

APPENDIX A

Asset Investment Proposal Summary

Victoria City Council		Asset Investment Proposal 2005/06		Proposal ID _____	
PROPOSAL SUMMARY					
PROPOSAL DETAILS					
Proposal Title					
Location		Ward			
Asset Class		Asset category			
Expenditure type		Capital renewal	New asset		
		Capital upgrade	Commitment		
Department Manager		Department/Branch			
Sponsor					
Proposal Description					
Project Justification					
Post-Project Evaluation Criteria					
A. FUNDING REQUIREMENTS (± 10%)			B. RISK ASSESSMENT		
2005/06 (\$)			Factor Assessment		
External contribution			Likelihood		
Council reserves			Consequences		
Council contribution			Risk indicator		
Total proposal cost					
C. ANNUAL SERVICE COST (not applicable for renewals)			D. DCF Measures (for detailed business case)		
Annual service cost	\$		NPV		
Annual Operating Exp.	\$		BCR		
Add. revenue %age	%		IRR		
APPROVALS					
		Name	Signature	Date	
Proposal sponsor					
Department Manager					

Note

For Renewals complete Part A - FUNDING REQUIREMENTS above.

For Preliminary Appraisal Stage complete Parts A & B above.

For Basic Business Case complete Parts A, B & C above.

For Detailed Business Case complete Parts A, B C & D above.

APPENDIX B

Asset Investment Proposal Report

Section A Proposal Definition

1. Purpose and Fit of asset investment proposal.

What is the purpose of this proposal? What is the current situation, which has generated the asset investment proposal?

1.1 Fit with Council Plan

Where does the proposal fit with the council plan, asset management strategies and budget?

2. Outcomes and Benefits

2.1 Expected outcomes

What are the expected outcomes of the investment proposal?

2.2 Beneficiaries

Who will be benefit from the investment?

2.3 Revenue generation

What additional rates or charges will be generated from the investment proposal?

2.4 Annual service cost

What is the annual service cost of the service from the investment?

2.5 Cost per beneficiary

What is the annual service cost per beneficiary?

2.6 Disadvantages

Who will be disadvantaged by the investment proposal, how and by how much?

3. Alternative Service Delivery

3.1 What alternatives (inc demand management, modifying existing assets, etc) would achieve all/most of the benefits? Why is this proposal the preferred option?

3.2 Asset acquisition methods

What asset acquisition methods (build, buy or lease) have been investigated and why the at was the result of this investigation? Why is this proposal the preferred option?

4. Risks

What are the service delivery implications and risks associated with not proceeding with the investment proposal?

Section B Appraisal and Prioritisation

The example below is taken from Table XI, Section 11.2.3. Each council should select the appraisal and prioritisation method that is appropriate for their circumstances.

Appraisal criteria	Weighting	Score (1-5)	Appraisal Score
Community benefit	15%		
Organisational benefit	10%		
Fit with Council Plan	15%		
Risk	25%		
Financial Issues	15%		
Part of adopted strategy	10%		
Environmental impacts	10%		
TOTAL	100%		

Score	Evaluation Descriptor
5	Meets evaluation criteria in all aspects
4	Satisfies most of the evaluation criteria
3	Satisfies some of the evaluation criteria
2	Some alignment with evaluation criteria
1	Does not meet any aspect of the evaluation criteria

Section C Risk Analysis

The risk analysis identifies risks that will arise as a result of not implementing the Preferred Option. The risk assessment is to be performed on all asset investment proposals and in combination with a weighted appraisal score will be used to rank proposals from highest to lowest. This ensures that investment proposals with a high risk to council are given proper consideration for funding and the need to balance costs, benefits and opportunities.

