

1 December 2025

Wendy Venter
Chief Executive
External Reporting Board
via email – accounting@xrb.govt.nz

Dear Wendy

**Auckland Council Submission Consultation on Exposure Draft (ED) IPSAS 47
*Revenue and Exposure Draft IPSAS 48 Transfer Expenses***

Thank you for the opportunity to comment on the ED IPSAS relating to revenue and transfer expenses.

Auckland Council (the Council) is Australasia's largest local government entity and comprises the council and five substantive council-controlled organisations (CCOs). We invest heavily in infrastructure and many of our decisions will have a fiscal impact on Auckland's future generations, the accounting standards that guide our financial reporting have material implications for decision-making and for the transparency we provide to Aucklanders.

Our responses to the specific questions for the respondents are included in appendices to this letter, together with our additional comments provided for the XRB's consideration. We hope our feedback is helpful in aiding your decision-making process.

Should you have any queries relating to the responses, please do not hesitate to contact Jonnon Goh at the details provided below.

Yours sincerely,



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Appendix 1 – Responses to EP IPSAS 47

Benefit vs cost consideration (Section D)

1. a. What are the anticipated benefits of adopting the proposed PBE IPSAS 47 for our organisation? Please provide specific examples.

We acknowledge that PBE IPSAS 47 provides a clearer framework for revenue recognition, particularly around binding arrangements (e.g. enforceable through legal or equivalent means) and compliance obligations. In principle, this should help reduce some of the uncertainty that currently exists in interpreting PBE IPSAS 23 for complex funding arrangements.

As the Auckland Council Group includes one for-profit entity, the alignment with the equivalent for-profit standard supports a consistent approach to revenue reporting. The closer alignment with IFRS is also helpful for our foreign investors who rely on comparability with international frameworks.

Because PBE IPSAS 47 supersedes revenue standards PBE IPSAS 9, 11 and 23, its adoption offers an opportunity to evaluate all revenue streams including grants, subsidies, statutory charges, regulatory fees, and inter-entity transactions under one coherent model.

1. b. What are the anticipated initial and ongoing costs your organisation may incur in adopting the proposed PBE IPSAS 47? Please provide specific examples.

From a practical standpoint, we expect the implementation effort to be significant. A large portion of our revenue is derived from multi-year funding agreements, statutory charges, and community programmes. Given the breadth and diversity of revenue streams (statutory, regulated, grants, subsidies, cost-recovery, inter-entity), the volume of agreements requiring review is likely to be substantial. Assessing whether each arrangement is binding, enforceable, and contains a compliance obligation will require a substantial number of contract reviews.

We also anticipate ongoing judgment and documentation requirements. This introduces an operational burden and increases the risk of inconsistent application.

1. c. Considering the benefits and costs identified above, do you expect the benefits of adopting PBE IPSAS 47 to outweigh the costs for your organisation? Please explain your reasoning.

We don't consider the benefit to outweigh the costs, however, neither cost nor benefit are expected to be significant in the long run.

Appendix 1 – Responses to EP IPSAS 47 (continued)

Key principles for revenue accounting (Section F)

2. Do the binding arrangement, enforceability and compliance obligation principles outlined in the ED provide sufficient clarity for practical application? What challenges, if any, do you anticipate in applying these principles in practice?

The principles are theoretically sound but raise practical concerns.

In relation to some arrangements where enforceability is unclear or deliberately not formalised, determining the intent of parties retrospectively—even for immaterial agreements—may require legal interpretation. The distinction between a compliance obligation and a general expectation is not always clear. Without more guidance, this creates scope for significant judgement and inconsistent interpretation across the public sector.

We need more practical examples for revenue that can be charged because of the provision of infrastructure development, for example infrastructure growth charges and development contributions. IE280 on page 185 gives an example on the transfer that relates to the construction and operation of an asset, however the example is straightforward with respect to the compliance obligation.

Revenue recognition (Section G)

3. Do you agree with the proposed approach to revenue recognition for transactions *without* binding arrangements? Are there any specific challenges you foresee in applying this approach?

We agree with immediate recognition when no enforceable obligations exist, but note practical issues for grants with strong expectations. However, in practice, this may not always reflect how funding is intended to operate.

For example, some grants are provided with strong expectations of how the funds should be used, even if those expectations are not legally enforceable. Recognising the full revenue upfront may give a potentially incomplete impression that the Council has complete discretion and may also create volatility between years if similar agreements are documented differently.

Appendix 1 – Responses to EP IPSAS 47 (continued)

4. Do you agree with the proposed approach to revenue recognition for transactions *with* binding arrangements? Are there any specific challenges you foresee in applying this approach?

The Council receives grants and subsidies from many central government agencies. The terms relating to the use of these funds differs from agency to agency, and nature of spend. This could mean that a lot of analysis is required to determine the timing of revenue recognition of grants.

Some arrangements include milestones, reporting obligations, and outcome indicators that are not easily measurable. Determining whether these represent enforceable compliance obligations, and then allocating consideration across them, could be highly subjective.

There is a risk that the standard creates an appearance of precision that cannot be achieved reliably.

