

## Accounting Policy - Public sector Operators in a service concession arrangement – mandatory accounting policy and guidance.

**This Circular mandates the accounting policy for public sector Operators in a service concession arrangement. This Circular applies to all entities that are reporting GSF agencies within the meaning of section 7.3 of the *Government Sector Finance Act 2018*, and to the accountable authorities for those reporting GSF agencies. For the avoidance of doubt, this policy does not apply to universities and their controlled entities, or to their accountable authorities.**

### Summary:

All agencies must apply Australian Accounting Standards. This Circular mandates the accounting policy for public sector Operators in a service concession arrangement, to be applied to agencies preparing financial statements for financial years beginning on or after 1 January 2020. This Circular also includes guidance for public sector Operators in a service concession arrangement on applying this accounting policy.

AASB Interpretation 12 *Service Concession Arrangements* (Interpretation 12) applies to **public-to-private** service concession arrangements only. This Circular mandates that a public sector operator in a **public-to-public** service concession arrangement should **also** apply Interpretation 12. However, in order to determine the applicable accounting standard or policy, the public sector operator must first assess whether the arrangement is within the scope of other Australian Accounting Standards, including AASB 16 *Leases* (AASB 16), before an assessment under Interpretation 12 is completed.

In practice, Treasury expects a public sector operator will apply Interpretation 12 when the counterparty to the arrangement, i.e. the public sector grantor, is applying AASB 1059 *Service Concession Arrangements: Grantors*.

### Application

This Circular is issued as a mandatory policy. Accordingly, this Circular applicable to all entities that are reporting GSF agencies within the meaning of section 7.3 of the *Government Sector Finance Act 2018*, and to the accountable authorities for those reporting GSF agencies. For the avoidance of doubt, this Circular does not apply to universities and their controlled entities, or to their accountable authorities.

This Circular should be read in conjunction with relevant Treasury Circulars and Treasury Policy Papers (available in the document library on Treasury's website).



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## 1. Background

AASB 1059 *Service Concession Arrangements: Grantors* (AASB 1059) prescribes the accounting for grantors in a service concession arrangement. AASB 1059 is applicable to service concession arrangements between a public sector grantor and private sector operator (public-to-private), as well as those between a public sector grantor and public sector operator (public-to-public). However, AASB Interpretation 12 *Service Concession Arrangements* (Interpretation 12) specifically prescribes the accounting for operators in public-to-private service concession arrangements only. Therefore, there is currently no applicable accounting guidance for public sector operators in a public-to-public service concession arrangement.

This Circular mandates the accounting policy and provides accounting guidance for public sector operators in **public-to-public** service concession arrangements.

## 2. Application

This Circular applies to financial years beginning on or after 1 January 2020. This Circular is issued as a mandatory policy, and applies to all entities that are reporting GSF agencies within the meaning of section 7.3 of the Government Sector Finance Act 2018, and to the accountable authorities for those reporting GSF agencies. For the avoidance of doubt, this Circular does not apply to universities and their controlled entities, or to their accountable authorities.

This Circular must be read in conjunction with Treasury's other Circulars and Policy Papers regarding Australian Accounting Standards. Only major policy decisions are listed in this Circular and, where applicable, the Circular cross refers to the particular Treasury Circular or Policy Paper.

### *The Government Sector Finance Act 2018*

The Government Sector Finance Act 2018 (GSF Act) was enacted in November 2018, and Parts of the GSF Act commenced on 1 December 2018. Financial Reporting provisions are expected to commence on 1 July 2021. If those provisions commence on that date, then financial reports prepared on or after that date will be required to comply with Part 7 of the GSF Act. For more information please refer to NSW Treasury's GSF Act website.

## 3. Mandate of the accounting policy for public sector Operators in a service concession arrangement

All agencies must apply Australian Accounting Standards. This Circular mandates the accounting policy for public sector Operators in a service concession arrangement to be applied in agencies preparing financial statements for financial years beginning on or after 1 January 2020.

This Circular mandates that a public sector operator in a **public-to-public** service concession arrangement should apply Interpretation 12. However, in order to determine the applicable accounting standard or policy, the public sector operator must first assess whether the arrangement is within the scope of other Australian accounting standards, including AASB 16 *Leases* (AASB 16), before an assessment under Interpretation 12 is completed.

In practice, Treasury expects a public sector operator will apply Interpretation 12 when the counterparty to the arrangement, i.e. the public sector grantor, is applying AASB 1059 *Service Concession Arrangements: Grantors*.

Refer to NSW Treasury Guidance for AASB 16 *Leases* – New Lease Standards (12 April 2017) for more information on applying AASB 16 *Leases*.

### **Public-to-public service arrangements**

For the purposes of applying the guidance within AASB Interpretation 12 *Service Concession Arrangements*, agencies shall substitute references to “public-to-private” service concession arrangements with “public-to-public” service concession arrangements.

### **Consultation**

Agencies are required to form an accounting position for consultation with Treasury, if:

- The agency is a public sector operator in a **public-to-public** service concession arrangement, and the counterparty to the arrangement is a public sector grantor applying AASB 1059; and
- The agency has reached a conclusion that it should not apply AASB Interpretation 12 *Service Concession Arrangements* because it determines that another Accounting Standard is more relevant.