

# Kyogle Council



## Buildings Asset Management Plan 2018



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# 1 EXECUTIVE SUMMARY

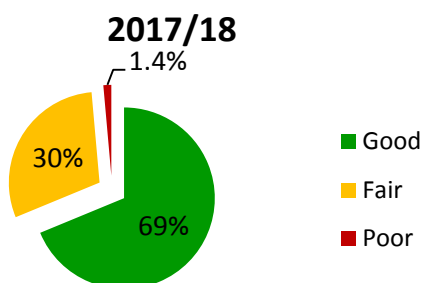
## Context

Kyogle Council provides buildings infrastructure to facilitate access and amenity within the community. The funding of building asset is a significant infrastructure challenge for council, and long term planning is essential to ensure that any loss or reduction in services and associated risks are managed.

Building assets are defined of comprising the following elements:

- Community Buildings
  - Administration offices
  - Visitor information centre
  - Emergency Services
  - Depots
- Parks and Gardens
- Playgrounds
- Cemeteries
- Pools
- Quarries
- Landfills
- Caravan Parks
- Pre-schools
- Libraries

These infrastructure assets have a CRC of \$39M, WDV of \$19M and condition ratings (based on %CRC) as shown in the figure below.



## What does it Cost?

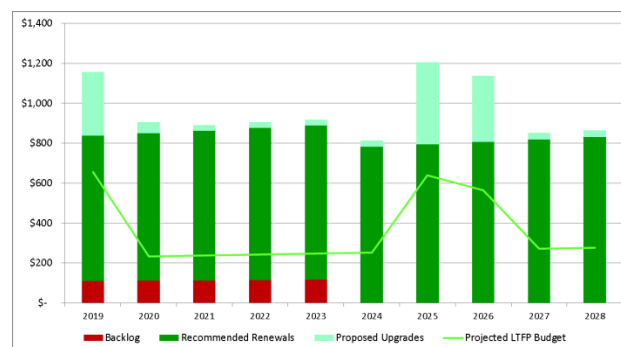
Council currently has a \$0.55M building assets backlog. Council plans to eliminate this backlog by the beginning of FY24.

In addition to the backlog costs, the projected capital renewal cost to maintain all building assets at their current condition is \$0.73M per year. Council also intends to spend \$0.13M per year on new/ major upgrades within the 10 year planning period.

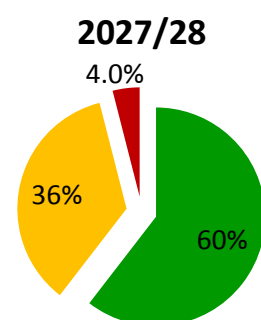
This equates to an average projected spend over the next 10 years of \$0.97M per year.

Council's estimated available funding for building assets for this period is \$0.36M per year. This means that Council's current budget is not adequate to cover

the cost of building asset renewals, provide for planned upgrades and address the backlog.



As a result, the backlog is likely increase over the next 10yrs, resulting in a condition profile as shown in the figure below.



Whilst these figures suggest a significant funding shortfall, there is some doubt as to whether the current annual depreciation figure is a true reflection of the level of consumption of these types of assets. It is also important to note that the forward budget represents the largest investment in the renewal of buildings and other structures in many decades. The operational budgets for buildings also provide for an element of asset "renewal", such as minor repairs, painting, replacement of minor structures and other activities that can extend the depreciable life of an individual asset. Council must ensure that these operational budgets are utilised on such activities in a pro-active and considered manner to ensure the overall condition profile of these assets is not allowed to deteriorate, otherwise additional capital renewals will need to be funded in the long term.

## What we will do

Council plans to provide building asset services for the following:

- Operation, maintenance, renewal and upgrade assets to meet service levels set by council in annual budgets.
- \$1.3M of new/ major upgrades within the 10 year planning period
- Reduce the building assets backlog to required levels by 2024

## What we cannot do

Council currently does not have the capacity for any significant expansion of its building assets beyond those already identified in the LTTP.

## Managing the Risks

There are risks associated with providing the service and not being able to complete all identified activities and projects. We have identified major risks as:

- Care must be taken in addressing the backlog to ensure other assets in good and fair condition don't deteriorate and add to the backlog
- Accidents and liability claims will increase if public infrastructure standards decrease

We will endeavour to manage these risks by prioritising works within the funding available, monitoring conditions and performance against set service levels, and implementing a structured proactive maintenance program.

## The Next Steps

The actions resulting from this asset management plan are:

- Review depreciation figures for buildings and other structures
- Implement proactive maintenance program
- Maintain the current assets in a accordance with maintenance program
- Continue to assess condition and monitor trends
- Continue to monitor the delivery of the identified services levels and community satisfaction.

## 2 INTRODUCTION

### 2.1 Background

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

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

- Kyogle Council Operational Plan 2018/19 and Delivery Plan 2018/2020
- Kyogle Council Long Term Financial Plan
- Kyogle Council Annual Report
- Kyogle Council Financial Statements for the year ended 30 June 2018
- Various work method statements and procedures

Council maintains and operates buildings and other community facilities across the Local Government Area for various functions. This includes;

- Three swimming pools located at Kyogle, Bonalbo, and Woodenbong
- Public cemeteries located at Kyogle, Woodenbong, Old Bonalbo, Bonalbo, Tabulam and Mallanganee
- Three pre-schools located at Kyogle, Woodenbong, and Bonalbo
- Major buildings such as the Kyogle Memorial Hall, Council Chambers, Kyogle Community Centre, Grove House Community Enterprise Centre, Visitor Information Centre, Kyogle Museum and the Kyogle Library
- Various other minor buildings and structures such as public toilets, museum, Lions Club building, youth centre, impound yards, dog pound, caravan parks, playgrounds, sporting facilities, emergency services, landfills and operational buildings such as depots.

The infrastructure assets covered by this asset management plan are shown in Table 2-1.

**Table 2-1: Assets covered by this Plan**

Asset Subcategory	Current Replacement Cost	Written Down Value	Backlog as at EOFY18 *
Emergency buildings	\$3.272M	\$2.053M	\$0M (0%)
Community buildings	\$15.830M	\$7.539M	\$0.222M (2.9%)
Cemeteries	\$0.321M	\$0.158M	\$0M (0%)
Parks	\$7.080M	\$3.185M	\$0.249M (7.8%)
Pools	\$8.090M	\$3.410M	\$0M (0%)
Waste Management and Reg.	\$1.558M	\$1.125M	\$0M (0%)
Depots	\$2.485M	\$1.501M	\$0M (0%)
Quarries	\$0.346M	\$0.120M	\$0M (0%)
<b>TOTAL</b>	<b>\$38.982M</b>	<b>\$19.091M</b>	<b>\$0.471M (2.5%)</b>

*\*Backlog figure represents Accumulated Depreciation of Assets in condition 4 or 5. Backlog percentage is Accumulated Depreciation of Assets in condition 4 and 5 divided by the Written Down Value of that subcategory.*

## 2.2 Goals and Objectives of Asset Management

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

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

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

The goal of this asset management plan is to:

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

## 2.3 Council Values and Community Plan Priorities

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

### ***Community vision is:***

Working together to balance Environment, Lifestyle, and Opportunity

### ***Our mission is:***

To meet the challenges of our unique and diverse region

### ***Our values are:***

Respect and respond to community needs

Improve the quality of our services

Be open and accessible

Act with honesty and integrity

Value people's contribution

Support the culture of teamwork, cooperation and safety

Appendix A – Relevant community goals and objectives shows how these goals and objectives are addressed in this asset management plan.

### 3 LEVELS OF SERVICE

#### 3.1 Customer Research and Expectations

Council has carried out research on customer expectations during the process of developing the Council Community Strategic Plan and the Long Term Financial Plan. The integration of the Asset Management Plans with the Community Strategic Plan and the Long Term Financial Plan will continue to be developed in future revisions of these documents.

#### 3.2 Legislative Requirements

Council has to meet many legislative requirements including Australian and State legislation and State regulations. Relevant legislation is shown in Appendix B – Legislative Requirements.

Council has defined service levels in two terms.

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

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

- Quality                                      How good is the service?
- Function                                      Does it meet users' needs?
- Capacity/Utilisation                      Does the service have sufficient capacity or is it used?

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

Technical service measures are linked to annual budgets covering:

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

### 3.3 Current Technical Service Levels

The following service levels for the capital renewal of building assets are taken from the Kyogle Council Long Term Financial Plan 2015/2034 adopted by Council in February 2015 and as reviewed annually as part of Council's Operation Plan and Delivery Program development. These capital renewal frequencies represent the service levels adopted by Council based on the community's willingness to pay and the funding levels available in the long term. It is critical that the asset accounting is aligned with these service levels where practical.

