MINISTRY OF EDUCATION
Te Tāhuhu o te Mātauranga

Association of Proprietors of Integrated Schools

Policy One Guidelines

Introduction

- These guidelines set out how Policy One funding should be spent by Proprietors of integrated schools and the processes for managing this expenditure.

- Proprietors who own integrated school property are responsible for capital work while Boards of Trustees are responsible for routine repair and maintenance of the property.

- It is the Proprietor's responsibility to ensure that Policy One funding is spent in accordance with these guidelines.

Background

- The Proprietor and the Minister have signed an integration agreement for each of the Proprietor's Schools.

- Under each school's Integration Agreement the Minister has an obligation to the Proprietor to maintain the school's integrated premises in a state of repair as for a comparable State school. The Minister and the Proprietor agreed in Supplementary Agreements for each school that this obligation is discharged annually in two ways;

  i) by the Minister funding the Board of Trustees of the School to carry out a certain part of the maintenance of the School premises; and

  ii) by the Minister paying a sum of money to the Proprietor for the Proprietor to carry out that part of the maintenance of the school premises not required to be undertaken by the Board of Trustees of the School.

- The funding paid by the Ministry of Education as per (ii) above is referred to as Policy One funding.

- The Proprietor has agreed with the Minister in terms of the supplementary agreement for each of the Proprietor's Schools as follows :

  - 4.1 The Proprietor must on receipt of the Sum in each year undertake the maintenance of that part of the School premises not required to be undertaken by the Board of Trustees during the course of that year to the standard to which the Crown maintains comparable State schools.

- 4.2 The Sum shall be applied to meet the obligation in clause 4.1. After the obligation in clause 4.1 has been met in full and if there is a balance of the Sum remaining the Proprietor may apply the balance in the following ways:
    - 4.2.1 to capital works or other purposes directly related to the School;
    - 4.2.2 to maintenance, capital works or other purposes directly related to any other integrated school.

- It is understood and accepted that where a Proprietor owns more than one school, or in the case of a Cooperative or Diocese, that Policy One funding may be pooled. Policy One capital development plans, which form part of the school's 10 Year Property Plan (10YPP), and accounting records need to reflect this.

- Proprietors with more than one school acknowledge that schools have different needs, which will be reflected in the distribution of Policy One funding. Allocations to schools will vary from year to year.

Policy One

Policy One funding is often also referred to as either major maintenance or capital replacement funding.

Policy One funding can be used to upgrade and modernise existing land, buildings and associated facilities that have been integrated. Policy One funding cannot be used for routine repair and maintenance which Boards of Trustees are funded for through their operating grant. The Ministry of Education's capitalisation threshold ($5,000 from 2010) distinguishes repair and maintenance from capital upgrade work.

It is essential that Proprietors and Boards of Trustees have long-term property plans that co-ordinate capital development and maintenance spending, thus optimising the use of both funding sources. The Board of Trustees must prepare and deliver to the Proprietor, on an annual basis, a rolling ten year maintenance plan to assure the Proprietor that the Board of Trustees is meeting its maintenance obligations. The Proprietor, in consultation with the Board of Trustees, will prepare a rolling ten year policy one capital development plan to be updated and signed and/or published on an annual basis.

Similar to State non integrated schools, the priorities for Policy One expenditure are to address health and safety matters, maintain essential infrastructure and provide modern learning environments.

Examples:

Examples of Policy One expenditure that upgrade and modernise existing land, buildings and associated facilities are:

- Any unforeseen capital works that have to be completed urgently for health and/or safety reasons;
- Replacement of parts of buildings and services such as roofing, sewerage and heating systems;
- Modifications for special needs children enrolling at a school including those required as a result of a Confirmatory Report from the Ministry of Education Special

Education Group (as opposed to general access for the disabled which is an integral cost of a new building project);

- Replacement, to Ministry of Education standards, of buildings and associated facilities that have reached the end of their useful life;
- Upgrading and replacement of site features such as hard courts, car parking and fencing;
- Information communication technology (ICT) and telecommunications infrastructure[1];
- Reinstatement of facilities arising from a catastrophic loss, such as fire, flood and earthquake, but excluding vandalism, but only where the cost of reinstatement is not covered by the proprietor's insurance[2]; and
- Modernisation/refurbishment of existing buildings, including work incidental to such projects, like territorial local authority requirements to make a building compliant with the NZ Building Code.

