

TREASURER'S DIRECTIONS
THE INFRASTRUCTURE PROGRAM
Section I 1.1: Overview of the Infrastructure Program

STATEMENT OF INTENT

This Direction outlines and defines the components of the Territory's Infrastructure Program.

MAIN FEATURES

Section 38 of the *Financial Management Act* requires Accountable Officers and employees of an Agency to comply with the Treasurer's Directions.

What is the Infrastructure Program?

- The Infrastructure Program incorporates capital works (both major and minor), repairs and maintenance, capital grants and infrastructure-related expenses. The Program comprises the Territory's annual commitment to the construction and maintenance of assets across the Northern Territory (including both Government and non-government owned assets) and is updated and included as part of the Budget and Forward Estimates each year.

Capital Works

- Capital works are defined as building and engineering projects that create or improve Territory Government owned assets, as well as the construction or installation of facilities and fixtures associated with, and forming an integral part of, those works.

Repairs and Maintenance

- Repairs and maintenance works are projects undertaken to maintain existing assets in working condition, keep an asset functioning at its required capacity and not enhance the asset or extend its useful life in a significant way.

Capital Grants

- Capital grants are provided to fund the construction or upgrade of significant assets that are owned, or will be owned once constructed, by entities outside the Budget Sector (grant recipients), including non-government entities.

Infrastructure-related Expenses

- Infrastructure-related expenses are operational costs that directly relate to the Infrastructure Program.

For authoritative instruction and guidance, reference should be made to related Treasurer's Directions and associated commentary, relevant Australian Accounting Standards, and other authoritative interpretations.

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AUTHORITIES

Financial Management Act

REFERENCES

AASB 116 Property, Plant and Equipment

Related Treasurer's Directions:

A2.2 Accounting – Assets : Property, Plant and Equipment

A2.5 Accounting – Assets : Improvements and Repairs and Maintenance

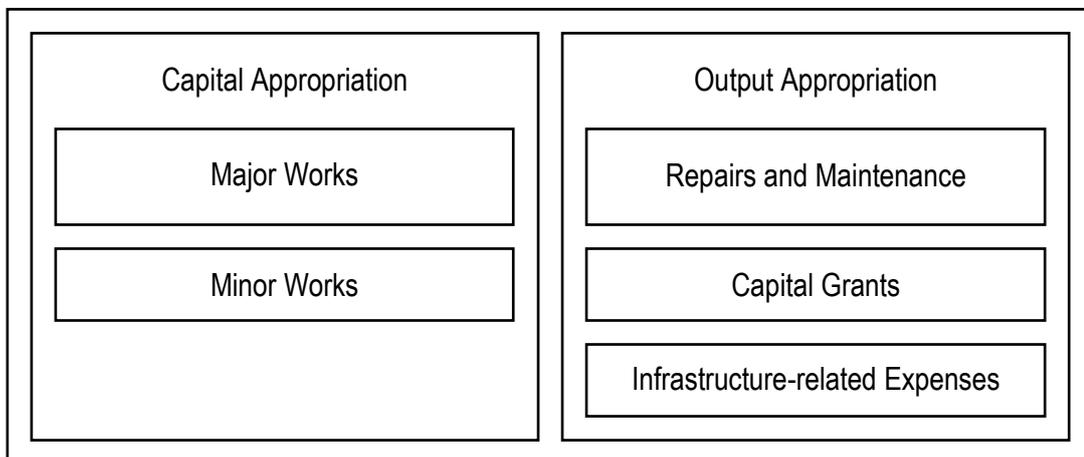
A6.4 Accounting – Expenses : Grants and Subsidies

WHAT IS THE INFRASTRUCTURE PROGRAM?

I 1.1.1 The Infrastructure Program incorporates capital works (both major and minor), repairs and maintenance, capital grants and infrastructure-related expenses. The Program comprises the Territory’s annual commitment to the construction and maintenance of assets across the Northern Territory (including both Government and non-Government owned assets) and is updated and included as part of the Budget and Forward Estimates each year.

- (i) The Infrastructure Program, design list and forward works program are reviewed annually as part of the Budget development process. For further information regarding infrastructure and the Budget development process, refer to Treasurer’s Direction I 1.2.
- (ii) Capital works often span more than one budget year, whereas repairs and maintenance, capital grants, and infrastructure-related works are usually completed within the budget year.
- (iii) A Client Agency is an Agency that has identified the need for an asset, owns an asset on behalf of the Territory, and/or has Program responsibility for an asset.
- (iv) A Client Agency works with its Minister to identify infrastructure projects that are necessary to meet Agency priorities and to develop proposals to include the projects on the Infrastructure Program.

Figure 1: Components and funding of the Infrastructure Program



- (v) The Infrastructure Program is funded through both Capital and Output Appropriation. Output Appropriation is provided directly to an Agency to carry out repairs and maintenance, pay grants directly to grant recipients and for infrastructure-related expenses. Capital Appropriation is provided to those Agencies responsible for carrying out or managing capital construction projects.
- (vi) Agencies that have significant technical competence and large asset holdings may be designated as construction authorities. The Treasurer, in consultation with other Ministers as appropriate, will determine construction authority status.

