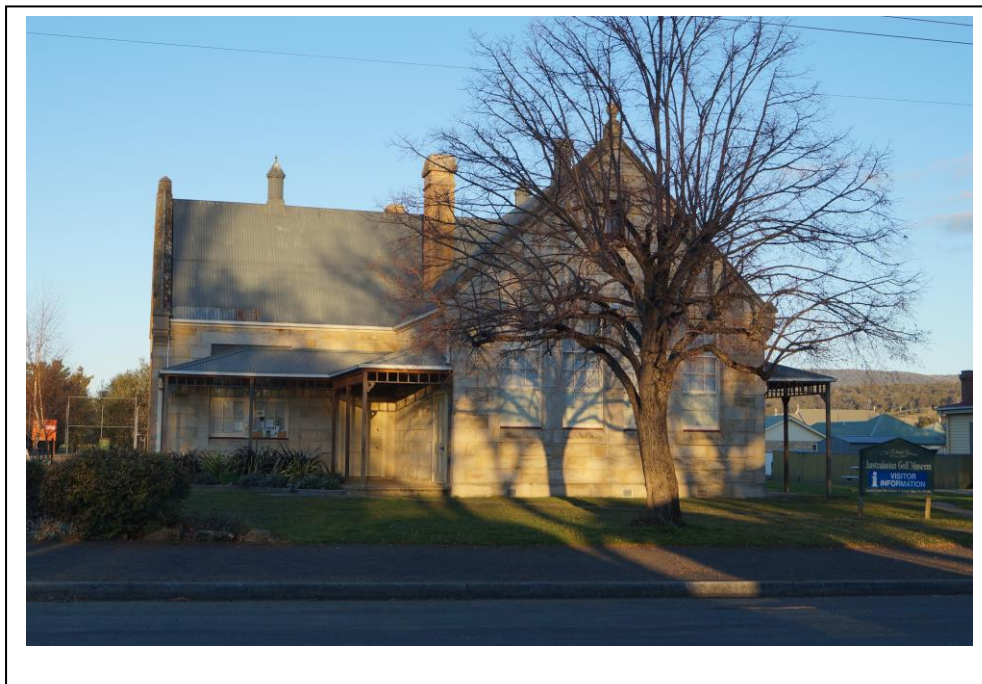


Central Highlands Council



Buildings



Asset Management Plan



Version 5

January 2018



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Asset Management for Small, Rural or Remote Communities Practice Note

The Institute of Public Works Engineering Australia.

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1. EXECUTIVE SUMMARY

Context

Council delivers services to the community by providing clean, safe buildings, available for use and fit for intended purpose.

Major issues are the increasing age of assets, the need for planned maintenance strategies, demand on public toilets and sporting facilities, vandalism and asbestos management.

The Building Service

The Building network comprises:

- Administration and Depot Buildings
- Public Halls
- Community and Sporting Group Buildings
- Toilet Blocks
- Housing – including Independent Living Units

These infrastructure assets have a replacement value of \$4,592,192.

What does it Cost?

The projected cost to provide the services covered by this Asset Management Plan includes operations, maintenance, renewal and upgrade of existing assets over the 10 year planning period is \$1,085,000 or \$108,500 per year.

Council does not foresee any material capital expenditure required for its building in the medium term.

Accordingly this asset management plan has been modified to accommodate both materiality levels, and the lower demand required for additional buildings due to lower than average forecast growth.

What we will do

Council plans to provide building services for the following (including operation, maintenance, renewal and upgrade of):

- public halls, public toilets, sporting facilities, history and visitor information centres, council administration and works buildings to be able to meet the service levels set by council in annual budgets.

What we cannot do

Council does not have enough funding to provide all services at the desired service levels or provide new services. Works and services that cannot be provided under present funding levels are:

- Any additional projects that are not within Council's 10Yr plan.

Managing the Risks

There are risks associated with providing the service and not being able to complete all identified activities and projects. We have identified the major risk is to do with WH&S requirements.

The Next Steps

The actions resulting from this asset management plan are to:

- Maintain the assets in a safe condition.
- Maintain service levels - continuously assessing conditions.
- Define maintenance standards and service levels that can be delivered at various funding levels.
- Improve the analysis of options so that an informed discussion can be had with the community about priorities and future levels of service and funding

Questions you may have

What is this plan about?

The Central Highland's council provides a Building network in partnership with rate payers and members of the public to enable provision for use of public buildings.

What is an Asset Management Plan?

Asset management planning is a comprehensive process to ensure delivery of services from infrastructure is provided in a financially sustainable manner.

An asset management plan details information about infrastructure assets including actions required to provide an agreed level of service in the most cost effective manner. The Plan defines the services to be provided, how the services are provided and what funds are required to provide the services.

2. INTRODUCTION

2.1 Background

This asset management plan is to demonstrate responsive management of assets (and services provided from assets), compliance with regulatory requirements, and to communicate funding needed to provide the required levels of service.