Likelihood Factor

If the works do not occur, what is the likelihood of there being an injury, financial loss or other issues exposing Council to risk	Probability of occurrence	Selection
Rare – May occur only in exceptional circumstances	More than 20 yrs	
Unlikely – Could occur at some time	Within 10-20 yrs	
Possible – Might occur at some time	Within 3 – 10 yrs	
Likely – Will probably occur in most circumstances	Within 2 yrs	
Almost Certain - Is expected to occur in most circumstances	Within 1 yr	

Consequence Factor

What is the consequence of not undertaking the work?	Selection
Insignificant – No injuries, low financial loss (less than \$10,000)	
Minor – First aid treatment, on-site release immediately contained, medium financial loss (\$10,000 - \$50,000)	
Moderate – Medical treatment required, on-site release contained with outside assistance, high financial loss (\$50,000 - \$200,000)	
Major – Extensive injuries, loss of production capability, off-site release with no detrimental effects, major financial loss (\$200,000 - \$1,000,000)	
Catastrophic – Deaths, toxic release off site with detrimental effect, huge financial loss (more than \$1M)	

Risk Assessment

Risk Indicator					
Likelihood	Consequences				
	Insignificant	Minor	Moderate	Major	Catastrophic
Rare	L	L	L	M	H
Unlikely	L	L	M	H	H
Possible	L	M	M	H	VH
Unlikely	M	M	H	H	VH
Almost Certain	M	H	H	VH	VH

Risk Indicators		Typical Risk Treatment
VH	Very High Risk	Immediate corrective action
H	High Risk	Prioritised action required
M	Moderate Risk	Planned action required
L	Low Risk	Manage by routine procedures

Section D Impact Analysis

Environmental Impacts

Environmental Area	+ ve	- ve	none
Local noise pollution			
Native flora & fauna			
Parks & gardens			
Local waterways			
Land use balance in the area			
Traffic flows			
Ecotourism			
Energy use			
Sustainable transportation energy use			
Water use			
Biodiversity			
Waste disposal, reduction, reuse, recycling			
Other (provide details)			

Risk management of negative impacts

Insert comment on actions proposed to eliminate or mitigate impact.

Social Impacts

Social Area	+ ve	- ve	none
Existing facilities within the council area			
Neighbourhood facilities			
Other pursuits within the council area			
Demand on current amenities			
Tourism potential			
Non-resident usage of facility			
Community support for the proposal			
Demands/lobbying from community for proposal			
Segments of the community which benefit from the proposal			
Private providers within the council area			
Alternate government providers			
Changes in service standards			
Extent to which a new facility will cause changes in usage			
Other (provide details)			

Risk management of negative impacts

Insert comment on actions proposed to eliminate or mitigate impact.

Section E Financial Analysis

Capital Cost

	2005/06	2006/07	2007/08	2008/09	2009/10	Total
Contractors						
Materials						
Total						

Funding Sources

	2005/06	2006/07	2007/08	2008/09	2009/10	Total
External						
Reserves						
Recurrent						
Total						

Projected Cashflows

2004/05	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Receipts													
Other													
Total													
Payments													
Contract													
Materials													
Total													
Inflow/ (Outflow)													

Operating Funds Required

	2005/06	2006/07	2007/08	2008/09	2009/10	Total
Interest						
Depreciation						
Operations						
Maintenance						
Other						
Total						

Annual Service Cost – for capital upgrade and expansion proposals

Council Name	Victoria City Council		
Council Rate Revenue (\$pa)	\$6,000,000		
Investment Proposal			
ID			
Name			
Data	Renewal	Upgrade/Exp.	Total
Est. Capital Cost	\$40,000	\$100,000	\$140,000
Est. Useful Life	40	yrs	
Est. Demolition Cost	\$5,000		
Borrowing Rate	8.0	%	
Est. Annual Costs			
Operating Cost (for upgrade and expansion, additional to existing operating costs)			
Wages, labour	\$20,000		
On-costs	\$12,000		
Plant Hire	\$2,000		
Energy Costs	\$3,000		
Admin/overheads	\$1,000		
Other			
Total	\$38,000		
Maintenance Cost	\$2,000		
ANNUAL SERVICE COST CALCULATION			
Finance/Opportunity Cost		\$8,000	
Depreciation		\$2,500	
Operating cost		\$38,000	
Maintenance cost		\$2,000	
Demolition cost		\$125	
Annual Service Cost		\$50,625	(for upgrade component)
ANNUAL OPERATING EXPENSE			
Finance/opportunity cost			
Depreciation		\$2,500	
Operating cost		\$38,000	
Maintenance cost		\$2,000	
Annual Operating Expense		\$42,500	(for upgrade component)
Additional revenue required as percent of council rate revenue		0.71%	

Section F Proposal Implementation Risk Analysis

Identify proposal implementation risks and provide a broad assessment of risk level and possible treatment options. Consider the following headings. Additional risks may also be identified such as timing of the proposal, availability of external funding and political issues that may affect the project.

