

## EXAMPLE: Calculation of cyclical maintenance provision (with no painting contract)

### Situation:

You are preparing the cyclical maintenance provision for Kiwi Park School Board for 2021. The 10YPP was last prepared for Kiwi Park School Board in 2018 and at the same time a cyclical maintenance plan was completed. The plan is already not relevant as there are now additional new buildings to be maintained, and due to a change in the availability of painters, this has resulted in a change in cost. You should use the 2018 cyclical maintenance plan as a starting point. Due to roll growth an additional Science block was built at the school in 2020. It is anticipated that this new block will need to be repainted in 8 years' time.

**Reminder:** If you did not prepare a cyclical maintenance plan at the time of your 10YPP **OR** you have identified that your cyclical maintenance plan is no longer relevant, update this with your best judgement on when work will need to be completed. Remember, you can use recent quotes, invoices, or painting contracts to estimate the cost of work. Best practice is to have this validated by an independent professional such as a painter or your property consultant.

In any event the board is required to have supporting information on the key assumptions used in the preparation of your cyclical maintenance provision. If you need additional guidance, please contact your Ministry School Finance Adviser, or your service provider.

### 10 Year Property Plan - Cyclical Maintenance Plan

Summary	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Total
Block 9 - Junior College				11,500					11,500
Block B - Main West Wing - Rebuilt				20,000					20,000
Block C - Commerce Addition			75,000		30,000				105,000
Block E - Technical		5,000							5,000
Block G - The Writers Block		15,000					18,000		33,000
Block P - Art & Craft	15,000							12,500	27,500
	15,000	20,000	75,000	31,500	30,000	-	18,000	12,500	202,000

  

DETAILED	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Total
Block 9 - Junior College									
Paint ceilings, walls, timber trims, timber doors.				5,000					5,000
Paint roof, fascia's, soffit's, walls, timber windows.				6,500					6,500
Block B - Main West Wing - Rebuilt									-
Paint internal services				20,000					20,000
Block C - Commerce Addition									-
Paint external surfaces			75,000						75,000
Painting of internal surfaces					30,000				30,000
Block E - Technical									-
Paint fascia's, soffit's, timber windows, canopies.		5,000							5,000
Block G - The Writers Block									-
Paint soffit's, fascia's, columns.		15,000							15,000
Paint the walls, ceilings, timber trims and doors.							18,000		18,000
Block P - Art & Craft									-
Paint ceilings, trims, windows and doors.	15,000								15,000
Paint fascia's, soffits, walls								12,500	12,500
	15,000	20,000	75,000	31,500	30,000	-	18,000	12,500	202,000

**Step 1:** Obtain a copy of your 2018 cyclical maintenance plan (as above) and copy over the cyclical maintenance project, year next expected (to be completed) and estimated cost.

**Step 2:** When the work is completed throughout the next 7 years' time the cost is not going to be the same as the current estimate. You will need to review recent inflation averages as provided by the Reserve Bank New Zealand (RBNZ). [\[https://www.rbnz.govt.nz/monetary-policy/inflation-calculator\]](https://www.rbnz.govt.nz/monetary-policy/inflation-calculator) for the purposes of this example the inflation calculator shows the three-year average inflation rate is 1.7%.

Update the section at the top of the spreadsheet to reflect the year of the accounts you are preparing the calculation for and the rate of inflation.

Year of calculation	2021	<--- Reflects year of calculation
Inflation Rate	1.7%	<--- Based on 3-year average inflation

**Step 3:** Review the calculation to determine the year when these painting jobs were last completed and add the new building block as a cyclical maintenance project.