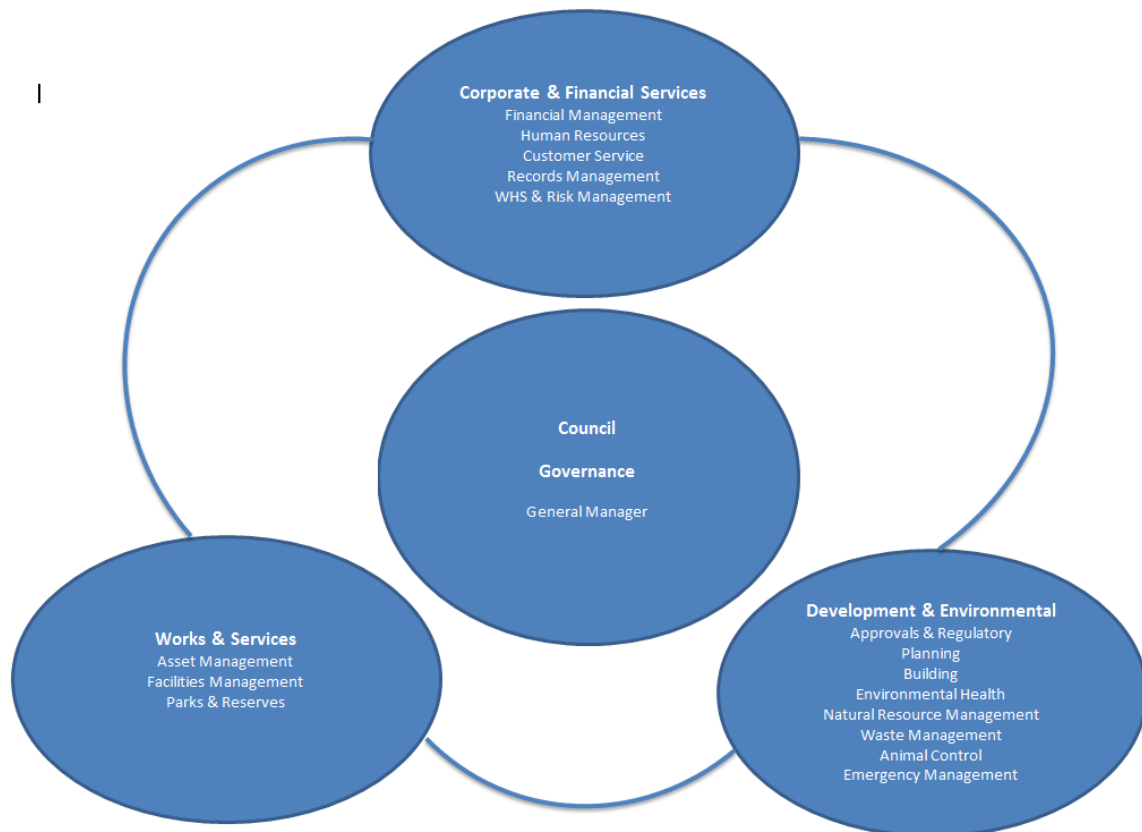
The asset management plan is to be read with Council's Asset Management Policy, Asset Management Strategy and the following associated planning documents:

- Strategic Plan
- Asset Register

Table 2.1.1: Key Stakeholders in the Asset Management Plan

Key Stakeholder	Role in Asset Management Plan
Councillors	<ul style="list-style-type: none">• Represent the needs of the Community,• Allocate resources to meet Council's objectives in providing services while managing risks, and• Ensuring the Councils' is financial sustainability.
Senior Management	<ul style="list-style-type: none">• Endorse the development of asset management plans and provide the resources required to complete this task.• Set high level priorities for asset management development in Council and raise the awareness of this function among Council staff and contractors.• Support the implementation of actions resulting from this plan and be prepared to make changes to a better way of managing assets and delivering services.• Provide support for an asset management driven budget and Long term Financial Plan
Corporate & Financial Services	<ul style="list-style-type: none">• Consolidate the asset register and ensure the asset valuations are accurate.• Develop supporting policies such as capitalisation and depreciation.• Prepare asset sustainability and financial reports; incorporating asset depreciation in compliance with current Australian accounting standards.
Works and Services	<ul style="list-style-type: none">• Asset Management and support and admin.
Works and Services / Development & Environmental Services Staff	<ul style="list-style-type: none">• Provide local knowledge - level detail on all building / facility assets. Verifying the size, location and condition of all assets.• They can also describe the maintenance standards deployed and Council's ability to meet technical and customer levels of service.

Council's organisational structure for service delivery from infrastructure assets are detailed below:



2.2 Goals and Objectives of Asset Management

The Council exists to provide services to its community. Some of these services are provided by infrastructure assets. Council has acquired infrastructure assets by 'purchase', by contract, construction by council staff and by donation of assets constructed by developers and others to meet increased levels of service.

Council's goal in managing infrastructure assets is to meet the required level of service in the most cost effective manner for present and future consumers. The key elements of infrastructure asset management are:

- Taking a life cycle approach,
- Developing cost-effective management strategies for the long term,
- Providing a defined level of service and monitoring performance,
- Understanding and meeting the demands of growth through demand management and infrastructure investment,
- Managing risks associated with asset failures,
- Sustainable use of physical resources,
- Continuous improvement in asset management practices.¹

The goal of this asset management plan is to:

- Document the services / service levels to be provided and the costs of providing the service,
- Communicate the consequences for service levels and risk, where desired funding is not available, and
- Provide information to assist decision makers in trading off service levels, costs and risks to provide services in a financially sustainable manner.

¹ IPWEA, 2006, *IIMM* Sec 1.1.3, p 1.3.

This asset management plan is prepared under the direction of Council’s vision, mission, goals and objectives.

Council’s vision is:

Our vision is for the Central Highlands to provide residents and visitors opportunities to participate in and enjoy a vibrant local economy, rewarding community life, cultural heritage and a natural environment that is world class.

Council’s mission is:

Our mission is to provide leadership to ensure that local government and other services are provided to satisfy the social, economic and environmental needs of the present day community, whilst endeavouring to ensure the best possible outcomes for future generations.

Relevant goals and objectives and how these are addressed in this asset management plan are shown in Table 2.2.

