

Australian Infrastructure Financial Management Guidelines

Institute of Public Works Engineering Australia

Detail of Amendments Made Update No 3, January 2012

Guidelines Update Replacement Pages are available for:

Update 1 Version 1.1 (2010)

Section O
Section 7 Financial Reporting Framework
Section 8 Principles of Disclosure in Financial Reports
Section 10 Accounting for Impairment
Section 11 Auditing of Infrastructure Assets

Update 2 Version 1.2 (January 2011)

Section 7 Appendix B Attachment Update 2 – Changes to Accounting Standards

Changes to the Guidelines are detailed in the following pages of this Information Sheet
Update 3, April 2012.

The update pages are designed to be printed double sided on a colour printer, hole punched and inserted as replacement pages as described below.

Quick Guide

Page/Section	Update Details
Cover page	Version updated to Version 1.3 2012 REPLACE with new cover page
P iv	Para 4 Reference to first version updated to Update 3 of the first version. Version updated to VERSION 1.3 2012 REPLACE with new page ii
P 3	Financial Sustainability Indicators Revised and Updated REPLACE with new page 3

Insert the following update pages and replace Version 1.0 or 1.1 Guidelines pages
Cover page (1 double sided page with one blank page)
p iv (1 double sided page with one blank page)
p 3 (1 double sided page with one blank page)

Section 0

Page/Section	Update Details
Cover page	Version updated to Version 1.3 2012 REPLACE with new page i
P ii	Para 3 Reference to first version updated to Update 3 of the first version. Version updated to VERSION 1.3 2012 REPLACE with new page ii
P xxxi – xlv Glossary	Glossary Revised and Updated REPLACE with new pages xxxi - xlv
P xlvi Abbreviations	Financial Sustainability Indicator abbreviations added REPLACE with new page xlvi

**Insert the following update pages and replace Version 1.0 or 1.1 Guidelines pages pp 1 and ii (1 double sided page)
pp xxxi – xlvi (8 double sided pages).**

The update pages are double sided to replace existing double sided pages.

Section 2 - Sustainability

Page/Section	Update Details
P 2.1 Key Points	Advanced Approach updated 'fully funded' long term financial plan supported by 'asset management plans' for all asset based services modified to "rigorous" LTFP ... supported by "an asset management plan" for all REPLACE with new page 2.1
P 2.2	Column 1 last para definition of a Council's financial requirements means present statutory obligations and 'any' expected additional functions ... modified to: ... present statutory obligations and "policy choices made about" expected additional functions ... REPLACE with new page 2.2
P 2.6	Column 2, last para on achieving an operating breakeven position Nevertheless because renewal 'may be' lumpy in timing them in some period there may be surplus funds and in others borrowings 'may' be necessary ... modified to: Nevertheless because renewal "will" be lumpy in timing them in some period there may be surplus funds and in others borrowings "(or liquidation of cash and investments – which is equivalent to borrowings) will" be necessary ... REPLACE with new page 2.6
P 2.10	Section 2.6.1 rewritten to recognise national agreement by jurisdictions to collect consistent financial indicator data. Financial indicators renumbered to emphasise the national indicators. REPLACE with new page 2.10

