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Te Puna Waihanga – National Attendance Dues Pool

Guidance Notes

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Updated May 2024 for Funding Policy section - addition of Bridge Funding guidelines

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Background

Te Puna Waihanga – National Attendance Dues Pool (TPW) is a scheme that was established in 2022 to provide funding support to Catholic schools within the state-integrated education sector in New Zealand. TPW is an update to the National Attendance Dues and Capital Indebtedness Sharing Scheme initially established in 2004. TPW was formed under the stewardship of the NZ Catholic Education Office (NZCEO) and participation is offered to all proprietors of Catholic state-integrated schools on the basis of elective participation.

The scheme provides the mechanism for utilisation of attendance dues collected in accordance with the Education Act (2020) for the purposes intended by legislation in such a way that supports national objectives for the sector. The scheme is not a fund which provides loans, but rather a scheme which provides cashflow for debt servicing. There are several lenders available for proprietors. Further information is available on request.

Proprietors electing to participate in the scheme entered into a Master Agreement with NZCEO. The Master Agreement sets the framework for Te Puna Waihanga and identifies a number of principles under which the scheme shall operate.

Schedule 2 of the Master Agreement documents the key principles of the scheme, along with eligibility criteria, means of prioritising applications, timing, reviews and moderation processes. Provision for an appeals process is included and clarity is given on the use of funding for insurance premium costs.

The key principles included in Schedule 2 are:

a) eligible projects will be prioritised on a common-good basis using a National Ten Year Growth Plan,
b) decisions will be made against the key priority considerations published in Schedule 2 so that there is transparency as to the relevant considerations,
c) decisions will be made using information that is up to date and fit for purpose, and
d) the process will be underpinned by transparency, strong communication, moderation and regular reporting.

Schedule 2 also includes three broad processes to support administration of the scheme, including the determination of both eligibility and priority as well as a process of annual review of Proprietors Ten Year Property Growth Plans.

The Master Agreement discusses eligibility and prioritisation but is not prescriptive in terms of the way in which applications might be presented for assessment, and what information might be provided to meet the requirements of transparency and moderation.

The Master Agreement could be seen as providing an aspirational framework in that an assumption is provided that all qualifying applications will receive funding, albeit not always to the desired timing. For the scheme to succeed the sector may need to accept two further parameters:

a) that the collection rate for Attendance Dues, which provides the source of funding, needs to be managed by Proprietors to continue to deliver a level of funding required to support the scheme, and

b) that applications for the utilisation of funding need to be made from a sustainable base. Applications which respond to perceived demand, not demonstrable through data, should be delayed until such time as demand can be proven as sustainable in the long term, if such demand exists.

Across the sector there may be Proprietors who have had only limited exposure to property calculations and entitlements and are not accustomed to preparing applications for the utilisation of debt servicing capacity. Proprietors may benefit from guidance as to what to include in an application and how to access and interpret relevant information in support of their application. The provision of guidance is consistent with the key principle of using up to date and fit for purpose information to enable decision making.

The objective of this document is to provide guidance on the processes for submission of growth plans, applications and funding drawdowns to TPW.

Qualification Criteria

Schedule 2 of the Master Agreement provides that funding can only be allocated to work that is considered a lawful use of Attendance Dues as described in the "National Interpretation of Attendance Dues" document which is appended to the Master Agreement.

Qualifying projects are broadly of three categories:

1. roll growth, including both the development of new schools as well as the provision of additional or incremental teaching spaces at an existing school, and
2. schools where a School Property Guide (SPG) deficiency exists,
3. land acquisition, to support network growth.

Regardless of category the underlying qualification criteria is the SPG entitlement for the particular school site. Hence a comprehensive understanding of SPG calculations and entitlements is required in order to ensure a qualifying application can be made to Te Puna Waihanga.

For clarity, Schedule 2, clause 1.2 (g) states:
"*Te Puna Waihanga will not fund any project work that is capital maintenance, end of life replacement, involves a non-integrated building, or work that would lead to the school having facilities that are above SPG and/or over the Ministry of Education new build specifications*".

Roll growth projects are seen as priority projects.

<u>Qualifying Scenarios</u>
The broad definitions of qualifying work can be expanded by identifying possible scenarios under which an application may occur.

1. New School

   This would be an infrequent circumstance and could be expected to have been in discussion with the Ministry of Education over an extended period of time. Any application for funding of a new school would be expected to include evidence of extensive discussions with the Ministry and an acknowledgement or acceptance of the Crown's willingness to support a new school site.

