ANNUAL GENERAL MEETING ATTACHMENTS

9th December 2025

Bothwell Council Chambers

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Annual General Meeting Minutes

10th December 2024

Bothwell Council Chambers

Notice of Annual General Meeting of Council
Tuesday 10th December 2024

To Councillors,

In accordance with the Local Government (Meeting Procedures) Regulations 2015, Notice is hereby given, that an Annual General Meeting of Central Highlands Council is scheduled to be held in the Council Chamber, **Bothwell** on **Tuesday 10th December 2024,** commencing at **8.45am** with the business of the meeting to be in accordance with the following agenda paper.

In accordance with the Local Government (Meeting Procedures) Regulations 2015 Part 2, Division 1, a notice of the meeting was published on the Council website on 26 November 2024.

General Manager's Certification

PURSUANT to Section 65 (1) of the Local Government Act 1993, I hereby certify, with respect to the advice, information and/or recommendation provided for the guidance of Council in this Agenda, that:

A. such advice, information and/or recommendation has been given by a person who has the qualifications or experience necessary to give such advice; and

B. where any advice is given by a person who does not have the required qualifications or experience, that person has obtained and taken into account the advice from an appropriately qualified or experienced person.

Section 65(2) forbids Council from deciding any matter which requires the advice of a qualified person without considering that advice.

Dated at Hamilton this **5th** day of **December 2024**.

Stephen Mackey
Acting General Manager

Order of Business

The meeting commenced at 8.45 a.m.

AUDIO RECORDING DISCLAIMER

As per *Regulation 33 (2) (a) of the Local Government (Meeting Procedures) Regulations 2015*, audio recordings of meetings will be made available to Councillors, staff and members of the wider community including Government Agencies at no charge and will be made available on Council's website as soon as practicable after each Council Meeting. Unlike Parliament, Council meetings are not subject to parliamentary privilege, and both Council and the individual may be liable for comments that may be regarded as offensive, derogatory and/or defamatory.

The Mayor advises the meeting and members of the public that Council Meetings, not including Closed Sessions, are audio recorded and published on Council's Website in accordance with Council's Policy 2017-50.

The Mayor also advises, that members of the public are not permitted to make audio recordings of Council Meetings without prior approval being granted.

ACKNOWLEDGEMENT OF COUNTRY

I acknowledge and pay respect to the Tasmanian Aboriginal Community as the traditional and original owners and continuing custodians of this land on which we gather today and acknowledge and pay respect to Elders, past, present and emerging.

CONDUCT OF COUNCIL MEETING

Central Highlands Council takes safety seriously. We have a duty to ensure that we provide a safe workplace for our Employees, Councillors, Contractors and members of the public while present at Council's workplaces.

These premises form part of the Council's workplace, and it is expected that everyone who attends Council meetings will behave in a polite and respectful manner. People should refrain from using offensive or derogatory language or comments and not be aggressive, threatening or speak in a hostile manner.

1. PRESENT

Mayor L Triffitt; Deputy Mayor J Allwright; Cr A Archer; Cr A Bailey; Cr R Cassidy; Cr J Hall; Cr J Honner; Cr D Meacheam and Cr Y Miller

1.1 IN ATTENDANCE

Mr Stephen Mackey (Acting General Manager), Mr Zeeshan Tauqeer (Accountant), Mr Graham Rogers (Manager - Development and Environmental Services) and Mrs Katrina Brazendale (Minute Secretary).

1.2 PUBLIC ATTENDEES

Nill

1.3 APOLOGIES

Nil

2. DECLARATION OF PECUNIARY INTEREST AND CONFLICT OF INTEREST BY COUNCILLORS AND STAFF

2.1 DECLARATIONS OF PECUNIARY INTEREST

PURPOSE
In accordance with Regulation 8 (7) of the *Local Government (Meeting Procedures) Regulations 2015*, the Chairperson requests Councillors to indicate whether they or a close associate have or are likely to have a pecuniary interest (any pecuniary or pecuniary detriment) or conflict of interest in any Item of the Agenda.

2.2 DECLARATIONS OF CONFLICT OF INTEREST

PURPOSE
Under the **Model Code of Conduct** made by Order of the Minister responsible for Local Government the following will apply to a Councillor –

PART 2 – Conflict of Interest that are not Pecuniary.
(6) A Councillor who has an actual, potential or perceived conflict of interest in a matter before the Council must –

(a) Declare the conflict of interest and the nature of the interest before discussion on the matter begins; and
(b) Act in good faith and exercise reasonable judgement to determine whether a reasonable person would consider that the conflict of interest requires the Councillor to remove himself or herself physically from any Council discussion and remain out of the room until the matter is decided by the Council.

Nil

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3. MINUTES

3.1 CONFIRMATION OF DRAFT MINUTES ANNUAL GENERAL MEETING – 12 DECEMBER 2023

RECOMMENDATION 01/12.2024/AGM

Moved: Cr J Honner **Seconded:** Cr J Hall

THAT the Draft Minutes of the Annual General Meeting of Council held on Tuesday 12 December 2023 be confirmed.

CARRIED

For the Motion
Mayor L Triffitt, Deputy Mayor J Allwright; Cr A Archer; Cr A Bailey; Cr R Cassidy; Cr J Hall; Cr J Honner; Cr D Meacheam and Cr Y Miller.

Attachment – Draft Annual General Meeting Minutes

PURPOSE
The purpose of the report is to confirm the Council Minutes of the previous month. Copies of the minutes have been previously circulated to Councillors prior to the meeting.

4. ANNUAL REPORT 2023-2024

RESOLUTION 02/12.2024/AGM

Moved: Cr D Meacheam **Seconded:** Cr J Honner

THAT *the Central Highlands Council Annual Report 2023-2024 be received.*

LOST 7/2

For the Motion
Mayor L Triffitt and Cr J Honner
Against the Motion
Deputy Mayor J Allwright Cr A Archer; Cr A Bailey; Cr R Cassidy; Cr J Hall; Cr D Meacheam and Cr Y Miller

The Central Highlands Council Annual Report for 2023-2024 was advertised in the Mercury Newspaper on 26 November 2024 and is now presented to Council and Electors. It has been prepared in accordance with Section 72 of the *Local Government Act 1993* which includes Financial Statements and Audit Opinion.

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5. SUBMISSIONS RECEIVED ON THE ANNUAL REPORT 2023-2024

No submissions were received.

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6. OTHER BUSINESS

Any other business considered appropriate for the Annual General Meeting.

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7. CLOSURE

Mayor Triffitt thanked everyone for their contribution and declared the meeting closed at 9.05 **am**.

Review of Central Highlands Council 2024–25 Annual Report and Annual Plan

A. Executive Overview

Central Highlands Council's 2024–25 Annual Report and Annual Plan indicate a small rural council striving to maintain services and infrastructure amid financial constraints. Overall, Council delivered key capital works (over **$4.3 million** in projects) and improved its operating result to a **$2.29 million surplus for 2024–25** after deficits in the previous two years. However, underlying figures suggest that recent surpluses relied on rate increases and timing of grant income, raising questions about long-term financial sustainability. The Council has kept debt extremely low and maintains positive working capital, but its cash reserves have been drawn down in recent years to fund capital works. A significant asset revaluation in 2024 boosted the value of roads by $36.9 million, which will increase future depreciation costs and the funding needed for asset renewal. The Annual Plan 2024–25 set a prudent but austere budget (5.1% rate rise, operating deficit of $135k), and Council's actual results outperformed this, ending with a surplus, a positive sign if it can be sustained.

Strategically, Council continues to pursue the goals of its 2015–2024 Strategic Plan, but a new strategic plan is now due. The Annual Plan reiterates six key strategic goals (Community Wellbeing, Infrastructure, Financial Sustainability, Natural Environment, Economic Development, Governance) with mostly ongoing initiatives rather than new projects. Council has focused on "continuing" support for existing programs, maintaining assets, and seeking external funding. Notably, the plan aims to develop 10-year Asset Management Plans and review the Long Term Financial Plan annually. However, the Strategic Plan guiding these actions expired in 2024, and no updated strategy is evident, this is a critical gap that Council needs to address to ensure it is "strategically on track." In terms of governance, the Annual Report meets statutory requirements (as per Section 72 of the Local Government Act 1993) by disclosing councillor attendance, remuneration, senior management pay bands, and code of conduct complaints (none new in 2024–25, though ~$14.4k was spent finalising a prior complaint). The Mayor's Report emphasises transparency and acknowledges challenges, such as the unique rating situation where Hydro Tasmania operations currently pay no rates to Council. Council has lobbied to change this and has started rating the underlying land, a complex workaround expected to "add substantially" to income in the long term.

Key Performance and Risk Takeaways for Residents and Ratepayers:

- **Improved Financial Result:** Council achieved a $2.29 million accounting surplus for 2024–25, after operating deficits of $0.82m and $0.57m in the previous two years. This turnaround was aided by higher rate revenue and controlled spending; however, when one-off capital grants are excluded, prior underlying deficits signal continuing pressure on Council's budget.
- **Rate Rises and Revenue Base:** General rates rose by 5.1% in 2024–25 (and a similar increase is planned for 2025–26), reflecting Council's need to keep revenue in line with costs. The Mayor acknowledges rate increases are inevitable but aims to keep them

"responsible". A major concern is that large hydro-electric installations **do not pay rates to Council** under current law; Council is working on solutions to capture this lost revenue.

- **Financial Stability and Reserves:** The Council considers itself *"financially stable"* with no borrowings and a high liquidity ratio. It has positive net assets and about $1.64 million in earmarked reserves. However, discretionary cash reserves have not grown, Council's own figures show specific reserves unchanged year-to-year even as cash was drawn for capital works. Sustaining services without eroding reserves further will require continued operating surpluses or new revenue sources.

- **Capital Works Delivery:** Council invested heavily in road infrastructure in 2024–25, completing over **$4.3 million** in capital projects. Major works included Stage 4 of Thousand Acre Lane sealing ($1.46m), urban street upgrades in Bothwell and Wayatinah, a bridge widening, and recreational facility improvements across several towns. Plant and equipment purchases ($0.71m) were also significant. This boosts community infrastructure but also commits Council to higher future maintenance. Some budgeted projects were not finished by year-end, as actual capital outlays fell short of the $5.0m originally planned.

- **Asset Renewal vs Depreciation:** Over the last four years, Council's **asset renewal spending** has averaged above 100% of depreciation, but with large year-to-year swings. In 2023–24, renewal spending dropped to only ~76% of depreciation, a potential concern if that trend continues, as assets may deteriorate. The long-term **asset renewal funding ratio** is reported at 100% for transport infrastructure, suggesting that, on paper, future renewal needs in the 10-year plan are fully funded. Residents should watch that this planning commitment translates into consistent on-ground investment to avoid infrastructure backlog.

- **Community Spending Distribution: Every community in the Highlands saw some Council investment**, but it was uneven. The bulk of capital works spending in 2024–25 went into a few big projects: e.g. a single rural road upgrade consumed ~34% of the capital budget. Bothwell and Hamilton benefited from roadworks and facility upgrades (~$240k each), Wayatinah from a major playground/toilet renewal (~$176k) and street sealing (~$148k), while Ouse saw only minor works (~$32k for hall and toilet). Ratepayers in smaller localities may question if they are getting a fair share of investment. Over time, Council will need to ensure a balance so that all towns, including Ouse, Gretna, Miena and far-flung villages, receive adequate infrastructure renewal.

- **Strategic Planning and Compliance:** The Annual Report meets all statutory content requirements (see Section B) and provides a candid overview of Council activities. However, **strategic direction beyond 2024 is unclear**. The current initiatives largely **"continue" existing services**. With the Strategic Plan 2015–2024 now expired, residents should expect Council to develop a new community vision and updated objectives. This is essential for guiding priorities (e.g. how aggressively to pursue economic development and tourism opportunities noted by the Mayor, or how to respond to challenges like population changes and climate risks such as bushfires).

- **Governance and Leadership:** Council's governance framework is generally sound but saw some disruptions. There was turnover in the General Manager position in 2024–25, with an Acting General Manager in place for most of the year. The Mayor highlights efforts

in Councillor training workshops (e.g. on understanding financial statements and roles),a proactive step presumably in response to prior issues. No new Code of Conduct complaints were lodged this year, although dealing with a prior complaint cost the Council over $14k. This suggests improved Council conduct, but also underscores the need to minimise such costs through good governance. Council's Audit Panel and risk management processes are mentioned only briefly, implying they operate in the background with no major red flags raised.

Bottom Line: Is Council financially sustainable and on track? Central Highlands Council remains **financially viable in the short to medium term**, with no debt and a manageable operating budget around $9–10 million. The recent surplus is encouraging, but future sustainability hinges on Council's ability to consistently achieve at least break-even underlying results (excluding one-off grants). The Council faces the classic challenge of a small ratepayer base maintaining a large asset network, a gap partly filled by periodic government grants. Efforts to broaden the revenue base (e.g. capturing payments from Hydro operations) are crucial to long-term stability. Strategically, the Council appears to be **in a holding pattern**, continuing core services and infrastructure maintenance, rather than breaking new ground. This cautious approach avoids overreach, but it also raises the risk of stagnation if emerging opportunities (tourism, economic development) and community needs are not proactively planned for. With a new Strategic Plan pending and key financial and asset management plans under development, 2025–26 will be a pivotal year to set a fresh direction. Residents and ratepayers should feel assured that Council is **financially solvent** and meeting its basic service obligations, but they should remain engaged and ask questions about how Council will tackle long-term challenges such as asset renewal funding, equitable service delivery across the Highlands, and securing the region's economic future.

B. Technical Review & Findings

This section provides a detailed, evidence-based critique of the Annual Report 2024/25 and Annual Plan 2024/25, focusing on: **statutory compliance**, strategic and financial performance, asset management, and governance risks. All relevant content requirements under Tasmania's Local Government Act 1993 **Section 72** are reviewed for compliance, with references to where each item is addressed in the Annual Report. We then examine the Council's financial results and indicators in depth, assess the capital program delivery and asset renewal metrics, and highlight any inconsistencies, gaps, or bias in reporting. Finally, we analyse the distribution of spending across the Local Government Area (LGA) and other governance matters.

Section 72 Compliance Checklist (Annual Report 2024/25)

Section 72 of the Local Government Act 1993 (Tas) mandates specific content to be included in a council's annual report. The table below evaluates Central Highlands Council's Annual Report 2024/25 against each requirement, indicating whether each item is **Compliant (✓)**, **Partially Compliant (◐)**, or **Not Evident (✗)**, with references to the report:

Section 72 Requirement	Status	Report Reference (Page)	Notes
Summary of Annual Plan for the year (objectives and outcomes)	✓ Compliant	Annual Report pp. 25–28	The report is structured around the key goals from the Annual Plan, listing strategies and initiatives achieved under each (e.g. **Goal 1 Community Wellbeing** initiatives and outcomes). While there isn't a stand-alone "Annual Plan summary" section, the narrative effectively reviews performance against the Annual Plan goals.
Public Health Goals and Objectives (for the year)	✓ Compliant	Annual Report p. 42	A **Public Health Statement** outlines Council's commitments (e.g. immunisation sessions, COVID-19 monitoring). The Environmental Health Report confirms Council performed its functions under the Public Health Act 1997.
Council's Activities and Performance (against prior year goals)	✓ Compliant	Annual Report pp. 25–39 (multiple pages)	The report provides a detailed account of activities and achievements under each Strategic Plan goal (e.g. community events supported, infrastructure projects completed, services provided). This fulfills the requirement to report on performance in respect to objectives set for the year.
Code of Conduct Complaints, number received & upheld	✓ Compliant	Annual Report p. 50	Clearly stated: *"No Code of Conducts were received in 2024/2025."* (i.e. zero complaints) and hence none upheld.
Code of Conduct Complaints, total costs paid by Council	✓ Compliant	Annual Report p. 50	Report discloses *"$14,382.27 was paid… during the financial year in respect of all code of conduct complaints made in the previous year 2023/2024."*. (These costs relate to resolving prior-year complaints.)
Annual Financial Statements (audited statements for year)	✓ Compliant	Annual Report pp. 55–99 (Financial Report section)	The report includes the full audited Financial Report for 2024–25, comprising the Statements of Comprehensive Income, Financial Position, Changes in Equity, Cash Flows,

Section 72 Requirement	Status	Report Reference (Page)	Notes
			and Notes, along with the Auditor's opinion (unqualified).
Operating, Capital and Competitive Neutrality costs for each Significant Business Activity	✓ Compliant	Annual Report p. 50; Financial Report Note 37	The report notes that Council operates the *Hamilton and Bothwell Camping Grounds* as significant business activities. It provides the required details in the notes (revenue and costs, including notional costs for competitive neutrality).
Activities under Section 21 (Enterprise Powers),performance vs objectives	◐ *N/A / Partial*	*Not specifically applicable*	The Council did not undertake any distinct enterprise under Section 21 in 2024/25. The Annual Report lists this requirement but does **not explicitly state** if no such activities occurred. (It can be inferred none were taken, as no enterprise activities are described. An explicit statement of "no Section 21 activities" would have been ideal for completeness.)
Total Allowances & Expenses Paid to Mayor, Deputy & Councillors	✓ Compliant	Annual Report p. 91	Disclosed in the financial statements: total allowances and expenses for each elected member. For 2024–25, Councillors were paid a total of $142,777 in allowances plus $20,750 in expenses (travel, etc.), with a breakdown for Mayor, Deputy and Councillors. This meets Section 72(1)(cb).
Councillor Meeting Attendance (Council & Committee meetings)	✓ Compliant	Annual Report pp. 12–13	A detailed table shows each Councillor's attendance at the 14 Council meetings (full and part-day attendances vs absences), as well as attendance at committee meetings and workshops. This fulfills Section 72(1)(cc).
Senior Employee Remuneration (number of employees in bands)	✓ Compliant	Annual Report p. 50; Note 18	The report, under "Section 72… the following is reported," lists the *number of Council employees* who received total remuneration within specific bands: e.g. 2 employees in $100–120k, 1 in $140–160k, 1 in $160–180k. (Note: These likely correspond to the General Manager and

Section 72 Requirement	Status	Report Reference (Page)	Notes
			senior managers). This satisfies Section 72(1)(cd).
Copy of Audit Opinion for the financial year	✓ Compliant	Annual Report p. 93–99 (Auditor's Report)	The independent auditor's report is included in the Annual Report (dated 17 Nov 2025, Tasmanian Audit Office). It states the opinion that Council's financial report "presents fairly… in all material respects" the financial position and performance.
Land Donated by Council under Section 177	✓ Compliant	Annual Report p. 51	The report includes a *"Donation of Land Statement"* which clearly states that **no land was donated** by Council during 2024/25.
Other Prescribed Matters (e.g. Public Tender reporting per Reg. 29)	✓ Compliant	Annual Report p. 50–51	The report lists **Contracts Awarded > $250,000**, including the contractor and value (e.g. purchase of a Kenworth Prime Mover for $385k, road sealing contract for $338k, etc.). It also confirms that no instances occurred of non-application of the public tender process (all procurements followed Regulation 23).

Overall, the Annual Report 2024/25 **fully meets the statutory reporting requirements** of Section 72 LGA 1993. All required information is provided and clearly labelled. Minor improvements could include explicitly noting the absence of any Section 21 enterprise activities, but this is a negligible compliance issue. The inclusion of 10-year historical trend data for financial indicators and detailed listings of community grants and donations further enhance transparency beyond the bare minimum requirements.

Financial Performance and Sustainability Analysis

A close examination of Council's financial statements and budget reveals insights into its operating performance, sustainability, and use of resources:

- **Operating Result (Surplus/Deficit):** Council's **Net Result for 2024–25 was a surplus of $2,289,793**. This headline surplus is after including capital grants and one-off items. It marks a sharp improvement from a **$(821,757)$ deficit in 2023–24** and **$(566,613)$ deficit in 2022–23**. The swing to surplus is partly because operating revenue grew while expenses fell (discussed below). However, large revaluation gains in 2023–24 complicate year-to-year comparisons, if we exclude those accounting adjustments, the underlying picture is clearer.

- **Underlying Operating Result:** After removing capital grants and timing distortions (e.g. advance grant payments), Council's **underlying operating result** was likely close to break-even or a small surplus in 2024–25. In contrast, underlying deficits were recorded in the prior two years. The Annual Report's management indicators note shows underlying **deficits of $1.79 million (–19.1%) in 2023–24 and $0.45 million (–4.85%) in 2022–23** relative to recurrent income. This indicates Council had been spending more on ongoing operations than it raised in those years, an unsustainable trend if it were to continue. The Mayor's statements acknowledge that budget deliberations are challenging and that Council *"needs to stay within our projected Long Term Financial Plan"*. For 2024–25, it appears Council achieved that goal: a combination of the 5.1% rate increase, new waste charges, and careful cost control turned the underlying position around. While detailed underlying figures for 2024–25 aren't explicitly given (the note focuses on prior years), the net operating surplus and relatively low capital grant income imply an underlying balance slightly in surplus. Council also benefitted from receiving a portion of its federal Financial Assistance Grants early in 2023–24 (which had made 2023–24 look better and 2024–25 correspondingly worse); adjusting for that, the underlying improvement in 2024–25 is even more pronounced.

- **Income and Expense Trends:** Total income in 2024–25 was **$9.10 million (excluding capital grants)**, up about 9% from the previous year's $8.35m. This was driven by higher rate revenue and statutory fees. Rate income increased significantly as a share of revenue (56.5% of total revenue, up from ~50% the year before), reflecting the rate rise and possibly improved collection. Meanwhile, operating expenses in 2024–25 dropped to $9.67 m (from $11.17m in 2023–24), mainly because 2023–24 had seen one-off losses on asset disposals and higher materials costs. Notably, **employee costs** fell from $3.10m to $2.61m as some vacancies or lower staffing (the General Manager position was acting for part of the year) may have reduced costs. **Materials and services** also fell by ~$0.48m. These expense reductions, combined with steady revenue growth, created the surplus.

- **Capital Grants and Contributions:** Council's reliance on capital grants can cause volatility in results. In 2023–24, it received a large influx of capital grants (~$2.28 m) for specific projects, which helped fund the capital works but still wasn't enough to avoid a deficit due to the scale of works and other costs. In 2024–25, conversely, **capital grant income was relatively low (~$0.85 m)**,meaning Council undertook fewer new grant-funded projects. This lower external funding contributed to the reduction in capital expenditure discussed later, and it also means the 2024–25 surplus was achieved with less one-off revenue support. However, going forward, if Council is to undertake major infrastructure projects (like further road upgrades), it will likely need grant funds. The **Financial Assistance Grants (FAGs)** from the Commonwealth (untied funding) are also important, Council notes the timing of these can distort yearly figures (e.g. receiving a portion early). In 2024–25, FAGs recognised were actually lower than normal because a payment was received in June 2024. This timing issue improved the 2023–24 bottom line while reducing 2024–25 income, so the true operating turnaround is a bit stronger than the raw numbers suggest.

- **Working Capital and Cash Flow:** Central Highlands Council's **working capital ratio** (current assets to current liabilities) is exceptionally high at **42.76:1**. This indicates a very strong short-term liquidity position, essentially no immediate liquidity concerns. (The ratio is inflated by large cash or receivables vs. minimal current liabilities; Council carries

no short-term debt and modest payables). The **debt ratio** (liabilities as % of assets) is only 1.4%, reflecting that Council has almost no borrowings, a conservative position that gives it borrowing capacity if needed in future. However, the **net financial assets** (cash and investments minus total liabilities) have declined from $9.3 m in 2020–21 to about $2.7 m in 2023–24. This was due to Council spending down its cash reserves on capital works and covering operating shortfalls. A healthy surplus in 2024–25 likely stemmed the decline, possibly adding back to cash. Indeed, the **cash flow from operations** in 2024–25 was strong (operating cash inflow of ~$4.4m according to the cash flow statement, not directly cited, but implied by the surplus plus depreciation). Council did not take on any new loans in 2024–25 and even budgeted "N/A" for borrowings, indicating an aversion to debt. While debt-free is positive, the downside is that asset renewals rely entirely on current revenue and grants, putting pressure on annual budgets. The **Long Term Financial Plan (LTFP)** is referenced as a guiding tool to keep budgets in line; however, details of the LTFP's projections (e.g. planned future surpluses or use of reserves) are not disclosed in the report. It would benefit transparency if Council shared more of its LTFP summary, but at least adherence to it is mentioned.

- **Expenditure by Function:** The Annual Report provides a breakdown of expenses by program over nine years, which reveals changing spending priorities:
    - **Transport & Infrastructure** remains the largest expense category (roads, bridges, asset maintenance), at $3.58 m in 2024/25, up slightly from $3.38m the previous year. This includes road maintenance, which one would expect to rise after the road asset revaluation (due to higher depreciation, see asset section).
    - **Waste & Environmental Management** costs jumped to $1.50 m (from $0.90m in 2023/24). This 66% increase likely reflects changes in waste services: Council introduced a **universal waste charge** and free access to waste sites, which may have driven higher usage and costs. Some waste expenses could also be one-time (e.g. cleanup or establishing new services). This is an area to monitor, as rising waste costs can pressure rates.
    - **Governance & Administration** costs were $2.92 m, a big rise from $2.17 m in the prior year. This could be due to extraordinary items (perhaps the payout for the departing General Manager or recruitment costs, and higher election or compliance costs). It's notably high, consuming ~32% of operating expenditure. If a one-off, we might expect it to normalise next year; if not, the community might question why back-office costs grew so much.
    - **Community Services and Recreation** spending grew (Community Services $1.13→$1.26m; Recreation $0.39→$0.62m), indicating Council put more funds into community development, likely grants, events, and maintaining halls, parks and sports facilities. This aligns with the narrative of supporting community wellbeing events and upgrading recreational facilities (like the Hamilton Rec Ground power upgrade).
    - **Unclassified** expenses fell (from $1.15m to $0.66m), which suggests better allocation of costs to defined programs in 2024/25 or completion of prior year projects that were in that bucket.

These shifts suggest Council reined in or reallocated spending in some areas (administrative costs aside) to better match its strategic priorities and funding availability.

- **Financial Sustainability Indicators:** The Annual Report includes the Tasmanian Auditor-General's recommended financial ratios. Key ones:
    - The **Underlying Surplus Ratio** (underlying surplus as % of recurrent income) was **–19.08% in 2023/24 and –4.85% in 2022/23**, both well below the benchmark of >=0%. As noted, 2024/25 likely saw this ratio climb to around zero or slightly positive (the report's table shows 0% as the target),a substantial improvement, but not explicitly stated for 2025. A trend of small positives would confirm sustainability; a return to negatives would mean ongoing issues. The report optimistically comments "Good result in all years" regarding underlying results, which seems inconsistent with the actual deficits, perhaps an error or referring to another indicator.
    - The **Net Financial Liabilities Ratio** (which would normally measure debt load) is not directly given, but since Council has more financial assets than liabilities, it is effectively in a net asset position. This is good, but as noted, that buffer reduced in recent years.
    - The **Asset Sustainability Ratio** (capital renewal expenditure / depreciation) averaged 134% from 2018 to 2021, but was **76.3% in 2023/24** (meaning renewals were only 3/4 of the level of asset consumption that year). In contrast, 2022/23 saw a very high 209.5% (major catch-up works). The **target is 100%** over time, Council's approach seems to alternate big spend years with lighter ones. Over 4 years, the average is around 130%, which *could* indicate assets are being renewed ahead of depreciation on average; however, the drop in 2023/24 might signal that easy wins were done and now spending was held back due to funding constraints. For a small council, fluctuations are expected (big projects cause spikes). Residents should interpret the 76% in 2023/24 not as negligence but as timing, indeed, 2024/25's list of completed works shows a lot of renewal activity (roads reseals, bridge work, etc.), likely pushing the ratio back up for 2024/25. We will verify asset management plans below.
    - The **Asset Consumption Ratio** (not explicitly quoted in text) typically measures the remaining life of assets. Given Council revalued and assessed its assets recently, this ratio is probably around the state average or better for roads after the revaluation (which often indicates condition). An asset consumption ratio by class would be helpful to know if, say, roads are on average 50% through their life. The report doesn't highlight it, but it does list updated asset values and accumulated depreciation by class in the notes.

In summary, **Council's financial management appears prudent but tight.** The data supports the Mayor's assertion that budgets have been "well managed and responsible" in the sense of avoiding excessive debt and aligning with long-term plans. However, the existence of consecutive underlying deficits through 2023/24 shows that Council was spending down savings to maintain services and infrastructure, which cannot continue indefinitely. The 2024/25 turnaround is thus a critical course correction. Financial sustainability going forward will depend on Council's ability

to maintain modest operating surpluses and secure grants for capital works without overcommitting its own funds.

The absence of any mention of new borrowings means Council is effectively *self-funding* all projects from rates, grants, and reserves. This limits scale but avoids interest costs. It's a cautious strategy suitable for a small council but it requires careful prioritisation of projects (not everything can be done at once). It also means ratepayers directly feel the cost (in rates or service charges) for incremental service improvements, which is why Council is understandably cautious in expanding services.

One area of revenue risk and opportunity is the **rating of Hydro Tasmania and renewable energy assets**. As noted in the report, due to legal quirks, Hydro pays a "rates equivalent" to the State, not to Council, resulting in a **significant loss of potential revenue** for the Central Highlands. Council's solution so far is to levy rates on the land parcels where these facilities sit (charging the landowners, often Hydro itself or others). This is less than ideal and administratively cumbersome, but it should eventually yield additional income (the Mayor anticipates it will "add substantially" to Council's income in the longer term). This effort is still ongoing. Success in this domain could greatly improve Council's revenue base and reduce reliance on general rate hikes for residents. The community should support and track this advocacy, as it directly affects Council's capacity to fund services without overburdening local ratepayers.

Capital Works and Asset Management

Capital Works Program 2024–25: The Annual Report highlights a range of capital projects completed during the year, indicating a strong focus on infrastructure renewal and upgrade. According to the report, **approximately $4.307 million** worth of capital works were achieved, across categories of Roads, Bridges, Plant (equipment) and Other Projects:

- **Road Upgrades:** The single largest project was the **Thousand Acre Lane widening and sealing (Stage 4)** at $1.46 million. This multi-year rural road upgrade significantly improves a key route (Thousand Acre Lane is a gravel road connecting communities, so sealing it reduces maintenance and benefits transport). Other road works included Hollow Tree Road stabilisation ($196k), resealing of Bothwell and Wayatinah town streets ($157k and $148k respectively), Arthurs Lake Road reseal ($119k), and several safety improvements. *Old Man's Head* intersection black-spot fix ($107k) and *Cramps Bay* junction upgrade ($33k). Additionally, nearly **$496k** was spent on re-sheeting various unsealed roads. These investments suggest Council has been addressing both urban street maintenance and rural road improvements, likely guided by its road asset management plan and available Black Spot program funding (for safety).

- **Bridge and Drainage:** One bridge is noted, **Wentworth Bridge widening ($241k)**. Bridges are expensive assets and this project indicates Council is upgrading capacity or safety of that structure. It's unclear if other bridge works were needed; none others are listed, so presumably most bridges are in acceptable condition or planned for future years.

- **Plant and Equipment:** Council invested **$709k in heavy plant replacement**: buying a new JCB backhoe ($242k) and a Kenworth prime mover truck ($390.8k), plus a Hilux ute ($57.7k) and replacement tracks for a 13-tonne excavator ($18.8k). This refresh of Council's works fleet is important for service delivery (roadworks, maintenance, etc.) and shows that Council is cycling its plant per its Plant Replacement Reserve (which stands

at $453k and was fully utilised). Modern equipment should also improve efficiency and reduce maintenance costs on old machinery.

- **Community Facilities ("Other Projects"):** Several community facility upgrades were completed:
    - **Hamilton Recreation Ground power upgrade ($249.8k)**,providing improved electrical supply for events and users at this key sporting ground.
    - **Wayatinah Recreation Area,** refurbishment of toilets and playground ($176.3k) and minor works at the Sports & Golf Club ($4.3k). This indicates a substantial investment in a small community (Wayatinah) to renew public amenities.
    - **Gretna Cricket Club changerooms upgrade ($65.7k)**,supporting local sports infrastructure.
    - **Ouse, public toilet asphalt works ($19.9k)** and **automatic door & ramp at Ouse Hall ($11.8k)**,improving accessibility and amenity for Ouse residents.
    - **Bothwell, new fence at Patrick & George Street ($8.3k)**,a minor work, possibly related to a public space.
    - **Derwent Catchment Project nursery expansion ($15.5k)**,this is an interesting inclusion; Council supported expanding a native plant nursery (likely run by the Derwent Catchment Project group) which helps environmental restoration efforts. It demonstrates collaboration with NRM (Natural Resource Management) initiatives in the region and aligns with Council's Goal 4 (Natural Environment) commitment to resource management partnerships.

      These facility projects, while modest in cost individually (aside from Hamilton Rec ground), collectively enhance community infrastructure across multiple towns.

Asset Management Plans: Council's **Strategic Goal 2** is to "Manage Council's physical assets in an efficient and effective manner". A key strategy is to *develop and implement a 10-year Asset Management Plan (AMP) for all asset classes*. The Annual Plan indicates that these AMPs are to be reviewed annually and used in tandem with the Long Term Financial Plan. The existence of up-to-date AMPs is critical, especially given the revaluation of assets:

- **Roads Revaluation:** In 2024, Council conducted a revaluation of its road infrastructure, which increased the recorded road asset value from $74.07 m to $110.64 m (a $36.57 m uplift). This suggests that either construction cost indices rose sharply or previously under-counted roads were recognised. The immediate effect is a big jump in Council's asset base (and in equity via the revaluation reserve). The longer-term effect is that **annual depreciation on roads will increase** (since depreciation is calculated on replacement cost). Indeed, we see depreciation expense climbed to $2.63 m in 2023/24 from $2.31m in 2021/22. With the revaluation occurring in late 2023/24, the full impact on depreciation will likely be seen in 2024/25 and onward. Higher depreciation isn't a "cash" cost, but it is a signal of what Council *should* set aside for renewals annually. If Council's AMP for roads has identified, say, $1.34 m per year of capital renewal needed (as hinted in the Asset Renewal Funding Ratio disclosure), then Council has to ensure it budgets roughly that amount. The report shows a **100% asset renewal funding ratio for Transport Infrastructure** across the 4-year plan horizon, meaning Council *claims* it will

fully fund the required road renewals each year (projected outlays equal projected required expenditure). It's a positive indicator, but one that is not audited, we rely on management's planning here. Ratepayers might want to see the underlying AMP to verify the assumptions.

- **Other Assets:** Aside from roads, Council's other assets include buildings ($10.5m), bridges ($9.0m), land ($6.9m), stormwater, footpaths, etc. Some saw minor revaluation changes (buildings +$1.0m). The small net decrease in bridge values (–$103k) could indicate depreciation outpacing any revaluation or upgrades. The Asset Sustainability Ratio suggests Council has generally been spending enough on renewals (barring timing issues). For example, in 2022/23 it spent 209% of depreciation, likely a big bridge or road renewal got done that year. The subsequent dip to 76% in 2023/24 might reflect that some planned renewals were deferred to 2024/25 (which indeed had the capital program executed). It will be important that Council maintains a consistent renewal program and does not let assets fall into disrepair in years when budgets are tight. The AMP should schedule works to avoid such gaps. The fact that plant & machinery and certain reserves (e.g. Plant Replacement Reserve at $453k) are maintained shows foresight in those areas.

Service Levels and Backlog: The Annual Report does not explicitly discuss asset condition or any backlog of works. However, given the scale of works done, it appears Council addressed many known priorities (like sealing the last stages of Thousand Acre Lane, fixing a known hazardous intersection, etc.). One can infer that **roads are a high priority**, appropriate in a rural farming and tourism region where roads are lifelines. By completing stage 4 at Thousand Acre Lane and reseals in multiple areas, Council likely reduced future maintenance needs on those segments. The challenge is the extensive road network vs limited funds: Council must prioritise which roads get attention and which might remain lower-grade. The community should look for an updated **Roads Asset Management Plan** (if released) that lists road conditions and planned works.

Equity Between Communities: A technical analysis of asset spending by locality shows some imbalance which is worth noting (and was likely driven by grant availability or project readiness rather than favouritism). In 2024–25, a **very large share of capital expenditure (~40%) went into one project in the northern part of the municipality (Thousand Acre Lane)**. Meanwhile, the towns of Bothwell and Hamilton (the main population centres) together saw roughly 12% of the capital spend (street seals, rec ground power, fence, etc.). The small community of Wayatinah punched above its weight with about 8% (toilet/playground and street works),likely grant-assisted. Ouse, one of the larger villages, saw only about 0.7% (the smallest projects) this year. Over the long term, Council does tend to rotate investments (e.g. Ouse had a new medical centre built some years back, and Bothwell has had major projects like the new waste transfer station). But this year's profile might raise questions from residents in Miena/Ouse/Gretna about whether they are getting overlooked. The **Annual Plan 2024–25** did not explicitly break down planned spending by town, but it broadly stated an intent to "allocate appropriate funds to ensure that existing services and assets are maintained effectively" across the municipality.