P 2.11	<p>Statement of Comprehensive Income format revised to recognise Other Comprehensive Income after the operating result consistent with the requirements of AASB 101 Presentation of Financial Statements and as subsequently amended by the issue of AASB 2011-19 Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income.</p> <p>REPLACE with new page 2.11</p> <p>The note * 'A gain on revaluation will only be included where it reverses a previous decrement in the asset or same class of asset' is to be modified to</p> <p>"A gain on revaluation which reverses a previous decrement in the asset will not be included in 'Other Comprehensive Income' but in included in the profit or loss. However, a loss (or net loss) on a revaluation shall be recognised in profit or loss, except to the extent of any credit balance existing in any revaluation surplus in respect of that same class of asset, which is then included in comprehensive income." This will be included in Update 4.</p>
PP 2.13 - 2.18	<p>Financial indicators renumbered to emphasise national indicators as indicators 1 – 4 and secondary indicators as indicators 5- 8.</p> <p>1. Operating Surplus Ratio definition updated from:</p> <p>'A The percentage by which the major controllable income source varies from day to day (ie operating) expenses'</p> <p>'B The percentage by which the major controllable income source plus operating grants varies from day to day expenses' to</p> <p>"The operating result expressed as a percentage of total operating income." Alternate definition B deleted</p> <p>Calculations updated to recognise update to Statement of Comprehensive Income and on Operating Income and update to denominator from 'general and other rate income' to "Total operating income". Other text updated.</p> <p>2. Net Financial Liabilities Ratio definition updated from</p> <p>'The significance of net amount owed compared with the period's income' to</p> <p>"The significance of net amount owed by an entity compared to its operating income for the period"</p> <p>Calculations updated to recognise update to Statement of Comprehensive Income. Other text updated.</p> <p>3. Asset Sustainability Ratio</p> <p>Comment and calculations text updated</p> <p>4. Asset Renewal Funding Ratio</p> <p>Definition and comment modified to include 'asset renewal "and replacement"</p> <p>5. Operating Surplus definition updated from</p> <p>'The difference between day to day income and expenses for the period' to</p> <p>"The excess of operating income (excluding amounts received specifically for new and upgraded assets and donated assets) over operating expenses"</p> <p>Calculations updated to recognise update to Statement of Comprehensive Income. Other text updated.</p>

	<p>6. Net Financial Liabilities</p> <p>7. Interest Cover Ratio Calculations updated to recognise update to Statement of Comprehensive Income. Other text updated.</p> <p>8. Asset Consumption Ratio Comment text updated from ‘Shows the depreciated replacement cost of an entity’s depreciable assets relative to their ‘as new’ (replacement) value’ to: “Shows the depreciated replacement cost of an entity’s depreciable assets less their residual value relative to their ‘as new’ (replacement) value” Calculations updated to include residual value.</p> <p>REPLACE with new pages 2.13 - 2.19 (one additional page)</p>
P 2.19	<p>Column 1 Paragraph 4 and Column 2 Paragraph 3 Text updated to ‘... asset renewal “and replacement” ... REPLACE with new page 2.20</p>
P 2.20	<p>Section 2.6.2 updated Paragraph 1 updated from: ‘Grants and subsidies can include:</p> <ul style="list-style-type: none"> • operating grants such as the Commonwealth Government’s Financial Assistance (FAGS) general purpose and local road component grants, • capital grants paid to an entity specifically for renewal/replacement of existing assets, • capital grants paid to an entity specifically for the acquisition of construction of new or upgraded assets such as a swimming pool or library.’ To: <p>“Grants and subsidies can include:</p> <ul style="list-style-type: none"> • operating grants such as the Commonwealth Government’s Financial Assistance grants (both general purpose and local road component) and Roads to Recovery grants, • grants paid to an entity specifically for renewal/replacement of existing assets, • amounts paid to an entity specifically for the acquisition or construction of new or upgraded assets such as a swimming pool or library.” <p>Paragraph 3 updated from: ‘Grants, subsidies and contributions reported in the hypothetical Council Statement of Comprehensive Income shown as Table 2.6.1 includes all grants and contributions unless they were received specifically for provision of new or upgraded assets’ To: “Grants, subsidies and contributions which are available to the entity to use at their discretion are reported in the hypothetical Council Statement of Comprehensive Income shown as Table 2.6.1 as part of operating income.”</p> <p>Paragraph 4 updated from: ‘Grant and other amounts received specifically for new or upgraded assets are excluded Grants, Subsidies and Contribution and reported separately in the Statement of Comprehensive Income.’ To: “Grants and other amounts received specifically for new or upgraded assets are excluded from operating income and reported separately in the Statement of Comprehensive Income (after the operating result).”</p>

