



# ANGLICAN DIOCESE OF GRAFTON POLICIES AND PROCEDURES

---

<b>SUBJECT: SCHOOLS' CAPITAL DEVELOPMENT AND EXPENDITURE POLICY AND PROCESS</b>		<b>PROCEDURE REFERENCE NUMBER</b> GASC-002
<b>DATE APPROVED:</b> 8 December 2016 by Bishop-in-Council		<b>VERSION</b> New procedure
<b>IMPLEMENTATION DATE</b> 8 December 2016	<b>REVIEW DATE AND FREQUENCY</b> As required but at least 3 yearly	<b>RESPONSIBLE FOR REVIEW</b> Grafton Anglican Schools Commission

## 1. BACKGROUND

The Schools Commission Ordinance 1997 as amended 2013 requires the Grafton Anglican Schools Commission (the Commission) to:

- a. "Monitor schools' capital works plans and undertake an assessment of schools' financial and project management capacity to fulfil project requirements"; and to
- b. "Review and make recommendations to Bishop-in-Council on the educational and operational basis for any proposed sale, mortgage, exchange, lease, disposal of Church Trust Property owned or utilised by a school".

## 2. PURPOSE

The purpose of this policy is to:

- a. monitor, review and provide feedback on capital works plans for each School at least annually;
- b. provide clear guidance about information requirements and decision-making authority, to be followed by School Councils in seeking approval for a "sale, mortgage, exchange, lease or disposal";
- c. ensure alignment with known timeframes for schools seeking Commonwealth funding (e.g. through the Block Grant Authority (BGA) grant process); and
- d. ensure sufficient flexibility to enable School Councils to seek approval to take advantage of unpredicted opportunities.

## 3. SCOPE

This policy and procedures apply to all Anglican schools within the Diocese of Grafton.



## 4. REQUIREMENTS

*See Capital Development and Expenditure Process at Section 6 for when this information is to be provided to GASC.*

Commission requirements means a comprehensive Business Plan for the project and supporting documents including the following:

- a. A short overview of what is proposed to be built or purchased;
- b. The current strategic plan for the whole School to enable the GASC to see the proposal in the wider context of the School's long-term development;
- c. An outline of the business case for the project presented so as to enable the GASC to assess the proposal, financial aspects in particular, and to understand how the supporting documents do their work;
- d. Evidence of the cost of the project/acquisition and details of what is to be obtained for that cost (e.g. request for tender and tender, draft contract, quotations, plans and specifications);
- e. Funding arrangements and supporting documents (e.g. current financials, terms of any grants, details of lender's terms);
- f. Financial information for the life of the loan including budgets, balance sheets, cash flow, profit and loss and known future significant expenditure commitments that may impact on the financial viability of the school;
- g. Risk scenarios for the life of the loan;
- h. Sensitivity analysis (modelling) of the impact of the viability of the project for the life of the proposed loan, including:
  - all relevant risk factors such as student enrolment numbers, enrolment fees, government funding and interest rate rises and a clear statement of the assumptions that underlie the analysis
  - downward pressure on fee increases so they are limited to matching the consumer price index (CPI);
  - static enrolments; and
  - increases in staff costs that are higher than current trends.

The sensitivity analysis must:

- include modelling of combinations of the above factors;
  - enable the GASC to see clearly the hypothetical point (or points) at which the project would cease to be financially viable and a clear statement of the assumptions that underlie the analysis; and
  - clearly demonstrate the impact on cash flow and on key ratios.
- i. an indication of any additional capital development projects the School Council might have on its forward CAPEX planning agenda, however tentatively or conceptually, that might be subject of a further request for approval during the life of the loan.



## 5. CAPEX PROJECTS – CLASSIFICATIONS AND THRESHOLDS

TOTAL COST OF THE PROPOSED CAPEX PROJECT		
School Borrowing (To fund CAPEX)	CAPEX Under \$500,000 in Value	CAPEX over \$500,000 in Value
CAPEX involves borrowings over \$250,000	Through GASC to BIC for approval	Through GASC to BIC for approval
CAPEX involves borrowings up to \$250,000	Approval by School Council (the CAPEX Process at Section 7 is not applicable)	Through GASC to BIC for approval
Nil Borrowings	Approval by School Council (the CAPEX Process at Section 7 is not applicable)	To GASC for approval (on delegation from BIC) cc BIC

