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Guidance on disclosures for the repeal of TPP 06-8 in FY 20/21 Financial Statements

NSW GOVERNMENT

Introduction

Treasury Circular TC 20-07 withdrew TPP 06-8 *Accounting for Privately Financed Projects* (TPP 06-8) effective from 1 July 2020. The withdrawal of TPP 06-8 was due to the introduction of AASB 1059 *Service Concession Arrangements: Grantors* (AASB 1059), which is applicable for annual reporting periods beginning on or after 1 January 2020.

For arrangements that were previously accounted for under TPP 06-8, but are outside the scope of AASB 1059, agencies must determine the appropriate accounting to be applied following the hierarchy in AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* (AASB 108).

The purpose of this guidance is to assist agencies with disclosing the impact of the withdrawal of TPP 06-8 for arrangements that are outside the scope of AASB 1059 in their financial reports for FY 20/21. For these arrangements, the withdrawal of TPP 06-8 must be disclosed as a change in accounting policy in accordance with AASB 108.

Appendix A provides a pro forma disclosure for FY 20/21, demonstrating an example of the disclosures. Note that agencies will need to tailor the content to suit their specific circumstances.

Background

AASB 1059 addresses the accounting for service concession arrangements by a grantor that is a public sector entity and is effective for annual reporting periods beginning on or after 1 January 2020. Previously, TPP 06-8 was issued to provide guidance for the accounting treatment of privately financed projects (PFPs) in the absence of a specific Australian Accounting Standard. As a result of the introduction of AASB 1059, TPP 06-8 was withdrawn.

The following table sets out where to find guidance on transitional disclosures for arrangements affected by the withdrawal of TPP 06-8 and/or the introduction of AASB 1059:

For an arrangement that was: ***And that will now be:***	**Previously accounted for under TPP 06-08**	**Previously not accounted for under TPP 06-08**
Accounted for under AASB 1059	Refer to TPP20-09 *Financial Reporting Code for NSW General Government Sector Entities* (FRC)	Refer to the FRC
Accounted for under a standard other than AASB 1059	Apply this guidance and the FRC	Refer to the FRC

Upon withdrawal of TPP 06-8, agencies need to assess how to account for arrangements previously accounted for under TPP 06-8. Many arrangements to which TPP 06-8 applied may now be within scope of AASB 1059. Where the arrangements are within scope of AASB 1059, agencies will need to provide the transitional disclosures as required by AASB 1059 (refer to the FRC for more guidance).

However, some arrangements that were previously accounted for under TPP 06-8 may be outside the scope of AASB 1059. Where the arrangement is not within the scope of AASB 1059, agencies must identify which accounting standard applies by following the accounting hierarchy guidance in AASB 108 refer to *FAQ – What do I do if an arrangement (or part of an arrangement) is out of scope for AASB 1059?*). For these arrangements, agencies must disclose the impact of withdrawing TPP 06-8 as a change in accounting policy. This guidance helps agencies make those disclosures for FY 20/21.

What disclosures are required under Australian Accounting Standards for the withdrawal of TTP 06-8?

For FY 20/21, agencies need to disclose information about the impact of withdrawing TPP 06-8 as a change in accounting policy. These disclosures only apply where an arrangement previously accounted for under TPP 06-8 is not accounted for under AASB 1059 and include:

- restating comparatives for FY19/20 [1]
- where material, present a third balance sheet 1 July 2019 [2]
- the nature of the change in accounting policy, including disclosure of the repeal of TPP 06-8
- the reasons why the change in accounting policy provides reliable and more relevant information
- for the current period and each prior period presented, to the extent practicable, the amount of the adjustment for each financial statement line affected
- the amount of the adjustment relating to periods before those presented, to the extent practicable
- if retrospective application is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.[3]

Appendix A sets out a pro forma disclosure for FY 20/21 demonstrating an example of the disclosures. However, agencies will need to tailor the content in the disclosure to suit their specific circumstances.

In addition to the example disclosures in the Appendix, an additional line item should also be included in the 1 July 2019 opening balance in the Statement of Changes in Equity as "Changes in accounting policy – withdrawal of TPP 06-8".

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[1] AASB 108.19(b)
[2] AASB 101.40A
[3] AASB 108.29

Reasons for withdrawing TPP 06-8

Background to TPP 06-8

NSW Treasury issued TPP 06-8 because Australian Accounting Standards previously did not contain any guidance for accounting for privately financed projects by public sector entities.

A Privately Financed Project (PFP) was defined by TPP 06-8 as a contractual arrangement under which the Government grants a concession to the private sector to supply and operate economic or social infrastructure that would traditionally have been acquired and operated by the public sector. Examples of a PFP arrangement include toll roads, railway stations, hospitals, water treatment plans, prisons and car parks.

TPP 06-8 was developed in line with AASB 108 to provide guidance for the accounting treatment of PFPs for public sector entities in the absence of an Australian Accounting Standard that specifically applied to such arrangements.

Implications of AASB 1059 for TPP 06-8

AASB 1059 addresses the accounting for service concession arrangements by a grantor that is a public sector entity and is effective for annual reporting periods beginning on or after 1 January 2020. While AASB 1059 has a different scope to TPP 06-8, many arrangements that were accounted for under TPP 06-8 are within the scope of AASB 1059.

Given the purpose of TPP 06-8 was to provide accounting guidance previously not available under the Australian Accounting Standards, the introduction of AASB 1059 means this gap has narrowed significantly. NSW Treasury therefore determined it was appropriate to repeal TPP 06-8 from 1 July 2020.