**Table 3-1: Current Technical Service Levels**

Asset Type and Group	Service Level from LTFP
Cemeteries renewals	\$5k per year from 2016 (indexed)
Cemeteries upgrades	\$80k for Kyogle cemetery extension in 2025
Community buildings renewals	\$50k in 2019, then \$86k per year indexed from 2020
Community buildings upgrades	\$800k in 2019 (Caravan Park and new Gym), \$300k in both 2025 and 2026 for KMI Hall upgrades, \$1.5M indoor sports stadium in both 2029/30 and 2030/31
Depot capital renewals	\$55k per year from 2019 (indexed)
Emergency services renewals	\$0 per year
Libraries upgrade	\$100k in 2019
Parks and gardens renewals	\$315k in 2019, \$42k per year from 2020 (indexed)
Parks and gardens upgrade	\$265k in 2019
Swimming pools renewals	\$42k per year from 2020 (indexed)
Swimming pools upgrade	\$60k in 2019

### 3.4 Current Community Service Levels

Council's current community service levels are detailed in Table 3.2.

**Table 3-2: Current Community Service Levels**

COMMUNITY LEVELS OF SERVICE				
Theme	Community Expectation	Measure	Current Service Level Response	Acceptable Level of Service Response
<b>Quality</b>	Well maintained buildings infrastructure	Customer requests	640 customer requests received	Customer requests received should not increase
		% of buildings infrastructure that is unsatisfactory	Currently 1.4% of the buildings infrastructure is in an unsatisfactory condition	<2% of the buildings infrastructure in an unsatisfactory condition
<b>Function</b>	Access is available at all times	Customer surveys	23% unsatisfied customers (down from 30%^) and 15% think the buildings infrastructure service levels are getting worse (up from 10%^)*	10% unsatisfied customers and 10% think buildings infrastructure service levels are getting worse
	Fit for their use	% of buildings infrastructure that is inaccessible		Community access to council buildings infrastructure should not be impaired
<b>Capacity/ Utilisation</b>	Buildings infrastructure is appropriate for the community needs	% of buildings infrastructure that is utilised	Most buildings infrastructure has regular use (at least once per week).	All buildings infrastructure has frequent use (at least 2-3 times per week).
			No buildings infrastructure is congested.	No buildings infrastructure is congested.

^ Based on community survey from 2013

\* Based on community survey from April 2018

## 4 FUTURE DEMAND

### 4.1 Demand Forecast

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

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

**Table 4-1: Demand Factors, Projections and Impact on Services**

Demand factor	Present position	Projection	Impact on services
Population	Fluctuating population in recent years	Only minor population increase forecast	Minor increase in demand for services provided utilising buildings and other structures
Building Construction Costs	Current costs	Costs anticipated to increase at around CPI	A shortage of skilled labour, high labour costs and increasing material costs, could impact on the future management of buildings
Crown Land Assets	Council is responsible for and maintains assets on Crown Land that it controls	In future, changes in legislation, for example, may increase the Crown Land controlled by Council, meaning Council would inherit additional assets and maintenance responsibilities	Additional cost of providing, operating, maintaining and renewing buildings.
Restricted Revenue	The cost to construct, maintain and renew infrastructure is increasing at a rate greater than council's revenue	Anticipated to continue, but current rate pegging limits and FAGs increased in recent years	Increasingly difficult to maintaining the current level of service
Climate Change	Higher frequency of extreme weather events	Higher temperatures, more intense storms, increased rainfall/flooding, additional functionality requested by community (e.g. air conditioning)	Major damage to building infrastructure. Availability of disaster relief funding to assist council will be important. Interruption to community access to infrastructure. Increased demand for building upgrades to meet community needs.

## 4.2 Changes in Technology

Technology changes are forecast to have minimal impact on the delivery of services covered by this plan. See Table 4.2.

**Table 4-2: Changes in Technology and Forecast effect on Service Delivery**

Technology Change	Effect on Service Delivery
Change in buildings construction methods and the materials used	May increase the life of building components, reducing the susceptibility to damage, or by reducing the cost of construction or maintenance.
Drones footage / asset capturing	Better knowledge of network and more rapid collection of data will allow improved asset maintenance and renewal planning.
Energy production technology	Improved cost effectiveness of energy generation systems (e.g. solar PV) and reduction in operational costs.

## 4.3 Demand Management Plan

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

Opportunities identified to date for demand management include:

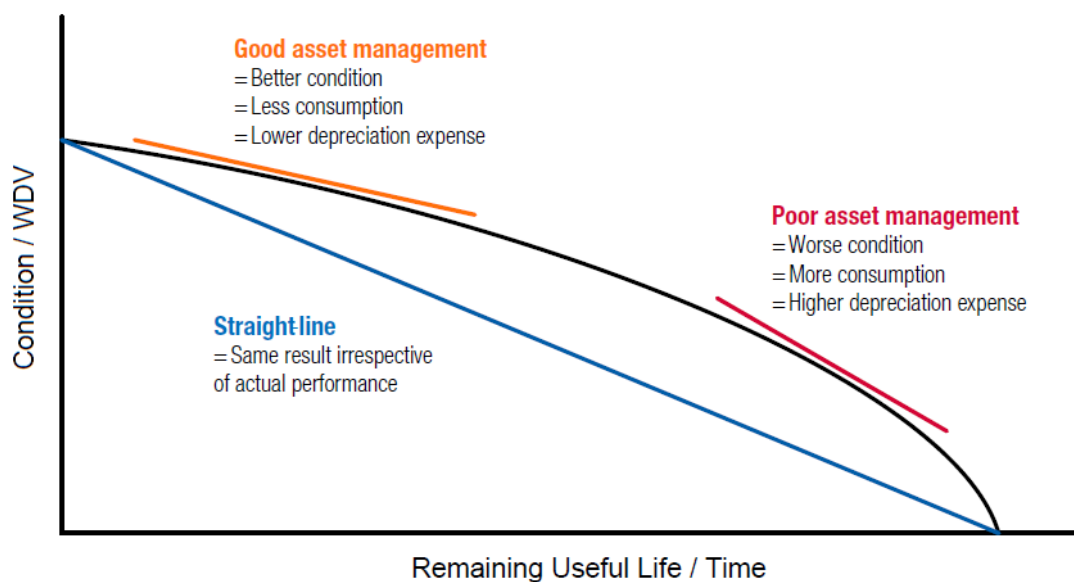
- Monitor community expectations and communicate service levels
- Continue to seek grant funding for projects
- Continue to analyse the cost of providing service and the capacity to fund at the current level of service
- Prioritise maintenance and renewal activities to areas of highest demand
- Disposal of underutilised or poorly functioning assets

## 5 LIFECYCLE MANAGEMENT PLAN

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

Figure 5-1 shows the impacts of different asset management practices and the financial benefits that come from keeping assets in optimal condition.

**Figure 5-1: Impact of good and bad asset management practices**



Source: CPA Valuation and depreciation guide 2013

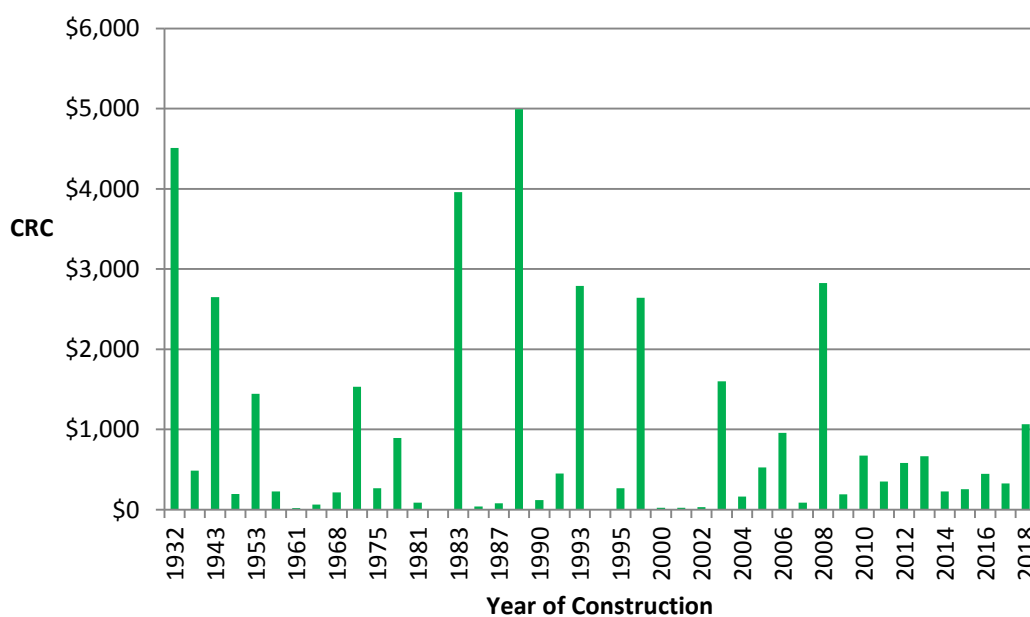
### 5.1 Background Data

#### 5.1.1 Physical parameters

The assets covered by this asset management plan are shown previously, in Table 2.2.

The age profile of the assets include in this AM Plan is shown in Figure 5-2.