Table F1. Implementation Risk Assessment and Treatment Options

Risk Area/ Risk Assessment	Risk Assessment (H, M, L) and Possible Treatment Options
Investment planning risk	
Design risk	
External approvals	
Demand/market risk	
Completion/construction risk	
Management/operations risk	
Environment risk	
Private sector risk	
Other	

Section G Post-Implementation Review

Project	
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Investment Proposal		Actual Project	
Capital Estimate	\$	Capital Cost	\$
Forecast Benefits		Actual Benefits	
Assessed Pre-Project Risk		Assessed Post-Project Risk	
Estimated Operating Expense (\$ pa)	\$	Actual Operating Expense (\$ pa)	\$

INVESTMENT PERFORMANCE REVIEW	
Did the project deliver the estimated benefits? (Y/N)	
Comment on reasons and lessons learnt.	
Was the project delivered within 10% of the approved investment proposal estimate? (Y/N)	
Comment on reasons and lessons learnt.	
Did the project reduce risk to Council? (Y/N)	
Comment on reasons and lessons learnt.	
Is the actual operating expense within 10% of the approved investment proposal estimate? (Y/N)	
Comment on reasons and lessons learnt.	

RECOMMENDED IMPROVEMENTS	
A. Funding allocation to Asset Classes	
B. Appraisal Criteria	
C. Investment Appraisal Process	
D. Project Management and Delivery	
E. Post-Project Review	

APPENDIX C

Annual Service Cost & Operating Expense Example

Council Name	Victoria City Council		
Council Rate Revenue (\$pa)	\$6,000,000		
Investment Proposal			
ID	2005/56		
Name	New Park Development		
Data	Renewal	Upgrade/Exp.	Total
Est. Capital Cost	\$40,000	\$100,000	\$140,000
Est. Useful Life	40	yrs	
Est. Demolition Cost	\$5,000		
Borrowing Rate	8.0	%	
Est. Annual Costs			
Operating Cost (for upgrade and expansion, additional to existing operating costs)			
Wages, labour	\$20,000		
On-costs	\$12,000		
Plant Hire	\$2,000		
Energy Costs	\$3,000		
Admin/overheads	\$1,000		
Other			
Total	\$38,000		
Maintenance Cost	\$2,000		
ANNUAL SERVICE COST CALCULATION			
Finance/Opportunity Cost		\$8,000	
Depreciation		\$2,500	
Operating cost		\$38,000	
Maintenance cost		\$2,000	
Demolition cost		\$125	
Annual Service Cost		\$50,625	(for upgrade component)
ANNUAL OPERATING EXPENSE			
Finance/opportunity cost			
Depreciation		\$2,500	
Operating cost		\$38,000	
Maintenance cost		\$2,000	
Annual Operating Expense		\$42,500	(for upgrade component)
Additional revenue required as percent of council rate revenue		0.71%	

Insert data into shaded cells on the Spreadsheet.

This spreadsheet is available from the Local Government Victoria web site.

