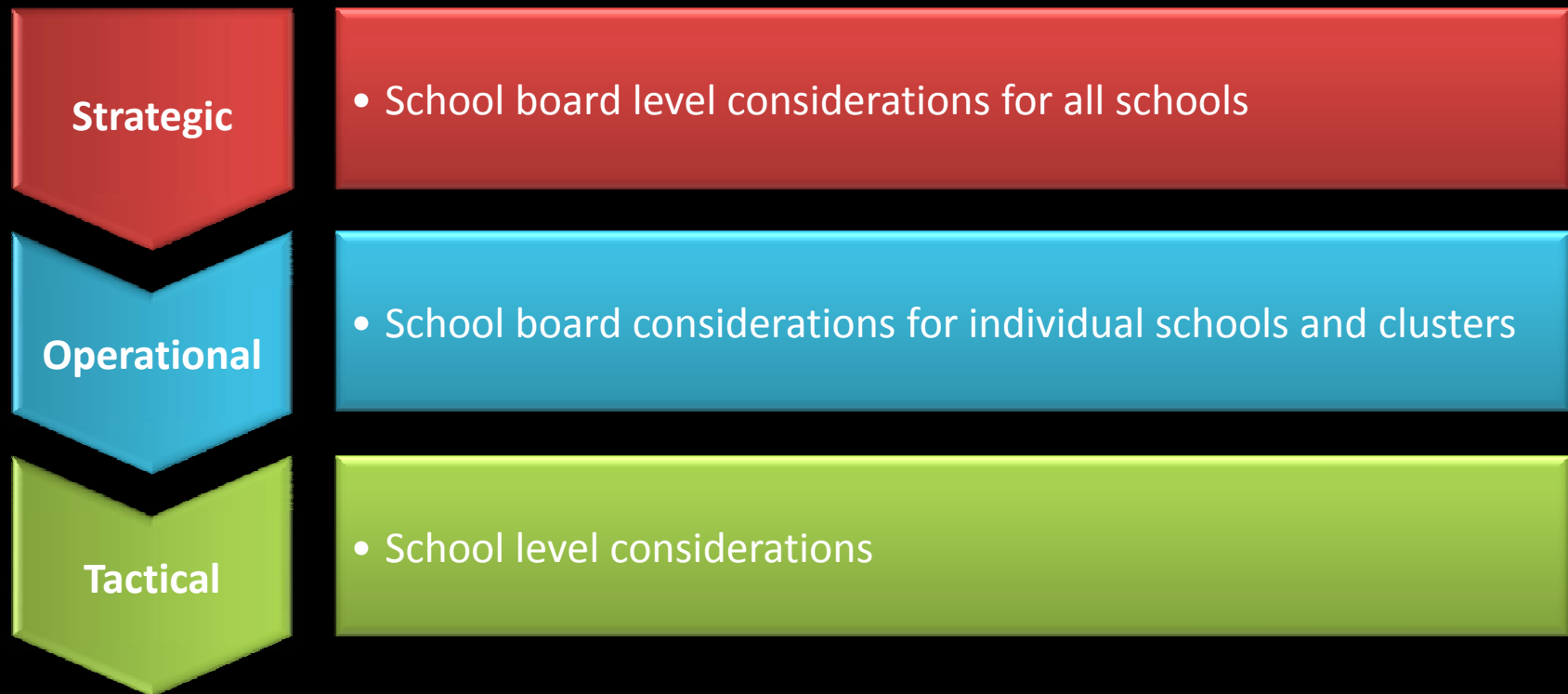
- Example sources:
  - Ontario School Boards Financing Corporation<sup>1</sup>
  - Ontario Financing Authority<sup>2</sup>
  - InfrastructureOntario<sup>3</sup>
  - Foreign government capital funds
  - Private capital funds
  - Dormant property leasing

\*Note these are unqualified, I do not know whether HWDSB has access to these at this time.