   Although an early indication of funding requirement to TPW would be expected an application which includes SPG calculations and project costings should be made as part of an initial application.

   The establishment of a new school should qualify for Policy Two funding from the Crown. Policy Two funding is provided specifically to support network growth and availability may indicate the Ministry of Education's view as to the imperative of the new school. If Policy Two is available it would be expected to be insufficient to cover the full costs of construction and 'top up' support could be expected from TPW.

2. Maximum Roll Increase

Application may be made to the Ministry of Education for an increase in the maximum roll of an existing school. Such applications require the Proprietor to indicate whether the project requires Policy Two funding in order to proceed.

Regardless of whether Policy Two funding is sought and/or achieved it is likely that additional funding from TPW would be required to complete the project as the quantum of Policy Two funding would in many circumstances be inadequate to cover the full cost of providing new teaching spaces.

3. New Teaching Spaces

A school may be operating under a maximum roll without having the necessary number of teaching spaces/area to achieve full enrolment. Additional or incremental teaching spaces/area, and associated support space, may require funding through TPW.

4. SPG Deficit

Similar to the preceding scenario, a school may have a deficiency of space against the SPG entitlement for their current roll. This may have arisen for a number of reasons, including:

- Earlier increases in teaching spaces, without related increases to admin, resource, library, gym or multipurpose space.
- The addition of one or two teaching spaces at a school is unlikely to require a related response to increase the capacity of support spaces. However, if successive projects to add teaching spaces occurs without including upgrades or extensions to the support spaces a more significant SPG deficit will arise.
- Teaching spaces may have been provided at historic sizings leading to undersized teaching spaces against current SPG entitlement.
- Buildings may have been designed with minimal 'gross' area, possibly with external walkways or circulation space, toilet facilities may be provided in ancillary buildings, etc. This could lead to an underutilisation of gross SPG (although would have no impact on the net SPG). This scenario does not require any response unless another imperative arises.

Priority will be given to deficiencies at a 'net'[1] SPG level, in preference to a 'gross' SPG. However, any approved debt servicing funding is calculated on a gross basis.

[1] 'Net Area' is the useable square metres within the building such as classrooms, administration area etc. Foyers, corridors and hallways, toilets etc are not included in the 'Net Area' 'Gross Area' is the area (in square metres) of all of the exterior walls of a building.

Utilisation of Te Puna Waihanga funding

A project to develop a new school will require Policy Two or TPW funding to cover all costs, other than any funding which the Proprietor provides independently of education sources. Policy One is not legally available for the development of a new school.

All other projects, including maximum roll increase, may have a component to which Policy One can respond. In the case of a maximum roll increase the use of Policy One funding may occur if the project seeks to provide roll growth classrooms and replacement of existing classrooms (either due to end-of-life issues or masterplanning of the site) concurrently. Similarly additional classrooms and responses to SPG deficits may also require Policy One funding to be utilised in conjunction with TPW funding.

When a project includes replacement of end-of-life building stock and partial funding will be provided from Policy One consideration should be given to both the scale of the project and the quantum of cost involved before making an application to TPW. A Proprietor should consider whether full funding can be provided from Policy One. Utilisation of Policy One, where appropriate and scale and quantum allow, will ensure that the Proprietor can proceed with the project to the Proprietors identified timeframe, rather than being dependent on TPW funding availability. If the Proprietor is not able to access sufficient Policy One funding, either in the schools name or from any pooled Policy One funds, an application to TPW can be considered.

For example, if a project to replace 4 undersize, end-of-life teaching spaces is identified and the new classrooms will be 20% larger in size an application could be made to TPW for the 'growth' portion. However the quantum of cost and scale overall may be such that the full cost of the project can be funded from Policy One. The project may be able to progress at the Proprietors determined timing by utilising Policy One rather than waiting on 20% top up through TPW.

Availability of Te Puna Waihanga

In all cases TPW may not have capacity to respond to the Proprietors desired timeframe. The Proprietor may choose to:

1. Provide bridging finance for a period until TPW is available. There are many ways for a proprietor to bridge finance a project. Advice should be taken from NZCEO regarding the use of Policy One as bridging finance for growth projects as careful management of obligations for Policy One compliant use will be required.
2. Delay the timeframe for the project.