This is not a definitive list, therefore any projects about which there is uncertainty should be discussed with APIS/NZCEO and the Ministry of Education.

If, after the obligations in clause 4.1 of the Supplementary Agreement have been met in full, there is Policy One funding unspent then the Proprietor may apply the balance as per clause 4.2 of the Supplementary Agreement.

Accounting Treatment

Policy One funding is paid quarterly by the Ministry of Education to the Proprietor at a rate set annually. Clause 5 of each school's Supplementary Agreement to the Integration Agreement details this calculation.

It is the responsibility of the Proprietor/Diocese/Cooperative ('the Proprietor') to maintain accounting records detailing the Policy One funding received and expended in any one year. These records must be on a per school basis (in the case of Diocese or Cooperatives these may be sub accounts with separate Policy One income and expenditure codes) – this may be via the Proprietor accounting package, or a separate spreadsheet.

Income

All Policy One funding received must be paid directly to a Proprietor nominated bank account and coded to a specific Policy One Income ledger account.

For those Proprietors with more than one school funding needs to be allocated on a per school basis across the individual school accounts. This allocation is to be supported by Ministry of Education documentation detailing the payment.

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[1] Where such work is an integral part (fixture) of a building. This definition includes cabling, trunking for the cabling, wall sockets and hubs. Servers, switches and anything connected to the hub such as terminals and printers are considered equipment. Any form of wireless technology is also considered equipment.

[2] The use of Policy One in this way does not absolve the Proprietors from the responsibility to insure the school's buildings. It is for where the asset being reinstated is not usually covered by insurance.

Goods and Services Tax (GST) should be accounted for on receipt of the funding.

Expenditure

When Policy One work is contracted out the contractor has to be advised that all invoices will require detail regarding the site being worked on and the nature of the work undertaken (unless it is a large project where practical completion certificates will be available to support charges). This will assist the auditors in determining if the work is being undertaken on an integrated building or associated facilities and if it falls within the definition of Policy One in terms of the Supplementary Agreement. If detail is not provided by the supplier/contractor it needs to be noted on the invoice by the office personnel overseeing the Policy One work. Invoices need to clearly identify the Policy One component of the total expenditure.

All payments for Policy One related work need to be supported by an invoice and coded to the relevant Policy One expense ledger account.

Unspent Policy One funding carried over to another financial period must be reflected in the financial statements of the Proprietor, consistent with their accounting policies.

All expenditure must be accounted for back to the individual school account to which it relates.

Audit Requirements

As per clause 6 of the Supplementary Agreement to the school's Integration Agreement, the Ministry of Education has the authority to audit the income and expenditure of Policy One on request:

> "6.1 The Minister may by notice to the Proprietor, require the Proprietor to supply to the Minister any information including but not limited to accounting or banking records in the possession or control of the Proprietor ... relating to the performance of the Proprietor's obligations under the Supplementary Agreement."

On this basis the Proprietor needs to be able to provide the following information:

- Total Policy One funding received by the Proprietor by financial year
- Total Policy One expenditure by financial year
- Policy One funding allocated to individual schools by financial year
- Policy One expenditure by school by financial year
- Detailed invoices to support Policy One expenditure
- Reconciliation of school sub accounts back to total Policy One received and expended by financial year
- Documentation of the accounting process to support the receipt and payment of Policy One funding, including the approval process for invoices received
- Rolling ten year Policy One capital development plans to support the programmed work currently being undertaken and that forecasted on a per school basis

It is recommended that Proprietors consider requesting their auditors, as part of the annual audit process, to review, with regard to the above guidelines, the internal controls and processes associated with accounting for Policy One funding.

The Inland Revenue Department requires all accounting records to be kept for a minimum of seven full financial years.

These guidelines have been formulated by the Ministry of Education and the Association of Proprietors of Integrated Schools.

Paul Burke

Paul Burke
Group Manager Property
Ministry of Education

Patrick J. Lynch
Chief Executive Officer
Association of Proprietors of Integrated Schools

31 March 2010

Date