

## Financial and Asset Management

### Glossary of Terms and Abbreviations

**ABP** see Annual Business Plan

**Accrual accounting:** An accounting approach by which expenses, revenue, assets and liabilities are recognised in the reporting period to which they relate even though cash may have exchanged hands in different periods. Accrual accounting recognises expenses as they are incurred and revenue when it is earned.

**Adopted by Council:** A decision of the elected Council which has been minuted.

**Annual Budget:** A Council's statement of:

- its intended operating expenses, revenue and capital expenditure that give effect to its annual business plan for the reporting period;
- its cash inflows and outflows associated with intended operating, investing and financing activities; and
- its projected financial position at the end of the reporting period.

**Annual Business Plan:** A Council's statement of its intended programs and outcomes for the year.

**Annual Financial Statements:** The Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement prepared in accordance with Australian Accounting Standards together with the notes and certification statements as prescribed in the Model Financial Statements.

**Annual Report:** A report prepared annually relating to the operations of Council for the previous financial year that contains the material set out in Schedule 4 of the Local Government Act.

**Assets:** Resources controlled by an entity the value of which can be reliably measured and from which future economic benefits are expected to flow to the entity.

**Asset maintenance costs:** Costs incurred in holding and operating an asset so that it is capable of delivering service levels up to its design capacity over its useful life.

**Asset Management Policy:** One or more policies that ensure compliance with any asset management statutory requirements as well as achieving and maintaining standards that reflect good administrative practices.

**Asset renewal/replacement costs:** Costs associated with renewing or replacing an asset in order to maintain existing service level capacity.

**Asset sustainability ratio:** The ratio of a Council's capital expenditure on renewal or replacement of assets (net of proceeds from sale of replaced assets) relative to the level of such expenditure proposed in a Council's Infrastructure & Asset Management Plan.

**Asset systems:** Manual or computer based data recording and algorithm processes by which information about assets is analysed and predictions made for asset management modelling and decision making.

**Audit Committee:** A Council committee as per Section 126 of the Local Government Act.

**Audited statements:** The Annual Financial Statements prepared in accordance with Australian Accounting Standards that have been audited by an external auditor.

**Australian Accounting Standards:** Accounting Standards issued by the Australian Accounting Standards Board that are equivalent to standards issued by the International Accounting Standards Board. These standards are binding on South Australian Councils and all other bodies established pursuant to the Local Government Act.

**Balance Sheet:** A financial statement showing the Assets, Liabilities and Equity of an organisation at the end of a reporting period (usually 30 June).

**Built environment:** Refers to all built form in a community, not just Council infrastructure and other assets.

**Capital expenditure:** Expenditure on items which will provide benefits that extend into future financial periods. It includes expenditure to acquire or enhance existing assets to provide expanded, or a higher level of, services.

**Cash flow statement:** A financial statement showing the inflows and outflows of cash and cash equivalents of an organisation during a reporting period. Cash flows are classified as Operating, Investing and/or Financing activities.

**Change in the basis of differential rates:** Circumstances in which the categories of land upon which differential rates are determined are varied.

**Changes the basis on which land is valued for the purposes of rating:** Circumstances in which a Council decides to switch from using one of capital, site or annual values of land to another one of these valuation methods as the basis for valuing land for rating purposes.

**CIP** see Continuous Improvement Plan.

**Classes of assets/ asset categories:** A grouping of assets of a similar nature and use in an entity's operations.

**Climate Change adaptation:** Strategies designed to respond to the risk presented by climate change.

**Climate Change Adaptation Report:** A report of identified risks produced following a risk assessment undertaken in conjunction with the LGA Mutual Liability Scheme Climate Change Program.

**Community consultation:** The process of seeking the views and input of a community or section of the community.

**Community engagement:** Although often used interchangeably with community consultation, engagement implies a mutual two way process which can cover consultation, extension, communication, education, public participation, participative democracy or working in partnership.

**Community Plan:** A strategic planning document which focuses on the community, rather than the internal operations of Council is sometimes called a Community Plan.

**Community Waste Water Management Systems:** Systems designed to collect and treat septic tank effluent or effluent from properties.

**Continuous Improvement Plan:** A plan of actions developed to address performance improvement opportunities or deficiencies.

**Demographic adaptation:** Strategies designed to respond to the risk presented by, and impacts and opportunities arising from, demographic change.

**Depreciation expenses:** The value of the assets of a Council consumed and systematically allocated as an expense to a particular reporting period.

**Estimated Statement of Comprehensive Income:** A financial statement showing a forecast of revenue and expenses for a reporting period.

**Financial indicators:** Financial measures or ratios that are used in management plans, annual reports and other internal and external reports to guide or assess the financial performance and position of a Council.

**Financial policies:** Policies that help guide strategies and activities and help ensure performance outcomes are consistent with objectives.

