



DAO(GEN) 12/99

Dear Accounting Officer

30 June 1999

ACCOUNTING FOR PFI

Purpose of this DAO

This DAO letter draws attention to the publication of revised guidance (attached) on the use and interpretation of Application Note F *Private Finance Initiative and Similar Contracts* to Financial Reporting Standard (FRS)5 *Reporting the Substance of Transactions*. This replaces the interim guidance circulated under cover of DAO(GEN)9/97, which is hereby superseded.

Information

2. The guidance on accounting for PFI transactions circulated under cover of DAO(GEN)9/97 was issued in September 1997 with the intention of being an interim measure pending the deliberations of the Accounting Standards Board (ASB). On 10 September 1998, the ASB published its Application Note (AN) *Amendment to FRS5 - Reporting the Substance of Transactions : Private Finance Initiative and Similar Contracts*. When the AN was published, the then Paymaster General welcomed and accepted its principles, but noted that new Treasury guidance would be prepared to ensure the application of the principles in a way that would ensure consistency and cost effective compliance throughout the public sector.

Scope of the Guidance

3. This is set out in paragraph 1.7 of the attached guidance.

Date from which effective

4. The guidance is applicable to PFI transactions accounted for in financial years ending on or after 10 September 1998.

Budgeting Implications

5. Existing guidance on the budgeting implications of changes in accounting rules is set out in paragraph 23 of PES(96)30 (Public Expenditure Treatment of Finance Leases and

Transactions that are in Substance Borrowing) and Adam Sharples' letter of 23 December 1998 to PFOs (*PFI Accounting Treatment*). Further guidance will follow shortly.

Obtaining copies of PFI accounting guidance

6. The attached guidance is also being issued as Technical Note Number 1 (revised) by the Treasury Taskforce. Further copies may be obtained from the Treasury's Public Enquiry Unit (0171-270-4860).

Action by departments

7. Departments should send copies of this letter to sponsored bodies to enable them to take suitable action. Copies of the paper have been sent to the National Audit Office and the Audit Commission. Bodies which are audited by a private sector firm should ensure copies of the guidance are made available to their auditors.

Enquiries

8. Departments and their sponsored bodies should initially take up any questions with departmental accountancy advisors. Any questions to the Treasury should be addressed in the first instance to Tracy Gordon in the Central Accountancy team (0171-270-4538) or Alastair Campbell in the Private Finance Policy team (0171-270-5022).

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