From an asset management perspective, **maintaining equity** means ensuring all communities have their basic infrastructure kept in serviceable condition. The evidence suggests core infrastructure (roads, halls, parks) in each town is at least receiving some upgrades: e.g. Ouse had hall and toilet upgrades this year, Gretna got sports facility improvements, Bothwell and Hamilton got multiple small projects, Wayatinah a major upgrade. The **risk**, however, is perception, residents of Ouse might feel $32k of works is low, considering their rates

contribution. Council may need to communicate that some larger projects in Miena (or elsewhere) are slated in coming budgets, or that Ouse benefitted from past works or operational spending (for instance, the Ouse pool and Ouse school support might not show up as capital but are funded operationally). A **Capital Works Plan** spread over a 4-5 year period, if published, could reassure communities that each area's needs are addressed in turn. Transparency in this area would mitigate concerns of bias or neglect.

Asset Renewal Funding and Depreciation Coverage: As touched on, the **Asset Renewal Funding Ratio** being 100% indicates that, according to Council's long-term plans, it will fund required renewals fully for at least transport assets. This implies that the Long Term Financial Plan and Asset Management Plans are aligned to invest in renewals at the optimal time. However, the **Asset Sustainability Ratio** actual of 76% in the latest year is a warning sign, it shows a one-year shortfall in renewing assets relative to consumption. If that were a trend, assets would gradually deteriorate. Given it seems an outlier, the more important gauge is the trend and the existence of a plan. Council does not provide detail on *which* assets were under-renewed in 2023/24. Possibly buildings or plant (since we know roads had overspending in prior year, maybe building maintenance was deferred a year, etc.). For residents, the practical question is: **Are our roads, bridges, halls, etc., getting renewed when needed or are we deferring maintenance?** The data suggests Council mostly keeps up, but with some timing lags. There is no indication of critical infrastructure in poor condition in the report, so presumably no severe backlog, but an area to watch is bridges (often expensive and easy to neglect). Only one bridge was upgraded this year. Others might need work soon (maybe planned next year, unknown without AMP disclosure).

In conclusion on assets, **Council's asset management appears generally proactive**, with significant investments made in line with identified priorities. The **major risk** is ensuring consistent funding for renewals as large grants wax and wane. The community should encourage Council to publish summary information from its Asset Management Plans (e.g. how many km of road are in each condition grade, how many bridges need work in next 5 years, etc.) to better understand the long-term challenges. Given the size of the road network and limited rate base, *advocacy for external funding* will remain essential, something Council seems to be doing (e.g. securing Black Spot road funding, Bridges Renewal grants, etc., evidenced by projects like the black spot improvement).

Strategic Planning and Performance

Central Highlands Council's strategic planning framework is in a state of transition. The **Strategic Plan 2015–2024** guided the objectives in the Annual Plan 2024–25. However, that strategic plan term has ended. The **Annual Plan 2024–25** itself acknowledges it was prepared under Section 71 of the Act and aligned with the (now concluding) Strategic Plan. Key observations:

- The Annual Plan lists six **Key Focus Areas (Goals)** and associated strategies and annual initiatives, which effectively mirror the strategic plan's structure:

    1. **Community Wellbeing**. e.g. continuing support for local groups, youth activities, health services advocacy.
    2. **Infrastructure and Facilities**, e.g. develop 10-year AMPs, seek funding for upgrades.
    3. **Financial Sustainability**, e.g. review Long-Term Financial Plan, maintain viability.

4. **Natural Environment**, e.g. support the Derwent Catchment Project, NRM initiatives.
5. **Economic Development**, e.g. participate in regional tourism bodies (Destination Southern Tas), support business expansion.
6. **Governance and Leadership**, e.g. review policies, keep risk register updated, regional advocacy.

- **Performance Reporting:** The Annual Report does a decent job reporting *outputs* under each goal. For example, under Community Wellbeing, it lists the community events supported and donations given (with many local clubs and individuals receiving grants), and notes the reopening of services (Council advocated for Ouse health services, though it's not clear if success was achieved yet). Under Governance, it mentions training workshops for Councillors, and under Environment, it highlights the partnership achievements with the Catchment Project (weed management, Clyde River flood resilience project launch). These details demonstrate activity. However, what's less clear is **outcome measures**. The report does not quantify, for instance, whether community satisfaction improved, or if road conditions improved by a certain metric, etc. It's mostly narrative. This is common for small councils, resources for detailed KPIs are limited, but it does mean the community must infer success from activity levels rather than hard metrics. For instance, the Mayor cites strong tourism interest and her pursuit of opportunities, but no tourism visitation numbers are provided.
- **Strategic Plan Renewal: There is no mention in the Annual Report or Plan of a new Strategic Plan** in development. By law, councils in Tasmania are required to have a strategic plan covering at least a 10-year period, reviewed every 4 years. With the previous plan expired in 2024, one would expect Council to be working on a 2024–2034 plan. The omission is noteworthy. It could be that work was delayed or planned for 2025. This is a governance gap: without an updated strategy, the 2024–25 Annual Plan was essentially running on the fumes of the old plan (2015–24). The risk is that new challenges or opportunities might not be fully accounted for. For example, the Central Highlands has seen developments in renewable energy (wind farm proposals, etc.) and evolving tourism trends (e.g. demand for wilderness experiences),strategic positioning on these is needed. The Annual Plan's economic development initiatives were minimal (basically membership in regional bodies). Residents might ask if that is sufficient or if Council should proactively plan for attracting investment or leveraging its heritage (Bothwell's golf history, etc.) more. Until a new strategic plan is created with community input, Council may default to a maintenance mode.
- **Alignment of Plan and Report:** The Annual Plan's listed initiatives for 2024/25 can be cross-checked with what the Annual Report says was done:
    - *Example:* Plan said "advocate for reopening services at Ouse", Report doesn't explicitly say if the Ouse doctor or service reopened, implying perhaps it did not yet happen (Ouse District Hospital's downsizing has been an issue historically). So that remains ongoing.
    - Plan: "Implement priorities of the Health & Wellbeing Plan 2020–2025",Report: no direct mention, but presumably events like Bothwell Exercise Group support, etc., tie into that (the report lists many such community health-related supports).

- Plan: “Complete as many capital works projects within budget”, Report: lists a majority of projects completed, though not all originally budgeted ones were mentioned as completed (the capital spend was 85% of budget). It appears Council prioritised and finished most, deferring some (unknown which, possibly some plant purchases or lower priority works).
- Plan: “Annually review LTFP and AMPs”, Report: doesn’t confirm if this review happened in 2024/25. We know they stuck to the LTFP for the budget, but whether the documents were formally reviewed by Council is not stated.
- Plan: “Continue support for HATCH (Health Action Team)”,Report: yes, they mention ongoing membership in HATCH and other health initiatives (this likely contributed to no loss of health services at Bothwell at least).
- Plan: “Destination Southern Tasmania membership”, Report: doesn’t explicitly mention it, but presumably it remained in place (no reason to think otherwise, it’s a subscription).

  In general, the **strategic initiatives planned were largely carried out**, albeit many are “continue to…” tasks. No major project in the Annual Plan appears to have outright failed; at worst, some are still in progress.

Risk Management and Governance: The Annual Report touches lightly on risk and governance structures:

- It notes an Audit Panel exists (by implication, since Regulation 29 info is given, and typically the Audit Panel reviews the financials). The Auditor’s report also mentions communicating with those charged with governance (the General Manager and, by extension, Audit Panel).
- A snippet indicates the General Manager is responsible for a risk management framework. There’s no detail on what Council’s top risks are, but given the region, likely bushfires, flood, and financial viability are on the register. The Mayor indeed talks about the coming *“bushfire season”* and preparedness in the community, showing awareness of that risk. No information is given on climate change adaptation or emergency management investments, aside from acknowledging volunteer efforts (like fire brigades perhaps).
- **Councillor Conduct and Training:** As previously mentioned, no new conduct complaints is a positive sign of improved governance. The Mayor’s decision to mandate councillor workshops (for understanding financials, roles, etc.) is commendable and likely in response to the new council after the 2022 elections needing upskilling. This proactive approach can reduce future conduct issues and build a more effective council, a *“good news”* item that the report highlights.
- **Leadership Stability:** A potential governance risk is the turnover at the executive level. A long-serving General Manager left (it appears he acted only for July 2024, then another acting GM took over). By end of June 2025, Council had an Acting GM, Mr. Stephen Mackey. The Auditor’s certificate is signed by the Acting GM on 17 Nov 2025, implying that as of the AGM, no permanent GM was yet appointed. High churn in the GM role can slow strategic progress and affect staff morale. The report doesn’t discuss it openly (it wouldn’t

as an annual report), but the community might rightly query what the plan is to secure a stable permanent General Manager, a key to strong governance.

- **Compliance with Other Legislation:** The Annual Report includes the required Public Health Act report, as discussed, and notes Council's compliance with food safety, immunisation, etc. It also lists **regulatory activities** undertaken: for instance, numbers of building/plumbing permits issued are given (we see building stats table spanning 2017–2025 in the report). This shows that statutory roles in development and public health were fulfilled (e.g. inspections, permits). The Planning Authority role is mentioned, the Mayor reminds that Council, when acting as Planning Authority, must remain unbiased and follow the planning scheme. This hints perhaps at contentious planning decisions or community pressure; by including that, she is reinforcing good governance in planning decisions.

Good-News Bias or Gaps: The Annual Report largely presents information factually, but naturally it emphasises positives:

- For instance, the Mayor states *"Central Highlands Council are financially stable"* and have *"well managed budgets"*. She does not mention the underlying deficits or the need to tighten belts. This could be seen as **glossing over** the seriousness of the recent deficits; however, she immediately notes the necessity of rate increases and sticking to the LTFP, which tempers that optimism with realism.

- The report highlights community grants and support, a feel-good section listing donations from Dementia Tasmania to local kids' bursaries. This demonstrates Council's community focus, which is indeed positive. No obvious *bad news* is in the report apart from matter-of-fact financial results (which were actually good this year). If there were service cuts or projects that failed, the report doesn't mention them. For example, if the Ouse medical service remained closed, the report doesn't dwell on it except to say Council continues advocacy, a diplomatic way to handle it.

- **Areas not addressed:** There's scant mention of **population or demographic trends** (e.g. if the area is losing or gaining residents, and what that means). Also, nothing on staff or workforce other than listing senior staff. Some councils include staff turnover or satisfaction info; here that's absent, maybe not required, but a gap in understanding Council's capacity. Another absent item is any analysis of **customer service metrics** (like how many service requests, etc.). These might not be critical in this context, but their absence is common in smaller councils' reporting due to resource limits.

- One could argue the report has a bit of a *"complacent"* tone strategically, it doesn't announce bold new initiatives for the future, sticking to existing program descriptions. Depending on one's perspective, that might be fine (no need to fix what isn't broken), or it might indicate a lack of strategic drive. This is a matter for the forthcoming strategic plan to address.

Statutory Compliance (Other): We verified Section 72 compliance. It's also worth noting the Annual Plan is required by Section 71 and the Council delivered it on time. The plan and budget adoption by absolute majority was done as per the Mayor's note. These procedural compliance points are all in order.

Key Risks Identified:

- **Financial Risk:** If underlying deficits were to re-emerge (e.g. if expense pressures like waste costs or new regulatory costs grow faster than Council's ability to raise revenue), the Council's reserves could be depleted in a few years. The financial data shows a reduction of net assets (financial) by ~$6 million over the last 4 years, corresponding to capital investments. That can't continue indefinitely without either cutting expenditures, raising more revenue, or borrowing. Council's LTFP likely addresses this by plotting modest surpluses and controlled capital outlays. The risk is external shocks (e.g. big increase in infrastructure renewal need or loss of a major ratepayer).
- **Asset Risk:** Bridges are one asset class to watch, they often require large spend. If grants aren't available, Council might struggle to fund a major bridge replacement. Similarly, buildings like community halls may need upgrades (e.g. Ouse Hall got a ramp this year; what about other halls for disability access?). Council may have to prioritise within limited funds.
- **Climate and Emergency Risks:** Bushfire is clearly a risk; much of Central Highlands is bush and forest. A severe bushfire could damage infrastructure (roads, bridges, even towns). Flooding is also noted (Clyde River flood resilience project was launched). Council is partnering on that, which is proactive. The risk is if these events exceed Council's capacity; the State and Federal supports would be needed. From a planning perspective, ensuring adequate emergency reserves or insurance for assets is key (the report doesn't mention insurance, but councils typically have it).
- **Governance Risk:** Prolonged absence of a permanent General Manager could slow strategic work (like preparing the new strategic plan, driving continuous improvement, etc.). Also, small councils sometimes face risk of *elected member conflicts* (especially in planning decisions in small communities). The Mayor's emphasis on being unbiased in planning suggests Council is mindful of this. Continued training and possibly refreshing the Councillor Code of Conduct will mitigate this risk.

In conclusion of the technical review, **the Central Highlands Council's reporting indicates a Council meeting its obligations, maintaining services, and investing in infrastructure, but approaching a crossroads where strategic renewal and careful financial management are needed to secure the future.** There are no immediate red flags of mismanagement; rather, the findings point to areas where Council should **improve transparency (new strategic plan, LTFP details)** and **address emerging issues (waste costs, revenue reform)**. Section C will translate these findings into specific questions and recommendations for Council to consider.

C. Draft Submission to Council (for AGM or Public Consultation)

To: The Mayor and Councillors, Central Highlands Council

Re: Community Submission on 2024–25 Annual Report & Annual Plan

Introduction & Key Findings:

Thank you for the opportunity to provide feedback on Council's Annual Report 2024/25 and Annual Plan 2024/25. After a detailed review of these documents, I wish to commend the Council on a thorough report and for achieving a much-improved financial result this year. The documents demonstrate Council's commitment to transparency and community service. I have identified

several key findings and concerns that I believe are important for Council's strategic direction and financial sustainability:

- **Financial Turnaround:** Council's return to an operating surplus in 2024/25 is applauded, but the prior underlying deficits and use of reserves are noted. Ensuring ongoing operational balance (excluding one-off grants) is critical for sustainability.
- **Rates and Revenue Base:** The 5.1% rate rise was clearly necessary to improve revenue. However, the inequitable rating situation with Hydro Tasmania (no rates paid to Council) remains a major concern. Residents support Council's efforts to secure fair contributions from large commercial operations to ease the burden on local ratepayers.
- **Asset Renewal Management:** Council completed a significant capital works program (~$4.3m) and has generally kept asset renewal on track, which is appreciated. Yet, in 2023/24 the asset renewal rate fell well below depreciation (76%), potentially indicating deferred works. It's important to clarify if any asset classes (roads, bridges, buildings) are falling behind renewal schedules.
- **Strategic Plan Update:** The current Strategic Plan (2015–24) has expired, and the Annual Plan suggests many "continue existing" initiatives. The community needs to know when a new Strategic Plan will be developed to set fresh goals for the next 10 years. This is essential for addressing new challenges (e.g. tourism growth, climate resilience) and opportunities in the Highlands.
- **Governance and Transparency:** We note that all Section 72 statutory requirements are met in the Annual Report (thank you for the detailed disclosures). To further strengthen trust, Council could share more about its Long Term Financial Plan projections and Asset Management Plan priorities with the public (perhaps in summary form). This would help residents see the roadmap for tackling issues like infrastructure backlog or service improvements.
- **Community Equity:** The distribution of project spending across different towns raises questions of balance. For instance, Miena and surrounding areas saw relatively minimal capital investment this year compared to other areas. While this can be acceptable in any single year, over the long term each community should benefit fairly. Council is urged to communicate its approach to rotating capital works or addressing each locality's needs in turn.

In light of these findings, I respectfully submit the following **questions and requests for action** to Council and management:

Questions & Requests:

1. **Underlying Surplus Strategy:** *What actions will Council take to ensure it maintains an underlying operating surplus (excluding capital grants) in coming years?*,(It's noted that underlying deficits occurred in 2022–23 and 2023–24. To remain sustainable, Council needs a plan to align recurring expenses within recurring revenue.) **Requested Action:** Please develop and publish a **Financial Sustainability Plan** outlining how Council will achieve at least break-even underlying results each year, whether through cost control, further revenue measures, or service prioritisation.

2. **Hydro / Renewable Energy Rate Contribution:** *Can Council update the community on progress in securing rates from Hydro Tasmania and other renewable energy operators in the Highlands?*,(Residents are aware that currently these operations pay nothing to Council, which seems unfair.) **Requested Action:** Intensify advocacy with State Government and continue exploring legal mechanisms so that by next budget, Council can report additional revenue or agreements in place. Keep the public informed of any negotiations or needed community support for this initiative.

3. **Long Term Financial Plan (LTFP) Transparency:** *Will Council consider releasing a summary of its Long Term Financial Plan, including projected future rate increases, use of reserves, and funding of asset renewals?*,(Understanding the 10-year outlook helps ratepayers prepare and provides confidence that Council is planning for the future.) **Requested Action:** Publish an **LTFP Summary** in the next Annual Plan or Annual Report, showing key assumptions (growth, inflation, grant expectations) and whether the plan shows ongoing surpluses or deficits. Highlight how the LTFP addresses major upcoming costs (e.g. plant replacements, facility upgrades).

4. **Capital Investment Plan by Community:** *How does Council ensure equitable distribution of capital works across all communities in the municipality over, say, a 4-year period?*,(This year, for example, Ouse received <$35k in capital works while another area saw over $1.4m. While needs differ, every community should benefit over time.) **Requested Action:** In future planning documents, include a **multi-year capital works schedule** that indicates which towns/areas will see major projects. Even a high-level plan (subject to funding) would assure communities that their turn is coming for investment.

5. **Asset Renewal and Backlog:** *What is the current status of Council's asset renewal backlog, if any? Are there classes of assets (bridges, roads, buildings) that are below the desired condition or past due for renewal?*,(The 100% asset renewal funding ratio reported suggests full funding in plan, but the dip in actual renewals last year is noted.) **Requested Action:** Provide an **Asset Management Plan update** to the community: e.g. "X% of our roads are in good/fair/poor condition, and we plan to address the poor ones by 20XX." Especially address bridges and facilities, are any critical renewals unfunded?

6. **New Strategic Plan Timeline:** *When will Council initiate the development of a Strategic Plan 2024–2034, and how will the community be involved?*,(We are now operating without an updated strategic blueprint, which is a compliance and governance issue.) **Requested Action:** Commit to a **Strategic Planning process in 2025**, with community consultation forums in each major town, to identify new priorities (such as youth retention, tourism strategy, climate adaptation, digital connectivity, whatever people raise). Aim to have the new Strategic Plan adopted by late 2025, and explain interim how decisions are being guided without an updated plan.

7. **General Manager Position:** *What is the status of appointing a permanent General Manager for Council?*,(The Annual Report shows an Acting GM was in place through June 2025. Consistent leadership is important for executing plans and maintaining staff morale.) **Requested Action:** If not already resolved, prioritise the **recruitment of a permanent General Manager**. Communicate expected timelines to the public. In the meantime, ensure the Acting GM has the necessary support and delegation to implement Council decisions effectively.

8. **Councillor Training Reporting Compliance:** Has the Council complied with the ministerial, legislative, or policy directive requiring that councillor training be reported in its Annual Report? *Regulation 37(d) of the Local Government (General) Regulations 2025, for example, mandates including "a statement of the core learning and development activities… that each councillor has completed" in the financial year*. Specifically, could the Council provide a breakdown identifying which Councillors completed each mandatory training unit and online learning module in 2024–25? The Annual Report 2024–25 (page 40) only notes generally that "Councillors have undertaken the online learning modules…", without detailing individual Councillors or specific modules completed. If this detailed breakdown is not included, it represents a transparency or compliance gap in the Annual Report that should be addressed

9. **Community Health & Ouse Medical Services:** *What progress has been made in advocating for or facilitating the return of regular health services in Ouse?*,(Council's plan listed this advocacy, and the community remains very concerned about access to healthcare in the Central Highlands.) **Requested Action:** Continue to **work with State Health authorities and local GPs** to reopen or increase health services at Ouse (or alternatives like telehealth if on-site is not possible). Provide an update on any discussions or plans (even if the news is that it's still a challenge). This is a high priority for community wellbeing.

10. **Waste Management Costs and Strategy:** *Waste services costs jumped significantly, what is driving this increase, and how will Council manage waste costs going forward?*,(Free access to waste sites is a great service to residents, but it may have encouraged higher usage or illegal dumping cleanup, etc., raising costs.) **Requested Action:** Review the **Waste Management Strategy** after the first year of universal waste charging and free access. Share findings: Has waste volume increased? Are costs likely to keep rising? Consider whether any adjustments (like recycling initiatives or regional cooperation) could save money while still providing good service.

11. **Tourism and Economic Development Initiatives:** *Beyond maintaining memberships in regional bodies, what proactive steps is Council taking to encourage economic development and tourism in the Central Highlands?*,(The Mayor mentioned interest in tourism opportunities. With our natural assets and heritage, there is potential for growth that can broaden the rate base and create jobs.) **Requested Action:** Formulate a brief **Economic Development Plan or Tourism Plan** that identifies a few key projects (e.g. upgrades to visitor facilities, heritage trail in Bothwell, support for on-farm tourism ventures) and seek funding for them. Even a small investment here could pay off in attracting more visitors and residents. Please outline any such plans in the next Annual Plan.

Finally, I have compiled a table summarising specific issues, evidence from the report, associated risks, and my suggested questions and actions for each:

Issue/Area of Concern	Evidence from Report	Risk if Not Addressed	Question for Council	Recommended Action
Recurring Operating Deficits (previous years)	Underlying deficits in 2022–23 ($566k) and 2023–24 ($822k). Mayor claims budgets "well managed" but did not mention deficits.	Erosion of cash reserves; reduced capacity to fund services; potential for larger financial crisis if unchecked.	What is Council's plan to maintain underlying surpluses going forward and avoid slipping back into deficit?	Develop a Financial Sustainability Plan with targets for minimum surplus, cost containment measures, and regular monitoring of underlying result.
Heavy Reliance on External Funds & Hydro Issue	2023–24: $2.28m in capital grants; 2024–25: Hydro Tasmania pays no rates (noted in Mayor's Report).	If grants drop, projects stall or rates must rise sharply. Unrated hydro operations mean community subsidises infrastructure that supports those operations.	Can Council report progress on getting a fair contribution from Hydro/renewable energy assets, and plans to diversify revenue?	Intensify advocacy for legislative change or agreements for Hydro to pay Council. Investigate new revenue streams (e.g. visitor fees, service charges) in next LTFP.
Strategic Plan Outdated	Annual Plan goals still tied to Strategic Plan 2015–24. No mention of new strategic plan development.	Lack of clear direction; risk of ad-hoc decisions; missing out on opportunities or failing to address emerging challenges (population, climate, etc.).	When and how will Council engage the community to create a new 10-year Strategic Plan?	Initiate Strategic Plan 2024–34 process ASAP. Set timeline for community consultation in 2025, draft plan, and adoption. Communicate this plan at the AGM or in newsletter so residents know it's coming.
Asset Renewal Variability	Asset sustainability ratio was only 76% in 2023/24 (after 209% in 22/23). Capital works delivered	Some assets might deteriorate if renewal is delayed (e.g. road surfaces could fail, costing more in long run). Inconsistent	Has Council identified any asset renewal backlog or deferred maintenance that needs addressing? How will it ensure	Utilise Asset Management Plans to smooth renewal projects (avoid big gaps). Perhaps create an Asset Renewal Reserve for

Issue/Area of Concern	Evidence from Report	Risk if Not Addressed	Question for Council	Recommended Action
	85% of budget in 24/25.	spending can indicate reactive (not planned) maintenance.	consistent renewal spending year to year?	years when grants are low, to fund critical renewals. Publish AMP health report (e.g. % roads in poor condition).
Community Capital Spending Equity	In 2024–25, >40% of capital $ in one project (Thousand Acre Lane) benefiting one area; Ouse projects <1%. Historically, investments rotate but not clearly communicated.	Perception of neglect in some communities can erode trust. If some towns' infrastructure is continually deferred, their services/amenity decline relative to others.	How does Council prioritise capital works among towns, and will areas like Ouse/Gretna see larger projects in the near future?	Create a 4-year Capital Works Program highlighting major projects per town. Even if funding-dependent, show intent (e.g. "Ouse streetscape in 2026" or similar). Ensure visible smaller improvements in off-years (e.g. each town gets something annually, even if minor).
General Manager & Staff Stability	Acting GM in place Aug 2024–Jun 2025. No detail on permanent appointment timeline. Councillor workshops held to improve governance.	Prolonged interim leadership can slow strategic initiatives and affect staff confidence. Potential loss of corporate knowledge.	What is the status of recruiting a permanent General Manager, and how is Council managing continuity in the meantime?	Expedite the GM recruitment (if not already done). Consider interim measures like consulting support for strategic tasks if needed. Keep staff and community informed to maintain confidence.
Waste Management Cost Escalation	Waste & env. expenses up 66% (from $902k to $1.503m) after introducing free disposal & new charges.	If costs continue rising, could force higher rates or cuts elsewhere. Also risk of illegal dumping if policies change abruptly. Need to ensure	What drove the big increase in waste costs, and what is Council's plan to contain these costs while maintaining service?	Review the waste policy outcomes: e.g. did free access significantly increase volumes? Educate public on waste reduction. Explore

Issue/Area of Concern	Evidence from Report	Risk if Not Addressed	Question for Council	Recommended Action
		waste service is financially sustainable.		partnerships (regional waste programs) to save costs. Possibly adjust the waste fee model if needed (ensure fee revenue covers costs fairly).
Code of Conduct Complaint Costs	$14.4k spent in 24/25 for prior complaints; no new complaints received. Emphasis on councillor training in report.	While no new complaints is good, the cost indicates at least one serious issue in previous year. Repeating such incidents would divert funds from services and damage Council's reputation.	What steps is Council taking to prevent code of conduct issues and associated costs in future?	Continue Councillor professional development (as done) and perhaps refresh the Councillor Code of Conduct with real-case learnings. Publicly affirm commitment to respectful, lawful conduct. Possibly budget a small contingency for governance legal costs, but aim to minimise need by early issue resolution.
Economic Development Initiatives	Minimal detail in Annual Plan ("encourage business expansion", memberships). Mayor mentions tourism interest but no concrete projects yet.	Risk of economic opportunities slipping by. Young people may leave if no growth/jobs. Council area might not attract new investment without a plan. Also, over-reliance on rates from existing base if no growth.	How is Council planning to stimulate economic development and tourism in the Highlands, beyond maintaining current efforts?	Form an Economic Development Advisory group or task force including local business and community reps. Identify 2–3 achievable projects (e.g. heritage tourism trail, local produce market support, small business incubator) and seek grants or partnerships. Set measurable targets

Issue/Area of Concern	Evidence from Report	Risk if Not Addressed	Question for Council	Recommended Action
				(e.g. increase visitor numbers by X% in 2 years). Report progress in next Annual Report.

In closing, I would like to reiterate that Central Highlands Council has many strengths reflected in this Annual Report: dedicated support for community groups, significant infrastructure improvements, and solid compliance and transparency practices. Addressing the questions and recommendations above will help build on these strengths by securing our financial future, ensuring fairness across our communities, and setting a clear strategic direction for the coming decade.

I appreciate Council's consideration of this submission. I look forward to Council's response at the Annual General Meeting, especially on the timeline for a new Strategic Plan and the steps being taken to keep our Council financially and operationally strong.

Thank you for the opportunity to engage in this review process. I am confident that with continued prudent management and community collaboration, Central Highlands Council will remain financially sustainable and strategically well-prepared for the challenges and opportunities ahead.

Kate Walker

Moloney Asset Management Systems

MAMS

Report Following the Survey of
Road Assets
for Central Highlands Council

Undertaken in Aug-2025

Report produced by Moloney Asset Management Systems
exclusively for Central Highlands Council

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1.0 Report Summary - Major Findings

This report provides a summary of the major findings coming out of the condition survey of Central Highlands Council's road assets undertaken by Moloney Asset Management Systems (MAMS) in Aug-2025

1.1 Major Findings

1. *The road assets within Central Highlands Council were generally found to be in "very good to excellent" overall condition when benchmarked against all 73 councils assessed by Moloney Asset Management Systems (MAMS). See Figure 2.1 for full details.*
2. *Your performance since our last survey in 2020 has delivered a general improvement for the road network.*
3. *Your sealed road and unsealed road pavements were both found to be in excellent overall condition and had improved across most key performance indicators since our last survey in 2020.*
4. *Your sealed surfaces were found to be in very good to excellent overall condition and had mostly improved in condition since 2020.*
5. *Your kerb and footpath assets were found to be in fair to poor overall condition, but had mostly improved in condition since 2020.*
6. *The total present renewal shortfall or backlog of over intervention assets (OIA's) for the whole roads group is estimated at $743,000 representing 1.17% of the total road asset valuation. This equates to 40% of the level of one year's full annual liability for the renewal of the assets and as such is considered to be within the "exceptionally good" condition range based on a consideration of the total level of OIA's only. (But some of your intervention levels are set at a higher standard than that of the general industry)*
7. *You are managing the assets very well and keeping the extent of very poor condition assets well under control.*
8. *When you're overall condition in 6 above is based on our industry standard intervention levels (Level of service) your "exceptionally good" condition is maintained and your total present level of OIA's reduces from 40% of the level of one years total annual liability down to 28%.*
9. *In providing a single overall condition rating for your whole road network we look at 4 individual condition factors for each of the 5 sub asset classes that were inspected. Your single overall ranking here was found to be in "very good to excellent" overall condition. (Ref to Figure 2.1 for more details).*
10. *We developed a recommended funding strategy using the Moloney funding scenario finder that delivered a commencing total annual renewal demand of $1,043,000 pa for the next 10 years.*
11. *Your current planned renewal funding level of $1,063,000 pa for the whole road network is considered to be at an appropriate total level. Our financial modelling suggests that your ongoing renewal demand for the next decade is $1,043,000 pa. Thus the figures are virtually the same.*
12. *You do have an additional capital expenditure capacity of around $490,000 pa which you are currently using to upgrade the rural sealed road assets and your footpath network. So financially speaking you are in a relatively strong overall position.*
13. *The recommended funding level should be considered as an average figure over the next 5 - 10 years. It may vary year to year depending on project size and council priorities. It may also vary between the sub asset classes year to year.*
14. *Council has done a good job with the management of their road assets since our last survey in 2020 and more particularly over the last 11 years since our first inspection.*
15. *We have undertaken 3 condition surveys of your road network over the last 11 years and the long term trend for most asset classes is a slow but steady overall condition improvement.*

16. *The recommended funding strategy is just one available option. With all data now within the Moloney model, different funding scenarios can be examined quite easily. Council is encouraged to use the model to deliver a funding strategy that best meets their needs.*

17. *All financial reporting within this document is based in today's values with no allowance for any CPI movement. The Moloney software has the capacity to adjust all outputs for an adopted annual CPI increase at the touch of a button. But it is felt that reporting with CPI included can present some difficult to interpret results.*

1.1.2 Other Important findings

1. *Unique degradation curves have been produced based on actual condition change over three condition surveys undertaken between 2014 and 2025. This has greatly enhanced the financial modelling results within this report.*

2. *Key performance indicators have been developed at a sub asset level that accurately benchmark asset condition change since the last survey*

3. *The same key performance indicators have been used to benchmark Central Highlands Council externally against all 72 councils assessed by MAMS.*

4. *The report also tracks the movement in your key performance indicators over the last 11 years.*

2.0 Report Summary - Condition Findings

2.1 Overall condition at Sub Asset level

This section provides a summary of the condition findings at road sub asset level for each of the sub assets that were inspected along with a description of how they have changed since the time of the last condition survey in 2020.

2.1.2 Overall Condition Findings for road sub assets

Sub Asset Description	**Indicator 1** - Overall Condition (Weighted Average Asset Condition)		**Indicator 2** - Ext of poor Cond Assets (Just below the Intervention Level)		**Indicator 3** - Ext of poor Cond Assets (At and above the Intervention Level)		**Indicator 4** - Ext of Isolated Failures		Single Overall Condition Descriptor (Considering all 4 Indicators)
	Your Condition Descriptor	Change since last survey	Your Extent	Change since last survey	Your Extent	Change since last survey	Your Extent	Change since last survey	
Sealed Rd Pavements	excellent	moderate improvement	extremely low	strong improvement	very low	very strong improvement	extremely low	strong improvement	**excellent**
Sealed Surfaces	excellent	small decline	very low	very strong improvement	better than average	very strong improvement	N/A	N/A	**very good to excellent**
Unsealed Rd Pavements	very good	strong improvement	extremely low	very strong improvement	extremely low	considerable decline	extremely low	very strong improvement	**excellent**
Kerbs	poor	very small decline	high	moderate improvement	extremely low	moderate improvement	extremely low	very strong improvement	**fair to poor**
Footpaths	poor	very strong improvement	very high	very strong improvement	low	very strong improvement	N/A	N/A	**fair to poor**
								Single Overall Condition Rating for whole Road network	very good to excellent

Figure 2.1 Summary of sub asset condition findings

It is very difficult to provide one single condition indicator that adequately covers the condition of these complex assets. We have developed a series of 4 separate indicators that we feel cover the main condition trends for the assets.

Figure 2.1 provides a summary of the overall condition findings for each of the sub asset classes that were inspected. There are four overall indicators that are reported upon. Each has a descriptor in the first grey column that ranks you against all 72 councils assessed by MAMS. The second green column for each indicator provides a description of how your condition has changed since our last survey.

1. **Overall Condition - Weighted Average Asset Condition** - Derived by benchmarking your weighted average asset condition against that of all 72 councils inspected by MAMS. The weighted average condition is a single overall average condition for all segments that is weighted for the extent of the asset within each.
2. **Extent of poor condition Assets Just below the Intervention level** - This is the extent of the asset base that is close to the intervention level and may require retreatment in the near future. If your intervention level was condition 8 then this would normally include the two condition ratings immediately below that of Conditions 6 + 7. This is a particularly important indicator where you are dealing with the at and above intervention assets but have a high percentage just below intervention.
3. **Extent of Poor condition Assets at and above the intervention level** - This is the extent of the asset base that is currently at and above the selected intervention level. It is a critical indicator of the overall health of the sub asset set as it measures how you are performing against your desired worst condition to remain in service.
4. **Extent of Isolated Failures** - For all sub assets other than sealed surfaces and in some cases footpaths, we record the extent of any isolated asset failures. These can occur within otherwise good condition asset and your base ranking is delivered by comparing your results to those of the full 72 councils we have assessed. The rating is generally measured as the percentage of failure within the total segment. We do normally rank the isolated failures into two separate categories. Urgent failures that require remedial attention right now and non urgent that are failures but their repair is not as urgent as the former ones.

5. **Single overall Condition descriptor** - While the 4 individual indicators provide a great deal of condition information, this figure delivers a single condition indicator that takes into account the 4 independent indicators and delivers a single condition rating for each sub asset class.

The assets tend to vary a bit across the sub asset classes and the four individual condition indicators. But the single overall condition for the whole road network as detailed at the bottom right of Figure 2.1 indicates a set of road assets in very good to excellent overall condition.

Your sealed road and unsealed road pavements were both found to be in excellent overall condition. Your sealed Surfaces in very good to excellent condition. But your footpaths and kerbs were found to be in only fair to poor overall condition.

2.2 Standardised Full Road Network Condition Findings - Level of OIA's

This section will look at the condition and performance of the whole road network. It can be difficult to report on the performance of the whole network when dealing with sub assets that have quite different life cycles, unit renewal rates and intervention levels between different councils. We have developed a single reporting indicator that is independent of asset life, the adopted intervention level and unit renewal rates.

The total level of the Over Intervention Assets (OIA's) within a road network provides a very strong indicator of overall condition performance. The best measure of the level of OIA's is considered to be the extent of the OIA's expressed as the number of years value of the average annual liability (similar to annual depreciation in accounting terms). See Appendix D for a detailed explanation. But in brief the backlog of OIA's expressed in this way provides a really solid condition benchmark that is independent of asset service life, asset quantity and unit renewal rates.

There is one other variable that needs to be standardised and that is the intervention level. If Council "A" has a high level of service (low intervention level) and Council "B" has a low level of service (High intervention level). Then for the same absolute extent of poor condition assets (OIA's) for Council B will be reported at a lower level Council A. To avoid these problems we have adopted a standardised set of typical industry standard intervention levels that we apply to all councils when reporting within Figure 2.2 below.

Central Highlands Council has lower than industry standard intervention levels for some asset classes. (Higher level of service). Accordingly your extent of OIA's when gauged against the standardised intervention levels are a little better than when gauges against your own adopted intervention levels. Refer to section D2 within appendix D to see the results with your adopted intervention levels.

Standardised Levels of Over Intervention Assets

Present extent of OIA's expressed in three ways			Your overall road asset condition based in the extent of OIA's	
Current % of OIA's expresses in years worth of average annual liability	Your present value of OIA's in $	Your OIA's as a % of your total asset base valuation	Moloney standardised condition description	Additional comments on sandardised condition descriptor
28%	$482,000	0.76%	exceptionally good	Extremely low levels of over intervention assets

Figure 2.2 Standardised levels of over Intervention Assets

Figure 2.2 summarises the present level of OIA's for the full road network in terms of the number of year's worth of annual liability that it represents. The figure of 28% of one full year's annual liability equates to a Moloney standardised condition description of "exceptionally good". This being the same overall rating that came from the use of your own intervention levels but the percentage of OIA's is considerably lower.