The need for ongoing updates to project timeframes by all Proprietors is critical to ensure that TPW is in a position to respond to the demand for debt servicing, allowing NZCEO Finance the opportunity to plan and communicate availability and timing.

Sustainable Demand

Projects which would qualify for funding through the scheme should demonstrate the sustainable nature of proposed project.

For example, if an application for maximum roll growth is to be pursued, and funding from TPW to be sought, the Proprietor should be able to demonstrate an underlying demand or need for the additional space. This may involve the provision of annual school roll data, and forecasts, which demonstrate a sustained demand for additional space. Achievement of full enrolment for the current maximum roll does not indicate an increased demand in the future.

An evaluation of the waiting list at a school should be undertaken as part of determining the need for additional/new spaces. The waiting list should be assessed for preference vs non-preference requests for enrolment. Where a school has already enrolled to the maximum level of non-preference positions the waiting list should be adjusted so as to remove the number of non-preference applications.

Consideration of the need for a sustainable response to roll growth will ensure that the scheme is able to respond to all instances across the network.

The approval of roll growth applications have implications for surrounding schools, both within a Diocese region and, on occasion, beyond the Diocese area. There is merit in Proprietors consulting across their relevant Diocese region to ensure there is a need at a regional level for the increase in teaching space supply. An indication of Diocese support should ideally be included with an application to Te Puna Waihanga, however should such consultation not take place it could be expected that such critique will be applied at a national level.

Site Plans and School Property Guide (SPG)

Underlying the qualification for use of attendance dues debt funding through TPW is the School Property Guide (SPG) entitlement for a school.

The Ministry of Education have determined a metreage of spaces, or SPG entitlement, for schools to operate, based on the student roll. The calculation applies across both the state and state-integrated sectors. The calculator tool is available to the public through the Ministry of Education website.

Metreage is split between categories such as teaching area, library, admin, resource, gymnasiums and multi-purpose space. These areas are known as net areas. An entitlement to further space in order to accommodate changing rooms/toilets, cleaners facilities and general circulation/foyers/hallways is also provided. The total of the net space and the additional amenity is known as the gross area.

Buildings can be 'integrated' up to the value of the SPG entitlement for the schools maximum roll. The buildings will then be known as integrated buildings and will receive maintenance funding, paid directly to schools, as a Property Maintenance Grant (PMG). Policy One maintenance funding paid to the Proprietor is not reflective of building mass, but rather school roll data. Both PMG and Policy One are limited to use on integrated buildings. Non-integrated building maintenance must be funded from alternate sources.

SPG data is founded on the measurement of buildings provided on a school site, for use in the delivery, and support of the NZ education curriculum. Proprietors are required to maintain site plans (drawings of the site and buildings to scale) which capture the placement of buildings on a site, known as the integrated area. Buildings within the integrated area of a school are measured and net and gross metreage established.

Proprietors are required to maintain current records with the Ministry of Education. When a change to an integrated building or the integrated land occurs on the site, a request for a site plan update (SPU) is made to the Ministry of Education. On acceptance of the request, and confirmation of measurements and entitlements, the Minister for Education and Proprietor will execute a supplementary deed to the schools integration agreement.

Measurement data collected during the SPU process is entered into the K2 system by the Ministry of Education and creates/maintains the metric of 'Actual SPG' for a site.

Applications for TPW funding is based on SPG data. The verification of SPG entitlement and confirmation that the records held by Ministry of Education are accurate is an imperative when applying for funding.

School Property Guide (SPG)

The Ministry of Education website provides a link to the Property Portal where the SPG calculator can be accessed. Data for a school is available on entering the schools name or MOE identifier. No login is required.

The space entitlement is provided in square metres, based on the most recent 1 July school roll at a school. The entitlement is shown by space type and provides a total net allowance as well as a gross allowance.