<sup>1</sup> <http://caubo.ca/fedora/repository/caubo:488/OBJ/CONSORTIA%20BORROWING.ppt>

<sup>2</sup> <http://www.ofina.on.ca/main.html>

<sup>3</sup> <http://www.infrastructureontario.ca/en/index.asp>





# Alternate funding - operational



- Board delegate the provision of certain services to other providers in order to:
  - Gain access to private capital expenditure
  - Gain efficiencies of service
  - Allocate risk appropriately
- The CfBT Educational Trust states<sup>1</sup> that these sorts of arrangements are “*no panacea ... nonetheless if done right are a useful tool for governments to achieve their educational policy objectives*”

<sup>1</sup> Public-Private Partnerships in Basic Education, An International Review, ([www.cfbt.com](http://www.cfbt.com)), 2008

# Alternate funding - operational

- Different types of arrangement<sup>1</sup> currently used nationally and internationally:

Traditional design and build	The government contracts with a private partner to design and build a facility to specific requirements
Operations and maintenance	The government contracts with a private partner to operate a public owned facility The government provides financing, the private partner designs, constructs and operates facility for a specified time period, while the public partner retains ownership of facility (can include Design-Build-Finance-Operate model)
Turnkey operation	
Lease-purchase	The private partner leases a facility to the government for a specified time period, after which ownership is vested with the government
Lease or own-develop-operate	The private partner leases or buys a facility from the government and develops and operates the facility under contract to the government for a specified time period
Build-operate-transfer	The private partner obtains an exclusive contract to finance, build, operate, maintain, manage and collect user fees for a facility for a fixed period to amortize its investment and at the end of the franchise, the title reverts to the government
Build-own-operate	The government either transfers ownership and responsibility for an existing facility or contracts with a private partner to build, own and operate a new facility in perpetuity.

<sup>1</sup>[The Role and Impact of Public-Private Partnerships in Education, World Bank, 2009](#)

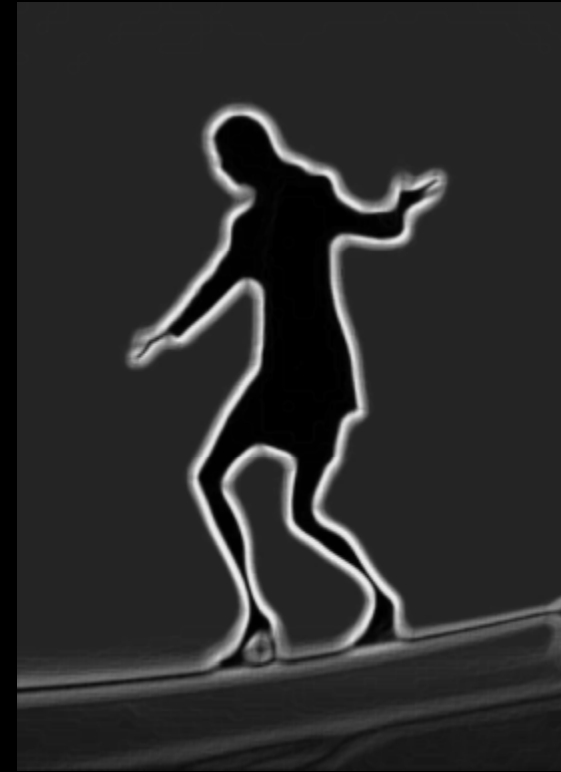
# Alternate funding - operational

- Well designed arrangements<sup>1</sup> can:
  - Increase the level of financial resources available for education
  - Supplement government's limited funding for capital expenditure
  - Increase links with the private sector for mutual advantage
  - Allow the School Board to focus on Education.
  - Allow highly innovative solutions in delivery of education
  - Make cost of services more transparent

<sup>1</sup> Public-Private Partnerships in Basic Education, An International Review, ([www.cfbt.com](http://www.cfbt.com)), 2008

# Alternate funding - operational

- Risks<sup>1,2</sup> can include:
  - Weak implementation exposes the School Board to significant financial and performance risks.
  - Poor contract management and lack of investment in continued contract monitoring leads to conflict between partners and poor delivery.
  - A lack of a regulatory framework around such arrangements can lead to inefficiencies and a failure to understand responsibilities by parties.



<sup>1</sup> [The Role and Impact of Public-Private Partnerships in Education, World Bank, 2009](#)

<sup>2</sup> [P3 Schools, Public Interest vs Private Profits, CUPE National Research Branch.](#)

# Alternate funding - operational

- Making it work
  - Renegotiate Board and Ministry regulations binding HWDSB. Our children's education is paramount.
  - Don't mistake previous failures as the standard model. Nova Scotia's poor performance<sup>1</sup> doesn't necessarily predict the future.
  - Perspectives from the UK<sup>2,3</sup> and Australia<sup>3,4</sup> show that successful alternate arrangements can succeed and provide continued value for money.