Cyclical maintenance project	Year last completed	Year next expected	Cycle (years)	Years since last completed	Paint (m2)	Paint (m2) Cost (\$)	Estimated Cost (\$)	Estimated cost per cycle (\$)	Inflation adjusted Estimated cost (\$)	Estimated Annual cost (\$)	Cyclical maintenance provision (\$)	Total cost based on:
Block 9 - Junior college - Paint ceilings, walls, timber trims, timber doors.	2013	2021	8	8			5,500	5,500	5,500	688	5,500	
Block 9 - Junior college - Paint roof, fascia's, soffit's, walls, timber windows.	2013	2021	8	8			7,150	7,150	7,150	894	7,150	
Block B - MAIN WEST WING - REBUILT - Paint internal surfaces	2013	2021	8	8			22,000	22,000	22,000	2,750	22,000	
Block C - COMMERCE ADDITION - Paint external surfaces	2019	2027	8	2			82,500	82,500	91,281	11,410	22,820	
Block C - COMMERCE ADDITION - Painting of internal surfaces	2013	2021	8	8			33,000	33,000	33,000	4,125	33,000	
Block E Technical - Paint fascia's, soffit's, timber windows, canopies.	2018	2026	8	3			5,500	5,500	5,984	748	2,244	
Block G - THE WRITERS' BLOCK - Paint soffit's, fascia's, columns.	2018	2026	8	3			16,500	16,500	17,951	2,244	6,732	
Block G - THE WRITERS' BLOCK - Paint the walls, ceilings, timber trims and doors.	2015	2022	7	6			19,800	19,800	20,137	2,877	17,260	
Block P - ART AND CRAFT - Paint ceilings, trims, windows and doors.	2017	2025	8	4			16,500	16,500	17,651	2,206	8,825	
Block P - ART AND CRAFT - Paint fascia's, soffit's, walls	2017	2025	8	4			13,750	13,750	14,709	1,839	7,355	
NEW Block S - SCIENCE - Paint ceilings, trims, windows and doors	2020	2028	8	1	250	\$ 20.00		5,000	5,626	703	703	
NEW Block S - SCIENCE - Paint walls, ceilings, timber trims and doors	2020	2028	8	1	367	\$ 30.00		11,010	12,389	1,549	1,549	
Total								238,210	253,377	32,032	135,138	

**Step 4:** Enter in any new buildings. For the new science block, estimated cost for the paint project doesn't currently exist, but you check the size of the paint job by looking at the [Ministry Property Portal](#) and use the average cost per m2 from the last work completed to determine the cost.

**Step 5:** Once these have been copied across and the new science block added, review the year next expected (to be completed) for all projects and ensure these reflect latest knowledge.

The painter identified that while doing a wash-down, one of the buildings, "Block G - THE WRITERS BLOCK", needs to be brought forward by a year due to significant deterioration and will be completed in 2022. This was previously identified as not being required until 2023.

Further, although a number of buildings were due to be painted in 2021 as a result of the COVID-19 Alert Level restrictions the scheduling has been pushed out and the earliest you can get in the painters is February 2022 (highlighted in yellow).

The spreadsheet is updated to reflect both of these known changes. Retain copies of information gained to support the changes to you CM plan this will directly impact your CM Provision and

**Step 6:** Once all projects are recorded, review the expected cost. The estimates are confirmed with your local painter. The local painter indicated that prices have increased 10% since your plan was prepared. You update the estimated cost to reflect this increase and keep this as evidence for the auditors.

**Step 7:** Once updates in previous steps have been made and the spreadsheet inputs are complete, you pull out the prior year balances recorded in the calculation and compare these. *Note:* check that the total for current and non-current cyclical maintenance provision match your prior year financial statements before any adjustments have been made.

The movement between the two years represents the journal which needs to be posted. This movement will reflect any adjustments to changes to expected cost, years between paint jobs and increases due to inflation changes.

Cyclical maintenance project	Current (\$)	Non-Current (\$)	Total Current Year	Current (\$)	Non-Current (\$)	Total Prior Year	Current (\$)	Non-Current (\$)	Total Calculated Provision movement
Block 9 - junior college - Paint ceilings, walls, timber trims, timber doors.	5,500	-		4,449	-		1,051	-	
Block 9 - junior college - Paint roof, fascia's, soffit's, walls, timber windows.	7,150	-		5,784	-		1,366	-	
Block B - MAIN WEST WING - REBUILT - Paint internal surfaces	22,000	-		17,798	-		4,202	-	
Block C - COMMERCE ADDITION - Paint external surfaces	-	22,820		-	10,549		-	12,271	
Block C - COMMERCE ADDITION - Painting of internal surfaces	33,000	-		26,696	-		6,304	-	
Block E Technical - Paint fascia's, soffit's, timber windows, canopies.	-	2,244		-	1,383		-	861	
Block G - THE WRITERS' BLOCK - Paint soffit's, fascia's, columns.	-	6,732		-	4,149		-	2,583	
Block G - THE WRITERS' BLOCK - Paint the walls, ceilings, timber trims and doors.	17,260	-		-	11,834		17,260	-	11,834
Block P - ART AND CRAFT - Paint ceilings, trims, windows and doors.	-	8,825		-	6,120		-	2,705	
Block P - ART AND CRAFT - Paint fascia's, soffits, walls	-	7,355		-	5,100		-	2,255	
NEW Block S - SCIENCE - Paint ceilings, trims, windows and doors	-	703		-	-		-	703	
NEW Block S - SCIENCE - Paint walls, ceilings, timber trims and doors	-	1,549		-	-		-	1,549	
	-	-		-	-		-	-	
	-	-		-	-		-	-	
<b>Total</b>	<b>84,910</b>	<b>50,228</b>	<b>135,138</b>	<b>54,727</b>	<b>39,135</b>	<b>93,862</b>	<b>30,183</b>	<b>11,093</b>	<b>41,276</b>