3.0 Report Summary - Financial Findings

The Moloney financial modelling software was used to deliver the following three reports for each of the sub asset sets and to then combine the results into a whole of roads group single report.

1. Prediction of renewal demand to treat all over intervention assets - Column E within Figure 3.1 (and series 5 graphs in sub asset sections). Note that the figure in column E has been averaged over the first 5 years to better reflect how the model is structured.

2. Prediction of future asset condition based on the continuation of the planned renewal expenditure level (series 6 graphs in sub asset sections)

3. Delivery of a recommended funding profile - Column G (series 7 graphs in sub asset sections). Note that within Column G the recommended funding strategy can include in some cases a recommended annual compounding increase in funding (see column heading).

The individual modelling results for the above three reports can be found within each of the sub asset sections 4 - 8 below. Figure 3.1 provides an overall financial summary in a table rather than graphical form.

	A	B	C	D	E	F	G	H	I
Sub Asset Description	Average renewal expenditure since the time of last survey	Average Planned renewal expenditure for the next 5 Years	Average Annual Liability (Based upon modelling lives and valuations) (AL)	Annual Depreciation based on Accounting valuations and lives (AD)	Planned future annual upgrade expenditure	Year of Condition Inspection	Recommended Year 1 funding level with 0.0% annual compounding increase	Planned renewal expenditure (Column B) as a % of the Annual Liability	Recommended Funding level (Column G) as a % of the Annual Liability Rate
Sealed Pavements	$155,000	$155,000	$340,605	$321,823	$295,000	2025	$155,000	46%	46%
Sealed Surfaces	$250,000	$492,000	$653,611	$493,297	$0	2025	$470,000	75%	72%
Unsealed Pavements	$375,000	$350,000	$770,276	$574,028	$0	2025	$350,000	45%	45%
Kerbs	$10,000	$16,000	$28,479	$28,420	$0	2025	$17,000	56%	60%
Footpaths	$50,000	$50,000	$58,380	$35,491	$195,000	2025	$51,000	86%	87%
Totals	$840,000	$1,063,000	$1,851,352	$1,453,059	$490,000		$1,043,000	57%	56%
C - B Estimated Annual Consumption Rate		$788,352							

Figure 3.1 Recommended and other funding profiles

Figure 3.1 contains a lot of information but it is a very important table that summarises the financial position relating to the road assets in a number of different ways.

A - This is the average renewal expenditure since the time of the last condition survey

B - The planned average renewal expenditure over the next 5 years. Note also that Column H provides your planned expenditure expressed as a percentage of the annual liability rate in Column C.

C - "Average annual liability" is the average annual renewal expenditure needed over the long term in order to maintain your asset base. The figure is similar to the accounting term "Annual Depreciation", but is calculated in a different way by directly linking it to the unit renewal rates and life cycles as used within the financial model. It can differ quite markedly from "Annual depreciation" because of the requirement for annual depreciation to comply with Australian and international accounting standards, which promote the delivery a tax deductible figure for "Annual depreciation", often with little regard to what your actual future annual liability is.

D - "Annual Depreciation" - This is similar to C above, but is designed to deliver a figure that a business can claim as a tax deduction rather than providing an estimate of your ongoing liability to maintain the capital value of your assets.

E - "Planned future annual upgrade expenditure". This is separate to the renewal expenditure which covers just the replacement of existing assets to their existing standard. It covers any upgrade expenditure such as new or upgraded assets above and beyond the scope of renewals - replacement.

F - This is a record of the year that the condition data was collected. It may vary between the asset sets if not all inspected at the same time.

G - The year one recommended commencing funding level. This comes from the Moloney funding scenario finder and mostly aims at a total commencing expenditure that is the same or close to your current expenditure in column B. Note that within the title row there may be an annual compounding

future percentage increase that is used to bring down the year one expenditure to more closely match your current total expenditure.

If the current renewal funding level is very low there may be a recommendation to lift the year one spend to a level above the planned total spend in column B. This would be done to avoid excessively high annual compounding percentage increases.

H + I - Two useful comparisons figures relating to the percentage of the annual liability rate being met by the planned renewal expenditure in Column B and the recommended in column G.

3.1 Recommended future funding strategy

For Central Highlands the Moloney funding scenario finder was used and it was found that the planned renewal expenditure of $1,063,000 pa was close to an appropriate total level. The scenario finder delivered a total recommended commencing renewal expenditure of $1,043,000 pa without the need for any compounding annual increase.

You do have additional capital expenditure capacity by way of $490,000 pa that you are currently allocating to the expansion of the rural sealed road network and the extension of your footpath network. Both of these asset classes tend to be below the general industry extent and we certainly endorse your move to expand them both.

Figure 3.2 contains the three input criteria for each of the five possible road sub assets that are the subject of this report. The Moloney "Funding Scenario Finder" was used to deliver the recommended funding strategy as contained within Column G of Figure 3.1 above. A detailed explanation of the "Funding Scenario Finder can be found within Appendix D below.

		Criteria 1. Extent of OIA's		Criteria 2.	Criteria 3		
Road Sub Asset Set Description	Value of the Desired level of over int. assets	Desired extent of Over intervention assets (OIA's) as a % of one Years Annual Liability	Desired Extent of OIA's as a % of total Sub Asset base valuation	Years to achieve Desired Condition outcome	Annual % of Compounding funding increase (if required)	Amount in $ of the Annual % Increase	Moloney Standardised Descriptor for the Desired Condition Outcome
Sealed Rd Pavements	$170,303	50%	0.90%	10	0.00%	$0	exceptionally good
Sealed Surfaces	$326,805	50%	4.29%	10	0.00%	$0	exceptionally good
Unsealed Rd Pavements	$385,138	50%	2.88%	10	0.00%	$0	exceptionally good
Kerbs	$14,240	50%	0.74%	10	0.00%	$0	exceptionally good
Footpaths	$29,190	50%	2.28%	10	0.00%	$0	exceptionally good
All Assets	$925,676	50%	2.17%	10	0.00%	$0	exceptionally good

Figure 3.2 Funding scenario finder modelling criteria for road sub assets

Figure 3.2 contains the details of the three input criteria for the Moloney funding scenario finder which was used to deliver the recommended funding strategy as reported within column G of Figure 3.1 above.

The extent of over intervention assets (OIA's) was set at 50% of the level of one year's annual liability after 10 years for all assets. Your current level being 40%, so we are accepting a very small increase in the total level of OIA's.

The recommended funding strategy is to set the total renewal expenditure level at a flat $1,043,000 pa for the next 10 years subject to CPI increases as appropriate.

Scenario Finder Results

Desired extent of OIA's expressed in 3 ways			Commencing year one renewal expenditure requirement (from scenario finder)	Moloney Descriptor for the - Desired Condition outcome of the road network	
As a % of one years average annual liability	As its replacement value in $	As a % of the total asset base valuation		Standardised Moloney condition description	Additional Comments on condition descriptor
50.0%	$925,676	2.17%	$1,043,000	exceptionally good	extremely low levels of over intervention assets

Figure 3.3 Projected condition outcome from recommended funding strategy

Figure 3.3 provides a summary of the Moloney funding scenario finder results for the whole roads group. The individual sub asset inputs are as detailed within Figure 3.2 while Figure 3.3 shows the overall results for the whole roads group.

The overall desired condition outcome for the whole roads group as set within the scenario finder is to deliver 50% of the level of one years total annual liability as the extent of over intervention assets (OIA's) after 10 years (See Appendix D Figure D 1 for details of the Moloney standardised descriptors as well as further details relating to the scenario finder operation).

3.1.1 Summary of recommended future funding strategy

The Moloney financial modelling "Funding Scenario finder" was used to deliver the following results:

- *All assets will be delivered within "exceptionally good"' Overall condition after 10 years*
- *The recommended commencing annual renewal expenditure requirement is $1,043,000 pa*
- *No annual compounding increase was required*
- *All figures are in today's values but can be adjusted for CPI within the model if required.*

3.2 Planned Renewal Spend as a Percentage of Annual Liability

A strong financial performance indicator is the ratio of your present total renewal expenditure expressed as a percentage of the average annual liability. Annual liability is similar to annual depreciation but is free of the constraints of the accounting standards. It is aimed at delivering a figure that represents the average annualized cost of asset renewal over the long term.

Our experience is that not many councils need to spend at the full level of annual liability yet in order to meet their renewal demand. But Annual Liability does represents the average annual renewal demand over the long term and as the assets age your renewal demand will grow and eventually be greater than the annual liability.

Central Highlands Council Your Ranking 57%

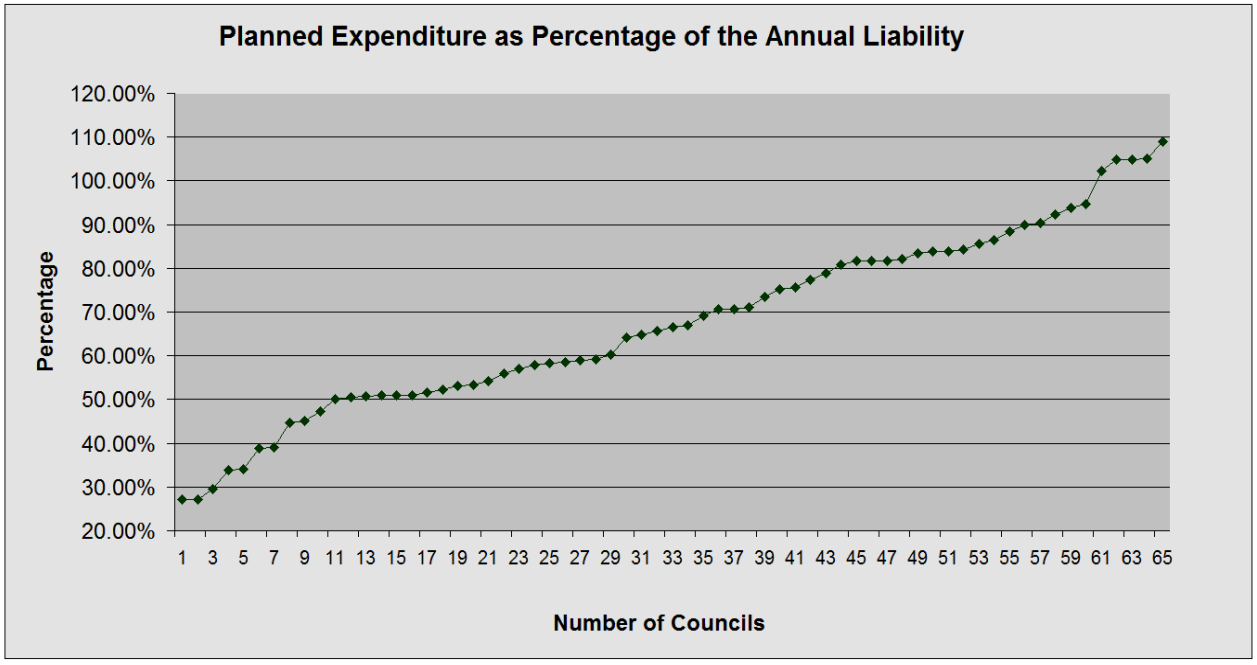


Figure 3.4 Planned Expenditure as a percentage of Annual Liability

Figure 3.4 indicates that your planned renewal expenditure is at 57% of the estimated annual liability or consumption rate associated with the road assets. This is a reasonable figure and places you within the best 60% of the councils we have such figures for.

3.3 Estimated percentage of the asset base Consumed

The estimated percentage of the asset base that has been consumed comes from the ratio of your total replacement value to your present accumulated depreciation.

Your figure of 21% consumed puts you within the best 5% of the councils we have such figures for.

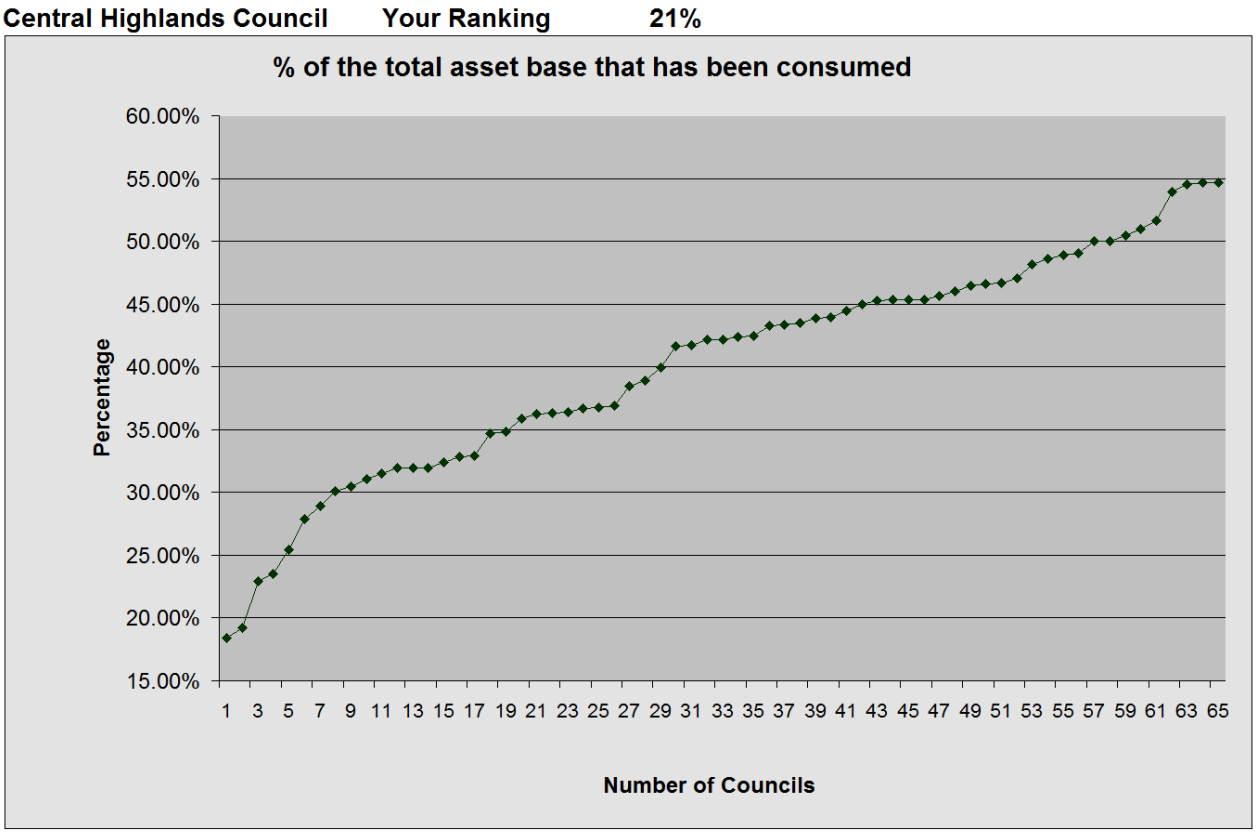


Figure 3.5 Estimate of the percentage of your assets consumed

Figure 3.5 presents some very interesting comparisons with figures ranking from 18.4% up to 54.9%. The figure of 18.4% relates to an outer Melbourne metro council that has very strong development and has around 50% of its road network having been constructed within the last 10 - 15 years (hence low consumption).

At the other end of the scale are councils with road assets having a very high average age. Your figure at 21% consumed is within the best 5% of the 65 councils for whom we have figures.

The above two graphs are really designed to illustrate any problems with a council that is seriously under funding the renewals on their road network. To qualify as a problem council you would need to be within the worst 10% - 15% of one or both of the above figures.

There is no level of concern for Central Highlands with your current figures.

Section 4: Sealed Road Pavement Sub Assets

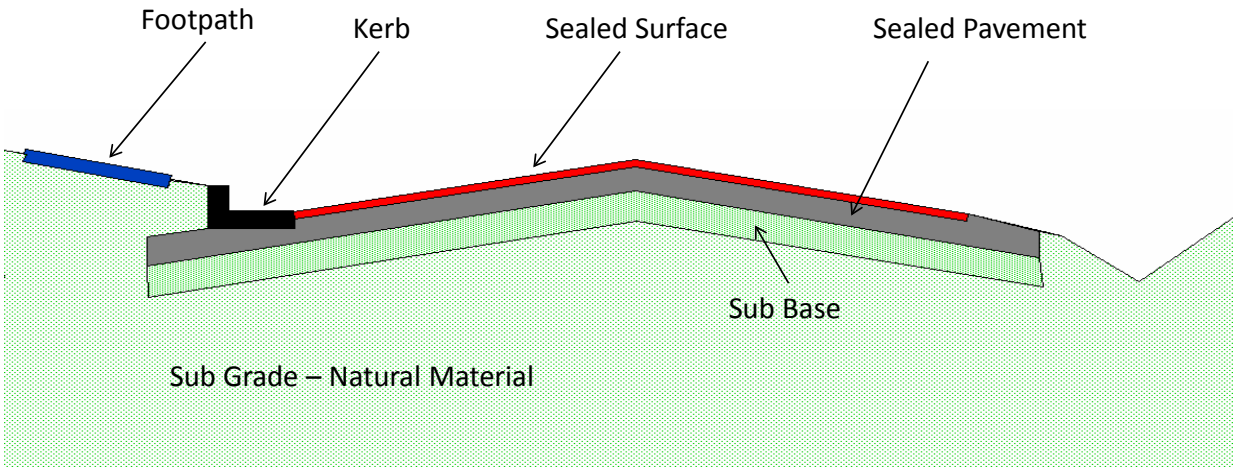
This section deals with the Sealed Road Pavement Sub asset set which is the first of the five possible road sub asset classes that we can inspect. It will look at both internal and external benchmarking of asset condition as well as providing financial forecasting of future renewal demand and projected asset condition.

Section 4.0 below provides an explanation of each of the five possible road sub asset classes.

4.0 The Five Road Sub Assets

4.0.1 The Road Sub Asset components

The infrastructure assets within council's road reservations consist broadly of the following five sub assets.



1 Sealed Surface - Red

2 Sealed Rd Pavement - Grey

3 Kerb - Black

4 Unsealed Pavement- Grey
Same as Sealed Pavement without the seal on top

5 Footpath - Blue

Sub Grade is the natural material that the road is built upon

Sub Base is a second pavement layer that may or may not be present

Figure E.1 Road cross section showing the five possible road sub asset sets to be examined

The total road asset is broken down into five like performing sub asset sets as detailed above. The main reason for separating the road assets is to group them into like performing assets with the same service life. For example the sealed surface on the top of a sealed road pavement may have a service life of 10 - 20 years while the underlying pavement may be in the 50 - 150 year range. Hence they cannot be examined or modelled as a single asset set.

4.0.2 The Sealed Surface Sub Asset Set - Red

The sealed surface is the thin sprayed bitumen seal or asphalt surfacing that seals off the underlying pavement from the intrusion of water. Its primary purpose is to waterproof the underlying pavement as well as maintain a more constant moisture content within the pavement layer. It also provides a smooth wearing surface. Typical service life 15 - 30 years

4.0.3 The Sealed Road Pavement Sub Asset Set - Grey

The sealed road pavement is made up of a granular material (crushed rock, gravel or the like) that is used to distribute the imposed vehicle wheel load to the underlying soil over a greater area than the wheel contact area, such that there is little or no deformation or movement in the underlying soil. Pavements do break down and move with time and typically their service life would be in the 50 - 150 year range.

4.0.4 The Kerb Sub Asset Set - Black

Kerbs in urban areas are normally constructed of concrete and are used to drain water away from the pavement. They tend to have a life similar to the sealed road pavement. They also assist in retaining the pavement edge in place.

4.0.5 The Unsealed Road Pavement Sub Asset Set - Grey

The unsealed road pavement performs the same role as the sealed pavement except that it does not have the additional protection of a sealed surface over it. Its service life is generally shorter than the sealed pavement and typically would have a life of 15 - 45 years.

4.0.6 The Footpath sub asset set

Footpath assets are not really related to the road itself and can be seen as pavements for foot traffic. Their life may vary greatly and can be quite extensive if localised failures are repaired as they occur. Typical service life for concrete Unsealed Pavements is 40 - 80 years.

As can be seen from the above very brief descriptions, the adopted road sub asset components all have different lives and performance requirements. This is why they are examined and modelled separately.

This survey has covered all 5 of the above sub asset classes.

4.0.7 The Sub Base

Some councils value a second component or layer of the pavement known as the "Sub Base" that sits under the base layer. It is imposable to condition rate a sub base via a visual inspection so we do not include it as an inspected road sub asset component. It relates more to the accounting treatment of the road for asset valuation purposes.

4.1 Condition and Performance of Sealed Road Pavements - Internal Benchmarking

MAMS have developed a series of eight key condition indicators that can be applied to all road sub asset sets. They are used to measure condition movement between the two most recent field surveys as well as providing external benchmarking against other council districts assessed by MAMS on the same basis.

The same key condition indicators are used for all road sub asset sets. However for some assets certain indicators are not applicable and as such are omitted. Detailed below is a brief explanation of the eight key condition indicators. The explanation here is also applicable to their use with other road sub asset sets beyond the sealed road pavements.

4.1.1 Weighted Average Asset Condition - "WAAC"

The weighted average asset condition is a single condition indicator that represents the condition of the whole asset set in one single figure. It is derived by multiplying the raw asset condition (0 - 10 scale) for each individual asset component by the asset quantity. These figures are then summed and divided by the total asset set quantity. This then delivers a single condition figure for the whole asset class that summarises its overall condition in a single figure. It is very useful for tracking overall condition movement with time as well as providing strong external benchmarking.

4.1.2 Percentage of Urgent Failures

The percentage of urgent failures is a measure of the isolated failures identified during the survey as needing immediate repair. The figure is expressed as a percentage of the total asset group quantity.

4.1.3 Percentage of Other Failures

The percentage of other failures represents those isolated failures which, while present on the ground, do not require urgent attention. The figure is expressed as a percentage of the total asset group quantity.

4.1.4 Average Roughness

Average roughness only relates to pavement assets. For sealed road pavements, it is a key capital condition indicator of longitudinal pavement shape, while for unsealed pavements it is a key maintenance indicator. It is based on a 0 – 10 scale with 0 being perfect and 10 un-driveable.

4.1.5 Average Profile

Average pavement profile is similar to the roughness rating and can be seen as the pavement cross sectional shape indicator. Profile is all about the efficient shedding of water from the road pavement. Profile 0 would have enough slope to shed water easily, while profile 10 would retain vast amounts of water within the road pavement.

4.1.6 Extent of Poor Condition Assets above a given Condition

The percentage of the asset base at and above a given condition rating is an excellent way of expressing the extent of poor condition assets present. This figure is expressed as a percentage of the total asset base and is reported at several different condition levels from condition 5 to 8 depending upon the asset set in question. For example sealed road pavements at and above condition 7 would represent the extent of the asset base that would be likely to require rehabilitation over the next 1 – 10 years.

Note that it is not the extent of the asset base within a given condition rating, but rather the extent at and above that condition rating.

4.1.7 Recent Internal Benchmarking

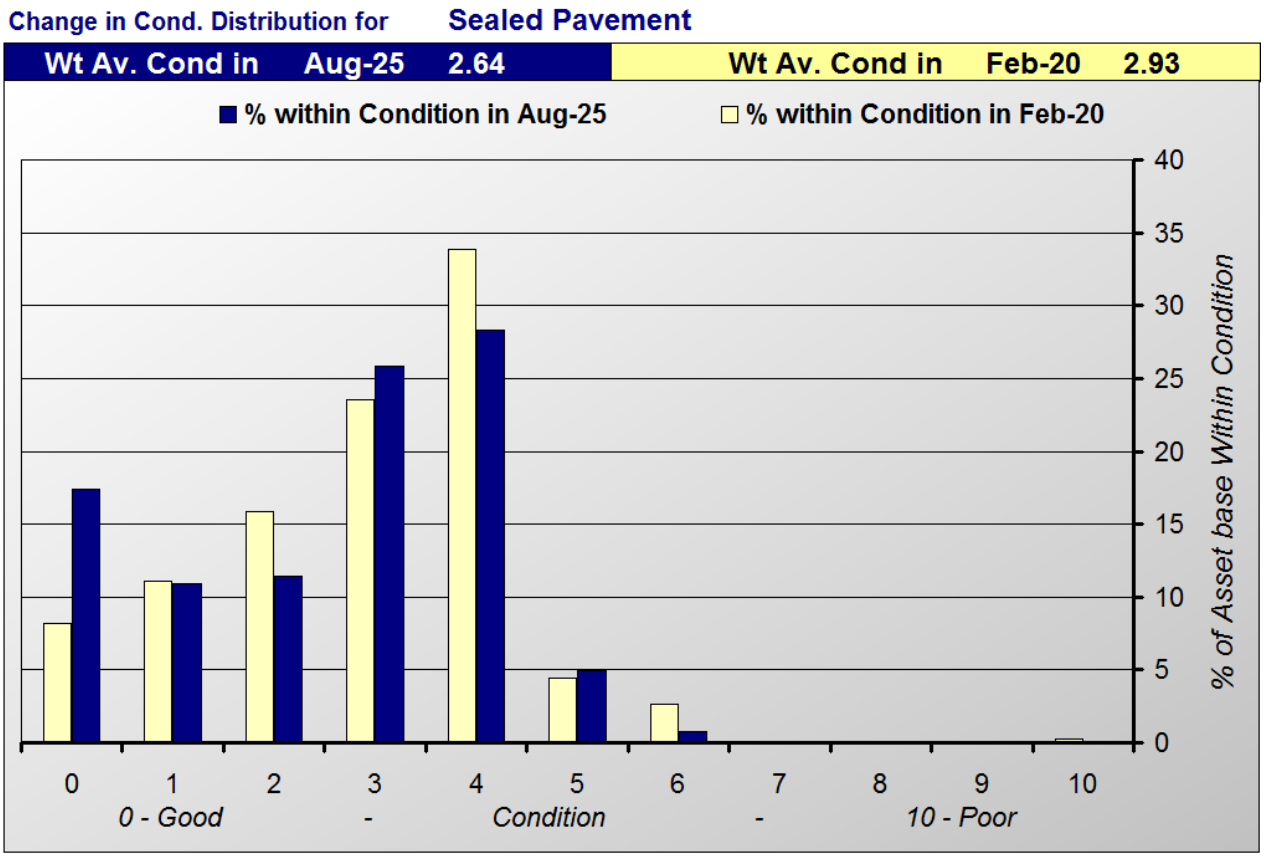


Figure P1 Condition Distribution Comparison Graph – Between Surveys

Figure P1 indicates a rise in the extent of new assets within condition zero combined with a corresponding drop in the extent of condition 6 and above assets.

Key Cond. Indic. No.	Sealed Pavement Condition Indicator	Figures from Last Survey in Jan-00	Figures from Current Survey in Aug-25	Change between Surveys New Minus Old	% Change Between Surveys	Better or Worse Since last Survey
1	Weighted Average Asset Condition	2.93	2.64	0.28	3.56%	Better
2	% of Urgent Failures	0.02	0.01	0.01	29.3%	Better
3	% of Other Failures	1.01	0.63	0.38	37.4%	Better
4	Average Pavement Roughness	2.87	2.74	0.13	4.5%	Better
5	Average Pavement Profile	2.14	2.06	0.09	4.1%	Better
6	% of Asset Base above Condition 6	3.00	1.30	1.70	56.6%	Better
7	% of Asset Base above Condition 7	0.88	0.39	0.49	55.4%	Better
8	% of Asset Base above Condition 8	0.32	0.29	0.03	9.5%	Better

Renewal Demand Being Met For:	% of Annual Liability expenditure Planned in Future years	% of Annual Liability expenditure Since the time of the last survey
Sealed Rd Pavement Asset Group	46%	46%

Figure P2 Table of Key Condition Indicator Change since the last Survey

The above 2 figures provide internal benchmarking that details how asset condition has changed since the last survey. Figure P1 provides the condition distribution for each survey along with the first of the key condition indicators, the weighted average asset condition.

Figure P2 contains the eight key condition indicators relevant to this asset class and also shows how they have changed since the previous survey. At the bottom of the table are two very important figures. These indicate the percentage of the annual liability rate that has been met since the time of the last survey, along with the percentage planned for future years.

Figures P1 and P2 demonstrate that asset condition has improved across all of the eight key performance indicators since the time of our last condition survey in 2020.

Note also that the level of renewal expenditure has been at less than half of the estimated rate of consumption. This suggests that your asset service lives will be very long as found in the degradation curve analysis.

4.1.8 Summary - Recent Internal Benchmarking

Central Highlands has experienced a very string overall condition improvement with their sealed road pavement assets since our last survey in 2020.

4.1.9 External condition Benchmarking

Figure P3 provides external benchmarking based on the same key performance indicators as used internally in figure P2. The total number of councils assessed by MAMS on exactly the same basis is 72 for this sub asset class. The graph then displays the number of councils ranked better and worse than Central Highlands Council for each of the eight performance indicators. The dark green bars represent the number of councils that Central Highlands Council is ranked better than, while the light green is the number that Central Highlands is ranked worse than. In simple terms the large the dark green bars the better

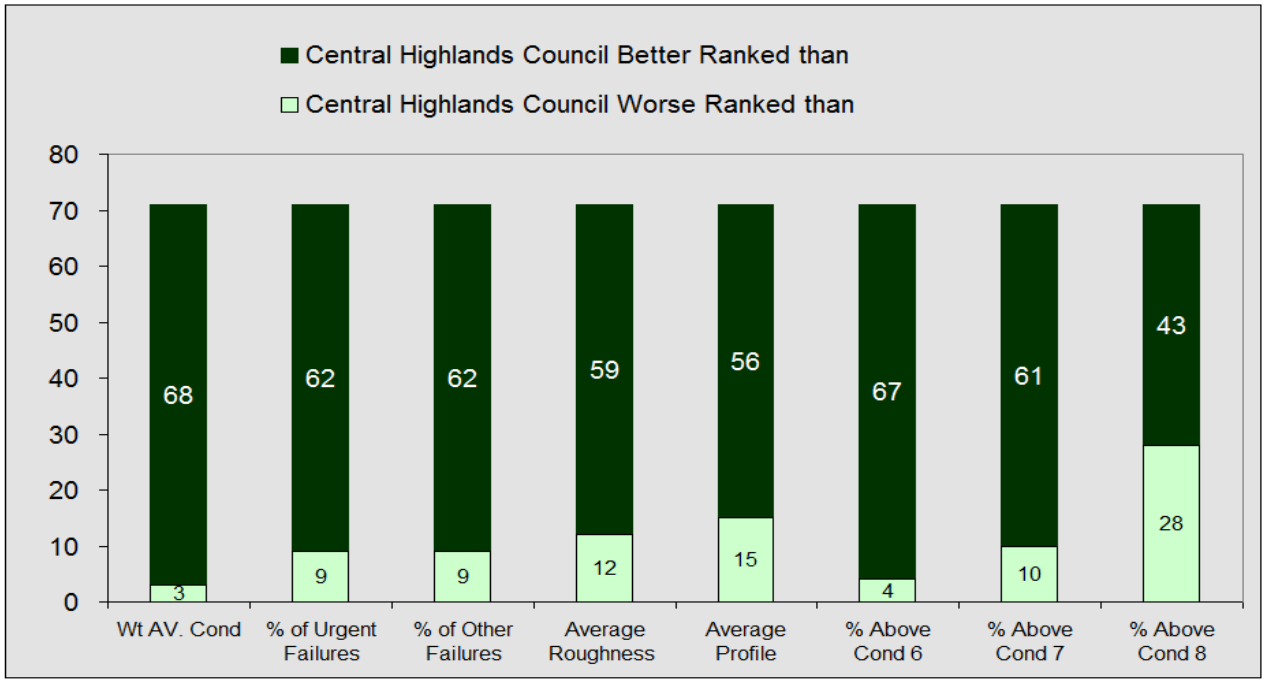


Figure P3 Key Condition Indicators as Compared with other Councils surveyed

The comparison with all 72 councils assessed in Figure P3 indicates a set of assets in excellent overall condition with extremely low levels of both poor condition assets and isolated pavement failures.

4.1.9.1 Summary of External condition Benchmarking

In summary the external benchmarking indicates that the sealed road pavement assets are in excellent overall condition.

4.1.10 Long term condition performance

MAMS has undertaken 3 condition surveys for Central Highlands over the last 11 years and is now in a position to provide a plot of certain key performance indicators over that same period

There are three areas that we track that apply to most sub asset classes

1. *The extent of poor condition assets at and above conditions 6 - 8.*
2. *The extent of isolated asset failures*
3. *The movement in the weighted average asset condition*

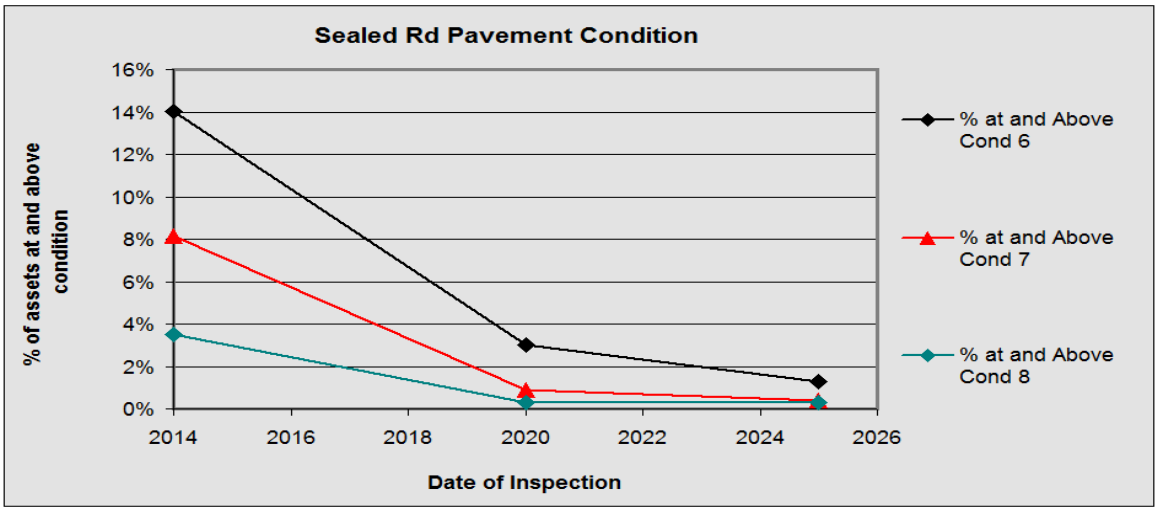


Figure P4 - Long term movement in the extent of poor condition assets

Figure P4 plots the long term movement in the extent of poor condition assets. It looks at the extent of the asset base at and above conditions 6 - 8 over the last 11 years. The trend here is a steady condition improvement over the last 11 years.

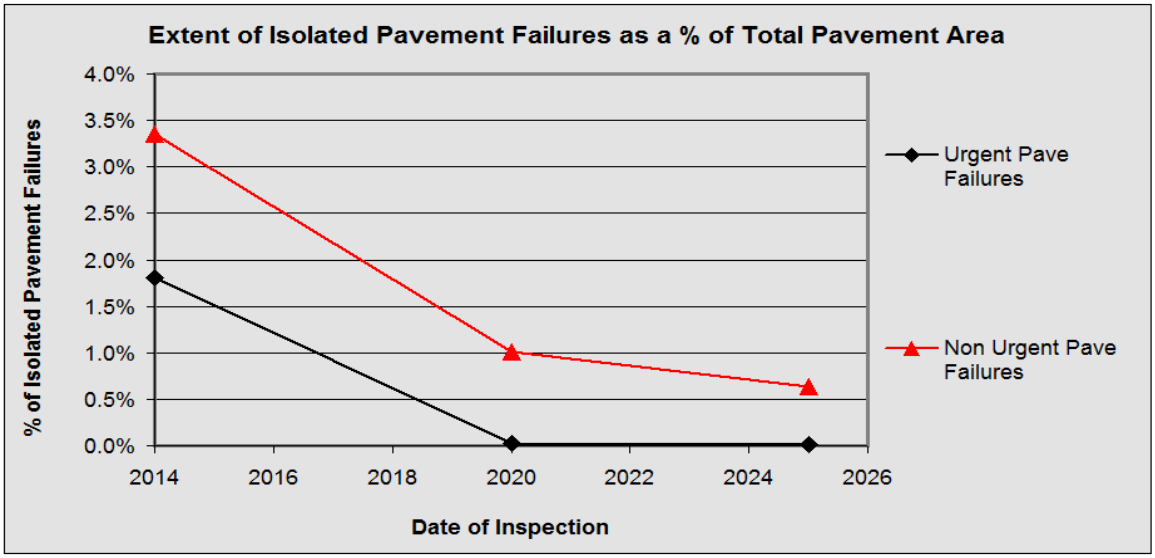


Figure P5 - Long term extent of isolated pavement failures

Figure P5 is a plot of the extent of the isolated pavement failures. There are two classes of pavement failures the urgent, which require attention immediately and the non urgent or potential failures that will require attention over the next few years. The trend here is excellent with both urgent and non urgent pavement failures showing very strong improvement over the last 11 years.