<sup>1</sup> P3 Schools, Public Interest vs Private Profits, CUPE National Research Branch.

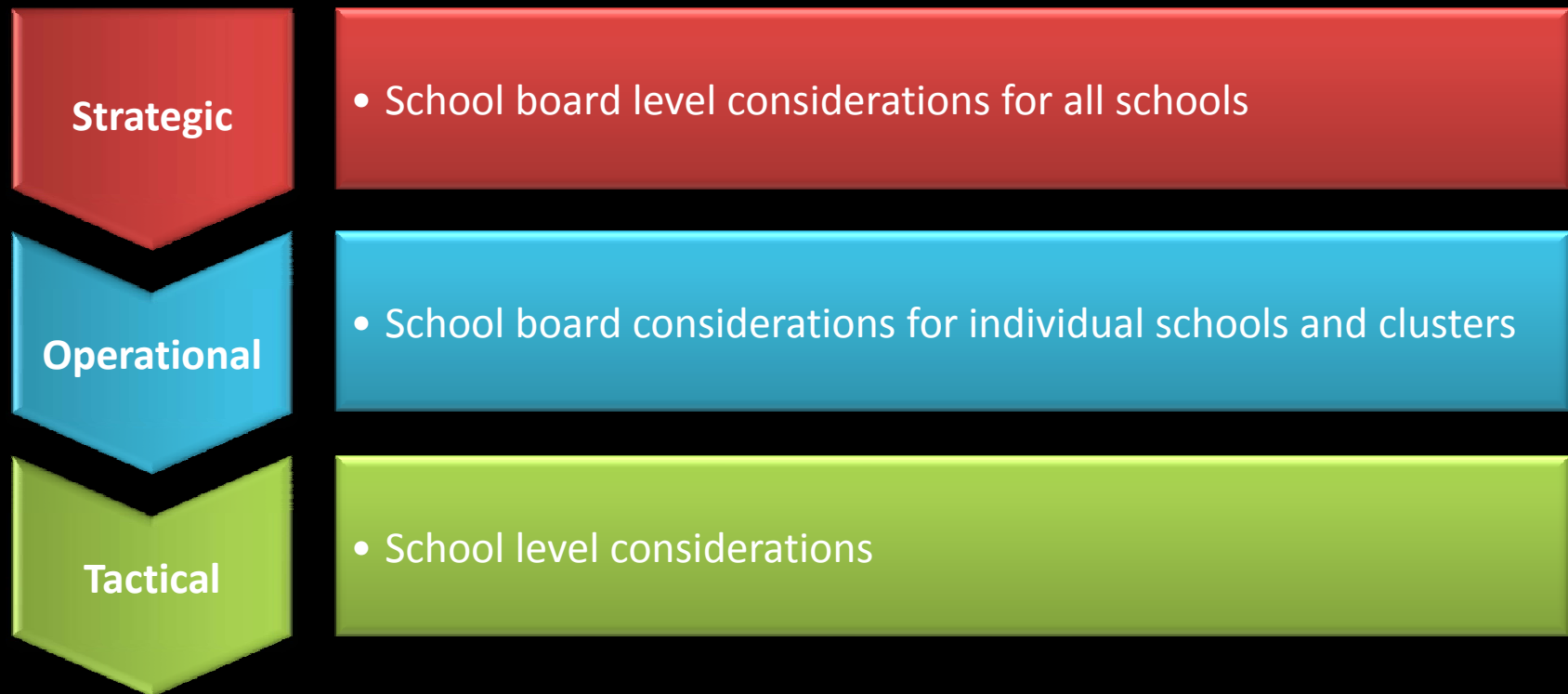
<sup>2</sup> Public-Private Partnerships in Basic Education, An International Review, (www.cfbt.com), 2008

<sup>3</sup> The Role and Impact of Public-Private Partnerships in Education, World Bank, 2009

<sup>4</sup> Governance through Community Partnerships: A Model for Public Funding of Private Schools in Australia, Aulich, University of Canberra.

# Alternate funding - operational

- Engaging risk for reward
  - Bad judgment, mistakes, poor contract management and monitoring have compounded PPP-type arrangements worldwide.
  - Engaging a “Lessons Learned” approach when negotiating and contracting can reduce risk by employing constructive mitigation measures to avoid, reduce or transfer risks as identified.
  - Defining a clear set of principles for any such arrangements is key. An example set is found at Appendix 1.



