

# Kyogle Council



## Asset Management Strategy 2019



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## Table of Contents

EXECUTIVE SUMMARY .....	5
Context .....	5
Asset Management Capability .....	5
Asset Management Strategies Critical to Council’s Operations .....	6
Asset Management Improvement Plan .....	6
Strategy Outlook .....	7
1 Introduction .....	8
1.1 Legislative Reform.....	8
1.1.1 NSW Integrated Planning and Reporting (IPR) .....	8
1.1.2 Strategic Issues at a National Level.....	9
1.2 Asset Management Planning Process .....	10
2 What Assets do we have? .....	12
3 Council’s Assets and their management?.....	14
3.1 State of the Assets .....	14
3.2 Renewal ratios .....	16
3.2.1 Road Assets.....	17
What we will do .....	17
What we cannot do .....	17
Managing the Risks .....	17
The Next Steps .....	17
3.2.2 Bridge Assets.....	18
What we will do .....	18
What we cannot do .....	18
Managing the Risks .....	18
The Next Steps .....	18
3.2.3 Building Assets .....	19
What we will do .....	19
What we cannot do .....	19
Managing the Risks .....	19
The Next Steps .....	19
3.2.4 Sewer Assets .....	20
What we will do .....	20
What we cannot do .....	20
Managing the Risks .....	20
The Next Steps .....	20
3.2.5 Water Assets .....	21
What we will do .....	21
What we cannot do .....	21
Managing the Risks .....	21

The Next Steps .....	21
3.2.6 Stormwater Assets .....	22
What we will do .....	22
What we cannot do .....	22
Managing the Risks .....	22
The Next Steps .....	22
3.3 Asset Management Structure .....	23
3.4 Asset Management Steering Committee.....	23
3.5 Financial & Asset Management Core Competencies .....	23
3.6 Strategy Outlook .....	26
4 Where do we want to be? .....	27
4.1 Council’s Mission, Goals and Objectives.....	27
4.2 Asset Management Policy.....	28
4.3 Asset Management Vision .....	29
5 How will we get there? .....	30
6 Asset Management Improvement Plan .....	31
APPENDICES .....	34
Appendix A – Maturity Assessment Report .....	
Appendix B – Abbreviations.....	
Appendix C – Glossary .....	

## EXECUTIVE SUMMARY

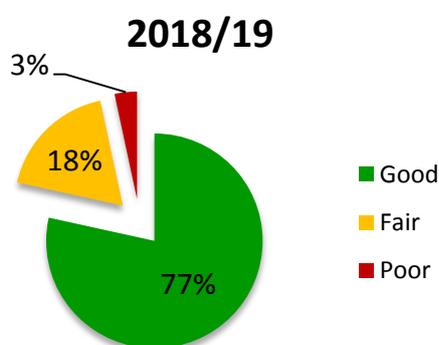
### Context

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

This asset management strategy is prepared to assist council in improving the way it delivers services for of its infrastructure including:

- Roads
- Bridges
- Buildings (including community, emergency services and waste facilities, as well as parks and reserves)
- Sewerage services
- Water supply services
- Stormwater and flood management

These assets have a replacement value of \$525M, WDV of \$393M and condition ratings (based on %CRC) as shown in the figure below.



### Asset Management Capability

This Asset Management Strategy includes specific actions required to improve council's asset management capability and projected resource requirements and timeframes. Appendix A of this strategy shows the maturity assessment report from June 2019 and the current status of asset organisational management maturity is shown in Figure 15 and Figure 16.

Council's asset management capability has come a long way, with quite low maturity in 2011 and then major improvements being made in the lead up to the review undertaken in 2012. Due to a focus on ongoing improvement since 2012, the current maturity assessment shows a well advanced level of asset management capability and capacity.

The 10 year forward outlook is that current service levels can be maintained (and in some cases improved) with current budget allocation for next 10 years.

Any new assets will increase future costs for maintenance, operating and future renewal and the corresponding need for additional funding must be considered in future decision making processes.

Residual asset and service risks need to be reported to the Internal Audit Committee and to the elected Councilors. These risks have been identified in the Core Infrastructure Risk Management Plan which was also revised in 2019.

Ongoing implementation of the asset management improvement program recommended in the Asset Management Plans and reflected in this Asset Management Strategy is essential to allow Council to continue on its path of continuous improvement and higher levels of governance and management.

## Asset Management Strategies Critical to Council's Operations

Strategy	Description	Actions
Review of condition , function and utilisation of Assets	<p>The general strategy outlook is that most assets groups can be sustained at current service levels (and in some cases improved) for the next 5-10 years.</p> <p>For most assets the current funding levels are delivering the level of service expected by the community, but for some areas, if funding levels cannot be increased, reduced service levels may need to be agreed to in consultation with the community</p> <p>Careful monitoring and planning will be critical if longer term service levels are to be maintained.</p>	<p>Review future function and condition appropriate for each asset group taking into account level of utilisation.</p> <p>Focus on rehabilitation and upgrades based on highest trafficked roads and working away from major arterial roads.</p> <p>Monitor service level indicators, liability claims and customer requests</p>
Consider and identify the full lifecycle costs of new assets into the long term financial plan	<p>Additional assets will result in future costs to the organisation. Failure to allow for these costs will impact on the future financial position.</p>	<p>Ensure all major "new asset" acquisitions are fully investigated and the whole of life costs are included in the long term financial plan, prior to proceeding.</p> <p>Look to refurbish or upgrade existing assets wherever possible to avoid redundant assets and achieve increased value for money.</p>
Deterioration of the Assets	<p>The council's assets were in a state of decline for some time. However, since 2014, funding for renewals have been generally above the levels required to preserve the assets, and the overall condition of assets is improving.</p> <p>The road network contains a number of narrow sections.</p>	<p>Continue accelerated asset renewal CAPEX program to reduce backlog to target levels</p> <p>Ongoing review of asset consumption estimates (annual depreciation) as part of revaluation process to ensure these accurately reflect required CAPEX spend.</p> <p>Monitor condition of the assets as well as condition trends and changes overtime</p>

### Asset Management Improvement Plan

Council's current asset management maturity has reached 'core' level, however continued investment is needed to improve information management, lifecycle management, service management and accountability and direction as Council works towards the 'advanced' level of asset management maturity.

The program of tasks to continue on the pathway of continuous improvement in asset management maturity were identified in the review of the Asset Management Plans and in the Asset Management Maturity Assessment and are detailed Section 5, Section 6 and Appendix A.

## Strategy Outlook

Council is in a strong position to maintain and improve services over the short term (next 5 to 10 years) with the current funding levels adequate for the long term sustainability of current service levels across most areas.

Table 1 outlines the relative position for each of the major asset classes.

**Table 1: Asset Classes and Current Position**

Asset Class	Position	Backlog	Annual Projected Spend (10yr avg)	18/19 Annual Budgeted (10yr avg)	10 Year Funding (Gap)/ Surplus
Roads	Based on 2017/18 financial data, Council's current budget is adequate to cover the cost of road asset renewals, provide for planned upgrades and address the backlog.	\$4.6M	\$5.6M	\$6.15M	\$6.2M
Bridges	Based on 2017/18 financial data, Council's current budget is adequate to cover the cost of bridge asset renewals, provide for planned upgrades and address the backlog.	\$6.3M	\$1.55M	\$2.04M	\$4.9M
Buildings	Based on 2017/18 financial data, Council's current budget is not adequate to cover the cost of building asset renewals, provide for planned upgrades and address the backlog. 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.	\$0.55M	\$0.97M	\$0.36M	(\$5.9M)
Sewer	Based on 2017/18 financial data, Council's current budget is not quite adequate to cover the cost of sewer asset renewals, provide for planned upgrades and address the backlog. However, the difference is only minor and the backlog is likely to still be reduced over the next 10yrs to acceptable levels.	\$2.04M	\$1.15M	\$0.93M	(\$1.3M)
Water	Based on 2017/18 financial data, Council's current budget is not quite adequate to cover the cost of theoretical water asset renewals, provide for planned upgrades and address the backlog.	\$0.03M	\$0.34M	\$0.27M	(\$0.36M)
Stormwater	Based on 2017/18 financial data, Council's current budget is not quite adequate to cover the cost of stormwater asset renewals, provide for planned upgrades and address the backlog.	\$0.41M	\$0.32M	\$0.29M	(\$0.15M)

# 1 Introduction

Assets deliver important services to communities. A key issue facing local governments throughout Australia is the management of ageing assets in need of renewal and replacement.

Infrastructure assets such as roads, drains, bridges, water and sewerage and public buildings present particular challenges. Their condition and longevity can be difficult to determine. Financing needs can be large, requiring planning for large peaks and troughs in expenditure for renewing and replacing such assets. The demand for new and improved services adds to the planning and financing complexity.

The creation of new assets also presents challenges in funding the ongoing operating and replacement costs necessary to provide the needed service over the assets' full life cycle. However, improvements to assets can often reduce operating and renewal costs where existing assets are not of a sufficient standard to cater for existing or future levels of utilisation.

The asset management strategy is to enable Council to show:

- how and if its asset portfolio will be able to meet the service delivery needs of its community into the future
- to enable Council's asset management policies to be achieved, and
- to ensure the integration of Council's asset management with its long term strategic plan.

The goal of asset management is to ensure that services are provided:

- in the most cost effective manner,
- through the creation, acquisition, maintenance, operation, rehabilitation and disposal of assets,
- for present and future consumers.

The objective of the Asset Management Strategy is to establish a framework to guide the planning, construction, maintenance and operation of the infrastructure essential for council to provide services to the community.

## 1.1 Legislative Reform

### 1.1.1 *NSW Integrated Planning and Reporting (IPR)*

Local councils in NSW are required to undertake their planning and reporting activities in accordance with the Local Government Act 1993 and the Local Government (General) Regulation 2005. The Act provides that the Deputy Director General (Local Government), Department of Premier and Cabinet can issue Guidelines that must be followed by local councils when undertaking their planning and reporting activities.

An Integrated Planning and Reporting Manual has been developed to provide councils with information and guidance to assist their transition to the new planning and reporting framework.

In particular, local governments will effectively plan for future sustainability through longer-term planning by developing 10 year plans, publishing these and reviewing progress annually. The community and the State then have the best information available to judge progress against the plan, and local governments can make necessary adjustments.

#### Long-term Community Strategic Plans

These plans outline the local government's vision for the community. In line with the commitment to principles rather than prescription in the legislation, the content of the plan and the method of community engagement will be decided by individual local governments.

#### Long-term financial plan

A valuable tool for local governments when managing their finances will be to implement a longer-term financial plan to include an investment policy, a debts policy, procurement policy and a revenue policy.

## Resourcing Strategy

The Community Strategic Plan provides a vehicle for expressing long-term community aspirations. However, these will not be achieved without sufficient resources – time, money, assets and people – to actually carry them out. The Resourcing Strategy consists of three components:

- Long Term Financial Planning
- Workforce Management Planning
- Asset Management Planning.

The Resourcing Strategy is the point where Council assists the community by sorting out who is responsible for what, in terms of the issues identified in the Community Strategic Plan. Some issues will clearly be the responsibility of Council, some will be the responsibility of other levels of government and some will rely on input from community groups or individuals. The Resourcing Strategy focuses in detail on matters that are the responsibility of the council and looks generally at matters that are the responsibility of others. The relationships between the main planning documents are shown below in Figure 1.

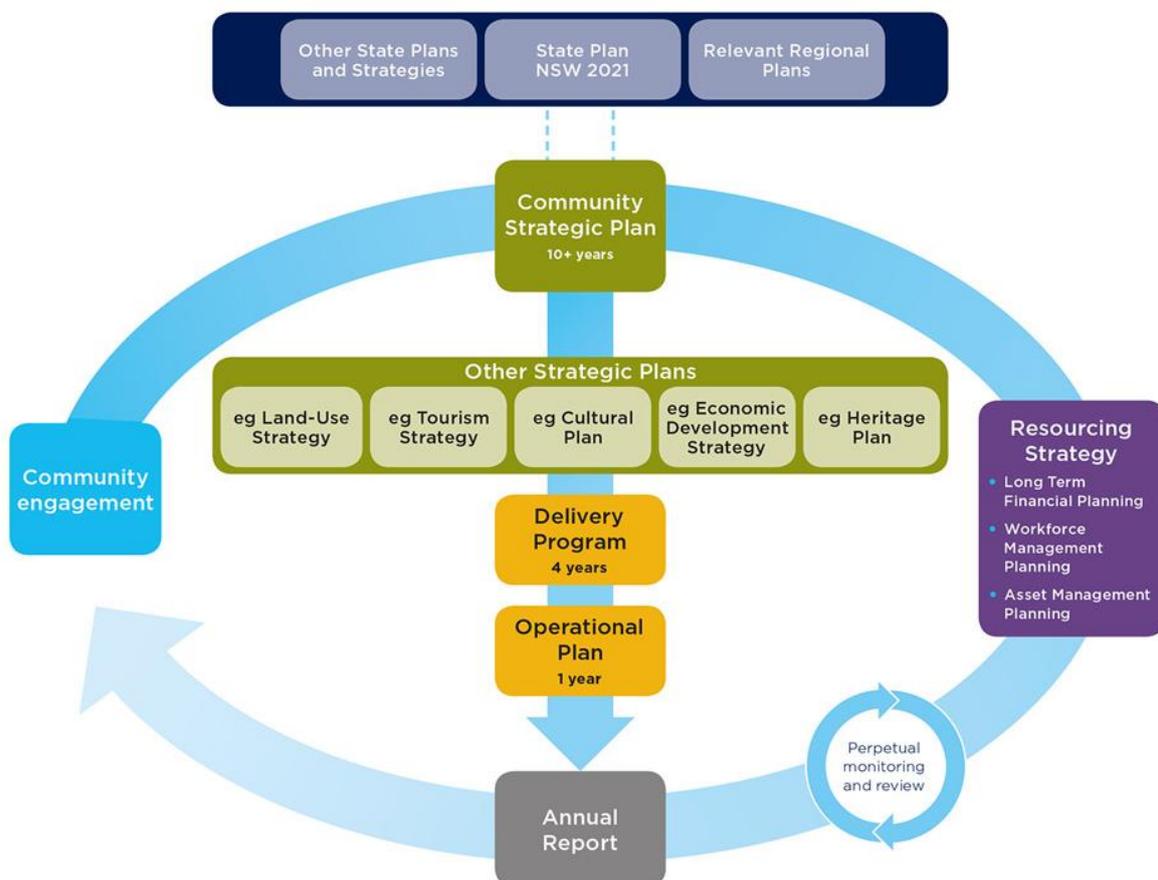


Figure 1: NSW Local Government Planning and Reporting Framework

Achieving and maintaining sustainability in Local Government requires consideration of services, service levels, associated costs and associated risks. The appropriate management of the infrastructure of Local Government requires asset management estimates and asset accounting estimates that are realistic and support decision making.