For long-term infrastructure funding, deliverables may change over time due to project scope changes or regulatory amendments. It is unclear how enforceability and obligations should be reassessed in such cases.

Implementation and specific issues (Section H)

5. a. What challenges do you anticipate in implementing PBE IPSAS 47, including any specific transactions or scenarios where additional clarification may be needed?

Paragraph IE6, page 138 of PBE IPSAS 47 (Case C) indicates that where the Government is able to confirm and enforce its requirement for the entity to report the spending of the grants, the transaction may be classified as revenue arising from a binding arrangement. We seek clarification on whether the mere requirement for the entity to report its expenditure to the Government would be sufficient to meet the criteria for a binding arrangement.

Historically, our assessment has focused on whether the agreement includes enforceable clauses requiring the return of any unspent funds to the grantor, as an indicator that the grant revenue is subject to conditions and revenue is recognised when compliance obligation is satisfied/ conditions are met.

If the requirement for the entity to report its expenditure to the Government is sufficient to establish a binding arrangement, consideration should be given to removing the statement “and that any misused or unused funds are to be returned to the Government” from the example. Including this statement may lead users of the standards to interpret that the return of unused funds is a necessary condition for a binding arrangement, which may not align with the intended guidance.

Appendix 1 – Responses to EP IPSAS 47 (continued)

5. b. What support or guidance would be most helpful to assist with these challenges?

We appreciate that the ED includes a set of illustrative examples, fact sheets and the promise of educational materials. However, we consider that additional, New Zealand-specific guidance remains necessary for effective and consistent implementation by large public-sector entities.

Helpful support would include:

- Examples and guidance specifically addressing statutory/regulatory revenue and bylaw-based charges.
- Worked examples of multi-party / co-funded arrangements (e.g. grants, subsidies, central-government agencies grants, community programmes, joint projects, inter-entity transfers).
- Practical examples for long-term, multi-year capital funding / infrastructure grants with changing deliverables or scope.
- Decision trees or flowcharts tailored to typical NZ public-sector revenue scenarios, to assist staff in determining enforceability, compliance obligations, and timing of recognition.
- Sector-wide workshops or webinars, especially for councils and CCOs, to promote consistent interpretation and application across the public sector.

Disclosures and RDR concessions (Section I)

6. Do you consider the disclosure requirements in PBE IPSAS 47 to be appropriate and proportionate to the needs of users of PBE financial statements?

We recognise the value of enhanced disclosures to improve transparency and information for users. However, for a large, complex organisation with a wide variety of revenue streams (statutory charges, grants, subsidies, fees, inter-entity transfers, cost-recovery), the burden of producing the required level of disclosure may be substantial.

Councils have to prepare funding impact statements as part of their annual reports. The illustrative example differs from the funding impact statements mandated by legislation, which we typically align in terms of revenue classification. The introduction of the new revenue standards will result in a different disclosure format, while the funding impact statement continues to present revenue in an alternative manner. This divergence will affect the consistency of figures reported across the two statements.

The illustrative example also does not provide meaningful information to users of the financial statements, that not all users will understand the criteria for binding agreements. We would suggest that disclosing the revenue by nature of revenue such as grants and fees and charges are more meaningful for the users of the financial statements.

Appendix 1 – Responses to EP IPSAS 47 (continued)

Public Sector Entity—Statement of Comprehensive Revenue and Expenses for the Year Ended December 31, 20X2

(Illustrating the Classification of Expenses by Nature)

(in thousands of currency units)

	20X2	20X1
Revenue**		
Taxes	X	X
Fees, fines, penalties, and licenses Other compulsory contributions and levies	X	X
Revenue from exchange transactions	X	X
Transfers from other government entities without a binding arrangement	X	X
Revenue from compliance obligations in a binding arrangement	X	X
Other revenue	X	X
Total revenue	X	X

Form 5

Funding impact statement for annual report (whole of council)

Clause 30, Schedule 10, Local Government Act 2002

[Name of council]: Funding impact statement for [period] (whole of council)

	*[Year – 1] Annual plan	[Year – 1] Annual report	[Year 1] Annual plan	[Year 1] Actual
	(\$000)	(\$000)	(\$000)	(\$000)
Sources of operating funding				
General rates, uniform annual general charge, rates penalties				
Targeted rates				
Subsidies and grants for operating purposes				
Fees and charges				
Interest and dividends from investments				
Local authorities fuel tax, fines, infringement fees, and other receipts				
Total operating funding (A)				

7. Do you agree with the proposed reduced disclosure regime (RDR) concessions for Tier 2 PBEs?

We do not have any further comments.

Mandatory date and other comments (Section J)

8. Do you agree with the proposed mandatory date of 1 January 2029?

We agree with the proposed mandatory date of 1 January 2029.

9. Do you have any other comments on the ED?

We do not have other comments on the ED.

Appendix 2 – Responses to EP IPSAS 48

Benefit vs cost consideration (Section D)

1. a. What are the anticipated benefits of adopting the proposed PBE IPSAS 47 for our organisation? Please provide specific examples.

