ANGLICAN DIOCESE OF GRAFTON
POLICIES AND PROCEDURES

<table>
<tr><td colspan="2">SUBJECT: REPORTING AND ACCOUNTABILITY FRAMEWORK - SCHOOLS</td><td>REFERENCE NUMBER
GASC-003</td></tr>
<tr><td colspan="2">DATE APPROVED
1 September 2022 by Bishop-in-Council</td><td>VERSION 3
replacing Version 2 dated
2 December 2021</td></tr>
<tr><td>IMPLEMENTATION DATE
Immediate</td><td>REVIEW FREQUENCY
As required but at least 3 yearly</td><td>RESPONSIBLE FOR REVIEW
Grafton Anglican Schools Commission</td></tr>
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1. PURPOSE

The purpose of this policy and procedure is to define and document the process that Schools are to follow for the provision of financial information and reports to the Diocese. This policy also provides the criteria used to monitor the financial health and sustainability of Schools.

2. SCOPE

This policy and procedure applies to all diocesan schools in the Anglican Diocese of Grafton.

3. DEFINITIONS

"Commission" –the Grafton Anglican Schools Commission (GASC).

"Council" –a School Council in the Diocese of Grafton which has been incorporated under the Anglican Church of Australia (Bodies Corporate) Act 1938.

"EBIDA" – Earnings Before Interest, Depreciation and Amortisation.

"School" –a Diocesan School governed by a School Council in the Diocese of Grafton.

"Update Report" –a financial report in the required template, as updated from time to time by the Commission.

4. PRINCIPLES

4.1 The Commission has responsibility under Clause 5b of the Schools Commission Ordinance 1997, to monitor the performance of Schools.

4.2 The Commission is required by Clause 12 of the Schools Commission Ordinance 1997, to obtain sufficient information on the operations and financial performance of each School to enable the Synod to understand the current and future viability of each School.

4.3 Each School Council and its office-bearers, the Principal and staff shall conduct the affairs of the School so as to reflect the vision and values of the Diocese as expressed in Diocesan Policies.

4.4 Financial sustainability is achieved when sufficient revenue is generated to meet financial obligations and to fund asset replacement and new asset acquisitions over the long term while maintaining adequate resources to seize opportunities and react to unexpected threats.

4.5 School Councils have a statutory and fiduciary responsibilities to ensure financial viability and sustainability.

5. REQUIREMENTS

5.1 Each Council must notify the Registrar and the Chair of the Commission immediately, if circumstances arise that may affect the ability of the School to pay its debts as and when they fall due.

5.2 Each Council must inform the Registrar and the Chair of the Commission of any event or circumstance that adversely affects the financial position and/or the sustainability of the School, immediately upon relevant information coming to the notice of the Council.

5.3 Each Council must, at the time of the conduct of each Council meeting, provide a copy of the agenda, minutes and papers for each Council meeting to the Commission.

5.4 On or before the dates indicated, each Council must provide the following information on an ongoing basis to the Synod, Bishop-in-Council or the Commission as indicated in the table below.

Information Required	To be provided to	For reporting to	Due Date
Budget or Draft Budget if not yet available	Commission	Bishop-in-Council	31 October for the following year and as and when amended
Update Report 1	Commission	Bishop-in-Council	30 April (or no later than 10 days prior to the GASC meeting following 30 April)
Audited Financial Statements	Commission	Synod	30 April
Report to Synod	Registry	Synod	30 April
Update Report 2	Commission	Bishop-in-Council	31 July (or no later than 10 days prior to the GASC meeting following 31 July)
Update Report 3	Commission	Bishop-in-Council	31 October (or no later than 10 days prior to the GASC meeting following 31 October)
Strategic Plan	Commission	Synod	As and when updated
Master Plan	Commission	Bishop-in-Council	As and when updated

5.5 The Commission will, from time to time, provide a template or templates to be used for the submission of the required data.

5.6 In all instances, information should be submitted to schools@graftondiocese.org.au.

6. USE OF INFORMATION

6.1 The Commission will use the information outlined in Section 5.4 as the basis for assessing the financial sustainability of Schools, as part of its assessment of applications for approval of capital expenditure and to provide regular reports and advice to the Bishop-in-Council.

Measure	Key Question	Data	Target(s)
Enrolment	Is the school maintaining and/or increasing its enrolment?	Enrolment trend	Stable or increasing
Solvency	Can the school pay its liabilities as and when they fall due?	Working Capital Ratio	At least 1.0
		Cash Flow Adequacy Ratio	1.0 or better over the medium term[1] (if trend is less than 1.0, how is it being funded?)
Profitability	Is the school generating a sufficient surplus from its teaching and learning operations to address non-operational commitments and future needs?	Net Operating Margin	15%[2]
Debt Management	Is the school able to manage its debt?	Interest Cover	Should be at least 2.0 – 3.0 times.[3]
		Debt servicing cover	At least >1.5 times.[4]
Asset Management	How is the school using its depreciation?	Depreciation Impact	Indicates the % of the operating surplus to be directed to asset replacement
		Reinvestment Ratio	Indicates % of operating surplus actually reinvested into asset replacement

[1]General advice provided by John Somerset
[2] National average of schools surveyed by John Somerset as of 2016 was 13%.
[3] General advice provided by John Somerset
[4] General advice provided by John Somerset

Staffing	Is the school using its personnel efficiently?	Student/Teacher ratio	Approx. 12.0[5]
Cash Surplus Management	How is the school using its cash surplus?	• Interest as a percentage of EBIDA • Capital repayments as a percentage of EBIDA • Cash contribution(s) to capital development as a percentage of EBIDA • Expenditure on capital asset maintenance, refurbishment or replacement as a percentage of EBIDA	Not Applicable
Capital Development	How is the school managing its capital development?	• Income – Capital grants – Additional borrowing to fund capital development – Cash contribution to capital development • Expenditure on new capital assets	Not Applicable
Borrowing Structure	How has the school structured its borrowing?	• Available approved borrowing limit (bank) • Current total borrowing • Interest only loans (not including overdraft facilities) • Principal and interest loans	Not Applicable
Overdraft Facility	How is the school using its overdraft facility?	• Available facility • Maximum drawdown in the period • Amount owing at the end of the period	Not Applicable

[5] National average for Independent schools in 2020 was 11.8 (ABS).

6.2 Where the Commission is concerned about the financial position and/or the sustainability of a School, it will seek additional information/explanation from the Council.

6.3 If the Commission remains concerned about a School's financial performance after receiving further information, it will report to Bishop-in-Council with recommendations. Such recommendations may include a requirement for the Council to work with the Commission to submit a plan for remedial action.

7. FORMULAS

7.1 Formulas used in the calculations are outlined below. Target(s) are included in the table in 6.1.

Working Capital Ratio	Current Assets / Current Liabilities
Cash Flow Adequacy Ratio	Net Cash from Operations and Trading + Interest Expenses + Capital Income / Capital Expenditure + Principal Repayments + Finance Lease Liabilities + Interest Expenses
Net Operating Margin	EBIDA / Total-Recurrent Income + Trading Surplus
Interest Cover	EBIDA / Interest Expenses
Debt Servicing Cover	EBIDA / Interest Expenses + Principal Repayments + Finance Lease Liabilities
Depreciation Impact	Depreciation + Amortisation / Net Cash from Operations and Trading + Total Capital Income
Reinvestment Ratio	Capital Expenditure / Net Cash from Operations and Trading +Total Capital Income
Student/Teacher Ratio	Total number of students / Total number of teachers (FTE)