# Alternate funding - tactical

- School level controls to enhance educational outcomes directly.
- Key points:
  - Board needs to delegate authority to enable and empower schools themselves.
  - Schools should be given discretion to seek and obtain funding independently.
  - Any such funding obtained must be kept within the school, augmenting the funding formula budget.



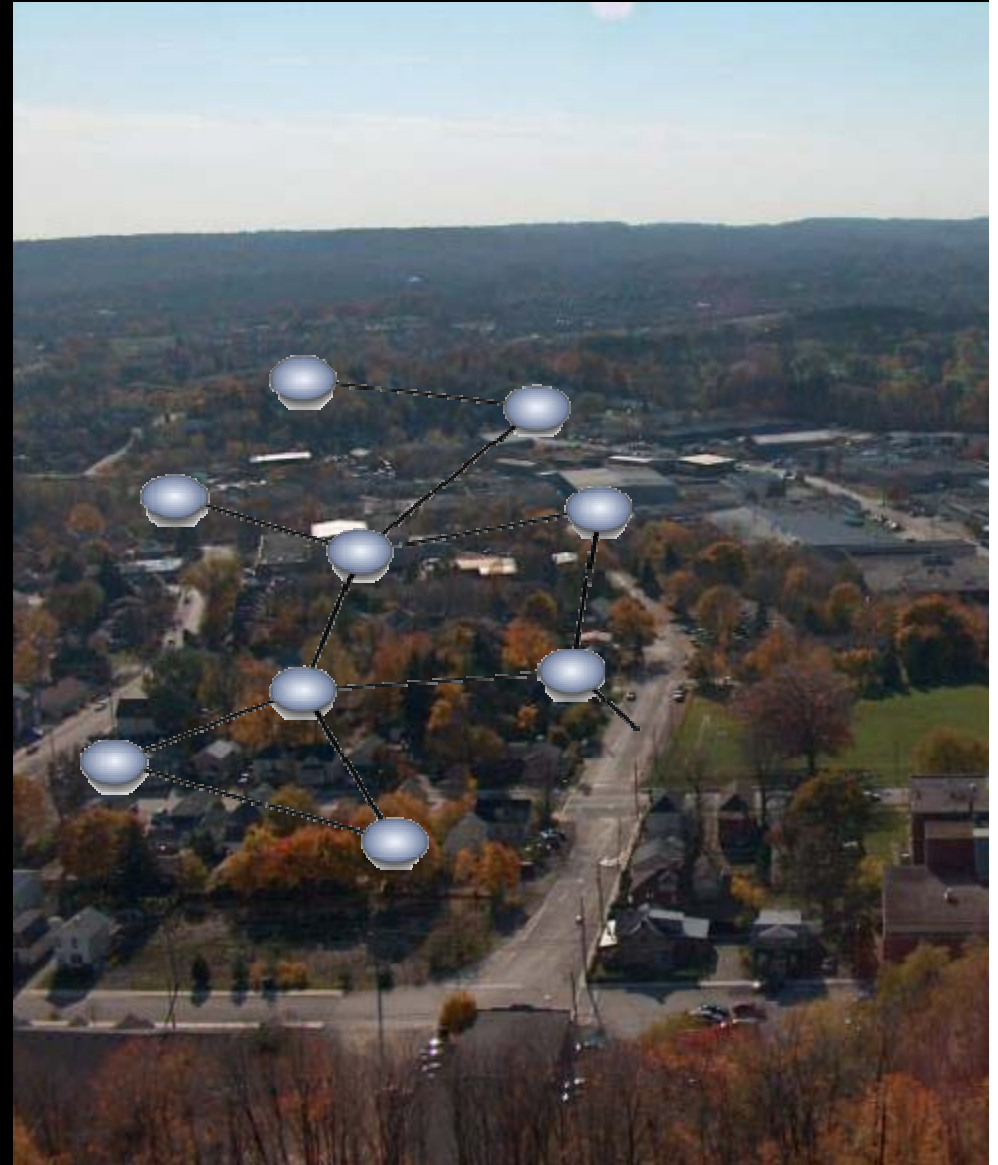


# Alternate funding - tactical

- Alternate local school funding sources:
  - Specialism grants (Government / Industry)
  - Specialism partnerships (Government / Academia)
  - Sponsorships (Industry)
  - Prudent property management and capacity building initiatives
  - Developing school infrastructure to increase local revenue.
  - Freedom to procure services locally to reduce costs
- Potential Partnerships
  - Technology partnerships (Academia / Industry)
  - Voluntary sector
  - Public sector (non-school services co-habitation)
  - National Research Council
  - Canada Natural Resources
  - Ontario Ministry of Research & Innovation
  - Ontario Ministry of Agriculture
  - Ontario Ministry of Energy
  - Ontario Ministry of Economic Development and Trade
  - Ontario Ministry of Health