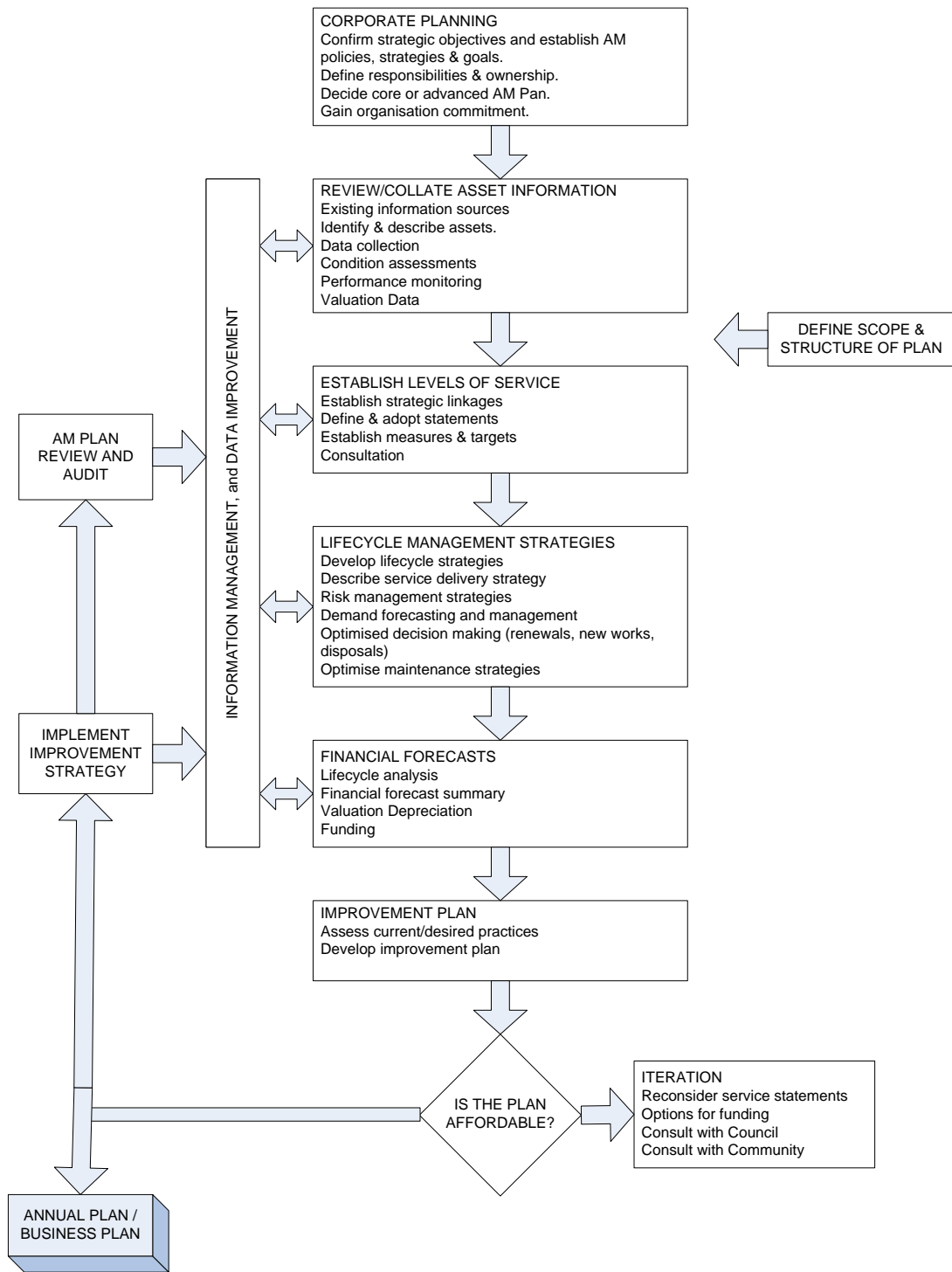
Table 2.2: Organisation Goals and how these are addressed in this Plan

Strategic Objective	How Goal and Objectives are addressed in AMP
To ensure building maintenance receive a relevant funding priority	Establish 10 year plans and realistic annual budgets that adequately meet the resource demands of future building requirements.
To ensure that the standard of existing services and assets are maintained and comply with relevant statutory requirements	Implement sound asset management systems and reporting practices.
To develop programs to address the upgrading and maintenance of infrastructure assets	Implement sound asset management systems and reporting processes

2.3 Plan Framework

Key elements of the plan are

- Levels of service – specifies the services and levels of service to be provided by council.
- Future demand – how this will impact on future service delivery and how this is to be met.
- Life cycle management – how the organisation will manage its existing and future assets to provide the required services
- Financial summary – what funds are required to provide the required services.
- Asset management practices
- Monitoring – how the plan will be monitored to ensure it is meeting the organisation’s objectives.
- Asset management improvement plan



2.4 Core and Advanced Asset Management

This asset management plan is prepared as a first cut 'core' asset management plan in accordance with the International Infrastructure Management Manual². It is prepared to meet minimum legislative and organisational requirements for sustainable service delivery and long term financial planning and reporting. Core asset management is a 'top down' approach where analysis is applied at the 'system' or 'network' level.

Future revisions of this asset management plan will move towards 'advanced' asset management using a 'bottom up' approach for gathering asset information for individual assets to support the optimisation of activities and programs to meet agreed service levels.

2.5 Community Consultation

This 'core' asset management plan is prepared to facilitate community consultation initially through feedback on public display of draft asset management plans prior to adoption by Council. Future revisions of the asset management plan will incorporate community consultation on service levels and costs of providing the service. This will assist Council and the community in matching the level of service needed by the community, service risks and consequences with the community's ability to pay for the service.

² IPWEA, 2006.

3. LEVELS OF SERVICE

3.1 Customer Research and Expectations

Council has not carried out any research on customer expectations. This will be investigated for future updates of the asset management plan. Specific projects include specific community feedback and input with relation to service needs.

3.2 Strategic and Corporate Goals

This asset management plan is prepared under the direction of the organisation's vision, mission, goals and objectives.

Our vision is:

Our vision is for the Central Highlands to provide residents and visitors opportunities to participate in and enjoy a vibrant local economy, rewarding community life, cultural heritage and a natural environment that is world class.

Our mission is:

Our mission is to provide leadership to ensure that local government and other services are provided to satisfy the social, economic and environmental needs of the present day community, whilst endeavouring to ensure the best possible outcomes for future generations.

Relevant organisation goals and objectives and how these are addressed in this asset management plan are:

Table 3.2: Organisation Goals and how these are addressed in this Plan

Key Result Area	Goal	Strategy	How Goal and Objectives are addressed in Asset Management Plan
Community Building	Build capacity to improve community spirit and enhance a sense of well being	Plan for and support access to quality services, facilities, health, education and information that meet the needs of all age groups and communities particularly youth, people with disabilities and our ageing population	Maintenance and upgrade of building assets
Environment and Planning	Ensure sustainable management of natural and built resources is respectful to our unique location	Improve service levels and environmental responsibility of building / facility maintenance practices	Maintenance and upgrade of buildings / facilities
Economic Development	Achieve sustainable economic development	Develop and implement initiatives to attract people to live, work and invest in the Council area	Maintenance and upgrade of Buildings, Facilities, Public Recreation and other assets
Asset Management	Ensure the efficient and effective provision of appropriate community assets	Provide a strategic framework for Council to manage, maintain, enhance and develop open space and associated public realm areas for the benefit of residents and visitors	Maintenance and upgrade of Public Recreation and other assets
Asset Management	Ensure the efficient and effective provision of appropriate community assets	Develop and implement a 10 year asset management plan for all classes of assets that includes:- <ul style="list-style-type: none"> • Capital works program • Maintenance program 	Implement the Plan for maintenance and upgrade of assets

The Council will exercise its duty of care to ensure public safety in accordance with the infrastructure risk management plan prepared in conjunction with this Asset Management Plan. Management of infrastructure risks is covered in Section 5.2

3.3 Legislative Requirements

Council has to meet many legislative requirements including Australian and State legislation and State regulations. Relevant legislation is shown in Table 3.3.