4.1.10.1 Summary of long term condition movement.

Figures P4, and P5 above both indicate a strong condition improvement over the longer term.

4.2 Sealed Road Pavement Financial Modelling Analysis

The Sealed road pavement assets will be modelled in like performing data sets with the results aggregated into one presentation for the whole sub asset group

4.2.1 Sealed Road Pavement – Selection of Retreatment Intervention Level

The point at which you choose to intervene to renew or replace an asset will have a big impact on the predicted future renewal demand. The intervention level can be seen as the level of service associated with the asset set. High intervention level equates to a low level of service while low intervention level relates to a high level of service.

Detailed below are a series of photographs illustrating various sealed road pavement condition ratings. They do not cover the complete condition range but hopefully will provide some guidance to the selection of an acceptable retreatment intervention level.

	
Condition 0 – 1 No Failures no shape loss	Condition 6 Moderate failures and shape loss

	
Condition 7 Ext shape loss and failures	Condition 8 – 9 Bad shape loss and ext failures

It is very difficult to cover pavement condition in such a limited range of photographs but hopefully they will provide some idea of asset condition in the 6 – 9 condition range where most interventions will take place. Pavements can be within this condition range for a number of different reasons and the photos will cover only a limited range of these situations. They should be seen as one possible condition situation and not the only situation for that condition rating.

4.2.2 Sealed Road Pavement Financial Modeling

Modelling Parameter	Urban Sealed Rd Pavements	Rural Sealed Rd Pavements	Totals
Asset Quantity in sqm	131,091	674,201	805,292
Unit Renewal Rate	$45.00	$32.00	
Total Asset Group Renewal Cost	$5,899,095	$21,574,432	$27,473,527
Annual Renewal Exp.	$32,000	$123,000	$155,000
Retreat. Intervention Condition	6.5	6.5	
Life to Condition 10 in Years	110.0	90.0	
Life in years to Intervention	96.2	77.2	

Figure P7 – Summary of Modelling Input Parameters for sealed road pavement assets

Sealed road pavement modelling has been undertaken within two categories as detailed in P7 above. Retreatment intervention levels have been set at condition 6.5 which is below what we consider to be the industry standard of condition 8.0 (Higher level of service which is what you are currently delivering). We have set the service lives to better reflect what is coming out of our degradation curve analysis in Appendix B but they still remain quite conservative.

Unit renewal rates used within the modelling process have been supplied by council and reflect the latest actual costs in sealed road pavement rehabilitation. We have checked these rates against other council districts and confirm that they represent fair value.

Note also that while council plans to spend $155,000 pa on sealed road pavement renewals it dose also plan to continue to spend around $296,000 pa on upgrading gravel roads to sealed roads as it has for the last 5 years where 11 km of rural gravel roads were upgraded to sealed. Based on your low ratio of sealed to unsealed rural roads we fully endorse this action.

The total sub asset group has been broken down into several individual data sets in order to refine the modelling result based on the most appropriate intervention levels and life cycles for each.

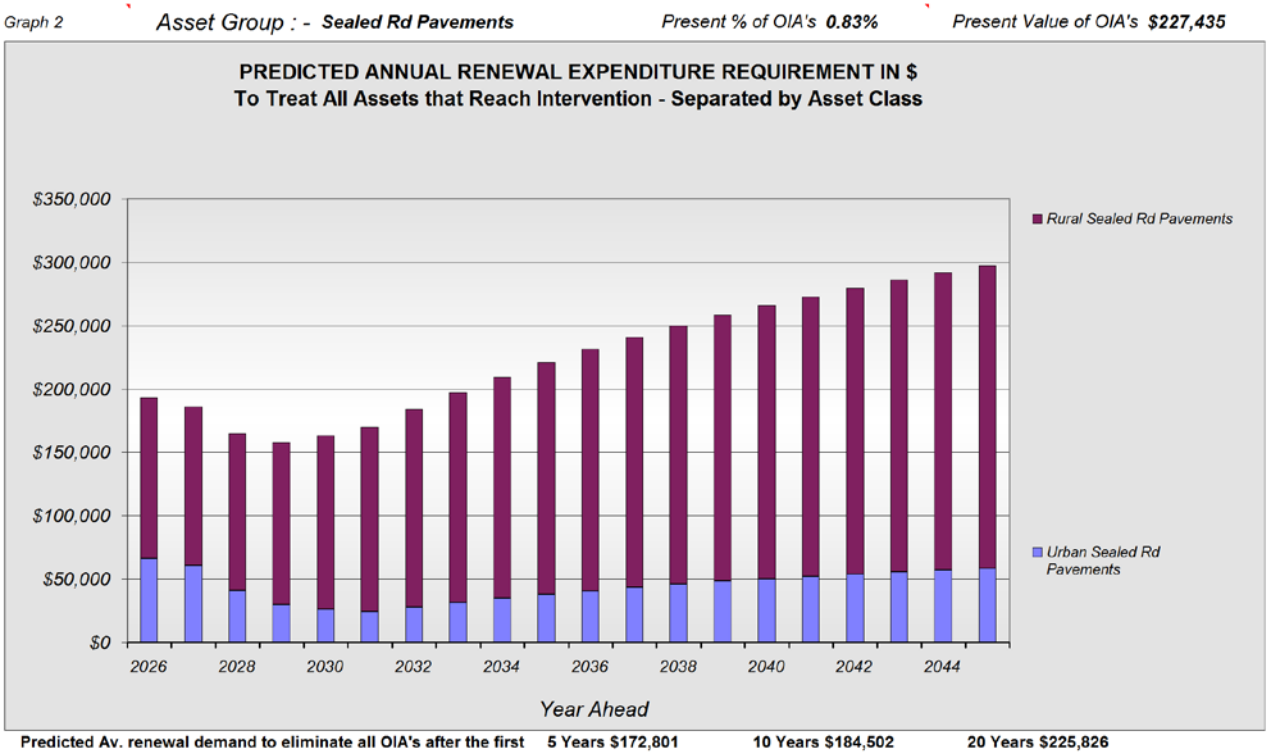


Figure P8 Predicted Renewal Demand to treat all assets that reach the Intervention level in future years

Figure P8 plots the annual funding profile required to eliminate all over intervention assets. If there is a large backlog of over intervention assets such that the raw year one demand is 30% or greater than the year two demand then the Moloney model eases the difference in over the first five years (this will show up as a reducing demand over the first five years). For this reason we prefer to quote the present renewal demand as the average figure for the first 5 years. In this case the first 5 year average renewal demand is estimated at $173,000 pa. If this expenditure is maintained all OIA's will be eliminated within 5 years.

Figure P8 indicates that the capital renewal demand pattern to treat all assets that are predicted to reach the retreatment intervention level has an average renewal demand figure of $173,000 pa over the first 5-years with the peak demand over the next 20 years estimated at $297,000 in the year 2045

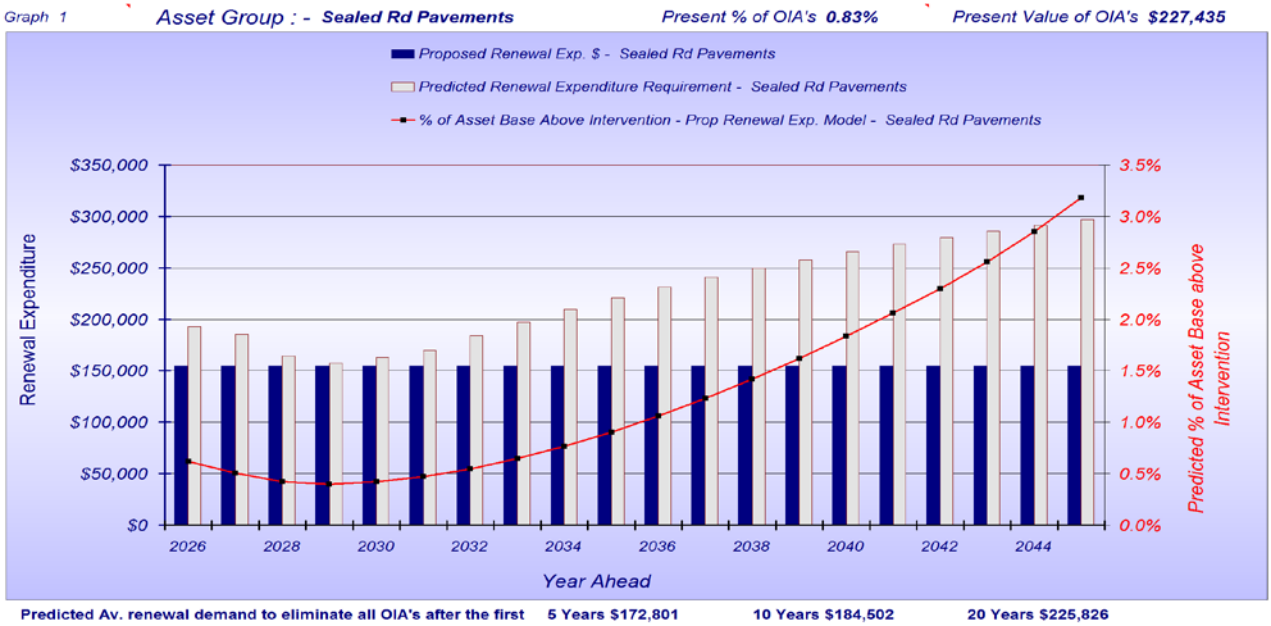


Figure P9 Future Predicted Condition Based on adoption of planned expenditure profile

Figure P9 plots the extent of the asset base that is predicted to rise above the intervention level (red line) based upon the continuation of the planned level of renewal expenditure (in blue bars). It also plots the predicted renewal demand to treat all over intervention assets within the grey bars (Same aggregate figures as within Figure P5 but not split into the individual modelling sets).

Figure P9 indicates that the planned renewal expenditure of $155,000 pa if maintained will result in the present level of OIA's at 0.83% rising very slightly to 0.90% after 10 years.

The Moloney financial modelling software has the capacity to develop a recommended renewal funding profile that will deliver a nominated extent of over intervention assets within a selected time frame. A global outcome can be set for the whole roads group. In this way the model can also be used to allocate funding between the sub asset classes on a needs basis, to deliver the best overall condition outcome for the whole road network.

Please refer to Appendix D which explains why and how we set the desired extent of over intervention assets in terms of the number of year's worth of annual liability that it represents. Appendix D4 also provides an explanation of the Moloney funding scenario finder along with its three basic input criteria requirements. The three input criteria adopted for the sealed road pavement assets are as detailed within figure P10 below with the results of the funding scenario finder operation contained within figure P11.

	Criteria 1. Extent of OIA's				
Road Sub Asset Set Description	Expressed as the % of One Years Annual Liability	Expressed as a % of The Total Asset Set Replacement Valuation	**Criteria 2.** Years to achieve Desired Condition outcome	**Criteria 3** Annual % of Compounding funding increase (if required)	Moloney Standardised Descriptor for the Desired Condition Outcome
Sealed Rd Pavements	50.0%	0.90%	10	0.00%	exceptionally good

Figure P10 Modelling scenario finder inputs - Sealed Pavement Assets

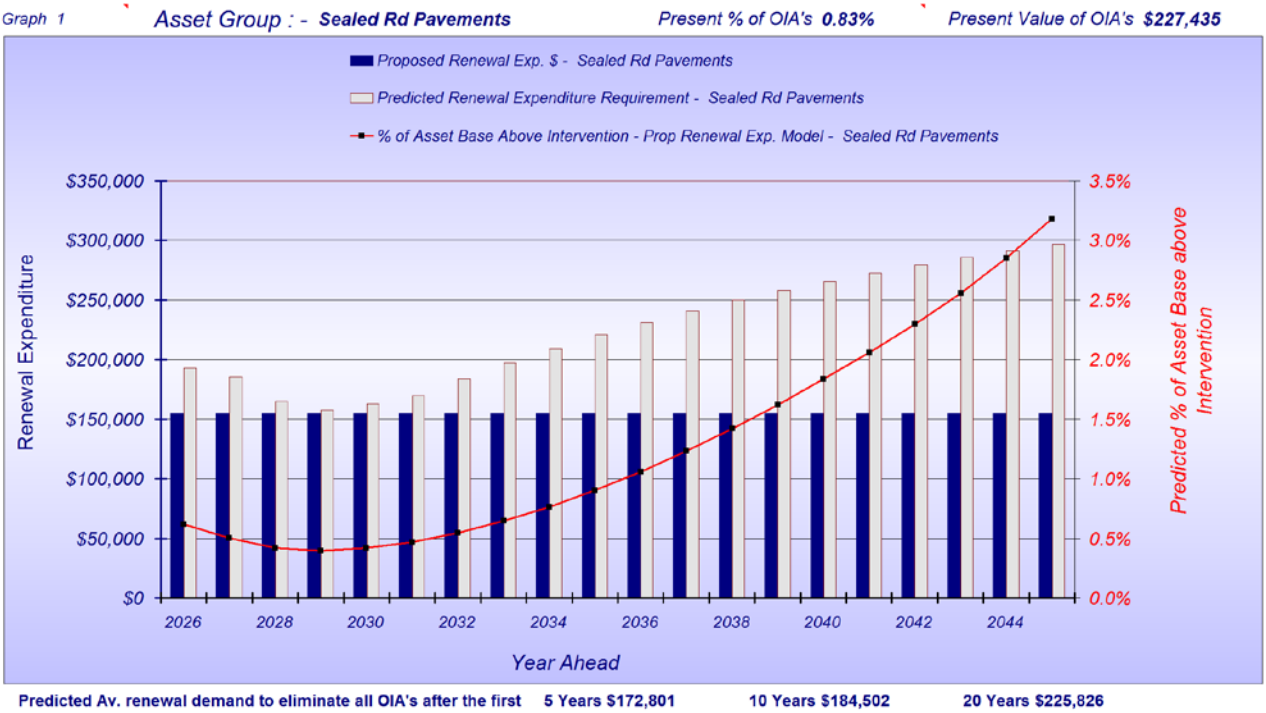


Figure P11 Recommended Renewal funding Strategy

For the Sealed Road Pavements we have set the level of over intervention assets (OIA's) at 50% of the level of one year's annual liability after 10 years. This equates to 0.90% of the total network valuation, the current level being 0.83% so we are accepting for a very small condition decline. The extent of OIA's is predicted to be at the top of the "exceptionally good" condition Range (See Appendix D for details).

The recommended renewal expenditure level is a flat $155,000 pa for the next 5 - 10 years, the figure should also be subject to any CPI increases as appropriate.

4.3 Sealed Road Pavement Summary

The sealed road pavement assets were found to be in "excellent" overall condition and there had been a strong condition improvement across all 8 condition indicators since the time of our last condition survey in 2020, as recorded within Figure 2.1 above

It is recommended that renewal funding be set at $155,000 pa for the next 10 year and that this be further subject to CPI increases as appropriate.

Section 5: Sealed Surface Sub Assets

This section will deal with the Sealed Surface Sub assets. It will look at both internal and external benchmarking of asset condition as well as providing financial forecasting of future renewal demand and projected asset condition.

5.1 Condition and Performance of Sealed Surfaces

The same eight common key performance indicators are used for all road sub assets. An explanation for each is available within sections 4.1 to 4.1.6 above rather than duplicating those details here. Five of the eight condition indicators that were appropriate to the sealed surface assets are detailed here.

5.1.1 Recent Internal Benchmarking of asset condition

This section will deal with your internal condition performance firstly in a detailed way since the last condition survey in 2020 and then over the longer term covering all MAMS inspections of the assets.

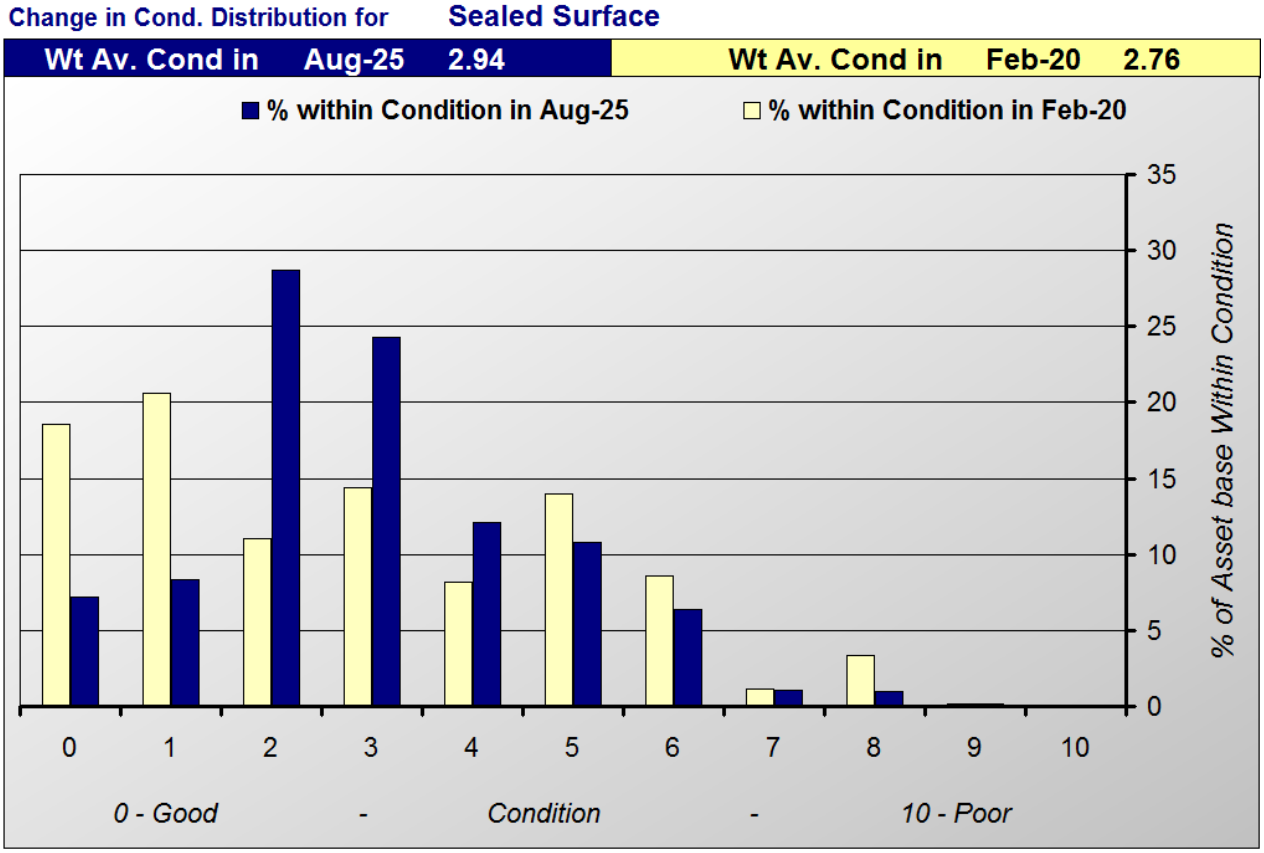


Figure S1 Condition Distribution Comparison Graph – Between Surveys all Sealed Surfaces

Figure S1 indicates a small overall condition decline in the weighted average asset condition (WAAC) since the time of the last condition survey in 2020. But it should be noted that the extent of poor condition assets above condition 6.0 has been reduced substantially.

Key Cond. Indic. No.	Sealed Surface Condition Indicator	Figures from Last Survey in Feb-20	Figures from Current Survey in Aug-25	Change between Surveys New Minus Old	% Change Between Surveys	Better or Worse Since last Survey
1	Weighted Average Asset Condition	2.764	2.944	-0.180	-2.6%	Worse
2	% of Asset Base above Condition 5	27.284	20.239	7.046	25.8%	Better
3	% of Asset Base above Condition 6	13.335	8.463	4.872	36.5%	Better
4	% of Asset Base above Condition 7	4.749	2.143	2.605	54.9%	Better
5	% of Asset Base above Condition 8	3.581	1.114	2.467	68.9%	Better

Renewal Demand Being Met For:	% of Annual Liability expenditure Planned in Future years	% of Annual Liability expenditure Since the time of the last survey
Sealed Surface Asset Group	75%	38%

Figure S2 Condition Change since last survey & Renewal demand being met

The above 2 figures provide internal benchmarking that details how asset condition has changed since the time of the last survey. Figure S1 provides the condition distribution for each survey along with the first of the key condition indicators, the weighted average asset condition.

Figure S2 contains five of the eight possible key performance indicators that relate to this asset class. See section 4.2 above for a detailed explanation of each indicator. Figure S2 also shows how the indicators have changed since the previous survey. At the bottom of the table are two very important figures. These indicate the percentage of the annual liability rate that has been met since the last survey, along with the percentage planned for future years.

Figure S2 indicates that overall condition (weighted average asset condition) has declined by -2.6% since 2020. But the extent of poor condition assets at and above condition 6.0 has been reduced substantially. The decline in the WAAC is really just a function of the ageing of the assets.

5.1.3 Summary - Recent Internal Benchmarking

The assets have declined in overall condition a little since 2020 in terms of the weighted average asset condition. But they remain in very good to excellent overall condition when compared to all 72 councils we have inspected with very low levels of poor condition assets.

5.1.4 External condition Benchmarking

Figure S3 provides external benchmarking based on the same key performance indicators as used internally in figure S2. The total number of councils assessed by MAMS on exactly the same basis is 72 for this sub asset class. The graph then displays the number of councils ranked better and worse than Central Highlands Council for each of the five performance indicators. The dark green bars represent the number of councils that Central Highlands Council is ranked better than, while the light green is the number that Central Highlands is ranked worse that.

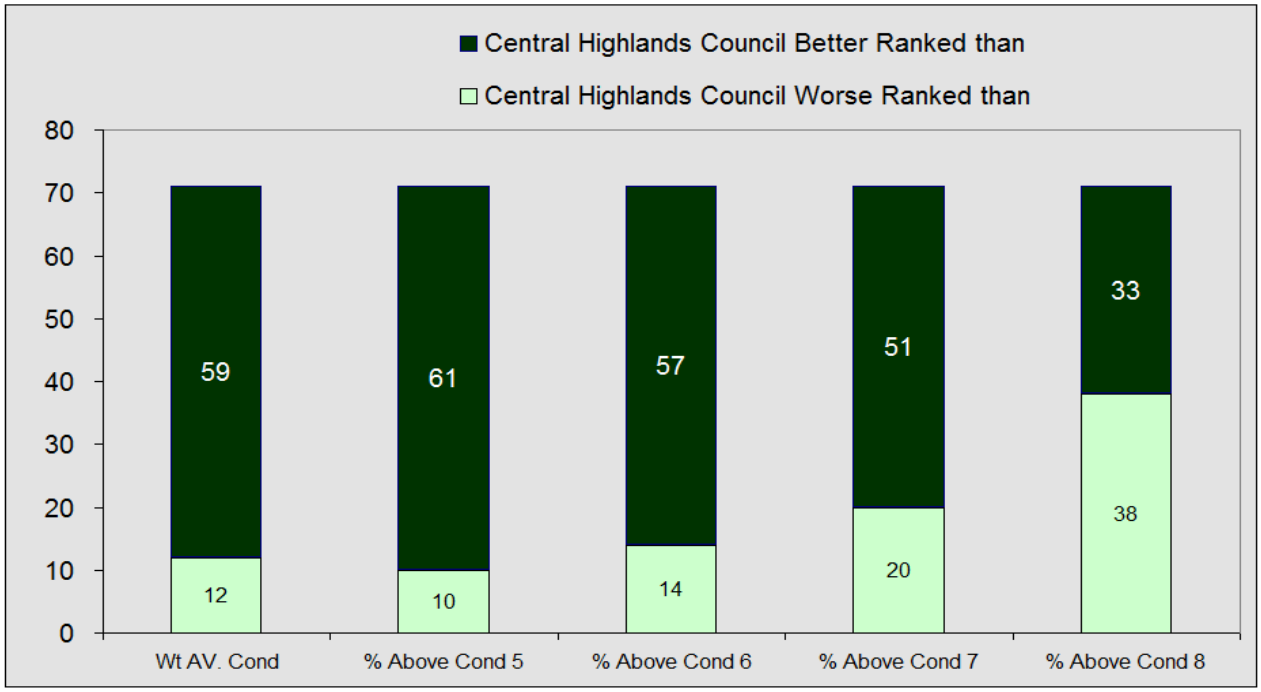


Figure S3 Key Condition Indicators as Compared with other Councils surveyed

Figure S3 indicates that for Central Highlands the weighted average asset condition may have declined a little since 2020, but it remains in excellent overall condition. The extent of poor condition assets at and above conditions 6 - 8 remain extremely low delivering a very good to excellent overall condition outcome for this asset class (see figure 2.1 for more details)

5.1.4.1 Summary of External condition Benchmarking

Your sealed Surface weighted average asset condition was found to be in "excellent" overall condition. The extent of poor condition assets at and above conditions 6 - 8 remains extremely low delivering a very good to excellent overall outcome for this asset class.

5.1.5 Long term condition performance

MAMS has undertaken three condition surveys for Central Highlands over the last 11 years and is now in a position to provide a plot of certain key performance indicators over the longer term.

There are three areas that we track that apply to most sub asset classes

1. *The extent of poor condition assets at and above conditions 6 - 8.*
2. *The extent of isolated asset failures - Not applicable to Sealed Surface assets*
3. *The movement in the weighted average asset condition*

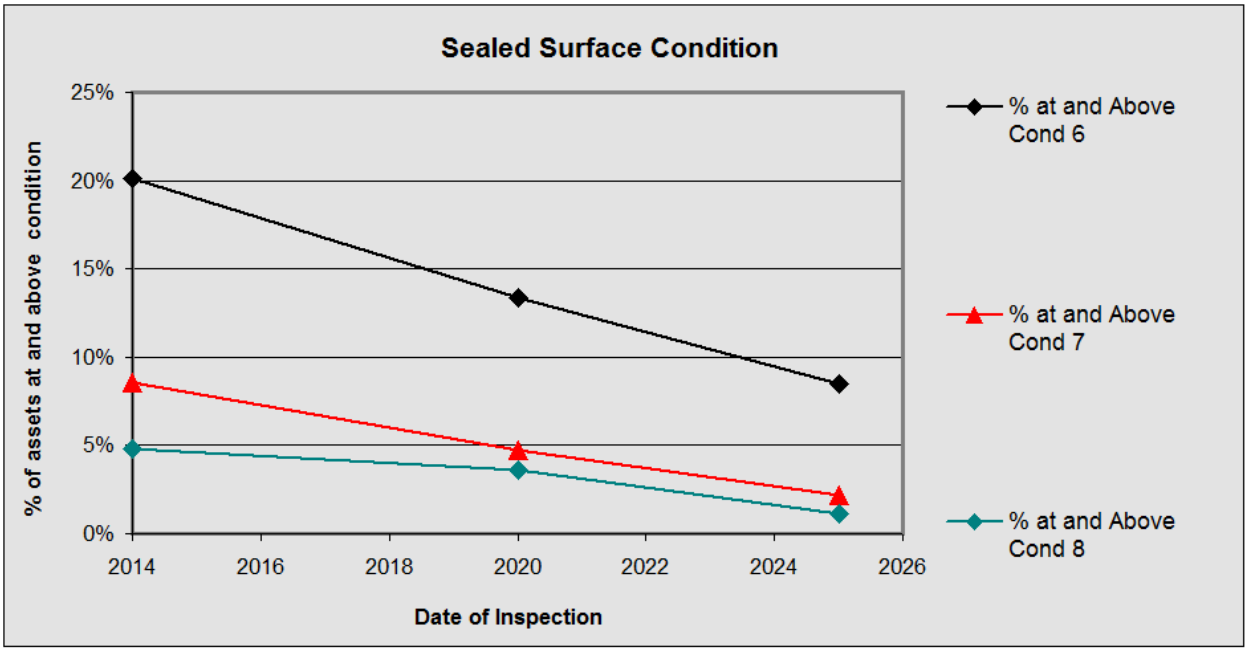


Figure S4 - Long term extent of poor condition assets

You are directed to section 4.1.10 above for a more detailed explanation of figure S4. Here we will just report on the outcome without providing a detailed explanation of each graph.

You have continued to reduce the extent of poor condition assets at and above conditions 6 - 8 over the full 11 years. The condition trend here is really positive for Central Highlands Council.

5.1.5.1 Summary of long term condition movement.

You have managed to continually reduce the extent of poor condition assets over the last 11 years for this asset class.

5.2 Sealed Surface Financial Modelling Analysis

The Sealed surface assets will be modelled in like performing data sets with the results aggregated into one presentation for the whole sub asset group

5.2.1 Sealed Surface – Selection of Retreatment Intervention Level

The point at which you choose to intervene to renew or replace an asset will have a big impact on the predicted future renewal demand. The intervention level can be seen as the level of service for the asset set. High intervention level equates to low level of service while low intervention level relates to a high level of service.

Detailed below are a series of photographs illustrating various sealed surface condition ratings. They do not cover the complete condition range but hopefully will provide some guidance to the selection of an acceptable retreatment intervention level.

	
Condition 0 – 1 Seal in excellent near new condition	Condition 5 Cracking but seal not too oxidized
	
Condition 6.5 - 7 Oxidized and stripping	Condition 8 Fully Oxidized and falling apart

It is very difficult to cover sealed surface condition in such a limited range of photographs but hopefully they will provide some idea of asset condition in the 6 – 9 condition range where most interventions will take place. Sealed surfaces can be within this condition range for a number of different reasons and the photos will cover only a limited range of these situations. They should be seen as one possible condition situation and not the only situation for that condition rating.

5.2.2 Sealed Surfaces – Financial Modeling Results

Modelling Parameter	Double Application Seals	Single Application Seals	Totals
Asset Quantity in sqm	656,907	126,431	783,338
Unit Renewal Rate	$15.00	$13.00	
Total Asset Group Renewal Cost	$9,853,605	$1,643,603	$11,497,208
Annual Renewal Exp.	$410,000	$82,000	$492,000
Retreat. Intervention Condition	7.0	7.0	
Life to Condition 10 in Years	22.0	22.0	
Life in years to Intervention	17.6	17.6	

Figure S6 – Summary of Modelling Input Parameters for Sealed Surface Assets

The sealed surfaces will be modelled within two like performing data sets as detailed within Figure S6 above. Retreatment intervention levels have been set at what is considered to be the industry standard value of condition 7.0. Service lives have been pushed out a little to better reflect the values coming out of our degradation curve analysis in Appendix B. But they are still considered to be quite conservative.

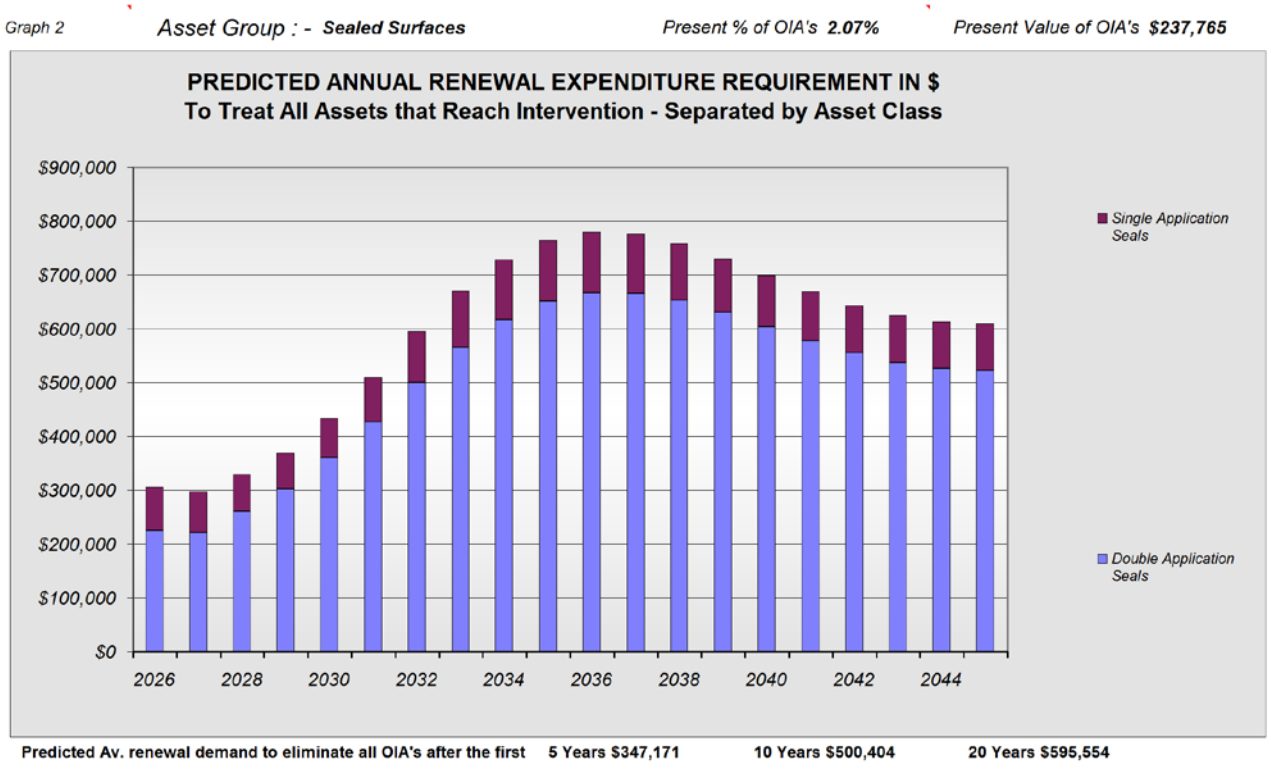


Figure S7 Predicted Renewal Demand to treat all assets that reach the Intervention level in future years

Figure S7 plots the annual funding profile required to eliminate all over intervention assets. If there is a large backlog of over intervention assets such that the raw year one demand is 30% or greater than the year two demand then the Moloney model eases the difference in over the first five years (this will show up as a reducing demand over the first five years). For this reason we prefer to quote the present renewal demand as the average figure for the first 5 years. In this case the first 5 year average renewal demand is estimated at $347,000 pa. If this expenditure is maintained all OIA's will be eliminated within 5 years.

Figure S7 indicates that the capital renewal demand to treat all assets that are predicted to reach the retreatment intervention level over the next 20 years has an average demand for the first 5 years of $347,171 pa. The peak demand over the next 20 years is estimated to be $780,000 pa in the year 2036.

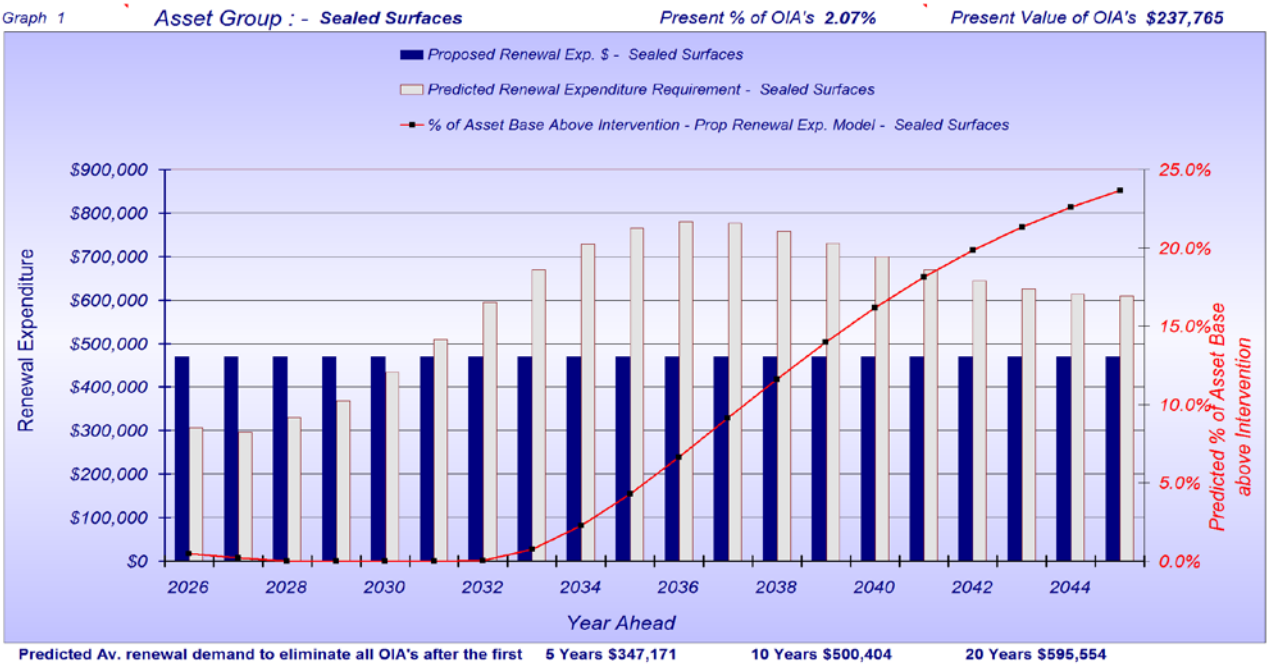


Figure S8 Future Predicted Condition Based on planned expenditure profile

Figure S8 plots the extent of the asset base that is predicted to rise above the intervention level (red line) based upon the continuation of the planned level of renewal expenditure (in blue bars). It also plots the predicted renewal demand to treat all over intervention assets within the grey bars (Same aggregate figures as within Figure S7 but not split into the individual modelling sets).