Following the withdrawal of TPP 06-8, arrangements previously accounted for under TPP 06-8 must be reassessed. These arrangements will either be accounted for in accordance with AASB 1059, or where AASB 1059 does not apply, under another applicable accounting standard following the accounting hierarchy guidance in AASB 108.

Appendix A

This appendix provides pro forma disclosures that demonstrate a possible disclosure where an arrangement was previously within the scope of TPP 06-8 and falls outside the scope of AASB 1059. Note that agencies should tailor the content in the example to suit their specific circumstances.

Reminders

- In addition to the disclosures below, an additional line item should also be included in the 1 July 2019 opening balance in the Statement of Changes in Equity as “Changes in accounting policy – withdrawal of TPP 06-08”.
- In the following example disclosure, a third opening Statement of Financial Position has not been presented for 1 July 2019 as the adjustment is assumed to not be material. If the adjustment is material, a third Statement of Financial Position will need to be disclosed at 1 July 2019.
- The following provides an example of information to be provided (usually) in Note 1. Please note that the comparative amounts disclosed in the other corresponding notes to the affected line items (e.g. PPE note) would also need to be restated.

[Description of the arrangement] was previously accounted for under TPP 06-8 *Accounting for Privately Financed Projects* (TPP 06-8). TPP 06-8 has been withdrawn from 1 July 2020 following the introduction of AASB 1059 *Service Concession Arrangements: Grantors* (AASB 1059). This is because many arrangements to which TPP 06-8 applied now fall within the scope of AASB 1059. However, based on the entity's assessment, this arrangement is outside the scope of AASB 1059.

Upon the withdrawal of TPP 06-8, management has used its judgement and determined that the arrangement should now be accounted for under [name of the standard] as a change in accounting policy. This is because management has determined that adopting [name of the standard] best reflects the economic substance of the arrangement and [name of the standard] provides the most reliable and relevant information about the effects of the arrangement on the entity's financial position, financial performance and cash flows.

Under [name of the standard], [describe the accounting treatment now being adopted].

The entity has adopted [name of the standard] retrospectively. The effect of the change in accounting policy is as follows:

Impact on the Statement of Comprehensive Income (increase/(decrease)) for the comparative annual period ended 30 June 2020 is as follows:

	Notes	30 June 2020 (TPP 06-8)	30 June 2020 Adoption of [name of standard]	Impact of change in accounting policy
Revenue				
[specify line item]				
Expense				
[specify line item]				
Operating result				
[specify line item]				
Net result				

Impact on Statement of Financial Position (increase/(decrease) as at 30 June 2020 is as follows:

	Notes	30 June 2020 (TPP 06-8)	30 June 2020 Adoption of [name of standard]	Impact of change in accounting policy
Asset				
[specify line item]				
Liabilities				
[specify line item]				
Total adjustment to equity				
[specify line item]				
Net result				

The change in accounting policy did not have an impact on Other Comprehensive Income and the Statement of Cash Flows for the financial year. The nature of the adjustments is described below:

[Agencies to explain the reasons for significant changes of each line item affected identified above, for example:

· *That new assets and liabilities have been recognised; and/or*

· *That existing assets and liabilities have been reclassified; and/or*

· *That existing assets and liabilities have been remeasured/revalued]*

The impact of the change in the accounting policy is not disclosed for the current year and periods prior to 30 June 2020. This is because the benefit of disclosing the impact of the change is expected to be minimal to users and does not justify the cost to agencies to identify the impacts on amounts not otherwise presented in the financial statements.

A third statement of financial position as at 1 July 2019 has not been presented, as the impact is not considered sufficiently material *[this statement can only be made if the impact of the changes are not material and this is agreed with your audit team in advance].*

Appendix A Assumptions:

This pro forma disclosure is prepared applying some assumptions. Please review these assumptions to determine if they apply to your circumstances. If they do not apply to your circumstances, you will need to tailor your disclosures accordingly.

This pro form disclosure is prepared assuming:

- *that only one arrangement is impacted by the change in accounting policy*

  Where you have more than one arrangement that was previously within the scope of TPP 06-8 and are outside the scope of AASB 1059, you will need to consider whether to separately disclose each arrangement or whether to aggregate the information. It is important the presentation provides useful information for the users to best understand the impact this change in accounting policy will have on your agency's financial statements.

- *that it is not practicable or necessary to estimate the impact of the change in accounting policy on FY 20/21*

  Disclosing the impact of the change in accounting policy on the 2020-21 income statement and 30 June 2021 balance sheet is not expected to be necessary. Comparatives are fully restated, allowing for comparison between 2020-21 and 2019-20. In addition, the benefits of these disclosures to users are not material and therefore do not justify the cost to agencies of identifying pre-adoption amounts for the FY2020/21 period. You will need to consider whether users of your financial statements require more information and whether preparing that information is practicable.

- *that a third Statement of Financial Position has not been disclosed because the opening adjustment is not material*

  A third opening Statement of Financial Position has not been presented for 1 July 2019 as the adjustment is not material. If the adjustment is material, a third Statement of Financial Position will need to be disclosed at 1 July 2019. This includes a table disclosing the impact of changes in accounting policy as a result of the repeal of TP06-8 on the Statement of Financial Position line items at 1 July 2019.

- *that it is not practicable or necessary to estimate the impact of the change in accounting policy on periods before those presented*

  Disclosing the impact of the change in accounting policy on the income statement and balance sheet for periods before those presented is not necessary because the amounts are not material and, therefore do not justify the cost to agencies of identifying impacts on amounts not otherwise presented in the financial statements.

You will need to consider whether users of your financial statements require more information and whether preparing that information is practicable.

Further information and contacts

For further Information or clarification on issues raised in this paper please contact:

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