



## FRR 5D Service Concession Arrangements and Other Public-Private Partnerships

### INTRODUCTION

*Policy items*, indicated by **shaded bold print**, form the Minimum Reporting Requirements (MRRs).

Pursuant to sections 38(2) and 39(2) of the *Financial and Performance Management Standard 2019* (FPMS), departments and statutory bodies must prepare their financial statements in accordance with the MRRs. All of the MRRs are mandatory for departments. Statutory bodies comply with the FPMS by applying the parts of the MRRs that are considered relevant to their circumstances.

*Application Guidance*, indicated by plain text under the “Application Guidance” sub-headings, provides support on interpreting and applying the mandatory policy items and other matters.

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## TABLE OF CONTENTS

5D.1	PUBLIC-PRIVATE PARTNERSHIPS .....	2
5D.2	SCOPE OF AASB 1059.....	4
5D.3	ACCOUNTING FOR SERVICE CONCESSION ARRANGEMENTS UNDER AASB 1059 ..	11
5D.4	ACCOUNTING FOR PUBLIC-PRIVATE PARTNERSHIPS OUTSIDE THE SCOPE OF AASB 1059.....	12
5D.5	DISCLOSURES FOR PUBLIC-PRIVATE PARTNERSHIPS .....	17

### 5D.1 PUBLIC-PRIVATE PARTNERSHIPS

#### REFERENCES

- AASB 1059 *Service Concession Arrangements: Grantors*
- Queensland Treasury's Project Assessment Framework – *Queensland PPP supporting guidelines*

#### APPLICATION GUIDANCE

The term “public-private partnership” or “PPP” when used in this FRR means all projects and arrangements to which the *National PPP Policies and Guidelines* and the *Project Assessment Framework: Queensland PPP Supporting Guidelines* apply, or would apply if the projects were being entered into in the current financial year.

In public-private partnerships, the State (the grantor) enters into arrangements with private sector entities (the proponents/operators) to deliver to the public major economic and social assets/facilities and related services.

The Commonwealth Government's *National PPP Policies and Guidelines*, which are available at <https://www.infrastructure.gov.au/infrastructure-transport-vehicles/infrastructure-investment-project-delivery/national-guidelines-infrastructure-project-delivery>, set out the key features of PPPs – refer section 3 of the policy framework and sections 2.1 and 2.2 of the guidelines.

The Queensland Government's *Project Assessment Framework: Queensland PPP Supporting Guidelines* are available on Treasury's Project Assessment Framework web site at <https://www.treasury.qld.gov.au/programs-and-policies/project-assessment-framework/>

PPP arrangements generally fall into two broad categories – economic infrastructure arrangements or social infrastructure arrangements.

### Economic infrastructure arrangements

Economic infrastructure arrangements involve the delivery and operation of economic infrastructure whereby the third-party users (i.e. end users) pay for use of the infrastructure asset directly to the operator (often within a regulated payment framework) over the life of the contract. This is sometimes referred to as a 'demand-risk (i.e. patronage) transfer payment model'.

The typical characteristics of these arrangements generally include the operator being compensated for the upgrade, construction or acquisition of infrastructure assets by the grantor granting the operator the right to earn revenue from third-party users of the asset.

The grantor may also be required to pay an upfront payment in order to make the project more commercially attractive to a potential operator (e.g. a 'gap or subsidy' payment) or to compensate the operator for contract works undertaken on State owned assets (e.g. returned works).

Other than an upfront payment, the grantor will generally have no additional rights (other than the right to the residual interest in the infrastructure asset) or other obligations in relation to the infrastructure asset. In the event of a default by the operator or extended force majeure (i.e. where neither party is at fault), these types of service concession arrangements have generally been structured in such a way that if the asset was handed back to the State early, the State would have no obligation to compensate the operator.

Examples of PPPs that involve economic infrastructure assets include water treatment and supply facilities, motorways, car parks, tunnels, bridges, airports and telecommunication networks.