Table 3.3: Legislative Requirements

Legislation	Requirement
Local Government Act 1992	Sets out role, purpose, responsibilities and powers of local governments including the preparation of a long term financial plan supported by asset management plans for sustainable service delivery.
Local Government (Building & Miscellaneous Provisions) Act 1993	To provide for matter relating to buildings and for miscellaneous matters relating to local government.
National Construction Code	To provide the health and safety of persons employed in, engaged in or affected by industry, to provide for the safety of persons using amusement structures and temporary public and to repeal certain enactments
Building Act 2000	To regulate the construction and maintenance of buildings and building and plumbing matters and to provide for permits, enforcement matters and resolution of disputes.
Regulations under Workplace Health & Safety Act 1995	To a person's death, injury or illness being caused by a workplace area, by work activities, or by plant or substances for use at relevant place.

3.4 Current Levels of Service

Council has defined service levels in two terms.

Community Levels of Service relate to the service outcomes that the community wants in terms of safety, quality, quantity, reliability, responsiveness, cost effectiveness and legislative compliance.

Community levels of service measures used in the asset management plan are:

Quality	How good is the service?
Function	Does it meet users' needs?
Safety	Is the service safe?

Technical Levels of Service - Supporting the community service levels are operational or technical measures of performance. These technical measures relate to the allocation of resources to service activities that the council undertakes to best achieve the desired community outcomes.

Technical service measures are linked to annual budgets covering:

- Operations – the regular activities to provide services such as opening hours, cleansing frequency, mowing frequency, etc.
- Maintenance – the activities necessary to retain an assets as near as practicable to its original condition (eg road patching, unsealed road grading, building and structure repairs),
- Renewal – the activities that return the service capability of an asset up to that which it had originally (eg frequency and cost of road resurfacing and pavement reconstruction, pipeline replacement and building component replacement),
- Upgrade – the activities to provide a higher level of service (eg widening a road, sealing an unsealed road, replacing a pipeline with a larger size) or a new service that did not exist previously (eg a new library).

Council's current service levels are detailed in Table 3.4.

Table 3.4: Current and Desired Service Levels

Key Performance Measure	Level of Service Objective	Performance Measure Process	Current Level of Service	Optimal Level of Service
COMMUNITY LEVELS OF SERVICE				
Quality	Provide well maintained buildings	Customer requests relating to building maintenance	Minimal	No maintenance requests outstanding for an agreed period of time
Function	Service provided by Council facilities	No. of customer requests	Minimal	No reasonable requests outside of the plan are outstanding for a period of time
Capacity/ Utilisation	Buildings are appropriate for usage	Anecdotal feedback	Most Public facilities meet community and user groups expectations	All Public facilities meet community and user groups expectations
TECHNICAL LEVELS OF SERVICE				
Operations	Building facilities meet user's needs	Condition inspections Defect inspections	Every 5 years Annually	Reviewed annually
Maintenance	Buildings are suitable for purpose	Reactive service requests completed within reasonable timeframes	Minimal	Community satisfaction
Renewal	Building facilities meet user's needs	Condition of building Disability access	80% of building assets > 3	Regulatory requirements met
Upgrade/New	Public toilets are suitable for all users	Public toilet compliance with DDA	Anecdotal feedback	Community feedback

3.4 Desired Levels of Service

At present, indications of desired levels of service are obtained from various sources including residents' feedback to Councillors and staff, service requests and correspondence.

4. FUTURE DEMAND

4.1 Demand Forecast

Factors affecting demand include population change, changes in demographics, seasonal factors, vehicle ownership, consumer preferences and expectations, economic factors, agricultural practices, environmental awareness, etc.

Demand factor trends and impacts on service delivery are summarised in Table 4.1.

Table 4.1: Demand Drivers, Projections and Impact on Services

Demand drivers	Present position	Projection	Impact on services
Population	2554 (CHC Website)	3000(est. 2030, ABS-2013)	These factors will have little or no impact on service currently provided by Council.
Demographics	The 55-64 years age group has increased slightly on average (ABS 2013) whereas the age group 35-44 has decreased slightly.	The ABS predicts a net increase of older Tasmanians to be around 35% of the population by 2046. The same ABS study projects a 15% decrease in 0-15 year olds by 2046.	These factors will have little or no impact on the services provided by council, but may result in further development of community facilities provided by council to cater for the increasing age group.
Public Halls	Subject to changing community demands.	No plans for material replacement..	Periodic review
Asbestos management	Risk Register Maintained	Building Risk Register maintained as part of Risk Register	Regular review
Tourism	Visitor information infrastructure suitable for needs	Anecdotal feedback	General feedback

4.2 Demand Management Plan

Demand for new services will be managed through a combination of managing existing assets, upgrading of existing assets and providing new assets to meet demand and demand management. Demand management practices include non-asset solutions, insuring against risks and managing failures.

Non-asset solutions focus on providing the required service without the need for the council to own the assets. Examples of non-asset solutions include providing services from existing infrastructure such as aquatic centres and libraries that may be in another council area or public toilets provided in commercial premises.

Opportunities identified to date for demand management are shown in Table 4.2. Further opportunities will be developed in future revisions of this asset management plan.

Table 4.2: Demand Management Plan Summary

Demand Driver	Impact on Services	Demand Management Plan
Increased community expectations	Increased capacity required or decreased service level	Prioritised through Municipal Management Planning Planned Asset replacement / upgrade program
Increase in Energy and Operational Costs	Increasing operational costs	Analysis of existing assets for renewable energy sources and retro-fitting existing facilities with energy efficient technologies
Meeting Community expectation with relation to condition of assets	Increasing reactive/planned maintenance costs	Develop long term cost effective works program and programmed maintenance inspections.
Meeting Community expectation with relation to accessible facilities	Increasing demand for compliant fully accessible public facilities	Annual review
Meeting User group expectations	Increasing demand for public facilities	Annual review of existing assets and development of 10 year asset replacement and renewal program.

