



THE CRITERIA, PROCESSES AND PROCEDURES OF THE
CAPITAL GRANTS PROGRAM

Association of Independent Schools of NSW Block Grant Authority Limited



Version: 2012(1)



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1. INTRODUCTION

The Association of Independent Schools of New South Wales has the responsibility of being a "Block Grant Authority" (BGA) for schools in the independent sector in New South Wales in order to administer the Commonwealth's **Capital Grants Program (CGP)** for non-government schools in NSW.

The CGP is an ongoing program of assistance to schools for capital works that has been operating for more than 25 years. The criteria that follow apply to the CGP.

The Association of Independent Schools of NSW Block Grant Authority Limited is a non-for-profit company and is the corporate vehicle for administering this program on behalf of the Commonwealth and State Governments for the benefit of the independent school sector.

BGAs were set up under the authority of Australian Government legislation and there is a formal "agreement" between the Australian Government and each BGA. That agreement outlines the terms and conditions of the working relationship between the BGA and the Australian Government with respect to the Program.

The BGA administers funding granted under the applicable Government legislation, namely: *The Schools Assistance Act 2008* and is guided by the accompanying companion document *Administrative Guidelines COMMONWEALTH PROGRAMS FOR NON-GOVERNMENT SCHOOLS 2009 to 2013/14 (2012 Update)*. A copy of the latter document is available on the BGA website.

2. PARTICIPATION IN THE BGA

The Australian Government requires that all schools be listed as participating in one of the existing BGAs (the AIS BGAs or that administered by the Catholic Education Commission (CEC)). Independent Catholic schools have the choice of joining either BGA. The AIS NSW BGA currently covers some 350 schools, with enrolments in the vicinity of 120,000 pupils.

Application for participation in the AISNSW BGA is open to any independent school in New South Wales irrespective of membership of the AIS or of any of the other involved organisations. Schools wishing to participate in the AISNSW BGA are required to complete and return a BGA Participant Application Agreement.

3. GOVERNANCE STRUCTURE

Administration of the BGA is carried out by various committees and boards:

(a) Board of Directors of AISNSW BGA Ltd

The Board determines overall policy directions for the BGA in the light of the Australian Government's guidelines for the Capital Grants Program. Its membership comprise the following people:

The Chairman of the AIS NSW Board	- Mr J Ralston (or his nominee)
Member of the AIS NSW Board	- Mr L Dell (Honorary Treasurer)
Member of the AIS NSW Board	- Dr P Macarthur (Chair)
Member of the AIS NSW Board	- Mr A Baker
Member of the AIS NSW Board	- Mr M Jones
Executive Director (ex officio)	- Dr G Newcombe

The Board has the responsibility of making recommendations for grants to the Australian Government's Minister for Education, Employment and Workplace Relations or the NSW Department of Education Minister for approval. It ensures that the Association's obligations and responsibilities have been met in relation to the legal and guideline requirements of the Australian Government.

(b) The Capital Grants Assessment Committee (CGAC)

This committee assesses applications and makes recommendations as to which independent schools with capital development projects will be recommended to the respective Government Ministers for capital grants.

The procedures outlined in this document have been determined for the operation of the CGAC having regard to the mandatory requirements and guidelines of the Australian & NSW Governments and the terms of reference from the Association of Independent Schools (AIS). The CGAC endeavours to ensure that the best possible value in terms of both quality and quantity of school facilities is achieved by as many schools as possible.

The CGAC is appointed by the BGA Board and the final recommendations of CGAC are presented to the BGA Board of Directors prior to submission to the relevant Ministers of Education.

Members of the CGAC have been appointed according to their expertise and experience in the capital works arena and in schools. The membership of the CGAC for the 2012 round is:

- Mr Ray Whitfield – Chairman (ex AIS)
- Mr Chris Duncan - principal of an independent school
- Mr Dean Bennetts - principal of an independent school
- Mr Les Dell - chartered accountant & financial consultant
- Ms Yvonne Nicholls - business manager of an independent school
- Ms Barbara Stone - former principal of an independent school
- Ms Sue Pynenburg - business manager of an independent school
- Mr John Scott - former principal of an independent school
- Mr Colin Spencer - chartered accountant
- Mr Recep Aydogan – business manager of an independent school
- Mr Warwick Wilkie - former principal of an independent school
- Mr Bob Grant - former principal of an independent school
- Mr Peter Reed – architect
- Mr Andrew Pender – architect

(c) The BGA Grants Management Team (BGA Secretariat)

The secretariat handles the daily operations of all grants that BGA administers, including but not limited to:

- Capital Grants Program (CGP)
- Building the Education Revolution (BER)
- Digital Education Revolution (DER)
- Trade Training Centres Program (TTC)

The team comprises:

David Buley	Chief Financial Officer, AIS NSW Director of CGP/BER/DER/TTC Programs
Wendy Godden	Assistant Director – Grants Management
Emma Christie	Senior Administrator – BER/TTC Program
Corwin Hooper	Administrator – BGA/DER Program
Nick Evans	Administrator – BGA/Targeted Programs
Dena Gad	Accounts Manager

4. ASSESSMENT OF INDIVIDUAL APPLICATIONS

In assessing applications the CGAC must have regard to the mandatory requirements and guidelines of the Australian and/or NSW Governments and the terms of reference developed by the Association of Independent Schools. There are three basic elements to the assessment process:

- A) The "eligibility" of each application to be determined
- B) The "priority" order of all eligible application's to be determined
- C) Detailed plans and costings for successful applicants to be finalised.

A) Eligibility

The Australian & NSW Government guidelines require that all applications be examined to determine their "eligibility" for funding. Eligibility is determined by a number of factors that are described in detail below. Applications that do not satisfy ALL Government eligibility requirements cannot be supported for capital funding. The necessary requirements are:

- (a) Approval for Australian Government General Recurrent Funding. This approval is a prerequisite for funding under any of the Australian Government's special purpose programs including the Capital Grants Program. Newly established schools must be able to demonstrate to the BGA that approval for recurrent funding has been obtained.
- (b) In assessing applications the BGA pays particular attention to each school's enrolment projections. Past and current enrolments by year and by grade are closely examined to help validate projections. Schools must be able to justify projections either in terms of past and current enrolments, documented evidence of demographic trends in the catchment area or by producing waiting lists for entry. Other evidence may be required also.

The BGA will focus in particular on enrolment projections two years ahead as these enrolments will form the basis of each school's application in terms of educational planning and facility need. For example, a successful applicant will apply in 2012 and build in 2013 to cover projected 2014 enrolment needs. This approach leads to a series of staged developments over time that will require each school to produce a facilities master plan. **A Master Plan will be a mandatory requirement for schools intending on applying for a capital grant from 2013 onwards.**

- (c) Projects must be consistent with a long-term development plan or master plan for the school. Such a plan will take into account the educational facilities needed to

satisfy realistic enrolment projections, and is achievable within realistic financial constraints. The plan will specifically relate to the number and suitability of classrooms, specialist rooms and other facilities needed by the school at particular stages of its overall development. The factors that affect this consideration include for example, the school's class sizes, streaming arrangements, registration requirements, curriculum/subject choice and room occupancy rates. In addition, consideration will be given to the immediate past history of the school and the degree/extent of continued community support it has received.

Each of these factors is considered by the CGAC in consultation with school authorities. It is essential for schools applying for capital grant assistance to demonstrate how the facilities requested in the application fit into the school's master plan.

- (d) In determining eligibility the CGAC aims to establish in conjunction with school authorities a minimum viable project (m.v.p.) that meets the immediate major educational needs of the school when projected two years ahead. To establish the m.v.p. a detailed assessment of all of the factors listed in c) above are taken into consideration with particular emphasis placed on enrolment projections and basic classroom (including specialists rooms) requirements.

In addition the application should demonstrate that the project being applied for is cost effective, avoids design features that may increase construction costs and/or maintenance or operating costs, and that it meets current environmental requirements. The design should be aesthetically pleasing and make use of good quality materials. Although not a requirement, schools are encouraged to consider sustainability features in the design.

- (e) Financial Need: The Australian Government regards the existence of a financial need for assistance as central to the assessment process for the CGP and it demands that BGAs provide clear evidence of financial need when recommending projects for Government assistance.

In particular it must be established that the school and its community does not itself have the capacity to meet the total cost of the project, either from its own available resources, from current or potential borrowings, or from a combination of both factors. Where a financial need is demonstrated, the level will be the difference between the estimated total cost of the project and the assessed capacity of the school to contribute to that cost. This level becomes the amount of any Australian Government grant which might be recommended.

The application form asks schools to nominate a level of school contribution to the cost of the project. While the CGAC notes the school's own assessment of "contribution" it will make its own assessment of financial capacity using the financial data submitted on the application form and from the audited financial statements. In doing so, the Committee will consider if the school could fund the project from cash resources, future operational surpluses, potential capacity to borrow from financial institutions, fundraising and donations, or a combination of all of these. Having done so the Committee will compare its assessment with the school's contribution assessment, and make a determination of 'financial need'.

