

FAQ – How do you determine if the public services are provided ‘on behalf of’ the grantor in a potential service concession arrangement?

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AASB 1059 *Service Concession Arrangements: Grantors* (AASB 1059) applies to service concession arrangements which involve an operator:

“Providing public services related to a service concession asset **on behalf of** a grantor for a specified period of time and managing at least some of those services.”

Therefore, for the purposes of AASB 1059, a grantor is not only the party in the arrangement who grants the right of access to the asset, but also must have primary responsibility for the public services provided using the asset.

If there is more than one government agency involved in the arrangement either directly or indirectly, it is necessary to consider the following:

- Is your agency a party to the arrangement?
- Does your agency have responsibility for the public services?
- Who would be responsible for replacing the asset, if the asset ceased to be fit for purpose? Even if your agency is the owner, holder, or deemed to have control of the asset(s) that is subject to the arrangement, would it continue to have the responsibility to source those assets if the asset were no longer fit for the purposes of providing those services?
- Who would be responsible for providing the service if the service ceased to be provided by the operator?

Some things to look out for:

- Your agency or cluster is providing a service, but someone else is considered responsible for providing it instead. Note: an agency’s assessment under AASB 1059 should be consistent with its conclusions under AASB 15 and AASB 1058 i.e. whether it is acting as a principal or agent in providing those services.
- The responsibility for delivering a public service is not clear. For example, your agency has negotiated to provide the service, another entity will deliver the service, and yet another entity will benefit from the services being provided for on their behalf.
- Your agency has entered into an arrangement whereby it is providing the use of (an) asset(s) associated with public services, even though it is not responsible for providing those services.

In determining whether the party to the contract has primary responsibility for the public services provided with the asset, the following sources may provide relevant insight:

- Regulation
- Legislation establishing the agency
- The stated purpose of the agency, which may be found in their organisational strategy and/or on their website.
- Governance structure
- Contract e.g. the agreement may state the respective obligations of the parties, including who would be responsible for providing the service if the operator ceased to provide the service.
- Constitution

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Examples:

1) Housing for members of society with special needs

Local government agency

- Owns some housing assets and provides use of these assets via an arrangement with the Service providers.
- Contributes partial funding as a grant to the Federal government for services related to housing for members of society with special benefits.

Federal government department

- Is responsible for a range of services including the accommodation for members of society with special needs for the entire country.
- Provides all funding for the services to Statutory Authority and directs Statutory Authority in providing the services.

Statutory Authority

- Its role is to implement the services required for members with special needs, under the direction of the Federal government department.
- It administers the funding to individual participants.

Service providers

- Manages the housing services using housing assets – some assets are provided by government agencies via an access agreement, and some are owned.

In this example, the public service being provided is housing for members of society with special needs. The Local government agency does not have responsibility for delivering those public services, even though it is providing some of the assets to the Service providers. Therefore, it is not a grantor for the purposes of AASB 1059 because the operator is not providing the service on behalf of the Local Government Agency. It is the Federal Government Department who has the responsibility for the range of services and, if the Local Government Agency ceased to provide those assets, it is the Federal government department who will need to source other assets.

2) Prison hospital

Justice agency

- Operates the prison which includes a hospital facility

Health agency

- Has responsibility for providing health services related to the hospital

Statutory Authority

- Engaged by justice agency to deliver the required health care under the direction of Health agency

In this example, Health agency has ultimate responsibility for delivering health services using the health services, however, it is not a party to the arrangement for the provision of the services as the arrangement is between Justice agency and the Statutory Authority. Justice agency is not responsible for the services and is therefore not the grantor for the purposes of AASB 1059. The

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underlying services are the responsibility of Health Agency and are therefore provided by the Statutory Authority on behalf of Health agency.

Other considerations

Where you have determined that you are not the grantor and therefore not within the scope of AASB 1059, please also refer to **FAQ – What do I do if an arrangement (or part of an arrangement) is out of scope for AASB 1059?**