### Social infrastructure arrangements

Social infrastructure arrangements involve the delivery and operation of social infrastructure whereby the grantor pays for the third-party (i.e. community) use of the infrastructure asset through regular service payments to the operator over the life of the contract. Generally, the grantor pays an ongoing service payment to the operator regardless of the level of patronage of the social infrastructure asset as long as the asset is 'available for use'. This is sometimes referred to as an 'availability payment model'.

The typical characteristics of Social Infrastructure arrangements involve the grantor paying regular service payments to the operator. Such payments generally include a capital component – compensation for the upgrade, construction or acquisition of infrastructure assets – and an operating component that compensates the operator to operate and maintain the infrastructure asset. In the event of a default by the operator or extended force majeure (i.e. where neither party is at fault), these types of service concession arrangements have generally been structured in such a way that if the asset was handed back to the State early, the State would have an obligation to compensate the operator.

Examples of service concession arrangements that involve social infrastructure include hospitals, TAFEs, schools, public transport and correctional facilities.

### Accounting considerations for PPPs

PPPs are often complex arrangements that require detailed analysis before arriving at an appropriate accounting position.

AASB 1059 *Service Concession Arrangements: Grantors* applies to 'service concession arrangements', which are specific arrangements that meet the scope criteria of that standard. However, not all PPPs are service concession arrangements under AASB 1059. Other accounting standards (such as AASB 116 or AASB 16) may apply to those PPPs outside the scope of AASB 1059. Agencies who determine a PPP arrangement falls outside AASB 1059 must then consider the appropriate accounting for the PPP under other applicable standards.

The remainder of FRR 5D addresses the following issues:

- FRR 5D.2 examines the scope of AASB 1059 and contains guidance to help agencies assess whether an arrangement is a service concession arrangement.
- FRR 5D.3 contains guidance for accounting for service concession arrangements under AASB 1059.
- FRR 5D.4 contains guidance to help agencies decide on the most appropriate accounting treatment for PPP arrangements that fall outside of AASB 1059.
- FRR 5D.5 sets out Treasury's disclosure requirements for all PPPs, irrespective of whether the arrangements are in scope of AASB 1059.

## 5D.2 SCOPE OF AASB 1059

### REFERENCES

- AASB 1059 *Service Concession Arrangements: Grantors*

### POLICY

- **Service concession arrangements between Queensland public sector entities that are consolidated into Whole-of-Government are considered rare. Before applying AASB 1059 to such arrangements, agencies are first required to consult with Treasury regarding the application of the standard and Whole-of-Government implications.**

## APPLICATION GUIDANCE

To be a service concession arrangement in scope of AASB 1059, a public-private partnership (PPP) must meet certain criteria as summarised below.

1. The operator must be providing public services related to the service concession asset on behalf of a grantor. (Para 2(a), B4–B9)
2. The operator must be managing at least some of the services under its own discretion, rather than at the direction of the grantor. (Para 2(b), B10)
3. The grantor must control or regulate: (Para 5(a), B15–B27)
  - a) what services the operator must provide with the asset,
  - b) to whom it must provide the services, and
  - c) at what price
4. The grantor controls any significant residual interest in the asset at the end of the term of the arrangement. (Para 5(b), 6, B32–B36)

Factors that are not included in the AASB 1059 scope assessment include who acquired, constructed or paid for the asset (the asset can be constructed/financed by the operator or it can be an existing asset of the grantor), or who legally owns the asset *during* the period of the arrangement (the asset can be owned by the grantor or the operator during this period).

Where an asset has physically distinct portions that are used for different purposes, agencies should assess each portion individually as to whether there is a service concession arrangement, when the difference in accounting treatment is expected to be material.

The following guidance is provided to assist agencies in deciding whether an arrangement is within the scope of AASB 1059. See also AASB 1059 Examples 1–5 for illustrative application of the standard’s scope requirements.