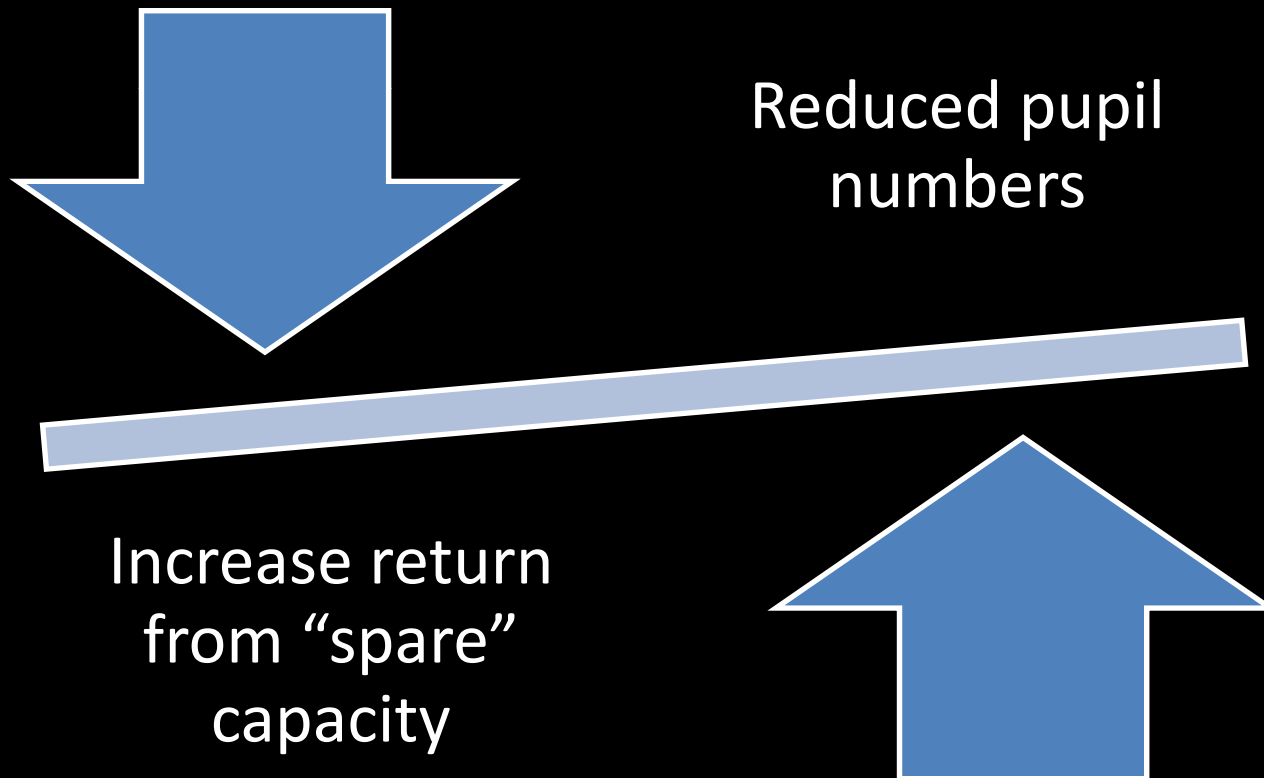
# Alternate funding - tactical

- Capacity Building Initiatives
  - Cluster based concepts to deliver programs
  - Allows for multi-campus schooling
  - Alternate sites for education
  - Creates intelligent ways to focus programs in areas that best suit that community.
  - Balance with other initiatives to provide value for money.



# Alternate funding - tactical

- A simple example



# Alternate funding - tactical

- Use the school's spare capacity for revenue generation to balance current falling pupil numbers.
- Examples include
  - Lease space for educationally enhancing co-habitation
    - Catering and restaurant skills
    - Science & engineering
    - Natural environment
    - Local trades
    - Children's services

# Summary

- Interventions are necessary at all levels to alleviate the impact of funding decisions at the Provincial level
- Consideration should be given to a range of alternate funding models, from strategic capital borrowing through to freeing schools up to raise (and keep) revenue locally.
- Options are not without risks, each should be carefully considered and analyzed as alternate to the Board's proposal to simply shut Parkside down.

