

**Proposals for RDR in AASB 1059 Service Concession Arrangements: Grantors**

Comments below represent the responses from the outreach process requesting feedback from universities and HoTARAC with respect to the need for RDR in AASB 1059.

Universities:

Stephen Vella, University of Technology Sydney:

UTS does not prepare statutory accounts under the Reduced Disclosure Regime. For Australian universities the Department of Education mandates the format of the statutory accounts including the notes.

Jason Murphy, University of Newcastle:

UON follows the guidance in the annual 'Financial Statement Guidelines for Australian Higher Education Providers'. Our understanding is that the Department mandates that HEPs apply Tier 1 reporting requirements.

Taryn Rulton, Monash College:

Looking at the Standard, my view is that we shouldn't apply RDR to it as by nature these arrangements are significant (its expensive to arrange this type of procurement so practically you'd only do it for a large project) and therefore even if the entity was applying RDR, they would be significant enough to warrant disclosure. The disclosures for the standard are principles based and outline the main aspects of the arrangement that are necessary to understand its size and risks. On that basis and because the standard has to relate to 'public services' which by nature are inherently more risky than traditional for profit ones, I can't see what you could take out without reducing the understanding of the arrangement. As other aspects of the agreement may be covered by other standards, RDR relief may be separately available for those aspects...

HoTARAC:

Commonwealth:

AASB 1059 has only two disclosure paragraphs. As this standard was written for the public sector and Tier 2 disclosures can be applied to all GGS entities in the Commonwealth, there are obviously limited opportunities for us in reducing disclosures under AASB's Tier 2 disclosure principles. As most of the disclosures could simply be taken from the contract, they are not very costly to provide.

Most reduced disclosures from *IFRS for SMEs* remove items such as reconciliations, prior period disclosures which are not required under this standard. Could remove part of paragraph 28(c)(ii) ('including separate disclosure for existing assets of the grantor reclassified as service concession assets during the reporting period'), though we are not sure this would be of much benefit to preparers.

Queensland:

At present, Queensland Treasury requires all agencies consolidated into the whole-of-Government (woG) financial statements to prepare Tier 1 financial statements. We consider it highly unlikely that any Queensland Government Agencies eligible to prepare Tier 2 RDR financial statements will have material SCA's in practice.

Notwithstanding this, given AASB 1059 *Service Concession Arrangements: Grantors* is a public sector specific Standard and only has two disclosure paragraphs (28 and 29), Queensland Treasury see little scope for reductions in the disclosure requirements for RDR purposes without compromising the overall disclosure objective outlined in paragraph 28. In particular, many aspects of paragraph 28(c) (for example, rights to receive specified services, the carrying amount of service concession assets at end of year, renewal/termination options) appear relevant to the description of the arrangement and the significant terms that may affect the amount, timing and uncertainty of future cash flows.

Queensland would support the Commonwealth response with regard to disclosure concessions.

New South Wales:

The financial statements of General Government Sector and Whole of Government would disclose qualitative and quantitative information on material Service Concession Arrangements. Hence NSW Treasury believes the development of reduced disclosure requirements (RDR) for AASB 1059 would be beneficial for Tier 2 reporting entities.

NSW Treasury recommends considering for RDR paragraph 28(c).

South Australia:

SA supports the NSW stand in relation to AASB 1059 reduced disclosure requirements.

Western Australia:

Western Australia Treasury believes the development of reduced disclosure requirements (RDR) for AASB 1059 would be beneficial for Tier 2 reporting entities.

Western Australia expects to designate some 100 agencies as Tier 2 reporters in the 2018/2019 financial year. The designation is expected to apply Tier 1 requirements to some 90 to 95% of the State's total expenditures (TPS basis), with specific entities that significantly contribute to our AASB 1049 reporting **will be** directed to apply a hybrid approach to mitigate reporting risks. This is being undertaken to reduce the reporting burden on smaller agencies that don't require onerous note disclosures to discharge accountability.

In practice, the bulk of our SCAs or PPPs are principally signed with agencies that significantly contribute to AASB 1049 reporting. Where a Tier 2 entity has a material SCA, Western Australia can effect a hybrid Tier 1/2 approach that requires a Tier 2 agency to report at Tier 1 level for AASB 1059 (but Tier 2 for other accounting standards).

Western Australia Treasury recommends that Tier 2 reporting entities be relieved from the disclosure requirements in paragraph 28(c)(i) because it appears to repeat aspects of (a) and (b); in paragraph 28(c)(iii), (c)(vi) and (d) because they are inferred from (c)(ii); and in paragraph 28(c)(v) because it is generally the grantee's obligation.

Victoria:

Victoria does not believe there is a need for Tier 2 reporting requirements to be developed for service concession arrangements as the current requirements are not unduly onerous. In addition, it is expected that most service concession arrangements would be material enough to also warrant disclosure at the general government sector and whole of State level. As such, we see that there are limited benefits in having reduced disclosure requirements incorporated into AASB 1059.