**Figure 5-2: Building Assets Age Profile (\$'000s)**



### 5.1.2 Useful Lives and Unit Rates

The useful lives for building assets are set out in Table 5-1 below. There are no unit rates for building assets. Each is valued on a case-by-case basis either from cost data or valuation data.

**Table 5-1: Building Assets Useful lives**

Asset Type	Useful Life (yrs)
Buildings: Concrete, brick, blockwork, brick veneer	80-170yrs
Buildings: Timber, Steel, Colorbond	30-65yrs
Buildings: Demountable	30yrs
Carports/sheds	30rs
Car park	50-80yrs
Fences	30yrs
Playgrounds	25yrs
Tennis courts	30yrs
Mechanical and electrical (incl.)	20yrs
Rainwater tanks (steel and poly)	15yrs
Rainwater tanks (concrete)	50yrs

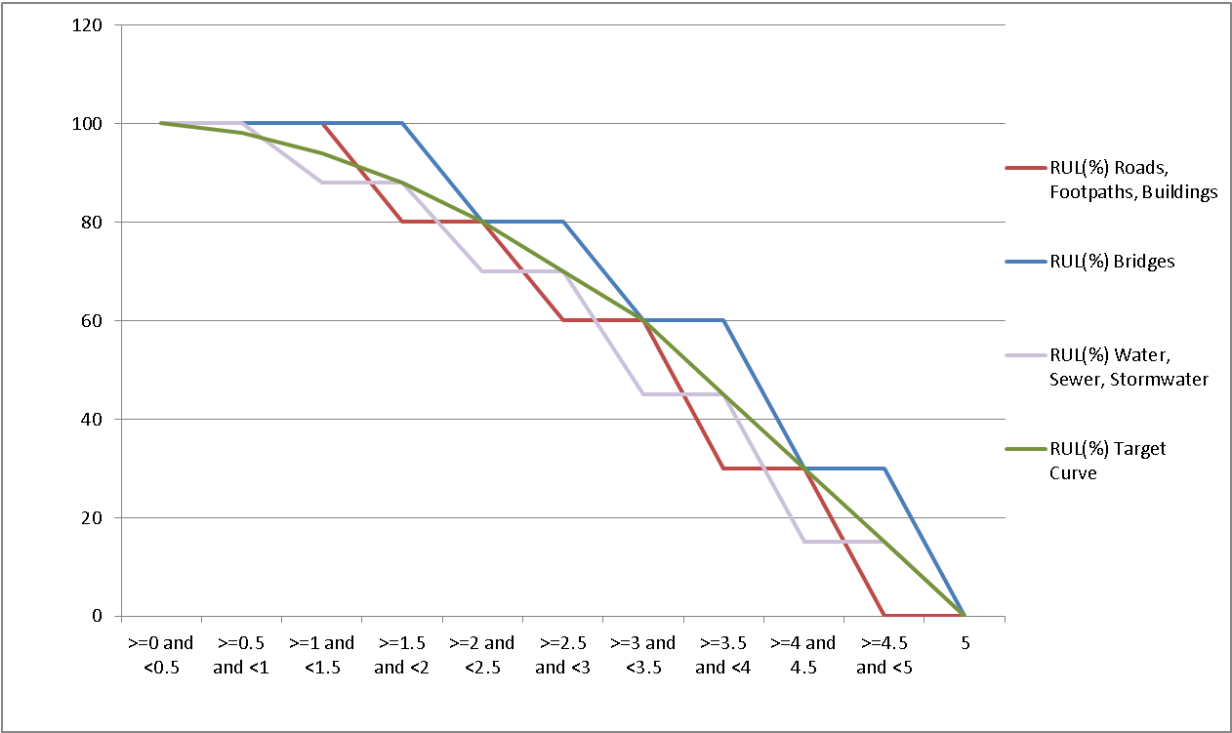
### 5.1.3 Written Down Value and Remaining Useful Life

For Building assets and also Roads and Footpaths, the Written Down Value (WDV) and Remaining Useful Life (RUL) is determined as shown in Table 5-2. This curve is then plotted in Figure 5-3 and compared against other asset classes' RUL curves.

**Table 5-2: Roads, Footpaths, Buildings Assets RUL and WDV calculation**

Condition Score	Condition Description	%age RUL at Condition	Calculation Used to determine WDV
<=1.5	Only planned maintenance is required	100	$WDV = CRC * 1.0$
>1.5 and <=2.5	Minor maintenance required plus planned maintenance	80	$WDV = CRC * 0.8$
>2.5 and <=3.5	Significant maintenance required	60	$WDV = CRC * 0.6$
>3.5 and <=4.5	Major renewal/upgrade required	30	$WDV = CRC * 0.3$
>4.5 and <=5	Unserviceable	0	$WDV = 0$

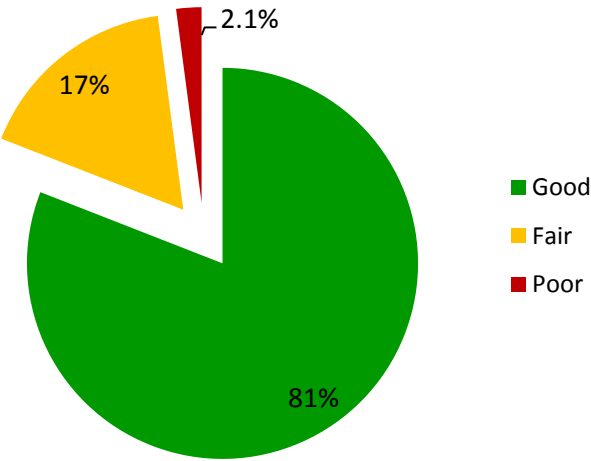
Figure 5-3: RUL curves



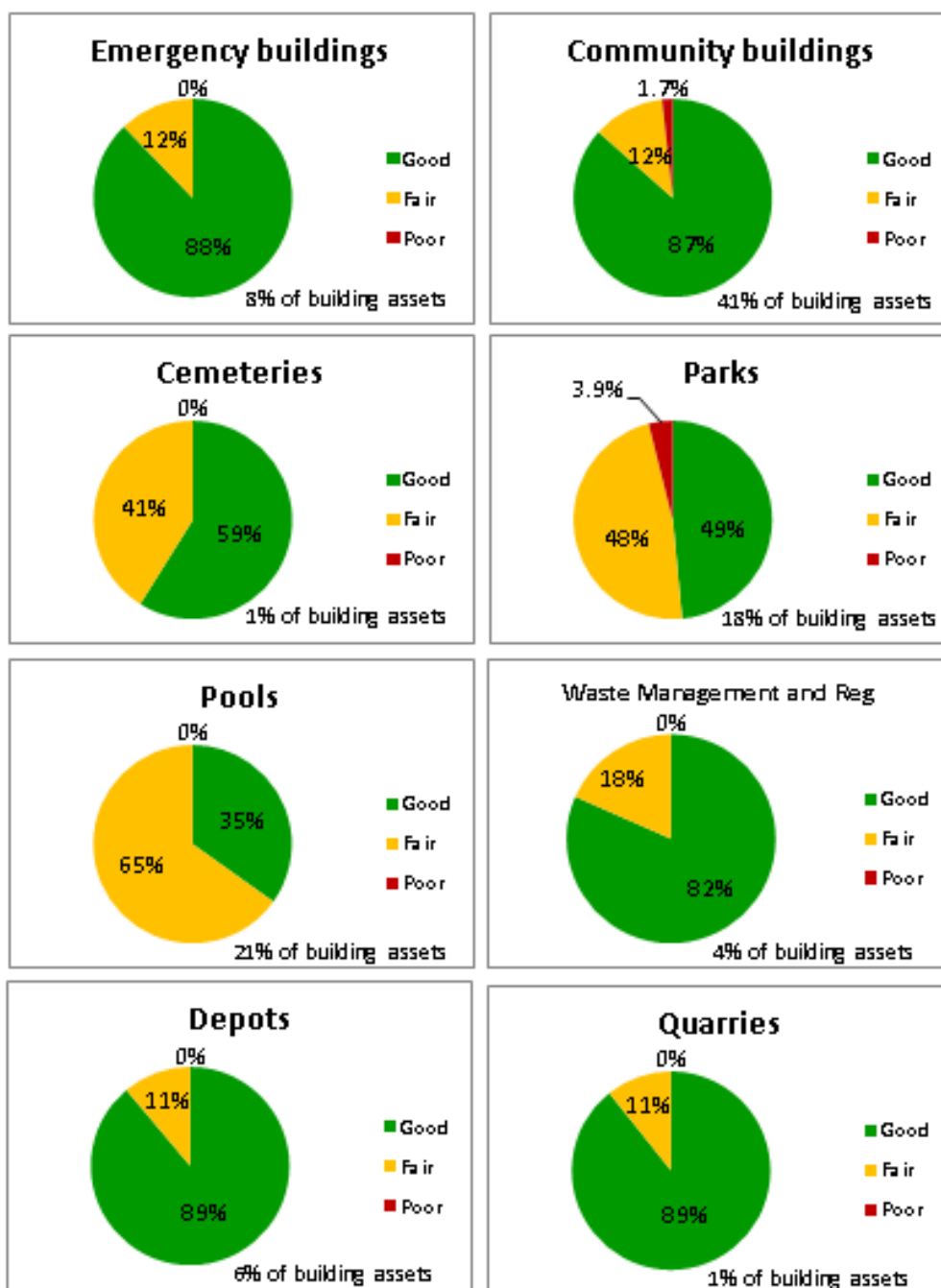
5.1.4 Asset Condition

The condition profile of assets included within this AM Plan is shown in Figure 5-4 and Figure 5-5. Percentages are based on the ratio of CRC of assets in that condition range, divided by total CRC of all building assets. Note: this is different to backlog ratio percentage which is accumulated depreciation of assets in condition 4 and 5, divided by total WDV of all building assets. The backlog ratio is currently 2.4%

Figure 5-4: Asset Condition Profile



**Figure 5-5: Asset Condition Profile by Subcategory**



Note: the percentage in the bottom right corner of each chart is the CRC of this subcategory divided by total CRC of building assets

Condition is measured using a 1 – 5 rating system as detailed in Table 5.2.