### **1. Is the operator providing public services related to the service concession asset on behalf of the grantor?**

#### What is a public service?

Public service is not defined in AASB 1059 or other accounting standard, although AASB 1059 paragraph B5 does provide examples of service concession assets. A public service would typically be a service that a government provides and is accessible to members of the community within its

jurisdiction, even if not everyone in the public uses the service. Usually, if the government is paying for a service to be delivered, it will likely be a public service.

Agency judgment is required in some cases where the government is not paying anything for the service.

Assets that also provide ancillary services

Some arrangements may involve a single asset that provides multiple services. In such circumstances, a judgement will be required as to the nature and relative significance of each separate component and services provided to determine if the asset provides public services.

For example, a courthouse building provides multiple services, such as courts, administrative offices and other associated services. The services provided by the administrative offices may be unrelated to the court services and therefore considered ancillary if they are insignificant to the arrangement as a whole, and in that case would not affect the assessment that the building provides public services. However, if the unrelated administrative services were significant to the arrangement as a whole, the courthouse building might be assessed as not providing public services.

Similarly, a hospital might provide multiple services such as normal surgical/medical health care services and other associated services (e.g. florists, newsagencies, cafeteria). The associated services are unrelated to the surgical/medical services and would most likely be insignificant ancillary services when compared to the arrangement as a whole. In this case, the associated services would not affect the assessment that the hospital provides public services.

Secondary assets

AASB 1059 para B7 discusses situations where 'secondary assets' constructed as part of a service concession arrangement for a 'primary asset' (for example, a car park for a hospital) are also regarded as providing public services.

In situations where there is no service concession arrangement for the primary asset (e.g. the hospital itself is not in a service concession arrangement), or where the secondary asset is in a separate arrangement to that of the primary asset (e.g. the car park is constructed and operated by a different party), the secondary asset would not be regarded as providing public services under para B7. Nevertheless, agencies should still consider whether the secondary asset provides public services by itself as a standalone primary asset, and if it does it can still meet the 'public service' criteria.

*“On behalf of the grantor”*

In a service concession arrangement, the operator must be providing the public services related to the asset *on behalf of* the grantor. Typically, in a PPP arrangement, the public sector grantor is assigned responsibility by the government for delivery of public services, and the private sector operator uses an asset to provide those public services on the grantor’s behalf.

Arrangements may exist between Queensland Government agencies that have features similar to those of service concession arrangements with external-to-government operators. By way of example, one agency may have legal or designated ownership of a particular asset while a second agency is responsible for delivering public services using that asset.

The second agency would be assigned the responsibility for operating the asset and delivering public services by legislative mandate or Cabinet/Ministerial direction, even though ownership continues to remain with the first agency. In such cases, the second agency will often be providing the public services to achieve its own service delivery objectives or mandate - not necessarily *on behalf of* the agency that owns the asset. Careful examination of the facts and circumstances is required before concluding such arrangements

For this reason, service concession arrangements between agencies are expected to be rare, and agencies are required to consult with Queensland Treasury’s whole-of-Government reporting team before concluding that an arrangement between two Queensland Government agencies constitutes a service concession arrangement under AASB 1059.

*Other considerations*

Not in paragraph 2(a) but present in the definition of a service concession arrangement is that the arrangement must be for a ‘specified period of time’. A permanent transfer of service provision is therefore not a service concession arrangement, it may instead be a sale as illustrated in AASB 1059 Example 5(a).

As outlined in para B8 of AASB 1059, where the services provided by an asset are used wholly internally by the agency to assist the agency in delivering public services, but the asset is managed by an external party, this will not meet the definition of a service concession arrangement. Such circumstances are more indicative of an outsourcing arrangement or a lease and agencies should consider whether other Accounting Standards apply in such circumstances.

***2. Is the operator managing at least some of the services under its own discretion, rather than at the direction of the grantor?***

This aspect of the scope criteria requires that the operator has management responsibility (e.g. operational decision making) for some of the services provided by the asset **and** those services managed by the operator contribute significantly to the public services provided by the asset (see AASB 1059 para B10).

When the grantor provides the operator specific operational instructions or directions for the provision of services, the operator does not have discretion or management responsibility, and the arrangement would be a service outsourcing contract from the grantor's perspective.

