PBE IPSAS 32: SERVICE CONCESSION ARRANGEMENTS: GRANTOR

Version 1: 2014

Effective Periods Beginning
1 July 2014

SCOPE

- Applies to grantors of service concession arrangements.
- Arrangements within the scope of this Standard involve the operator providing public services related to the service concession asset on behalf of the grantor.
- Arrangements outside the scope of this Standard are those that do not involve the delivery of public services and arrangements that involve service and management components where the asset is not controlled by the grantor (e.g., outsourcing, service contracts, or privatisation).
- This Standard does not specify the accounting by operators (guidance on accounting for service concession arrangements by the operator can be found in PBE FRS 45 *Service Concession Arrangements: Operator*).

RECOGNITION AND MEASUREMENT

SERVICE CONCESSION ASSET

- The grantor recognises an asset provided by the operator and an upgrade to an existing asset of the grantor as a service concession asset if:
  (a) The grantor controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price; and
  (b) The grantor controls - through ownership, beneficial entitlement or otherwise - any significant residual interest in the asset at the end of the term of the arrangement.
- This Standard applies to an asset used in a service concession arrangement for its entire useful life (a “whole-of-life” asset) if the conditions in (a) above are met.
- The grantor initially measures the service concession asset recognised at its fair value; unless it is an existing asset that has been reclassified as a service concession asset in which case it is accounted for in accordance with PBE IPSA 17 – *Property, Plant and Equipment* or PBE IPSAS 31 – *Intangible Assets* (as appropriate).
- Subsequently, service concession assets are accounted for under PBE IPSAS 31 as appropriate.

LIABILITIES

- Where the grantor recognises a service concession asset, the grantor also recognises a liability.
- The grantor does not recognise a liability when an existing asset of the grantor is reclassified as a service concession asset, except in circumstances where additional consideration is provided by the operator, as per the below.
- The liability recognised is initially measured at the same amount as the service concession asset, adjusted by the amount of any other consideration (e.g., cash) from the grantor to the operator, or from the operator to the grantor.

OTHER LIABILITIES, COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

- That arise from a service concession arrangement are accounted for by the grantor in accordance with:
  - PBE IPSAS 19 – *Provisions, Contingent Liabilities and Contingent Assets;*
  - PBE IPSAS 28 – Financial Instruments: Presentation;
  - PBE IPSAS 29 – Financial Instruments: Recognition and Measurement; and
  - PBE IPSAS 30 – Financial Instruments: Disclosures.

OTHER REVENUES

- The grantor accounts for revenues from a service concession arrangement, other than those specified in paragraphs 24 –26, in accordance with PBE IPSAS 9 - *Revenue from Exchange Transactions*.

FINANCIAL LIABILITY MODEL

- Where the grantor has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, the grantor accounts for the liability recognised as a financial liability.
- The grantor allocates the payments to the operator and accounts for them according to their substance as a reduction in the liability recognised, a finance charge, and charges for services provided by the operator.
- The finance charge and charges for services provided by the operator in a service concession arrangement is accounted for as expenses.
- Where the asset and service components of a service concession arrangement are separately identifiable, the service components of payments from the grantor to the operator are allocated by reference to the relative fair values of the service concession asset and the services. Where the asset and service components are not separately identifiable, the service component of payments from the grantor to the operator is determined using estimation techniques.

GRANT OF A RIGHT TO THE OPERATOR MODEL

- If the grantor does not have an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, and grants the operator the right to earn revenue from third-party users or another revenue-generating asset, the grantor accounts for the liability recognised as the unearned portion of the revenue arising from the exchange of assets between the grantor and the operator.
- The grantor recognises revenue and reduces the liability recognised, according to the economic substance of the service concession arrangement.

DIVIDING THE ARRANGEMENT

- If the grantor pays for the construction, development, acquisition, or upgrade of a service concession asset partly by incurring a financial liability and partly by the grant of a right to the operator, it is necessary to account separately for each part of the total liability recognised.
- The amount initially recognised for the total liability shall be the same amount as the service concession asset.
- Each part of the liability referred is accounted for in accordance with paragraphs 18 - 26.

PRESENTATION AND DISCLOSURE

- Refer to PBE IPSAS 32 paragraph 32 for disclosure requirements.
- Disclosures are provided individually for each material service concession arrangement or in aggregate for each class of service concession arrangements.

TIER 2 RDR REPORTERS	Tier 2 Reporters must comply with the standard in full.