**Table 5-3: Description of Condition**

Condition	Condition Rating	Description
Good	1	Excellent condition: Only planned maintenance required.
	2	Good: Minor maintenance required plus planned maintenance.
Fair	3	Average: Significant maintenance required.
Poor	4	Poor: Significant renewal/upgrade required.
	5	Very Poor: Unserviceable.

*Typical condition ratings are represented in the following photos.*

## **Buildings**



**Example of Condition 1 Building**



**Example of Condition 2 Building**



**Example of Condition 3 Building**



**Example of Condition 4 Building**



**Example of Condition 5 Building**



**Example of Condition 1 Parks and Reserves Structure**



**Example of Condition 2 Parks and Reserves Structure**



**Example of Condition 3 Parks and Reserves Structure**



**Example of Condition 4 Parks and Reserves Structure**

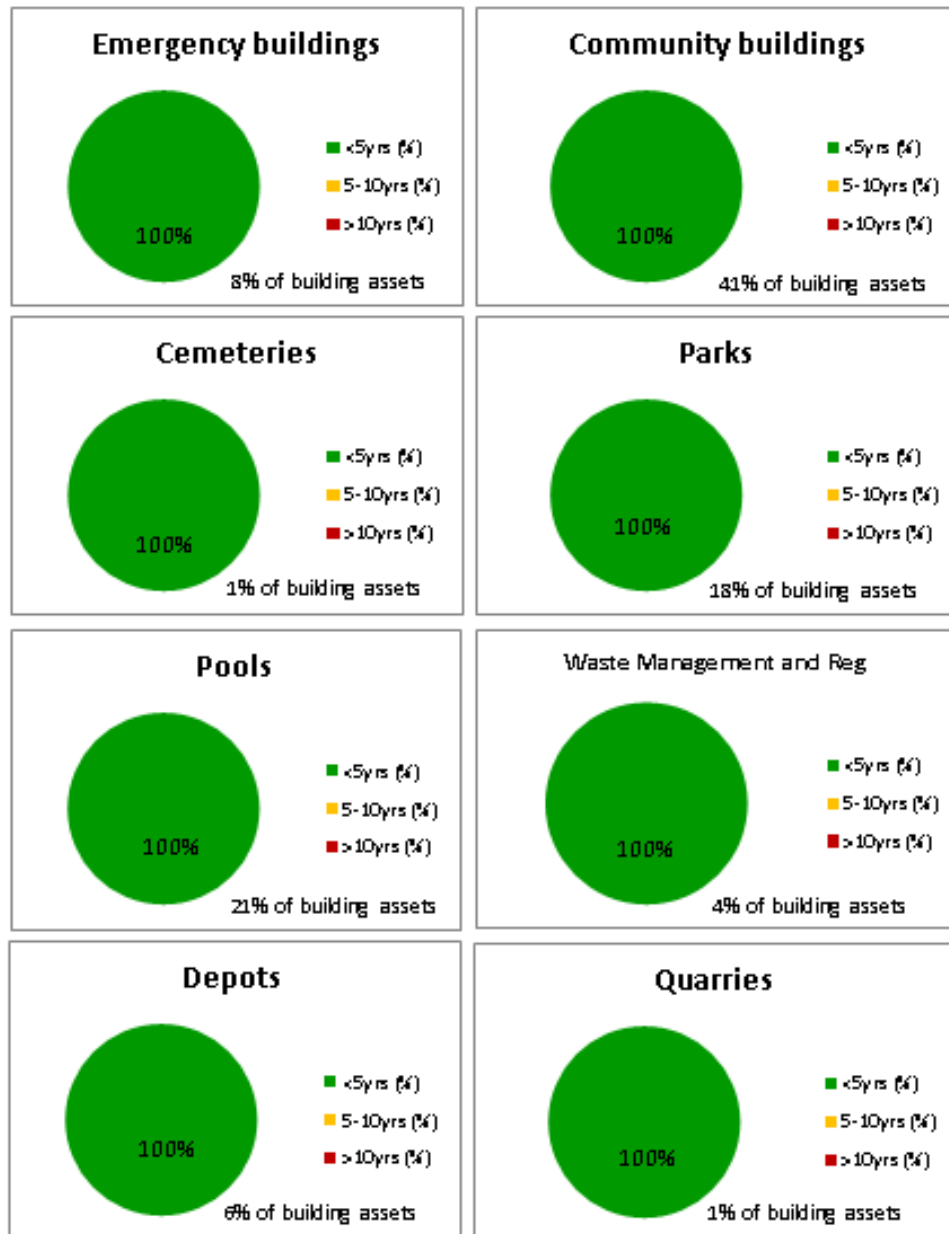


**Examples of Condition 5 Parks and Reserves Structures**

### 5.1.5 Asset condition inspections

Council has a target to inspect building assets once every 5yrs. The graphs below in Figure 5-6, splits each asset subcategory into three groups (%CRC): asset inspections within the last 5yrs (2013-2018), asset inspections within 5-10yrs (2009-2012), and assets that haven't been inspected for 10yrs or more. (Note: the percentage in the bottom right corner of each chart is the CRC of this subcategory divided by total CRC of building assets)

**Figure 5-6: Condition rating age**



Currently, all building assets have been inspection within the past 5yrs.

### 5.1.6 Asset valuations

The value of assets recorded in the asset register as at 2018 covered by this asset management plan is shown below.

Current Replacement Cost	\$ 39.0M
Depreciable Amount	\$ 39.0M
Written Down Value	\$ 19.1M
Annual Depreciation Expense	\$ 0.73M

Figures below show the rate of annual asset consumption and compares this to asset renewal and asset upgrade and expansion. All figures are averaged over the 10 year period.

Asset Consumption	1.86%	(Depreciation/Depreciable Amount)
Asset renewal	0.60%	(Capital renewal exp/Depreciable amount)
Asset renewal vs. consumption	32%	(Capital renewal exp/Depreciation)
Annual Upgrade/New	0.33%	(Capital upgrade exp/Depreciable amount)

Council is currently renewing assets at 32% of the rate they are being consumed and increasing its asset stock by 0.33% each year.

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

### 5.1.7 Asset hierarchy

An asset hierarchy provides a framework for structuring data in an information system to assist in collection of data, reporting information and making decisions. The hierarchy includes the asset class and component used for asset planning and financial reporting and service level hierarchy used for service planning and delivery.

Council's service hierarchy is shown in Table 5-4.

**Table 5-4: Asset Service Hierarchy**

Service Hierarchy	Service Level Objective
Community Buildings, Libraries, Pre schools	Community Buildings will generally be provided to support other service activities operating from those facilities.
Parks and open spaces, crown reserves	Provides for and promotes recreation and healthy lifestyles
Administration	Administration Buildings will generally be provided to support Councils activities e.g. Administration Building and Depot
Halls	Supports community activities
Sporting facilities	Facilitates sport, community and healthy lifestyle
Other Structures	Includes structures on crown reserves, cemeteries, quarries
Swimming Pools	Includes pool and associated structures
Playground equipment Other structures	Provides for and promotes recreation and healthy lifestyles

## 5.2 Routine Maintenance

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

Proposed maintenance expenditure for Building Infrastructure is not clearly defined in Council's current budget breakdown. Current budget show a combination of operation and maintenance items. It is possible to break out the maintenance budgets for Building Infrastructure based on actual cost data from the 2017/18 financial year and project as per Table 5-5.