4.3 New Assets for Growth

No new assets are required, due to minimal growth being forecast

5. LIFECYCLE MANAGEMENT PLAN

The lifecycle management plan details how Council plans to manage and operate the assets at the agreed levels of service (defined in Section 3) while optimising life cycle costs.

5.1 Background Data

5.1.1 Physical parameters

Council owned public buildings are assessed on the current usage versus current condition. Public halls in small towns have little use however have high maintenance costs.

Amenity buildings are assessed annually under the same principles and programmed through the 10 year toilet replacement program. Higher use public facilities have shorter life cycles with high ongoing planned and reactive maintenance costs. Budget allocation is provided on an annual basis to ensure that high use facilities are replaced / upgraded to meet community expectations and compliance with the Disability Discrimination Act 1992.

5.1.2 Asset capacity and performance

Council's services are generally provided to meet design standards where these are available.

5.1.3 Asset condition

Asset condition information is not currently available.

5.1.4 Asset valuations

The value of assets recorded in the asset register as at 30th June 2015 covered by this asset management plan is shown below.

Current Replacement Cost	\$5,252,309
Depreciable Amount	\$5,252,309
Depreciated Replacement Cost	\$4,945,473
Annual Depreciation Expense	\$107,546

Council's sustainability reporting reports the rate of annual asset consumption and compares this to asset renewal and asset upgrade and expansion.

Asset Consumption (Depreciated replacement cost/Current replacement cost)	95.2% (Average for past two years)
Asset renewal (Capital renewal exp/Annual Depreciation)	159% (Average for past two years)

To provide services in a financially sustainable manner, Council will need to ensure that it is renewing assets at the rate they are being consumed over the medium-long term and funding the life cycle costs for all new assets and services in its long term financial plan.

5.1.5 Asset hierarchy

Council does not believe that an asset hierarchy is required for the complexity in this asset class.

5.2 Risk Management Plan

Building risks are incorporated into Council's holistic risk management policy. The current risk management policy adopted by Council is Policy 57-2012.

5.3 Routine Maintenance Plan

Operations include regular activities to provide services such as public health, safety and amenity e.g. Preventative maintenance, painting and cleaning etc.

Routine maintenance is the regular on-going work that is necessary to keep assets operating, including instances where portions of the asset fail and need immediate repair to make the asset operational again.

The Manager of Development and Environment Services conducts maintenance plans at least annually.

5.3.1 Maintenance plan

Operations activities affect service levels including quality and function through ongoing preventative maintenance programs, cleaning frequency and opening hours of building and other facilities.

Maintenance includes all actions necessary for retaining an asset as near as practicable to an appropriate service condition including regular ongoing day-to-day work necessary to keep assets operating, reactive, planned and specific maintenance work activities. Reactive maintenance is unplanned repair work carried out in response to service requests and management / supervisory directions.

Planned maintenance is repair work that is identified and managed through a maintenance management system (MMS). MMS activities include inspection, assessing the condition against failure / breakdown experience, prioritising, scheduling, actioning the work and reporting what was done to develop a maintenance history and improve maintenance and service delivery performance.

Specific maintenance is replacement of higher value components / sub-components of assets that is undertaken on a regular cycle including repainting, building roof replacement, etc. This work generally falls below the capital/maintenance threshold but may require a specific budget allocation.

Actual past maintenance expenditure is shown in Table 5.3.1.

Table 5.3.1: Maintenance Expenditure Trends

Year	Maintenance Expenditure
FY2015	\$63,815
FY2016	\$35,213
FY2017	\$47,100

Planned maintenance work as a % of total maintenance expenditure is not identified.

Maintenance expenditure levels are considered to be adequate to meet projected service levels, which may be less than or equal to current service levels. Where maintenance expenditure levels are such that will result in a lesser level of service, the service consequences and service risks have been identified and service consequences highlighted in this Asset Management Plan and service risks considered in the Infrastructure Risk Management Plan.

Assessment and prioritisation of reactive maintenance is undertaken by the organisation's staff using experience and judgement.

5.3.2 Standards and specifications

Maintenance work is carried out in accordance with the following Standards and Specifications.

- Building Act 2000
- National Construction Code
- Tasmanian Plumbing Code
- Occupational Licencing Act 2007

5.3.3 Summary of future operations and maintenance expenditures

Future operations and maintenance expenditure is forecast to trend in line with the value of the asset stock.

Deferred maintenance, ie works that are identified for maintenance and unable to be funded are to be included in the risk assessment process in the infrastructure risk management plan.

Maintenance is funded from the operating budget and grants where available.

5.4 Renewal / Replacement Plan

No major work is anticipated to be required for building works. An annual allowance of \$50,000 per annum has been made for renewal and maintenance of building infrastructure.

5.5 Creation / Acquisition / Upgrade Plan

No new works are planned in the medium term.

5.6 Disposal Plan

No disposals are planned in the medium term.

6. FINANCIAL SUMMARY

This section contains the financial requirements resulting from all the information presented in the previous sections of this asset management plan. The financial projections will be improved as further information becomes available on desired levels of service and current and projected future asset performance.

6.1 Financial Statements and Projections

6.1.1 Financial sustainability in service delivery

There are three key indicators for financial sustainability that have been considered in the analysis of the services provided by this asset category, these being long term life cycle costs / expenditures and medium term projected/budgeted expenditures over 5 and 10 years of the planning period.

Long term - Life Cycle Cost

Life cycle costs (or whole of life costs) are the average costs that are required to sustain the service levels over the longest asset life. Life cycle costs include operations and maintenance expenditure and asset consumption (depreciation expense). The life cycle cost for the services covered in this asset management plan is \$149,580 per year (operations and maintenance expenditure plus depreciation expense in year 1).

Life cycle costs can be compared to life cycle expenditure to give an indicator of sustainability in service provision. Life cycle expenditure includes operations, maintenance and capital renewal expenditure in year 1. Life cycle expenditure will vary depending on the timing of asset renewals. The life cycle expenditure at the start of the plan is \$144,000 (operations and maintenance expenditure plus budgeted capital renewal expenditure in year 1).

A shortfall between life cycle cost and life cycle expenditure is the life cycle gap.

The life cycle gap for services covered by this asset management plan is \$5,580 per year (negative = gap, positive = surplus).

Life cycle expenditure is 96.3% of life cycle costs.