The CGAC is required to examine the school's finances over a four year period - the past year, the current year and two future years. If available, the Committee may also

take into account financial data preceding the most recent financial year so that it may gain a better picture of the school's financial history. In addition, current indebtedness is examined together with current and future school building fund levels.

While account is taken of any capital development already underway which will make calls on the school's resources, schools should be aware that they should be deploying any available funds to the current project and not sequestering funds for a project beyond the timeframe covered by the current application.

It is important to note that each school's financial capacity is independently assessed and that subvention levels are not fixed or pre-determined in any way.

In assessing financial need the CGAC adopts the following process:

- (i) it is assumed that any surplus cash (or investments) will be available for the project;
- (ii) it is assumed funds specifically earmarked for capital works (e.g. building funds, capital fees etc) will be available for the project;
- (iii) it is assumed that part of any future surpluses being produced will be available to either pay for intended capital works or debt service a loan for the project. Current levels of indebtedness and the school's capacity to service borrowings are carefully examined;
- (iv) contributions from supporting bodies outside the school are included as part of the school's contribution to the project;
- (v) the value of any land that the school is situated on, whether owned or leased, cannot be considered part of the school's contribution;

Donations: Whilst the support of the community is paramount to most schools and schools may expect donations for capital works to be forthcoming, care should be taken in realistically assessing the quantum and timing of donations to ensure the school is not detrimentally impacted by donations less than expected.

Documents Required: Schools are required to provide the BGA with a copy of their audited 2011 financial statements. Where these have not been provided by 31 May the application may lapse. The school will be contacted if that is the case.

The BGA prefers a set of General Purpose Financial Statements to be submitted with each application. These should be based on Australian Accounting Standards and other mandatory reporting requirements. Specific inclusions will vary from year to year according to ASIC and AASB requirements. These will be communicated to the schools prior to the application opening date.

Financial Viability: The school must also be able to demonstrate to the BGA that it is financially viable, that is, the school must be likely to remain financially solvent and be able to, and intend to, continue to be eligible to receive Commonwealth Recurrent funding at the site of the proposed project for the foreseeable future. The CGAC will use the submitted financial data to assess whether a school may be at risk of becoming insolvent in the timeframe covered by the current project. If this were to

eventuate, this would trigger a breach of the Agreement and potentially require repayment of the grant to the BGA, further putting pressure on the school's financial situation. Schools will be advised if the CGAC considers the current project to be outside the allowable risk parameters set by the BGA Board each year.

- (f) **Estimates of Costs for Application Purposes.** In estimating the cost of projects schools are required to seek professional advice from their architects/quantity surveyors prior to submitting the grant application. Estimates should be produced on a functional area basis. Where such advice is not readily available schools may use the cost estimates produced by the BGA which are included in the application.

The latter are based on school building costs in NSW and provide schools and their architects with current cost estimates per square metre for various school facilities. It should be noted that where a school's cost estimates are significantly different from the BGA's estimates schools will be asked to explain the difference. It is possible that funding may only be granted based on reasonable estimates of construction costs rather than the proposed costs if these are considered too high.

The application form is designed to extract costing data across multiple construction and on-cost categories and these are required to be completed by all applicants. Presenting an application with only a total figure will not be considered acceptable for the Committee to adequately scrutinise the project costs. The school will be advised by the visiting Committee members if this is the case and the application may not progress unless sufficient data is included.

- (g) The proposed project must be consistent with the Australian Government's Program objectives as outlined each year in the document *Administrative Guidelines: Commonwealth Programs for Non-government Schools, 2009 to 2012*

- (h) Funds are not available for facilities:

1. which have religious worship as a principal purpose;
2. in a co-educational school where those facilities will not, as far as practicable, be equally available to male and female students at the school;
3. where retrospective* approval is sought.

*retrospective projects, or projects that have already commenced or have been completed are not eligible for funding

- (i) Grants for capital expenditure will be considered for the following:

1. The planning, erection, alteration, extension, demolition (including asbestos removal) or refurbishment of a building, part of a building or other facility including student residential accommodation, and attached supervisor's quarters;
2. The development or preparation of land for building or other services;
3. The installation or upgrading of water, electricity or any other services;
4. The provision of furniture or equipment, including information technology equipment, where they form a lesser part of a larger capital project;
5. The provision of library materials and the goods for cataloguing a library, where the current project is a library;
6. Teacher accommodation in rural areas;
7. Capital grants to assist students with disabilities;
8. To supplement the construction of projects funded through other

- Commonwealth programs.
9. The purchase of land in special circumstances.