## 6. CAPITAL DEVELOPMENT AND EXPENDITURE PROCESS

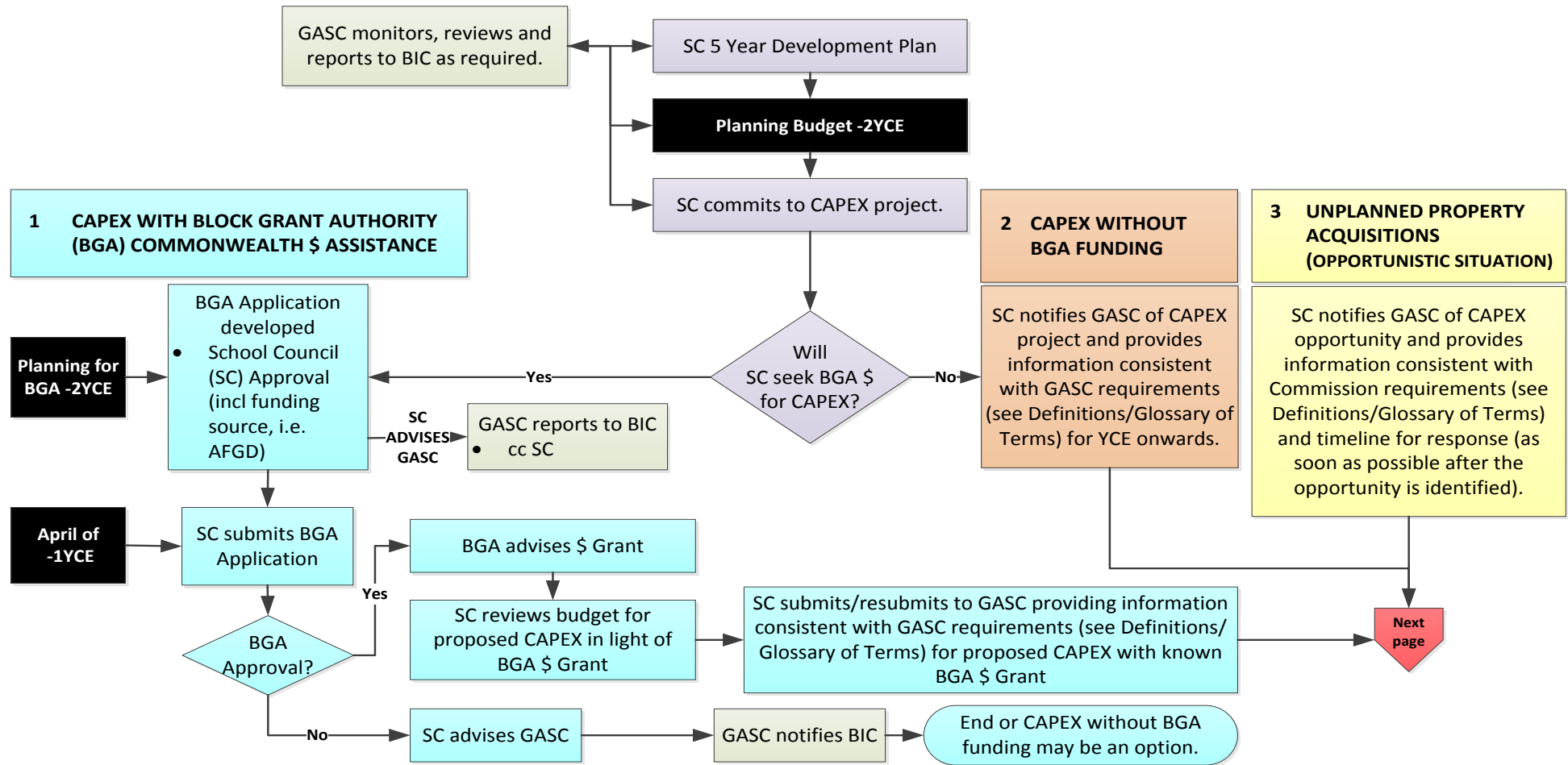
The following process map recognises three alternatives:

- a. CAPEX with a BGA application;
- b. CAPEX without a BGA application; and
- c. Opportunistic situations.