### 1.1.2 Strategic Issues at a National Level

At its meeting on 4 August 2006, the Local Government and Planning Ministers' Council (LGPMC) agreed to a nationally consistent approach to asset planning and management, financial planning, and reporting and assessing financial sustainability.

The National Frameworks consists of three main frameworks:

- Framework 1 - Criteria for Assessing Financial Sustainability
- Framework 2 - Asset Planning and Management
- Framework 3 - Financial Planning and Reporting

**The Asset Planning and Management framework** consists of seven elements as follows:

1. Development of an Asset Management Policy - Each state/territory is expected to develop an asset management policy, which provides high-level guidance to assist individual councils in developing their asset management policy.
2. Strategy and Planning - Councils should be provided with guidance from the State on developing an asset management strategy which is designed to support and implement its asset management policy;
3. Governance and Management Arrangements - Councils should be encouraged to apply and implement good governance and management arrangements which link asset management to service delivery and include assigning roles and responsibility for asset management between the CEO, the Council and senior managers;
4. Defining Levels of Service - Mechanisms should be established that include community consultation to define the levels of service councils are expected to provide from their asset base;
5. Data and Systems – A framework for collection of asset management data should be established;
6. Skills and Processes – The asset management framework should contain a continuous improvement program;
7. Evaluation – The asset management framework should contain a mechanism to measure its effectiveness.

**The financial reporting elements of the national framework** consists of 3 elements as follows:

1. Strategic Longer Term Plan – The plan brings together the detailed requirements in the Council’s Long Term Community Strategic Plan, and demonstrates how council intends to resource the plan.
2. Annual Budget – Councils prepare an annual budget which is presented in a way which is understandable to the community and which can be compared with the audited financial statements.
3. Annual Report – Councils prepare an annual report in respect of each financial year. This is to include a report on operations, audited financial statements, explanations of any variations between the budget and actual results, and any impacts that variations will have on the longer term Community Strategic Plan.

Each State and Territory agreed to implement the National Frameworks in consultation with local government.

The changes to legislation in the NSW IPR and the implementation through IPR are consistent with the National Frameworks.

## 1.2 Asset Management Planning Process

Asset management planning is a comprehensive process to ensure that assets are managed and maintained in a way that enables affordable services from infrastructure to be provided in an economically optimal way. In turn, affordable service levels can only be determined by assessing Council’s financial sustainability under scenarios with different proposed service levels.

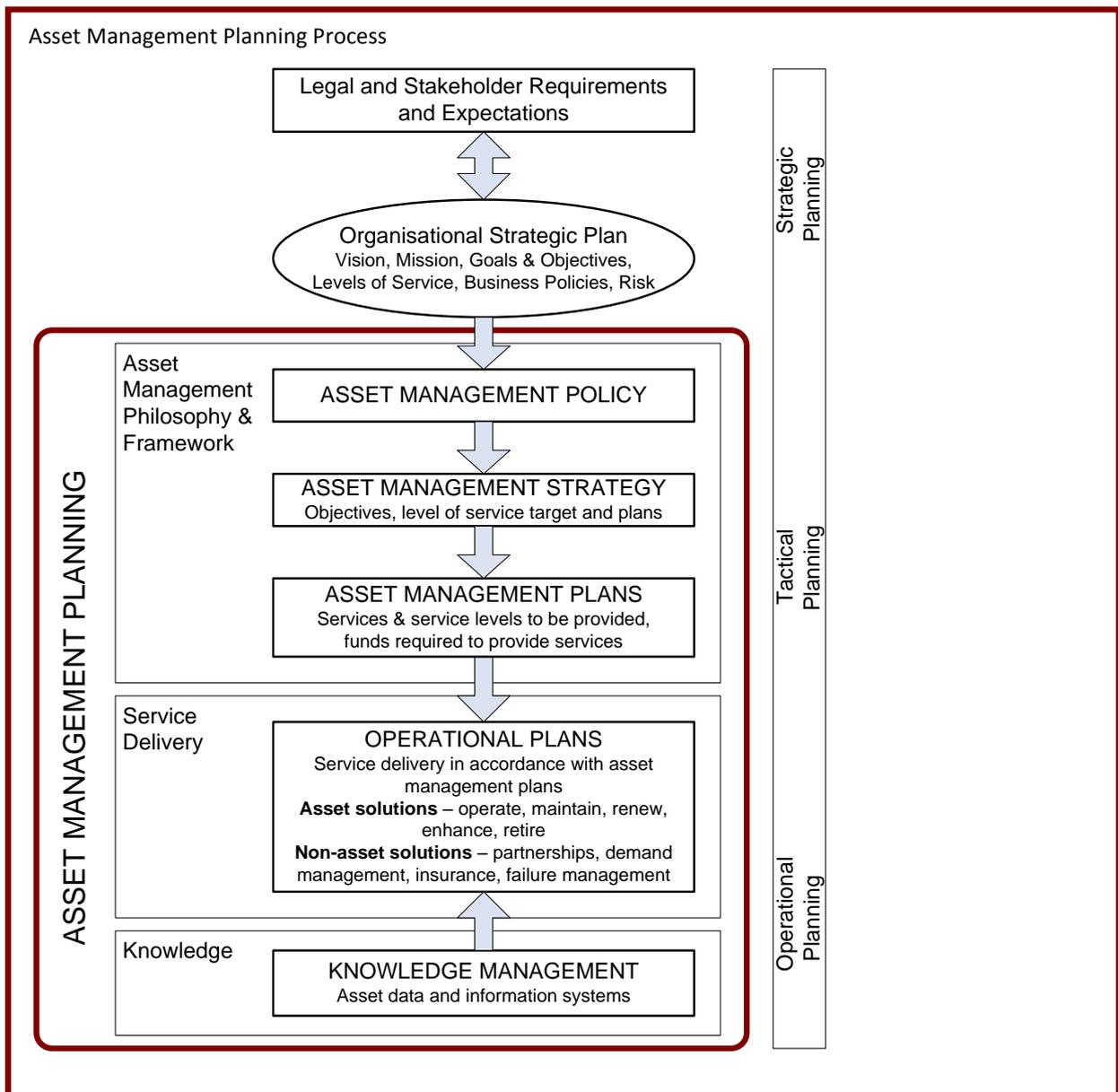


Figure 2: Asset Management Planning Process

Asset management planning commences with defining stakeholder and legal requirements and needs, incorporating these needs into the organisation’s strategic plan, developing an asset management policy, strategy, asset management plan and operational plans, linked to a long-term financial plan with a funding plan.

## 2 What Assets do we have?

Council uses infrastructure assets to provide services to the community. The range of infrastructure assets and the services provided from the assets is shown in Table 2.

**Table 2: Assets used for providing Services (Asset Management Plan Categories)**

Asset Class	Description	Services Provided
Roads	Pavement Wearing surface Embankments / Cuttings Drainage structures (excluding urban areas) Causeways Guardrail / Safety Fence Signs and Furniture Footpaths	The road network provides access for communities and other services, supports economic growth and development
Bridges	Bridges: <ul style="list-style-type: none"> <li>• Piles / Piers</li> <li>• Headstocks</li> <li>• Abutments</li> <li>• Girders</li> <li>• Decks</li> <li>• Handrails / Kerbs</li> </ul> Bridge Sized Culverts (min 6m wide headwall)	The bridge network complements the road network to provide access for communities and other services, supports economic growth and development
Buildings	Community Buildings Administration offices Visitor information centre Emergency Services Depots Parks and Gardens Playgrounds Cemeteries Pools Quarries Landfills Caravan Parks Pre-schools Libraries	Community Buildings will generally be provided to support other service activities operating from those facilities.  Provides for and promotes recreation and healthy lifestyles  Supports community activities  Facilitates sport and a healthy lifestyle  Provides support for emergency services and facilities
Sewer	Sewer Network Assets (pits, pipes, rising mains) Sewer pumping stations Waste Water Plant and Equipment	Treatment of effluent to a standard suitable for disposal in compliance with regulatory standards  Conveyance of effluent from source to treatment and disposal locations

Asset Class	Description	Services Provided
Water	Bores, Dams, Weirs Water Treatment Plants Reservoirs Water Pumping Stations Rising Mains, Water Mains Water Services, Meters	Supply and distribution of drinking water
Stormwater	Pits Pipes Culverts Channels Natural Drains Kerb and Gutter Flood and Stormwater Management Systems Gross Pollutant Traps	Urban stormwater transportation, treatment and disposal to receiving waters  Management of the impacts caused by major flooding events on persons and property

### 3 Council's Assets and their management?

#### 3.1 State of the Assets

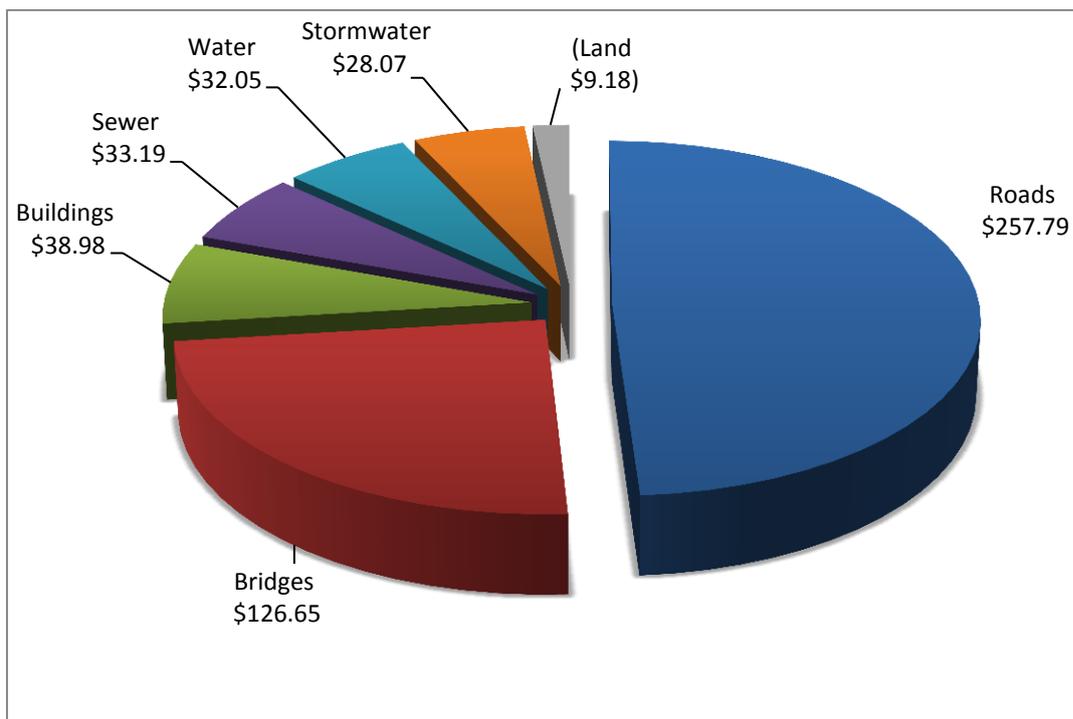
The financial status of Council's assets is shown in Table 3.

**Table 3: Financial Status of the Assets**

Category	Replacement Value	Written Down Value	Annual Asset Consumption
Roads	\$257.79 M	\$191.77 M	\$3.92 M
Bridges	\$126.65 M	\$94.62 M	\$0.86 M
Buildings	\$38.98 M	\$19.09 M	\$0.73 M
Sewer	\$33.19 M	\$27.17 M	\$0.19 M
Water	\$32.05 M	\$27.13 M	\$0.28 M
Stormwater	\$28.07 M	\$24.94 M	\$0.07 M
Land (no AMP)	\$9.18 M	\$9.18 M	N/A
Total All Assets	\$525.92 M	\$393.89 M	\$6.04 M

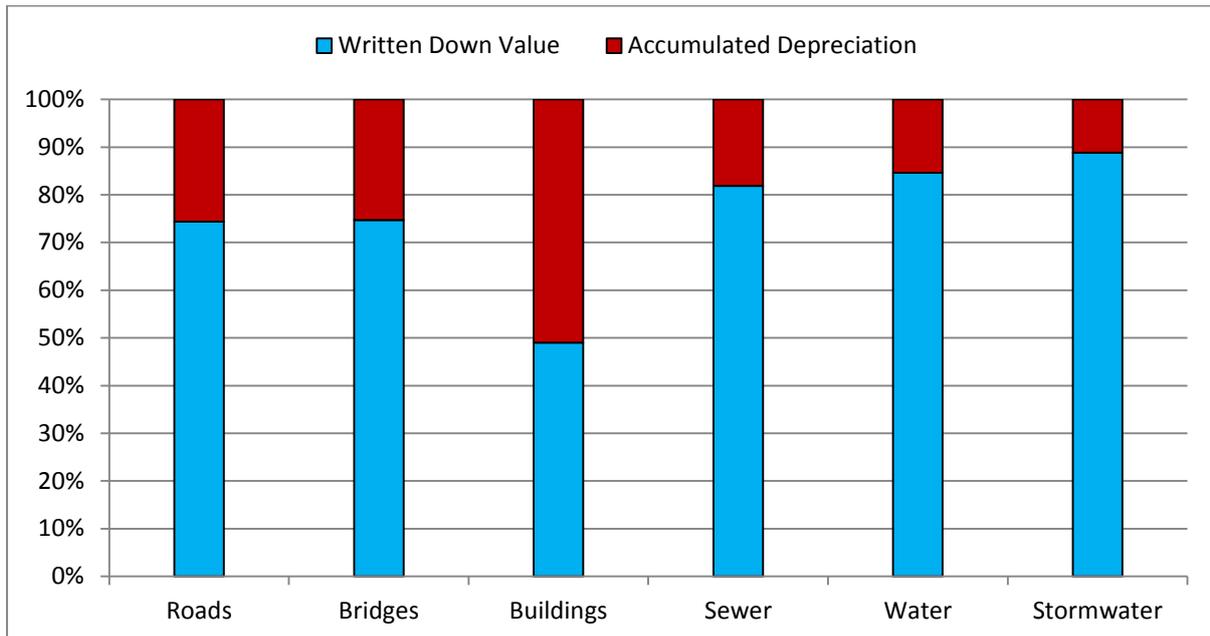
Figure 3 shows the replacement values of Council's assets.