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- (vii) The main construction authority for the Territory, which provides infrastructure-related services on behalf of most agencies, is the Department of Infrastructure.
- (viii) Other construction authorities include the Department of Transport and the Department of Housing.
- (ix) An Agency not deemed to be a construction authority must procure capital works, including major works and minor works, from the Department of Infrastructure.

CAPITAL WORKS

I 1.1.2 Capital works are defined as building and engineering projects that create or improve Territory Government owned assets, as well as the construction or installation of facilities and fixtures associated with, and forming an integral part of, those works.

- (i) The Capital Works Program comprises all projects, including major works and minor works, for each financial year.
- (ii) The Capital Works Program excludes:
 - capital items, which are capital purchases where limited construction or fabrication is required, such as equipment and vehicles;
 - capital grants, as these are related to non-government assets; and
 - repairs and maintenance, as this work relates to maintaining an asset.
- (iii) To be defined as capital works, the asset must be able to be capitalised in accordance with the requirements contained in Australian Accounting Standards (specifically *AASB 116 Property, Plant and Equipment*).
- (iv) For further information regarding capitalisation, refer to Treasurer's Direction A2.2: Property, Plant and Equipment.

I 1.1.3 Major works are individual construction projects where the estimated value exceeds \$500 000.

- (i) Major works are projects such as the construction of schools, roads, bridges and the creation/enhancement of assets that will be recorded as such within an Agency's financial statements.
- (ii) Major works projects are not to be physically or financially combined with minor works projects. If the major and minor works are functionally inter-related, the Agency must seek approval to increase the major works project. Minor works program may be offered as substitution to provide for the increase.

I 1.1.4 Minor works are individual construction projects where the estimated value is \$500 000 or less.

- (i) Cabinet provides a total program allocation for an Agency's minor new works program rather than an allocation per project.

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- (ii) An Agency, in consultation with its Minister, is responsible for the compilation and prioritisation of minor new works projects within its total program allocation.
- (iii) An Agency's total minor new works program allocation is made up of revoted and new minor works.
- (iv) If two or more minor works projects are functionally inter-related and the combined total exceeds \$500 000, the Agency will need to seek approval for the project to be included on the Capital Works Program. Minor works program may be offered as substitution to provide for the new major works project.

I 1.1.5

Construction authorities are to provide regular reports as agreed to Treasury on the current status of the Capital Works Program including:

- **current estimated project costs against approved program level;**
- **cash allocation for the current year;**
- **construction progress;**
- **actual expenditure; and**
- **estimated revote out.**

- (i) Reports from construction authorities are used by Treasury to monitor the capacity and progress of the Infrastructure Program and to assist in the management of cash requirements.

REPAIRS AND MAINTENANCE

I 1.1.6

Repairs and maintenance works are projects undertaken to maintain existing assets in working condition, keep an asset functioning at its required capacity and not enhance the asset or extend its useful life in a significant way.

- (i) Cabinet provides a total allocation for an Agency's repairs and maintenance program rather than an allocation per project.
- (ii) Before work is referred to a construction authority, an Agency must ensure that appropriate levels of program provision are available to meet both foreseen and unforeseen repairs and maintenance.
- (iii) Unforeseen repairs include those works deemed urgent repairs. Items in this category, because of their very nature (fix when broken), are not predictable and need to be replaced immediately because they have health, safety and/or security implications.
- (iv) While an Agency is responsible for the prioritisation of its repairs and maintenance requirements, it must so having regard to technical assessments from asset management systems which are maintained by the relevant construction authority.
- (v) Territory asset management systems maintain records of Territory assets, including condition and maintenance needs based on physical asset inspections.

I 1.1.7 Construction authorities are to provide regular reports as agreed to Treasury and client agencies on the current status of the repairs and maintenance program including:

- **actual expenses in current year to date against approved program; and**
- **estimated expense for the current year on an accrual basis.**

- (i) Repairs and maintenance grants may be provided to entities outside the Budget Sector (grant recipients).
- (ii) For further information regarding repairs and maintenance, refer to Treasurer's Direction A2.5: Improvements and Repairs and Maintenance.

CAPITAL GRANTS

I 1.1.8 Capital grants are provided to fund the construction or upgrade of significant assets that are owned, or will be owned once constructed, by entities outside the Budget Sector (grant recipients), including non-government entities.

- (i) Capital grants may be managed by either the grant recipient (to which the grant is provided directly), or by the Territory.
- (ii) When a grant is managed by the Territory, the cost of construction is charged to the Agency providing the grant and the asset is handed over to the grant recipient on completion.
- (iii) Grants can be specific or non-specific. Where a specific grant is authorised, the purpose and outcome of the capital project is clearly defined. A non-specific grant will establish the purpose or intent for the grant, but does not specify the details of the project.
- (iv) For further information regarding grants and subsidies, refer to Treasurer's Direction A6.4 Accounting: Expenses – Grants and Subsidies.

INFRASTRUCTURE-RELATED EXPENSES

I 1.1.11 Infrastructure-related expenses are operational costs that directly relate to the Infrastructure Program.

- (i) Infrastructure-related expenses cover items such as strategic infrastructure planning for major infrastructure assets, including the development of master plans and facility reviews, delivery and consultancy costs that are not specific to an asset and programs of low value projects that individually do not classify as assets, such as signage and landscaping.