The planned renewal expenditure profile in figure S8 is a flat $492,000 pa. The extent of over intervention assets (OIA'S) is currently at 2.07% of the network. The planned expenditure profile is predicted to result in a rising of this level up to 4.29% after 10 years.

The Moloney financial modelling software has the capacity to develop a recommended renewal funding profile that will deliver a nominated extent of over intervention assets within a selected time frame. A global outcome can be set for the whole roads group. In this way the model can also be used to allocate funding between the sub asset groups to deliver the best overall condition outcome for all road assets.

Please refer to Appendix D which explains why and how we set the desired extent of over intervention assets in terms of the number of year's worth of annual liability that it represents. Appendix D4 also provides an explanation of the Moloney funding scenario finder along with its three basic input criteria requirements. The three input criteria adopted for the sealed surface assets are as detailed within figure S9 below with the results of the funding scenario finder operation contained within figure S10.

	Criteria 1. Extent of OIA's				
Road Sub Asset Set Description	Expressed as the % of One Years Annual Liability	Expressed as a % of The Total Asset Set Replacement Valuation	**Criteria 2.** Years to achieve Desired Condition outcome	**Criteria 3** Annual % of Compounding funding increase (if required)	Moloney Standardised Descriptor for the Desired Condition Outcome
Sealed Surfaces	50.0%	4.29%	10	0.00%	exceptionally good

Figure S9 Modelling scenario finder inputs - Sealed Surface Assets

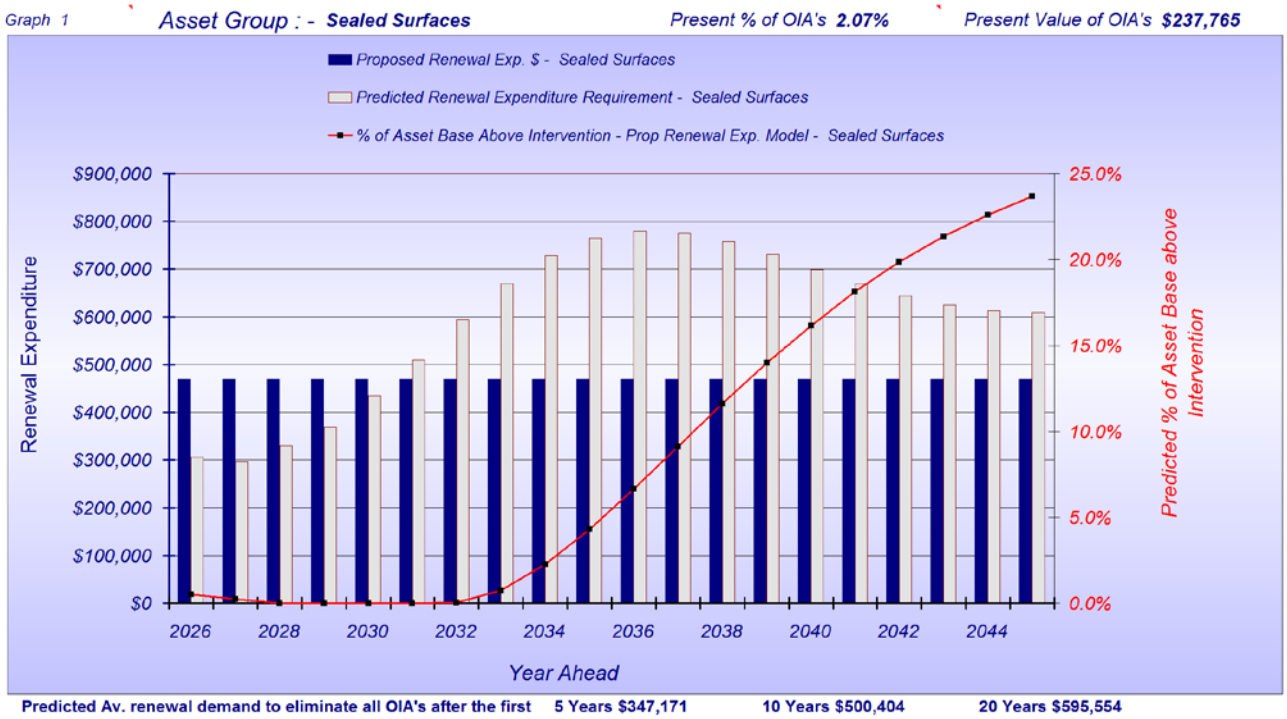


Figure S10 Recommended Renewal funding Strategy

For the sealed surfaces we have set the level of over intervention assets at 50% of the level of one year's annual liability after 10 years, which equates to 4.29% of the network as the level of OIA's. The current level being 2.07%. So we are accepting a small rise in the total level of OIA's. We have set the desired

extent of OIA's at the top of the exceptionally good condition range (See Appendix D Figure D 1 for details relating to this classification range). The time frame to achieve the result has been set at 10 years.

The model predicts that a flat expenditure level of $470,000 pa for the next 10 years will deliver on the required condition outcome.

5.3 Sealed Surface Summary

The extent of poor condition assets at and above conditions 6 - 8 remains extremely low. Your weighted average asset condition has declined a little in recent years with relatively low renewal expenditure. But you are still sitting within the best 15% of the 72 councils we have assessed for this asset class. Your overall condition descriptor for this asset class is "very good to excellent".

It is recommended that annual renewal expenditure be set at $470,000 pa next 10 year and that this be also subject CPI increases as appropriate.

Section 6: Unsealed Road Pavement Sub - Assets

This section will deal with the unsealed road Pavement Sub assets. It will look at both internal and external benchmarking of asset condition as well as providing financial forecasting of future renewal demand and projected asset condition.

6.1 Condition and Performance of Unsealed Pavements

The same eight common key performance indicators are used for all road sub assets. An explanation for each is available within sections 4.1 to 4.1.6 above rather than duplicating those details here. Five of the eight condition indicators that were appropriate to the Unsealed Pavement assets are detailed here.

6.1.2 Internal Benchmarking of asset condition

This section will deal with your internal condition performance firstly in a detailed way since the last condition survey in 2020 and then over the longer term covering all MAMS inspections of the assets.

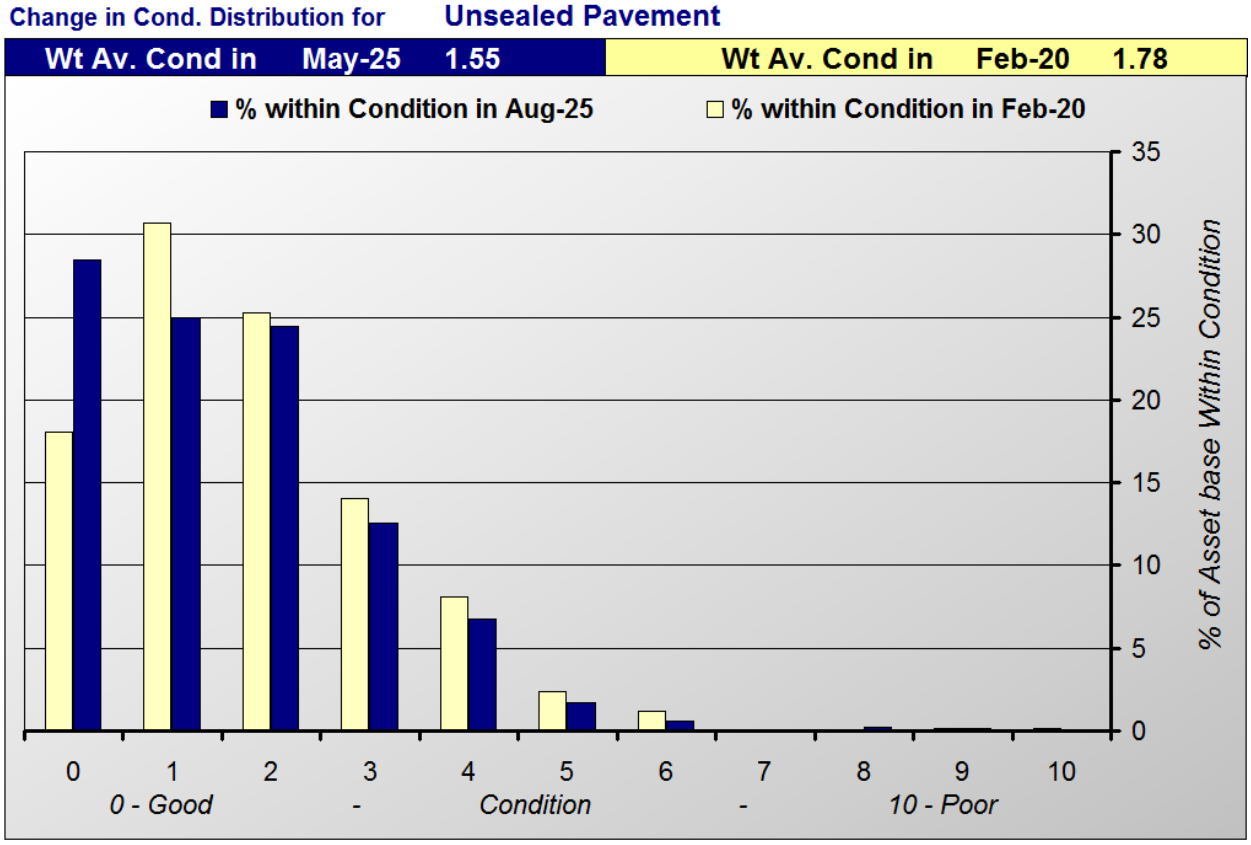


Figure U1 Condition Distribution Comparison Graph – Between Surveys all Unsealed Pavements

Unsealed Pavement Indicators

Key Cond. Indic. No.	Unsealed Pavement Condition Indicator	Figures from Last Survey in Feb-20	Figures from Current Survey in May-25	Change between Surveys New Minus Old	% Change Between Surveys	Better or Worse Since last Survey
1	Weighted Average Asset Condition	1.775	1.551	0.225	3.2%	Better
2	% of Pavement Failures	0.52%	0.32%	0.002	38.2%	Better
3	Average Pavement Roughness	3.69	3.63	0.056	1.5%	Better
4	Average Pavement Profile	2.53	2.09	0.437	17.3%	Better
5	Average Pavement Depth in mm	164.7	165.3	0.66	0.4%	Better
6	% of Asset Base above Condition 6	1.46	1.10	0.360	24.6%	Better
7	% of Asset Base above Condition 7	0.29	0.50	-0.214	-73.5%	Worse
8	% of Asset Base above Condition 8	0.29	0.42	-0.130	-44.8%	Worse

Renewal Demand Being Met For:	% of Annual Liability expenditure Planned in Future years	% of Annual Liability expenditure Since the time of the last survey
UnSealed Rd Pavement Asset Group	45.4%	48.7%

Figure U2 Condition Change since last survey & Renewal demand being met

The above 2 figures provide internal benchmarking that details how asset condition has changed since the last survey. Figure U1 provides the condition distribution for each survey along with the first of the key condition indicators, the weighted average asset condition.

Figure U2 contains seven of the eight possible key performance indicators that relate to this asset class. See section 4.2 above for a detailed explanation of each indicator. Figure U2 also shows how the indicators have changed since the previous survey. At the bottom of the table are two very important figures. These indicate the percentage of the annual liability rate that has been met since the last survey, along with the percentage planned for future years.

There is one additional indicator used that is unique to unsealed road pavements and that is the average depth of imported pavement material. It represents the key driver for unsealed pavement condition.

Figure U2 indicates that overall condition (weighted average asset condition) has improved a little since 2020 and the extent of isolated pavement failures has been reduced considerably. While the extent of very poor condition pavements at and above conditions 7 and 8 have both increased they remain very low by industry standards (see U3 below).

The best capital condition indicator for this asset class is considered to be the average depth of imported pavement material. Here the depth has risen very slightly from 164.7 mm in 2020 up to 165.3 in 2025. While this is a very small rise, to have held your ground over several wet years is quite a strong achievement.

6.1.2.1 Summary - Recent Internal Benchmarking

Central Highlands has experienced a small overall condition improvement with its Unsealed Pavements since our last survey in 2020 but they remain in excellent overall condition.

6.1.3 External condition Benchmarking

Figure U3 provides external benchmarking based on the same key performance indicators as used internally in figure U2. The total number of councils assessed by MAMS on exactly the same basis is 72 for this sub asset class. The graph then displays the number of councils ranked better and worse than Central Highlands Council for each of the five performance indicators. The dark green bars represent the number of councils that Central Highlands Council is ranked better than, while the light green is the number that Central Highlands is ranked worse that.

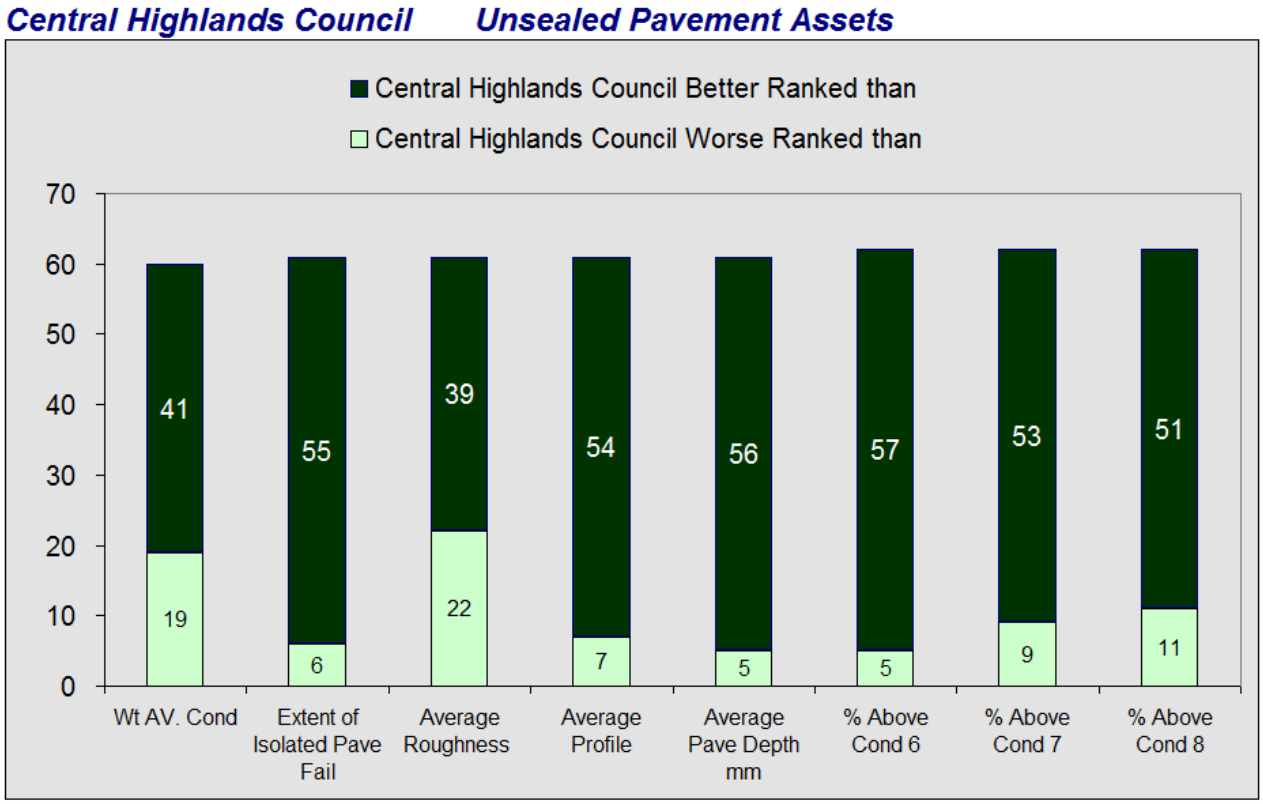


Figure U3 Key Condition Indicators as Compared with other Councils surveyed

The results here for Central Highlands are a little varied. But you rank very well for most of the important indicators such as, weighted average asset condition, the extent of poor condition assets and the extent of isolated pavement failures.

You have a relatively high design depth for your unsealed pavements with most having a design depth of imported pavement material of 200 - 300 mm. Hence your average depth of imported pavement material has a very high ranking. But your design depth is considered to be appropriate given the nature of your subgrades and the relatively high annual rainfall.

6.1.3.1 External condition Benchmarking

Your Unsealed Pavements were found to be in "excellent" overall condition when compared to the 61 councils we have inspected for this asset class. For a more detailed look at the 4 individual condition indicators that are used to deliver this single overall condition assessment refer to Figure 2.1 above

6.1.5 Long term condition performance

MAMS has undertaken three condition surveys for Central Highlands over the last 11 years and is now in a position to provide a plot of certain key performance indicators over the long term.

There are three areas that we track that apply to most sub asset classes (1 - 3 below). In addition to this we have one additional indicator for the unsealed road pavements (Depth of imported pavement material). The following 4 graphs provide a plot of these 4 indicators over the last 14 years.

1. *The extent of poor condition assets at and above conditions 6 - 8.*
2. *The extent of isolated asset failures - Not applicable to Sealed Surface assets*
3. *The movement in the weighted average asset condition*
4. *The depth of imported pavement material*

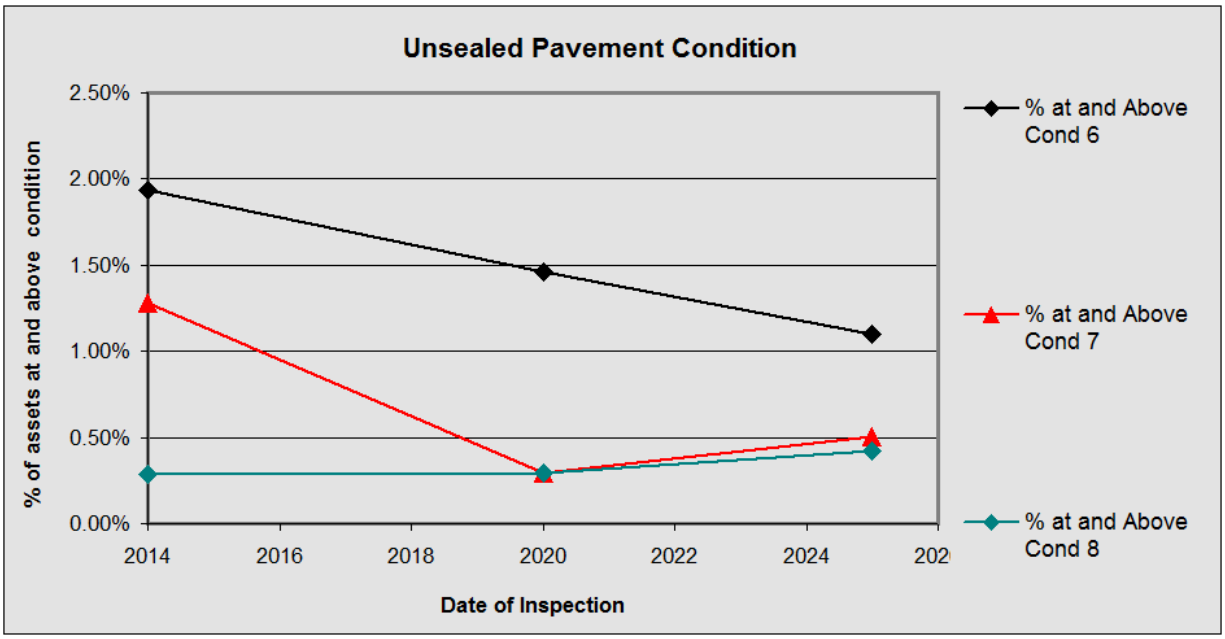


Figure U4 - Long term movement with the extent of poor condition assets

Figure U4 indicates that your extent of poor condition assets at and above conditions 6 - 8 has improved steadily over the last 11 years. However, there has been a very small rise in the extent of condition 7 and 8 assets since 2020. But the absolute extent of these figures remains very low in total (See Figure U3 above).

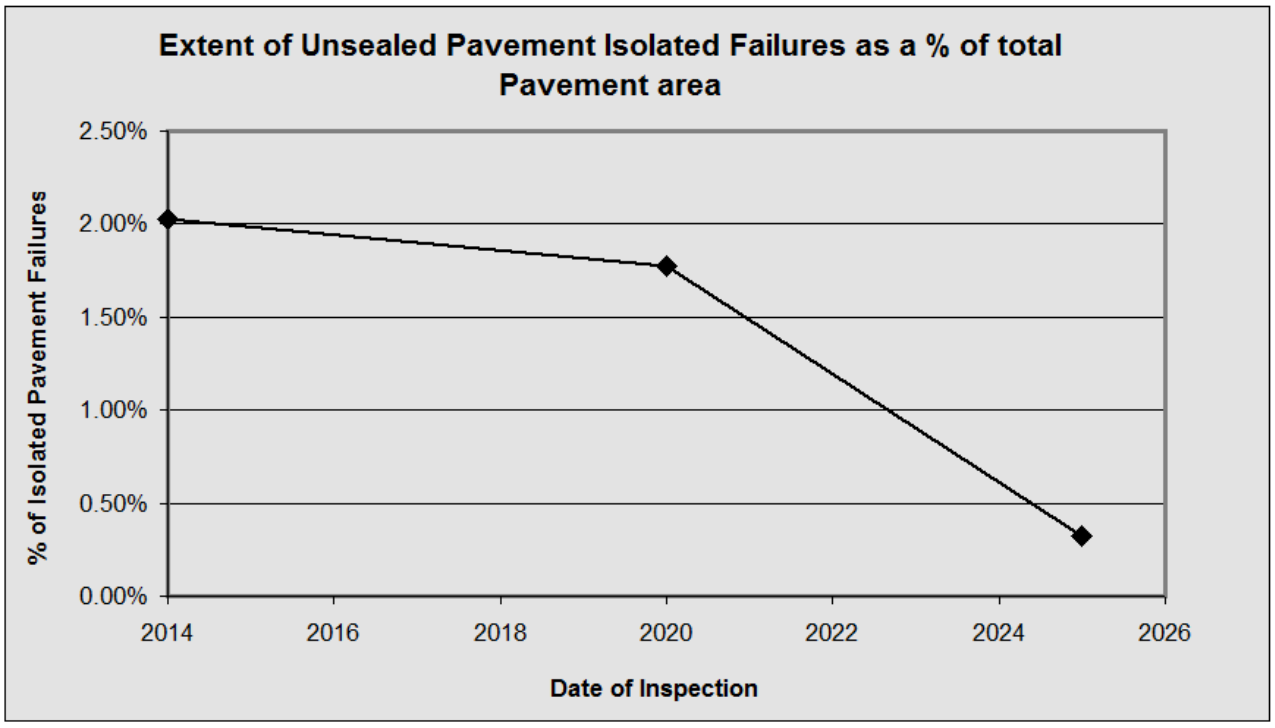


Figure U5 - Long term movement with the extent of Isolated Pavement Failures

Results within Figure U5 show a steady reduction in the extent of isolated pavement failures over the long term with a very big reduction since 2020.

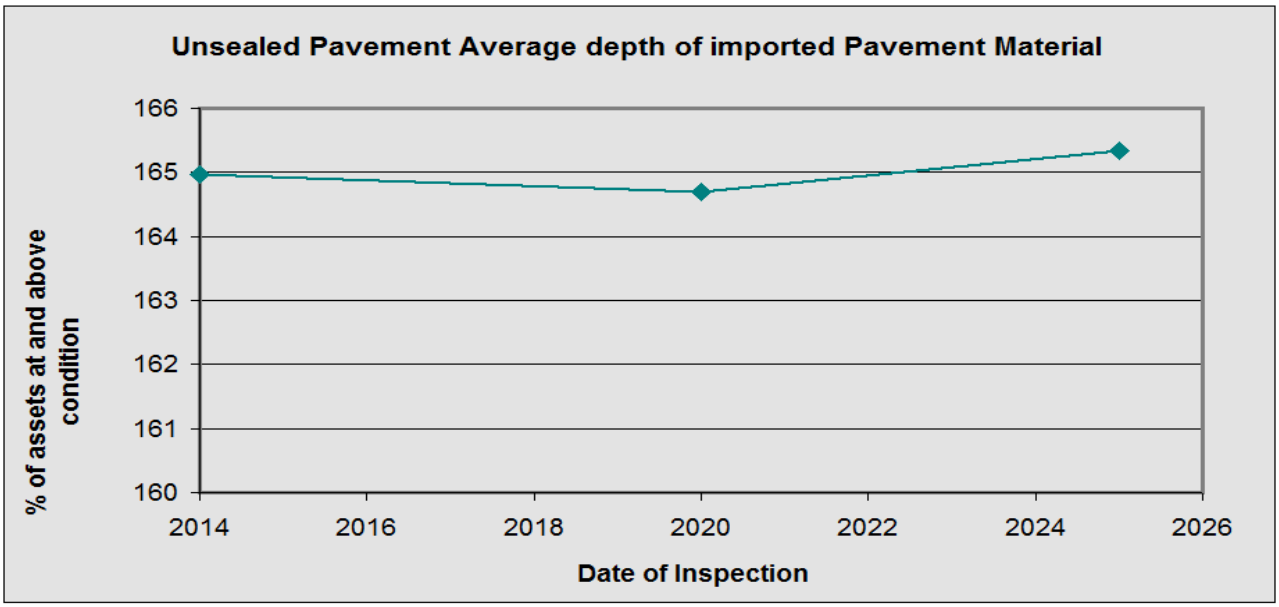


Figure U7 - Long term average Depth of importer pavement material

The strongest and most reliable measure of unsealed pavement condition performance is considered to be the measured average depth of imported pavement material. Here you have experiences a very small overall improvement over the last 11 years,

6.1.5.1 Summary of long term condition movement.

Your unsealed pavements have experienced a continual real condition improvement between 2014 and 2025 and they remain in "excellent" overall condition.

6.2 Unsealed Pavement Financial Modelling Analysis

The Unsealed Pavement assets will be modelled in like performing data sets with the results aggregated into one presentation for the whole sub asset group

6.2.1 Unsealed Pavement – Selection of Retreatment Intervention Level

The point at which you choose to intervene to renew or replace an asset will have a big impact on the predicted future renewal demand. The intervention level can be seen as the level of service for the asset set. High intervention level equates to low level of service while low intervention level relates to a high level of service.

Detailed below are a series of photographs illustrating various Unsealed Pavement condition ratings. They do not cover the complete condition range but hopefully will provide some guidance to the selection of an acceptable retreatment intervention level.

	
Condition 0 – 1 Average Depth 200 mm	Condition 7 – Average depth 20 – 30 mm only

	
Condition 8 – Av depth 10 – 20 mm only	Condition 9 – Average depth 0 – 10 mm only

It is very difficult to cover Unsealed Pavement condition in such a limited range of photographs but hopefully they will provide some idea of asset condition in the 6 – 9 condition range where most interventions will take place. Unsealed Pavements can be within this condition range for a number of different reasons and the photos will cover only a limited range of these situations. They should be seen as one possible condition situation and not the only situation for that condition rating.

6.2.2 Unsealed Pavements – Financial Modeling Results

Modelling Parameter	Unsealed Pave 300 mm Depth	Unsealed Pave 200 mm Depth	Unsealed Pave 150 mm Depth and less	Totals
Asset Quantity in sqm	44,436	2,005,502	44,436	2,094,374
Unit Renewal Rate	**$10.50**	**$9.50**	**$8.00**	
Total Asset Group Renewal Cost	$466,578	$19,052,269	$355,488	$19,874,335
Annual Renewal Exp.	**$22,000**	**$310,000**	**$18,000**	**$350,000**
Retreat. Intervention Condition	5.8	5.8	5.8	
Life to Condition 10 in Years	35.0	35.0	35.0	
Life in years to Intervention	**25.8**	**25.8**	**25.8**	

Figure U8 – Summary of Modelling Input Parameters for Unsealed Pavement Assets

The Unsealed Pavements will be modelled within three like performing asset sets as detailed within Figure U8 above. Intervention levels have been set well below the industry standard level of condition 7 (higher level of service), but they do reflect far more closely what you are currently achieving. Asset service lives have been extended to better reflect the results coming out of our degradation curve analysis in Appendix B. But they do remain well below the levels coming out of our degradation curve analysis and as such are considered to be conservative.

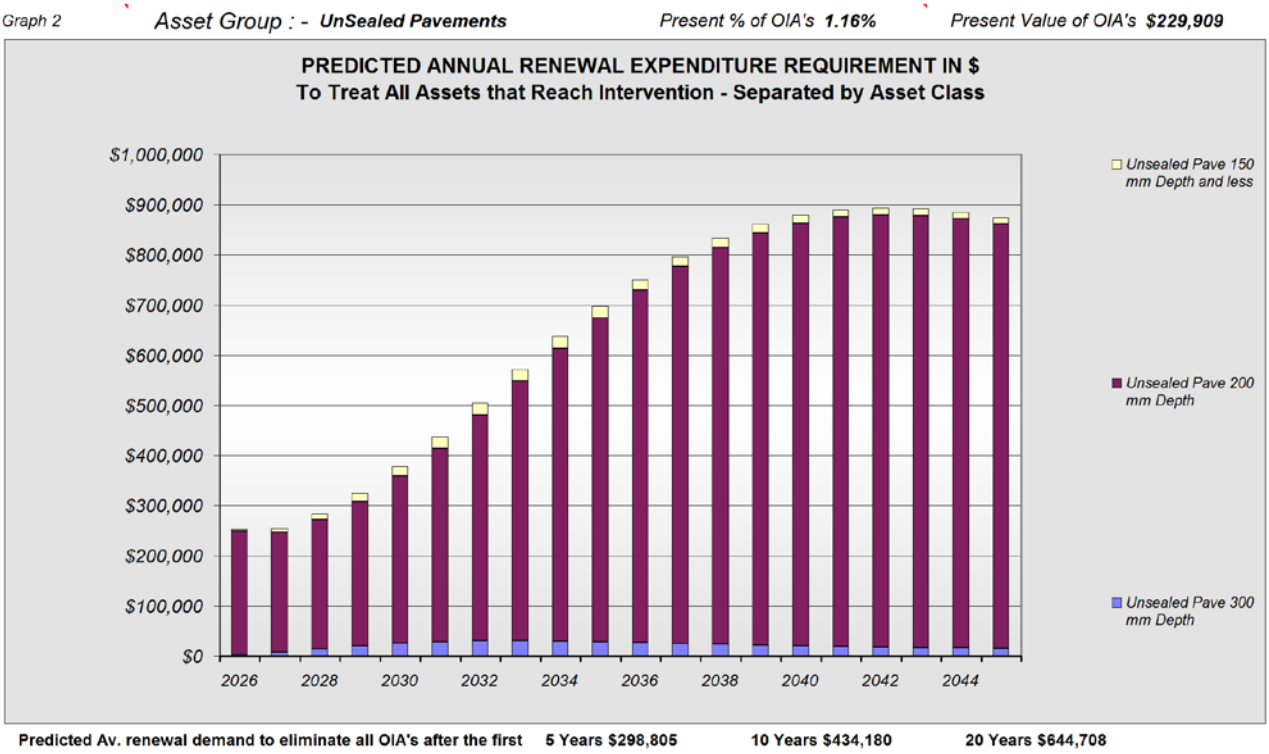


Figure U9 Predicted Renewal Demand to treat all assets that reach the Intervention level in future years

Figure U8 plots the annual funding profile required to eliminate all over intervention assets. If there is a large backlog of over intervention assets such that the raw year one demand is 30% or greater than the year two demand then the Moloney model eases the difference in over the first five years (this will show up as a reducing demand over the first five years). For this reason we prefer to quote the present renewal demand as the average figure for the first 5 years. In this case the first 5 year average renewal demand is estimated at $298,805 pa. If this expenditure is maintained all OIA's will be eliminated within 5 years.

Figure U9 indicates that the capital renewal demand to treat all assets that are predicted to reach the retreatment intervention level over the next 20 years has an average figure for the first 5 - years of $298,805 pa. With the peak demand over the next 20 years estimated at $893,000 in the year 2042.

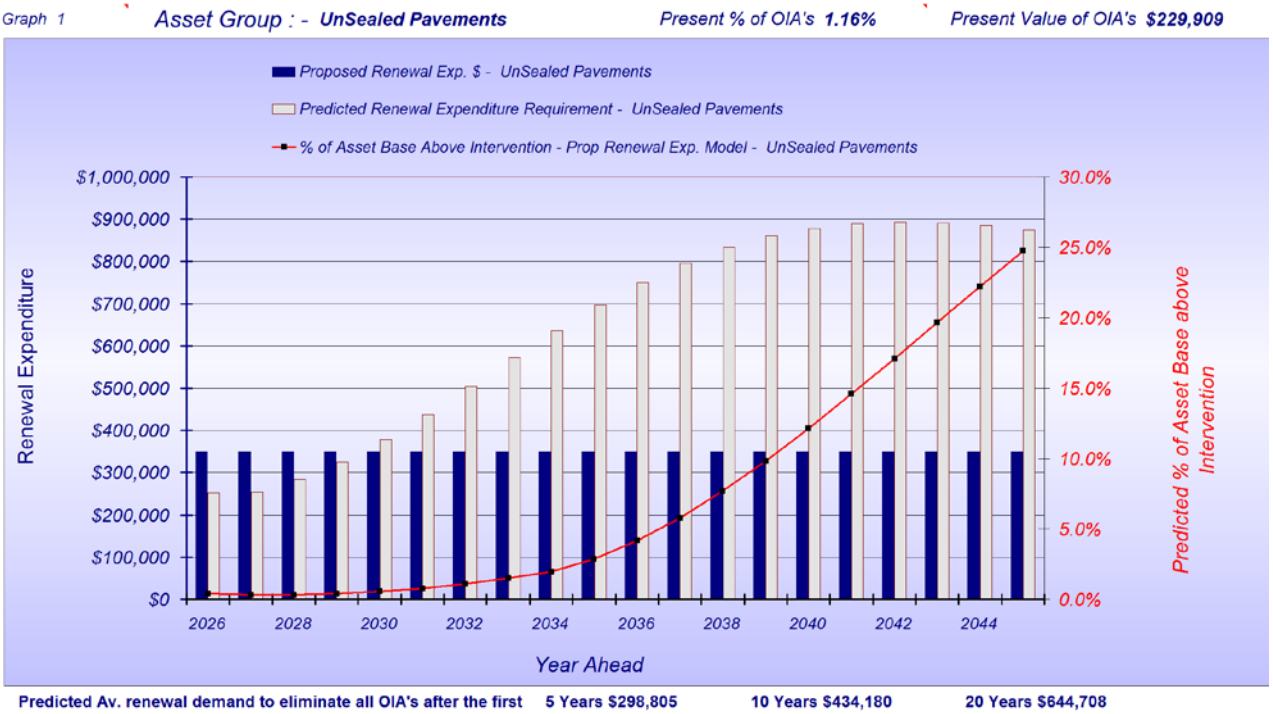


Figure U10 Future Predicted Condition Based on planned expenditure profile

Figure S10 plots the extent of the asset base that is predicted to rise above the intervention level (red line) based upon the continuation of the planned level of renewal expenditure (in blue bars). It also plots the predicted renewal demand to treat all over intervention assets within the grey bars (Same aggregate figures as within Figure U8 but not split into the individual modelling sets).

The planned renewal expenditure profile in figure U10 is a flat $350,000 pa. The extent of over intervention assets is currently at 1.16% and is predicted to rise to 2.88% after 10 years based upon the planned spend.

The Moloney financial modelling software has the capacity to develop a recommended renewal funding profile that will deliver a nominated extent of over intervention assets within a selected time frame. A global outcome can be set for the whole roads group. In this way the model can also be used to allocate funding between the sub asset groups to deliver the best overall condition outcome for all road assets.

Please refer to Appendix D which explains why and how we set the desired extent of over intervention assets in terms of the number of year's worth of annual liability that it represents. Appendix D4 also provides an explanation of the Moloney funding scenario finder along with its three basic input criteria requirements. The three input criteria adopted for the Unsealed Pavement assets are as detailed within figure U10 below with the results of the funding scenario finder operation contained within figure U11.