**Figure 3: Asset Replacement Values (\$million)**



The asset consumption ratios of Council's assets are shown in Figure 4.

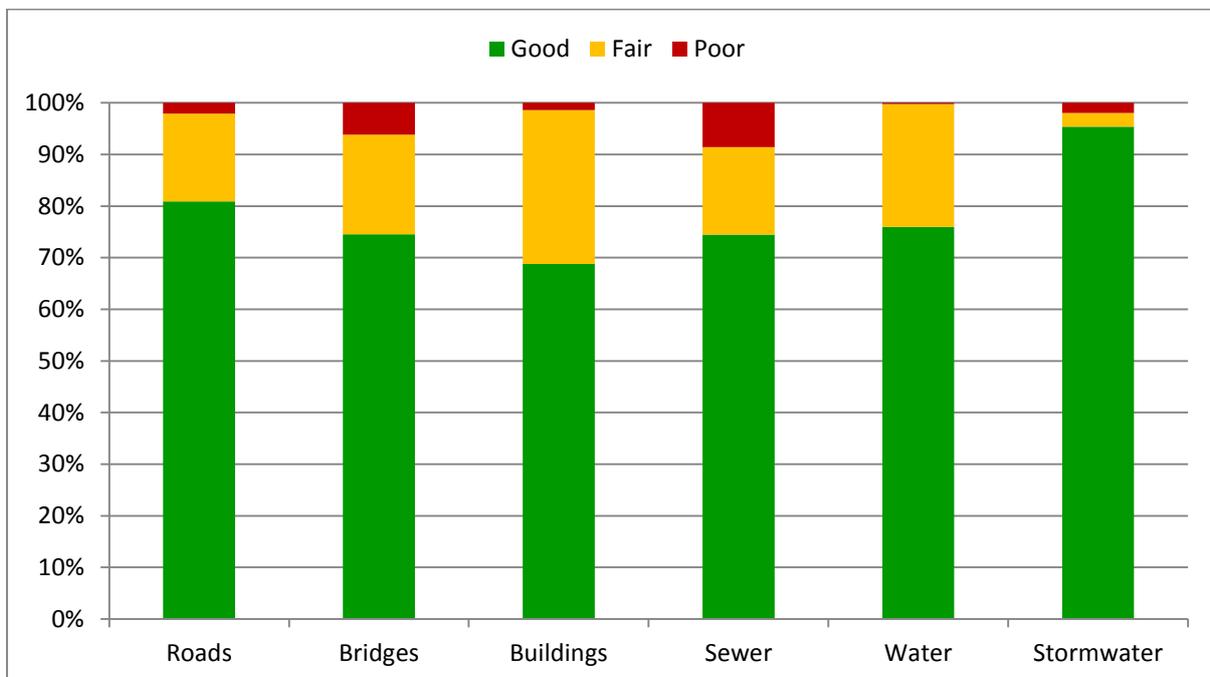
**Figure 4: Remaining Asset Value**



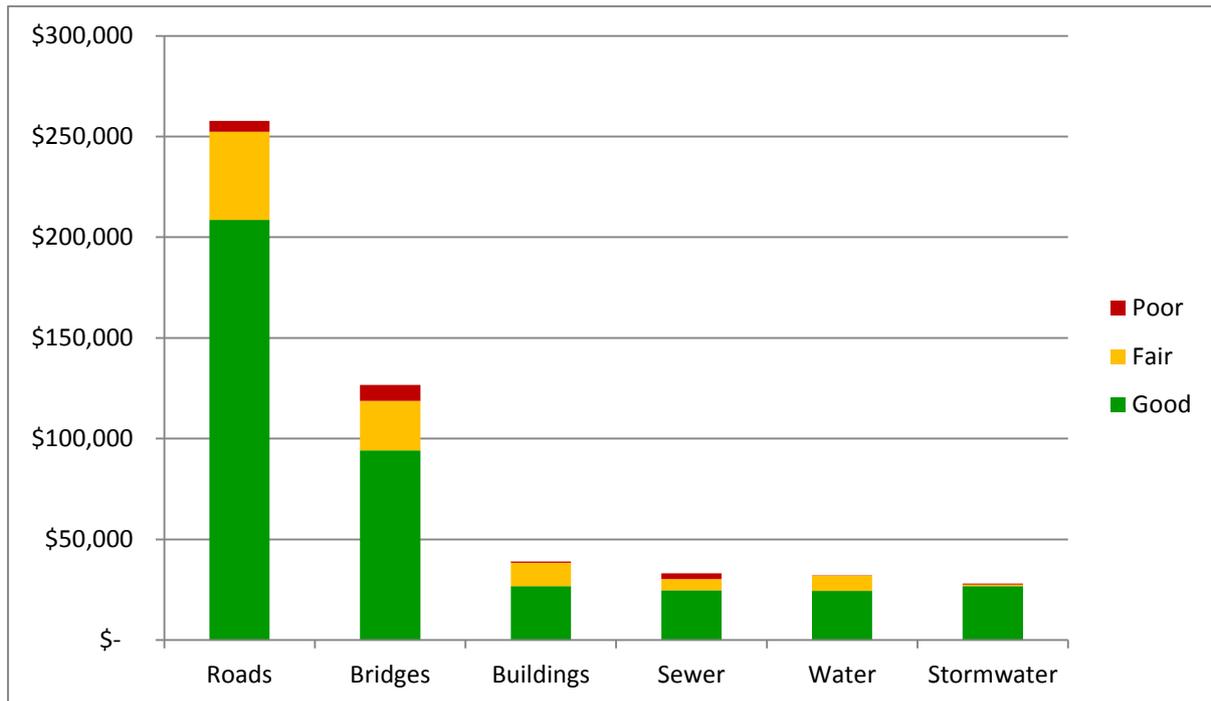
The condition of Council's assets is shown in Figure 5 and Figure 6. Most of council assets receive individual inspections. Currently the only assets that do not receive individual inspections are:

- Sewer maintenance holes
- Stormwater maintenance holes, pits and gullies
- Water mains (pressurised)

**Figure 5: State of the Assets – Summary of Asset Groups by Condition**



**Figure 6: State of the Assets – Summary of Asset Groups by Condition Value (\$,000s)**



### 3.2 Renewal ratios

**Table 4: Financial Status of the Assets**

Category	Asset Consumption <sup>1</sup>	Asset renewal <sup>2</sup>	Renewal rate <sup>3</sup>	Annual Upgrade/New <sup>4</sup>
Roads	1.53%	2.05%	135%	0.34%
Bridges	0.68%	1.61%	237%	(included in renewal cost)
Buildings	1.86%	0.60%	32%	0.33%
Sewer	0.59%	0.85%	145%	2.15%
Water	0.92%	0.88%	95%	0.09%
Stormwater	0.25%	0.36%	146%	0.67%

<sup>1</sup> Annual Depreciation/Depreciable Amount: indicates how quickly the assets deteriorates per year

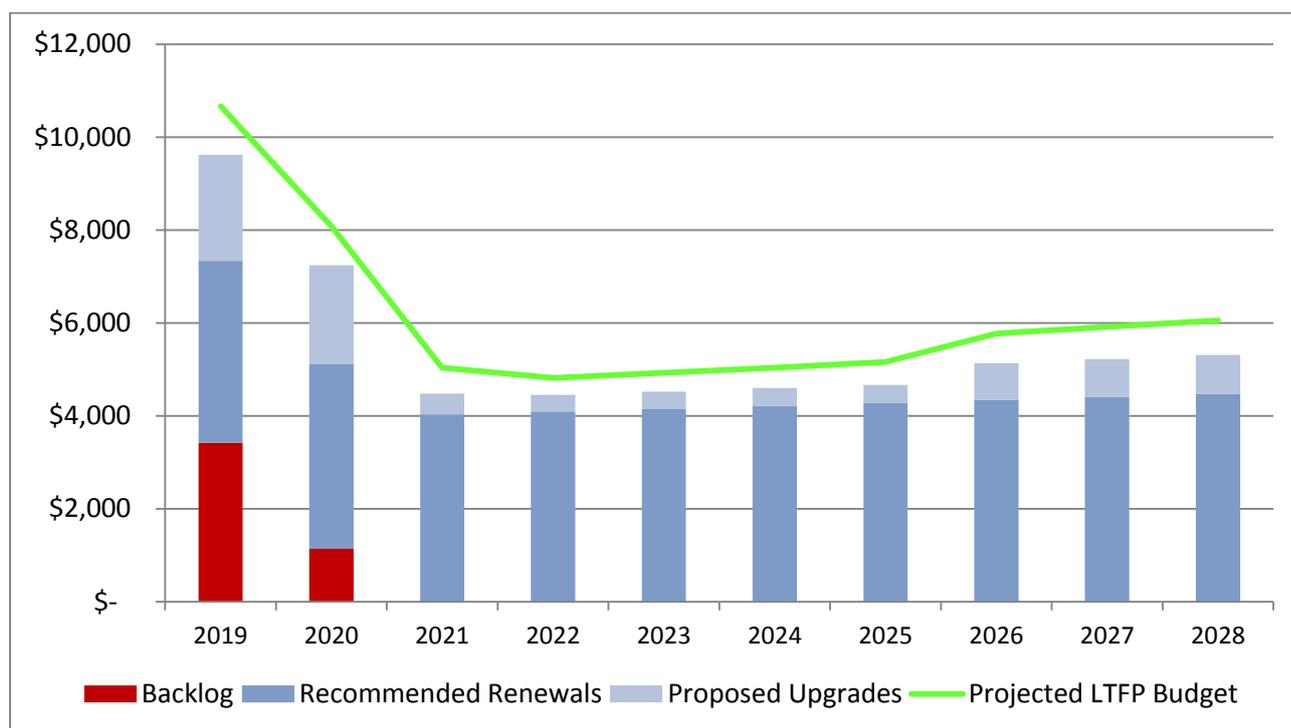
<sup>2</sup> Capital renewal exp/Depreciable amount: indicates annual expenditure relative to current asset pool

<sup>3</sup> Capital renewal exp/Annual Depreciation: indicates annual expenditure relative to annual consumption

<sup>4</sup> Capital upgrade exp/Depreciable amount: indicates proposed upgrades relative to current asset pool

### 3.2.1 Road Assets

**Figure 7: Road Assets – Projected Capital Renewal Expenditure (\$'000s)**



Council's current budget is more than adequate to cover the cost of road asset renewals, provide for planned upgrades and address the backlog.

#### What we will do

Council plans to provide road asset services for the following:

- Operation, maintenance, renewal and upgrade assets to meet service levels set by council in annual budgets.
- \$8.8M of new/ major upgrades within the 10 year planning period including new footpaths, road widening and other improvements.
- Reduce the road assets backlog to required levels by 2021

#### What we cannot do

While Council does have funding for the majority of the road asset infrastructure backlog and yearly road asset renewals, not all impaired assets can be renewed at once. Over the next 10 years, Council will work to rectifying all assets in condition 4 or 5.

#### 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 road standards decrease

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

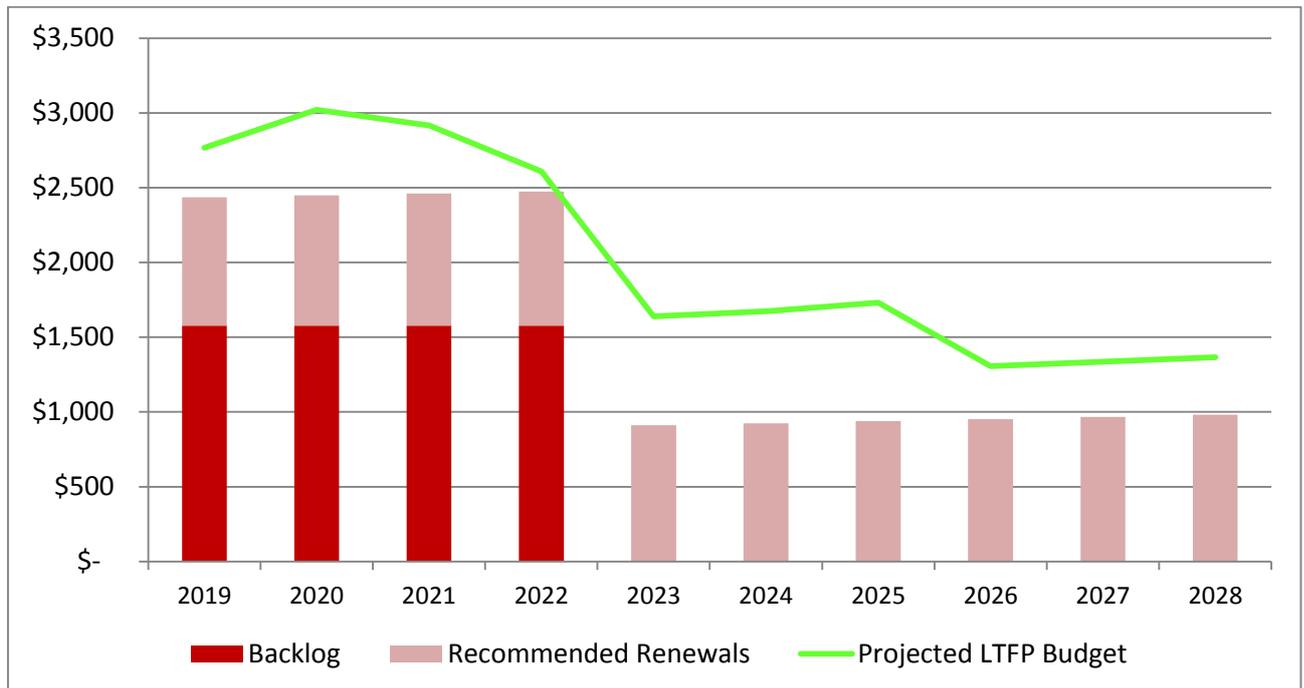
#### The Next Steps

The actions resulting from this asset management plan are:

- Maintain the current assets in a safe condition
- Continue to assess condition
- Continue to monitor the delivery of the identified services levels.