Example:

School Area

	ACTUAL	ENTITLED	FORECAST
Classroom T/S (excl gym)	21	19	23
Classroom Area	1,419	1,443	1,743
Gymnasium Area	0	0	0
Library Area	100	71	78
Administration Area	238	208	229
Resource Area	200	102	108
Hall / Multi-purpose Area	0	242	290
Other Area	0	-	-
Legitimate Area	0	0	0
Total MOE Net Area	1,956	2,066	2,448
Circulation / Toilet Area	330	-	-
Total MOE Gross Area	**2,286**	**2,686**	**3,182**

Actual School Area Surplus / Deficit

	ACTUAL	ENTITLED	+ / -
Classroom T/S	21	19	2
Net Area	1,956	2,066	(110)
Gross Area	2,286	2,686	(400)

Forecast School Area Surplus / Deficit

	ACTUAL	FORECAST	+ / -
Classroom T/S	21	23	(2)
Net Area	1,956	2,448	(492)
Gross Area	2,286	3,182	(896)

The tool reports entitlement based on the 1 July school roll. This does not reflect the maximum roll for the school, unless the actual roll is at maximum roll level. A forecast function is available in the tool to allow adjustment to the maximum roll for the school, if required (the example above has used the forecast function).

The SPG entitlement shown in the tool as 'Entitled' or 'Forecast' (when a calculation has been required based on maximum roll) is compared to the 'Actual' measure to determine the extent of SPG deficit. Deficits at a specific space level (eg. resource) does not require a response unless the same deficit exists at the total net level. An application to TPW would be expected to show a deficit at net level.

In the above example the school has an SPG deficit of 2 teaching spaces, 492m^2 net area and 896m^2 gross. The school has a deficit of 324m2 of teaching area and an oversupply of space for the library, admin and resource areas. No hall is provided as the school use the parish hall. The school requires 2 teaching spaces to achieve the maximum roll. Each teaching space should measure approximately 75m2 so the total space required would be 150m2. As no response is required to any other type of space an application should be for the cost of constructing 150m2 of net space and an appropriate amount of gross space (this may be dependent on whether toilets, internal circulation, etc are to be provided but as a guide gross would be expected to be 195m2 applying a pro-rata calculation of net/gross ratio). This would leave a teaching area deficit of 174m2 which should be used in the future for replacement of the undersized teaching spaces. Overall the school would still have a net SPG deficit of 342m2 and a gross deficit of 701m2.

This example demonstrates some of the complexity of SPG entitlement calculations.

Confirmation of SPG data

The Proprietor should review the current Site Plan Update (SPU) drawings applicable to the school for which TPW funding is sought to ensure no further undocumented changes have been made on the site.

For clarity the 'current' plans would be those attached to the last Supplementary Agreement for a Site Plan Update. The plans should show the initials or signature of the Proprietor and the Crown. Should the Proprietor be unable to access the most recent SPU, or is unsure whether they hold the current set enquiry can be made to the NZCEO office for a copy. SPU's are also available through the Ministry of Education website however the files are sometimes found to be incomplete.

Ideally the Proprietor would certify that the current SPU is correct as at the date of the TPW application. The certified SPU should be submitted as part of the TPW application.

If the Proprietor confirms the SPU as current it can be assumed that the SPG data available through the online calculator will be correct.

Evidence of SPG entitlement

Once the current 'actual' SPG position is confirmed it can be compared to the SPG entitlement for the maximum roll.

The difference between the entitlement for maximum roll, either current or proposed (where an application for a maximum roll increase has been made) and the actual SPG is the deficit.
Details of the project should be disclosed that discusses the extent to which the SPG deficit is to be utilised. It is not necessary to utilise the full extent of the SPG deficit.

If the proposed project involves changes to, or replacement of, existing buildings the details of affected buildings should be provided.

The most transparent method to demonstrate site changes may be to provide a schedule such as the following example.

SPG Changes Proposed

Block ID	Block Name	Update Type	Indicative Area			
			Old Net	New Net	Old Gross	New Gross
G	Gymnasium	Demolition	565.70	-	664.00	-
K	Pavilion	Demolition	226.40	-	354.00	-
V	Relocatable	Demolition	80.70	-	87.80	-
W	Gymnasium	New Block	-	1,365.00	-	1,680.00
			872.80	**1,365.00**	**1,105.80**	**1,680.00**
Changes			**Net**	**492.20**	**Gross**	**574.20**

	Net	Gross
Current measure before project	5,451.00	6,473.00
Net Change (from above)	492.20	574.20
Proposed measure at project completion	**5,943.20**	**7,047.20**
SPG Entitlement for maximum roll	**6,070.00**	**7,891.00**
Remaining SPG deficit for future use	**126.80**	**843.80**

Details of individual buildings/blocks are available from the Ministry of Education K2 system (login is required) or on request to the Ministry of Education.

It is accepted that at the early phase of a project the Proprietor may not have precise data on the metreage of the new building. However, if an application is to be made to TPW, the Proprietor should consider the scope of the project in sufficient depth to identify an estimated metreage for construction.