APPENDIX D

Financial Analysis Example

AQUATIC CENTRE: Financial Evaluation														
[\$ Millions: 2002 Constant Prices]														
Year ending 30-Jun	FINANCIAL COSTS (= economic costs as all GST paid on inputs is credited back to Local Government Authority) (1)								FINANCIAL RECEIPTS			NET CASH FLOW		
	CAPITAL			CURRENT					TOTAL	Gross Receipts	Less GST @ 6%		TOTAL	
	Health and Fitness (aerobic classes)	Aquatic Facilities (2)	Sub-total	Operations	Ongoing Maintenance at 1% of capital	Periodic Replacement (3)	Major Replacement (tiles, plant, roof)	Sub-Total		Financial receipts for memberships and casual visits (less GST tax)	(Retained by LGA as offset to other GST credits)			
1	2005	0.01	0.04	0.05				0.00	0.05	0.00	0.00	0.00	-0.05	
2	2006	0.01	0.04	0.05				0.00	0.05	0.00	0.00	0.00	-0.05	
3	2007	0.01	0.09	0.1				0.00	0.10	0.00	0.00	0.00	-0.10	
4	2008	0.5	10.00	10.5		0.05		0.05	10.55	0.00	0.00	0.00	-10.55	
5	2009			0	1.40	0.11		1.51	1.51	1.39	0.13	1.26	-0.24	
6	2010			0	1.40	0.11	0.05	1.56	1.56	1.39	0.13	1.26	-0.29	
7	2011			0	1.40	0.11		1.51	1.51	1.39	0.13	1.26	-0.24	
8	2012			0	1.40	0.11	0.05	1.56	1.56	1.39	0.13	1.26	-0.29	
9	2013			0	1.40	0.11		1.56	1.56	1.39	0.13	1.26	-0.29	
10	2014			0	1.40	0.11	0.05	1.56	1.56	1.39	0.13	1.26	-0.29	
11	2015			0	1.40	0.11		1.51	1.51	1.39	0.13	1.26	-0.24	
12	2016			0	1.40	0.11	0.05	1.56	1.56	1.39	0.13	1.26	-0.29	
13	2017			0	1.40	0.11		1.51	1.51	1.39	0.13	1.26	-0.24	
14	2018			0	1.40	0.11	0.05	1.81	1.81	1.39	0.13	1.26	-0.54	
15	2019			0	1.40	0.11		1.51	1.51	1.39	0.13	1.26	-0.24	
16	2020			0	1.40	0.11	0.05	1.56	1.56	1.39	0.13	1.26	-0.29	
17	2021			0	1.40	0.11		1.51	1.51	1.39	0.13	1.26	-0.24	
18	2022			0	1.40	0.11	0.05	1.56	1.56	1.39	0.13	1.26	-0.29	
19	2023			0	1.40	0.11		1.51	1.51	1.39	0.13	1.26	-0.24	
20	2024			0	1.40	0.11	0.05	1.56	1.56	1.39	0.13	1.26	-0.29	
21	2025			0	1.40	0.11		1.51	1.51	1.39	0.13	1.26	-0.24	
22	2026			0	1.40	0.11	0.05	1	2.56	1.39	0.13	1.26	-1.29	
23	2027			0	1.40	0.11		1.51	1.51	1.39	0.13	1.26	-0.24	
24	2028			0	1.40	0.11	0.05	1.81	1.81	1.39	0.13	1.26	-0.54	
25	2029		-2	-2	1.40	0.11		1.51	-0.49	1.39	0.13	1.26	1.76	
		Residual Value estimated at 20%			Totals					42.44			26.52	-15.92
										\$22.81		\$11.77		

NPV at 6%

NPV (@ 6%) (\$M) - \$11.04
 BCR 0.52
 IRR (%) - 21%

Notes for financial analysis

1. Financial Costs are before any taxes and include pre-feasibility studies, design and project management
2. Residual value estimate at 20%
3. Periodic Replacement includes treadmills, exercise bikes, computers and filtration pumps
4. Receipts estimated at \$1.39 million

Item	Quantity		Rate	Amount
Health & Fitness Memberships	500	@	\$500	\$250,000
Health & Fitness Casual Visits	20,000	@	\$10	\$200,000
Pool Season Passes	1,500	@	\$200	\$300,000
Pool Casual Admissions	150,000	@	\$4	\$600,000
Rent of canteen		@		\$40,000
Total				\$1,390,000

Sensitivity Analysis

Scenario 1 Receipts 10% below estimate

	Financial Costs (\$M)	Receipts (\$M)	Net Cashflow (\$M)	
	\$42.44	\$23.88	- \$18.56	
NPV at 6%	\$22.81	\$10.60		
			NPV (@6%) (\$M)	- \$12.21
			BCR	0.46
			IRR (%)	- 28%

Scenario 2 Receipts 10% above estimate

	Financial Costs (\$M)	Receipts (\$M)	Net Cashflow (\$M)	
	\$42.44	\$29.19	- \$13.25	
NPV at 6%	\$22.81	\$12.95		
			NPV (@6%) (\$M)	- \$9.86
			BCR	0.57
			IRR (%)	- 16%