	Criteria 1. Extent of OIA's				
Road Sub Asset Set Description	Expressed as the % of One Years Annual Liability	Expressed as a % of The Total Asset Set Replacement Valuation	**Criteria 2.** Years to achieve Desired Condition outcome	**Criteria 3** Annual % of Compounding funding increase (if required)	Moloney Standardised Descriptor for the Desired Condition Outcome
Unsealed Rd Pavements	50.0%	2.88%	10	0.00%	exceptionally good

Figure U11 Modelling scenario finder inputs - Unsealed Pavement Assets

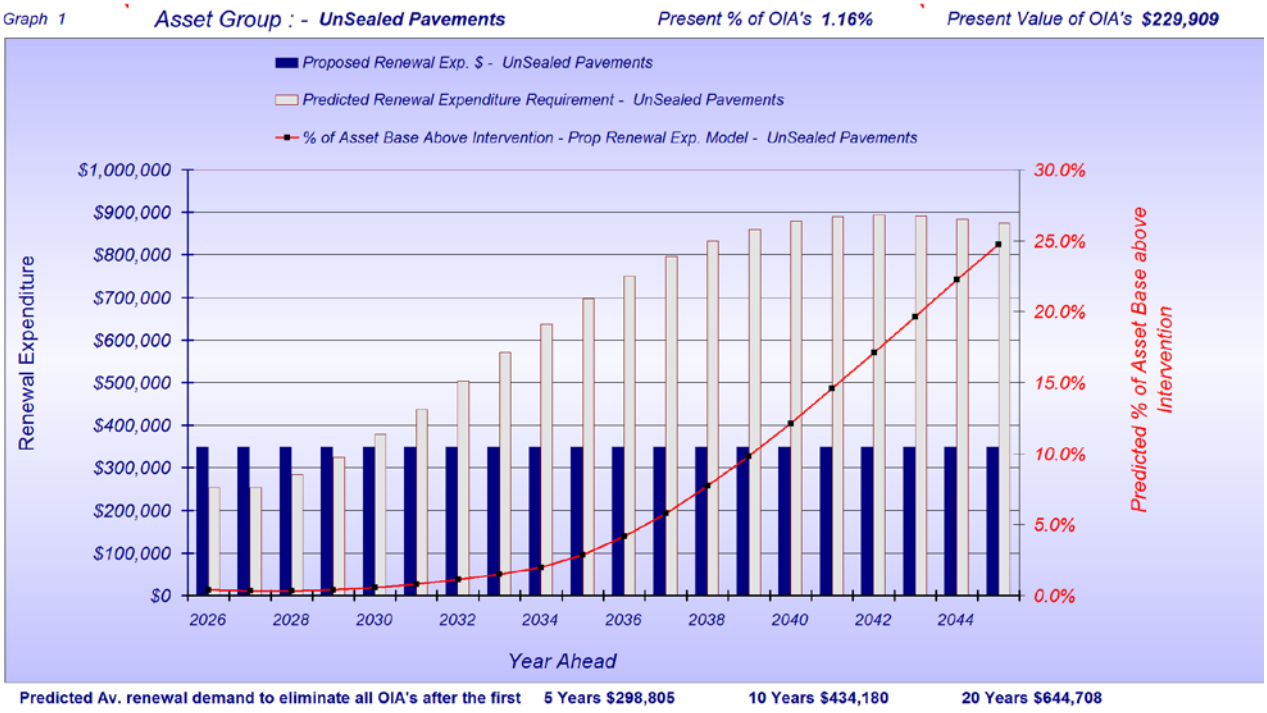


Figure U12 Recommended Renewal funding Strategy

For the unsealed pavements we have set the level of over intervention assets at 50.0% of the level of one year's annual liability after 10 years, which equates to 2.88% of the network the current level being 1.16%. So we are accepting a small overall condition decline. We have set the desired extent of over intervention assets at the top of the "exceptionally good" condition Range. (See Appendix D Figure D 1 for details relating to this classification range).

The model predicts that a flat expenditure of $350,000 pa combined with CPI Increases as appropriate will deliver on the required condition outcome.

5.3 Unsealed Pavement Summary

The Unsealed Pavement assets were found to be in "excellent" overall condition and have experienced a small but measurable condition improvement since 2014.

It is recommended that future renewal funding be set at a flat $350,000 pa and that it be further subject CPI Increases as appropriate.

Section 7: Kerb Sub Assets

This section will deal with the Kerb Sub assets. It will look at both internal and external benchmarking of asset condition as well as providing financial forecasting of future renewal demand and projected asset condition.

7.1 Condition and Performance of Kerb assets

The same eight common key performance indicators are used for all road sub assets. An explanation for each is available within sections 4.1 to 4.1.6 above rather than duplicating those details here. Seven of the eight condition indicators that were appropriate to the kerb assets have been used here.

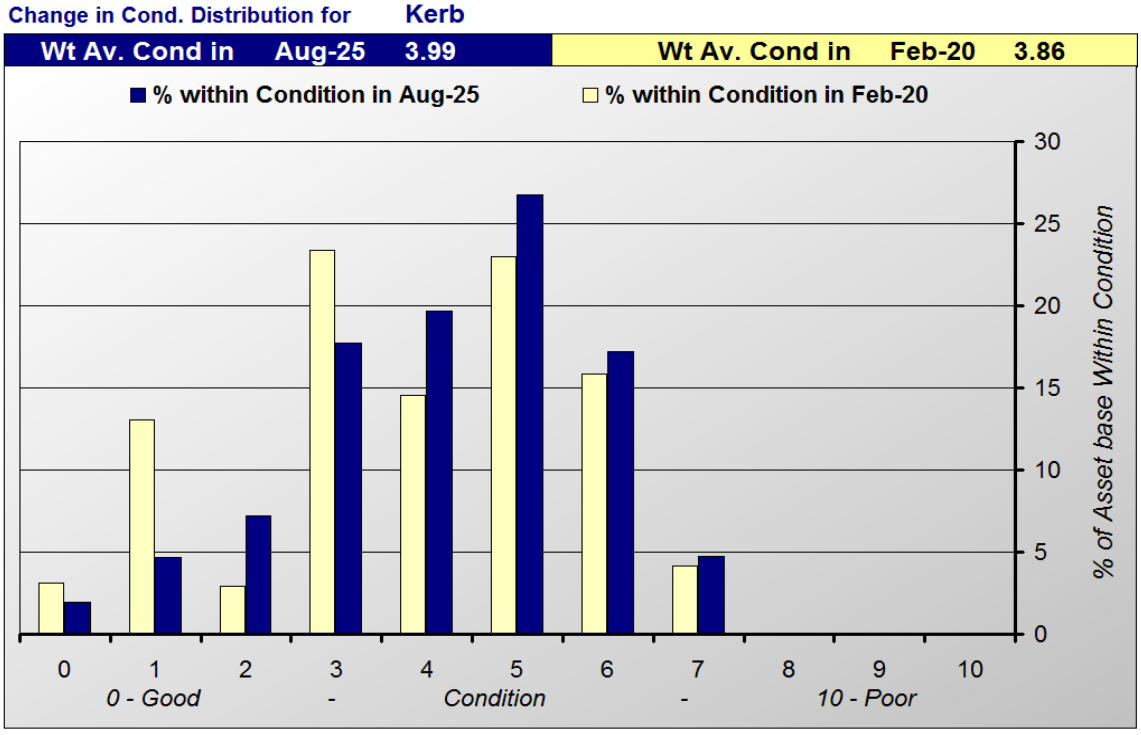


Figure K1 Condition Distribution Comparison Graph – Between Surveys

Key Cond. Indic. No.	Kerb Condition Indicator	Figures from Last Survey in Feb-20	Figures from Current Survey in Aug-25	Change between Surveys New Minus Old	% Change Between Surveys	Better or Worse Since last Survey
1	Weighted Average Asset Condition	3.86	3.99	-0.13	-1.64%	Worse
2	% of Urgent Failures	0.38	0.38	0.00	0.6%	Better
3	% of Other Failures	0.34	0.30	0.04	11.7%	Better
4	% of Asset Base above Condition 5	42.97	42.14	0.83	1.9%	Better
5	% of Asset Base above Condition 6	20.00	19.07	0.93	4.7%	Better
6	% of Asset Base above Condition 7	4.140	4.114	0.026	0.64%	Better
7	% of Asset Base above Condition 8	0.000	0.000	N/A	0.00%	Same

Renewal Demand Being Met For:	% of Annual Liability expenditure Planned in Future years	% of Annual Liability expenditure Since the time of the last survey
Kerb Asset Group	56%	56%

Figure K2 Condition Change since last survey & Renewal demand being met

The above 2 figures provide internal benchmarking that details how asset condition has changed since the last survey. Figure K1 provides the condition distribution for each survey along with the first of the key condition indicators, the weighted average asset condition.

Figure K2 contains seven of the eight key condition indicators that are appropriate to the kerb assets. It also shows how they have changed since the previous survey. At the bottom of the table are two very important figures. These indicate the percentage of the annual liability rate that has been met since the last survey, along with the percentage planned for future years.

The kerbs were found to be in fair to poor overall condition. Weighted average asset condition has declined a little since 2020. But other indicators had all improved.

7.1.2 Summary - Internal Benchmarking

Central Highlands's kerbs were found to be in "fair to poor" overall condition, but had experienced a small reduction in the extent of isolated kerb failures since 2020.

7.1.3 External condition Benchmarking

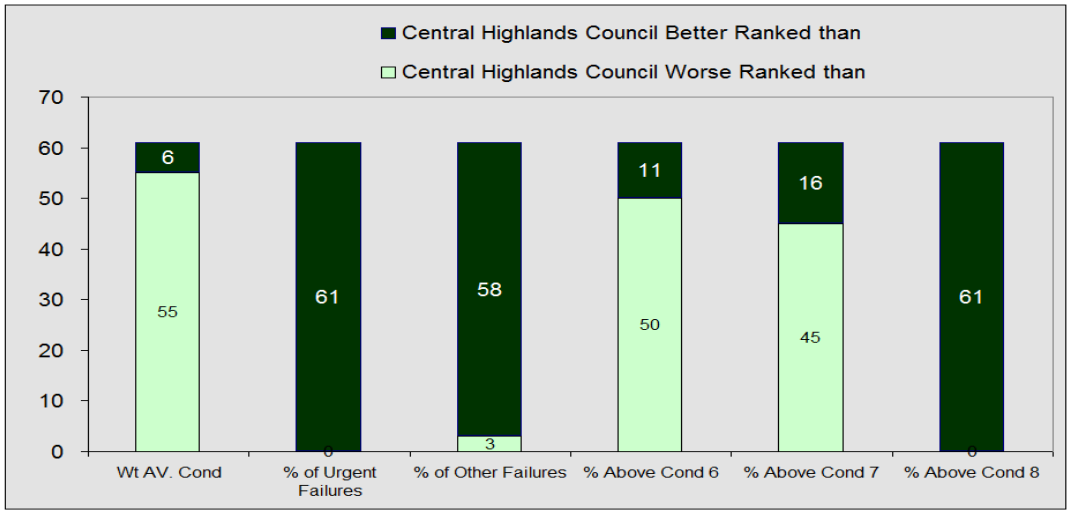


Figure K3 Key Condition Indicators as Compared with other Councils surveyed

Figure K3 provides external benchmarking based on the same key performance indicators as used internally in figure K2. The total number of councils assessed by MAMS on exactly the same basis is 62 for this sub asset class. The graph displays the number of councils ranked better and worse than Central Highlands Council for each of the six performance indicators. The dark green bars represent the number of councils that Central Highlands Council is ranked better than, while the light green is the number that Central Highlands is ranked worse that.

The comparison with all 62 councils assessed by MAMS within Figure K3 indicates a set of poor condition assets that are ageing and do not compare well with the 62 councils we have inspected. The exceptions are, you have extremely low levels of isolated kerb failures and the shared lowest level of assets at and above condition 8 that we have encountered.

7.1.3.1 Summary of External condition Benchmarking

Your Kerbs were found to be in fair to poor overall condition, but you have extremely low level of kerb failures and very poor condition assets

7.1.4 Long term condition performance

MAMS has undertaken three condition surveys of Central Highlands kerbs over the last 11 years and is now in a position to provide a plot of certain key performance indicators over the long term.

There are three areas that we track that apply to most sub asset classes (1 - 3 below). All 3 apply to the kerb assets.

1. *The extent of poor condition assets at and above conditions 6 - 8.*
2. *The extent of isolated asset failures - Not applicable to Sealed Surface assets*
3. *The movement in the weighted average asset condition*

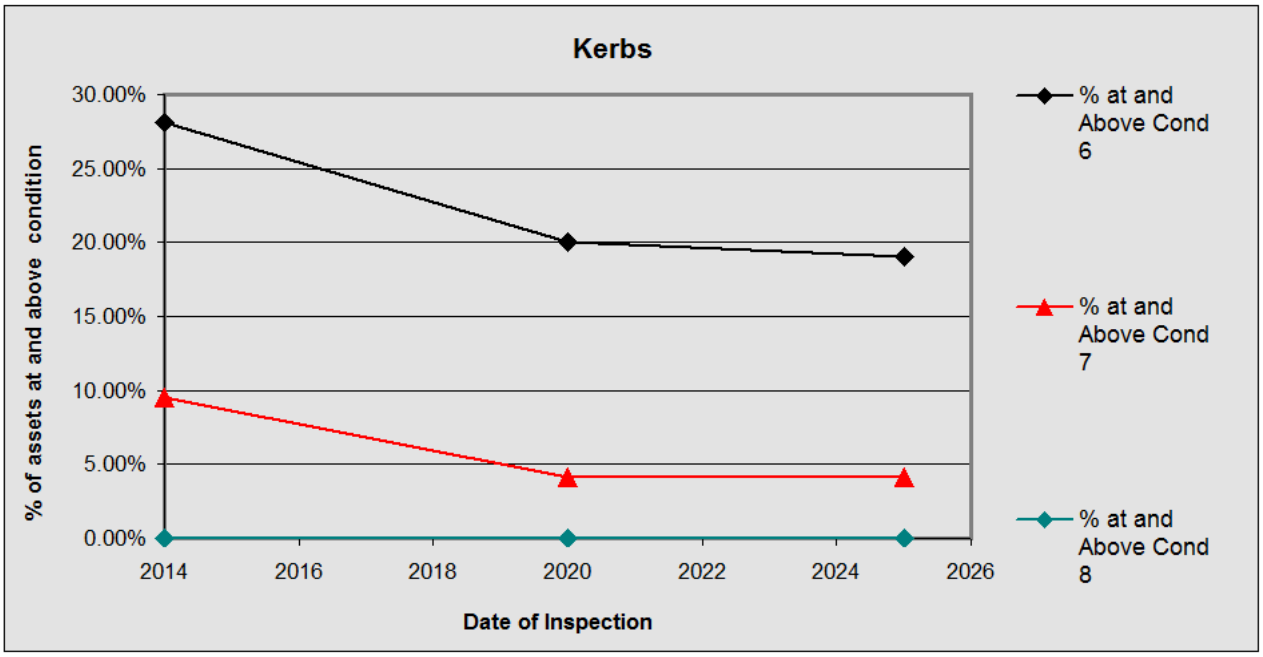


Figure K4 - Long term extent of poor condition assets

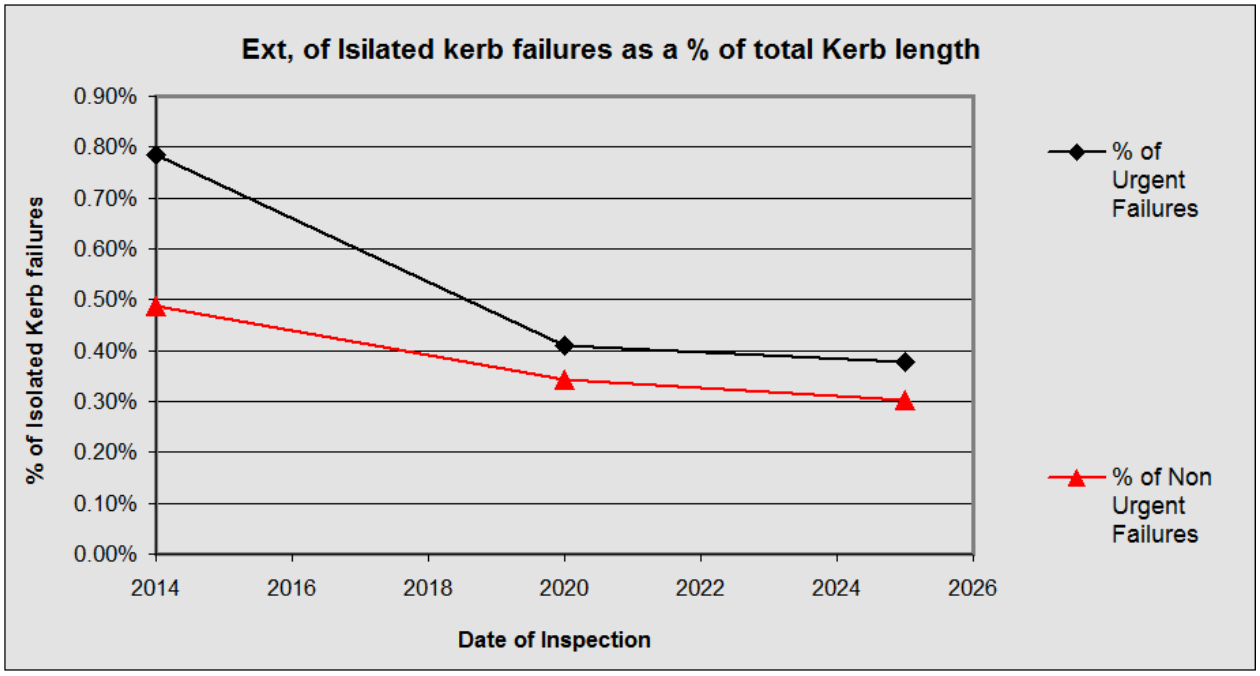


Figure K5 - Long term Extent of isolated kerb failures

Figure K4 plots the long term movement in the extent of poor condition assets. It looks at the extent of the asset base at and above conditions 6 - 8 over the last 11 years. The extent of poor condition assets have reduced slowly but steadily over the longer term.

Figure K5 plots the movement in the extent of isolated kerb failure. The extent of isolated kerb failures has also reduced steadily.

7.1.4.1 Long term condition performance

The long term movement in kerb condition over the last 11 years demonstrated a slow but steady overall condition improvement since 2014

7.2 Kerb Financial Modelling Analysis

Most kerb assets are modelled within a single data set as their performance is generally quite uniform across all assets. We do sometimes separate them when significant stone kerbs are present as these tend to have longer service lives and higher unit renewal rates than concrete kerbs. We sometimes treat the state assets that by default become a council responsibility as a separate asset set.

7.2.1 Kerb Assets – Selection of Retreatment Intervention Level

The point at which you choose to intervene to renew or replace an asset will have a big impact in the predicted future renewal demand. The intervention level can be seen as the level of service associated with the asset set. High intervention level equates to low level of service, while low intervention level relates to a high level of service.

Detailed below are a series of photographs illustrating various kerb condition ratings. They do not cover the complete condition range but hopefully will provide some guidance to the selection of the retreatment intervention level.

	
Condition 3 Old but only minor loss of shape & movement	Condition 6 Movement and concrete breakdown
	
Condition 8 Large movement and holding of water	Condition 9 Extreme movement and lack of function

It is very difficult to cover kerb condition in such a limited range of photographs but hopefully they will provide some idea of asset condition in the 6 – 9 condition range where most interventions will take place. Kerbs can be within this condition range for a number of different reasons and the photos will cover only a limited range of these situations. They should be seen as one possible condition situation and not the only situation for that condition rating.

7.2.2 Kerb Assets – Financial Modeling Results

Modelling Parameter	Kerbs
Asset Quantity in lineal metres	13,201
Unit Renewal Rate	**$220.00**
Total Asset Group Renewal Cost	$2,904,220
Annual Renewal Exp.	**$15,000**
Retreat. Intervention Condition	8.0
Life to Condition 10 in Years	110.0
Life in years to Intervention	**102.0**

Figure K7 – Summary of Modelling Input Parameters for Kerb Assets

Kerbs have been modelled within a single asset set as detailed in Figure K7 above. The intervention level has been set at condition 8.0 which is considered to be the industry standard for this asset class. Service lives have been lifted a little to better reflect the values coming out of our degradation curve analysis.

The ongoing repair of isolated kerb failures does extend the asset lives coming out of our degradation curve analysis as the assets tend to sit within the 4 - 6 condition range far longer than they would without the regular repairs. Thus it can be difficult to pin down a firm service life within the model.

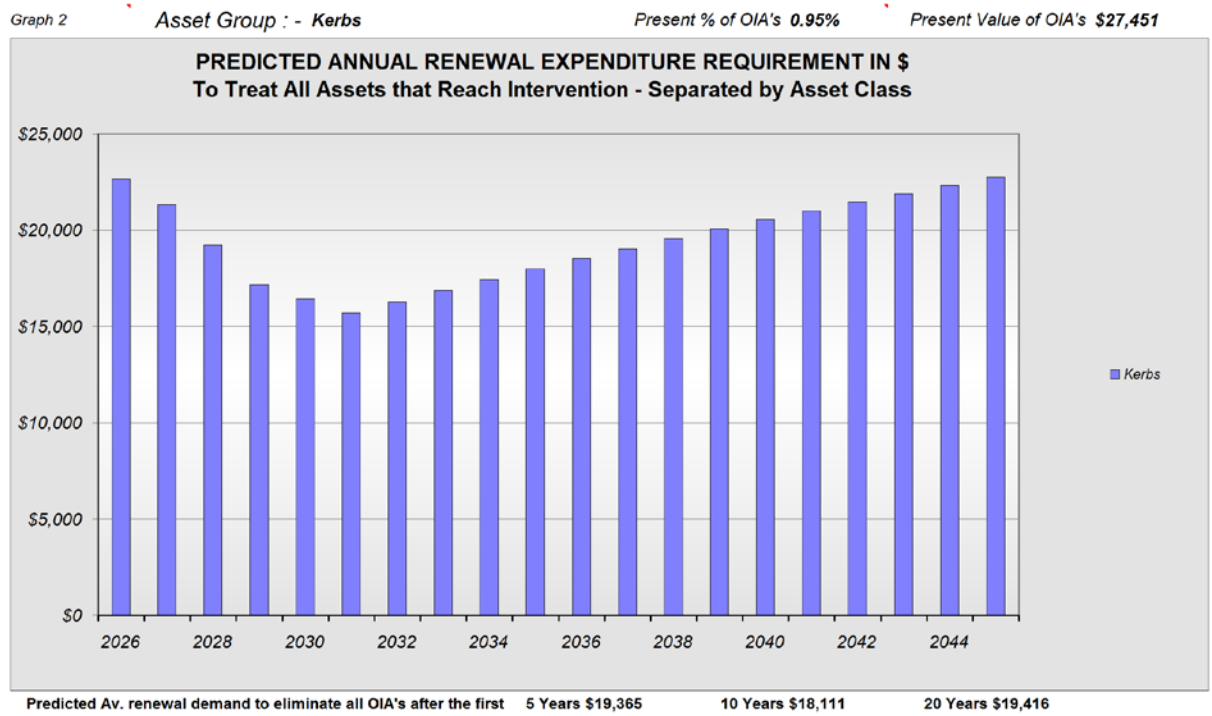


Figure K8 Predicted Renewal Demand to treat all assets that reach the Intervention level

Figure K8 plots the annual funding profile required to eliminate all over intervention assets OIA's. If there is a large backlog of over intervention assets such that the raw year one demand is 30% or greater than the year two demand then the Moloney model eases the difference in over the first five years (this will show up as a reducing renewal demand over the first five years). For this reason we prefer to quote the present renewal demand as the average figure for the first 5 years. In this case the first 5 year average renewal demand is estimated at $19,000 pa. If this expenditure is maintained all OIA's will be eliminated after 5 years.

All of the isolated kerb failures that were identified during the survey were converted into small pieces of poor condition asset and then included within the model to be repaired at a higher than normal unit rate because of their short lengths. In this way the model is covering all of the full length poor condition assets as well as the isolated kerb failures within its calculations.

Figure K8 indicates that the capital renewal demand pattern to treat all assets that are predicted to reach the retreatment intervention level over the next 20 years has an average annual renewal demand of $19,000 pa for the first 5-years, with the peak demand over the next 20 years estimated at $23,000 in the year 2045.

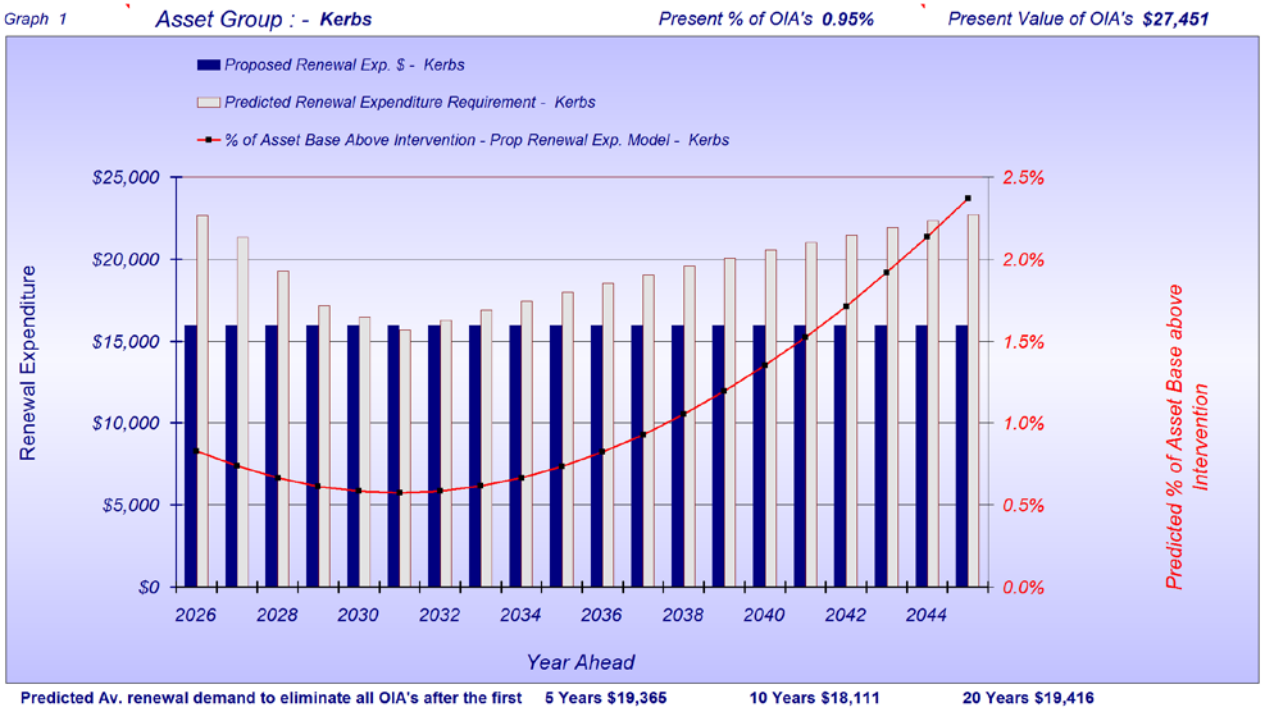


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Figure K9 Future Predicted Condition Based on planned expenditure profile

Figure K9 plots the extent of the asset base that is predicted to rise above the intervention level (red line) based upon the continuation of the planned level of renewal expenditure (in blue bars). It also plots the predicted renewal demand to treat all over intervention assets within the grey bars (Same aggregate figures as within Figure K5 but not split into the individual modelling sets).

Figure K9 indicates that the planned renewal expenditure of $16,000 pa, if maintained for the next 10 years, will result in the levels of OIA's falling from the current level of 0.95% of the network value down to 0.74%.

The Moloney financial modelling software has the capacity to develop a recommended renewal funding profile that will deliver a nominated extent of over intervention assets within a selected time frame. A global outcome can be set for the whole roads group. In this way the model can also be used to allocate funding between the sub asset groups to deliver the best overall condition outcome for all road assets.

Please refer to Appendix D which explains why and how we set the desired extent of over intervention assets in terms of the number of year's worth of annual liability that it represents. Appendix D4 also provides an explanation of the Moloney funding scenario finder along with its three basic input criteria requirements. The three input criteria adopted are contained within figure K10.

For the kerbs we have set the level of over intervention assets at 50% of the level of one year's annual liability which equates to 0.74% of the value of the asset base, to be delivered after 10 years. The current level being 0.95%. We have set the desired extent of over intervention assets at the top of the "exceptionally good" condition Range (Refer to Appendix D Figure D 1 for details) and we are asking for a very small overall condition improvement.

The aim with the funding scenario finder is to deliver a consistent extent of OIA's across all road sub asset classes based on the number of years of annual liability that the OIA's represent. In this way the model also distributes the total renewal funding across all sub asset classes based on the actual renewal demand.

	Criteria 1. Extent of OIA's				
Road Sub Asset Set Description	Expressed as the % of One Years Annual Liability	Expressed as a % of The Total Asset Set Replacement Valuation	**Criteria 2.** Years to achieve Desired Condition outcome	**Criteria 3** Annual % of Compounding funding increase (if required)	Moloney Standardised Descriptor for the Desired Condition Outcome
Kerbs	50.0%	0.74%	10	0.00%	exceptionally good

Figure K10 Modelling scenario finder inputs - Sealed Pavement Assets

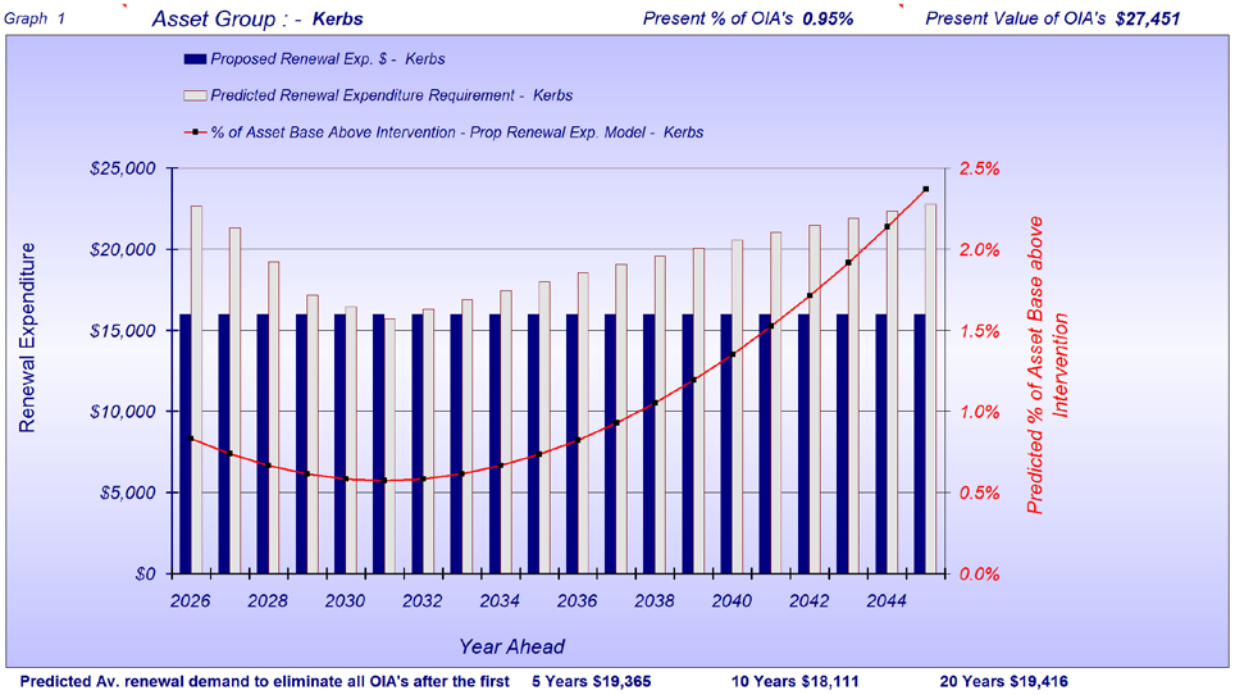

Figure K11 Recommended future Renewal funding strategy

The recommended funding level over the next 10 years is a flat $17,000 pa which should also be subject to CPI increases as appropriate.

7.3 Kerb Summary

The kerb assets were found to be in "fair to poor" overall condition but the extent of isolated kerb failures has reduced steadily since our first survey in 2014. The recommended funding level over the next 10 years is a flat $17,000 pa which should also be subject to CPI increases as appropriate.

Section 8: Footpath Sub Assets

This section will deal with the Footpath Sub assets. It will look at both internal and external benchmarking of asset condition as well as providing financial forecasting of future renewal demand and projected asset condition.

8.1 Condition and Performance of Footpath assets

The same eight common key performance indicators are used for all road sub assets. An explanation for each is available within sections 4.1 to 4.1.6 above rather than duplicating those details here. Seven of the eight condition indicators that were appropriate to the Footpath assets have been used here.

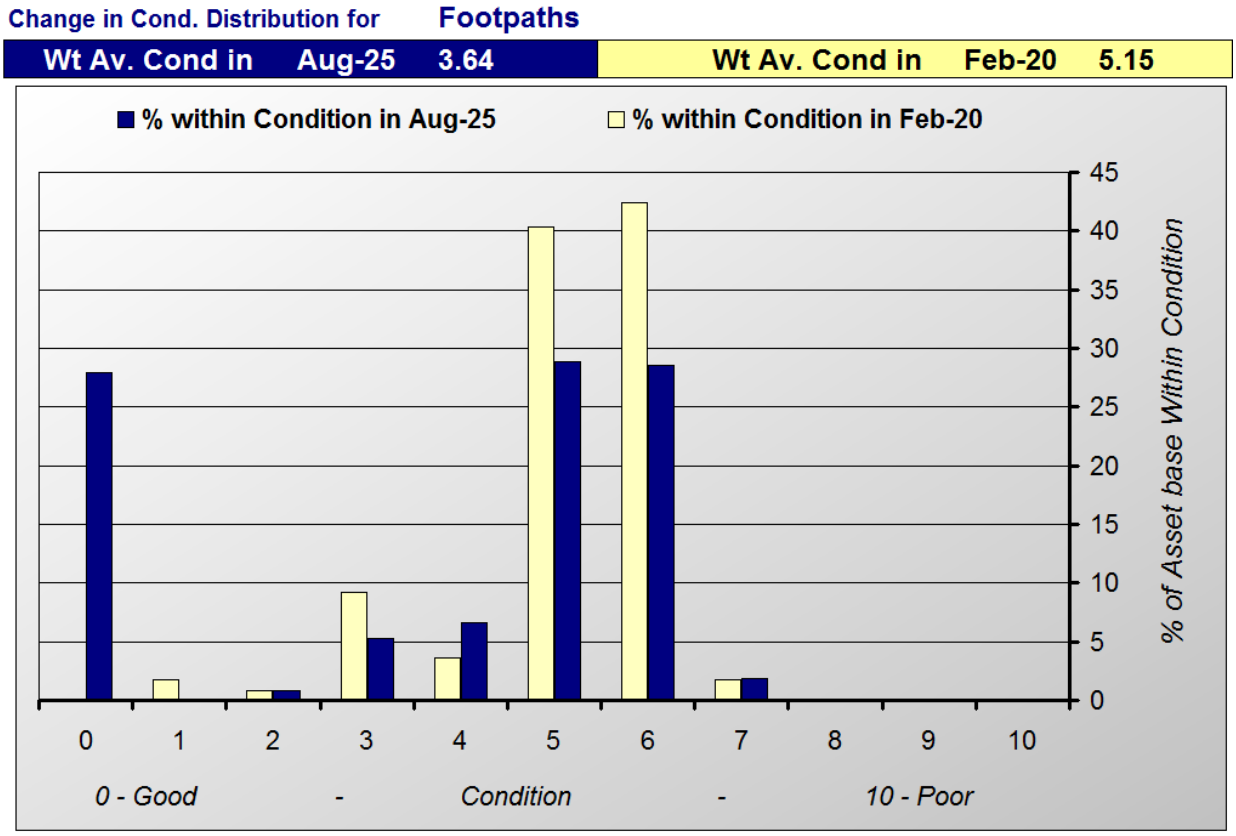

Figure F1 Condition Distribution Comparison Graph – Between Surveys

Footpath Key Condition Indicators & Expenditure Levels

Key Cond. Indic. No.	Footpath Condition Indicator	Figures from Last Survey in Feb-20	Figures from Current Survey in Aug-25	Actual Change Negative is a Condition Decline	% Change Between Surveys	Better or Worse Since last Survey
1	Weighted Average Asset Condition	**5.15**	**3.64**	**1.51**	**21.6%**	**Better**
2	% of Asset Base above Condition 5	**84.63**	**60.98**	**23.65**	**27.9%**	**Better**
3	% of Asset Base above Condition 6	**44.24**	**31.17**	**13.07**	**29.5%**	**Better**
4	% of Asset Base above Condition 7	**1.79**	**0.67**	**1.12**	**62.6%**	**Better**
5	% of Asset Base above Condition 8	**0.052**	**0.000**	**0.052**	**100.0%**	**Better**

Renewal Demand Being Met For:	% of Annual Liability expenditure Planned in Future years	% of Annual Liability expenditure Since the time of the last survey
Footpath Asset Group	**86%**	**86%**

Figure F2 Condition Change since last survey & Renewal demand being met

The above 2 figures provide internal benchmarking that details how asset condition has changed since the last survey. Figure F1 provides the condition distribution for each survey along with the first of the key condition indicators, the weighted average asset condition.

Figure F2 contains seven of the eight key condition indicators that are appropriate to the Footpath assets. It also shows how they have changed since the previous survey. At the bottom of the table are two very important figures. These indicate the percentage of the annual liability rate that has been met since the last survey, along with the percentage planned for future years.

The Footpaths were found to be in fair to poor overall condition. However, all five performance indicators within figure F2 have experienced a substantial condition improvement since our last survey in 2020.

Council is currently funding the footpath renewal program at $50,000 pa but has additional funding of around $195,000 pa for the creation of new footpath assets. This practice has been in place for several years and can bee seen within the very high extent of condition zero assets within figure F1 above.