Significant judgement is often required when deciding whether the services managed by the operator contribute significantly to the public services provided by the asset. The examples below illustrate the key principles in paragraph B10.

Example	Assessment	Conclusion
Operator constructs school buildings and provides, under its own discretion, facilities management, cleaning and security services.	Public services provided by the school are primarily education services. The operator's maintenance services do not represent a significant component of the public services provided by the school. Instead the maintenance services represent a service outsourcing arrangement to enable the grantor to provide public services (education) through the school.	The arrangements fails the criteria in 2(b) / B10, and is not within scope of AASB 1059.  The agency would instead account for this arrangement under other accounting standards, such as AASB 116 or AASB 16.
Operator constructs hospital building and provides, under its own discretion, facilities management, cleaning and security services, along with employment and rostering of hospital staff.	Public services provided by the hospital are primarily health care services. The operator's employment and rostering of hospital staff is likely a sufficient indicator that the operator is managing at least some of the public services provided by the hospital.	The arrangement meets this scope criteria and is likely a service concession arrangement under AASB 1059 (provided other criteria also met)
Operator builds a toll road, collects tolls, and provides road maintenance services under its own discretion.	A road provides public services (i.e. transport) largely by itself as long as it is properly maintained. Therefore, the operator's maintenance services contribute significantly to the public services provided by the road.	The arrangement meets this scope criteria and is likely a service concession arrangement under AASB 1059 (provided other criteria also met)

**3. Does the grantor control or regulate what services the operator must provide with the asset, to whom, and at what price?**

For the three criteria in this section, the power to regulate includes regulation imposed on the operator by a third party. Where third party regulation exists, the PPP agreement need not specifically refer to such regulation as it is implied in the arrangement, and the grantor also need not control or be related to the regulator.

**3(a) What services the operator must provide with the asset**

To meet this criteria, the agreement (or regulation) should state what type/s of services the operator must provide with the asset, and specify a minimum service level in terms of quantity or availability of the services provided. For example, a public hospital PPP may require that the operator provide specified health services to public patients and the hospital be open at all times barring force majeure situations.

Some considerations are outline in the table below.

Considerations	Examples of indicators that the arrangement <b>IS</b> a service concession arrangement	Examples of indicators that the arrangement <b>IS NOT</b> a service concession arrangement
Does the PPP agreement specify the types of services and a minimum level of service?	The agreement specifies the services to be delivered and a minimum level of service.	The agreement only sets out a high-level objective (e.g. reduce youth crime) without specifying the services to be delivered, and/or the operator has wide discretion as to the quantity or availability of services provided.
Is the operator permitted to temporarily cease the provision of public services, and if so, under what circumstances?	The operator must obtain the grantor's approval before it can temporarily cease the provision of public services. The agreement can allow for cessation of services in certain situations that do not detract from the grantor's control, e.g. in force majeure situations or during repairs and upgrades to the asset.	The operator has discretion over the times when the asset operates. For example, the operator can choose to cease operation of the asset (and provision of public services) when demand is low and the income earned does not justify the operating costs.
Is the operator able to use the asset for alternate purposes or to provide additional	The operator must obtain the grantor's approval to use the asset for alternate purposes.	The operator may use the asset for alternate purposes or to provide additional services that may or may not be public

Considerations	Examples of indicators that the arrangement <b>IS</b> a service concession arrangement	Examples of indicators that the arrangement <b>IS NOT</b> a service concession arrangement
services that are not specified in the agreement?		services.

### 3(b) To whom the operator must provide the services

Usually in a service concession arrangement, the agreement requires that the operator must provide the public services to the general public (i.e. anyone who wants to use the service) or a subset of the public. The grantor may restrict certain types of users from accessing the service, for example – no tractors or cyclists on a toll highway. The restrictions on the types of users can also be imposed by a third-party regulator.

Where the operator charges users a fee or toll for use of a service, the fact that the operator is ‘limiting’ its provision of services to only those users who pay does not, by itself, cause the arrangement to fail this criteria.

