

Frequently Asked Questions (FAQs) - Service concession assets and asset classes

These FAQs relate to service concession assets and asset classes under AASB 116 *Property, Plant and Equipment* and AASB 138 *Intangible Assets*, and the implications on asset valuation cycles/methodologies.

1. Should service concession arrangement (SCA) assets be disclosed as a separate class of assets under AASB 1059 *Service Concession Arrangements: Grantors*?

Generally, no. SCA assets should be included within the same class, or across more than one existing class of assets, that are of similar nature, use and measurement model (i.e. cost vs revaluation).

However, where a SCA asset has a substantially different nature, use and measurement model to assets in existing classes, an agency will need to create a new asset class to contain that SCA asset.¹

Agencies should use their judgement and determine the most appropriate level of aggregation that results in the most relevant information for the users.

Treasury generally expects that similar (i.e. similar in nature and use) SCA assets and non-SCA assets should be included within the same asset class, where they are measured under the same measurement model, unless further disaggregation results in more relevant information for the users.

2. Is an asset "class" under AASB 13 *Fair value Measurement for valuation purposes* the same as an asset "class" under AASB 116?

No, not necessarily. For valuation purposes, there may be a greater level of disaggregation under AASB 13. Where this occurs, agencies must be able to reconcile the AASB 13 classes to the AASB 116 classes.

Assets that have similar nature and use, may be grouped as a class of assets under AASB 116. However, that class of assets under AASB 116 may need to be further disaggregated to meet the requirements of AASB 13, because, for example, some assets may have Level 2 fair values, and some have Level 3 fair values.

For example, service concession roads and bridges could be presented within the existing "roads and bridges" asset class under AASB 116. The valuation methodologies for services concession roads and bridges may be different to the valuation methodologies applied to State-owned roads and bridges. This is because an agency may not have access to as much granular/detailed information on the conditions of the SCA assets compared to its owned assets, due to the different levels of access to the assets. For example, an agency may have more robust data on the health index for the condition of its owned roads versus SCA roads. This may necessitate a different valuation approach between similar SCA assets and non-SCA assets. In this case, "service concession roads and bridges" would be a separate class for AASB 13 purposes within the AASB 116 "roads and bridges" asset class.

3. Where components of SCA assets are included across various existing asset classes, could the components of the SCA assets be revalued in a separate valuation cycle to other assets in the same asset class?

Yes, provided the valuations are undertaken within a short period of time and the revaluations are kept up to date, in line with the timeframe of the valuation cycle of existing asset classes.

¹ This separate asset class could include both SCA assets and any non-SCA assets that arise in future, that are of similar nature and use and are carried at the same measurement model as the SCA asset.

For example, a service concession toll road that consists of components included in three classes of assets (land under roads, earthworks, bridges & tunnels). TPP 14-01 *Accounting Policy: Valuation of Physical Non-Current Assets at Fair Value* requires a comprehensive valuation must be undertaken every 5 years for all asset classes.

A valuation of all the components of the service concession toll road is performed every 5 years in Years 2, 7, 12, 17 etc. Notwithstanding that other assets in each of the asset classes (i.e. other land under roads, earthworks, bridges & tunnels) are revalued at a different point in time e.g. years 1, 6, 11, 16 etc.

This is because AASB 116 allows a class of assets to be revalued on a rolling basis and therefore the components of the service concession assets may be revalued in a separate asset valuation cycle, provided the asset valuation occurs within a short period of time and that timing is consistent with the timing applied to the asset class they are part of.

4. What are the implications on the asset revaluation reserve (ARR) where SCA assets are recognised as a separate class of assets?

Should agencies decide to disclose a separate SCA asset class, any revaluation increases or decreases for those assets, cannot be offset against the ARR of its other asset classes, in accordance with AASB 116. As a result, agencies would be required to recognise separately and quarantine within the ARR, fair value movements relating to those SCA assets. However, agencies will need to provide this information to Treasury for the TSSA. This is because, the TSSA will not have a separate SCA class and can, therefore offset revaluation increases and decreases, in the appropriate asset classes.

If an agency presents different classes of assets to the classes in the TSSA (for instance where an agency has a lower level of aggregation than the TSSA), the agency must enter the asset information into Prime as advised by the TSFR team. This information should also include revaluation increments and decrements. This is because there may be instances where an agency had to recognise the decrements to profit or loss due to insufficient reserves at the agency level, but where the TSSA may have a sufficient reserve due to the greater level of aggregation at the consolidation level. Further, a reconciliation will need to be prepared from individual agency financial statements to the TSSA feed. The Audit Office will audit individual agency statements and therefore require this reconciliation to audit the disclosures at TSSA level.

Appendix A

This Appendix set outs different examples of asset classification that in NSW Treasury's view is permissible under Australian Accounting Standards.

Example 1: Service concession assets as a subset of a class of assets

Note X: Property Plant and Equipment

Asset Category	Asset Class
Infrastructure systems	Road infrastructure (including SCA Road Infrastructure) Sydney Harbour Tunnel Traffic signals network Traffic controls network Maritime assets Rail infrastructure

Note: Included within the Road infrastructure class are roads, land under roads and bridges.

Example 2: Service concession asset included among three different asset classes

Note X: Property Plant and Equipment

Asset Category	Asset Class
Infrastructure systems	Roads (including SCA – Roads) Land under roads (including SCA - Land under roads and tracks) Bridges (including SCA – Bridges) Sydney Harbour Tunnel Traffic signals network Traffic controls network Maritime assets Rail infrastructure

Note: Road, Land under roads and tracks, and Bridges are asset components of Road Infrastructure assets.

Example 3: Service concession assets disclosed as a separate class of assets

Note X: Intangible assets

Asset Class
Computer Software (at cost) Computer software (FV) (including SCA – Computer Software) Easements Other

Note: Service concession computer software assets are disclosed as a separate asset class, because it is carried at a different measurement basis to other non-service concession computer software assets.

Example 4: Some types of service concession assets are within existing asset classes, while certain types of service concession assets are disclosed as a separate class.

Balance sheet line items	Asset Class
Property, plant and equipment	Land and Buildings (including SCA land and building) Plant and Equipment (including SCA PPE) Infrastructure Systems (including SCA infrastructure systems)
Intangible assets	Computer Software (at cost) Computer software (FV) (including SCA – Computer Software) Easements Other