

Contingent Liability and Amortisation of Grants

When an approved authority of an independent school enters into a *Recipient School Agreement* (the Agreement) with Queensland Independent Schools Block Grant Authority (QIS BGA) and subsequently receives grant payments, conditions relating to repayment apply in accordance with the relevant Australian or State Government program guidelines, as shown below:

1. AUSTRALIAN GOVERNMENT CAPITAL GRANTS PROGRAM (CGP)

Section 109 of the Act and Section 64 of the Regulation provide the Commonwealth with a right to repayment for grants of more than \$75,000 where funded facilities are no longer used to provide school education, or are sold or otherwise disposed of, during the 20 year designated use period. It should be noted that, on or after the date of issue of the revised program guidelines for 2009, the equipment cost component of projects was assumed to be funded under the school contribution component of project funding.

*Refer to Tables 1 and 2, in Attachment 1, for repayment calculation details.

2. STATE CAPITAL ASSISTANCE SCHEME (SCAS)

In respect of grants greater than \$75 000, the approved authority of an independent school must undertake to use the approved project for educational purposes for a period of 20 years. Failure to use the project for educational purposes could result in a liability of assistance repayment equal to 5% of assistance for each year of the 20 year period during which the building is not used for educational purposes. In the case of furniture and equipment, the approved authority must undertake to use items for educational purposes for the economic life of the item.

*Refer to Table 1 only, in Attachment 1, to calculate repayments.

It is detailed in the Agreement that approved authorities will agree to advise QIS BGA should a circumstance arise where the funded facility is no longer used for educational purposes, within the designated use period. Under the conditions of the Agreement, a school in receipt of a grant assumes a liability, referred to as **contingent liability**, to repay an amortised portion of the grant in the event that the funded facility is no longer in educational use. QIS BGA is required to recover these amounts through its working relationship with the Australian and Queensland Governments.

NOTE TO FINANCIAL STATEMENTS

To ensure that the approved authority remains aware of the above Agreement conditions, a note to the Financial Statements each year (during the life of the agreement, as per the relevant table) outlining the contingent liability to the Australian and/or Queensland Governments should be included, with the following, or similar, wording:

“Pursuant to the conditions attached to Commonwealth and State Government capital grants, the school is contingently liable to repay, based on a formula, all or part of the grants received if the project to which the funds are applied ceases to be used for the purpose approved, or is sold or otherwise disposed of within 20 years of the completion of the project.”



Attachment 1

NOTE- Table 1 (All SCAS and only those CGP grants prior to 2009)

- (a) The Australian Government right to repayment arrangements were varied in 2009. Where a CGP grant was approved prior to the issue of the 2009 *Administrative Guidelines: Commonwealth Programs for Non-Government Schools*, the calculated portion of the grant (i.e. the repayable amount) repayable to the Commonwealth will be calculated as per Table 1.
- (b) All Queensland Government SCAS grant repayments will be calculated as per Table 1.

NOTE- Table 2 (CGP Grants from 2009 onwards)

- (a) From 2009 onwards, the amount of Australian Government funds repayable is dependent on the CGP grant amount and the number of years the facility was used for the provision of primary or secondary education, as per Table 2.

TABLE 1- CGP (PRE-2009) AND SCAS AMORTISATION TABLE

Grant Funds Amount	Designated Use Period (from commencement of use)	Recoverable Amount	Example
\$75,001 and above	20 years	5% reducing per year	Grant of \$200,000 for project completed in 2006: school would have contingent liability with QIS BGA reducing by \$10,000 per year until 2025.

Table 2- CGP AMORTISATION TABLE

Total Grant Amount	Designated Use Period (from commencement of use)	Recoverable Portion	Example
\$75,001 to \$500,000	Two years plus one additional year for each \$50,000 over \$100,000 (Rounded to the nearest full year)	Full amount will be recoverable up to half way through the designated use period, and then reduced by equal proportions of the total amount over the remaining period.	Grant amount \$475,000: retain interest for two years plus 7.5 years (total rounded up to 10 years). The full amount recoverable up to five years then the amount to be recovered would be reduced by 20per cent of the total amount each year until \$0 is recoverable after the 10 years from the date of the commencement of the designated use period.
\$500,001 to \$1.5 million	10 years plus additional year for every \$100,000 over \$500,000 (Rounded to the nearest full year)	Full amount will be recoverable up to half way through the designated use period, and then reduced by equal proportions of the total amount over the remaining period.	Grant amount \$1m: retain interest for 10 years plus 5 years (total 15 years). Full amount recoverable up to 7.5 years then would reduce by 13.33 per cent of the total amount each year to the end of 15 years.
Over \$1.5 million	20 years	Full amount will be recoverable up to half way through the designated use period then reduced by equal proportions of the total amount over the remaining period.	Grant amount \$2m: retain interest for 20 years. Full amount recoverable over 10 years and then would reduce by 10 per cent of the total amount each year to the end of the 20 years.