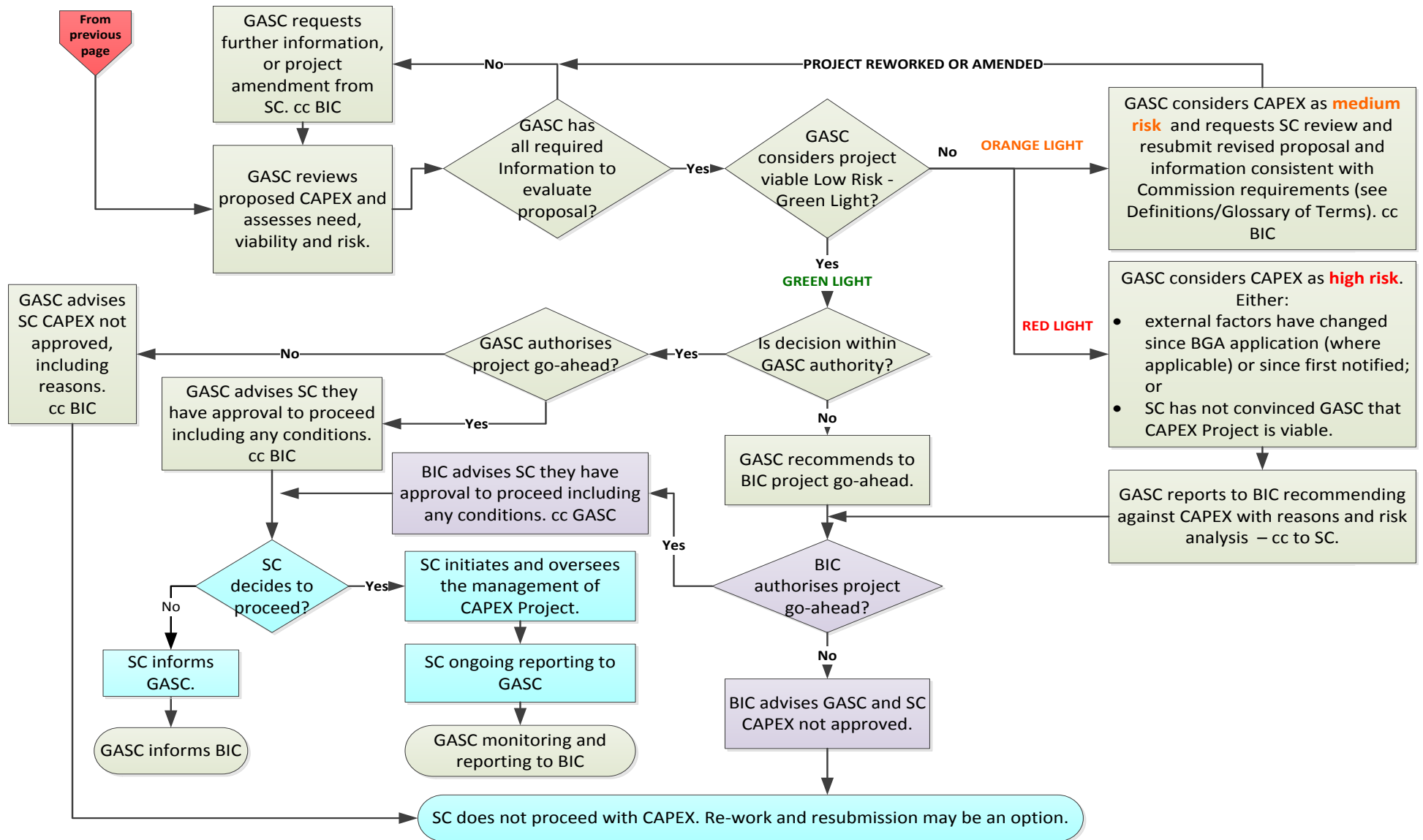
## SCHOOLS' CAPITAL DEVELOPMENT AND EXPENDITURE POLICY AND PROCESS

**Scope:** To establish which CAPEX Projects are applicable to this process, see CAPEX Project Classifications and Thresholds at Section 5 of this document.





## SCHOOLS' CAPITAL DEVELOPMENT AND EXPENDITURE POLICY AND PROCESS





## 7. DEFINITIONS/GLOSSARY OF TERMS

<b>SC</b>	School Council
<b>BIC</b>	Bishop in Council
<b>BGA</b>	Block Grant Authority (ie, Commonwealth funding grant to assist schools planning new buildings and/or facilities for delivery of education)
<b>Borrowings</b>	Borrowings represent a new liability or indebtedness associated with financing CAPEX including loans with financial institutions and leasing.
<b>CAPEX</b>	Capital Expenditure (eg, new buildings, facilities, property)
<b>GASC</b>	Grafton Anglican Schools Commission
<b>YCE</b>	Year of Capital Expenditure
<b>-1YCE</b>	One year before proposed Year of Capital Expenditure (ie, one year before year of build/construction).
<b>-2YCE</b>	Two years before proposed Year of Capital Expenditure (ie, two years before year of build/construction).
<b>Green Light</b>	GASC considers CAPEX as viable, low risk and endorses the proposed CAPEX.
<b>Orange Light</b>	GASC considers CAPEX is of marginal viability and is not supportive of the proposed CAPEX, as it exposes the school and Diocese to medium and undesirable risk.
<b>Red Light</b>	GASC considers CAPEX is not viable and recommends against the proposed CAPEX, as it exposes the school and Diocese to high and unacceptable risk.
<b>Monitoring</b>	Monitoring is defined within Background "a" and Purpose "a" on page 1 of this document.