**Table 5-5: Maintenance Expenditure for Community Buildings only**

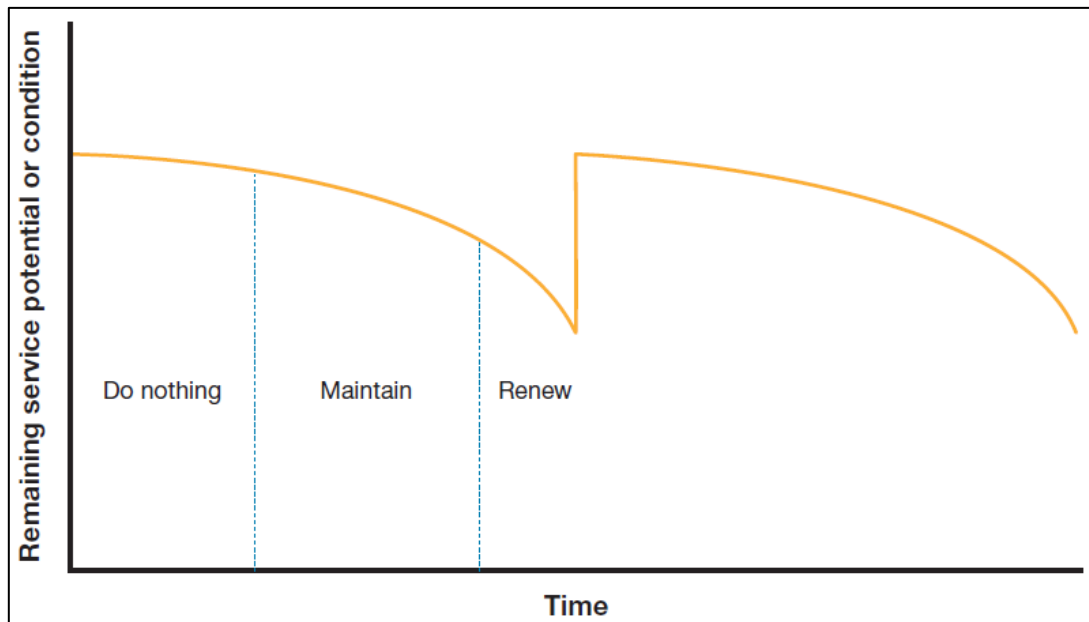
Year	Maintenance Expenditure
2018/19	\$105,000
2019/20	\$108,000
2020/21	\$111,000

Maintenance expenditure is planned to remain constant in real terms over the period covered by this asset management plan. Assessment and prioritisation of reactive maintenance is undertaken by operational staff.

## 5.3 Renewal/Replacement Plan

Renewal expenditure is major work which does not increase the asset's design capacity but restores, rehabilitates, replaces or renews an existing asset to its original service potential. Work over and above restoring an asset to original service potential is upgrade/expansion or new works expenditure.

**Figure 5-7: Typical asset management strategy**



Source: CPA Valuation and depreciation guide 2013

### 5.3.1 Renewal Plan

The ranking criteria used to determine priority of identified renewal proposals is detailed in Table 5-6.

**Table 5-6: Renewal Priority Ranking Criteria**

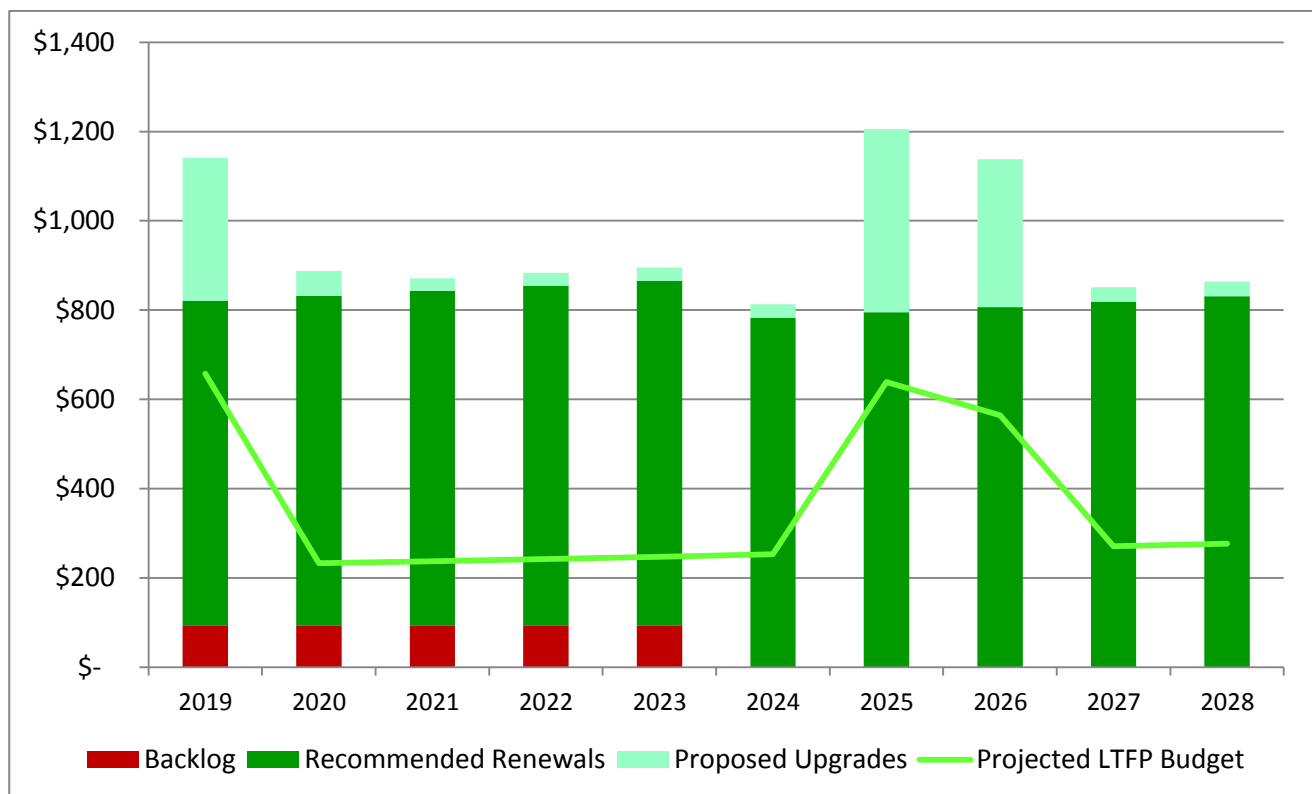
Criteria	Weighting
Available budget	10%
Service Hierarchy	30%
Condition	30%
Risk	20%
Regulatory Standards	10%
<b>Total</b>	<b>100%</b>

Renewal will be undertaken using 'low-cost' renewal methods where practical. The aim of 'low-cost' renewals is to restore the service potential or future economic benefits of the asset by renewing the assets at a cost less than replacement cost.

### 5.3.2 Summary of projected renewal expenditure

Renewal expenditure in the short to medium term will be focused on reducing the existing infrastructure backlog. In addition, renewal expenditures are forecast to increase over time as the asset stock ages. The projected and budgeted renewals are summarised in Figure 5-8. Note that all costs are shown in 2018 dollar values. The projected capital renewal program is shown in Appendix C – Projected capital works program.

**Figure 5-8: Projected Capital Renewal Expenditure (\$'000s)**



The current projections eliminate the backlog over 5yrs but results in \$5.92M of unfunded renewals over the 10yr period.

Table 5.6 shows the relationship between projected and budgeted renewals.

**Table 5-7: Projected and Budgeted Renewals and Expenditure Shortfall (\$'000s)**

Year	Recommended Renewals	Planned Renewal Budget	Net Renewal Funding (-ve Gap, +ve Surplus)	Cumulative Renewal Funding (-ve Gap, +ve Surplus)	Planned Backlog spend	Current Backlog Remaining
Backlog						-471.00
2019	727.00	337.46	-389.54	-389.54	94.20	-376.80
2020	737.91	177.45	-560.46	-950.00	94.20	-282.60
2021	748.97	208.96	-540.01	-1,490.01	94.20	-188.40
2022	760.21	213.46	-546.75	-2,036.75	94.20	-94.20
2023	771.61	218.06	-553.55	-2,590.30	94.20	0
2024	783.19	222.76	-560.42	-3,150.73	0	0
2025	794.93	227.93	-567.01	-3,717.73	0	0
2026	806.86	233.21	-573.65	-4,291.38	0	0
2027	818.96	238.62	-580.34	-4,871.72	0	0
2028	831.24	244.15	-587.09	-5,458.82	0	0

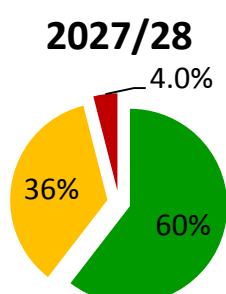
Note: Backlog spend does not include any annual indexation.