Applications to TPW which do not identify site changes, SPG entitlement and a project scope would not comply with the requirement for transparency.

If a Proprietor wishes to construct a building which cannot be delivered within an existing SPG deficit, or within a proposed new maximum roll SPG deficit, the extent of the additional space will need to be ‘non-integrated’. The calculation as to the non-integrated portion of the building is dependent on the ratio of net to gross for the building and requires careful calculation to ensure the new building can be integrated as intended. Consultation with the Ministry of Education may be prudent when establishing the extent of integration prior to making application to TPW. The non-integrated portion of the building cannot be funded through TPW and alternate Proprietor funding will be required.

10 Year Growth Plans

The Master Agreement requires the Proprietor to provide a 10 year growth plan and to then update it on an annual basis.

The Proprietors 10 Year Growth Plan should capture projects, by school, which are anticipated during the 10 year period. The identified projects should comply with the criteria for TPW funding (as included in the Master Agreement and earlier section of this document). The Proprietors 10 Year Growth Plan must be lodged with NZCEO by the end of May each year in accordance with clause 1.7 of Schedule 2 to the Master Agreement.

NZCEO will update the National 10 Year Growth Plan using input from the Proprietors during June in each year with a meeting held later that month involving representatives from Proprietors. After confirmation of the funding plan Board approval will be provided in July.

NZCEO will provide a spreadsheet to be populated with the required data. Additional information, as suggested in the following section, should supplement the summary information provided in the spreadsheet format.

Prioritisation of Projects

Schedule 2, clause 1.3 of the Master Agreement discusses the prioritisation of eligible projects. Clause 1.3 (a) states:

'Every genuine project that qualifies in terms of eligibility in accordance with clause 1.2 of this Schedule 2 (Eligible Project) can be assured of Funding."

The clause goes on to clarify that funding may however not be available to match the Proprietors timeframe for project delivery due to the demand for funding.

Prioritisation may currently be assessed on the following basis:

1. The current roll of the school and roll pressure over time,
2. The current and projected waiting list of preference students,
3. The timing of roll growth,
4. Demographic growth in the catchment area and the likely pressure on the state/state integrated and Catholic school network,
5. Impact on the operation of the school and wellbeing of students and staff, and
6. The timeline for the project to proceed.

These criteria may be adjusted over time.

The current criteria listed above may be perceived to promote roll growth projects over the resolution of SPG operating deficiencies. As already discussed in this document Proprietors should consider resolving SPG deficiencies through the use of Policy One funding where this is possible and where the impact on Policy One funding is not of a material nature. Proprietors remain encouraged to submit an application to TPW for funding to respond to SPG deficiencies where such a need exists. Roll growth projects should be carefully considered over an extended timeframe to ensure that network funding is applied in areas where a long term need can be demonstrated as sustainable. Moderation by the sector can be expected to include exploration of sustainability of roll growth projects.

Applications

Proprietors should prepare project applications in conjunction with development of the 10 Year Growth Plan. Both the growth plan and application, or updated application should be submitted together.

Placeholder applications, where a value is attributed to a project without any supporting calculations or documentation, do not provide the required level of transparency or allow moderation and should not be made.

The detail included in an application will be dependent on the phase of the project. If the project has not commenced there will not be any financial estimate available. If the project is already in construction an executed contract will be available. Applications can be made relying on information available from other projects but should be clear that assumptions have been made at the time of application lodgement. As project specific information becomes available the application information should be updated.

If a Proprietor has not engaged in recent projects which may provide costing information the Proprietor may make contact with their Diocese office for guidance on the region's construction and project costs.

Schedule 2, clause 1.2 (c) of the Master Agreement provides details of the category of costs which would qualify for funding through the scheme.

The following guidance is provided by project phases.

1. <u>Project Identification</u>

   In the first instance a need will be identified which requires a response. This need will be consistent with the qualifying criteria for TPW funding.

   An initial project scope should be developed identifying the need and the required SPG response, along with any other sources of funding (Policy One, Policy Two, proprietor funding, etc.).

   This information can then be collated into an application.

   In the absence of a design financial costings will not be available. If the Proprietor holds relevant information on a similar project the financial costings may be used to inform the new project. If the Proprietor does not hold relevant information advice should be sought from a reputable source as to the likely costs (see comments below).