The life cycle costs and life cycle expenditure comparison highlights any difference between present outlays and the average cost of providing the service over the long term. If the life cycle expenditure is less than that life cycle cost, it is most likely that outlays will need to be increased or cuts in services made in the future.

Knowing the extent and timing of any required increase in outlays and the service consequences if funding is not available will assist organisations in providing services to their communities in a financially sustainable manner. This is the purpose of the asset management plans and long term financial plan.

Medium term – 10 year financial planning period

This asset management plan identifies the projected operations, maintenance and capital renewal expenditures required to provide an agreed level of service to the community over a 10 year period. This provides input into 10 year financial and funding plans aimed at providing the required services in a sustainable manner.

These projected expenditures may be compared to budgeted expenditures in the 10 year period to identify any funding shortfall. In a core asset management plan, a gap is generally due to increasing asset renewals for ageing assets.

The projected operations, maintenance and capital renewal expenditure required over the 10 year planning period is \$124,000 per year.

Medium Term – 5 year financial planning period

The projected operations, maintenance and capital renewal expenditure required over the first 5 years of the planning period is \$124,000 per year.

Financial Sustainability Indicators

Providing services from infrastructure in a sustainable manner requires the matching and managing of service levels, risks, projected expenditures and funding to achieve a financial sustainability indicator of 1.0 for the first years of the asset management plan and ideally over the 10 year life of the Asset Management Plan.

Providing services in a sustainable manner will require matching of projected asset renewals to meet agreed service levels with planned capital works programs and available revenue.

6.1.2 Expenditure projections for long term financial plan

Table 6.1.2 shows the projected expenditures for the 10 year long term financial plan.

Expenditure projections are in current (non-inflated) values. Disposals are shown as net expenditures (revenues are negative).

Table 6.1.2: Expenditure Projections for Long Term Financial Plan (\$000)

Year	Operations (\$000)	Maintenance (\$000)	Projected Capital Renewal (\$000)	Capital Upgrade/ New (\$000)	Disposals (\$000)
2018	0	\$49	\$75	0	0
2019	0	\$49	\$75	0	0
2020	0	\$49	\$75	0	0
2021	0	\$49	\$75	0	0
2022	0	\$49	\$75	0	0
2023	0	\$49	\$75	0	0
2024	0	\$49	\$75	0	0
2025	0	\$49	\$75	0	0
2026	0	\$49	\$75	0	0
2027	0	\$49	\$75	0	0
2028	0	\$49	\$75	0	0

Note: All projected expenditures are in 2015 dollar values.

6.2 Funding Strategy

Projected expenditure identified in Section 6.1 is to be funded from future operating and capital budgets. The funding strategy is detailed in the organisation's 10 year long term financial plan.

6.3 Valuation Forecasts

Asset values are forecast to increase as additional assets are added to the asset stock from construction and acquisition by Council and from assets constructed by land developers and others and donated to Council.

The depreciated replacement cost (current replacement cost less accumulated depreciation) will vary over the forecast period depending on the rates of addition of new assets, disposal of old assets and consumption and renewal of existing assets. The effect of contributed and new assets on the depreciated replacement cost is shown in the darker colour.

6.4 Key Assumptions made in Financial Forecasts

This section details the key assumptions made in presenting the information contained in this asset management plan and in preparing forecasts of required operating and capital expenditure and asset values, depreciation expense and carrying amount estimates. It is presented to enable readers to gain an understanding of the levels of confidence in the data behind the financial forecasts.

Key assumptions made in this asset management plan are:

Key Assumptions	Risks of Change to Assumptions
Use of the existing inventory data	Medium Risk
Use of existing valuations, useful lives and remaining lives	Medium Risk
Use of current expenditure information as best as this can be determined	Medium Risk

7. ASSET MANAGEMENT PRACTICES

7.1 Accounting / Financial Systems

7.1.1 Accounting and financial systems

Council uses Navision financial software and the General Ledger module is the relevant component.

7.1.2 Accountabilities for financial systems

Deputy General Manager and Finance Manager/Accountant have accountability for financial systems.

7.1.3 Accounting standards and regulations

Council's financial reports comply with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and the Local Government Act 1993 (LGA1993) (as amended).

7.1.4 Capital / maintenance threshold

Acquisition

The purchase method of accounting is used for all acquisitions of assets, being the fair value of assets provided as consideration at the date of acquisition plus any incidental costs attributable to the acquisition. Fair value is the amount for which the asset could be exchanged between knowledgeable willing parties in an arm's length transaction.

Where assets are constructed by Council, cost includes all materials used in construction, direct labour, borrowing costs incurred during construction, and an appropriate share of directly attributable variable and fixed over-heads.

Costs with a value greater than \$5,000 is used as a threshold for capitalising expenditure that has a useful life greater than twelve months.

7.2 Asset Management Systems

7.2.1 Asset management system

Asset data is maintained in asset registers within Navision and also Excel.

7.2.2 Asset registers

- ✓ Excel
- ✓ Dynamics Navision
- ✓ Valuer General's Valuation report

7.2.3 Linkage from asset management to financial system

Asset data is maintained in Navision, and posts into the general ledger.

7.2.4 Accountabilities for asset management system and data

Accountability for the Asset Management System rests with the Contract Accountant, under the supervision of the General Manager.

7.3 Information Flow Requirements and Processes

The key information flows *into* this asset management plan are:

- Council strategic and operational plans,
- Service requests from the community,
- Network assets information,

- Current levels of service, expenditures, service deficiencies and service risks,
- Projections of various factors affecting future demand for services and new assets acquired by Council,
- Future capital works programs,
- Financial asset values.

The key information flows *from* this asset management plan are:

- The projected Works Program and trends,
- The resulting budget and long term financial plan expenditure projections,
- Financial sustainability indicators.

These will impact the Long Term Financial Plan, Strategic Longer-Term Plan, annual budget and departmental business plans and budgets.

8. PLAN IMPROVEMENT AND MONITORING

8.1 Performance Measures

The effectiveness of the asset management plan can be measured in the following ways:

- The degree to which the required cashflows identified in this asset management plan are incorporated into the organisation’s long term financial plan and Community / Strategic Planning processes and documents,
- The degree to which 1-5 year detailed works programs, budgets, business plans and organisational structures take into account the ‘global’ works program trends provided by the asset management plan;

8.2 Improvement Plan

The asset management improvement plan generated from this asset management plan is shown in Table 8.2.