### 3.2.2 Bridge Assets

**Figure 8: Bridge Assets – Projected Capital Renewal Expenditure (\$'000s)**



Council’s current budget is more than adequate to cover the cost of bridge asset renewals, provide for planned upgrades and address the backlog.

#### What we will do

Council plans to provide bridge asset services for the following:

- Operation, maintenance, renewal and upgrade assets to meet service levels set by council in annual budgets
- Reduce the road assets backlog to required levels by 2023

#### What we cannot do

While Council does have funding for the bridge asset infrastructure backlog and yearly bridge asset renewals, not all impaired assets can be renewed at once. Over the next 10 years, Council will work to rectifying all assets in condition 4 or 5.

#### 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 bridge standards decrease
- Increasing number of bridges with load limits

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

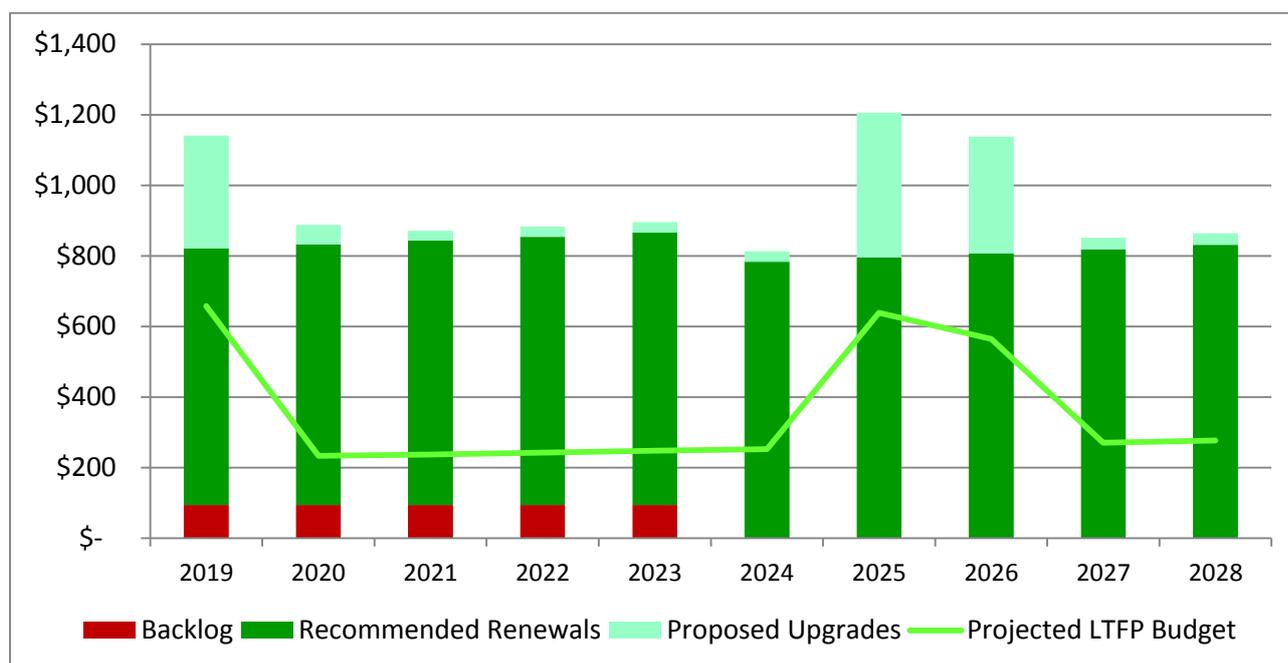
#### The Next Steps

The actions resulting from this asset management plan are:

- Maintain the current assets in a safe condition
- Continue to assess condition
- Continue to monitor the delivery of the identified services levels.

### 3.2.3 Building Assets

**Figure 9: Building Assets – Projected Capital Renewal Expenditure (\$'000s)**



Council's current budget is not adequate to cover the cost of building asset renewals, provide for planned upgrades and address the backlog.

#### 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 LTFP.

#### 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.

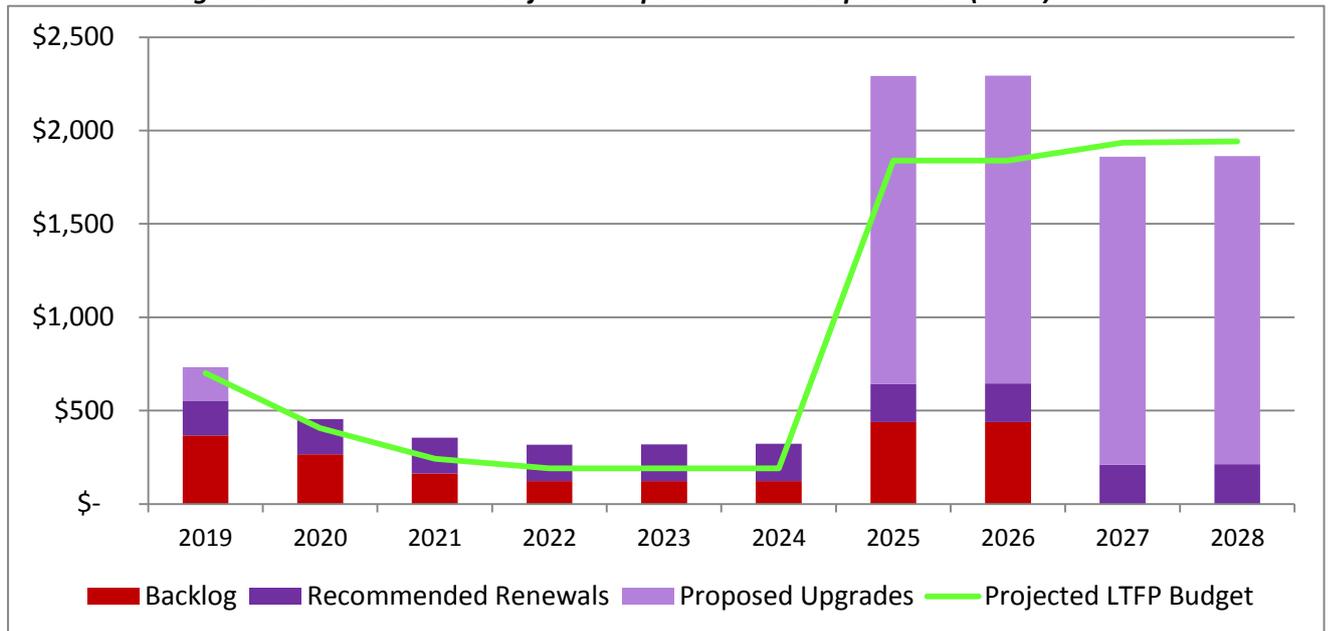
#### The Next Steps

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 accordance with maintenance program
- Continue to assess condition and monitor trends
- Continue to monitor the delivery of the identified services levels and community satisfaction.

### 3.2.4 Sewer Assets

**Figure 10: Sewer Assets – Projected Capital Renewal Expenditure ('000s)**



Council's current budget is not quite adequate to cover the cost of sewer asset renewals, provide for planned upgrades and address the backlog.

#### What we will do

Council plans to provide sewer asset services for the following:

- Operation, maintenance, renewal and upgrade assets to meet service levels set by council in annual budgets.
- \$6.8M of new/ major upgrades within the 10 year planning period including sewerage three villages.
- Reduce the sewer assets backlog to required levels by 2027

#### What we cannot do

Council currently has sufficient funds over the 10 year period to service renewals, upgrades and reduce the backlog to acceptable levels. However, the next six years includes a shortfall of \$0.2m per year. The prioritisation of renewals beyond this period must focus heavily on avoiding additional assets adding to the backlog of assets in poor to very poor condition.

#### Managing the Risks

There are risks associated with providing sewerage services, managing the required assets and being able to complete all identified activities and projects. We have identified major risks as:

- General deterioration of the network
- Surcharge due to blockages
- Pumping or treatment system failures
- Licence conditions not being met

We will endeavour to manage these risks by prioritising works within the funding available, while continuing to monitor conditions and performance against set service levels.

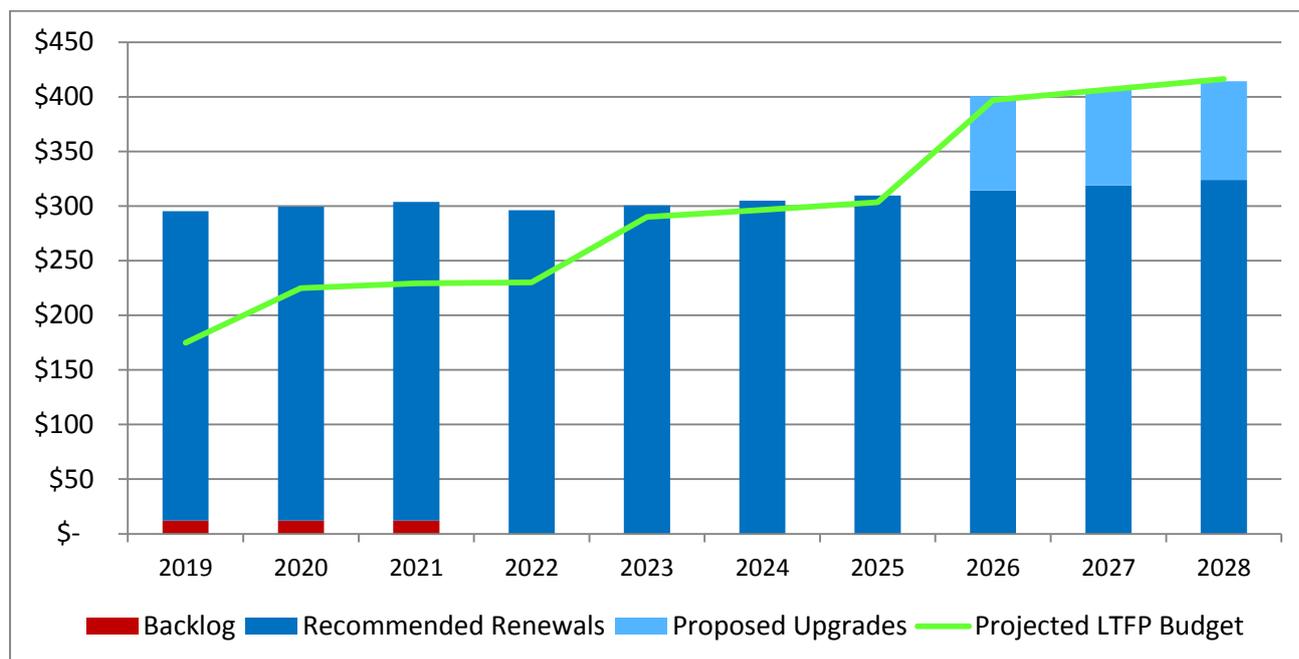
#### The Next Steps

The actions resulting from this asset management plan are:

- Deliver renewals program focused on backlog reduction
- Review budget allocations for sewer renewals
- Maintain the current assets in a safe condition
- Continue to assess condition
- Continue to monitor the delivery of the identified services levels
- Actively seek external grant funding for the construction of new sewer schemes for Tabulam, Wiangaree and Mallanganee

### 3.2.5 Water Assets

**Figure 11: Water Assets – Projected Capital Renewal Expenditure ('000s)**



Council's current budget is not quite adequate to cover the cost of theoretical water asset renewals, provide for planned upgrades and address the backlog.

