

FAQ – What do I need to reassess under AASB 1059 at each reporting date?

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A government agency may have **initially** assessed that it has a service concession arrangement and is required to account for the arrangement under AASB 1059 *Service Concession Arrangements: Grantors* (AASB 1059).

However, this assessment it is not 'set and forget'.

A service concession arrangement should be reassessed from time to time to determine whether:

- a) the asset still provides public services, and the operator is responsible for providing and managing at least some of the public services provided through the asset under its own discretion¹;
- b) there is a change in the grantor's control of the asset².

The purpose of the reassessment is to determine whether the agency still controls the asset(s) and whether the arrangement is still within the scope of AASB 1059.

The requirement is summarised as follows:

	When should I reassess?	Examples of triggers
Public service, and operator discretion	<ul style="list-style-type: none">▪ When there are significant modifications of terms and conditions of the arrangement	<ul style="list-style-type: none">▪ Changes in terms and conditions of the arrangement, if significant.
Control of the asset	<ul style="list-style-type: none">▪ When there is a change in facts or circumstances	<ul style="list-style-type: none">▪ Changes in the terms and/or conditions of the service concession contract▪ Changes in third-party regulation of the type of services and/or price and/or recipients▪ Facts and circumstances relevant to the assessment of regulated versus unregulated services e.g. passenger numbers, surgical procedures performed, tickets sold

Agreements that were previously scoped out of AASB 1059:

Agencies should also keep track of arrangements that have been scoped out of AASB 1059 because it was determined that the grantor did not have control of the asset. When there is a change in facts or circumstances, the arrangements should be assessed again to determine if the grantor has control over the asset.

a) **Public service and operator discretion**

Where there is a significant modification to the **terms and conditions** of the arrangement, the arrangement should be reassessed to determine whether the asset still provides public services, and whether the operator is responsible for providing and managing at least some of the public services

¹ AASB 1059.2 and AASB 1059.B11

² AASB 1059.5-6 and AASB 1059.B30-B31

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provided through the asset under its own discretion – and therefore whether the arrangement is still within the scope of AASB 1059.

- How often should I watch out for these changes?

At a minimum, at each reporting date.

- What is considered to be a significant modification?

Changes to the terms and conditions that have the potential to impact:

- Whether the asset still provides public services,
e.g. The terms of the arrangement have changed such that the operator of a hospital carpark which was previously restricted to providing parking to only hospital patrons can now allow anyone to use the car park, and the commercial use of the car park is significant. The asset is no longer considered to be providing a public service.
- Whether the operator is responsible for providing and managing at least some of the public services provided through the asset under its own discretion.
e.g. The terms of the arrangement with an operator to provide health services and building maintenance at a public hospital have changed such that the operator no longer provides the health services and only provides building maintenance. The building maintenance is considered insignificant to the core public services being provided at the hospital and therefore the arrangement is no longer in scope of AASB 1059.

b) Control of the asset

Where there is a change in **facts and circumstances** that indicate the grantor's control of the asset may have changed, the grantor assesses whether the asset is still within the scope of AASB 1059. Conversely, where there is a change in facts and circumstances that indicate the grantor may control an asset that they previously did not control for the purposes of AASB 1059, the grantor must assess whether the asset is still out of scope of AASB 1059.

- How often should I watch out for these changes?

At a minimum, at each reporting date.

- What if the assessment indicates that the grantor will gain or lose control of the asset?

Where a change in facts or circumstances will result in the grantor gaining control or losing control of the asset, the grantor would only change the way it applies AASB 1059 to the asset if change in control is long term and sustained, and not just a temporary.

Significant judgement is required in these scenarios. Agencies will be required to form an accounting position for consultation with Treasury.

- Examples of changes in facts and circumstances could include:

- Changes to the terms and/or conditions of the service concession contract;
- Changes in third-party regulation of the type of services and/or price and/or recipients;

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- Changes in facts and circumstances relevant to the assessment of relative significance of regulated and unregulated services e.g. passenger numbers, surgical procedures performed, tickets sold;
- Changes in government structure e.g. resulting in another agency being responsible for the services.
- Arrangements that were previously scoped out:
Agencies should also keep track of arrangements that have been scoped out of AASB 1059 because it was determined that the grantor did not have control of the asset. When there is a change in facts or circumstances, the arrangements should be assessed again to determine if the grantor gains control over the asset.

Other considerations

For more details on how to determine whether the arrangement is still within the scope of AASB 1059, refer to

- ***FAQ How do I know if I have a service concession arrangement?***
- ***TPP 19-06 AASB 1059 Service Concession Arrangements: Grantors – Scoping.***

When service concession accounting is no longer appropriate

If after the reassessment, it is determined that service concession accounting is no longer appropriate, the government agency determines whether the service concession asset and liabilities should continue to be recognised and accounted for under other Accounting Standards or whether they should be derecognised. However, internally generated identifiable intangible assets initially recognised by the grantor under a service concession arrangement continue to be recognised by the grantor while control is retained, rather than derecognised under AASB 138 *Intangible Assets*.³

Where you have determined that service concession accounting is no longer appropriate, please also refer to ***FAQ – What do I do if an arrangement (or part of an arrangement) is out of scope for AASB 1059?***

³ AASB 1059.B31