Table 8.2: Improvement Plan

Task No	Task	Responsibility	Resources Required	Timeline
1	Continuously improve record and reporting on expenditures, with separate costs for operations, maintenance and capture capital expenditures as renewal or upgrade/new	Corporate (Technical & Financial)	Staff time	Ongoing
2	Continue with the development of the corporate asset register, in which financial calculations including calculation of annual depreciation are undertaken by Council	Corporate (Technical & Financial)	Staff time	Ongoing
3	Review the accuracy and currency of asset data	Corporate (Technical & Financial)	Staff time	Ongoing
4	Review procedures for maintaining the Asset and Financial Registers	Corporate (Technical & Financial)	Staff Time	Ongoing
5	Maintenance response levels is understood and adopted	Technical Services	Staff time	Ongoing
6	Development of 10 year asset management replacement programs for Renewals/Upgrades	Technical Services	Staff time	Ongoing

8.3 Monitoring and Review Procedures

This asset management plan will be reviewed during annual budget preparation and amended to recognise any material changes in service levels and / or resources available to provide those services as a result of the budget decision process.

The Plan has a life of three years and is due for revision accordingly within that time period.

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APPENDICES

Appendix A Abbreviations

Appendix B Glossary

Appendix A Abbreviations

AAAC	Average annual asset consumption
AMP	Asset management plan
ARI	Average recurrence interval
BOD	Biochemical (biological) oxygen demand
CRC	Current replacement cost
CWMS	Community wastewater management systems
DA	Depreciable amount
EF	Earthworks / formation
IRMP	Infrastructure risk management plan
LCC	Life Cycle cost
LCE	Life cycle expenditure
MMS	Maintenance management system
PCI	Pavement condition index
RV	Residual value
SS	Suspended solids
vph	Vehicles per hour

Appendix B Glossary

Annual service cost (ASC)

- 1) Reporting actual cost
The annual (accrual) cost of providing a service including operations, maintenance, depreciation, finance/opportunity and disposal costs less revenue.
- 2) For investment analysis and budgeting
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 operations, maintenance, depreciation, finance/opportunity and disposal costs, less revenue.

Asset

A resource controlled by an entity as a result of past events and from which future economic benefits are expected to flow to the entity. Infrastructure assets are a sub-class of property, plant and equipment which are non-current assets with a life greater than 12 months and enable services to be provided.

Asset class

A group of assets having a similar nature or function in the operations of an entity, and which, for purposes of disclosure, is shown as a single item without supplementary disclosure.

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.

Asset management (AM)

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.

Average annual asset consumption (AAAC)*

The amount of an organisation's asset base consumed during a reporting period (generally a year). This may be calculated by dividing the depreciable amount by the useful life (or total future economic benefits/service potential) and totalled for each and every asset OR by dividing the carrying amount (depreciated replacement cost) by the remaining useful life (or remaining future economic benefits/service potential) and totalled for each and every asset in an asset category or class.

Borrowings

A borrowing or loan is a contractual obligation of the borrowing entity to deliver cash or another financial asset to the lending entity over a specified period of time or at a specified point in time, to cover both the initial capital provided and the cost of the interest incurred for providing this capital. A borrowing or loan provides the means for the borrowing entity to finance outlays (typically physical assets) when it has insufficient funds of its own to do so, and for the lending entity to make a financial return, normally in the form of interest revenue, on the funding provided.

Capital expenditure

Relatively large (material) expenditure, which has benefits, expected to last for more than 12 months. Capital expenditure includes renewal, expansion and upgrade. Where capital projects involve a combination of renewal, expansion and/or upgrade expenditures, the total project cost needs to be allocated accordingly.

Capital expenditure - expansion

Expenditure that extends the capacity of an existing asset to provide benefits, at the same standard as is currently enjoyed by existing beneficiaries, to a new group of users. It is discretionary expenditure, which increases future operations and maintenance costs, because it increases the organisation's asset base, but may be associated with additional revenue from the new user group, eg. extending a drainage or road network, the provision of an oval or park in a new suburb for new residents.

Capital expenditure - new

Expenditure which creates a new asset providing a new service / output that did not exist beforehand. As it increases service potential it may impact revenue and will increase future operations and maintenance expenditure.

Capital expenditure - renewal

Expenditure on an existing asset or on replacing an existing asset, which returns the service capability 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 generally has no impact on revenue, but may reduce future operations and maintenance expenditure if completed at the optimum time, eg. 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.

Capital expenditure - upgrade

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 operations and maintenance expenditure in the future because of the increase in the organisation's asset base, eg. widening the sealed area of an existing road, replacing drainage pipes with pipes of a greater capacity, enlarging a grandstand at a sporting facility.

Capital funding

Funding to pay for capital expenditure.

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.

Capital investment expenditure

See capital expenditure definition

Capitalisation threshold

The value of expenditure on non-current assets above which the expenditure is recognised as capital expenditure and below which the expenditure is charged as an expense in the year of acquisition.

Carrying amount

The amount at which an asset is recognised after deducting any accumulated depreciation / amortisation and accumulated impairment losses thereon.

Class of assets

See asset class definition

Component

Specific parts of an asset having independent physical or functional identity and having specific attributes such as different life expectancy, maintenance regimes, risk or criticality.

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, including any costs necessary to place the asset into service. This includes one-off design and project management costs.

Current replacement cost (CRC)

The cost the entity would incur to acquire the asset on the reporting date. 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.

Depreciable amount

The cost of an asset, or other amount substituted for its cost, less its residual value.

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.

Depreciation / amortisation

The systematic allocation of the depreciable amount (service potential) of an asset over its useful life.

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.

Funding gap

A funding gap exists whenever an entity has insufficient capacity to fund asset renewal and other expenditure necessary to be able to appropriately maintain the range and level of services its existing asset stock was originally designed and intended to deliver. The service capability of the existing asset stock should be determined assuming no additional operating revenue, productivity improvements, or net financial liabilities above levels currently planned or projected. A current funding gap means service levels have already or are currently falling. A projected funding gap if not addressed will result in a future diminution of existing service levels.

Heritage asset

An asset 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.

Impairment Loss

The amount by which the carrying amount of an asset exceeds its recoverable amount.

Infrastructure assets

Physical assets that contribute to meeting the needs of organisations or the need for access to major economic and social facilities and services, eg. 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 separate 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.