(j) Land Acquisition - Special Circumstances

The *Schools Assistance Act 2012 Administrative Guidelines* state that grants for capital expenditure may be used for..."the purchase of land, with buildings or parts of buildings, or in special circumstances, without buildings."

The use of Capital Grants for the purchase of land without buildings is problematic in that the process can take many months for a grant to be approved by the Minister, during which time the sale price may have substantially increased or the opportunity to purchase the land may have lapsed because action couldn't be taken quickly enough. There have also been instances where the land wasn't actually available and the grant application was purely speculative.

In some cases, the funds allocated to proposed land purchases that did not eventuate were returned to DEEWR. This is regrettable as the funds could have been allocated to schools ready to proceed with constructing buildings.

As the funds available for the 2012 application round for the Capital Grants program are limited, and to avoid the requirement that unused funds returning to DEEWR, the purchase of 'land without buildings' will not be considered except in special circumstances. Each case will be assessed on its merits and you will need to discuss your situation with the BGA office in order to determine if your circumstances warrant special consideration.

(k) Facility Maintenance Plans

The Guidelines require schools to demonstrate to the CGAC that they have facilities maintenance plan in place. A sample plan is available on the BGA website.

B) Priority:

Once the above eligibility requirements have been satisfied, the CGAC has the task of determining a priority listing for the eligible applicants. This difficult task is necessary because the funding available to the BGA for distribution is always less than the demand for grants support.

The Australian & NSW Government guidelines require that a number of factors in determining priority be considered. Eligible projects will be placed in order of priority on the basis of:

- (i) the relative educational disadvantage of the student population of the school with the more disadvantaged being given priority over the less disadvantaged. Educational disadvantage should be assessed on the basis of relative educational outcomes of the students at competing schools. Where this is not possible other indicators of educational disadvantage may be used. The BGA for example examines the relative socio-economic ranking of schools using the SES ranking provided by DEEWR (and used for general recurrent grants purposes).

Schools that cannot be differentiated on the basis of the relative educational disadvantage of their students may have their ranking refined by reference to the

combined effects of the appropriateness of the cost, size and use of facilities in relation to sound educational planning. In determining "appropriateness" the BGA will take into account factors such as geographic and demographic trends, the grade structure of the school, particular curriculum requirements, local area costs and State Government facility area standards.

- (iii) The condition, suitability and number of existing facilities in relation to the level of facilities needed.
- (iv) The relative contribution of the project to the Program's objectives.

The specific Australian Government objectives of the program are:

- provide and improve schools capital infrastructure, particularly for the most educationally disadvantaged students;
- ensure attention to refurbishment/upgrading of existing capital infrastructure, while making provision for needs arising from new demographic and enrolment trends;
- pursue the Australian Government's other priorities and objectives for schooling
- account for all capital funding provided under the Act to meet the expectations of the auditors.

C) Finalisation of Drawings and Costs for Successful Applicants

Having established "eligibility" and "priority" the CGAC then proceeds, in close consultation with each school, to finalise the details of the project plans and costings before making its final recommendation. As each school's application is reviewed they will be advised that they should prepare more detailed costing to ensure the BGA's recommendations to Government are based on accurate information. This process usually involves:

- (i) final determination of the exact facilities to be recommended for funding - this may involve discussion with the school's architect in order to arrive at a precise description of the project. A detailed "scope of works" will be required for each approved project.
- (ii) schools being asked to proceed to "final sketch plans" for the agreed project and to produce updated accurate costings for the project. These costings are to include not only the cost of construction but also the cost of associated fees, services, siteworks and equipment.
- (iii) the determination of the level of grant and an agreed financial contribution from the school that will make it possible for the School Authority to carry out the project.

Having finalised the above, the recommendations of the CGAC are then examined by the BGA Board of Directors before they are forwarded to the respective Ministers for Education for approval.

5. OTHER PROCESSES

School Visits

Members of the CGAC will visit most applicant schools as part of the assessment process. Such visits provide schools with the opportunity to explain their educational needs and

plans to Committee members in the light of their written applications. In rare cases where the project is very straight-forward or where the school's requirements are well known to the Committee (usually following a visit from a previous year) a visit might not be scheduled unless particularly requested by the school.

In general the visit should be regarded as an opportunity for information and advice exchange by school authorities and committee members.

