

## POLICY BRIEF

### Issue Income - 2: Capital Specific Purpose Payments from the Australian Government

#### Issue :

- *Who will recognise Capital Specific Purpose Payments received from the Australian Government for the construction of Territory Government assets - the Central Holding Authority (CHA) or the collecting Agency?*

#### Background :

- Majority of grants and subsidies received by the Territory Government are from the Australian Government. These grants could be in either of the following forms:
  1. General Purpose Grants – untied grants from the Australian Government, provided to the Territory Government Agencies without restriction as to how the funds can be applied; or
  2. Specific Purpose Payments (SPPs) – grants from Australian Government that must be applied to designated services or functions and often subject to conditions outlined in formal agreements.
- SPPs are either for current purposes or for capital purposes. Current SPPs are provided by the Australian Government for purposes other than capital, in relation to goods and services expected to be consumed within 12 months.
- Capital SPPs are capital grants provided by the Australian Government to fund construction or upgrade significant assets owned by Territory Government Agencies.

#### Policy :

- Capital SPPs received from the Australian Government for purposes of construction of new assets or improvement of existing Territory Government assets are regarded as Territory Income. Accordingly, they are to be recognised and recorded in the CHA (excluding those received by Department of Planning and Infrastructure).
- Capital SPPs from the Australian Government are managed and collected by Agencies on behalf of the Government.
- Capital SPPs are to be initially recorded in the collecting Agency's ledger (Standard Classification Code # 123900) and transferred to CHA, consistent with the receipt of other Territory Income. As such, these amounts are not to be reported in the collecting Agency's financial statements and will not increase the collecting Agency's net assets.
- The collecting Agency is responsible for seeking Treasurer's approval for including the Capital SPP in the Capital Works Program, consistent with the Works Programming Procedures.

- Where construction or development works are managed by the Department of Planning and Infrastructure (DPI) on behalf of Agencies, Capital Appropriation for such Capital Works will be provided directly to DPI. The cost of construction or development of assets will be recorded as Construction (WIP) by DPI until the works associated with that asset are complete. On completion, Construction (WIP) will be transferred to the Agency that controls the asset.
- Where Agencies manage their own works, Capital Appropriation will be provided directly to the relevant Agency. Costs incurred on the construction or development of assets will be recognised as Construction (WIP) in the relevant Agency's ledger.

**References :**

- TD Section A5.2: Accounting – Income: Territory Income
- TD Section A2.1: Accounting – Assets: Overview
- TD Section A2.2: Accounting – Assets: Property, Plant and Equipment
- TD Section A2.11: Accounting – Assets: Construction (Work in Progress)
- Works Programming Procedures
- Capital Construction Principles