#### What we will do

Council plans to provide water asset services for the following:

- Operation, maintenance, renewal and upgrade assets to meet service levels set by council in annual budgets.
- Minor upgrades within the 10 year planning period.
- Reduce the water assets backlog to required levels by 2022
- Plan for a new water supply for the village of Tabulam

#### What we cannot do

While Council does have funding for the majority of the water asset backlog and yearly water renewals, not all impaired assets can be renewed at once. Over the next 3 years, Council will work to rectifying all assets in condition 4 or 5

#### Managing the Risks

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

- 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
- Health and compliance issues will increase if water infrastructure standards decrease
- Watermains are currently not inspected proactively, this will need to be monitored regularly to ensure that Council is renewing assets at the rate they are being consumed

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

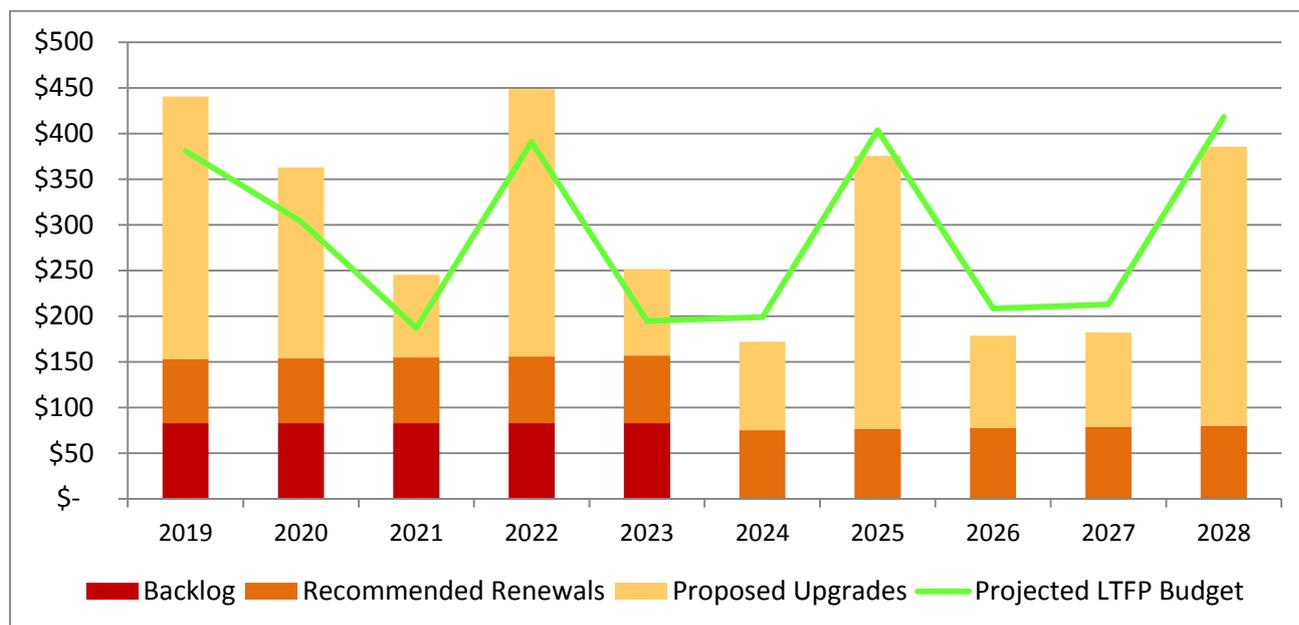
#### The Next Steps

The actions resulting from this asset management plan are:

- Continue to assess condition
- Continue to review actual asset deterioration and compare against the theoretical deterioration
- Review budget allocations for water renewals
- Maintain the current assets in a safe condition
- Continue to monitor the delivery of the identified services levels.

### 3.2.6 Stormwater Assets

**Figure 12: Stormwater Assets – Projected Capital Renewal Expenditure ('000s)**



Council's current budget is not quite adequate to cover the cost of stormwater asset renewals, provide for planned upgrades and address the backlog.

#### What we will do

Council plans to provide stormwater asset services for the following:

- Operation, maintenance, renewal and upgrade of assets to meet service levels set by council in annual budgets.
- \$1.9M of new/ major upgrades within the 10 year planning period.
- Reduce the stormwater assets backlog to required levels by 2024.

#### What we cannot do

Council currently does not have sufficient funds over the 10 year period to service renewals, upgrades and reduce the backlog to acceptable levels. Budget changes may be required to avoid any condition 4 or 5 stormwater assets in 10yrs time.

The prioritisation of renewals during this period must focus heavily on avoiding additional assets adding to the backlog of assets in poor to very poor condition, as well as addressing the existing backlog.

#### Managing the Risks

There are risks associated with providing stormwater services, managing the required assets and being able to complete all identified activities and projects. We have identified major risks as:

- General deterioration of the network
- Localised inundation/ flooding due to blockages
- Damage to private property from surcharges/overflows

We will endeavour to manage these risks by prioritising works within the funding available, while continuing to monitor conditions and performance against set service levels.

#### The Next Steps

The actions resulting from this asset management plan are:

- Deliver renewals program focused on backlog reduction
- Review budget allocations for stormwater renewals
- Maintain the current assets in a safe condition
- Continue to assess condition
- Continue to monitor the delivery of the identified services levels.

### 3.3 Asset Management Structure

The standing governance arrangement under NSW IPR requirements is under an Asset Management Steering Committee (AMSC) in accordance with the following outline and charter.

The role of the AMSC includes:

Formulating an appropriate program of;

- asset management governance,
- service level reporting
- risk management reporting
- statutory compliance to achieve funded target outcomes under the asset management development programme (AMDP) identified in the asset management strategy
- reviewing processes and providing direction on the development and implementation of an asset knowledge management strategy to ensure optimum benefit / cost / risk for technology systems, information management, business processes and reporting.
- developing, implementing and monitoring key performance indicators that link the resourcing strategy to the Community Strategic Plan (CSP)
- developing appropriate policies and procedures to ensure effective Asset Management across the organisation that demonstrate value for money whilst controlling risk and loss.
- informing Council's Internal Audit Committee of progress and
- recommending to the Managers and Executives group organisational change as required.

### 3.4 Asset Management Steering Committee

A 'whole of organisation' approach to asset management has been developed with a corporate asset management team and the development and ongoing review of internal Asset Accounting Policies and Procedures. The benefits of a corporate asset management team include:

- demonstrate corporate support for sustainable asset management,
- encourage corporate buy-in and responsibility,
- coordinate strategic planning, information technology and asset management activities,
- promote uniform asset management practices across the organisation,
- information sharing across IT hardware and software,
- pooling of corporate expertise
- championing of asset management process,
- wider accountability for achieving and reviewing sustainable asset management practices.

### 3.5 Financial & Asset Management Core Competencies

The National Frameworks on Asset Planning and Management and Financial Planning and Reporting define 10 elements. 11 core competencies have been developed from these elements to assess 'core' competency under the National Frameworks. The core competencies are:

Financial Planning and Reporting

- Strategic Longer Term Plan
- Annual Budget
- Annual report

Asset Planning and Management

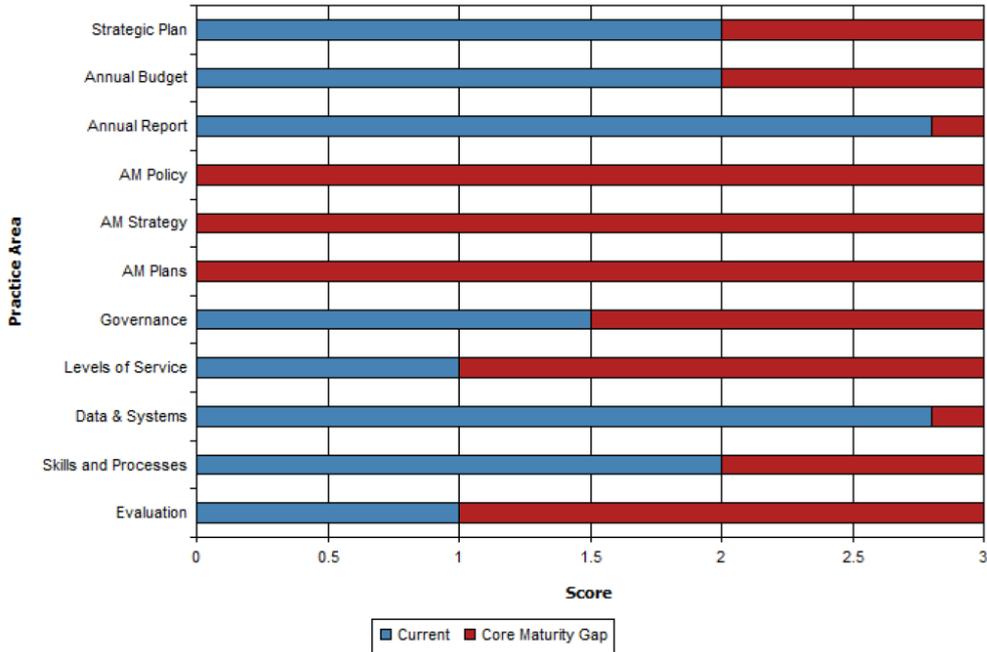
- Asset Management Policy
- Asset Management Strategy
- Asset Management Plan
- Governance & Management
- Levels of Service

- Data & Systems
- Skills & processes
- Evaluation

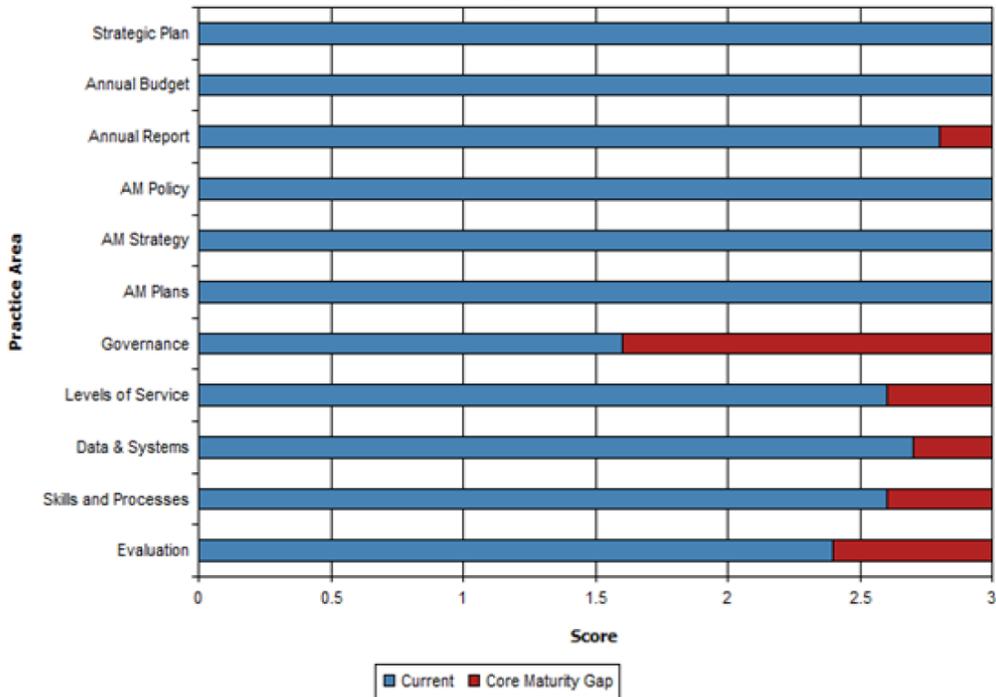
Council assessed itself against these core competencies, and the results at that time are detailed in Appendix A and summarised in Figure 15 and Figure 16.

Council was well below core level for asset management practices when initially assessed in September 2011 as can be seen in Figure 13. However, through the implementation of an improvement plan, substantial progress has been achieved since then as can be shown by the scores reflected in the 2012 and 2018 assessments shown in Figure 14 and Figure 15 respectively.

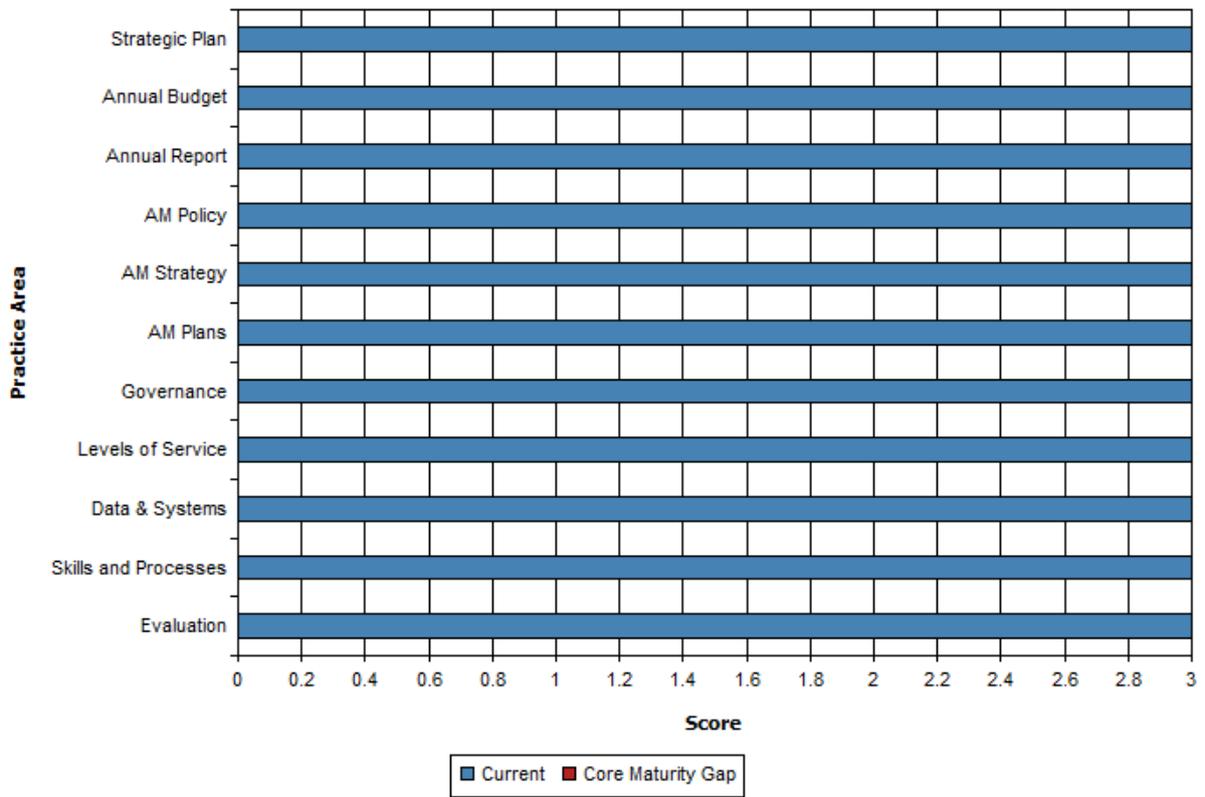
**Figure 13: Core Asset Management Maturity – 2011**