As a result, the backlog is projected to increase over the next 10yrs, resulting in a condition profile as shown in Figure 5-9 below. These projections are based on the following assumptions:

- Assets that remain above 60% of remaining useful life (i.e. in condition 1 or 2) in 10 years' time plus any backlog assets that are renewed back to condition 1 over the 10yrs = 'Good'
- Assets that fall between 60% and 35% of their useful life (i.e. in condition 3) in 10yrs time = 'Fair'
- Assets that fall below 35% of their useful life (i.e. condition 4 or 5) in 10yrs time = 'Poor'

Whilst these figures suggest a significant funding shortfall, there is some doubt as to whether the current annual depreciation figure is a true reflection of the level of consumption of these types of assets. It is also important to note that the forward budget represents the largest investment in the renewal of buildings and other structures in many decades. The operational budgets for buildings also provide for an element of asset "renewal", such as minor repairs, painting, replacement of minor structures and other activities that can extend the depreciable life of an individual asset. Council must ensure that these operational budgets are utilised on such activities in a pro-active and considered manner to ensure the overall condition profile of these assets is not allowed to deteriorate; otherwise additional capital renewals will need to be funded in the long term.

**Figure 5-9: Future Asset Condition Profile**



## 5.4 Creation/Acquisition/Upgrade Plan

New works are those works that create a new asset that did not previously exist, or works which upgrade or improve an existing asset beyond its existing capacity. They may result from growth, social or environmental needs. Assets may also be acquired at no cost to the Council from land development.

### 5.4.1 Selection criteria

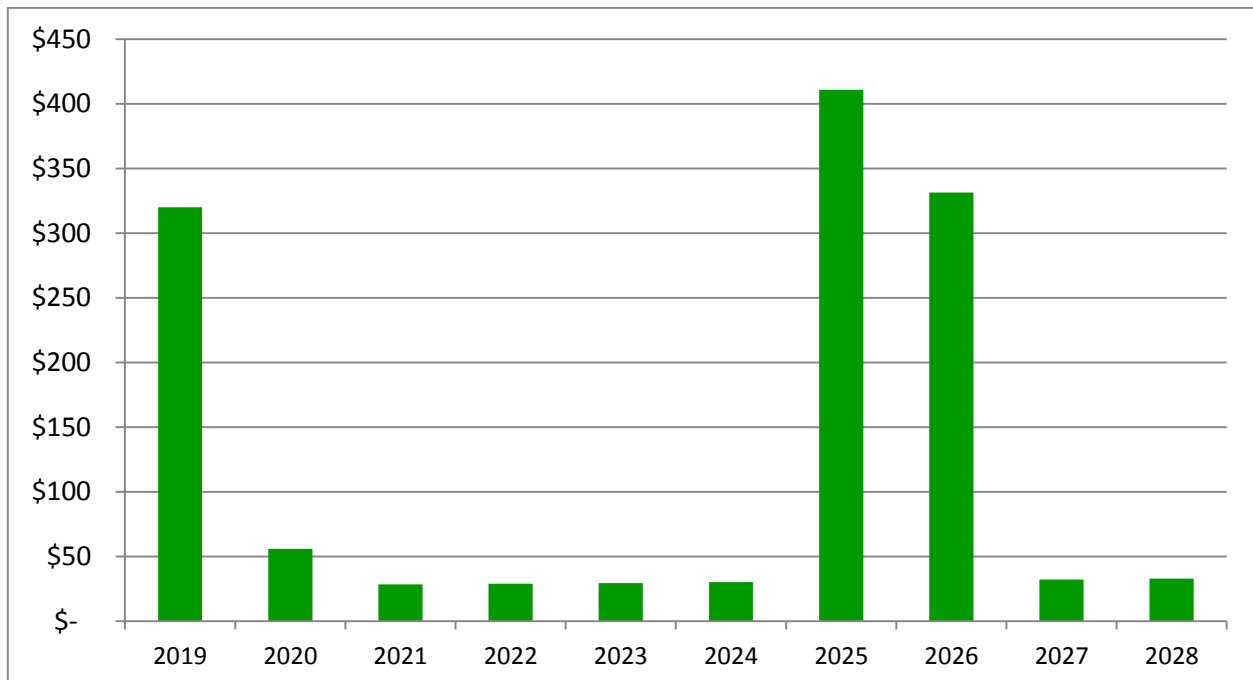
New assets and upgrade/expansion of existing assets are identified from various sources such as councillor or community requests, proposals identified by strategic plans or partnerships with other organisations. Candidate proposals are inspected to verify need and to develop a preliminary estimate.

Also, upgrades are generally linked with proposed renewals. Where Council is planning on renewing a building, for example, potential upgrades to be implemented as part of the construction project are considered.

### 5.4.2 Summary of projected upgrade/new assets expenditure

Projected upgrade/new asset expenditures are summarised in Figure 5-10. The projected upgrade/new capital works program is shown in Appendix C – Projected capital works program. All costs are shown in current 2018 dollar values.

**Figure 5-10: Projected Capital Upgrade/New Asset Expenditure (\$'000s)**



New or upgrades totalling \$1.3M over 10 years have been included in this asset management plan. New assets and services are to be funded from capital works program and grants where available.

## 5.5 Disposal Plan

Disposal includes any activity associated with disposal of a decommissioned asset including impairment, sale, demolition or relocation. Assets identified for possible decommissioning and disposal are shown in Table 5-8, together with estimated annual savings from not having to fund operations and maintenance of the assets. These assets will be further reinvestigated to determine the required levels of service and see what options are available for alternate service delivery, if any.

Where cashflow projections from asset disposals are not available, these will be developed in future revisions of this asset management plan.

**Table 5-8: Assets identified for Disposal**

Asset	Reason for Disposal	Timing	Net Disposal Expenditure (Expend +ve, Revenue -ve)	Operations & Maintenance Annual Savings
Horseshoe Cricket Oval – cricket nets	No longer in use	2019	\$0	\$500
Horseshoe Cricket Oval – building	No longer in use	2019	\$0	\$400
Horseshoe Creek Rec Reserve – toilets	No longer in use	2019	\$0	\$1028
Chadburn Quarry – quarry store	No longer in use	2019	\$0	\$625

## 6 ASSET MANAGEMENT PRACTICES

### 6.1 Accounting/Financial Systems

#### 6.1.1 *Accounting and financial systems*

Kyogle Council uses the Civica PCS software solution for asset accounting.

#### 6.1.2 *Accountabilities for financial systems*

The financial systems are managed by the Corporate and Community Services section

#### 6.1.3 *Accounting standards and regulations*

Council works under Australian Accounting Standards and NSW State Legislation/Regulations and Directives issued by the Division of Local Government

NSW Local Government Act 1993

NSW Local Government Code of Accounting Practice and Financial Reporting

Australian Accounting Standards Board AASB116

#### 6.1.4 *Required changes to asset accounting systems arising from this AM Plan*

Changes to asset management systems identified as a result of preparation of this asset management plan are:

- Improved monitoring and assessment of condition data and condition trends over time
- Implementation of a pro-active maintenance program for buildings and other structures
- Review of depreciable amounts and useful lives to ensure these provide for annual depreciation amounts that are reflective of the asset consumption

### 6.2 Asset Management Systems

#### 6.2.1 *Asset management system and registers*

- BizeAsset

#### 6.2.2 *Linkage from asset management to financial system*

Linkage from the asset management system to the financial systems is detailed in the internal Asset Accounting Policy and Procedure.

#### 6.2.3 *Accountabilities for asset management system and data*

- Assets and Infrastructure Services

### 6.3 Information Flow Requirements and Processes

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

- Current condition assessment of assets
- Council strategic and operational plans,
- Service requests from the community,
- Network assets information,
- The unit rates for categories of work/materials,
- Current levels of service, expenditures, service deficiencies and service risks,
- Projections of various factors affecting future demand for services and new assets acquired by Council,
- Future capital works programs,
- Financial asset values.

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

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

These will impact the Long Term Financial Plan, Delivery Program, Operational Plan and departmental business plans.

## 7 PLAN IMPROVEMENT AND MONITORING

### 7.1 Performance Measures

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

- The degree to which the required actions identified in this asset management plan are incorporated into the organisation's asset management practices and long term financial plan and Community/Strategic Planning processes and documents
- The degree to which 1-5 year detailed works programs, budgets, business plans and organisational structures take into account the 'global' works program trends provided by the asset management plan
- The degree to which the overall condition of the assets improve over time
- The degree to which the backlog decreases over time

### 7.2 Improvement Plan

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

**Table 7-1: Improvement Plan**

Task No	Task	Responsibility	Resources Required	Timeline
1	Linking of the customer service system to the corporate asset register to link requests to asset records	Corporate	Staff Time	2021
2	Review the accuracy and currency of asset condition data	Technical	Staff Time	Ongoing
3	Continue to review the procedures for maintaining the Asset and Financial Registers	Corporate (Technical & Financial)	Staff Time	Ongoing
4	Implementation of a pro-active maintenance program for buildings and other structures	Technical	Staff Time	Ongoing
5	Review of annual depreciation amounts and associated useful lives	Technical	Staff Time	2021

### 7.3 Monitoring and Review Procedures

This asset management plan will be referenced during annual budget preparation and amended to recognise any material changes in service levels and/or resources available to provide those services as a result of the budget decision process. The Plan should be renewed each four years or as required.