Proposed RDR in AASB 1059 (shaded) under current RDR framework	Comments
<p><b>Presentation and disclosure (paragraphs B79–B80)</b></p> <p><b>28</b>    <b>The objective of the disclosure requirements is for an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of assets, liabilities, revenue and cash flows arising from service concession arrangements. To achieve this, an entity shall consider disclosing qualitative and quantitative information about its service concession arrangements, including the following:</b></p> <p>(a)    <b>a description of the arrangements;</b></p> <p>(b)    <b>significant terms of the arrangements that may affect the amount, timing and uncertainty of future cash flows (eg the period of the arrangement, re-pricing dates and the basis upon which re-pricing or renegotiation is determined);</b></p> <p>(c)    <b>the nature and extent (eg quantity, time period, or amount, as appropriate) of:</b></p> <p>        (i)    <b>rights to receive specified services from the operator;</b></p> <p>        (ii)    <b>the carrying amount of service concession assets as at the end of the reporting period, including separate disclosure for existing assets of the grantor reclassified as service concession assets during the reporting period;</b></p> <p>        (iii)    <b>rights to receive specified assets at the end of an arrangement;</b></p> <p>        (iv)    <b>renewal and termination options;</b></p> <p>        (v)    <b>other rights and obligations (eg major overhaul of service concession assets); and</b></p> <p>        (vi)    <b>obligations to provide the operator with access to service concession assets or other revenue-generating assets; and</b></p> <p>(d)    <b>changes in arrangements occurring during the reporting period.</b></p>	<p><i>First sentence</i> of paragraph 28 describes the objective of the disclosure requirements in the Standard. No disclosure requirements to analyse.</p> <p><i>Second sentence</i> of paragraph 28 suggests a list of disclosures. In the nature of guidance, it relates to the disclosure objective but is not a disclosure requirement. Under current RDR framework, treated as guidance. Therefore retain paragraph 28 for Tier 2 entities.</p> <p>[Summary of response to outreach]</p> <p><u>Universities</u>: RDR not required.</p> <p><u>HoTARAC</u>:</p> <p>Commonwealth: reduce 28(c)(ii) ‘including ...’</p> <p>Queensland: support Commonwealth</p> <p>NSW: reduce 28(c)</p> <p>SA: support NSW</p> <p>WA: reduce 28(c)(i) (iii) (v) (vi) and (d), although WA would apply Tier 1 disclosures</p> <p>VIC: not onerous</p>
<p>29    The disclosures provided by an entity in accordance with paragraph 28 are provided individually for each material service concession arrangement or in aggregate for service concession arrangements involving services of a similar nature, in addition to disclosures required by AASB 116 and AASB 138. Service concession assets of a similar nature may form a subset of a class of assets disclosed in accordance with AASB 116 or AASB 138 or may be included in more than one class of assets disclosed in accordance with AASB 116 or AASB 138. For example, for the purposes of AASB 116, a toll bridge may be included in the same class as other bridges, and for the purposes of paragraph 28 may be included with service concession assets reported in aggregate as toll roads.</p>	<p>Paragraph 29 specifies the basis of classification of items. Under current RDR framework, treated as presentation requirement. The RDR framework is concerned with reducing the disclosure burden for Tier 2 entities only and not amending the presentation requirements. Therefore retain paragraph 29 for Tier 2 entities.</p>

<b>Appendix B: Application guidance</b> <b>Presentation and disclosure (paragraphs 28–29)</b>		
B79	Disclosures relating to various aspects of service concession arrangements may be addressed in other Standards. This Standard addresses only the additional disclosures relating to service concession arrangements. Where the accounting for a particular aspect of a service concession arrangement is addressed in another Standard, the grantor follows the relevant disclosure requirements of that Standard in addition to those set out in paragraphs 28 and 29. The grantor also applies the relevant presentation and disclosure requirements in other Standards as they pertain to assets, liabilities, revenues, and expenses recognised under this Standard.	Paragraph B79 provides guidance in relation to additional disclosures in and compliance with other Standards. Under current RDR framework, treated as guidance. On the basis that it does not add to the disclosure burden, it is therefore retained for Tier 2 entities.
B80	AASB 101 requires finance costs (if any) to be presented separately in the statement of profit and loss and other comprehensive income. Finance charges (if any) determined in accordance with paragraph B67 that are expensed are included in this item.	Paragraph B80 addresses presentation requirements. Under current RDR framework, presentation requirements are not amended. Therefore retain paragraph B80 for Tier 2 entities.
<b>Appendix C: Effective date and transition</b> <b>Effective date</b>		
C1	An entity shall apply this Standard for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted for periods beginning before 1 January 2019. If an entity applies this Standard for an earlier period, it shall disclose that fact.	Paragraph C1 requires disclosure of an earlier application of the Standard. Under current RDR framework, it meets user needs in relation to the entity’s accounting policy choices. Therefore retain paragraph C1 for Tier 2 entities.
<b>Transition</b>		
C4	If a grantor elects to apply this Standard retrospectively in accordance with paragraph C3(b), the grantor shall: <ul style="list-style-type: none"> <li>(e) disclose that it has applied this transition approach and information relating to the measurement of the assets and liabilities in support of the disclosure objective in paragraph 28.</li> </ul>	Paragraph C4 requires disclosure of a retrospective application of the Standard. The <i>first</i> and the <i>second</i> disclosure requirements are similar to requirements in paragraphs 28(d) and 28(f) of AASB 108, where paragraph 28(d) is reduced and paragraph 28(f) is retained. Therefore, under current RDR framework, reduce the <i>first</i> requirement and retain the <i>second</i> requirement for Tier 2 entities in paragraph C4.