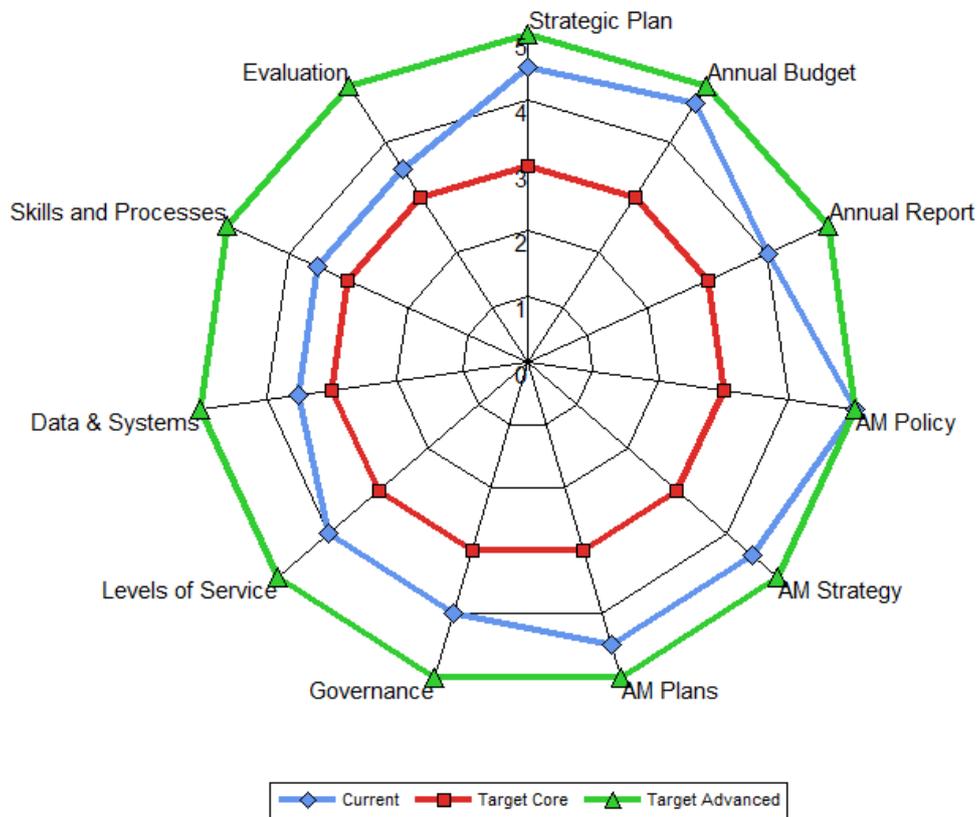
**Figure 14: Core Asset Management Maturity – 2012**



**Figure 15: Core Asset Management Maturity – 2018**



**Figure 16: Asset Management Maturity – 2018**



### 3.6 Strategy Outlook

Council is in a strong position to maintain services over the medium term (next 10 to 20 years) with the current funding levelling appearing to be adequate for the long term sustainability of current service levels.

Further clarification of the long term service level sustainability is required, and this strategy discusses the organisational asset management maturity improvements required to attain a high level of confidence in assessing the long term position.

Council's current asset management maturity level is well advanced in most key areas. However, continued investment is needed to improve information management, lifecycle management, service management and accountability, and analysis of asset consumption, depreciation and required renewal and upgrade expenditure levels.

## 4 Where do we want to be?

### 4.1 Council's Mission, Goals and Objectives

Kyogle Council's asset management planning 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

Council's relevant goals and objectives and how these are addressed in this asset management plan are shown in Table 5.

**Table 5: Organisation Goals and how these are addressed in this Plan**

Goal	Objective	How Goal and Objectives are addressed in Asset Management Planning
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 the current standard of services.</p> <p>Once the current sustainability position is established community discussion can be sought to identify acceptable changes to 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</p> <p>Planning long term sustainable infrastructure is important 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

Goal	Objective	How Goal and Objectives are addressed in Asset Management Planning
Roads and Traffic	To provide an adequate and safe road system appropriate to present and future vehicular and pedestrian use.	Planning and long term management of these assets is one of the principle aims of the Asset Management Plans and is essential to the sustainability of these services.
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	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.  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
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.	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.  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.  Provision of the appropriate infrastructure to support the natural environment will continue to be a long term consideration in Asset Management Planning
Health	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.	The provision and maintenance of infrastructure is an important component contributing to the health and safety of the community

#### 4.2 Asset Management Policy

Council's Asset Management Policy defines the council's vision and service delivery objectives for asset management in accordance with the Strategic Plan, applicable legislative requirements, community needs and affordability.

The asset management strategy is developed to support the asset management policy and is to enable council to show:

- how its asset portfolio will meet the affordable service delivery needs of the community into the future,
- enable Council's asset management policies to be achieved, and
- ensure the integration of Council's asset management with its long term strategic plans.

### 4.3 Asset Management Vision

To ensure the long-term financial sustainability of Council, it is essential to balance the community's expectations for services with their ability and willingness to pay for the infrastructure assets used to provide the services.

Maintenance of service levels for infrastructure services requires appropriate investment over the whole of the asset life cycle. To assist in achieving this balance, Council aspires to develop and maintain asset management governance, skills, process, systems and data in order to provide the level of service the community need at present and in the futures, in the most cost-effective and fit for purpose manner.

In line with the vision, the objectives of the asset management strategy are to:

- ensure that the Council's infrastructure services are provided in an economically optimal way, with the appropriate level of service to residents, visitors and the environment determined by reference to Council's financial sustainability,
- safeguard Council's assets including physical assets and employees by implementing appropriate asset management strategies and appropriate financial resources for those assets,
- adopt the long term financial plan as the basis for all service and budget funding decisions,
- meet legislative requirements for all Council's operations,
- ensure resources and operational capabilities are identified and responsibility for asset management is allocated,
- provide high level oversight of financial and asset management responsibilities through AM committee reporting to council on development and implementation of Asset Management Strategy, Asset Management Plan and Long Term Financial Plan.

Strategies to achieve this position are outlined in Section 5.

## 5 How will we get there?

The Asset Management Strategy proposes strategies to enable the objectives of the Strategic Plan, Asset Management Policy and Asset Management Vision to be achieved.

**Table 6: Asset Management Strategies**

No	Strategy	Desired Outcome
1	Ongoing review of Asset Management Plans covering at least 10 years for all major asset classes (80% of asset value).	Identification of services needed by the community and required funding to optimise 'whole of life' costs
2	Review asset management plans and long term financial plans after adoption of annual budgets. Communicate any consequence of funding decisions on service levels and service risks	Council and the community are aware of changes to service levels and costs arising from budget decisions
3	Ensure Council's decisions are made from accurate and current information in asset registers, on service level performance and costs and 'whole of life' costs	Improved decision making and greater value for money
4	Report on Council's resources and operational capability to deliver the services needed by the community in the Annual Report	Services delivery is matched to available resources and operational capabilities
5	Ensure responsibilities for asset management are identified and incorporated into staff position descriptions	Responsibility for asset management is defined
6	Implement an Improvement Plan to ensure continuous improvement of maturity for the financial and asset management competencies and capabilities of council	Improved financial and asset management capacity within Council
7	Report annually to Council on development and implementation of Asset Management Strategy, AM Plans and Long Term Financial Plans	Oversight of resource allocation and performance

## 6 Asset Management Improvement Plan

Council's asset management capability has come a long way, with quite low maturity in 2011 and then major improvements being made in the lead up to the review undertaken in 2012. Due to a focus on ongoing improvement since 2012, the current maturity assessment shows a well advanced level of asset management capability and capacity.

The 2012 Asset Management Strategy included specific actions required to improve council's asset management capability that were taken from the 2011 and 2012 maturity assessments. The status of the actions included in the 2012 Asset Management Strategy is outlined in Table 7.

**Table 7: Asset Management Improvement Plan – 2012**

Practice Area	Recommendations from September 2011 Assessment	2011	2012	Current Status
1 Strategic Longer Term Plan	The current LTFP be used for the first AMP scenario.	Partially Meets Requirements	CSP adopted, LTFP complete	Complete LTFP updated 2014
2 Annual Budget	Include CSP service level targets that will be achieved under the budget.	Partially Meets Requirements	Included in draft Operational Plan	Complete Included in LTFP 2014
3 Annual Report	Add commentary on likely service level trends based on updated special schedule 7 linked to AMP and LTFP.	Partially Meets Requirements	To be included in future annual reports	Complete
4 AM Policy	Use AM4SRRC template to adopt and implement an AM policy.	Not Substantially Progressed	Draft on public display	Adopted 2012 Updated 2019
5 AM Strategy	Use AM4SRRC template. 2.12 The Asset Management Strategy must include a council endorsed Asset Management Policy. 2.13 The Asset Management Strategy must identify assets that are critical to the council's operations and outline risk management strategies for these assets. 2.14 The Asset Management Strategy must include specific actions required to improve council's asset management capability and projected resource requirements and timeframes.	Not Substantially Progressed	Documents completed requiring Council endorsement	Completed 2012 Updated 2019
6 AM Plans	Use AM4SRRC process to complete AMPs. AMPs determine service levels and risks resulting from LTFP.	Not Substantially Progressed	Completed	Completed 2012 Updated 2019
7 Governance and Management	Document and formalise governance processes for management of risk and tracking levels of service and implement the AMDP.	Partially Meets Requirements	Process to be implemented outlined in AMS	Complete. Enterprise Risk Management Policy adopted, Internal Audit Committee established.
8 Levels of Service	1. Develop community LOS in AMPs using quality, function and capacity/utilisation. Identify poor/very poor, fair, good/very good as a percentage of asset value. 2. Link AMP service levels with CSP service levels.	Partially Meets Requirements	Task to be completed through proposed Governance processes	Complete Included in LTFP 2014, and AMPs 2012 & 2019

Practice Area	Recommendations from September 2011 Assessment	2011	2012	Current Status
9 Data & Systems	1 Establish business process to link unit rates to actual costs on a regular basis as needed. 2. Use this maturity audit to compare asset management performance.	Partially Meets Requirements	To be completed through proposed Governance process	Complete Included in Asset Accounting Policies and Procedures and the ongoing revaluation processes.
10 Skills and Processes	1. Complete documented asset data management procedures. Use NAMS.PLUS/Lite template to review useful life for asset samples. 2. Establish a corporate risk management process to manage high residual risks from AMP / RMP.	Partially Meets Requirements	Partially Meets Requirements	Complete. Core Infrastructure Risk Management Plan prepared 2012 and reviewed 2019. Internal Asset Accounting Policy and Procedures developed and reviewed annually.

Council's current asset management maturity has reached 'core' level, however continued investment is needed to improve information management, lifecycle management, service management and accountability and direction as Council works towards the 'advanced' level of asset management maturity.

The program of tasks to continue on the pathway of continuous improvement in asset management maturity were identified in the review of the Asset Management Plans and in the Asset Management Maturity Assessment and are detailed in Table 8 and Table 9.

Ongoing implementation of the asset management improvement program recommended in the Asset Management Plans and reflected in this Asset Management Strategy is essential to allow Council to continue on its path of continuous improvement and higher levels of governance and management.

**Table 8: Asset Management Plans Improvement Plan – 2019**

Asset Areas	Task	Responsibility	Resources Required	Timeline
All Assets	Linking of the customer service system to the corporate asset register to link requests to asset records	Corporate and Assets and Infrastructure	Staff Time	2021
All Assets	Review the accuracy and currency of asset condition data	Assets and Infrastructure	Staff Time	Ongoing
All Assets	Continue to review the procedures for maintaining the Asset and Financial Registers	Corporate and Assets and Infrastructure	Staff Time	Ongoing
Buildings	Implementation of a pro-active maintenance program for buildings and other structures	Assets and Infrastructure	Staff Time	2021
Buildings	Review of annual depreciation amounts and associated useful lives	Assets and Infrastructure	Staff Time	2021

**Table 9: Asset Management Maturity Improvement Plan 2019**

Practice Area	Task	Responsibility	Resources Required	Timeline
<b>Strategic Longer Term Plan</b>	Undertake assessment of asset life cycle costing and-or predictive analysis as a basis for asset accounting in the long term. In the short term, ensure data is maintained at a sufficient level to easily plug into future modelling.	Assets and Infrastructure	Staff Time	Ongoing
<b>Annual Budget</b>	Undertake comprehensive review of LTFP in 2020	Assets and Infrastructure	Staff Time	2020
<b>Annual Report</b>	Council to investigate areas where a Value for Money audit may be required in the future.	Corporate and Assets and Infrastructure	Staff Time	2022
<b>AM Policy</b>	Ongoing review of Policy in accordance with Councils Governance Policy.	Corporate	Staff Time	Ongoing
<b>AM Strategy</b>	Future strategy to include analysis of cost-benefit of options for service delivery.	Assets and Infrastructure	Staff Time	Ongoing
<b>AM Plans</b>	Some further improvements can be made, including continued consultation with the community and ongoing high-level scenario analysis of service levels.	Corporate and Assets and Infrastructure	Staff Time	Ongoing
<b>Governance and Management</b>	Additional improvements include better modelling of Whole-of-Life asset costs, predictive modelling of asset scenarios and completion of a State of the Assets report at the end of each FY for every asset class as part of the annual report.	Corporate and Assets and Infrastructure	Staff Time	Ongoing
<b>Levels of Service</b>	Opportunities to investigate service level scenarios more thoroughly, and create Service Plans in consultation with the community	Corporate and Assets and Infrastructure	Staff Time	Ongoing
<b>Data &amp; Systems</b>	Undertake review of existing Asset Management System, maintenance systems, customer service systems and identify options for integration and development.	Corporate and Assets and Infrastructure	Staff Time	2020
<b>Skills and Processes</b>	Additional improvements to be made in creating formal processes for things such as asset management skills and training, communication, risk monitoring etc. as well as updating Asset Management Plans with new data, as required.	Corporate and Assets and Infrastructure	Staff Time	Ongoing
<b>Evaluation</b>	Improvements to be made in the development of advanced targets, and reporting against these targets.	Corporate and Assets and Infrastructure	Staff Time	Ongoing

**APPENDICES**

**Appendix A – Maturity Assessment Report**

# Maturity Report

	<b>Legend</b> <b>Complete</b> <b>Well Progressed</b> <b>Partially Complete</b> <b>Not Started</b>	
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<b>Framework</b>	<b>Financial Planning &amp; Reporting</b>
<b>Element</b>	<b>Strategic Longer Term Plan</b>
<b>Practice Area</b>	<b>Strategic Longer Term Plan</b>
Current Score	4.5
Target Core	3
Target Advanced	5

**Core Maturity Assessment**      **Meets Requirements**

**Question:**      **Does your council have an adopted strategic longer term plan?**

**Observations of Current Maturity Level**

Strategic Long Term Plans are well progressed, 20yr LTFP in place with ongoing monitoring and review.

