

ED 261 *Service Concession Arrangements: Grantor* – Draft Project Plan September 2015

Project description and objective

1. The draft Project Plan below details the proposed steps and timing for progressing the project on service concession arrangements from a grantor. The draft Project Plan outlines the areas that require Board redeliberation and further work based on feedback received from constituents on ED 261 *Service Concession Arrangements: Grantor* during the comment period. Staff will continue to undertake targeted outreach during Board redeliberation.

Draft summary of Project Plan in order of Board meeting dates

2. The table below summarises the main topic areas for Board consideration and deliberations in order of Board meeting dates.

Board meeting	Board actions	Project step(s)¹
2 – 3 September 2015	Board to consider comments received from ED 261 and approve draft Project Plan.	
21 – 22 October 2015	Board to: (a) redeliberate the proposed application to all public sector entities; and (b) consider the proposal the ‘field test’ ² .	1
2 – 3 December 2015	Board to redeliberate the proposed: (a) concept of control; (c) asset measurement at fair value; and (d) liability recognition and measurement.	2 – 4
23 – 24 February 2016	Board to deliberate findings of ‘field test’ ² and changes to draft Standard of: (a) application to all public sector entities; (b) concept of control; (c) asset measurement at fair value; and (d) liability recognition and measurement.	1 – 4
19 – 20 April 2016	Board to redeliberate the proposed: (a) defined terms; (b) other revenues, lifecycle costs and GAAP/GFS implications; (c) application date and transitional provisions; and (d) disclosures.	5 – 8

¹ The ‘project steps’ correspond to those contained in the ‘Detailed draft Project Plan and timetable’ in paragraph 3 below.

² The AASB in conjunction with University of New South Wales will ‘field test’ proposals to be incorporated in the draft Standard with its constituents to ensure that the proposals can be implemented. The field test is likely to take place in December 2015 and January 2016.

Board meeting	Board actions	Project step(s)
21 – 22 June 2016	Board to consider any sweep issues.	9
30 – 31 August 2016	Board to review pre-ballot draft Standard.	10
September/October 2016 (out of session)	Board to vote on Ballot Standard.	10

Draft detailed Project Plan and timetable

3. The table below details the major steps and timing for progressing the project.

	Project step	
1	Proposed application to all public sector entities	Estimated Timing
1.1	Reassess the impact of for-profit entities applying the draft Standard and consider alternatives for determining the scope of the final Standard.	September/October 2015
1.2	Present alternatives in 1.1 for Board deliberation at October 2015 meeting.	21 – 22 October 2015
1.3	Incorporate Board decisions in draft Standard, including explanation in Basis for Conclusions and include in ‘field test’ ³ to be undertaken in December 2015/January 2016.	January 2016
1.4	Present the findings of the field test and draft changes to draft Standard for Board deliberation at February 2016 meeting.	23 – 24 February 2016

2	Proposed concept of control	Estimated Timing
2.1	<p>Research the application of the control concept for service concession arrangements involving:</p> <ul style="list-style-type: none"> (a) long term leases (e.g. 99 year leases); (b) regulated industries (e.g. public utilities such as water, sewage, electricity supply); (c) third party regulation on pricing and/or services; and (d) changes in the grantor’s ‘control’ of the asset during the service concession arrangement, including changes in third party regulation of the price and/or services during the arrangement. <p>Research what constitutes a ‘significant residual value’ in the context of the control concept, including:</p> <ul style="list-style-type: none"> (a) the determination of ‘current value’; and (b) how it is applied in a long term arrangement. 	October 2015

³ The AASB in conjunction with University of New South Wales will ‘field test’ proposals to be incorporated in the draft Standard with its constituents to ensure that the proposals can be implemented. The field test is likely to take place in December 2015 and January 2016. Staff are planning to bring a proposal for the field test for Board consideration at the October 2015 meeting.

2	Proposed concept of control	Estimated Timing
2.2	Draft guidance on the application of control concept that: (a) is more conceptual or principles-based such as those in paragraph AG9; and (b) incorporate the findings in 2.1.	November 2015
2.3	Draft guidance for arrangements that do not meet the proposed control and regulation definition of the draft Standard to clarify the application of the: (a) broader concept of control that currently exists in existing Australian Accounting Standards; and (b) leases principles in AASB 117 Leases.	November 2015
2.4	Develop example(s) to illustrate concept of control in 2.1 to 2.3.	November 2015
2.5	Present the findings, draft guidance and examples in 2.1 to 2.4 for Board deliberation at December 2015 meeting.	2 – 3 December 2015
2.6	Incorporate Board decisions in draft Standard, including explanation in Basis for Conclusions and include in ‘field test’ to be undertaken in December 2015/January 2016.	January 2016
2.7	Present the findings of the field test and draft changes to draft Standard for Board deliberation at February 2016 meeting.	23 – 24 February 2016

3	Proposed asset measurement at fair value⁴	Estimated Timing
3.1	Research and draft guidance (including examples) on the determination of fair value of a service concession asset in the following areas: (a) under the grant of a right to the operator model for partly constructed and/or completed asset, where the grantor may not have an agreement with the operator for access of the asset value; (b) how to account for borrowing costs and economic obsolescence in measuring the fair value of the asset; (c) impairment of the service concession asset under AASB 136 <i>Impairment of Assets</i> ; (d) initial valuation of a service concession asset that is an intangible asset, taking into account that generally an intangible asset is not measured at fair value; and (e) the use of ‘deemed cost’ for service concession asset on transition to the draft Standard, in particular for the grant of a right to the operator model.	November 2015
3.2	Present the findings, draft guidance and examples in 3.2 for Board deliberation at December 2015 meeting.	2 – 3 December 2015
3.3	Incorporate Board decision in draft Standard, including explanation in Basis for Conclusions and include in ‘field test’ to be undertaken in December 2015/January 2016.	January 2016
3.4	Present the findings of the field test and draft changes to draft Standard for Board deliberation at February 2016 meeting.	23 – 24 February 2016

⁴ Staff are planning to bring a proposal for a separate project to consider the fair value concept of AASB 13 *Fair Value Measurement* to public sector assets for Board consideration at the October 2015 meeting.