Key performance indicator

A qualitative or quantitative measure of a service or activity used to compare actual performance against a standard or other target. Performance indicators commonly relate to statutory limits, safety, responsiveness, cost, comfort, asset performance, reliability, efficiency, environmental protection and customer satisfaction.

Level of service

The defined service quality for a particular service/activity against which service performance may be measured. Service levels usually relate to quality, quantity, reliability, responsiveness, environmental impact, acceptability and cost.

Life Cycle Cost

1. **Total LCC** The total cost of an asset throughout its life including planning, design, construction, acquisition, operation, maintenance, rehabilitation and disposal costs.
2. **Average LCC** The life cycle cost (LCC) is average cost to provide the service over the longest asset life cycle. It comprises annual operations, maintenance and asset consumption expense, represented by depreciation expense. The Life Cycle Cost does not indicate the funds required to provide the service in a particular year.

Life Cycle Expenditure

The Life Cycle Expenditure (LCE) is the actual or planned annual operations, maintenance and capital renewal expenditure incurred in providing the service in a particular year. Life Cycle Expenditure may be compared to average Life Cycle Cost to give an initial indicator of life cycle sustainability.

Loans / borrowings

See borrowings.

Maintenance

All actions necessary for retaining an asset as near as practicable to its original condition, including regular ongoing day-to-day work necessary to keep assets operating, eg road patching but excluding rehabilitation or renewal. It is operating expenditure required to ensure that the asset reaches its expected useful life.

• **Planned maintenance**

Repair work that is identified and managed through a maintenance management system (MMS). MMS activities include inspection, assessing the condition against failure/breakdown criteria/experience, prioritising scheduling, actioning the work and reporting what was done to develop a maintenance history and improve maintenance and service delivery performance.

• **Reactive maintenance**

Unplanned repair work that is carried out in response to service requests and management/supervisory directions.

• **Significant maintenance**

Maintenance work to repair components or replace sub-components that needs to be identified as a specific maintenance item in the maintenance budget.

• **Unplanned maintenance**

Corrective work required in the short-term to restore an asset to working condition so it can continue to deliver the required service or to maintain its level of security and integrity.

Maintenance and renewal gap

Difference between estimated budgets and projected required expenditures for maintenance and renewal of assets to achieve/maintain specified service levels, totalled over a defined time (e.g. 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.

Materiality

The notion of materiality guides the margin of error acceptable, the degree of precision required and the extent of the disclosure required when preparing general purpose financial reports. Information is material if its omission, misstatement or non-disclosure has the potential, individually or collectively, to influence the economic decisions of users taken on the basis of the financial report or affect the discharge of accountability by the management or governing body of the entity.

Modern equivalent asset

Assets that replicate what is in existence with the most cost-effective asset performing the same level of service. It is the most cost efficient, currently available asset which will provide the same stream of services as the existing asset is capable of producing. It allows for technology changes and, improvements and efficiencies in production and installation techniques

Net present value (NPV)

The value to the organisation of the cash flows associated with an asset, liability, activity or event calculated using a discount rate to reflect the time value of money. It is the net amount of discounted total cash inflows after deducting the value of the discounted total cash outflows arising from eg the continued use and subsequent disposal of the asset after deducting the value of the discounted total cash outflows.

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, eg. parks and playgrounds, footpaths, roads and bridges, libraries, etc.

Operations expenditure

Recurrent expenditure, which is continuously required to provide a service. In common use the term typically includes, eg power, fuel, staff, plant equipment, on-costs and overheads but excludes maintenance and depreciation. Maintenance and depreciation is on the other hand included in operating expenses.

Operating expense

The gross outflow of economic benefits, being cash and non cash items, during the period arising in the course of ordinary activities of an entity when those outflows result in decreases in equity, other than decreases relating to distributions to equity participants.

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.

Rate of annual asset consumption

A measure of average annual consumption of assets (AAAC) expressed as a percentage of the depreciable amount (AAAC/DA). Depreciation may be used for AAAC.

Rate of annual asset renewal

A measure of the rate at which assets are being renewed per annum expressed as a percentage of depreciable amount (capital renewal expenditure/DA).

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 depreciable amount (capital upgrade/expansion expenditure/DA).

Recoverable amount

The higher of an asset's fair value, less costs to sell and its value in use.

Recurrent expenditure

Relatively small (immaterial) expenditure or that which has benefits expected to last less than 12 months. Recurrent expenditure includes operations and maintenance expenditure.

Recurrent funding

Funding to pay for recurrent expenditure.

Rehabilitation

See capital renewal expenditure definition above.

Remaining useful life

The time remaining until an asset ceases to provide the required service level or economic usefulness. Age plus remaining useful life is useful life.

Renewal

See capital renewal expenditure definition above.

Residual value

The estimated amount that an entity would currently obtain 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.

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, eg public halls and theatres, childcare centres, sporting and recreation facilities, tourist information centres, etc.

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.

Section or segment

A self-contained part or piece of an infrastructure asset.

Service potential

The total future service capacity of an asset. It is normally determined by reference to the operating capacity and economic life of an asset. A measure of service potential is used in the not-for-profit sector/public sector to value assets, particularly those not producing a cash flow.

Service potential remaining

A measure of the future economic benefits remaining in assets. It may be expressed in dollar values (Fair Value) or as a percentage of total anticipated future economic benefits. 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 (Depreciated Replacement Cost/Depreciable Amount).

Strategic Longer-Term Plan

A plan covering the term of office of councillors (4 years minimum) reflecting the needs of the community for the foreseeable future. It brings together the detailed requirements in the council's longer-term plans such as the asset management plan and the long-term financial plan. The plan is prepared in consultation with the community and details where the council is at that point in time, where it wants to go, how it is going to get there, mechanisms for monitoring the achievement of the outcomes and how the plan will be resourced.

Specific Maintenance

Replacement of higher value components/sub-components of assets that is undertaken on a regular cycle including repainting, building roof replacement, cycle, replacement of air conditioning equipment, etc. This work generally falls below the capital/maintenance threshold and needs to be identified in a specific maintenance budget allocation.

Sub-component

Smaller individual parts that make up a component part.

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.

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.

Value in Use

The present value of future cash flows expected to be derived from an asset or cash generating unit. 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 net cash inflows, where the entity would, if deprived of the asset, replace its remaining future economic benefits.

Source: IPWEA, 2009, Glossary