8.1.2 Summary - Internal Benchmarking

Figure F2 indicates that all five performance measures have improved substantially since 2020.

8.1.3 External Condition Benchmarking

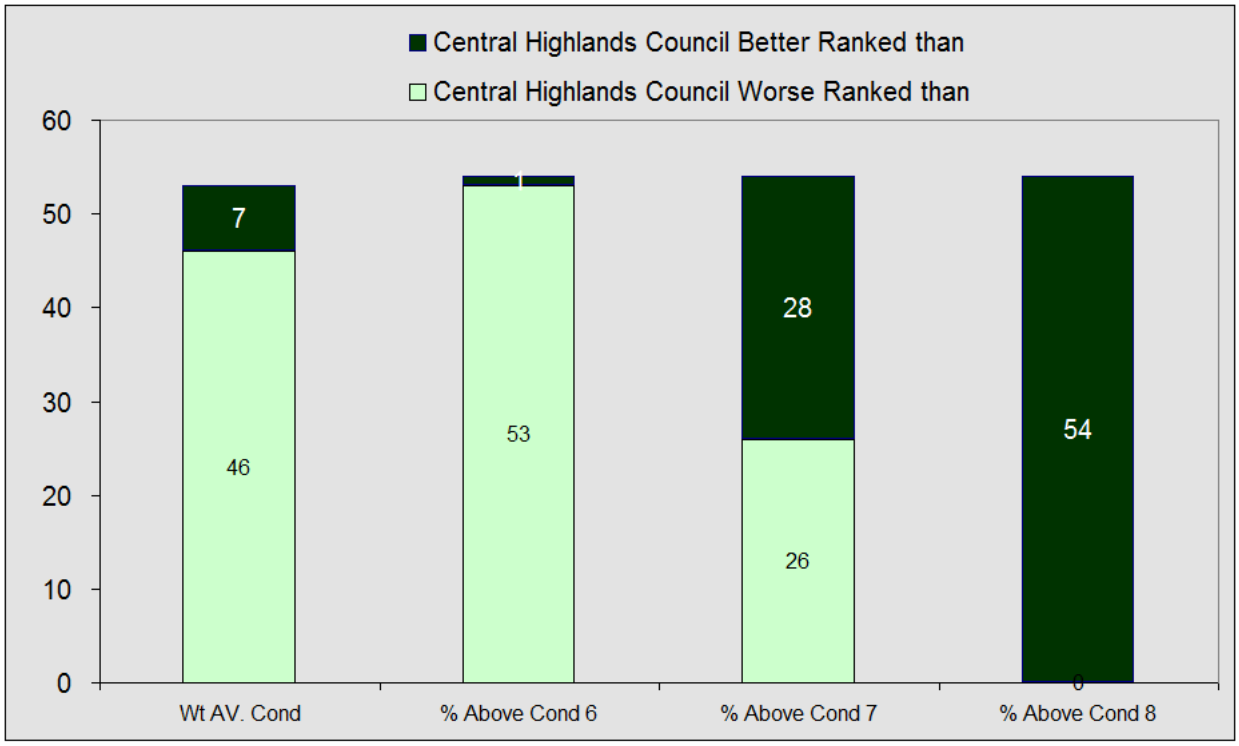

Figure F3 Key Condition Indicators as Compared with other Councils surveyed

Figure F3 provides external benchmarking based on the same key performance indicators as used internally in figure F2. The total number of councils assessed by MAMS on exactly the same basis is 53 for this sub asset class. The graph displays the number of councils ranked better and worse than Hepburn Shire for each of the six performance indicators. The dark green bars represent the number of councils that Hepburn Shire is ranked better than, while the light green is the number that Hepburn is ranked worse that.

The comparison with all 54 councils assessed by MAMS within Figure F3 indicates a set of assets in fair to poor overall condition. You have very low levels of condition 8.0 assets because of your high recent renewal expenditure levels. But your weighted average asset condition remains quite poor and you have very high levels of condition 6.0 assets which will require renewal over the next few years.

8.1.3.1 Summary of External Condition Benchmarking

Your Footpaths were found to be in fair to poor when compared to the 54 councils we have inspected for this asset class. For a more detailed look at the 4 individual condition indicators that are used to deliver this single overall condition assessment refer to Figure 2.1 above.

8.1.4 Long term condition performance

MAMS has undertaken three condition surveys of Central Highlands's pathway assets over the last 11 years and is now in a position to provide a plot of certain key performance indicators over the long term.

There are three areas that we track that apply to most sub asset classes (1 - 3 below). All 3 apply to the kerb assets.

1. *The extent of poor condition assets at and above conditions 6 - 8.*
2. *The extent of isolated asset failures - Not applicable here*
3. *The movement in the weighted average asset condition*

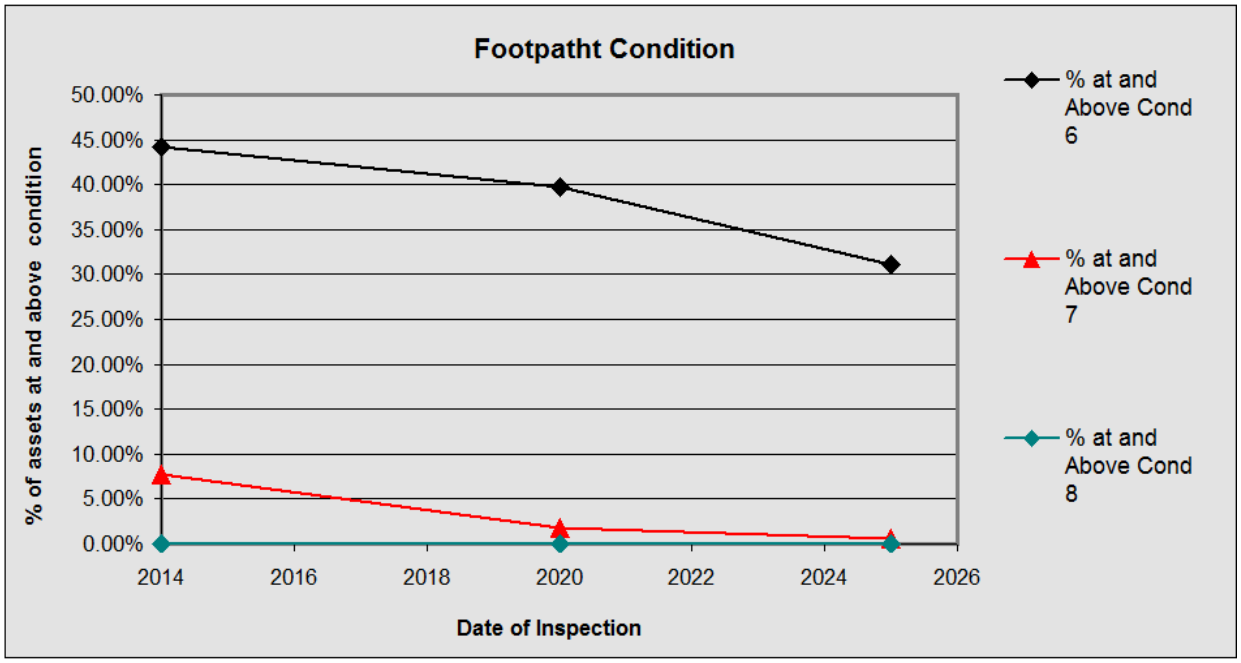

Figure F4 - Long term extent of poor condition assets

8.1.4.1 Summary of Long term condition performance

The extent of poor condition assets has been reducing steadily over the last 11 years. However, you do still have a very high extent of condition 6 assets. But you have reduced these steadily over the last 11 years.

8.2 Footpath Financial Modelling

The point at which you choose to intervene to renew or replace an asset will have a big impact in the predicted future renewal demand. The intervention level can be seen as the level of service associated with the asset set. High intervention level equates to low level of service, while low intervention level relates to a high level of service.

Detailed below are a series of photographs illustrating various Footpath condition ratings. They do not cover the complete condition range but hopefully will provide some guidance to the selection of the retreatment intervention level.

	
Condition 0 – 1 Excellent condition	Condition 6 Extensive movement
	
Condition 7 Extensive cracking and movement	Condition 9 Very poor – Cracking and breaking up

It is very difficult to cover Footpath condition in such a limited range of photographs but hopefully they will provide some idea of asset condition in the 6 – 9 condition range where most interventions will take place. Footpaths can be within this condition range for a number of different reasons and the photos will cover only a limited range of these situations. They should be seen as one possible condition situation and not the only situation for that condition rating.

8.2.2 Footpath Assets - Financial Modelling Results

Modelling Parameter	Concrete Footpaths	Asphalt and Sealed Footpaths	Gravel Footpaths	Totals
Asset Quantity in sqm	10,120	7,030	6,158	23,308
Unit Renewal Rate	**$115.00**	**$90.00**	**$18.00**	
Total Asset Group Renewal Cost	$1,163,800	$632,700	$110,844	$1,907,344
Annual Renewal Exp.	**$37,000**	**$8,000**	**$5,000**	**$50,000**
Retreat. Intervention Condition	7.0	7.0	7.0	
Life to Condition 10 in Years	70.0	25.0	20.0	
Life in years to Intervention	**56.9**	**20.3**	**16.3**	

Figure F6 – Summary of Modelling Input Parameters for Footpath Assets

Footpaths have been modelled within thee groups as detailed in Figure F6 above.

The intervention level has been set at the general industry standard of condition 7.0.

The ongoing repair of isolated footpath failures does tend to extend the asset lives coming out of our degradation curve analysis, as the assets can sit within the 4 - 6 condition range for much longer than they would without the regular repairs. Thus it can be difficult to pin down a firm service life for this asset class within the model.

Isolated footpath failures were not assessed as part of this condition survey so we were not able to add them into the modelling process as we did for the kerb assets.

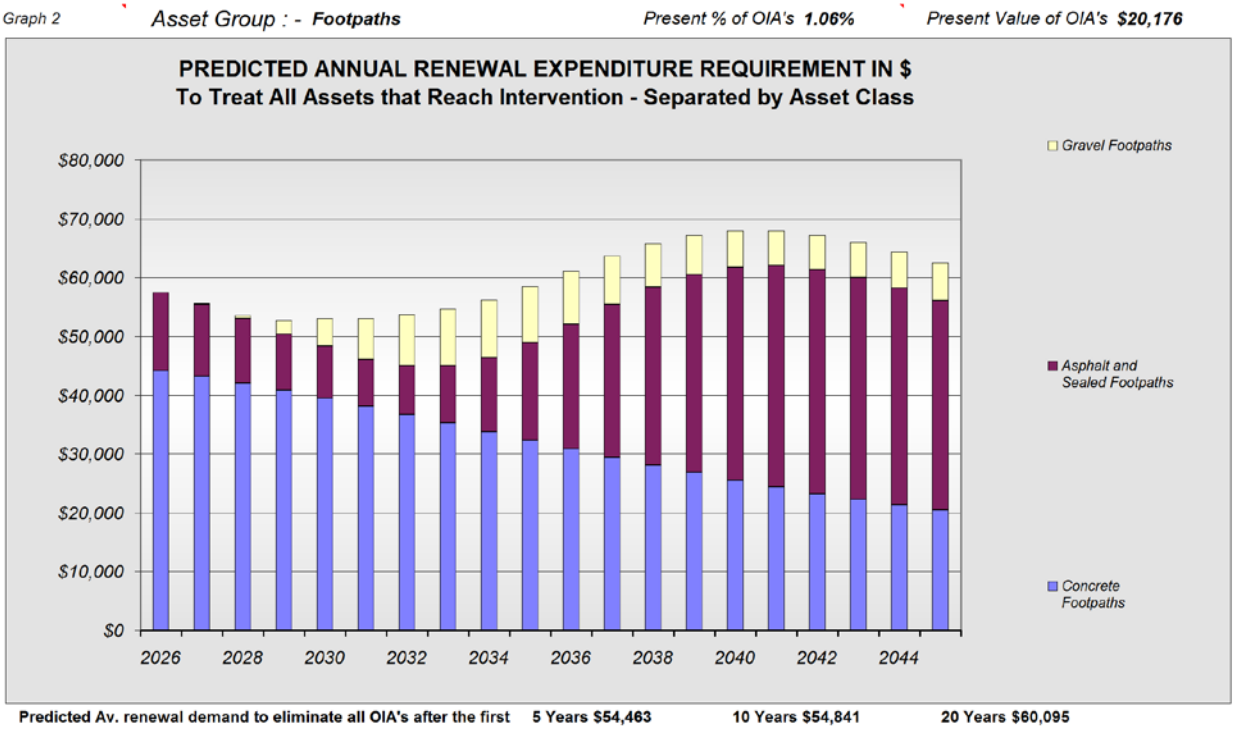

Figure F7 Predicted Renewal Demand to treat all assets that reach the Intervention level through normal decay

Figure F7 plots the annual funding profile required to eliminate all over intervention assets. If there is a large backlog of over intervention assets such that the raw year one demand is 30% or greater than the year two demand then the Moloney model eases the difference in over the first five years (this will show up as a reducing demand over the first five years). For this reason we prefer to quote the present renewal demand as the average figure for the first 5 years. In this case the first 5 year average renewal demand is estimated at $54,463 pa. If this expenditure is maintained all OIA's will be eliminated after 5 years.

Figure F7 indicates that the capital renewal demand pattern to treat all assets that are predicted to reach the retreatment intervention level over the next 20 years has an average annual renewal demand of $54,463 pa for the first 5-years. With the peak demand over the next 20 years estimated at $68,000 in the year 2040.

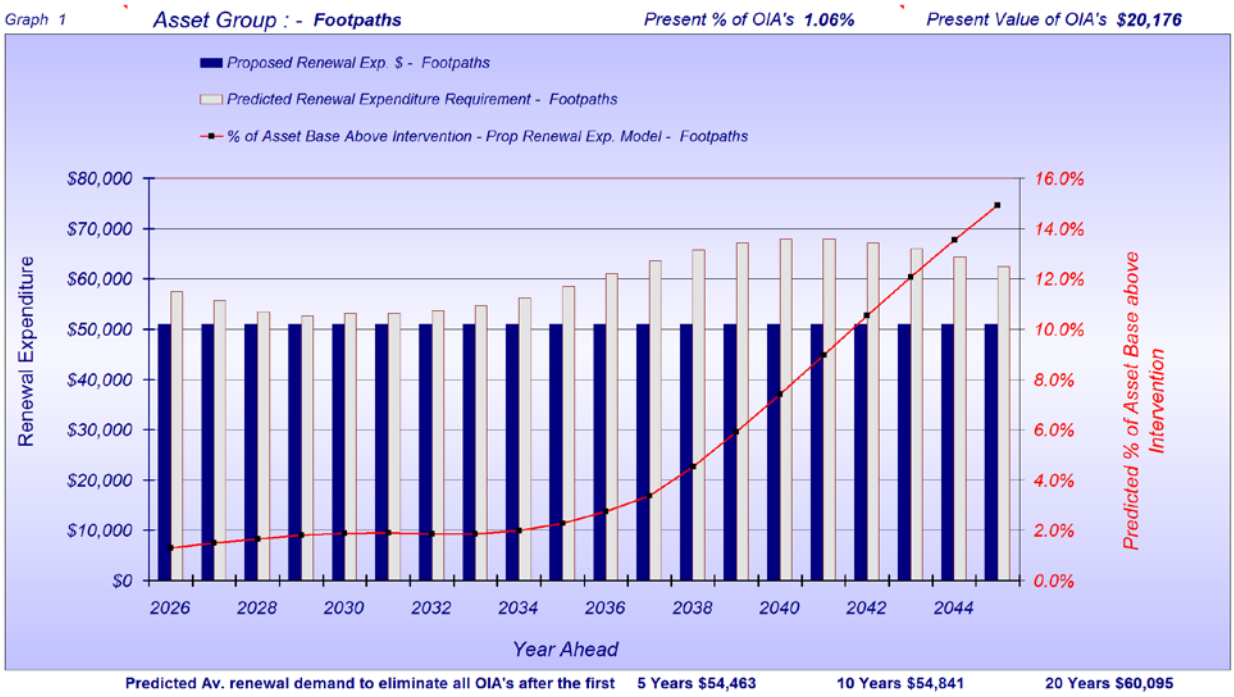

Figure F8 Future Predicted Condition Based on planned expenditure profile

Figure F8 plots the extent of the asset base that is predicted to rise above the intervention level (red line) based upon the continuation of the planned level of renewal expenditure (in blue bars). It also plots the predicted renewal demand to treat all over intervention assets within the grey bars (Same aggregate figures as within Figure F7 but not split into the individual modelling sets).

Figure F8 indicates that the planned renewal expenditure of $50,000 if maintained, will result in the present extent of OIA's at 1.06% of the network rising to 2.28% after 10 year.

The Moloney financial modelling software has the capacity to develop a recommended renewal funding profile that will deliver a nominated extent of over intervention assets within a selected time frame. A global outcome can be set for the whole roads group. In this way the model can also be used to allocate funding between the sub asset groups to deliver the best overall condition outcome for all road assets.

Please refer to Appendix D which explains why and how we set the desired extent of over intervention assets in terms of the number of year's worth of annual liability that it represents. Appendix D4 also provides an explanation of the Moloney funding scenario finder along with its three basic input criteria requirements. The three input criteria adopted for the Footpath assets are as detailed within figure F7 below with the results of the funding scenario finder operation contained within figure K8.

	Criteria 1. Extent of OIA's				
Road Sub Asset Set Description	Expressed as the % of One Years Annual Liability	Expressed as a % of The Total Asset Set Replacement Valuation	**Criteria 2.** Years to achieve Desired Condition outcome	**Criteria 3** Annual % of Compounding funding increase (if required)	Moloney Standardised Descriptor for the Desired Condition Outcome
Footpaths	50.0%	2.28%	10	0.00%	exceptionally good

Figure F9 Modelling scenario finder inputs - Footpath Assets

For the Footpaths we have set the level of over intervention assets at 50.0% of the level of one year's annual liability which equates to 2.28% of the network after 10 Years. The current level being 1.06% so we are accepting a small condition decline. We have set the desired extent of OIA's at the top of the exceptionally good condition range, (Refer to Appendix D Figure D 1 for details).

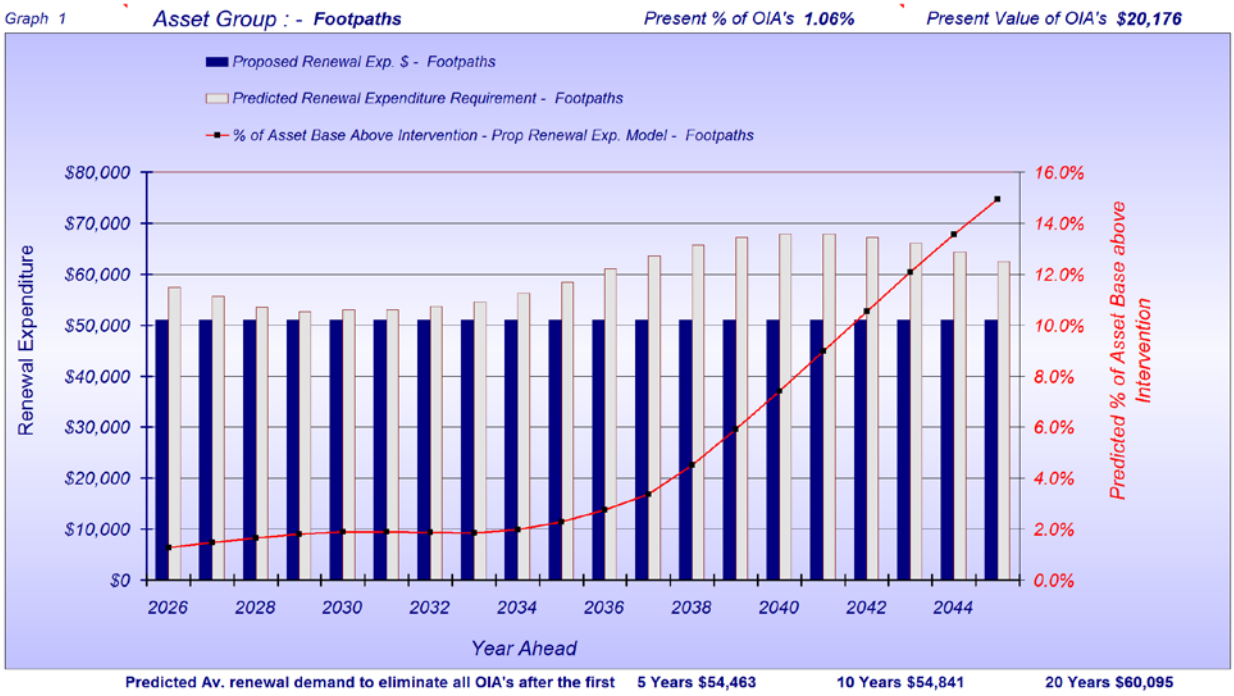

Figure F10 Recommended future Renewal funding strategy

It is recommended that the renewal expenditure be set at $51,000 next year and maintained at that level for 10 years. It is further recommended that the renewal rate be subject to CPI increases as appropriate.

8.3 Footpath Summary

The footpath assets were found to be in fair to poor overall condition with very high levels of assets just below the retreatment intervention level at condition 6.0. It is recommended that the renewal expenditure be set at $51,000 next year and maintained at that level for 10 years. It is further recommended that the renewal rate be subject to CPI increases as appropriate.

Section 9: Aggregated Modelling Results for the Road Network

9.1 Overall Financial Reporting

Accurate network modelling within the Moloney system depends upon several independent modelling variables. Council now has a good handle on most of these variables and the modelling results are becoming quite meaningful. Modelling has been based upon the ongoing rehabilitation of the existing asset base only and does not allow for an expanding asset base. Any proposed expenditure on the upgrading of existing assets must be added to the figures delivered within this report.

The Moloney System allows for the modelling of up to 40 individual asset sets and to then combine these results firstly into up to ten reporting groups (Sub asset sections in this report). Then finally into an aggregated set of reports for the whole road network. This section will deal with the aggregated modelling results for the whole roads group.

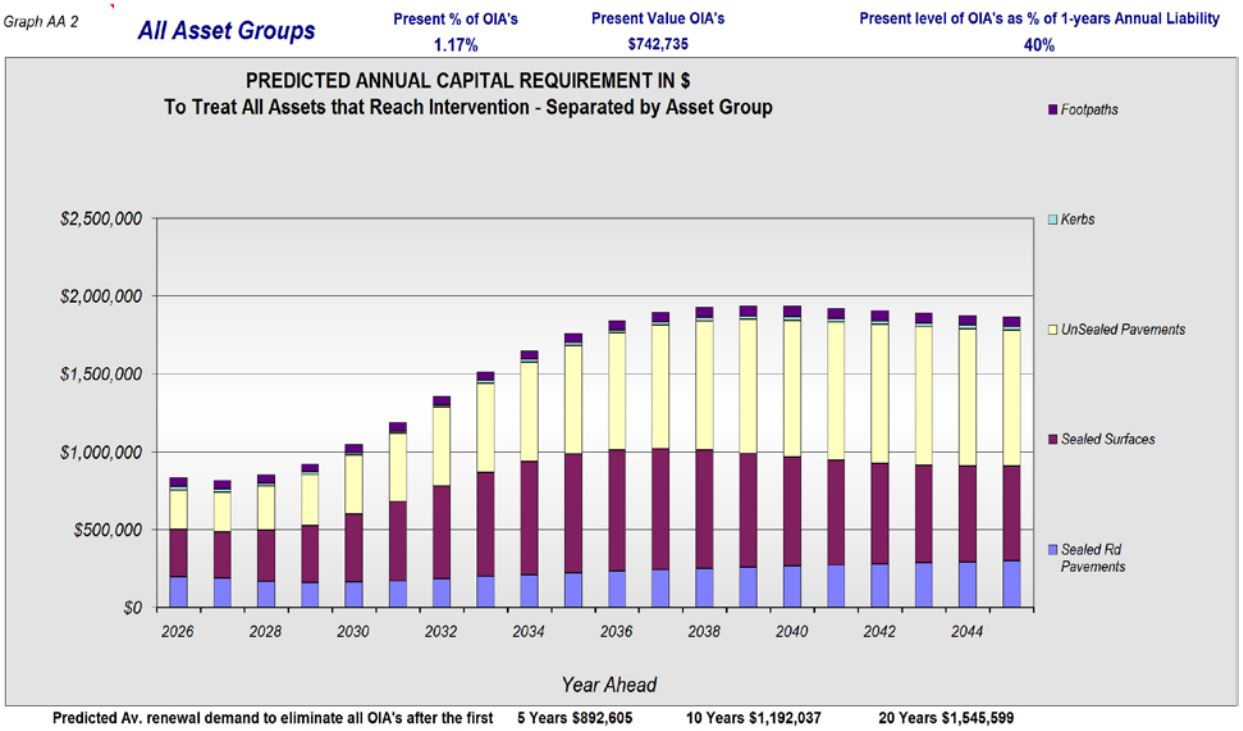

Figure Agg 1 Predicted Renewal Demand to treat all assets that reach the Intervention level

Figure Agg 1 plots the annual funding required to treat all over intervention assets within the first 5 years. It also splits the total renewal demand into the sub asset sets that were analysed within sections 4 to 8 above.

Figure Agg 1 plots the 20 year estimated renewal demand to treat all assets that are predicted to reach the retreatment intervention level through normal decay with time. Because the model is programmed to ease in the year one demand over 5 years when the raw year one demand is 30% greater than year two, it is best to report the commencing renewal demand as an average figure for the first 5 years. The average renewal demand over the first 5 years for the whole roads group is estimated at $893,000. The peak demand over the next 20 years is estimated at $1,936,000 in the year 2039. But remember this is aiming for a zero level of OIA's.

9.1.1 Condition based upon the total level of OIA's

Agg 1 also displays at the top of the graph the present extent of over intervention assets (OIA's) for the whole roads group expressed in three ways.

1. As a percentage of the total asset base valuation - 1.17%.
2. As the total renewal value of the OIA's - . $742,735
3. As the percentage of one years annual liability (or annual consumption rate), corresponding to the level of your OIA's - 40%

The Moloney standardised condition descriptor table in Figure D 1 of Appendix D reports this extent of OIA's for the whole road network to be at the better end of the "exceptionally good" condition range. But this is based on the one condition indicator, (the extent of OIA's) and some of your intervention levels are lower than the general industry standard (delivering a higher level of service).

9.1.2 Condition based upon the total level of OIA's with standardized intervention levels

For external benchmarking purposes it is best to report the number of years worth of annual liability represented by the total level of OIA's as one based on a set of standardised intervention levels.

Central Highlands has some lower intervention level (higher level of service) for certain assets than what we consider to be the general industry standard. Hence your overall performance based on the adoption of the standardised intervention levels will be a little better than what is being reported within figure Agg 1 above. Detailed below are the three indicators relating to the extent of OIA's when your

1. *Percentage of the total asset base above the intervention level - 0.76%*
2. *Total replacement value of OIA's - $482,000*
3. *The percentage of one years annual liability corresponding to the level of OIA's - 28%*

The standardised condition descriptor table in Figure D 1 of Appendix D reports this extent of OIA's for the whole road network as being in the middle of the "exceptionally good" condition range. So based on the standardised intervention levels your figures are better but you were already in the top category and hence cannot rise above that. However, your extent of OIA's expressed in terms of the number of years worth of annual liability that they represent has fallen from 40% down to 28%, so quite a measurable improvement.

9.1.3 Predicted condition based upon the planned renewal expenditure

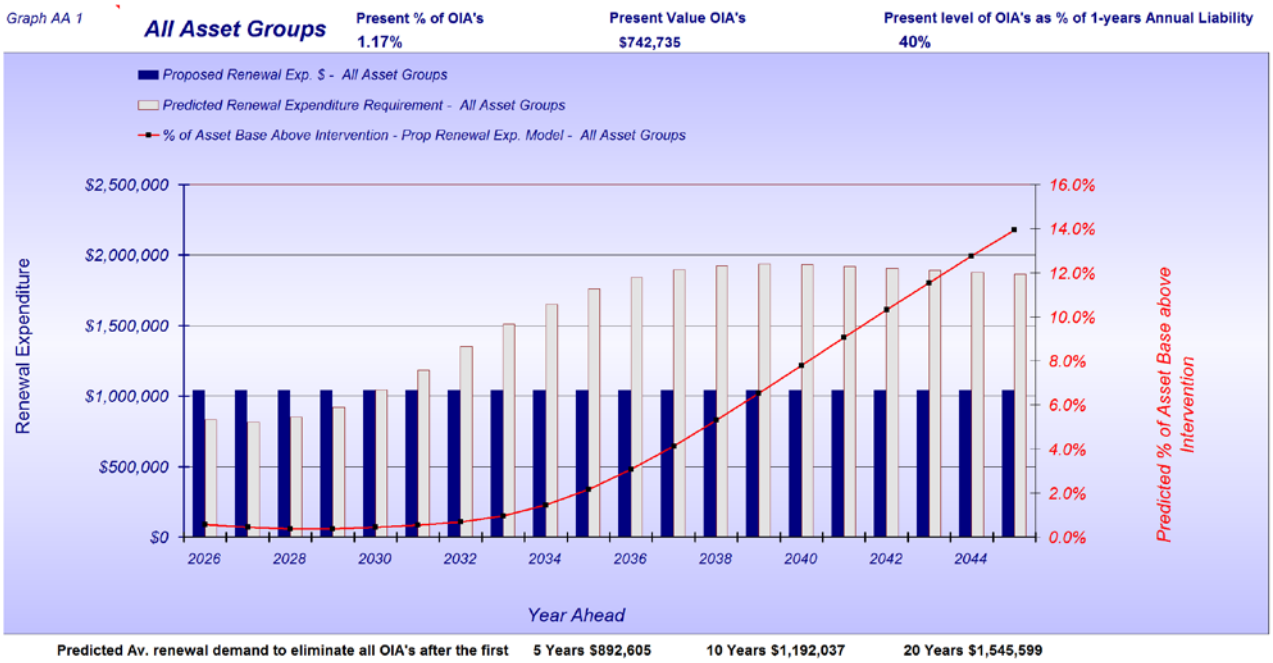

Figure Agg 2 – Future Predicted Condition - Based on the continuation of the planned expenditure profile

Figure Agg 2 plots the extent of the asset base that is predicted to rise above the intervention level (red line) based upon the continuation of the planned level of renewal expenditure (in blue bars) on the same basis as the present split between the road sub assets. It also plots the predicted renewal demand to treat all over intervention assets within the grey bars (Same aggregate figures as within Figure Agg 1 but not split into the sub asset modelling groups).

If the planned total renewal expenditure of $1,063,000 is maintained with the same split between the sub asset classes for the next 10 years, figure Agg 2 indicates that the present extent of OIA's at 40% of the

level of one years annual liability or 1.17% of the total asset base value, will rise a little of 2.17% of the total asset base after 10 years.

The Moloney financial modelling software has the capacity to develop a recommended renewal funding profile that will deliver a nominated extent of over intervention assets within a selected time frame. A global outcome can be set for the whole roads group. In this way the model is also used to allocate funding between the sub asset groups on a needs basis to deliver the best overall condition outcome for the whole roads group.

Please refer to Appendix D which explains why and how we set the desired extent of over intervention assets in terms of the number of year's worth of annual liability that it represents. Appendix D4 also provides an explanation of the Moloney funding scenario finder along with its three basic input criteria requirements.

		Criteria 1. Extent of OIA's		Criteria 2.	Criteria 3		
Road Sub Asset Set Description	Value of the Desired level of over int. assets	Desired extent of Over intervention assets (OIA's) as a % of one Years Annual Liability	Desired Extent of OIA's as a % of total Sub Asset base valuation	Years to achieve Desired Condition outcome	Annual % of Compounding funding increase (if required)	Amount in $ of the Annual % Increase	Moloney Standardised Descriptor for the Desired Condition Outcome
Sealed Rd Pavements	$170,303	50%	0.90%	10	0.00%	$0	exceptionally good
Sealed Surfaces	$326,805	50%	4.29%	10	0.00%	$0	exceptionally good
Unsealed Rd Pavements	$385,138	50%	2.88%	10	0.00%	$0	exceptionally good
Kerbs	$14,240	50%	0.74%	10	0.00%	$0	exceptionally good
Footpaths	$29,190	50%	2.28%	10	0.00%	$0	exceptionally good
All Assets	$925,676	50%	2.17%	10	0.00%	$0	exceptionally good

Figure Agg 3 Modelling scenario finder inputs - All Assets

The three input criteria adopted for each of the road sub asset sets are as detailed within figure Agg 3 with the results of the funding scenario finder operation contained within figure Agg 4.

Figure Agg 3 above contains the three input criteria being applied within the Moloney funding scenario finder for each of the five road sub asset sets that were inspected. The same three criteria were adopted for all five sub assets.

It was found that a flat expenditure of $1,043,000 pa for the next 10 years would deliver on the required condition outcome as outlined within figure Agg 3. That represents a total level of OIA's of 2.17% of the network value. This represents a small rise from the present level of 1.17% but maintains your overall ranking for the level of OIA's at exceptionally good.

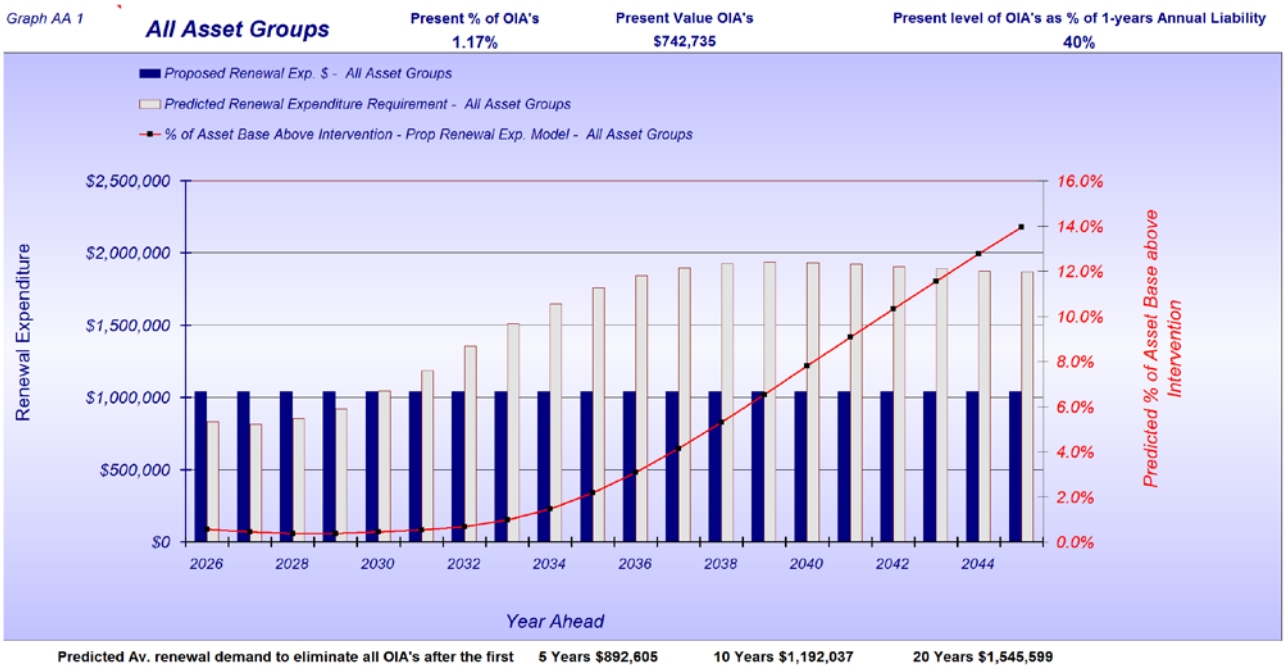

Figure Agg 4 – Recommended future funding Strategy

It was found that a flat expenditure of $1,043,000 pa for the next 10 years would deliver the required condition outcome of 50% of one years annual liability or 2.17% of the total road network replacement value, as the total level of OIA's after 10 years. This places you at the top end of the "exceptionally good" overall condition range as based on the total level of OIA's only.

There may be a need to increase funding a little into the second decade, but there will be several condition surveys between now and then, which will further refine the modelling predictions. The modelling inputs for service life remain very conservative, but we have lifted them to be more in line with our degradation curve analysis. So it is felt that the planned level of renewal expenditure will remain sufficient in real terms beyond the 10 year time frame.

Remember also that this level of renewal expenditure has no allowance for any upgrade component. But you do have committed upgrade funds totalling $491,000, which are split between the sealed road pavement and footpath assets.

Other scenarios can be run to achieve different outcomes on different time frames. The Moloney model is extremely versatile and it is strongly recommended that council spend the time to understand it and use it, as it will be a most valuable tool in the development of the 10 year financial plan for the organization. Note also that the model is not limited to road assets and can be set up to analyse any assets that are created, decay with time and then require replacement or renewal.

The model can also be set to allow for annual CPI increases. But over a 10 - 20 year time frame it can be difficult to distinguish between real increasing renewal demand and that relating to inflation. Hence our preference is to report in today's values only.