**Implications of Current Maturity Level**

Process is now focused on continuous improvement and refinement of data.

**Recommendations**

Undertake assessment of asset life cycle costing and-or predictive analysis as a basis for asset accounting in the long term. In the short term, ensure data is maintained at a sufficient level to easily plug into future modelling.



Maturity Score	Result	Characteristic
5		Optimum life cycle costs are known and supported by high levels of data, information and knowledge in all key areas. Political decisions are informed by multiple service level / cost / funding model data, information and knowledge on tradeoffs for economic, social, cultural and environmental consequences.
4		Council has a Strategic Longer Term Plan (ideally 20 years - at least 10 years) that incorporates a vision, mission, values and long term service outcomes that reflects how Council plans to provide for community needs.
4		The development of the Strategic Longer Term Plan included community engagement and reflects community needs.
4		Council has a sustainable Long Term Financial Plan (ideally 20 years - at least 10years) which establishes its prudential limits on debt, revenue raising, reserve funding, asset management funding and capital works to support its Long Term Plan.
4		Council's Long Term Financial Plan is directly aligned with its Service Plans.
4		The Long Term Financial Plan clearly separates 'recurrent expenditure' under the categories of operations and maintenance and clearly separates 'capital works expenditure' under the categories of renewal, upgrade and new.
4		The Long Term Financial Plan clearly identifies the ongoing maintenance, operational and renewal impacts arising from capital works and contributed assets.
4		The Strategic Longer Term Plan includes a current position statement and discussion
4		The Strategic Longer Term Plan includes strategies for achieving objectives
3		Council has adopted a Strategic Plan (planning horizon of at least 5 years) that incorporates a vision, strategic outcomes, mission, values and service outcomes that Council wants to achieve. The minimum timeframe may vary depending on relevant State/Territory requirements.
3		The development of the Strategic Plan included elected member participation and was informed by community consultation and includes strategic objectives that address social, environmental, economic and civic leadership issues identified by the community.
3		The Strategic Plan incorporates priorities and performance measures and indicates how they will be monitored and measured.
3		Council has a sustainable LTFP covering the period of the Strategic Plan (at least 5 year) supporting the implementation of its Strategic Plan. The minimum timeframe may vary depending on relevant State/Territory requirements.
3		The Long Term Financial Plan (LTFP) has been prepared based on the resource requirements and strategic objectives detailed in Council's Strategic Plan and Asset Management Plans.
2		Plan covers 4 year term of council
2		Draft plan is advertised for public comment
2		Plan reflects needs of community for foreseeable period
2		Plan includes vision and strategic objectives
2		Plan details what council intends to do in period of plan
1		Plan covers 1 year period

**Framework** Financial Planning & Reporting

**Element** Annual Budget

**Practice Area** Annual Budget

Current Score 4.7

Target Core 3

Target Advanced 5

**Core Maturity Assessment**

**Meets Requirements**

**Question:**

**Does your council prepare an annual budget?**

**Observations of Current Maturity Level**

Annual budget closely linked to annual review of 20yr LTFP.

**Implications of Current Maturity Level**

Longer term asset management decisions are well informed.

**Recommendations**

Undertake comprehensive review of LTFP in 2020

Maturity Score	Result	Characteristic
5		Budget contains indicators of achieving council's strategic objectives
4		The Annual Budget financial ratios (liquidity, debt, underlying operating position) align with the Council's Long Term Financial Plan.
4		The Annual Budget is prepared based on 'service levels' as reflected in the Strategic Longer Term Plan and contains indicators and measures to assess performance against achieving Council's strategic objectives.
4		The Annual Budget clearly separates 'recurrent expenditure' under the categories of operations and maintenance and clearly separates 'capital works expenditure' under the categories of renewal, upgrade and new.
4		The Annual Budget clearly indicates the ongoing maintenance, operational and renewal impacts arising from capital works and contributed assets.
3		The Annual Budget contains estimates of revenue and expenditure with an explanation of the assumptions and methodologies underpinning the estimates, an explanation of the financial performance and position of the Council and has been prepared based on the resource requirements and strategic objectives detailed in Council's Strategic Plan, AM Plans and LTFP.
3		The Annual Budget reflects the Council's strategic objectives and contains a statement of how Council will meet the goals and objectives of its Strategic Plan.
3		The Annual Budget aligns with Year 1 of the LTFP and was adopted following community consultation.
3		Council's Annual Budget includes resources to implement Strategic Plan strategies.

2		Budget is publically available and readily accessible to all interested readers
2		Budget contains estimates of revenue and expenditure for year
2		Budget includes an explanation of the council's financial position and performance
2		Budget is adopted after public advertising and consideration of comments received
1		Annual budget is available to those who ask

**Framework** Financial Planning & Reporting  
**Element** Annual Report  
**Practice Area** Annual Report

Current Score 4  
 Target Core 3  
 Target Advanced 5

**Core Maturity Assessment** Meets Requirements

**Question:** Does your Council publish an annual report?

**Observations of Current Maturity Level**

Annual reporting covers all requirements, except Value for Money audits.

**Implications of Current Maturity Level**

High level of integration between financial data and asset management data, allowing for a confident measure of achievements against objectives.

**Recommendations**

Council to investigate areas where a Value for Money audit may be required in the future.

Maturity Score	Result	Characteristic
5		Annual report includes results of Value for Money audit
4		The Annual Report includes a performance assessment of progress towards achieving the goals and strategic objectives of the Strategic Longer Term Plan.
4		The Annual Report includes a statement of actual performance for the year as measured against the Long Term Financial Plan, including reporting on measures of actual financial performance against short and long term financial sustainability indicators.
4		The Annual Report distinguishes between 'recurrent expenditure' under the categories of operations and maintenance and 'capital works expenditure' under the categories of renewal, upgrade and new.
4		The Annual Report includes a statement on "State of the Assets" and the financial sustainability of services provided by its infrastructure assets including any proposed adjustment to services/assets to address issues as they arise.
4		"The asset financial reporting within the Annual Report, is such based on the following:
3		The Annual Report complies with all statutory requirements including publication by the due date and is made widely available to the public.
3		The Annual Report includes independently audited financial statements that are prepared on an accrual basis in accordance with the Australian Accounting Standards.
3		The Annual Report reviews the performance of the Council against its strategic objectives and explains variations between the budget and actual results and how these variations impact on the Strategic Plan.
3		The Annual Report includes details of any major changes in functions of the Council, organisation structure and/or policy initiatives and how

		these changes might impact on Council's Strategic Plan.
3		In relation to the financial reporting framework in the Annual Report, the Annual Report addresses the following issues in accordance with relevant state policies, Australian Accounting Standards and other best practice guidelines: a. Asset valuations and revaluations, b. Asset acquisitions including capitalisation policy, c. Asset disposals
2		Annual report contains audited financial statements
2		Annual report is widely available to the general public
2		Annual report reports on council's operations for the year in terms of goals and objectives for preceding year
2		Annual report contains explanation on variations between budget and actual results
1		Annual report is published each year

**Framework** Asset Management & Planning  
**Element** AM Policy  
**Practice Area** AM Policy

Current Score 5  
 Target Core 3  
 Target Advanced 5

**Core Maturity Assessment** Meets Requirements

**Question:** Does your council have an adopted asset management policy?

**Observations of Current Maturity Level**

Policy was reviewed and updated June 2019 and meets all necessary requirements.

**Implications of Current Maturity Level**

Asset Management decisions are guided by informed data and an understanding of the balance between competing priorities.

**Recommendations**

Ongoing review of Policy in accordance with Councils Governance Policy.

Maturity Score	Result	Characteristic
5		Policy guides informed political decisions informed by data, information and knowledge on tradeoffs for economic, social, cultural and environmental consequences
4		AM Policy provides a reasonable basis for long-term integrated decision making by the Council and for participative decision making by the community and subsequent accountability to the community about the activities of the Council
4		"AM Policy clearly articulates the principles and financial implications upon which decisions relating to assets and their performance will be based.
4		AM Policy has organisational context and acknowledges the importance of asset management in supporting services provided by Council.
4		AM Policy identifies the need for Council reporting to be categorised in terms of operational, maintenance, renewal, upgrade and new expenditure classifications.
4		AM Policy includes audit and review procedures, specifies review dates and has a sunset clause.
3		Council has an adopted AM Policy which defines the Council's vision and service delivery objectives for asset management.
3		AM Policy has a direct linkage with Council's Strategic Plan and LTFP.
3		AM Policy requires the adoption of AM Plans informed by community consultation and local government financial reporting frameworks.
3		AM Policy defines asset management roles, responsibilities and reporting framework.
3		AM Policy identifies a process for meeting training needs in financial and asset management practices for councillors and staff.
2		AM Policy adopted by Council
1		AM Policy in place but not adopted by Council OR some awareness by Council of asset management policy elements and asset management principles.

**Framework** **Asset Management & Planning**

**Element** **AM Strategy**

**Practice Area** **AM Strategy**

Current Score **4.5**

Target Core **3**

Target Advanced **5**

**Core Maturity Assessment** **Meets Requirements**

**Question:** **Does your council have an adopted asset management strategy?**

**Observations of Current Maturity Level**

Asset Management Strategy is well advanced based on the 2018 edition.

**Implications of Current Maturity Level**

Decisions relating to Asset Management are well informed and long-term implications are understood.

**Recommendations**  
 Future strategy to include analysis of cost-benefit of options for service delivery.

Maturity Score	Result	Characteristic
5		Strategy includes analysis of cost/benefit options for service delivery
5		Strategy drives asset management planning and service delivery
4		Planning for New assets and the Upgrade of assets is driven by Council's Strategic Longer Term Plan, Council's Service Plans and Council's Asset Management Plans.
4		Strategy details out how the councils get to where it wants to be including comparison with current situation and proposed future to highlight where strategies will need to be developed to cater for any changes
4		Strategy details where the councils wants to be
3		Council has an AM Strategy which shows how the asset portfolio can meet the service delivery needs of the community and defines the future vision of asset management practices within Council.
3		Council's AM Strategy is linked to Council's AM Policy and integrated into Council's Strategic planning and annual budgeting processes.
3		Council's AM Strategy documents the current status of asset management practices (processes, asset data and information systems) within the Council and what actions Council must take to implement the AM Policy, including resource requirements, timeframes and accountabilities.
2		Strategy shows what assets the council has
2		Strategy fits with the council strategic plans
1		Draft AM Strategy Prepared but not adopted by Council

**Framework** Asset Management & Planning  
**Element** AM Plans  
**Practice Area** AM Plans

Current Score 4.5  
 Target Core 3  
 Target Advanced 5

**Core Maturity Assessment** Meets Requirements

**Question:** Does your council have adopted asset management plans?

**Observations of Current Maturity Level**

Asset Management Plans are well advanced with the 2018 editions.

**Implications of Current Maturity Level**

Decisions on each asset class are able to be made in an informed long-term manner.

**Recommendations**  
 Some further improvements can be made, including continued consultation with the community and ongoing high-level scenario analysis of service levels.

Maturity Score	Result	Characteristic
5		AM Strategy & AMP provide optimum value for defined service using scenarios to inform service performance. Multiple scenarios to show best value options
4		Planning for new and upgraded assets driven by Asset Management Strategy and AMP. Highly responsive to policy direction
4		Asset Management Plans include future demand projections and forecasts based on population and demographic projections.
4		Asset Management Plans are influenced by the level of community enquiry – Feedback on Customer levels of service.
4		Asset Management Plans include the financial requirements to meet target levels of service levels for at least the next 10 years for each asset class and are correlated with the data in the Long Term Financial Plan.
4		Asset Management Plans include a process for optimising decisions to obtain the best value outcome for defined levels of service utilising scenario modelling and tradeoffs.
4		AMPs include Infrastructure Risk Management Plan
3		AM Plans adopted by Council for all material asset groups in a consistent format in accordance with industry best practice (E.g. Appendix A of the International Infrastructure Management Manual (IIMM)) and are available to all relevant staff across the organisation.
3		AM Plans define which asset groups are covered by each Plan in accordance with a clearly documented Infrastructure Asset Hierarchy.
3		AMPS cover at least 10 years and
3		a. Refer to Council's AM Policy and AM Strategy;
3		b. Include all assets and document asset inventory information for the asset group/category as recorded in the asset register;
3		c. Document the asset hierarchy within each asset group;

3		d. Document the current condition of assets;
3		e. Document the adopted useful lives of assets;
3		f. Include risk assessment and criticality profiles;
3		g. Provide information about assets, including particular actions and costs to provide a defined (current and/or target) level of service in the most cost effective manner
3		h. Include demand forecasts including possible effects of demographic change and demand management plans
3		i. Address life cycle costs of assets;
3		j. Include forward programs identifying cash flow forecasts projected for:
3		i. Asset Renewals;
3		ii. New Assets and Upgrades of existing assets;
3		iii. Maintenance expenditure;
3		iv. Operational expenditure (including depreciation expense);
3		k. Address asset performance and utilisation measures and associated targets as linked to levels of service;
3		l. Include an asset rationalisation and disposal program; and
3		m. Include an asset management improvement plan.
3		n. Include consideration of non-asset service delivery solutions (leasing private/public partnerships)
3		o. Recognise changes in service potential of assets through projections of asset replacement costs, depreciated replacement cost and depreciation expense.
3		p. Include consideration of possible effects of climate change on asset useful lives and maintenance costs
3		AM Plans link to the Council's AM Policy, AM Strategy, Strategic Plan, LTFP and other relevant Council Policy objectives.
3		AM Plans have all been prepared in association with community consultation.
2		Separate AM Plans for each asset group - high level overall framework but not consistent
2		AM Plans in place but not regularly reviewed or adopted
2		AM Plans include all assets on asset register
2		AM Plans Include an improvement plan
1		No AM Plans, AM is Reactive and Fragmented

**Framework** Asset Management & Planning  
**Element** Governance and Management  
**Practice Area** Governance and Management

Current Score 4  
 Target Core 3  
 Target Advanced 5

**Core Maturity Assessment**

**Meets Requirements**

**Question:**

**Does your council have good management practices linking AM to service delivery?**

**Observations of Current Maturity Level**

Governance is well matured, but with room to improve.