Conditions and Agreements

Under the BGA arrangements the Australian Government requires that a number of formal agreements be undertaken between schools and the BGA. In brief these are:

- (a) Participation in the Block Grant Authority. An agreement as to the conditions associated with participation in the AIS BGA. All schools that have joined the AIS BGA have completed this agreement. The alternative to signing the agreement is to notify a request to be listed by the Catholic BGA.
- (b) Schools Receiving a Grant: An agreement between a grantee school and the BGA is necessary to establish the conditions associated with the acceptance of each Commonwealth or State grant.

The details of each agreement will be provided to schools as appropriate.

Reviews of CGAC Decisions (Appeals)

The CGAC makes recommendations to the BGA Board on grant funding. Should an applicant school consider that its application was not correctly assessed in relation to the guidelines or that it had not been provided with a reasonable opportunity to present its case fully, or that the decision has treated the school harshly, the Independent School Consultative Committee (ISCC) or a delegation of that Committee, is responsible for reviewing the school's application, the CGAC assessment and decision. The Consultative Committee will adjudicate in such cases and convey its deliberations back to the BGA Board. This decision will also be conveyed to DEEWR.

The ISCC is composed of people who are the full time chief executive staff members of the following organisations:

- Association of Independent Schools of NSW
- Christian Schools Australia
- Christian Education Network
- Coordinating Committee of Jewish Day Schools
- Seventh Day Adventist Education System
- NSW Parents Council
- Rudolf Steiner Education Schools
- Sydney Anglican Schools Corporation
- Islamic Council of NSW

Forward Funding

Applicants under the Program should be aware of the "forward funding" nature of the program. Because of the long lead times involved with the Capital Grants Program due to a

relatively long and complex assessment process, time delays associated with preparing plans and calling tenders, and the time required to actually to build the approved projects, the Australian Government has adopted a policy of committing funds up to three years in advance. The majority of grant monies offered to applicants in the current round will be from funds which will not become available until a later year. Thus most successful applicants, who would normally receive approval from the Government Minister early next year, would then commence construction during the latter part of that year, might not receive their actual grant funding for one to two years.

This time delay may require schools to enter into finance arrangements for the period between the time of construction and the time of the grant receipt(s).

Cost Overruns and Redefinitions

The AISNSW BGA has adopted a policy of fully committing the majority of all available funds each round in an attempt to assist as many schools as possible. As a result, excess funds are minimal. Requests from schools for reimbursement of "cost overruns" or "redefinitions" will only be considered when it can be demonstrated that increases were unavoidable and could not have been foreseen by sound planning, adequate investigation or prudent estimation by the school. In addition such requests will be subject to competition with other applications for available funds.

Schools, and their architects, should be particularly careful therefore, when estimating final costings to be submitted to the BGA at the final sketch plan stage (i.e. the costings included in the recommendations made to the Australian or NSW Government). **These costings should be as accurate and as comprehensive as possible and should include any likely increases anticipated before construction actually commences.**

Normal Payment Schedules for BGA Grants

Offer and Acceptance of Grant	Payment Frequency	First Payment	Subsequent Payments	Final Payment
Offer from Minister	Payments normally made over 3 year period	Once school has spent its contribution, the BGA will make an initial payment commensurate with project size, grant amount, and level of completion.	Subsequent payments made at periodic intervals dependent upon data in monthly progressive expenditure statements.	Final payment made when acquittal documents received
Submit working drawings and final costings				
When plans are approved, complete tender requirements				
Once tender results approved, execute BGA Agreement				
Demonstrate commitment by entering into contract with Builder				

Contact Information:

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CAPITAL GRANT APPLICATION PROCESS

Date (2012)	Activity
Monday 16 January	Capital Grants Program applications available at www.aisnsw.edu.au
February/March (TBA)	Sydney and country CGP Briefing Sessions – registration of interest to wgodden@aisnsw.edu.au
Friday 30 March	Closing date for application submission.
May – August	Capital Grants Committee delegates visit all schools to discuss project and finances and finalise details of the project. Visit dates will be circulated on BGA Newsletters to schools.
June – September	Capital Grants Committee delegates table visitors’ reports to the full committee for discussion and formulation of funding recommendations.
30 September	Recommendations are submitted electronically by AIS BGA to DEEWR/NSW DET.
December 2012 – January 2013(T.B.C.)	<p>a)DEEWR checks submission and submits to the Minister for approval.</p> <p>b)DEEWR advises successful schools.</p> <p>c)DEEWR advises AIS of successful schools</p> <p>d)AIS provides ‘in principle’ offer of funding to successful schools NB: no construction contract should be signed by the school until a BGA Participant (Capital Funding) Agreement has been negotiated between the school and the AIS BGA.</p>