4	Proposed liability recognition and measurement	Estimated Timing
4.1	<p>Research and draft guidance (including examples) on the determination of the service concession liability in the following areas:</p> <ul style="list-style-type: none"> (a) accounting of finance charges under the financial liability model; and (b) separate accounting for hybrid arrangements containing both the financial liability and grant of a right to the operator models. <p>Research and draft guidance on the appropriate basis for the recognition of revenue for the grant of a right to the operator by considering whether to:</p> <ul style="list-style-type: none"> (a) retain the proposed requirement to recognise revenue “according to the economic substance of the service concession arrangement” and provide guidance on how this is achieved; or (b) specify that revenue should be allocated in subsequent periods on a systematic and rational basis. 	November 2015
4.2	Present the findings, draft guidance and examples in 4.1 for Board deliberation at December 2015 meeting.	2 – 3 December 2015
4.3	Incorporate Board decision in draft Standard, including explanation in Basis for Conclusions and include in ‘field test’ to be undertaken in December 2015/January 2016.	January 2016
4.4	Present the findings of the field test and draft changes to draft Standard for Board deliberation at February 2016 meeting.	23 – 24 February 2016

5	Proposed defined terms	Estimated Timing
5.1	<p>Review, revise and/or provide guidance on the:</p> <ul style="list-style-type: none"> (a) defined term of ‘public service’ and the terms ‘government’, ‘usual government function’, ‘community’ and ‘financing the provision of services’ that are used in the ‘public service’ definition; (b) impact of the use of the term ‘public service’, which is different to the term ‘services to the public’ that is used in AASB Interpretation 12 <i>Service Concession Arrangements</i>; and (c) terms used in of ED 261 of: <ul style="list-style-type: none"> • ‘outsourcing’, ‘service contract’ and ‘privatisation’ (paragraph 6) arrangements that are outside the scope of the draft Standard; and • ‘significant residual interest’ (paragraph 8) and ‘estimated current value’ (paragraph AG14). 	December 2015/January 2016
5.2	Present the findings, draft guidance and examples in 5.1 for Board deliberation at April 2016 meeting.	19 – 20 April 2016
5.3	Incorporate Board decision in draft Standard, including explanation in Basis for Conclusions.	May 2016

6	Other revenue, lifecycle costs and GAAP/GFS implications	Estimated Timing
6.1	<p>Other revenue</p> <p>Undertake the following in relation to other revenue:</p> <p>(a) Seek the Board’s decision on whether to include the IPSAS 32 <i>Service Concession Arrangements: Grantor</i> guidance on other revenue; and</p> <p>(b) Research and draft guidance for the accounting of:</p> <ul style="list-style-type: none"> • variable payments in a service concession arrangement that is subject to future activity; and • cross referencing of accounting for other revenue for for-profit entity to AASB 15 <i>Revenue from Contracts with Customers</i>. <p>Lifecycle costs</p> <p>Research and draft guidance, including complex example, on the accounting for lifecycle costs.</p> <p>GAAP/GFS implications</p> <p>Further assess the implications of GAAP/GFS for the grant of a right to the operator model.</p>	March 2016
6.2	Present the findings, draft guidance and examples in 6.1 for Board deliberation at April 2016 meeting.	19 – 20 April 2016
6.3	Incorporate Board decision in draft Standard, including explanation in Basis for Conclusions.	May 2016

7	Proposed application date and transitional provisions	Estimated Timing
7.1	<p>Seek the Board’s decision at the April 2016 Board meeting on the following:</p> <p>(a) requested extension of the proposed application date of annual reporting periods beginning on 1 January 2017 to 1 January 2018; and</p> <p>(b) inclusion in paragraph AG65 a similar statement to paragraph AG64 of “Any difference between the value of the asset and the financial liability is recognised directly in net assets/equity. If the entity chooses as its accounting policy the revaluation model in AASB 116 or AASB 138, this difference is included in equity”.</p>	19 – 20 April 2016

8	Proposed disclosures	Estimated Timing
8.1	Reconsider proposed disclosures based on redeliberation to date.	April 2016
8.2	Present the findings in 8.1 for Board deliberation at April 2016 meeting.	19 – 20 April 2016
8.3	Incorporate Board decision in draft Standard, including explanation in Basis for Conclusions.	May 2016

9	Sweep issues	Estimated Timing
9.1	Consider any final issues from ‘sweep of issues’ for Board deliberation at June 2016 meeting.	May/June 2016
9.2	Incorporate Board decision in draft Standard, including explanation in Basis for Conclusions.	21 – 22 June 2016

10	Finalise Australian Accounting Standard	Estimated Timing
10.1	Finalise Pre-Ballot Draft Standard for Board Advisory Group review.	July 2016
10.2	Finalise Ballot Draft Standard for Board review.	30 – 31 August 2016 meeting
10.3	Finalise Ballot Standard for Board voting.	September/October 2016

Questions for the Board

Q1 Does the Board have any comments on the feedback received to date on ED 261?

Q2 Does the Board agree with the draft Project Plans in paragraphs 2 and 3?