**Implications of Current Maturity Level**

High-level oversight and strong governance in decision making.

**Recommendations**

Additional improvements include better modelling of Whole-of-Life asset costs, predictive modelling of asset scenarios and completion of a State of the Assets report at the end of each FY for every asset class as part of the annual report.

Maturity Score	Result	Characteristic
5	Yellow	Common purpose and focus on service delivery with agreed nexus between funding and service outcomes.
5	Yellow	Bottom up and top down feedback on performance with defined measures for service delivery and governance
4	Green	Accountability mechanisms are maintained to ensure that Council resources are used optimally to address Council's strategic asset management objectives, as detailed in the Asset Management Strategy and Asset Management Plans.
4	Blue	Council utilises their Infrastructure Asset Hierarchy as a basis for consistent reporting across the organisation.
4	Green	Community levels of service and technical levels of service are monitored and reported to the Executive Management Team and Council.
4	Blue	When the Council and Executive consider the annual Capital Works Program, they prioritise works based on cost/benefit assessments (including risk) with resource implications reflected into the Long Term Financial Plan.
4	Blue	The Executive and Council are provided with an annual 'State of the Assets' report covering asset condition, asset performance, intervention levels, level of service monitoring and future financial sustainability options and consequences.
4	Green	Council has an Internal Audit Committee with competency to understand advanced asset management and the Internal Audit Committee provides an independent review and annual report on asset management performance across the whole organisation to the Council.
3	Green	Council has mechanisms in place to provide high level oversight by the Council, CEO/GM and Executive Management Team, for development and implementation of the AM Strategy and AM Plans.
3	Green	Roles and responsibilities are clearly defined in a matrix or policy, identifying positions responsible for determining levels of service and

		positions responsible for managing the assets to meet service delivery needs.
3		The staff structure and position descriptions clearly define asset management functions, responsibilities and skill requirements for managing all asset classes.
3		Council has a documented process for making capital investment decisions, which is driven by Council's Strategic Plan, LTFP and the Service Plan and explicitly details the impacts on the future operations and maintenance budgets, "Whole of Life" costs and risk management assessments.
3		Council involves all its departments in Asset Management.
3		Council has an AM Steering Committee, with cross functional representation and clearly defined and documented terms of reference, focussed on coordinating the linkages between service delivery and asset management implementation.
3		There are internal processes to promote Asset Management across Council
2		Multi-disciplinary AM Steering Committee in operation with regular meetings
2		AM improvement plan in operation
1		AM Steering activities are dependent on individual initiatives and are not co-ordinated

<b>Framework</b>	<b>Asset Management &amp; Planning</b>
<b>Element</b>	<b>Levels of Service</b>
<b>Practice Area</b>	<b>Levels of Service</b>
Current Score	4
Target Core	3
Target Advanced	5

**Core Maturity Assessment** **Meets Requirements**

**Question:** **Does your Council have a defined process for determining current and target levels of service and costs?**

**Observations of Current Maturity Level**

Current understanding around levels of services are adequate to advanced.

**Implications of Current Maturity Level**

The implication of decisions on asset levels of service is understood at a broad level, with a level of community consultation and feedback.

**Recommendations**  
 Opportunities to investigate service level scenarios more thoroughly, and create Service Plans in consultation with the community

Maturity Score	Result	Characteristic
5	Yellow	Optimum life cycle costs known and supported by high levels of data, information and knowledge in all key areas. Political decisions informed by data, information and knowledge on tradeoffs for economic, social, cultural and environmental consequences.
5	Blue	Documented feedback on long term cumulative impacts of decisions on service levels.
4	Blue	Council has undertaken the process of identifying the costs associated with each level of service, including the increased cost or decreased cost associated with increasing or decreasing each level of service respectively to assist in scenario modelling.
4	Yellow	Target community levels of service are defined through community consultation, considering population and demographic change projections, trend analysis and customer feedback and requests.
4	Blue	Council has a communication plan to communicate information on infrastructure service delivery issues and Councils management of these issues to external stakeholders,
4	Green	The cost of maintenance and operational activities are reported against adopted levels of service.
4	Green	Council, in conjunction with the community, regularly reviews its community levels of service and technical levels of service, to determine the financial impact of a change in service levels. If a change occurs this is then reflected into the Asset Management Plan and Long Term Financial Plan.
3	Green	Council has Service Plans for each of its services which have been developed in consultation with the community.
3	Green	Council has undertaken the process of defining, quantifying and documenting current community levels of service and technical levels of service, and costs of providing the current levels of service.

3		Current and target levels of service (for both community levels of service and associated technical levels of service) are clearly defined in each AM Plan.
3		Technical levels of service are incorporated into service agreements and/or maintenance, operational and capital renewal procedures.
2		Service levels in some areas - fragmented
1		Service levels are consequences of annual budget allocation and not defined.

**Framework****Asset Management & Planning****Element****Data & Systems****Practice Area****Data & Systems**

Current Score 3.5

Target Core 3

Target Advanced 5

**Core Maturity Assessment****Meets Requirements****Question:****Does Council have the data and systems to perform asset management activities?****Observations of Current Maturity Level**

Asset Management Systems are well developed but not digitally linked.

**Implications of Current Maturity Level**

Asset Management System has the potential to mature to an integrated, digitally linked system, with real-time reporting and accounting.

**Recommendations**

Undertake review of existing Asset Management System, maintenance systems, customer service systems and identify options for integration and development.

Maturity Score	Result	Characteristic
5		Annual skills and knowledge audit on capacity and capacity needed to deliver corporate plan with linked service provision plan.
5		Asset data is integrated and responds to required decision support information needed for optimised service delivery
4		Asset data is available to operations, design and planning staff across services areas when planning and undertaking works.
4		Asset renewal funding requirements and funding gaps are determined utilising up to date asset condition information and scenario modelling used to optimise life cycle costs with risk tradeoffs.
4		Asset Management systems have risk management functionality available to predict criticality of assets, record risk assessments, risk treatment, treatment costs and residual risk.
4		Council records the results of asset condition surveys and defect assessments against individual assets, linked to the componentised inventory in the asset register. Time series condition data is maintained to allow monitoring of asset performance.
4		Asset Management systems are able to predict asset life based on various assessment factors and compare actual against predicted deterioration behaviour.
4		Council's Asset Management system can generate works orders based on intervention levels and customer requests which are also linked to the asset register. It has the capacity to monitor completion targets and perform facilities management functions.
4		Council's Asset Management system is integrated with other corporate knowledge systems such as the finance, GIS and property information systems.
4		Functionality of Council's Asset Management systems includes the ability to generate maintenance and renewal programs based on available

		budget and future condition profiles, to generate scenario specific cash flow forecasts and to generate optimised programs.
4		Council's Asset Management systems are used to monitor asset performance over time.
4		Council has documented data standards for inclusion in Asset Management systems upon the commissioning of new (and/or modified) assets.
4		Council benchmarks its infrastructure funding gap against State and National indicators.
4		Council's Asset Management system used to manage operations and maintenance functionality is driven by an asset knowledge management strategy, with specialised functionality for each service area to monitor operations and maintenance costs and trends.
4		Data is available and accessible to enable performance measurement and reporting against Key Performance Indicators used to measure levels of service. Processes and information are driven by an asset knowledge management strategy linked to the Asset Management Plans and the Long Term Financial Plan.
4		Data and systems allow projections which inform a range of service provision scenarios and costs. Adopted scenarios are incorporated into Asset Management Plans and the Long Term Financial Plan with an annual review in line with legislative requirements and policy papers issued by State Government
3		Council has a consolidated, integrated, accurate, up to date and complete componentised asset register with the required functionality to ensure security and data integrity, which includes all information about each asset sorted by asset group.
3		There is a common corporate data framework used across all asset groups, which is defined by Council's Infrastructure Asset Hierarchy.
3		Council has documented repeatable methodologies to carry out consistent asset condition surveys and defect identification assessments, as documented in a Condition Rating Assessment Manual for applicable asset classes.
3		Council's asset financial reporting functionality is comprehensive and includes audit trails, depreciation calculations, reporting thresholds and records of acquisition and disposal of assets
3		Council's systems, procedures and processes allow it to benchmark its asset management performance against like Councils over time.
3		AM systems have the functionality to generate maintenance and renewal programs and produce associated cash flow forecasts.
3		Council has defined and documented procedures for determining asset replacement and treatment unit rates, which are then stored in Council's AM system.
3		Council has a defined process for operations, maintenance, renewal and upgrade planning for its existing assets.
2		Skill & knowledge requirements determined
2		Audit completed to determine current skill & knowledge levels
1		Council has a corporate asset register supported by technical asset registers with regular validation of data in registers

**Framework****Asset Management & Planning****Element****Skills and Processes****Practice Area****Skills and Processes**

Current Score 3.5

Target Core 3

Target Advanced 5

**Core Maturity Assessment****Meets Requirements****Question:****Does council have the data & systems knowledge to perform asset data management activities?****Observations of Current Maturity Level**

Core level of maturity exists, with a focus on continuous improvement.

**Implications of Current Maturity Level**

Required knowledge and skills are in place to effectively manage assets and deliver operation and maintenance processes.

**Recommendations**

Additional improvements to be made in creating formal processes for things such as asset management skills and training, communication, risk monitoring etc. as well as updating Asset Management Plans with new data, as required.

<b>Maturity Score</b>	<b>Result</b>	<b>Characteristic</b>
5		Annual skills and knowledge audit on capacity and capacity needed to deliver corporate plan with linked service provision plan.
4		Following each Annual Budget cycle, Asset Management Plans and the Long Term Financial Plan are updated to reflect the current financial position and to maintain currency between all documents.
4		Council has a process which incorporates research into the determination of asset lives based on condition and consumption rates.
4		Council has a service rationalisation process linked to a Disposal Policy that identifies any services (and associated assets) that are surplus to community needs.
4		Council has a documented process that identifies the outcomes of service delivery reviews for input into Asset Management Plans and the Long Term Financial Plan.
4		When undertaking operations and maintenance activities there is a process to allow staff to communicate asset related issues to other service areas.
4		There is a process to analyse risks and incorporate risk mitigation strategies into contingency plans within the planning cycle.
4		Asset failures and causes of failures are recorded and analysed to identify failure trends and asset group rectification strategies.
4		Council has a process whereby community enquiry and operational response issues are linked to individual assets.
4		Council has an Optimum Decision Making framework to ensure consistent decision making. The Optimum Decision Making framework considers multivariable criteria linked to service and performance standards. There is a shift in emphasis from asset condition to service

		performance and value.
4		Capital Works are prioritised based on the application of business cases incorporating whole of life costing, risk and benefit quantification and all data used in decision making is documented and recorded.
4		Staff are trained in best practice operating and maintenance procedures and activities.
4		Contingency plans in place to ensure continuity of activities when staff turnover occurs
4		Asset Knowledge Management Strategy identifies data framework requirements
3		Council has a process to review and update the AM Strategy on a maximum of a 5 year cycle. The AM Strategy is formally adopted by Council.
3		Council has a process to review and update AM Plans for all asset groups on a maximum of a 3 to 4 year cycle consistent with the Council election cycle. AM Plans are formally adopted by Council.
3		Council has a process to identify operational risks, assign responsibilities and monitor risk treatment actions all recorded within a risk register.
3		Council has a process to annually review and update the financial forecasts for all asset classes and update the LTFP.
3		Council has assessed the skills and knowledge required to perform asset data management activities, conduct financial reporting valuations and develop AM Plans. Council has a current asset management skills matrix. Staff training needs have been identified and training scheduled.
3		Council has a defined methodology for assessing the Remaining and Useful Life, Residual Value and Depreciation Method of assets.
3		Council has a process to collect and record asset data into an AM system upon the commissioning of new (and/or modified) assets, including built and contributed assets.
3		Council has formal processes for the handover of assets to asset custodians/owners.
3		Council has a process to communicate the financial implications of the AM Plans to internal and external stakeholders.
3		Council provides ongoing training programs for councillors, council management and officers on key asset management topics.
2		Skill & knowledge requirements determined
2		Audit completed to determine current skill & knowledge levels
2		Documented asset data management procedures
1		Asset data management limited to plans and data required for current projects

**Framework****Asset Management & Planning****Element****Evaluation****Practice Area****Evaluation**

Current Score 3.5

Target Core 3

Target Advanced 5

**Core Maturity Assessment****Meets Requirements****Question:** Does council have a process to evaluate progress and use of resources on implementation of the National Frameworks?**Observations of Current Maturity Level**

Core level of maturity exists. Ongoing monitoring, reporting and evaluation processes are in place.

**Implications of Current Maturity Level**

Reasonable level of transparency and accountability around progress against targets.

**Recommendations**

Improvements to be made in the development of advanced targets, and reporting against these targets.

Maturity Score	Result	Characteristic
5		Council undertakes an annual audit within the organisation to report on trends on Triple Bottom Line/Quadruple Bottom Line service delivery and accompanying financial sustainability compared to the Strategic Longer Term Plan.
5		Qualitative Key Result Areas (KRA's) are set for Community levels of service. KRA's are monitored, measured and reported to Council, against time based 'targets'.
4		Council has a documented evaluation process by which asset management improvements are identified, timeframes established, resources allocated, actioned, monitored and reported to the Internal Audit Committee and Council
4		Quantitative Key Performance Indicators (KPI's) are set for Technical levels of service. KPI's are monitored, measured and reported to Council against time based 'targets'.
4		Council benchmarks its asset management performance improvement against State and National indicators and reports annually on its asset management improvement performance against set targets.
3		Council has a documented evaluation process by which asset management improvements are identified, timeframes established, resources allocated, actioned, monitored and reported to the Executive Management Team and/or CEO
3		Technical levels of service are monitored and performance reported.
3		Community levels of service are monitored and performance reported.
2		Improvement tasks are included in staff performance plans and reviews
1		No formal evaluation process

## Appendix B – Abbreviations

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

## Appendix C – 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