## Recording the provision in your accounts

**Step 8:** Record the revised provision in the financial statements through reviewing the prior year accounts and the current year calculation.

- › The total provision as at the end of 31 December needs to reflect \$135,138 ['Total Current Year'].
- › Review the balance of the general ledger and confirm the split of the cyclical maintenance provision for prior year is \$93,862 ['Total Prior year'] split between current liabilities \$54,727 and non-current liabilities \$39,135.
- › The total for the journal is \$41,276 ['Total Calculated Provision Movement'] and is split across both current and non-current liabilities based on when the work is expected to be completed.

Post the following journal:

### Journal Entry #1

Debit	Cyclical maintenance (property expense)	\$41,276	
Credit	Provision for cyclical maintenance - Current (liability)		\$30,183
Credit	Provision for cyclical maintenance – Non-Current (liability)		\$11,093
Narrative: Journal to recognise the annual charge for cyclical maintenance			

Below is an extraction from the Kiwi Park School accounts after the journal has been posted.

<b>Kiwi Park School</b> <b>Statement of Comprehensive Revenue and Expenditure</b> <b>For the year ended 31 December 2021</b>				
	Notes	2021 Actual \$	2021 Budget (Unaudited) \$	2020 Actual \$
<b>Expenses</b>				
Property	8	710,339	696,000	700,465
<b>Kiwi Park School</b> <b>Statement of Financial Position</b> <b>As at 31 December 2021</b>				
	Notes	2021 Actual \$	2021 Budget (Unaudited) \$	2020 Actual \$
<b>Current Liabilities</b>				
Provision for Cyclical Maintenance	18	84,910	62,000	54,727
<b>Non-current Liabilities</b>				
Provision for Cyclical Maintenance	18	50,228	60,000	39,135

**Kiwi Park School**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2021**

<b>8. Property</b>	<b>2021</b>	<b>2021</b>	<b>2020</b>
	<b>Actual</b>	<b>Budget (Unaudited)</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Caretaking and Cleaning Consumables	1,887	2,000	2,351
Consultancy and Contract Services	33,470	36,000	33,722
<b>Cyclical Maintenance Provision</b>	<b>41,276</b>	<b>28,000</b>	<b>29,017</b>
Grounds	4,811	4,000	2,598
Heat, Light and Water	20,112	21,000	21,242
Rates	2,507	2,500	2,208
Repairs and Maintenance	61,664	60,000	33,042
Use of Land and Buildings	504,191	500,000	534,729
Security	7,634	7,500	6,556
Employee Benefits - Salaries	32,787	35,000	35,000
	<b>710,339</b>	<b>696,000</b>	<b>700,465</b>
<b>18. Provision for Cyclical Maintenance</b>	<b>2021</b>	<b>2021</b>	<b>2020</b>
	<b>Actual</b>	<b>Budget (Unaudited)</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Provision at the Start of the Year	93,862	94,000	64,845
<b>Increase/ (decrease) to the Provision During the Year</b>	<b>41,276</b>	<b>28,000</b>	<b>29,017</b>
Use of the Provision During the Year	-	-	-
Provision at the End of the Year	<b>135,138</b>	<b>122,000</b>	<b>93,862</b>
Cyclical Maintenance - Current	<u>84,910</u>	62,000	54,727
Cyclical Maintenance - Term	<u>50,228</u>	60,000	39,135
	<b>135,138</b>	<b>122,000</b>	<b>93,862</b>

**Step 9:** Provide calculations to the school board for their review and confirmation. Once satisfied with the calculation, they will minute this in the board minutes. This forms a key part of evidence for the school auditors, that the provision has been reviewed and the board deemed it to be reasonably accurate.