## APPENDICES

### Appendix A – Relevant community goals and objectives

Goal	Objective	How Goal and Objectives are addressed in AMP
Participation and Communication	To encourage public participation and provide access opportunities for the recognition of community needs and expectations and develop appropriate lines of communications to ensure that the public is kept well informed as to Council activities.	<p>Development of the service levels provided by infrastructure, and the balancing of this with the available funding and acceptable risk will require communication and consultation with the community</p> <p>A primary objective of the asset management plans prepared by Council is to establish the position in relation to maintaining the current infrastructure at a level which will sustain an improved standard of services.</p>
Management	To set the example in Local Government through efficient and effective management practices and provide an environment that fosters trust, encourages and rewards excellence in performance and which supports the implementation of Council's goals and policies.	<p>Council has limited resources. Asset Management Planning provides a way in which the community can be engaged in setting the priorities and allocation of these resources.</p> <p>The Asset Management Plan in conjunction with Long Term Financial Plans are the tools by which Council assesses the long term financial sustainability of council's infrastructure assets</p> <p>Planning long term sustainable infrastructure is important to enable the appropriate resources to be identified and provided and to enable Council to meet its statutory requirements</p>
Quality of Life	To promote the physical, social, cultural and general well-being of the Community.	The provision and maintenance of public infrastructure is an important component contributing to the cultural and social needs of the community
Services	To provide and facilitate the provision of a broad range of services to a standard commensurate with the needs and resources of a rural council and provide equitable access for all residents	<p>Infrastructure is provided to support services. Getting the correct infrastructure appropriate to the needs of the community is a primary goal of Asset Management Planning.</p> <p>A primary objective of the asset management plan is to develop a lifecycle approach to the provision of infrastructure. This aims to minimise the life cycle cost of assets while maximising the service that is delivered</p>
Promotion and Development	To assist and coordinate the ongoing development of Kyogle Council area and enhance and market its capacity as a location for residential opportunities, primary production, industry, commerce, government services and tourism.	Economic sustainability and growth is linked to the services provided by infrastructure. The Asset Management Plans will provide guidance as to the assets required, and the long term sustainability of these services.
Environment	To achieve acceptable planning, development and building standards; to manage waste collection and disposal and to protect the environment in accordance with community expectations.	<p>Infrastructure is provided to support services. Getting the correct infrastructure appropriate to the needs of the community is a primary goal of Asset Management Planning.</p> <p>Council has limited resources. Asset Management Planning provides a way in which the community can be</p>

		<p>engaged in setting the priorities and allocation of these resources.</p> <p>Provision of the appropriate infrastructure to support the natural environment will continue to be a long term consideration in Asset Management Planning</p>
Health	<p>To protect and promote the health and well-being of the Kyogle Council area Community by developing and applying environmental health and public safety measures.</p>	<p>The provision and maintenance of infrastructure is an important component contributing to the health and safety of the community</p>

## Appendix B – Legislative Requirements

Legislation	Requirement
Local Government Act 1993	<p>Sets out role, purpose, responsibilities and powers of local governments. The purposes of this Act are as follows:</p> <ul style="list-style-type: none"> <li>(a) to provide the legal framework for an effective, efficient, environmentally responsible and open system of local government in New South Wales,</li> <li>(b) to regulate the relationships between the people and bodies comprising the system of local government in New South Wales,</li> <li>(c) to encourage and assist the effective participation of local communities in the affairs of local government,</li> <li>(d) to give councils: <ul style="list-style-type: none"> <li>• the ability to provide goods, services and facilities, and to carry out activities, appropriate to the current and future needs of local communities and of the wider public</li> <li>• the responsibility for administering some regulatory systems under this Act</li> <li>• a role in the management, improvement and development of the resources of their areas,</li> </ul> </li> <li>(e) to require councils, councillors and council employees to have regard to the principles of ecologically sustainable development in carrying out their responsibilities.</li> </ul> <p>The land management provisions of the Act require that Council prepare plans of management for all community land. The plan of management identifies the management objectives for the land category, performance indicators and performance measures to meet the objectives identified.</p>
Disability Discriminations Act, 1992	<p>The Federal <i>Disability Discrimination Act 1992</i> (D.D.A.) provides protection for everyone in Australia against discrimination based on disability. It encourages everyone to be involved in implementing the Act and to share in the overall benefits to the community and the economy that flow from participation by the widest range of people.</p> <ul style="list-style-type: none"> <li>(a) to eliminate, as far as possible, discrimination against persons on the ground of disability in the areas of: <ul style="list-style-type: none"> <li>(i) work, accommodation, education, access to premises, clubs and sport; and</li> <li>(ii) the provision of goods, facilities, services and land; and</li> <li>(iii) existing laws; and</li> <li>(iv) the administration of Commonwealth laws and programs; and</li> </ul> </li> <li>(b) to ensure, as far as practicable, that persons with disabilities have the same rights to equality before the law as the rest of the community; and to promote recognition and acceptance within the community of the principle that persons with disabilities have the same fundamental rights as the rest of the community.</li> </ul>
Work Health & Safety Act 2011	<p>Sets out roles and responsibilities to secure the health, safety and welfare of persons at work and covering injury management, emphasising rehabilitation of workers particularly for return to work. Council is to provide a safe working environment and supply equipment to ensure safety.</p>
Environmental Planning and Assessment Act 1979	<p>An Act to institute a system of environmental planning and assessment for the State of New South Wales. Among other requirements the Act outlines the requirement for the preparation of Local Environmental Plans (LEP), Development Control Plans (DCP), Environmental Impact Assessments (EIA) and Environmental Impact Statements.</p> <p>Also provides for State Environmental Planning Policies (SEPP) for Infrastructure as well as exempt and complying development.</p>
Biodiversity Conservation Act, 2016	<p>An Act to conserve threatened species, populations and ecological communities of animals and plants.</p>

	Under the terms of this Act Council is required to ensure the long term survival of the species identified.
Water Management Act, 2000	An Act to provide for the carrying out of works for the removal of obstructions from and the improvement of rivers and foreshores and the prevention of erosion of lands by tidal and non-tidal waters
Protection of the Environment Operations Act 1997	Council is required to exercise due diligence to avoid environmental impact and among others are required to develop operations emergency plans and due diligence plans to ensure that procedures are in place to prevent or minimise pollution.
National Parks and Wildlife Act (1974)	An Act relating to the establishment, preservation and management of national parks, historic sites and certain other areas and the protection of certain fauna, native plants and Aboriginal objects
Public Works and Procurement Act 1912	Sets out the role of Council in the planning and construction of new assets.
Valuation of Land Act 1916	This act sets out requirements in respect Land Valuation
Crown Land Management Act, 2016	An Act to provide for the administration and management of Crown land in the Eastern and Central Division of the State of NSW Council has large holdings of Crown land under it care, control and management.
Heritage Act, 1977	An Act to conserve the environmental heritage of the State. Several properties are listed under the terms of the Act and attract a high level of maintenance cost, approval and monitoring.
Building Code of Australia	The goal of the BCA is to enable the achievement of nationally consistent, minimum necessary standards of relevant, health, safety (including structural safety and safety from fire), amenity and sustainability objectives efficiently. This code also sets out the regulations for things such as means of escape, Limitation of people in buildings, Fire and evacuation plans and testing of special fire services and installations.
Plumbing and Drainage Act 2011	This act sets out requirements in respect to Plumbing Requirements
Rural Fires Act, 1997	An Act to establish the NSW Rural Fire Service and define its functions; to make provision for the prevention, mitigation and suppression of rural fires. Under the terms of this Act Council is required to mitigate any fire that emanate from bushland.
Fire Brigades Act 1989	This act sets out requirements in respect to Emergency Services for Fire and Rescue
State Records Act 1998	This act sets out requirements in respect maintaining Public Records
Surveillance Devices Act, 2007	This act sets out requirements in respect use of Surveillance Devices
Civil Liability Act, 2002	An Act to make provision in relation to the recovery of damages for death or personal injury caused by the fault of a person

## Appendix C – Projected capital works program

Buildings and Community Facilities												
Project / Item	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2029/30	2030/31
Parks and Gardens Renewals		42,897	43,657	44,603	45,571	46,560	47,644	48,754	49,890	51,052	53,460	54,707
Bonalbo Norman Johnson Park Improvements (\$80,000 SCCF)	170,000											
Mallanganee Sports Ground Improvements (\$129,623 SCCF)	180,000											
Mallanganee Public Toilet Replacement (\$50,000 SCCF)	50,000											
Old Bonalbo Pioneer Park Improvements and Toilet Replacement (\$57,905 SCCF)	80,000											
Tabulam Sports Ground Improvements (\$50,000 SCCF)	78,000											
Wiangaree Abboddy Park Improvements (\$50,000 SCCF)	60,000											
Woodenbong Sporting Improvements (\$50,000 SCCF)	65,000											
Swimming Pools Renewals	17,152	42,897	43,657	44,604	45,571	46,560	47,645	48,754	49,890	51,053	53,461	54,708
Bonalbo Pool Improvements (\$50,000 SCCF)	60,000											
Community Building Renewals		86,235	87,762	89,665								
KMI Hall Building Upgrades							300,000	300,000				
Kyogle Gym and Indoor Sports Stadium											1,500,000	1,500,000
Bonalbo Caravan Park Improvements (\$50,000 SCCF)	50,000											
Cemeteries Renewals	5,310	5,417	5,528	5,657								
<b>Total</b>	<b>815,462</b>	<b>177,446</b>	<b>180,604</b>	<b>184,529</b>	<b>91,142</b>	<b>93,120</b>	<b>395,289</b>	<b>397,508</b>	<b>99,780</b>	<b>102,105</b>	<b>1,606,921</b>	<b>1,609,415</b>

## Appendix D – Abbreviations

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

## Appendix E – Glossary

### Annual service cost (ASC)

- 1) Reporting actual cost  
The annual (accrual) cost of providing a service including operations, maintenance, depreciation, finance/opportunity and disposal costs less revenue.
- 2) For investment analysis and budgeting  
An estimate of the cost that would be tendered, per annum, if tenders were called for the supply of a service to a performance specification for a fixed term. The Annual Service Cost includes operations, maintenance, depreciation, finance/opportunity and disposal costs, less revenue.