   Cost estimates should be established for construction (including square metre cost), demolition and site works costs, consents and consultants.

Reputable sources may include other Proprietors who have undertaken or costed similar projects, the relevant Diocese office, or NZCEO (on the basis they hold submissions for similar projects).

If funding for the cost of land is to be included in the application it is likely that the cost will be known. This can be included in the application and noted as an actual cost incurred.

A submission can be made using the data collected to allow NZCEO to moderate the application and include it in the National Growth 10 Year Plan.

2. Early (Concept) Design

   In order to advance a concept design the Proprietor will have determined the scope of the project, including identification of the bulk and location of the new building. At conclusion of this design phase a Quantity Surveyor estimate should be possible.

   At this stage in the project life cycle the application could be updated with new costings, SPG data and timeframe for delivery.

3. Advanced Design Stages

   During the final stages of design, in the lead up to a building consent lodgement, further QS estimates may be sought. As new cost estimates become available the application can again be updated. Ongoing review of the SPG data can also be undertaken to ensure that the scale of the project continues to qualify for TPW funding.

4. Construction

   At the time of awarding a contract for construction of the new building a more accurate account of true costs should have become apparent. Whilst not final until the construction phase is complete further clarity will be available during this phase. The application details can again be updated.

5. Post Construction

   At completion of construction the actual project costs will be available. Final costings can be provided to support the drawdown of funding.

   Funding can be made available during the life-cycle of a project. Refer to page 16 of this document for the drawdown process and requirements.

The intent is that applications are submitted as 'live' documents with ongoing updating of information as it becomes available.

Funding Drawdowns

NZCEO have developed a document which provides clarity on the requirements of drawdown requests. The document is included in this guideline for the purposes of expediency and completeness.

Document follows.

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Te Puna Waihanga – Funding Policy

(reviewed May 2024)

Debt Servicing

The cost of building new school property is expensive, so most proprietors borrow money to pay for these large projects. It is similar to borrowing from a bank to buy a home.

Funding of eligible projects by Te Puna Waihanga (TPW) is provided by way of debt servicing loans. Debt servicing is a process by which grants are made available to Participating Proprietors to match debt servicing needs in accordance with this Funding Policy.

Term of Loans accepted in for Debt Servicing

25 years[i]

Interest Rates on Loans accepted in for Debt Servicing

Interest rate equal to or less than the Ordinary Rate of Interest[ii] at the time.

Interest rates should be fixed for a period of three years, rolling on renewal[iii].

Where a Proprietor borrows at a rate greater than the Ordinary Rate of Interest, or where under an existing loan facility the interest rate is altered and as a result is greater than the Ordinary Rate of Interest, it is the responsibility of the Proprietor to fund the shortfall between the approved Ordinary Rate of Interest and the actual interest rate charged.

Type of Loan

Loans should be structured with interest calculated on a declining balance method[iv] (table loan) and equal monthly payments. All debt servicing payments will have a principal and interest component.

Sources of loan funding

There are three sources[v] of funding for debt servicing:

Borrowing from NZCEO Finance Limited

For a period of 25 years at the Ordinary Rate of Interest; reviewable as per the loan agreement

Borrowing from External Banks

For a period of 25 years at an interest rate equal to or less than the Ordinary Rate of Interest at the time. The interest rate to be fixed for a minimum period of three years rolling. When the interest rate is reviewed it will still need to be equal to or less than the Ordinary Rate of Interest at the time.

Borrowing from Proprietors/CDFs

For a period of 25 years at an interest rate equal to or less than the Ordinary Rate of Interest at the time. The interest rate to be fixed for a minimum period of three years rolling. When the interest rate is reviewed it will still need to be equal to or less than the Ordinary Rate of Interest at the time

Commencement of Debt Servicing

Projects under $1million

The commencement of debt servicing is on the completion of a project in total.

Evidence to support total project costs

- Practical Certificate of Completion signed off by the Project Manager/Quantity Surveyor/Architect
- Supporting evidence of payments made (for smaller projects – copies of invoices; for larger projects – Project Manager/Quantity Surveyor/Architect project drawdown report or payment certificates)
- Loan agreement
- Loan amortisation schedule

Projects over $1million[vi]

The commencement of debt servicing for projects over $1million can be either on the completion of a project in total (as noted above) or as loans are drawn down against progress payments. After the progress payment has been made by the Proprietor they can then apply for the funding or for the debt servicing of that component to commence. A copy of the loan agreement will need to be provided at the first draw down. Where a loan is drawn down against progress payments an updated amortisation table is to be provided at each draw down.