### 3(c) At what price the services must be provided

Control over pricing include terms that set an initial price and place a limit on future price increases (e.g. a fixed percentage or CPI), or require all price increases to be approved by the grantor. The price may also be set at zero.

The grantor’s control over pricing must be **substantive**. If in doubt, agencies should consider a situation where the operator raises prices beyond what is allowed in the agreement, or seeks a price increase that the grantor believes is too high. Does the grantor have sufficient power to restrict or limit the operator in these situations? Are there processes in place that will allow the grantor to achieve this control?

Additionally, pricing for public services can often be regulated by a third party, which would generally be sufficient to satisfy this scope criteria for the grantor.

## 4. Does the grantor control any significant residual interest in the asset at the end of the term of the arrangement?

This criteria is ordinarily satisfied by ownership of the asset being transferred to, or remaining with, the grantor at the end of the arrangement. An option for the grantor to purchase the asset at the end of the arrangement would not meet this criteria unless the purchase price is insignificant compared to the fair value of the asset at that time (e.g. \$1 purchase option).

This criteria is not relevant when an asset is used in a PPP for all or a major part of its economic life, because there will be no significant residual remaining at the end of the arrangement. Note that 'economic life' is not the same as 'useful life', and may be longer than the asset's useful life to the agency – refer to AASB 16 for the definition.

## 5D.3 ACCOUNTING FOR SERVICE CONCESSION ARRANGEMENTS UNDER AASB 1059

### REFERENCES

- AASB 1059 *Service Concession Arrangements: Grantors*

### APPLICATION GUIDANCE

#### **Lifecycle payments and AASB 1059 arrangements**

Lifecycle payments refer to payments agreed upfront for renewals and replacements that are undertaken by the operator in a PPP throughout the life of the arrangement. Where the PPP arrangement falls within the scope of AASB 1059, the examples in the standard illustrate how to account for lifecycle payments.

#### **1. Financial liability model (AASB 1059 Example 6)**

Future replacements are incorporated into the calculation of the implicit interest rate at commencement of the arrangement. This results in a lower discount rate and less interest expense being incurred over the life of the arrangement.

When the replacement happens, the service concession asset and financial liability are both increased by the original estimate of the fair value (CRC) of the replacement.

#### **2. Grant of Rights to Operator (GORTO) model (AASB 1059 Example 7)**

Future replacements are not incorporated into initial revenue recognition calculations (this differs from IPSAS 32 Example 2). Under AASB 1059, each replacement is treated like a new SCA that lasts for the remaining term of the arrangement. As each replacement occurs, the service concession asset and unearned revenue liability are increased by the fair value (CRC) of the replacement. This liability is then recognised as revenue over the remaining term of the arrangement, even if the replacement component's useful life is different. The amount of revenue recognised each year increases with each subsequent replacement, thus resulting in more revenue being recognised towards the end of the PPP.

## 5D.4 ACCOUNTING FOR PUBLIC-PRIVATE PARTNERSHIPS OUTSIDE THE SCOPE OF AASB 1059

### REFERENCES

- *Framework for the Preparation and Presentation of Financial Statements*
- *AASB 16 Leases*
- *AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors*
- *AASB 116 Property, Plant and Equipment*
- *AASB 1059 Service Concession Arrangements: Grantors*

### APPLICATION GUIDANCE

PPPs can be structured in various ways. It is possible some PPP arrangements will not meet the scope criteria of AASB 1059. For example, the asset may not be providing a public service (but may meet some or all of the other criteria of AASB 1059). In other situations, the proponent may only be managing maintenance activities that do not contribute significantly to the public services provided by the asset.

For PPP arrangements that fall out-of-scope of AASB 1059, the agency must determine the most appropriate way to account for the PPP that reflects the substance of the arrangement. Agencies encountering such situations should prepare and discuss their accounting position papers findings with QAO, noting that in such situations, the arrangement may be accounted for as either property, plant and equipment, a right-of-use asset (lease), or possibly not require on-balance sheet recognition. In formulating position papers and accounting judgements, agencies may find it helpful to consider the following questions as a minimum:

What is the nature of the consideration exchanged - capital payments or user charges?