We acknowledge that the proposed standard provides a clearer framework for transfer expense recognition, particularly around binding arrangements, enforceability, and transfer rights. In principle, this should help reduce uncertainty that currently exists when interpreting PBE IPSAS 19 for grants, subsidies, and other transfer payments.

By introducing a coherent model for recognising both binding and non-binding arrangements, the standard promotes consistency and transparency in accounting for transfer expenses across the public sector. For the Council, which administers numerous grants, subsidies, community funding programmes, and inter-entity transfers, adoption of PBE IPSAS 48 could enhance the clarity of obligations, the timing of expense recognition, and overall comparability of financial reporting.

1. b. What are the anticipated initial and ongoing costs your organisation may incur in adopting the proposed PBE IPSAS 48? Please provide specific examples.

The anticipated costs and practical challenges are similar to those noted for PBE IPSAS 47, including reviewing a large number of transfer arrangements, assessing enforceability and constructive obligations, and updating systems and processes to support consistent interpretation.

1. c. Considering the benefits and costs identified above, do you expect the benefits of adopting PBE IPSAS 48 to outweigh the costs for your organisation? Please explain your reasoning.

As with PBE IPSAS 47, similar challenges exist. The benefits may not clearly outweigh the implementation and operational costs, particularly given the judgement required for distinguishing legal versus constructive obligations.

Key principles in transfer expense accounting (Section E)

2. Do the binding arrangement, enforceability and transfer right principles outlined in the ED provide sufficient clarity for practical application? What challenges, if any, do you anticipate in applying these principles in practice?

The challenges are similar to those identified for revenue accounting. Please refer to Appendix 1 no 2 responses.

Appendix 2 – Responses to EP IPSAS 48 (continued)

Recognition of transfer expense transactions (Section F)

3. Do you agree with the proposed approach to transfer expense recognition for transactions *with* binding arrangements? Are there any specific challenges you foresee in applying this approach?

We support recognising a liability until transfer conditions are satisfied under binding arrangements. For non-binding arrangements, determining constructive obligations may accelerate recognition. This aligns with the economic substance of obligations in grant and subsidy arrangements.

However, practical challenges include distinguishing substantive conditions from administrative or reporting requirements, allocating expenses across multiple performance obligations, and measuring liabilities where outcomes or entitlements are uncertain.

4. Regarding the proposed approach to transfer expense recognition for transactions *without* binding arrangements:
- (a) Do you agree with the proposed approach? Are there any specific challenges you foresee in applying this approach?

We agree with the proposed approach for non-binding arrangements. However, determining when a constructive obligation exists may be difficult, especially for discretionary funding or long-standing policy commitments. This may result in earlier recognition of liabilities or expenses than currently reported.

- (b) Do you anticipate a change to the accounting for social benefit transactions as a result of applying the proposed approach? If so, how would the accounting change?

Certain social benefit programmes may be affected if constructive obligations are broadly interpreted. This could result in recognising liabilities or expenses before funding is formally committed, which may not reflect the discretionary nature or policy intent of these programmes.

- (c) Do you consider the proposed guidance, added to PBE IPSAS 19, to be sufficient to assist PBEs in determining whether they have a legal or constructive obligation at the reporting date?

While the additions provide useful guidance, further examples are needed to support PBEs in distinguishing legal from constructive obligations, particularly in New Zealand public-sector contexts, including statutory schemes, discretionary grants, and inter-entity funding.

Appendix 2 – Responses to EP IPSAS 48 (continued)

Disclosure and RDR concessions (Section G)

5. Do you consider the disclosure requirements to be appropriate and proportionate to the needs of users of PBE financial statements?

The disclosure requirements enhance transparency but may be burdensome for large organisations managing diverse programmes. Capturing detailed information on obligations, conditions, and milestones across all transfers may create significant operational effort, and the incremental benefit to users should be considered against this cost.

6. Do you agree with the proposed reduced disclosure regime (RDR) concessions for Tier 2 PBEs?

We support the proposed RDR concessions for Tier 2 PBEs. For Tier 1 entities, guidance on aggregation and materiality could assist in managing compliance costs

Implementation and specific issues (Section H)

7. a. What challenges do you anticipate in implementing PBE IPSAS 48, including any specific transactions or scenarios where additional clarification may be needed?

Implementation challenges for the Council include reviewing a large volume of grants, subsidies, and inter-entity transfers to identify enforceable and constructive obligations, processes to capture obligations and performance milestones; training staff and CCO administrators; and ensuring consistent interpretation across multi-party or co-funded arrangements. Assessing long-term funding commitments under the constructive-obligation model may also create judgmental uncertainty.

7. b. What support or guidance would be most helpful to assist with these challenges?

We would benefit from New Zealand-specific examples of common public-sector scenarios, decision trees or flowcharts for assessing enforceable and constructive obligations, guidance on materiality thresholds, workshops for staff and administrators, and phased implementation support, including pilot or trial programs to test the practical application of the standard.

Mandatory date and other comments (Section I)

8. Do you agree with the proposed mandatory date of 1 January 2029?

We agree with the proposed mandatory date of 1 January 2029.

9. Do you have any other comments on the ED?

We do not have any other comments on the ED.