Evidence to support progress paid project costs

- Supporting evidence of payments made – signed Project Manager/Quantity Surveyor/Architect project drawdown report or payment certificate confirming:
  - The amount to be paid out, exclusive of GST.
  - The cost to complete the construction of the project and payments made to date.
  - That the contractors, sub-contractors, suppliers and creditors involved on the project have been paid.
  - That all legislative, regulatory and local body consents and approvals have been complied with and remain (and will remain) in full force and effect.
  - That Practical Completion will, in the opinion of the Project Manager/Quantity Surveyor/Architect, occur by the originally forecast date and any extensions of time have been approved by the Project Manager/Quantity Surveyor/Architect.
  - That all insurance in relation to the project is adequate and in full force and effect and that all relevant premiums have been paid.
  - That a completion bond is in place.

- Loan agreement – for first draw down only
- Loan amortisation schedule
- Practical Certificate of Completion signed off by the Project Manager/Quantity Surveyor/Architect – for last draw down only

Proprietor Bridge Funding

The idea of the proprietor bridging finance section of the TPW agreement (TPW Schedule 2 Clause 1.4) is to provide flexibility to proprietors to bring building project timing ahead of the TPW capacity to fund. Essentially bringing forward the new builds.

It was never the intention of the NZCEO Finance/NZCBC school property funding working group that TPW would fund the interest portion of bridge funding of completed stages of projects.

If TPW was to fund the bridging interest it would increase the cost of the new builds to TPW and thereby decrease TPW's capacity to fund other new builds. It could also incentivise proprietors to bring building projects earlier in order to capitalise on an essentially "interest free period".

The National Scheme has usually permitted the inclusion of some "finance charges" in the costs of eligible projects and TPW proposes the same inclusion (TPW Schedule 2 Clause 1.2(c)(iv). This is to acknowledge, that for cash flow purposes, proprietors might make several draw downs of a bank facility over the course of the building project before the loan actually "commenced amortising". This is quite common in building loans where the loan draw downs only attract interest (not reduction of principal). However, the time period between initial draw downs and the commencement of the amortisation period (end of building project stage) is normally less than a year (short term bridge funding).

- Important for proprietors to be able to bring projects forward to fit their own timelines. If the projects are eligible for funding from TPW and already on the National School Property Growth Matrix, then they will be accepted into TPW at an agreed time based on that matrix.
- Interest on bridge funding is a cost to the proprietor not TPW.
- If TPW was later in providing capacity than had been previously agreed in the matrix, then TPW could consider whether it was appropriate to fund bridge funding interest costs, but only if they had been pre-approved by TPW.

Background Notes

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[i] Initially loans accepted in for debt servicing were for a period of 25 years. This was reviewed at the NZCEO Finance Limited Board meeting on 11 July 2013 and it was agreed that the term be reduced to 20 years to reflect current banking requirements. This was reviewed again at the NZCEO Finance Limited Board meeting on 25 June 2022 and it was agreed that the term for new loans be reduced to 25 years to balance annual debt servicing capacity constraints with the overall cost of the debt.

[ii] The Ordinary Rate of Interest is a rate set by the Board of NZCEO Finance Limited and reviewed periodically (at least annually) to ensure that it is reasonable given the economic conditions prevailing at the time of review.

[iii] The forecasting of cash flows is an essential element of the NZCEO Financial Model. To provide some certainty around interest rate movements and the impact this may have on debt servicing the NZCEO Finance Limited Board approved a recommendation that all external borrowing (including CDF's and Proprietor loans).

[iv] The declining-balance method is an accelerated method of loan amortisation with equal periodic payments where the interest component of the payment declines and the principal repayment component of the payment increases with the age of the loan.

[v] The sources of funds and the interest rate applicable were reviewed at the NZCEO Finance Limited Board meeting of 11 July 2013 and agreed as the following effective 1 January 2014.

[vi] The commencement of debt servicing is usually on the completion of a project in total. This has caused some cash flow issues for Proprietors. At the NZCEO Finance Limited Board meeting of 11 July 2013 it was agreed that the following apply to both the timing of the commencement of debt servicing (of debt already accepted into the National Attendance Dues and Capital Indebtedness Sharing Scheme) and for borrowing through NZCEO Finance Limited.