

## FACT SHEET 2

# Asset Management Strategy

Kyogle Council is a multipurpose Council that delivers a wide range of services to its local communities. In order to deliver these services, a wide range of infrastructure type assets are required, such as roads and bridges, buildings and other structures, footpaths, pipes, playgrounds, plant and machinery. In 2012, Council prepared a series of detailed Asset Management Plans for these infrastructure assets using the following groupings:

- Buildings and Community Facilities
- Parks and reserves
- Plant Equipment and Emergency Services
- Stormwater and Flood Management
- Transport
- Waste Management Services
- Water Supply Services
- Sewerage Services

These infrastructure assets have a total combined replacement value of approximately \$417M, with \$298M of this being Transport-related assets such as roads and bridges. The annual cost to maintain and operate these assets over their life time is \$17.2M per year. Council's current *Long Term Financial Plan* provides \$13.9M per year of expenditure for this purpose. This presents a funding shortfall of \$3.3M per year over the life of the assets.

There is also a \$42.9M backlog of asset renewal and upgrade expenditure, required to bring these assets to what would be considered a satisfactory standard. The vast majority of this backlog is associated with Council's Transport-related assets such as roads and bridges. In order to address this backlog over time, *Council's Asset Management Strategy* has identified that an additional \$1.3M per year is required, bringing the annual funding shortfall to a total of \$4.6M per year over the next 10 years.

The current 10 year forward outlook is that current service levels can be maintained for most services within the current budget allocation for the next 10 years, with the exception of Transport. Because of the significance of the issues relating to Transport

assets, separate fact sheets have been prepared providing additional details in relation to Council's road and bridges assets. Council obtains funding for these assets through various sources, primarily;

- general rates;
- fees and charges for specific services; and
- external grant funding.

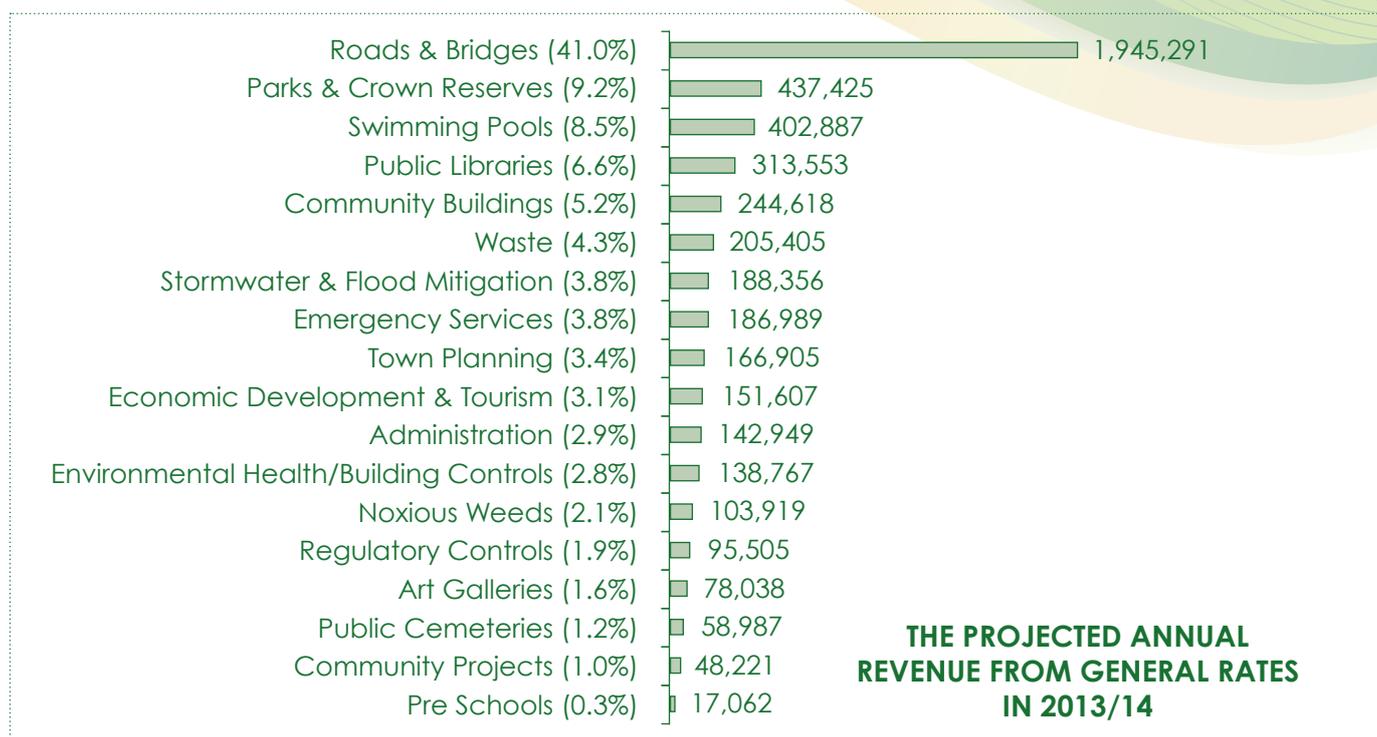
Services such as Water, Sewerage and Waste are funded through fees and charges and specific purpose external grants. As such, these services are accounted for separately to those funded by revenue raised through general rates and general purpose grants. Whilst the NSW Government is reviewing the way that general rates and grants apply to Local Government, these remain essentially consistent from year to year, with increases linked to pegged amounts determined by the State Government. Whilst Council endeavours to maximise the revenue received through external grants, there is no other level of government with the capacity to address the funding shortfalls identified across the local government sector throughout Australia. This leaves Council with little option but to pursue an increase in its own source revenue, generated through general purpose rates. It is possible for Councils to increase their general rates above the annually pegged levels, but this can only be done with the approval of the NSW Government, and only where a genuine need for the increase has been identified, and the local communities have been consulted.

The projected annual revenue from general rates in the 2013/14 financial year is \$4.91M. The budgets for expenditure of this revenue across Council's various functions are shown in the figure at the top of the next page.

As can be seen from this figure, the level of expenditure on roads and bridges is of most significance. It is also important to understand that some of these services are compulsory and must be delivered by Council in accordance with legislative requirements and obligations. That is to say that Council does not have the option to withdraw or reduce these service levels. Some services are part-compulsory and part-optional, whilst others are entirely optional. In these areas Council can consider reducing service levels provided to the local communities or removing the services altogether.

# Kyogle Council

## *Sustaining our LGA*



Council has developed a strategy to address the issues associated with the management of its \$417M worth of infrastructure assets. This strategy requires the local communities within the Kyogle Local Government Area to work with Council in developing a balance between the service levels we provide, the funding available, and the level of risk we are willing to accept. As part of the review of the *Community Strategic Plan*, Council is now seeking input from its communities on what changes to services might be acceptable to them, what services they may be prepared to pay more for, and how much they may be prepared to pay.

Council's Asset Management Strategy identifies a number of options available for the long term management of its infrastructure assets such as:

- reviewing the function and condition appropriate for each asset group taking into account the level of utilisation;
- demolition and disposal of assets that are not critical or not delivering the required service levels; and
- improving assets where the improvement provides a reduction in life cycle costs, or a greater resilience to damage or deterioration in condition.

Council's mission, goals and objectives have also been considered within the overall

asset management planning process. It is important to recognise that the provision and maintenance of public infrastructure is critical to the economic, cultural, social and environmental needs of the local communities. Provision of services that meet the needs of our various communities is critical in maintaining their way of life. Council has limited resources and these same communities need to provide Council with feedback so that we are able to set priorities for the allocation of these resources.