

# Financial Reporting Advisory Board Paper

## Public-Private Partnerships

<b>Issue:</b>	For FRAB members to consider the attached draft and to observe where they saw the arguments as potentially inconsistent with the current or perhaps more importantly, the longer-term position adopted by GAAP accounting on recognising on and off balance sheet assets with respect to PFI schemes.
<b>Impact on guidance:</b>	N/A
<b>UK GAAP adaptation?</b>	N/A
<b>IAS/IFRS compliant?</b>	N/A
<b>IPSAS compliant?</b>	N/A
<b>Impact on budgetary regime?</b>	N/A
<b>Recommendation:</b>	For the FRAB to provide comments to the Canberra II Task Force
<b>Timing:</b>	N/A

## DETAIL

### Background

1. Robin Lynch has asked for the Board to consider the attached draft paper.
2. Robin is a member of the International Advisory Expert Group (AEG) on the updating of the Systems of National Accounts. The European System of Accounts will be updated to be consistent with this new international standard, and so the changes will directly affect the UK National Accounts.
3. He also serves on the Canberra II Task Force reporting to the AEG, which recommends changes in the way we score capital assets in the national accounts. Another member of the group has written a paper on the proposed treatment of Public Private Partnerships (PPPs) which in the UK are commonly known as PFI's. The Treasury and Robin Lynch have commented on this paper, and it will be submitted to the AEG for approval in January 2006.

4. An important part of the recommended treatment in the national accounts is to accept the decisions of the government and business accountants as to who owns the assets - i.e. whether they are on or off balance in the UK government accounts. This is subject to the guidance being accepted as consistent with the principles of national accounts.

5. In view of the key role the GAAP style accounting practice will have in determining the treatment of assets in the national accounts, Robin would very much welcome written comment on the paper, and a discussion at the November meeting. The issue will be formally resolved at the AEG meeting in January 2006. The main remit for FRAB members could be to observe where they saw the arguments as potentially inconsistent with the current or perhaps more importantly, the longer-term position adopted by GAAP accounting on recognising on and off balance sheet assets with respect to PFI schemes.

### **Summary and recommendation**

6. The Board are asked for comments on the attached paper.

Sarah Solomon

FRAB Secretariat

28 November 2005