### Asset

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

### Asset class

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

### Asset condition assessment

The process of continuous or periodic inspection, assessment, measurement and interpretation of the resultant data to indicate the condition of a specific asset so as to determine the need for some preventative or remedial action.

### Asset management (AM)

The combination of management, financial, economic, engineering and other practices applied to physical assets with the objective of providing the required level of service in the most cost effective manner.

### Average annual asset consumption (AAAC)\*

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

### Borrowings

A borrowing or loan is a contractual obligation of the borrowing entity to deliver cash or another financial asset to the lending entity over a specified period of time or at a specified point in time, to cover both the

initial capital provided and the cost of the interest incurred for providing this capital. A borrowing or loan provides the means for the borrowing entity to finance outlays (typically physical assets) when it has insufficient funds of its own to do so, and for the lending entity to make a financial return, normally in the form of interest revenue, on the funding provided.

### Capital expenditure

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

### Capital expenditure - expansion

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

### Capital expenditure - new

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

### Capital expenditure - renewal

Expenditure on an existing asset or on replacing an existing asset, which returns the service capability of the asset up to that which it had originally. It is periodically required expenditure, relatively large (material) in value compared with the value of the components or sub-components of the asset being renewed. As it reinstates existing service potential, it generally has no impact on revenue, but may reduce future operations and maintenance expenditure if completed at the optimum time, eg. resurfacing or resheeting a material part of a road network, replacing a material section of a drainage network with pipes of the same capacity, resurfacing an oval.

### Capital expenditure - upgrade

Expenditure, which enhances an existing asset to provide a higher level of service or expenditure that will increase the life of the asset beyond that which it had originally. Upgrade expenditure is discretionary and often does not result in additional revenue unless direct user charges apply. It will increase operations

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

**Capital funding**

Funding to pay for capital expenditure.

**Capital grants**

Monies received generally tied to the specific projects for which they are granted, which are often upgrade and/or expansion or new investment proposals.

**Capital investment expenditure**

See capital expenditure definition

**Capitalisation threshold**

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

**Carrying amount**

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

**Class of assets**

See asset class definition

**Component**

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

**Cost of an asset**

The amount of cash or cash equivalents paid or the fair value of the consideration given to acquire an asset at the time of its acquisition or construction, including any costs necessary to place the asset into service. This includes one-off design and project management costs.

**Current replacement cost (CRC)**

The cost the entity would incur to acquire the asset on the reporting date. The cost is measured by reference to the lowest cost at which the gross future economic benefits could be obtained in the normal course of business or the minimum it would cost, to replace the existing asset with a technologically modern equivalent new asset (not a second hand one) with the same economic benefits (gross service potential) allowing for any differences in the quantity and quality of output and in operating costs.

**Depreciable amount**

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

**Depreciated replacement cost (DRC)**

The current replacement cost (CRC) of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset.

**Depreciation / amortisation**

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

**Economic life**

See useful life definition.

**Expenditure**

The spending of money on goods and services. Expenditure includes recurrent and capital.

**Fair value**

The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties, in an arms length transaction.

**Funding gap**

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

**Heritage asset**

An asset with historic, artistic, scientific, technological, geographical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture and this purpose is central to the objectives of the entity holding it.

**Impairment Loss**

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

**Infrastructure assets**

Physical assets that contribute to meeting the needs of organisations or the need for access to major economic and social facilities and services, eg. roads, drainage, footpaths and cycleways. These are typically large, interconnected networks or portfolios of composite assets. The components of these assets may be separately maintained, renewed or replaced individually so that the required level and standard of service from the network of assets is continuously sustained. Generally the components and hence the

assets have long lives. They are fixed in place and are often have no separate market value.

#### **Investment property**

Property held to earn rentals or for capital appreciation or both, rather than for:

- (a) use in the production or supply of goods or services or for administrative purposes; or
- (b) sale in the ordinary course of business.

#### **Key performance indicator**

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

#### **Level of service**

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

#### **Life Cycle Cost**

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

#### **Life Cycle Expenditure**

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

#### **Loans / borrowings**

See borrowings.

#### **Maintenance**

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

- **Planned maintenance**

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

- **Reactive maintenance**

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

- **Significant maintenance**

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

- **Unplanned maintenance**

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

#### **Maintenance and renewal gap**

Difference between estimated budgets and projected required expenditures for maintenance and renewal of assets to achieve/maintain specified service levels, totalled over a defined time (e.g. 5, 10 and 15 years).

#### **Maintenance and renewal sustainability index**

Ratio of estimated budget to projected expenditure for maintenance and renewal of assets over a defined time (eg 5, 10 and 15 years).

#### **Maintenance expenditure**

Recurrent expenditure, which is periodically or regularly required as part of the anticipated schedule of works required to ensure that the asset achieves its useful life and provides the required level of service. It is expenditure, which was anticipated in determining the asset's useful life.

#### **Materiality**

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

#### **Modern equivalent asset**

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

#### **Net present value (NPV)**

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

#### **Non-revenue generating investments**

Investments for the provision of goods and services to sustain or improve services to the community that are not expected to generate any savings or revenue to the Council, eg. parks and playgrounds, footpaths, roads and bridges, libraries, etc.

#### **Operations expenditure**

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

#### **Operating expense**

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

#### **Pavement management system**

A systematic process for measuring and predicting the condition of road pavements and wearing surfaces over time and recommending corrective actions.

#### **PMS Score**

A measure of condition of a road segment determined from a Pavement Management System.

#### **Rate of annual asset consumption**

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

#### **Rate of annual asset renewal**

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

#### **Rate of annual asset upgrade**

A measure of the rate at which assets are being upgraded and expanded per annum expressed as a percentage of depreciable amount (capital upgrade/expansion expenditure/DA).

#### **Recoverable amount**

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

#### **Recurrent expenditure**

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

#### **Recurrent funding**

Funding to pay for recurrent expenditure.

#### **Rehabilitation**

See capital renewal expenditure definition above.

#### **Remaining useful life**

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

#### **Renewal**

See capital renewal expenditure definition above.

#### **Residual value**

The estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

#### **Revenue generating investments**

Investments for the provision of goods and services to sustain or improve services to the community that are expected to generate some savings or revenue to offset operating costs, eg public halls and theatres, childcare centres, sporting and recreation facilities, tourist information centres, etc.

#### **Risk management**

The application of a formal process to the range of possible values relating to key factors associated with a risk in order to determine the resultant ranges of outcomes and their probability of occurrence.

#### **Section or segment**

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

#### **Service potential**

The total future service capacity of an asset. It is normally determined by reference to the operating capacity and economic life of an asset. A measure of service potential is used in the not-for-profit

sector/public sector to value assets, particularly those not producing a cash flow.

**Service potential remaining**

A measure of the future economic benefits remaining in assets. It may be expressed in dollar values (Fair Value) or as a percentage of total anticipated future economic benefits. It is also a measure of the percentage of the asset's potential to provide services that is still available for use in providing services (Depreciated Replacement Cost/Depreciable Amount).

**Strategic Longer-Term Plan**

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

**Specific Maintenance**

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

**Sub-component**

Smaller individual parts that make up a component part.

**Useful life**

Either:

- (a) the period over which an asset is expected to be available for use by an entity, or
- (b) the number of production or similar units expected to be obtained from the asset by the entity.

It is estimated or expected time between placing the asset into service and removing it from service, or the estimated period of time over which the future economic benefits embodied in a depreciable asset, are expected to be consumed by the council.

**Value in Use**

The present value of future cash flows expected to be derived from an asset or cash generating unit. It is deemed to be depreciated replacement cost (DRC) for those assets whose future economic benefits are not primarily dependent on the asset's ability to generate net cash inflows, where the entity would, if deprived of the asset, replace its remaining future economic benefits.

Source: IPWEA, 2009, Glossary