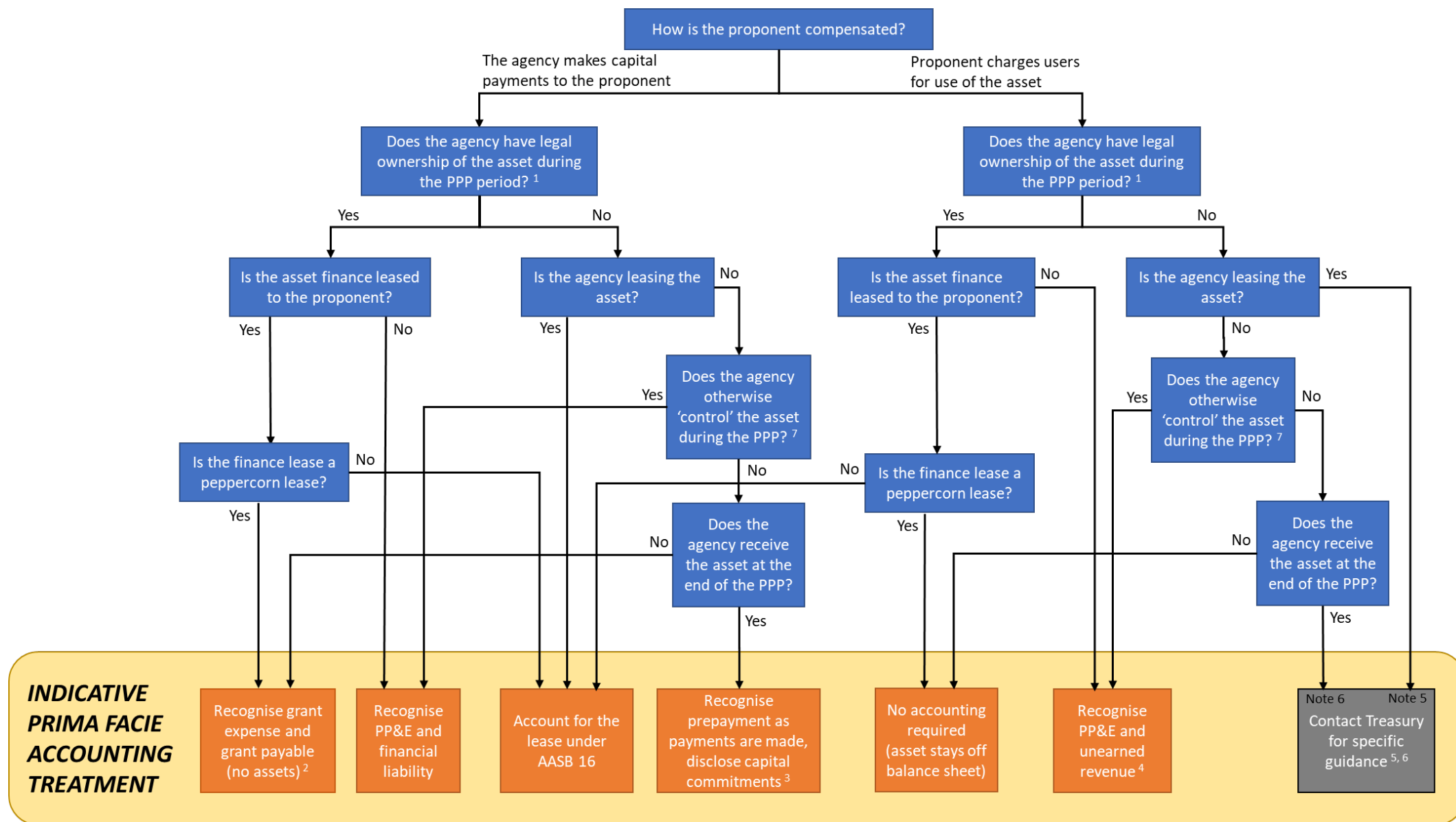
Who has legal ownership of the asset?