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References

AASB Australian Accounting Standards Board
 API Australian Property Institute
 ICAA Institute of Chartered Accountants in Australia
 IVSC International Valuation Standards Committee www.ivsc.org
 IFAC International Federation of Accountants consultation paper on Heritage assets Feb 2006
 JRA Jeff Roorda and Associates

TERM	DEFINITION	REF	EXAMPLES	ADDITIONAL EXPLANATIONS
Adequate profitability	When an asset has been valued by reference to depreciated replacement cost, adequate profitability is the test that the entity should apply to ensure that it is able to support the depreciated replacement cost conclusion	IVSC API		
Annual service cost (ASC)	An estimate of the cost that would be tendered, per annum, if tenders were called for the supply of a service to a performance specification for a fixed term. The Annual Service Cost includes operating, maintenance, depreciation, finance/ opportunity and disposal costs, less revenue.	JRA		
Asset class	Grouping of assets of a similar nature and use in an entity's operations.	AASB 116.37		
Asset condition assessment	The process of continuous or periodic inspection, assessment, measurement and interpretation of the resultant data to indicate the condition of a specific asset so as to determine the need for some preventative or remedial action.	JRA		
Asset management	The combination of management, financial, economic, engineering and other practices applied to physical assets with the objective of providing the required level of service in the most cost effective manner.	JRA		
Assets	Future economic benefits controlled by the entity as a result of past transactions or other past events.	AAS 27.12	Property, plant and equipment including infrastructure and other assets (such as furniture and fittings) with benefits expected to last more than 12 month.	

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TERM	DEFINITION	REF	EXAMPLES	ADDITIONAL EXPLANATIONS
Average annual asset consumption (AAAC)	The amount of a local government's asset base consumed during a year. This may be calculated by dividing the Current Replacement Cost (CRC) by the Useful Life and totalled for each and every asset OR by dividing the Fair Value (Written Down Current Replacement Cost) by the Remaining Life and totalled for each and every asset in an asset category or class.	JRA		
Capital expansion expenditure	Expenditure that extends an existing asset, at the same standard as is currently enjoyed by residents, to a new group of users. It is discretionary expenditure, which increases future operating, and maintenance costs, because it increases council's asset base, but may be associated with additional revenue from the new user group.	JRA	Extending a drainage or road network, the provision of an oval or park in a new suburb for new residents.	Where capital projects involve a combination of renewal, expansion and/or upgrade expenditures, the total project cost needs to be allocated accordingly.
Capital expenditure	Relatively large (material) expenditure, which has benefits, expected to last for more than 12 months. Capital expenditure includes renewal, expansion and upgrade.	JRA		Where capital projects involve a combination of renewal, expansion and/or upgrade expenditures, the total project cost needs to be allocated accordingly.
Capital funding	Funding to pay for capital expenditure.	JRA		
Capital grants	Monies received generally tied to the specific projects for which they are granted, which are often upgrade and/or expansion or new investment proposals.	JRA		Care is required for these proposals where not all costs are covered by the grant. Operating costs associated with these proposals in future years also need to be considered together with any new revenue generated and foreseeable renewal requirements. Failure to consider these will result in council not being able to sustain service levels in the future, as the assets will not have been renewed and the additional operating costs will have eaten into council's operating funds.
Capital investment expenditure	See capital expenditure definition			

