

Amendments relating to - B2. Service Concession Arrangements: Measurement of the Liability

CHAPTER 4

Non-current assets

4.3 SERVICE CONCESSION ARRANGEMENTS: LOCAL AUTHORITY AS GRANTOR

4.3.2 Accounting arrangements

Measurement of the liability

4.3.2.20 Where a service concession arrangement can be separated into a service element and a construction element, the service element shall be expensed as incurred, and the construction element accounted for as if it were a ~~finance~~ lease. A contract may be separable in a variety of circumstances; see paragraph 4.3.2.13.

4.3.2.21 Subsequent to initial recognition, the service concession arrangement liability shall be measured following the principles set out in Section 4.2 of the Code and ~~IASFRS 16 Leases-17~~ (ie following the arrangements for ~~assets acquired under a finance lease~~ the measurement of the lease liability). The liability shall be reported as a financial liability but shall be measured under Section 4.2 of the Code (Leases), not Chapter 7 (Financial Instruments).

4.3.2.22 Where a service concession (PPP or PFI) arrangement cannot be separated into a service element and a construction element, the service concession asset and related liability shall be measured initially at the fair value of the asset.

4.3.2.23 Scheduled payments under the arrangement shall be allocated between a) operating costs to reflect the service element of the arrangement, b) repayment of the liability, and c) an imputed finance charge (based on the interest rate implicit in the contract). Where it is not possible to determine the rate implicit in the contract, the authority shall use its cost of capital rate (including inflation). It is expected that this situation would be rare. The liability shall be measured as a financial instrument based on elements b) and c) of the scheduled payments above, using the ~~same actuarial method used for finance leases~~ measurement requirements as for a lease liability

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under Section 4.2 of the Code and ~~IAS 17~~IFRS 16.

~~4.3.2.24~~ The finance charge and charges for services provided by the operator are expenses that shall be charged to the surplus or deficit on the provision of services as incurred and presented in accordance with the presentation requirements of Section 3.4 of the Code.

Payments

~~4.3.2.25~~ By definition, where a PPP or PFI arrangement can be separated into construction and service elements, the payments for each element will be readily identifiable. The service element shall be charged as expenditure as incurred. The construction element shall be allocated into an element relating to the repayment of the liability and an interest element in accordance with the arrangements for ~~a finance lease~~ the measurement of a lease liability (see Section 4.2 of the Code and ~~IAS 17~~IFRS 16). The interest element shall be charged to the surplus or deficit on the provision of services as incurred, with the balance of the payment used to reduce the outstanding liability on the Balance Sheet.

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Transition

~~4.3.2.44~~ The changes to this section of the Code relating to the measurement of the service concession arrangements liabilities in accordance with the measurement requirements for the lease liability in Section 4.2 of the Code and IFRS 16 shall follow the transition requirements for lease liabilities in section 4.2 of the Code.

4.3.6 Changes since the ~~2019/20~~2021/22 Code

~~4.3.6.1~~ ~~There have been no changes to the~~ Service Concession Arrangements: Local Authority as Grantor section of the Code since ~~the 2019/20 Code has been~~ updated to specify that the service concession arrangement liability is measured in accordance with the measurement requirements (including the transition requirements) for the lease liability in Section 4.2 of the Code and IFRS 16.

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Amendments relating to – B4. COVID-19-Related Rent Concessions: Amendments to IFRS 16

Note that the changes made to these provisions are changes to the approach to the Code for accounting for lease modifications for lessees as presented in Appendix F of the 2020/21 Code

4.2 LEASES

Lease modifications

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4.2.2.65 A local authority may apply the practical expedient in the amendments to IFRS 16 for COVID-19-related rent concessions in accordance with the requirements of paragraphs 46A and 46B of IFRS 16.

Transition - COVID-19-Related Rent Concessions

4.2.2.113 A lessee shall apply the amendments to IFRS 16 for COVID-19-related rent concessions retrospectively, recognising the cumulative effect of initially applying that amendment as an adjustment to the opening balance of reserves at the beginning of the annual reporting period in which the lessee first applies the amendment.

4.2.2.114 In the reporting period in which a lessee first applies the amendment to IFRS 16 for COVID-19-related rent concessions, a lessee is not required to disclose the information required by paragraph 28(f) of IAS 8.

4.2.1 Disclosure requirements

4.2.2.115 Where a local authority applies the practical expedient allowed by the amendments to IFRS 16 for COVID-19-related rent concessions, it shall where material, disclose the relevant information required by paragraph 60A of IFRS 16.