Who has accounting control of the asset?

Is there a finance lease of the asset to the proponent or a lease of asset to the agency?

The decision tree on the following page is provided to assist agencies in determining the most appropriate accounting treatment for PPPs outside of AASB 1059. Please note that this decision tree does not cover all possible PPP scenarios, and that hybrid arrangements where the proponent both charges users and receives payments from the grantor may require a combination of accounting treatments. Agencies are encouraged to seek Treasury advice if experiencing difficulties in applying this decision tree to a particular PPP arrangement.

## Decision tree –Accounting for PPPs outside the scope of AASB 1059



**Notes to the decision tree:**

1. Typically, legal ownership of buildings and infrastructure will lie with the owner of the land on which it is constructed. Where an agency believes this is not the case, it must demonstrate sufficient evidence to its auditors that ownership of the building/infrastructure resides with a party other than the landowner.
2. If the agency is paying for the construction of an asset and either (i) never receives the asset; or (ii) is required to lease the asset to the proponent under a peppercorn finance lease arrangement; then it is in substance a grant to the proponent. A grant payable and grant expense should be recognised when the proponent becomes contractually entitled to receive the payments under the terms of the agreement.
3. In this situation, the agency is effectively committed to the purchase of a PP&E asset at the end of PPP and is pre-paying for that asset over the PPP period. Capital commitments must be disclosed under AASB 116 para 74(c).
4. The unearned revenue here is recognised under an accounting policy developed under AASB 108 para 10-12 in the absence of a specifically applicable accounting standard and in consideration of the accounting requirements for GORTO arrangements in AASB 1059.
5. This scenario is expected to be extremely rare. Where the proponent is charging users for use of the asset, the agency is unlikely to have the right to obtain substantially all of the economic benefits from use of the asset, thus failing the AASB 16 lease identification criteria (para B21-B23). In addition, there may not be any lease payments involved.
6. In these circumstances, because the agency does not control the asset (e.g. buildings) during the PPP arrangement, Queensland Treasury considers the full amount of the asset should not be recognised upfront. Instead, Queensland Treasury's view is that the agency acquires a right to receive the asset at the end of the term, the value of which increases progressively over the term of the arrangement. Accounting for the progressive recognition and measurement of this asset can be complex, and as such, it is recommended that agencies contact Treasury for advice specific to the circumstances of their PPP arrangement.
7. When the agency does not own or lease the asset, it should assess whether it nevertheless still controls the asset by having the power to obtain the future economic benefits or service potential of the asset and to restrict the access of others to those benefits. In making this assessment, agencies should apply the concept of control over an asset as outlined in NCAP 1.

**Lifecycle payments and arrangements outside AASB 1059**

Agencies' treatment of lifecycle payments in PPP arrangements that are outside the scope of AASB 1059 must be consistent with the conceptual framework in respect of any assets or liabilities recognised.

Lifecycle payments attributable to *operating or maintenance activities* should be *expensed as incurred*.

Lifecycle payments attributable to *capital replacements* should be *capitalised* in accordance with the principles set down in accounting standards (e.g. AASB 116) and the NCAPs.

No assets should be recognised at the start of the PPP in relation to future replacements before any lifecycle payments are made.

*(i) Time Specific or Clearly Defined Replacement Schedules for Individual Assets or Components*

In PPP arrangements that contain clearly defined replacement schedules for specific assets, or components of complex assets, agencies should capitalise the cost of those replacements and depreciate over the remaining useful life of the asset or component as applicable.

Where lifecycle payments relating to material capital replacement payments are made in advance of the clearly defined or actual replacement occurring, Queensland Treasury's preference is this advance payment be recognised as part of capital work-in-progress asset until the future replacement occurs at which time the capital work-in-progress will be transferred to the asset. If it becomes apparent that the agency will not receive all of the replacements embodied in that recognised in prepayments, the advance payment must be written off.