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TERM	DEFINITION	REF	EXAMPLES	ADDITIONAL EXPLANATIONS
Capital new expenditure	Expenditure which creates a new asset providing a new service to the community that did not exist beforehand. As it increases service potential it may impact revenue and will increase future operating and maintenance expenditure.	JRA		This term may also be used to refer to a combination of new, upgrade and expansion expenditure where these are not disclosed separately.
Capital renewal expenditure	Expenditure on an existing asset, which returns the service potential or the life of the asset up to that which it had originally. It is periodically required expenditure, relatively large (material) in value compared with the value of the components or sub-components of the asset being renewed. As it reinstates existing service potential, it has no impact on revenue, but may reduce future operating and maintenance expenditure if completed at the optimum time. Where capital projects involve a combination of renewal, expansion and/or upgrade expenditures, the total project cost needs to be allocated accordingly.	JRA	Resurfacing or resheeting a material part of a road network, replacing a material section of a drainage network with pipes of the same capacity, resurfacing an oval.	Sealed road resurfacing. The sealed surface provides a waterproof seal over the road pavement and prolongs the life of the pavement to its design/expected life. The sealed surfaces breakdown over time due to oxidisation of the bituminous material and cause cracking of the sealed surfacing. Water penetrates into the pavement through the cracks in the seal and reduces pavement life. Resurfacing on a regular cycle (say every 10-15 years) ensures that the waterproof seal is maintained and the pavement expected life is realised. Building renewal. The components of buildings require regular replacement to sustain the level of service. Components include air conditioning plants, kitchen fittings, floor coverings, roof coverings, etc. Renewal at regular intervals ensures that buildings continue to provide the levels of service required by users.
Capital upgrade expenditure	Expenditure, which enhances an existing asset to provide a higher level of service or expenditure that will increase the life of the asset beyond that which it had originally. Upgrade expenditure is discretionary and often does not result in additional revenue unless direct user charges apply. It will increase operating and maintenance expenditure in the future because of the increase in the council's asset base. Where capital projects involve a combination of renewal, expansion and/or upgrade expenditures, the total project cost needs to be allocated accordingly.		Widening the sealed area of an existing road, replacing drainage pipes with pipes of a greater capacity, enlarging a grandstand at a sporting facility. .	Upgrade of an existing road. If a council proposes to upgrade an existing 5 metres wide road to a width of 8 metres, the cost estimate can be apportioned between renewal (of the existing 5 metres width) and upgrade (widening from 5 metres to 8 metres. Assuming a cost estimate of \$100,000 for the full proposal, 5/8ths is renewal (\$62,500) and 3/8ths is upgrade (\$37,500)

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TERM	DEFINITION	REF	EXAMPLES	ADDITIONAL EXPLANATIONS
Carrying amount	The amount at which an asset is recognised after deducting any accumulated depreciation / amortisation and accumulated impairment losses thereon	AASB 116.6		
Class of assets	See asset class definition	AASB 116.37		
Commercial investments	Investments for the provision of goods and services to sustain or improve services to the community but are expected to generate a return equivalent to or better than a private sector return for an investment in a similar industry.	JRA	Commercial property and land subdivisions	
Component	An individual part of an asset which contributes to the composition of the whole and can be separated from or attached to an asset or a system.	GB		
Cost of an asset	The amount of cash or cash equivalents paid or the fair value of the consideration given to acquire an asset at the time of its acquisition or construction, plus any costs necessary to place the asset into service. This includes one-off design and project management costs.	AASB 116.6		
Council investment expenditure	The spending of money on goods and services. Expenditure includes recurrent and capital.			
Current replacement cost (CRC)	The cost the entity would incur to acquire the asset on the reporting date.	AASB 102 Aus 6.1		The cost is measured by reference to the lowest cost at which the gross future economic benefits could be obtained in the normal course of business or the minimum it would cost, to replace the existing asset with a technologically modern equivalent new asset (not a second hand one) with the same economic benefits (gross service potential) allowing for any differences in the quantity and quality of output and in operating costs .