# Questions



# **APPENDIX 1 - PRINCIPLES FOR DESIGNING AND IMPLEMENTING PUBLIC-PRIVATE PARTNERSHIPS**

From The Role and Impact of Public-Private Partnerships in Education,  
World Bank, 2009

# Principles

## *Defining public-private partnerships in education*

- Principle 1: The nature and extent of PPPs should be based on a government's assessment of its appropriate role in education and the relative costs and benefits of private involvement in the sector, whether this involves education delivery, financing, or regulation.
- Principle 2: The equity impact of PPPs should be a key consideration in determining the nature and extent of public and private involvement in education.

## *Promoting public-private partnerships in education*

- Principle 3: A sound general policy and regulatory environment, including high standards of public and corporate governance, flexible labour markets, transparency, and the rule of law, including protection of property and contractual rights, are essential for attracting the participation of the private sector in all sectors of the economy, including education.
- Principle 4: Authorities can promote private involvement by putting in place an enabling regulatory environment, including recognizing the role of the private education, providing clear and streamlined registration processes, setting up effective quality assurance systems, avoiding regulation of private school fees, and providing incentives for private participation.
- Principle 5: Access to capital markets is an essential factor in increasing private participation in education. Restrictions on access to markets and obstacles to international capital movements should be phased out. International organizations can help to promote private sector involvement in education by widening access to capital markets.
- Principle 6: Public authorities can promote foreign investment in education by treating local and foreign providers equally, providing investment incentives, and ensuring a supportive and efficient environment for investors. Investment promotion agencies can support investment in education by promoting education as a priority investment sector.



# Principles

## *Implementing public-private partnerships*

- Principle 7: PPP processes should be free of corruption and subject to appropriate levels of accountability, while public authorities should take effective measures to ensure the integrity and accountability of all partners and should establish procedures to deter, detect, and sanction corruption.
- Principle 8: Education authorities and private organizations should agree on the output- or performance based specifications to be included in the contract as well as sanctions for non-performance.
- Principle 9: The process for awarding PPP contracts should be competitive and should guarantee procedural fairness, no discrimination, and transparency.
- Principle 10: Governments should ensure that the public agencies responsible for forming and overseeing PPPs have the resources, information, and skills required to design, develop, and manage the complex contracting processes. They should ensure that the purchaser and provider roles of the agency are separate; the government can assign responsibility for PPPs to specialized agencies on partnerships and contracting education services if necessary.
- Principle 11: Education authorities should have the capacity to identify fraud, track payments, and ensure that subsidies and payment claims are legitimate and accurate. They should also ensure that their private sector partners are paid in a timely fashion.
- Principle 12: Public authorities can increase the popularity of PPPs by encouraging informed debate on the role and impact of these partnerships, consulting stakeholders and the public about the use of PPPs, putting in place an effective communications and awareness strategy, and creating a rigorous evaluation program.

# Principles

## *Encouraging responsible business conduct*

- Principle 13: Private partners should observe the principles and standards for responsible business conduct that have been agreed on with the government and should participate in such projects in good faith. They should not resort to bribery and other irregular practices to obtain contracts, nor should they agree to be party to such practices in the course of their infrastructure operations.
- Principle 14: Private partners should participate in the government's strategies for communicating and consulting with the public.
- Principle 15: Private providers need to be mindful of the consequences of their actions for communities and to work together with public authorities to avoid and mitigate any socially unacceptable outcomes.

# **APPENDIX 2: FURTHER READING**

# Further research & reading

- Ontario Primary Education Legislation
- UK Partnership for Schools – Building for Schools
  - Case Studies
  - Lessons Learned
- Public Private Partnerships in Education – Sam Carlson, World Bank, Oct 2008
- Infrastructure Ontario, Alternative Financing... David Livingston
- The Canadian Council for PPP, Schools – The Case for a Canadian PPP Application
- Implications of Public Private Partnerships – Canada within a Global Perspective, Matti Siemiatycki, University of Toronto.
- What is Wrong with PFI in Schools, Unison, UK
- Public-Private Partnerships in Canada, Gord Willcocks, 2008.
- Tilting at Windmills: Public-Private Partnerships in Indian Education Today. Fennell, University of Cambridge.