*(ii) No Specified Replacement Schedules or Minimum Replacement Specified for Individual Assets or Components*

Some PPPs may require the agency to make lifecycle payments in advance of future asset replacements occurring, either as recurring payments or via periodic lump sums, but do not specify a comprehensively detailed replacement schedule or minimum level of replacements to be made.

Notwithstanding this, it is still necessary to make a judgement as to the capital versus operating nature of such lifecycle payments. Agencies are to make an assessment on a case-by-case basis as to what the substance of the lifecycle payments represent and adopt an accounting approach consistent with accounting standards, NCAPs and the conceptual framework;

Ordinarily, it is expected sufficient information will exist for agencies to make a reasonable determination or estimation of the capital and maintenance elements embodied in the PPP's contractual arrangements. This may include the use of budgeted asset management plans,

forecast engineering work plans, scheduled maintenance bulletins or estimation reports from the proponent responsible for providing the maintenance / asset replacement services.

Queensland Treasury's expectations around in these circumstances are as follows:

- Accounting judgements should consider the use of all available data to attribute (either partially or fully) the lifecycle payments between the capital element, with the balance attributable to maintenance (operating expenses). In certain circumstances, it may be more practical to determine the maintenance element first with the balance attributed to the capital element.
- As part of identifying the capital element, it is expected the timing of replacements for major or material asset components would also be identified where appropriate having regard to the available documentation and information sources as outlined in this section.
- Accounting for the capital component may be similar to the treatment outlined in (i) above if replacements of major or material asset components can be reasonably estimated to occur in particular years. Where this is impractical, the capital component of the lifecycle payment should be capitalised as part of the PPP asset when the payment is made.
- The frequency of comprehensive asset revaluations for the PPP asset will ensure that any timing differences (i.e. between the payment and when any material asset components are replaced) are effectively addressed through the asset revaluation cycle and be reflected in the asset revaluation surplus.
- Between comprehensive asset revaluations, an appropriate accounting judgement around depreciation should reflect the particular circumstances of the capital element and material capital components identified.
- Initial estimates of the allocation between capital and maintenance can be made, then adjusted each year and across the forward estimates, as more certainty around the capital component crystallises.

In some less common circumstances, asset replacements may be largely incidental, relatively minor, and only occur when needed as part of agreed maintenance services – with such replacements effectively inseparable from the maintenance services delivered. Consequently, identifying what future replacements will ultimately be received in return for the lifecycle payments may be difficult to reliably quantify. Judgement will be required as to whether such lifecycle payments qualify for capitalisation, should be expensed in full or require apportionment between both categories.

## 5D.5 DISCLOSURES FOR PUBLIC-PRIVATE PARTNERSHIPS

### REFERENCES

- AASB 1059 *Service Concession Arrangements: Grantors*

### POLICY

- To meet Queensland Treasury's minimum disclosure objectives for all public-private partnerships, irrespective of whether AASB 1059 Service Concession Arrangements or another Standard applies, agencies shall make the following disclosures for each individually material PPP arrangement in existence during the financial year, and the remaining PPPs in aggregate (including comparatives where applicable):
  - (a) A description of the arrangement including its duration and key features, the name of the other entities in the arrangement, and the value of assets and liabilities involved;
  - (b) The impact of the arrangement on revenue and expense line items; and
  - (c) A maturity analysis of the arrangement's future contractual cash inflows and outflows separately, on an undiscounted basis, in the following time bands:
    - within one year
    - one to five years
    - five to ten years
    - later than ten years

### APPLICATION GUIDANCE

To ensure consistency across PPP arrangements, and for whole-of-Government reporting purposes, the disclosures required by FRR 5D.5 apply to all PPP arrangements, whether or not they are service concession arrangements under AASB 1059.

The requirements reflect the principle-based disclosure guidelines of paragraph 28 in AASB 1059 for service concession arrangements. Consequently, agencies who make disclosures under AASB 1059 will meet the disclosure requirements of 5D.5. Agencies may refer to FRR 6A for illustrative disclosures.