**Financial Sustainability:** Financial Sustainability occurs when expenditure, revenue raising and service level decisions are made such that planned long-term service and infrastructure levels and standards can be achieved without unplanned increases in rates or disruptive cuts to services.

**Financial sustainability indicator targets:** A target, or target range, is a value or set of values that Council has adopted as its goal for each of the Local Government endorsed financial indicators.

**Forecast operating expenses:** An estimate of future expenses for a reporting period to be incurred in the course of a Council's ordinary day to day activities and which are shown in the Statement of Comprehensive Income. Operating expenses are calculated on an accrual accounting basis and include depreciation but exclude expenditure of a capital nature.

**Forecast operating revenue:** An estimate of future operating revenue for a reporting period as shown in the Statement of Comprehensive Income. Operating revenue excludes profit on disposal of non-financial assets and amounts received specifically for new/upgraded infrastructure and other assets.

**FS** see Financial Sustainability.

**Full Cost Attribution:** A system under which all costs, including indirect and overhead costs, are allocated to a function, activity, good or service on a reliable and consistent basis.

**Funding Policies:** Policies that ensure Council has a clearly defined mechanism to raise the revenue required to meet their goals and objectives.

**Human Resource Plan** see Workforce Plan.

**I&AMP** see Infrastructure & Asset Management Plan.

**Income Statement** see Statement of Comprehensive Income.

**Induction Policy:** Induction refers to the first few months after the election of a new Council. An Induction Policy which can stand alone or incorporated in the Training and Development Policy sets out the principles by which the newly formed Council will receive the information necessary to function effectively in the best interests of the community.

**Infrastructure:** A term used to describe physical assets such as roads, buildings, stormwater drainage and community waste water management systems controlled by Council.

**Infrastructure & Asset Management Plan:** A Plan that projects the timing and level of cash flows associated with cost-effectively optimising acquisition of replacement and new additional assets and asset maintenance and disposal in order to be able to achieve desired service levels from assets. Councils are required to prepare such documents with a planning period of at least 10 years. They assist in determining a Council's funding and financing needs and help guide the content of a Council's long-term financial plan and annual budget. It is one of a suite of documents that collectively make up a Council's Strategic Management Plan.

**Internal Financial Control Policies:** Policies that guide and help ensure appropriate standards of practice regarding a Council's financial processes and functions that, for example, deal with budgeting, financial reporting, transaction processing, financial delegations and treasury management. Good policies and practices reduce risk of error and fraud and improve reliability of financial information.

**IPWEA:** Institute of Public Works Engineering Australia.

**Performance Measures:** Measurable outcomes that are used to guide or assess the performance of a Council - may be of a financial or non-financial nature.

**Key result areas:** The general areas of outputs or outcomes for which Council is responsible.

**LGAMLS:** Local Government Association Mutual Liability Scheme.

**Local Government Financial Sustainability Program:** A suite of manuals, codes, guidelines, technical definitions, standards and information papers and training courses and materials prepared under direction by the LGA's Financial Sustainability Advisory Committee intended to assist Councils to operate in a financially sustainable manner. See <http://www.lga.sa.gov.au/goto/fsp>.

**Long-term Financial Plan:** A Plan that projects a forecast of a Council's financial performance and position over a period of at least 10 years. It is one of a suite of documents that collectively make up a Council's Strategic Management Plan and the Long-term Financial Plan should be consistent with, and express financially, actions expressed or required to give effect to strategies proposed in these other documents.

**LTFP** see Long-term Financial Plan.

**Model Financial Statements:** A template format for the presentation of Annual Financial Statements for South Australian Councils and other bodies established pursuant to the Local Government Act. The Model Financial Statements comply with Australian Accounting Standards and additional requirements imposed under the Local Government (Financial Management) Regulations and are updated annually by the LGA.

**NAMS.PLUS:** An online suite of templates, tools and guidelines and importantly, a guided pathway to implementation of asset management planning, developed by the IPWEA. All SA Councils have access to NAMS.PLUS.

**National reforms:** Commonwealth Government strategies that involve significant change.

**Net lending / (borrowing):** A Council's Net lending/(borrowing) result in a financial year is calculated as the operating surplus/(deficit), less capital expenditure on assets, plus depreciation and sale of assets. A 'net borrowing' result therefore represents the extent to which operating expenses (less depreciation) and capital expenditure exceeds funding provided by operating revenue and amounts received specifically for new/upgraded assets. A net borrowing result increases a Council's accumulated level of net financial liabilities. A net lending result reduces the level of net financial liabilities.

**Net financial liabilities:** Net financial liabilities represents what is owed to others less money held, invested or owed to a Council. Net financial liabilities is the most comprehensive measure of the indebtedness of a Council as it includes items such as employee long service leave entitlements and other amounts payable as well as taking account of the level of a Council's cash and investments. It is calculated as total liabilities of a Council less its financial assets (excluding equity accounted investments in Council businesses).