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TERM	DEFINITION	REF	EXAMPLES	ADDITIONAL EXPLANATIONS
Current replacement cost "As New" (CRC)	The current cost of replacing the original service potential of an existing asset, with a similar modern equivalent asset, i.e. the total cost of replacing an existing asset with an as NEW or similar asset expressed in current dollar values.			
Depreciable amount / service potential	The cost of an asset, or other amount substituted for its cost, less its residual value.	AASB	116.6	
Depreciated replacement cost (DRC)	The current replacement cost (CRC) of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset	AASB	136 Aus 6.2	Value in Use Formerly and also known as written down value (WDV) or written down current replacement cost (WDCRC). Current cost of replacement or reproduction cost less deductions for physical deterioration and all relevant forms of obsolescence.
Depreciation / amortisation	The systematic allocation of the depreciable amount (service potential) of an asset over its useful life.	AASB	116.6	Depreciation is not a measure of required expenditure on assets in any given year.
Economic life	See useful life definition.			
Expenditure	The spending of money on goods and services. Expenditure includes recurrent and capital.			
Fair value	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties, in an arms length transaction.	AASB	116.6	Normally determined by reference to market or comparable prices. Where assets do not have a market price, this is the replacement cost of the asset's remaining economic benefits which is the current replacement cost of the asset less accumulated depreciation to date (depreciated replacement cost (DRC)).
Financial reporting	The presentation of financial performance (in text and data formats) of a business over a particular time period for internal and external observers and stakeholders.			
Funds generated by council operations	Funds generated by council operations are the operating result, which is the 'bottom line' per the statement of financial performance (income statement), plus depreciation less capital revenue (grants and developers contributions).	JRA		Generally speaking, funds generated by council operations should be used to fund the continuation of those operations by renewing assets.

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TERM	DEFINITION	REF	EXAMPLES	ADDITIONAL EXPLANATIONS
Heritage asset	An assets with historic, artistic, scientific, technological, geographical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture and this purpose is central to the objectives of the entity holding it.	IFAC		
Impairment Loss	The amount by which the carrying amount of an asset exceeds its recoverable amount.	AASB 116.6		
Infrastructure assets	Physical assets of the entity or of another entity that contribute to meeting the public's need for access to major economic and social facilities and services.	ICAA	Roads, drainage, footpaths and cycleways.	These are typically large, interconnected networks or portfolios of composite assets. The components of these assets may be separately maintained, renewed or replaced individually so that the required level and standard of service from the network of assets is continuously sustained. Generally the components and hence the assets have long lives. They are fixed in place and are often have no market value.
Investment property	Property held to earn rentals or for capital appreciation or both, rather than for: (a) use in the production or supply of goods or services or for administrative purposes; or (b) sale in the ordinary course of business.	AASB 140.5		
Level of service	The defined service quality for a particular Primary Service against which service performance may be measured. Service levels usually relate to quality, quantity, reliability, responsiveness, environmental, acceptability and cost).	JRA	Roads and child care services Number of accidents on local roads	

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TERM	DEFINITION	REF	EXAMPLES	ADDITIONAL EXPLANATIONS
Loans / borrowings	Loans result in funds being received which are then repaid over a period of time with interest (an additional cost). Their primary benefit is in 'spreading the burden' of capital expenditure over time. Although loans enable works to be completed sooner, they are only ultimately cost effective where the capital works funded (generally renewals) result in operating and maintenance cost savings, which are greater than the cost of the loan (interest and charges).	JRA		Loans therefore provide Council with flexibility, but do not ultimately provide additional funds or make additional expenditure possible in the longer term.
Borrowings	See loans definition			
Maintenance and renewal gap	Difference between estimated budgets and projected expenditures for maintenance and renewal of assets, totalled over a defined time (eg 5, 10 and 15 years).			
Maintenance and renewal sustainability index	Ratio of estimated budget to projected expenditure for maintenance and renewal of assets over a defined time (eg 5, 10 and 15 years).			
Maintenance expenditure	Recurrent expenditure, which is periodically or regularly required as part of the anticipated schedule of works required to ensure that the asset achieves its useful life and provides the required level of service. It is expenditure, which was anticipated in determining the asset's useful life.	JRA		
Materiality	An item is material is its omission or misstatement could influence the economic decisions of users taken on the basis of the financial report. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances	AASB 1031		The size or nature or a combination of both could be determining factors.
Modern equivalent asset.	A structure similar to an existing structure and having the equivalent productive capacity, which could be built using modern materials, techniques and design. Replacement cost is the basis used to estimate the cost of constructing a modern equivalent asset.	IVSC / API		