It is also stressed that the recommended funding strategy should be seen more as an average expenditure requirement over the next 5 - 10 years. There may be years when expenditure is higher or lower, or where the funding split between the sub asset classes varies. The primary aim of the financial modelling work is to deliver the average renewal demand across all of the road sub assets that are included within this survey and report as a single average total renewal demand for the whole road network.

Sub Asset Description	Average renewal expenditure since the time of last survey	Average Planned renewal expenditure for the next 5 Years	Average Annual Liability (Based upon modelling lives and valuations) (AL)	Annual Depreciation based on Accounting valuations and lives (AD)	Planned future annual upgrade expenditure	Year of Condition Inspection	Recommended Year 1 funding level with 0.0% annual compounding increase
Sealed Pavements	**$155,000**	**$155,000**	**$340,605**	**$321,823**	**$295,000**	2025	$155,000
Sealed Surfaces	**$250,000**	**$492,000**	**$653,611**	**$493,297**	**$0**	2025	$470,000
Unsealed Pavements	**$375,000**	**$350,000**	**$770,276**	**$574,028**	**$0**	2025	$350,000
Kerbs	**$10,000**	**$16,000**	**$28,479**	**$28,420**	**$0**	2025	$17,000
Footpaths	**$50,000**	**$50,000**	**$58,380**	**$35,491**	**$195,000**	2025	$51,000
Totals	**$840,000**	**$1,063,000**	**$1,851,352**	$1,453,059	$490,000		**$1,043,000**
C - B Estimated Annual Consumption Rate		**$788,352**					

Figure Agg 5 – Summary Table of Current & Recommended Renewal Expenditure Levels

Figure Agg 5 provides some important overall financial figures. It shows that Central Highlands Council is presently funding its road renewal program at $1,063,000 pa. Annual depreciation is estimated at $1,453,059 pa.

All figures within this report are in today's values. No allowance has been made for CPI increases. The Moloney software does have the capacity to report with an allowance for CPI if required. But over a 10-20 year time frame CPI lifts values quite markedly and it can be difficult to discern if a rising renewal demand is due to CPI increases or a real growth in renewal demand. Thus we prefer to report the predicted renewal demand in today's values.

Peter Moloney MIEAust Membership No 284058

Moloney Asset Management Systems

Appendix A: Asset Valuations

This appendix deals with asset valuations

A.1 Estimated Asset Valuations

Following the completion of the survey the data was placed into the Moloney asset management system and the table below represents a summary of the overall asset quantities and valuations. The annual depreciation figure of $1,485,365 pa is based upon the best available fair value construction costs and the adopted accounting service lives.

Annual Depreciation has not been used within this report as the basis of the average long term renewal demand. We have adopted what we call the "Annual Liability" for this purpose. See Appendix E for the definitions of both figures.

The annual liability figures are all based on the estimated rehabilitation costs and we have more flexibility to set service lives that are closer to the lives coming out of the degradation curve analysis. In this way our financial modelling results can be more accurate and we can compare planned or recommended expenditure levels to the actual average annual long term liability rather than the annual depreciation which is designed to deliver a tax deductible figure for use in business tax calculations.

ASSET DESCRIPTION	Total Quantity	Units	Replace. Value $	Asset Life in Years	Written Down Value $	Accumul. Deprec. $	Annual Deprec. $	Average Date of Cond. Assessment
Footpath	10,757	Lin. Met	$1,749,529	53.3	$817,949	$931,580	$35,491	10-Aug-25
Kerb	15,892	Lin. Met	$2,944,585	98.8	$1,393,779	$1,550,806	$28,420	10-Aug-25
Sealed Pavements	133,910	Lin. Met	$34,533,971	100.5	$23,421,483	$11,112,487	$321,823	10-Aug-25
Unsealed Pavement	605,594	Lin Met	$20,175,269	35.6	$16,273,948	$3,901,321	$574,028	10-Aug-25
Sealed Surface	133,910	Lin. Met	$10,989,197	22.1	$6,659,794	$4,329,403	$493,297	10-Aug-25
Sealed Rd Formation	133,910	Lin. Met	$21,002,175	100.0	$20,897,190	$104,986	$10,501	10-Aug-25
U/S Rd Formation	606,624	Lin. Met	$43,610,075	100.0	$43,392,432	$217,643	$21,805	10-Aug-25
Total Asset Valuations			**$135,004,801**		**$112,856,576**	**$22,148,225**	**$1,485,365**	
Valuations Less Formations			**$70,392,551**		**$48,566,954**	**$21,825,596**	**$1,453,059**	

Figure 3.1 Table of asset valuations for financial modelling purposes

The valuations for the WDV are all based on observed condition. It can be converted to age based if required.

Council is advised to check and approve all of the inputs into the asset valuations within Figure 3.1 before adopting them for accounting purposes.

Appendix B: Asset Degradation – Performance Curves

Asset degradation or performance curves, unique to the district, can be developed once two or more consistent condition surveys have been undertaken. This is done in the Moloney system by examining all assets within a given condition rating following the first survey and determining which have degraded by the time of the second and or subsequent surveys.

The condition change between surveys is used to predict the annual statistical probability of an asset degrading from one asset condition to the next. In turn this equates to an expected average life within each condition rating. The degradation curves serve two very important functions. Firstly they are used within the financial modelling section of the Moloney system to predict future asset condition movement and financial demand. Secondly they should form the basis of the justification for the selection of depreciation or service life cycles within the accounting system.

The term Degradation Curve comes from a particular format that the degradation data can be presented in. Figure B 1 below is a graphical representation of one of the pavement groups to be modelled and shows how an average asset within the group would perform. In this case it commences at year zero in condition zero at the top left side of the graph and progresses to reach condition 10 after 274 - years.

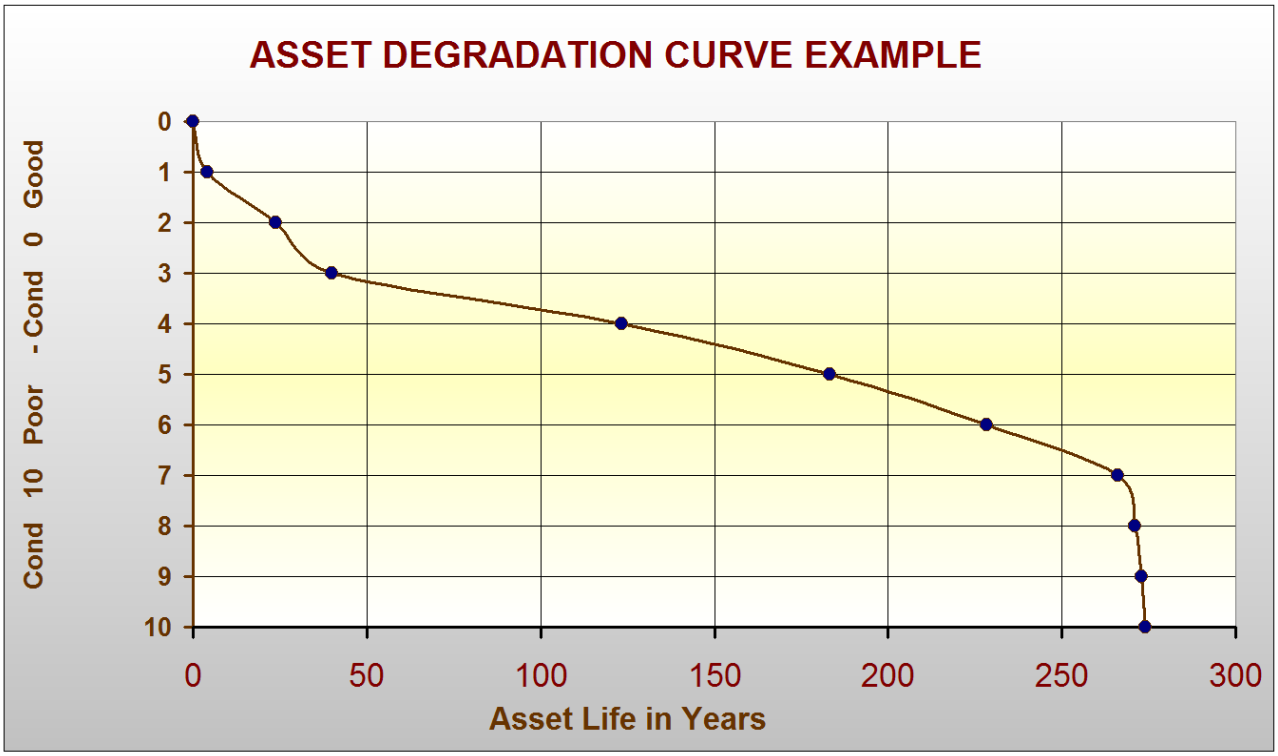

Figure B 1 Example of a Degradation Curve (See Fig B 2 First Column)

Within the asset degradation tables below the results are expressed as an expected life in years within each of the condition ratings 0 to 9. Little or no asset life is allocated above condition 8 as this is generally considered the upper condition limit for an asset to remain in service.

Figures sometimes need to be manually adjusted to remove inconsistencies resulting from small sample size at the extreme ends of the condition range. In all cases the total expected life will be reduced because of the small sample size. In no situations will the total life be increased other than the rare case where there are no assets present within a condition range that have degraded between the two surveys.

B .1 Degradation Curves as developed by MAMS

Degradation curves were produced for Central Highlands Council by analysing the change in asset condition over three condition surveys between 2014 and 2025.

The total life illustrated in all of the tables within this section is the life to condition 10. In practice you will often intervene and rehabilitate before reaching condition 10. The total life is input into the financial model

and the life to the selected intervention level will be less than that figure depending upon where you choose to intervene.

If you choose a low intervention level (High level of service) then your life to intervention can be very much lower than the total life to Condition 10. Think of the car tyre analogy. Down to the indicator lugs at, 40,000 km. fully worn through at 70,000 km.

B.1.1 Sealed Road Pavement - Degradation Curves

Asset Condition Rating Range	All sealed Rd Pavements 2014 - 2025	All sealed Rural Rd Pavements 2014 - 2025	All sealed Urban Rd Pavements 2014 - 2025
9 - 10	1.0	0.0	0.0
8 - 9	2.0	1.0	2.0
7 - 8	5.0	5.0	10.0
6 - 7	37.8	36.8	30.0
5 - 6	45.0	45.0	35.0
4 - 5	60.0	50.0	45.0
3 - 4	83.3	74.2	80.0
2 - 3	16.1	16.2	30.0
1 - 2	19.8	16.1	25.0
0 - 1	4.1	4.1	5.0
	274	248	262

Figure B.2 Sealed Rd Pavement Degradation Table

Figure B 2 displays the average service life within each of the 10 condition rating changes starting with the life between zero and one and ending with the life from nine to ten.

Life cycles on the sealed road pavements are normally developed for urban and rural roads separately as the urban pavements do tent to have longer service lives. For Central Highlands we found the urban sealed road pavements had a total life to condition 10 of 260 yeas and for rural roads 240 years. The estimated life to the intervention level of condition 6.0 being around 240 and 190 years respectively.

A word of caution in relation to the degradation curves. The way the degradation curves are calculated assumes that you construct an asset, it decays with time and needs renewal at some future date. The intervention of capital upgrade works such as full width patches do tend to hold asset condition static for a far longer period than if the work was not undertaken. However, if the pavement program condition was improved even by a little as a result of such works then that segment would be ignored in the degradation curve calculations.

The way our sealed road pavement program condition is calculated depends upon shape and failure information so in most cases where you have done extensive full width patches the failures would have been reduced and so these segments would have been excluded from the degradation curve calculations.

B.1.2 Sealed Surface - Degradation Curves

Sealed Surfaces Degradation Rate in Years

Asset Condition Rating Range	All Sealed surfaces 2014 - 2025	All Double application seales 2014 - 2025	All Single application seals 2014 - 2025	All Double application seales 2014 - 2020
9 - 10	0.0	0.0	0.0	1.0
8 - 9	1.0	1.0	1.0	3.0
7 - 8	2.0	2.0	2.0	6.3
6 - 7	3.0	5.0	5.0	7.0
5 - 6	4.0	5.0	5.0	6.0
4 - 5	5.0	6.0	5.9	5.4
3 - 4	8.0	8.0	8.0	4.8
2 - 3	8.0	8.0	6.0	3.4
1 - 2	5.0	8.0	6.0	3.9
0 - 1	5.0	5.0	5.0	2.3
	41	48	48	43

Figure B.3 Sealed Surface Degradation Table

Lives for the sealed surface assets are a little above the average lives we have found for other council districts we have assessed. Life to condition 10 for spray seals was found to be 41 years. Life to the intervention level of condition 7.0 was around 35 years. The extent of the asphalt network was not large enough to deliver any meaningful results. But we can extrapolate figures from other council districts.

Asset Condition Rating Range	All Unsealed Road Pavements 2014 - 2025	All Unsealed Road Pavements P20 + P30 2014 - 2025	All Unsealed Road Pavements P15 , P10 and P05 2014 - 2025	All Unsealed Road Pavements 2014 - 2020
9 - 10	0.0	0.0	0.0	1.0
8 - 9	1.0	1.0	1.0	5.0
7 - 8	2.0	2.0	2.0	5.0
6 - 7	5.0	5.0	5.0	10.0
5 - 6	15.0	15.0	10.0	10.0
4 - 5	15.0	20.0	15.0	15.0
3 - 4	15.0	25.0	15.0	12.0
2 - 3	10.0	10.0	10.0	12.0
1 - 2	10.0	10.0	10.0	10.0
0 - 1	5.0	5.0	5.0	8.7
	78	93	73	89

Figure B.4 Unsealed Pavement Degradation Table

Lives here are a little higher than the results we have developed for some other council districts. Life to condition 10 is expected to be around 70 Years with the life to the intervention level of condition 5.0 at 45 years.

Asset Condition Rating Range	All Kerbs 2014 - 2025	All Kerbs 2014 - 2020
9 - 10	0.0	1.0
8 - 9	1.0	10.0
7 - 8	2.0	15.0
6 - 7	5.0	35.0
5 - 6	25.0	30.0
4 - 5	25.0	30.6
3 - 4	35.0	13.2
2 - 3	45.0	6.6
1 - 2	25.0	4.1
0 - 1	5.0	5.3
	168	151

Figure B5 Kerb Degradation Table

Lives here are generally a little higher than the results we have developed for some other council districts, but they are within the total range we have established. Life to condition 10 is expected to be around 150 Years with the life to the intervention level of condition 8.0 at 140 years.

Footpath Assets Degradation Rate in Years

Asset Condition Rating Range	All Concrete footpaths 2014 - 2025	All Concrete footpaths 2014 - 2020
9 - 10	0.0	1.0
8 - 9	1.0	2.0
7 - 8	10.0	12.0
6 - 7	15.0	12.0
5 - 6	15.0	15.0
4 - 5	15.0	15.0
3 - 4	10.0	6.0
2 - 3	7.0	6.0
1 - 2	6.0	6.0
0 - 1	5.0	5.3
	84	80

Figure B6 Footpath Degradation Table

Lives here are generally a little higher than the results we have developed for some other council districts, but they are within the total range we have established. Life to condition 10 is expected to be around 80 years with the life to the intervention level of condition 7.0 at 65 years.

B. 2 Benefit of Unique Degradation Curves

Unique degradation curves developed via an analysis of condition change between surveys takes all variables into account to deliver a time - condition performance profile based upon the actual council locality. It is then used within the Moloney model to predict future condition change with time and greatly enhances the overall financial Modelling outcome.

In an indirect way the unique degradation curves take all variables into account. If council has a very poor attention to the maintenance of table drains alongside the rural sealed roads for example, the roads will decay more quickly and this will be reflected within the unique curves.

Appendix C - The Moloney Financial Model

C.1 The basis of the model

Predictive modelling is undertaken within the Moloney financial modelling software in the following way

- It is a whole of asset set model that predicts overall performance of the asset set not an individual asset.
- The model commences with the present condition distribution (series1 figures within each of the of the sub assets sections),
- The degradation curves are applied to the present condition distribution annually. If there was a 10 year life found within the degradation curves between conditions 3 and 4 then the model would degrade 1/10 or 10% of the condition 3 assets to condition 4 annually. This process operates across the condition range annually.
- From this point there are two distinct modelling paths. Model 1 and Model 2.
- Within Model No 2 - A retreatment intervention condition is nominated (level of service) and all assets that rise above the intervention level through the degradation process are returned as a capital renewal requirement. The primary output being a 20 year capital renewal profile to deliver a zero level of over intervention assets. (See the series 5 figures in each of the sub asset sections above). The model returns the repaired assets back to condition zero annually and they start their cycle again.
- Within Model No 1 - A proposed 20 year capital renewal expenditure profile is input and the model predicts the resulting asset condition change with time. (See the series 6 figures in the sub asset sections).
- Model No 1 takes the annual value of the planned renewal expenditure from the worst end of the condition distribution and put back to condition zero each year. Condition change can be monitored in a number of ways but the extent of the asset base that rises above the selected intervention level each year is considered to be the most useful. This is referred to as the level of "Over intervention Assets" or OIA's.
- We have also reverse engineered model No 1 through an iterative process to deliver a desired extent of OIA's after a selected number of years. The model delivers the annual expenditure necessary to achieve this outcome. We call this operation the "funding scenario finder" and a further explanation is available within Appendix D below. A detailed explanation is available from our web site at www.moloneys.com.au off the Information Tab - 1 The Funding Scenario Finder Aug 2018

C .1.1 More detail on the operation of the Financial Model

For a more detailed explanation of the model and how it works please refer to our web site at www.moloneys.com.au and from the Information tab download the PDF document titled "The basis of the Moloney Model". There is also an extensive amount of other background information. No log in or other details are required to be input on the web site for access to this information.

C.2 Source and Status of the Modelling Inputs

Modelling outcome is very much dependent upon the accuracy of the input data and how assets are grouped. The basic five input criteria required for the modelling process are detailed below with their source identified.

Rehabilitation Cost	—	Supplied by Council - Reviewed by Moloney
Present Expenditure Levels	—	Supplied by Council
Asset Quantity	—	Directly from this survey
Asset Condition	—	Directly from this survey
Degradation Curves	—	Unique Degradation curves developed by MAMS

Modelling outcome is dependent upon all 5 of the above variables. If any one is of poor or questionable quality then the whole process can be flawed.

The degradation curves used in the modelling process within this report have been specifically developed for Central Highlands Council via the statistical analysis of asset condition change over three condition surveys since 2014.

C.2.1 Asset Unit Renewal Rates

The asset unit renewal rates used within the modelling sections were established by consulting with council and get from them their latest unit rates based upon recent actual projects.

We look at the supplied unit renewal rates and determine if they appear to be a reasonable representation of the expected cost of the works given all of the variables within that particular municipality. In doing this we are aware of the incidental costs associates with construction projects such as traffic management etc. If we have any issues we discuss this with council. We also have a vast expanse of figures from other council districts having undertaken around 300 full council road condition assessments over the last 30 years.

C.2.2 Modelling Projections

This report is limited in its financial analysis of the costs associated with the ongoing cyclical rehabilitation of the existing road network. Costs associated with new or upgraded assets would need to be added to the total expenditure levels delivered here. The financial analyses undertaken within the report can best be seen as an estimate of the ongoing financial demand to maintain the present asset base in perpetuity.

Any variation from this approach would be detailed within the sub asset report sections. For example council may have a policy to reconstruct all sealed rural roads of a particular class to a minimum width of say 6.8 m. We can adjust the model to accommodate this policy and if this were done it would be explained within the relevant sub asset section.

Appendix D Setting the Extent of Over Intervention assets and the funding scenario finder

This Appendix will deal with the setting of the Intervention Level and the setting of the extent of Over Intervention Assets. It will also briefly cover the operations of the Moloney "funding scenario finder".

D.1 Definitions

D.1.1 Intervention Level - Level of Service

The Intervention level is the condition rating at which it is believed the asset should be replaced or rehabilitated. An asset usually commences at condition zero when new or newly rehabilitated and then progresses with time up the 0 - 10 condition rating scale. While the scale ends at condition 10 it would be normal to intervene to replace of rehabilitate the asset within the condition range 6 - 9 depending upon the desired level of service.

The intervention Level is simply the condition rating point at which the authority decides an asset should ideally be replaced or rehabilitated. You may not always achieve this level of service and the extent of the asset base that is above the selected intervention level at any time is your level of over intervention assets or your level of OIA's.

D .1.2 The Extent of Over Intervention Assets (OIA's)

The extent of OIA's is a very strong indicator of overall condition performance. In very simple terms it is the extent of the asset base that is above the selected Intervention level. It can be applied at an individual asset set level, a sub asset group level or at a whole of roads group level. It can also be expressed in a number of different ways three of which are illustrated at the top of Figure Agg 2 above and are as described below.

1. The OIA's as a Percentage of the total asset set valuation
2. The Dollar value of the OIA's
3. The OIA's as a percentage of the value of one year's average annual liability or consumption rate.

D .1.3 Annual Liability

The term "Annual Liability" is a practical substitute for the accounting term of "Annual Depreciation". They can be equal or quite close in value in some cases. But can also be very different in value. The problem stems from the purpose of each figure. Annual depreciation is designed to deliver the amount that can be claimed for taxation purposes for the ongoing consumption of an asset and has some strong requirements in terms of international and Australian accounting standards.

Annual liability is similar in nature to annual depreciation. But it is aimed at providing an estimate of the future cost associated with the ongoing ownership and replacement of the assets. It is derived in the simplest sense by dividing the replacement cost by the service life. But for a variety of reasons the best estimate of the replacement cost and the service life used in the derivation of annual depreciation can be quite different to your actual future liability to maintain the asset. Hence we often refer to the "Annual Liability" Cost. These are generally the unit rates and service lives that we use within the financial modelling process.

To simplify matters and to ensure consistent reporting within this document we have adopted "Annual liability" (AL) as our reporting figure that links to the future renewal demand associated with your assets.

Our annual liability figures come directly from the replacement cost divided by the life to the selected intervention level as used for each individual asset set that is modelled. (You can see these figures for each asset set within the series 4 tables within each of the sub asset set sections - Sections 4 to 9).

D .2 Setting the Extent of Over Intervention Assets (OIA's)

If you had $1,000 as the level of OIA's on a total asset base of $100,000 your extent of OIA's would be 1.0% (See 1 in D.1.2 above). Its value would be $1,000 (See 2 in D.1.2 above). However, there is a problem in reporting on a simple percentage of OIA's across assets with different service lives. Just as there is in comparing the dollar value between authorities with very different asset replacement values.

For example, if reporting on a single asset set with a service life of 100 years that had OIA's of 10% of the asset base, this would represent a very poor situation, with 10 years worth of average annual liability as the backlog or level of OIA's. But if reporting on an asset set with a service life of 10 years that same 10% level of OIA's, would represent only 1 year's level of average annual liability and would be a very sound position to be in. Hence straight reporting of the percentage of OIA's does not translate well between assets with different service lives.

Similarly the total dollar value of OIA's cannot be compared between authorities with different asset base valuations and unit renewal rates.

To address this problem the extent of OIA's can be expresses as the number of years worth of annual liability (in accounting terms the number of years worth of annual depreciation) that the level of OIA's represents. The size of the backlog of OIA's expressed in this way provides a really strong indicator that is independent of both asset service life, total asset valuation and the unit renewal rate.

This is of particular value when using the Moloney funding scenario finder on multiple asset sets with different service lives. In this situation the desired extent of OIA's can be set just once within the model as a percentage of one year's annual liability, rather than manually selecting different percentages of OIA's to match expected service life. Service life is thus eliminated as a variable. The model can then apply the same condition outcome in financial terms to sub asset sets with quite different service lives.

Expanding upon the above example. If you set the desired level of OIA's at a global level to one years annual liability then the Moloney funding scenario finder would set the actual desired percentage of OIA's (which is the figure it uses in its calculations) for asset classes with different service lives as detailed below.

- 100 year service life - 1.0% of OIA's
- 10 Year service life - 10.0% of OIA's
- 25 Year service life - 4.0% of OIA's

The Moloney model required the actual percentage of OIA's to be set for each individual data set that is to be modelled. The funding scenario finder can set this figure for each individual asset set based on its service life.

D .3 Standardised descriptors for the level of over Intervention Assets OIA's

Figure D 1 has been developed as a guide to the selection of a suitable level of OIA's. The figures within the table are based on our 26 years of road condition rating experience, involving in excess of 280 full council road network surveys.

Guide to the acceptable extent of over intervention assets (OIA's)

% Range of one years Annual Liability	Your Asset Base renewal value at the top of this range	% of the total value of all assets at the top of the range	Standardised Condition Description	Additional Comments on Descriptor
0% - 50%	$925,676	1.3%	exceptionally good	extremely low levels of over intervention assets
51% - 100%	$1,851,352	2.6%	excellent	very low level of over intervention assets
101% - 150%	$2,777,028	3.9%	very good	low level of over intervention assets
151% - 200%	$3,702,704	5.3%	good	low to acceptable level of over intervention assets
201% - 250%	$4,628,380	6.6%	fair	condition only Fair and a little below the good range
251% - 300%	$5,554,056	7.9%	acceptable	level of OIA's at the upper extent of the acceptable range
301% - 350%	$6,479,732	9.2%	poor	moving into the start of the problem area
351% - 400%	$7,405,408	10.5%	very poor	in need of urgent reduction
401% and Above	$9,256,760	13.2%	disastrous	severe problems with assets in this condition

Figure D 1 Standardised descriptors for the level of OIA's

Figure D 1 displays nine ranges of OIA's expressed in years worth of annual liability. As explained above, linking the extent of OIA's back to the number of years of annual liability eliminates the problem that can occur with different asset lives. Reporting the extent of OIA's in this way provides a uniform platform that enables strong external benchmarking of Council performance as well as eliminating the bias that can occur with short life assets that may have what at first appears to be a high level of OIA's. It also allows the setting of a single and consistent extent of OIA's across several data sets with quite different service lives when using the Moloney funding scenario finder model.

What the table is saying in the simplest of terms is that a level of one year's annual liability as the value of OIA's is an excellent position. Two years remains at a good level. Three years is at the top of the acceptable range and four year and more is considered to be into the problem zone.

Another way of looking at it is to think of it as the number of years you are behind in meeting the renewal demand in terms of year's worth of unmet annual liability, or average annual renewal demand.

Present extent of OIA's expressed in three ways			Your overall road asset condition based in the extent of OIA's	
Current % of OIA's expresses in years worth of average annual liability	Your present value of OIA's in $	Your OIA's as a % of your total asset base valuation	Moloney standardised condition description	Additional comments on sandardised condition descriptor
40%	$743,000	1.17%	exceptionally good	extremely low levels of over intervention assets

Figure D 2 Your extent of OIA's as a percentage of one year's annual liability based on your adopted intervention levels

Figure D 2 presents your level of OIA's expressed as a percentage of one year's level of annual liability. Your figure being 40%. The table also records the total value of your OIA's" in straight dollar terms as well as it's percentage of the total asset base replacement value.

IMPORTANT NOTE: The figures quoted within Figure D2 for Central Highlands Council are based on your adopted intervention levels. See Section D 3.1 below for your level of OIA's based upon standardized intervention levels.

Central Highlands has adopted some intervention levels that are lower than the general industry standard (higher level of service). Hence for comparison purposes the results within Section D 3.1 below should also be examined.

D 3.1 Standardized extent of OIA's

The adopted intervention levels (level of service) can vary widely between councils. Hence it can be useful for comparison purposes to report the extent of over intervention assets (OIA's) based on a set of industry standard intervention levels. In this way your level of OIA's as reported within Figure D3 below can more accurately be used for comparison purposes to the figures within Figure D2 above as they apply to all councils on the same basis.

Standardised Levels of Over Intervention Assets

Present extent of OIA's expressed in three ways			Your overall road asset condition based in the extent of OIA's	
Current % of OIA's expresses in years worth of average annual liability	Your present value of OIA's in $	Your OIA's as a % of your total asset base valuation	Moloney standardised condition description	Additional comments on sandardised condition descriptor
28%	$482,000	0.76%	exceptionally good	Extremely low levels of over intervention assets

Figure D 3 Your extent of OIA's as a Percentage of one year's annual liability with Standardised Intervention levels

Figure D 3 indicated that based upon the standardised intervention levels your overall condition has improves from a level of 40% of one years annual liability as the total level of OIA's down to 28% when based on the standardised intervention levels.

Note that all figures used within the report that represent the average annual asset consumption rate (annual liability) are linked to the asset lives and unit rates used within the modelling process. The report is in no way bound to accounting lives or unit renewal rates, as these can have accounting standards constraints that render them quite problematic in the prediction of future ongoing renewal demand.

D .4 The Moloney funding scenario finder and it's inputs

The Moloney financial modelling software has the capacity to develop a recommended renewal funding profile that will deliver a nominated extent of over intervention assets within a selected time frame. A global outcome can be set for the whole roads group. In this way the model is also used to allocate

funding between the sub asset groups to deliver the best overall condition outcome for the whole roads network.

There are three input criteria that can be set independently for each sub asset class or they can all be set to a common figure for all sub assets. They are generally set to a common figure but sometimes there may be sound reasons why certain sub assets are set independently. For example you may require a zero level of over intervention assets on the Footpath assets because of their perceived higher public risk while accepting some extent of OIA's on other sub assets.

The funding scenario finder operates within the Moloney model in an iterative way to find a recommended funding profile that will deliver on a desired condition outcome. There are three basic input criteria.

1. Desired extent of over intervention assets (OIA's)
2. Year ahead by which you wish to achieve this outcome
3. The value of any annual compounding percentage increase in renewal funding

D.4.1 Desired extent of over intervention assets

As detailed within D3 above the extent of over intervention assets is generally set in terms of the number of year's worth of annual liability that it represents. It is often set to the same figure for all road sub assets so that the model then also distributes the total renewal demand bases on need. But it can be varied if required.

D.4.2 Year ahead to achieve the condition outcome

This can be set within the model for any time frame from 3 - 50 years. The most common time frame used is 10 years, but in some cases this is extended to 20 years.

D.4.3 Annual compounding increase in renewal expenditure

This facility was included to enable the year one commencing expenditure to be lowered to match the planned renewal expenditure. In this way a funding strategy can be developed that commences from your present level of renewal expenditure and ends up at a higher level in later year. Most councils do have a growing renewal demand and this facility caters for that situation. It is designed to delivers a proposed future funding strategy that starts from where you currently are and gets you to where you need to be with asset condition in future years.

D.4.4 The funding scenario finder operation

The program uses the Moloney Model No 1 (see Appendix C 1 above) in an iterative way to deliver the recommended funding strategy. Model No 1 was designed to deliver the predicted condition outcome for a selected renewal expenditure profile over a 3 - 50 years time frame.

An iterative process has been set up within Model No 1 based on the above three input criteria. It commences by estimating the year one commencing funding level required to achieve the condition outcome. It then keeps adjusting that figure by lifting or dropping it depending upon the condition outcome. When the condition outcome is within 0.05% of the desired level of OIA's (as set in 1 above) the process ceases and that figure is returned as the required year one commencing expenditure level.

Within the Moloney software the scenario finder can be run for a single asset set or more commonly for all road sub assets. When running it for multiple road sub asset sets it has the added advantage of splitting the total renewal funding on a needs basis between the different road sub asset classes and ensuring that none are forgotten.

Appendix E: What the condition Inspection has Delivered

This appendix will deal with an explanation of what the condition survey has delivered.

E.1 Segmentation and measurement of the road network

The linear road network was broken down into like performing segments that were generally constructed at the same time. Then each of the five sub asset components that were present within each segment and were to be part of the condition survey were measured quantified and condition rated.

For Central Highlands Council the full road network was broken down into 797 individual like performing segments. Each segment was then measured and condition rated for the particular sub assets that were present within each segment.

E.2 What has been delivered

Once this data was placed within the MAMS System, the software delivered a range of outputs including those listed below.

E.2.1 Capital works programs

Works programs in priority order, based upon both the condition of the assets and the hierarchy or relative importance of the road, can be delivered within the following areas:

- Reseal – resurfacing program on sealed roads
- Sealed Road Pavement Rehabilitation program
- Sealed Road Pavement Major Patching or dig out repair program
- Sealed Road shoulder repair program
- Unsealed Road Resheeting program.
- Unsealed road isolated failure patching program.
- Kerb Renewal program and a separate Isolated Failure repair program.
- Footpath renewal program
- A host of other major maintenance reports such as crack sealing report, edge break report etc. These can be extracted from the data and are programmed directly into the MAMS road software.
- The MAMS software also has a mechanism for prioritising capital works on the more important classes of road

E.2.2 Asset valuations

Asset valuations can be delivered based on either the condition or the age of the assets. For a detailed explanation of the road asset valuation methodology adopted by MAMS please refer to the document titled Road Asset Valuations June 2018 available on our web site at Moloneys.com.au under the Information tab.

But a note of caution, the asset valuations presented within this report may vary from those adopted for accounting purposes. There are a lot of matters to be considered in the delivery of the accounting valuation figures and unless we were specifically engaged to deliver accounting valuations our figures may vary from councils adopted figures and you are advised to undertake your own accounting valuations using the survey data set as the basis of that operation.

E.2.3 Prediction of future financial renewal demand

The Moloney financial model can be used in conjunction with the survey information to deliver a prediction of the ongoing renewal demand and a recommended future funding strategy. See Appendix C and D for more details relating to the operation of the Moloney Model.

E.2.4 Performance benchmarking

Council's asset performance since the last survey is benchmarked against a series of key performance indicators. We also provide longer term benchmarking where there has been more than 2 condition inspections undertaken.

External benchmarking is provided against all councils assessed by MAMS on the same performance indicators, currently this includes 73 separate council districts.

Appendix F Glossary of Terms and Definitions

The table below contains a list of explanations for some common terms and phrases that have been used within the report

Term Used in Report	Explanation
Asset Condition Rating Scale	The condition Rating scale for all assets is on a (0 - 10) scale with 0- Brand new and 10 - No remaining value
Annual Depreciation (AD)	This is an accounting term designed to deliver the annual tax deductibility associated with an asset. It is largely irrelevant to Local Government financial management and forecasting, but Australian accounting standards dictate that it be reported upon even though councils do not pay income tax.
Annual Liability (AL)	This is the average annualised cost of the future replacement of the full extent of the asset base. It can vary dramatically from "Annual Depreciation". Financial Forecasting needs to be linked to the Liability of future renewal or replacement cost rather that historic cost. Throughout the report any reference to "Annual Liability" will be linked to the financial modelling unit rates and service lives and not those used for accounting purposes.
Asset set	This is an individual set of assets that is modelled within the Moloney model as a single asset set. There may be five sealed road pavement "Asset Sets" that make up the Sealed Rd Pavement asset group or "Sub Asset Set". They are generally modelled separately because of different "Service Lives" and or different "Levels of Service"
Backlog	This is an alternative term used to express the extent of Over Intervention Assets as a backlog of unmet renewal demand.
Funding Scenario Finder	The Moloney Financial Model has an inbuilt function that can create a recommended funding profile across the whole of the roads group based on a desired extent of over intervention assets (OIA's) after a set time frame. The scenario finder enables all asset sets to be modelled together and to also have the renewal expenditure optimised between the sub asset groups.
Greenfields - Brownfields Construction costs	These are accounting terms that can have a huge impact on financial modelling outcome. Greenfields construction cost is the original cost when the site was vacant with no traffic or other incumbrances. Brownfields construction cost is the cost associated with the reconstruction of the asset with all of the additional incumbrances such as other services, traffic etc. ALL replacement costs within this report are based on Brownfields costs as this is the only realistic way to undertake meaningful financial modelling.
Intervention Level - Or Retreatment Intervention Level	This is the point within the condition rating scale (0 - 10) that you determine the asset needs to be replaced or rehabilitated. It represents your planned level of service and is normally within the 6 - 9 cond. Range
Level of Service	Level of service within this report is directly related to the selected "Intervention Level". Low intervention level delivers high level of service, while high intervention level delivers Low level of service.
MAMS	Moloney Asset Management Systems.
Moloney Standardised Condition Descriptor	This is a description developed by MAMS that links overall asset condition to the extent of over intervention assets expressed as the number of years worth of "Annual Liability"
OIA's	"Over Intervention Assets"
Over Intervention Assets OIA's	This is the extent of the asset base that is above the selected intervention level. It is the extent of the asset base that needs renewal now. Sometimes referred to as the backlog of OIA's
Replacement Value	All replacement values used within this report (other than within Appendix A dealing with accounting valuations) are based on the actual planned replacement or rehabilitation cost of the asset. Also referred to as the "Renewal Cost". It may vary considerably from the accounting replacement cost. (See "Greenfields - Brownfields" Definition)
Service Life	This is the expected life in years that an asset on average will remain in service. Service life will reduce as your level of service improves with lower intervention levels. You don't get the additional asset life that could be obtained beyond the intervention level (if adopting a higher level of service).
Sub Asset Set	For reporting purposes this document has adopted up to five road sub asset sets within the broader roads asset group. They are, Sealed Rd Pavements, Sealed Surfaces, Unsealed Rd Pavements, Kerbs and Footpaths. The asset sets are modelled and reported upon separately within the report, broadly in line with councils funding categories.

Figure F 1 Glossary of terms and Definitions used in report