**Net financial liabilities ratio:** The net financial liabilities ratio indicates the extent to which net financial liabilities of a Council at a point in time could be met by its annual operating revenue. The ratio is calculated by expressing net financial liabilities at the end of a reporting period as a percentage of a Council's operating revenue for the same reporting period.

**Non-financial performance measures:** Key Performance measures of a non financial type.

**Operating surplus ratio:** The operating surplus ratio is calculated by expressing the operating surplus/deficit shown in a Statement of Comprehensive Income as a percentage of general and other rate revenue (net of rebates and excluding revenue from the Natural Resource Management levy). A negative ratio indicates the percentage increase in total rates that would be required to achieve an operating break-even result (i.e. revenue equal to operating expenses).

**Policy:** A stated stance or position Council will take for a given set of circumstances, that help guide decisions. Unless specified that the "Policy has been adopted by Council" the use of the word policy may incorporate "frameworks" or "procedures".

**Prudential requirements:** The requirements set out in Section 48 of the Local Government Act that must be satisfied prior to a Council undertaking a significant project as defined in Section 48(1).

**Public Consultation Policy:** Policies outlining when public consultation is required and how such consultation will be undertaken.

**Rates structure:** The application of general, differential, minimum, separate and service rates based on either capital, site or annual values of properties and fixed and service charges and rebates by a Council to generate rate revenue in a way that the Council believes is most appropriate.

**Rating Policies:** Policies that specify or guide the determination of a Council's rates structure and the administration of rating and rate revenue collection activity.

**Report Card:** A way of presenting performance data which gives a clear picture of the results in key areas.

**Risk management policies:** Policies outlining how Council will identify, analyse and evaluate risk, develop and implement risk management plans and monitor and review risk management plans and practices.

**SALGFMG:** South Australian Local Government Financial Management Group. Members of the Group predominately are finance professionals from Councils.

**Service Standards:** Levels of service prescribed for any service provided by Council.

**SMP** see Strategic Management Plan

**South Australia's Strategic Plan:** The Strategic Management Plan for the state of South Australia.

**Staff establishment report:** A report which identifies the total number of positions in an organisation and possibly other related information, eg whether positions are temporary or ongoing ones and permanent and acting occupants and vacancies.

**Staff performance scheme/ personal development plans:** The process of providing staff with annual objectives, identified training and development proposals and performance feedback.

**Statement of Changes in Equity:** A financial statement included in the Annual Financial Statements that shows changes in an organisation's equity between two reporting dates and reflects the increase or decrease in net assets during the period.

**Statement of Comprehensive Income:** A financial statement included in the Annual Financial Statements that shows all revenue and operating expenses in the reporting period. It highlights the operating surplus/deficit result, being the extent to which revenue is sufficient or insufficient to fund the cost of services.

**Stormwater assets:** Assets controlled by a Council and used to prevent localised flooding and to redirect storm water to catchment or drainage facilities.

**Strategic Management Plan:** A Council must develop and adopt plans (which may take various forms) for the management of its area, to be called collectively the Strategic Management Plans. Section 122 of the Local Government Act specifies some requirements concerning the timing, content and process for developing such plans (which include both LTFPs and I&AMPs).

**Study Policy:** A policy which identifies the circumstances in which Council will support formal education initiatives for employees.

**Succession plan:** A plan that identifies risks to the Council from the departure of existing employees and proposes actions to develop employees to enable them to effectively compete for senior and specialised positions that may become vacant in the short to medium term.

**SWOT analysis:** Examination of the strengths, weaknesses, opportunities and threats in order to identify available choices of action.

**Training & Development Policy:** Council is required to have a Training and Development Policy under section 80A of the Local Government Act. The policy must be aimed at assisting Council Members in the performance and discharge of their functions and duties.

**Training and Development Plan (Council Members):** An annual plan or plan for the term of a Council which identifies the training that will be provided for each Council Member and its timing.

**Training and Development Plan (staff):** An annual plan which identifies the training that will be provided for individual staff members and its timing.

**Treasury Management Policy:** A treasury management policy establishes a decision framework to ensure that:

- funds are available as required to support approved outlays;
- interest rate and other risks (e.g. liquidity and investment credit risks) are acknowledged and responsibly managed; and
- the net interest costs associated with borrowing and investing are reasonably likely to be minimised on average over the longer term.

**Uniform Presentation of Finances:** A high level summary of both operating and capital investment activities of a Council prepared on a uniform and consistent basis. Amongst other things, this enables meaningful comparisons of each Council's finances. It also enables financial performance data of the Local Government sector as a whole to be assembled and reported (the format of the Uniform Presentation of Finances summary table is set out at Note 16 of the 2010 Model Financial Statements).

**Whole of life cycle cost estimates:** Acquisition, maintenance and disposal costs/receipts of an asset over its useful life.

**Workforce Plan:** A plan assessing the current and future capacity of a workforce, including actions necessary to meet future workforce needs - also sometimes called a Human Resource Plan.