APPENDIX E

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TERM	DEFINITION	REF	EXAMPLES	ADDITIONAL EXPLANATIONS
Non-revenue generating investments	Investments for the provision of goods and services to sustain or improve services to the community that are not expected to generate any savings or revenue to the Council. (Examples include parks and playgrounds, footpaths, roads and bridges, libraries, etc.).	JRA		
Operating expenditure	Recurrent expenditure, which is continuously required excluding maintenance and depreciation	JRA	Power, fuel, staff, plant equipment, on-costs and overheads.	
Pavement management system	A systematic process for measuring and predicting the condition of road pavements and wearing surfaces over time and recommending corrective actions.			
PMS Score	A measure of condition of a road segment determined from a Pavement Management System.			
Project	An investment proposal after approval by Council and included in the capital works programs.	JRA		
Proposal	An investment initiative under consideration prior to approval.	JRA		
Rate of annual asset consumption	A measure of average annual consumption of assets (AAAC) expressed as a percentage of the current replacement cost (AAAC/CRC).			
Rate of annual asset renewal	A measure of the rate at which assets are being renewed per annum expressed as a percentage of current replacement cost (capital renewal expenditure/CRC).			
Rate of annual asset upgrade	A measure of the rate at which assets are being upgraded and expanded per annum expressed as a percentage of current replacement cost (capital upgrade expenditure/CRC).			
Recoverable amount	The higher of an asset's fair value less costs to sell and its value in use.	AASB 116.6		
Recurrent expenditure	Relatively small (immaterial) expenditure or that which has benefits expected to last less than 12 months. Recurrent expenditure includes operating and maintenance expenditure.	JRA		
Recurrent funding	Funding to pay for recurrent expenditure.	JRA		

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TERM	DEFINITION	REF	EXAMPLES	ADDITIONAL EXPLANATIONS
Rehabilitation Remaining Life	See capital renewal expenditure definition above. The time remaining until an asset ceases to provide the required service level or economic usefulness. Age plus remaining life is economic life.	JRA		
Renewal Residual value	See capital renewal expenditure definition above. The net amount which an entity expects to obtain for an asset at the end of its useful life after deducting the expected costs of disposal.	JRA AASB 116.6		The estimate amount that would be obtained from disposal of the asset after deducting the estimated costs of disposal if the asset were already of the age and in the condition expected at the end of its useful life. For infrastructure assets, it is the current replacement cost less the estimated cost of renewing the future economic benefits or service potential of the asset.
Revenue generating investments	Investments for the provision of goods and services to sustain or improve services to the community that are expected to generate some savings or revenue to offset operating costs. (Examples include public halls and theatres, childcare centres, sporting and recreation facilities, tourist information centres, etc.).	JRA		
Risk management	The application of a formal process to the range of possible values relating to key factors associated with a risk in order to determine the resultant ranges of outcomes and their probability of occurrence.	JRA		
Section or segment	A self-contained part or piece of an infrastructure asset.		A length of road	
Service potential	The capacity to provide goods and services in accordance with the entity's objectives, whether those objectives are the generation of net cash inflows or the provision of goods and services of a particular volume and quantity to the beneficiaries thereof.	From the IVSC / API		In the public sector, the concept of service potential takes the place of the test of adequate profitability applied to the private sector.

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TERM	DEFINITION	REF	EXAMPLES	ADDITIONAL EXPLANATIONS
Service potential remaining	A measure of the remaining life of assets expressed as a percentage of economic life. It is also a measure of the percentage of the asset's potential to provide services that is still available for use in providing services (DRC/CRC).			
Specialised properties	Property that is rarely, if ever, sold in the market except by way of a sale of the business or entity of which it is part, due to uniqueness arising from its specialised nature and design, its configuration, size, location, or otherwise.	IVSC / API		
Sub-component	Smaller individual parts that make up a component part.	GB	Concrete kerb is made up of the sub components reinforced steel mesh or rods, cement, aggregate, sand and water.	
Useful Life	Either: (a) the period over which an asset is expected to be available for use by an entity, or (b) the number of production or similar units expected to be obtained from the asset by the entity.	AASB 116.6		It is estimated or expected time between placing the asset into service and removing it from service, or the estimated period of time over which the future economic benefits embodied in a depreciable asset, are expected to be consumed by the council. It is the same as the economic life.
Value in Use	The present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.	AASB 5.A		It is deemed to be depreciated replacement cost (DRC) for those assets whose future economic benefits are not primarily dependent on the asset's ability to generate new cash flows, where if deprived of the asset its future economic benefits would be replaced.