	<p>Paragraph 5 updated from: ‘Contributions of physical resources received free of charge are also reported separately in the Statement of Comprehensive Income.’ To: “Contributions of physical resources received free of charge are also reported separately in the Statement of Comprehensive Income after the operating result.”</p> <p>Paragraph 6 deleted ‘In some instances, the grants and subsidies may include a mixture of operating and capital renewal and upgrade/new grants.’</p> <p>Paragraph 8 updated from: ‘These Guidelines recommend that amounts specifically for new/upgraded assets and physical resources received free of charge are excluded from grants, subsidies and contributions and are reported separately in the Statement of Comprehensive Income.’ To: “These Guidelines recommend that amounts received specifically for new/upgraded assets and physical resources received free of charge are excluded from grants, subsidies and contributions (under operating income) and instead are reported separately in the Statement of Comprehensive Income.”</p> <p>Paragraph 9 updated from: ‘This practice has already been adopted in some jurisdictions which require entities to show capital income for new/upgrade assets and for contributions separate from operating income in the Statement of Comprehensive Income.’ To: “This practice has already been adopted in some jurisdictions which require entities to show amounts received for new/upgrade assets and for contributions (sometimes referred to as “capital” income) separate from operating income in the Statement of Comprehensive Income.” REPLACE with new page 2.21.</p>
P 2.21	<p>Paragraph 4 updated from: ‘Assessments of an financial performance including calculation of financial sustainability key performance indicators, requires income to be differentiated as either operating income including grants for renewal of existing assets or capital income including grants for new/upgraded assets and physical resources received free of charge.’ To: “Assessments of an entity’s financial performance and position including calculation of key financial sustainability indicators, requires income to be differentiated as either operating income including grants for renewal of existing assets or “capital” income including amounts received specifically for new/upgraded assets and physical resources received free of charge.” REPLACE with new page 2.22.</p>
P 2.22	<p>References updated ACELG Inter-Jurisdictional Working Group added LGA, Information Paper 9 publication date updated LGA, Information Paper 12, reference deleted LGA South Australia Model Financial Statements date updated from 2008 to 2010. REPLACE with new page 2.23.</p>

Insert the following update pages and replace Version 1.0 Guidelines pages
 pp 2.1 and 2.2 (1 double sided page)
 pp 2.5 and 2.6 (1 double sided page)
 pp 2.9 – 2.22 (7 double sided page replace with 8 pages)

The update pages are double sided to replace Version 1.0 Guidelines pages.

Section 5 - Financial Planning

Page/Section	Update Details
P 5.1	Key Points Core Approach and text box 'What is a Long-Term Financial Plan Period of basic long-term financial plan updated from 3 to 4 years in both locations REPLACE with new page 5.1
P 5.3	Sec 5.3 Duration of a Long-Term Financial Plan Paragraph 2 Sentence 2 modified from 'Preparing financial projections for even say a 3 year period ... ' to "Preparing financial projections for even say a 4 year period ... " REPLACE with new page 5.3

Insert the following update pages and replace Version 1.0 Guidelines pages
 pp 5.1 - 5.4 (2 double sided page2)

The update pages are double sided to replace Version 1.0 Guidelines pages.

Section 7 - Financial Reporting Framework

Page/Section	Update Details
Appendix B Attachments	Appendix B Attachment Update 3 January 2012 ADD new pages after Attachment p 12 (RETAIN existing Appendix B Update 2 January 2011)

Insert Appendix B Attachment Update 3 after Attachment Update 2 page 11 (12 double sided pages) RETAIN existing Attachment Updates 1 and 2.

Section 11 - Auditing

Page/Section	Update Details
Appendix B Attachments	New Appendix B: Attachment Update 3 January 2012 ADD new pages after Appendix A, p 11.29.

Insert Appendix B Attachment Update 3 after Appendix A Update 1 page 11.29 (2 double sided pages) RETAIN existing Attachment A Update 1.

Section 12 - Accounting for Infrastructure

Page/Section	Update Details
P 12.66	Section 12.13.3 Depreciation Methods New sub-section Consumption of Future Economic Benefits Methodology for determining consumption of future economic benefits and examples ADD new pages 12.66A and 12.66B after p 12.66.

**Insert the following update pages after page 12.66.
pp 12.66A – 12.66B (1 double sided page)**

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