



Asset Management Strategy/ Strategic Asset Management Plan



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1. EXECUTIVE SUMMARY

Context

Break O'Day Council is responsible for the acquisition, operation, maintenance, renewal and disposal of an extensive range of physical assets with a \$173,831,528 replacement value.

These assets include land, buildings, parks, recreation areas, roads, footpaths, drainage systems, bridges and associated operating assets and provide service essential to our community's quality of life.

This Strategic Asset Management Plan takes the organisational objectives in our Strategic Plan, develops the asset management objectives, principles, framework and strategies required to achieve our organisational objectives. The plan summarises activities and expenditure projections from individual asset management plans to achieve the asset management objectives.

What does it Cost?

The projected outlays necessary to provide the services covered by this Strategic Asset Management Plan (AM Plan) includes operations, maintenance, renewal and upgrade of existing assets over the 10 year planning period is \$5,240,000 on average per year.

Estimated available funding for this period is \$5,106,000 on average per year which is 97% of the cost to provide the service. This is a funding shortfall of \$133,000 on average per year.

What we will do

Our aim is to provide the services needed by the community in a financial sustainable manner. Achieving financial sustainability requires balancing service levels and performance with cost and risk.

It may not be possible to meet all expectations for services within current financial resources. We will continue to work with our community to ensure that needed services are provided at appropriate levels of service at an affordable cost while managing risks.

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:

- Reduced financial assistance grant (FAGs and RTR) funding to Council.
- Increased loading and shorter life for rural roads.
- Declining real income of community (high percentage of population on pensions or welfare).
- Loss of younger people from the community.
- Funding BPSP, ODPs and OSPs projects.
- Increased traffic volumes on Binalong Bay Road.
- Respond to all mobility access issues.
- Respond to all issues identified as a major concern to Council.
- Open drain and stormwater assets not coping with climate change.

We will endeavour to manage these risks within available funding by:

- Increase strength of high use rural roads.
- Aligning future asset expenditure to match adopted projects approved by Council.
- Develop an affordable open drain and stormwater upgrade programme.
- Actively identify mobility access issues and address based on risk.
- Defer projects to fund any major new risks identified by Council.
- Broadening grant funding opportunities.

Confidence Levels

This SAMP is based on Medium level of confidence information.

The Next Steps

The actions resulting from this asset management plan are:

- Develop linkage of Council strategic documents to our AMPs and the LTFP.
- Improve information about organisational objectives and AM objectives in this SAMP.
- Continue to develop and improve Council's understanding of asset risks.
- Develop an asset disposal plan.

INTRODUCTION

Strategic Asset Management

Assets enable government to deliver important services to communities.

A key issue facing local government throughout Australia is the management of ageing assets in need of renewal and replacement. Over the past decade there has been an increased appreciation that more focus needs to be placed on the long-term financial planning around the management of local government assets.

There are many intergenerational assets in Tasmania, with many owned by local government. The longevity of the assets requires local government to ensure that plans are in place to plan for future asset renewal and replacement.

Infrastructure assets such as roads, bridges, footpaths, storm water systems, buildings, and land improvements present particular challenges as their condition and longevity can be difficult to determine.

The capital expenditure associated with asset renewal and replacement is oftentimes prohibitive. Sound financial management is required to manage the large cyclic peaks and troughs in expenditure over time, driven by finite asset life.

Demand for new and improved services also adds to the planning and financing complexity. The creation of new assets presents challenges for council in funding the ongoing operating and replacement costs necessary to provide the needed service over the assets' full life cycle.

Council understands the importance of community infrastructure and the significance in preparing annual budgets and long-term financial planning to ensure ongoing service delivery to the community.

This AMS has been written to guide and strengthen Councils long-term financial management of its asset portfolio.

A National Approach to Sustainability

A National Assessment Framework for Local Government Asset Management and Financial Planning (NAF) was developed and adopted in 2007 to evaluate progress with the implementation of the Local Government *Financial Sustainability Frameworks* initiated by the Local Government and Planning Ministers' Council (LGPMC)

The Sustainability Frameworks provide nationally consistent elements for local government to manage its community infrastructure more sustainably through effective asset management and financial planning. Through the LGPMC, the State and Territory Governments agreed to facilitate implementation of the *LGPMC Financial Sustainability Frameworks* nation-wide.

The objectives of the National Assessment Framework are to:

- Provide a framework for reporting progress in implementing the *LGPMC Financial Sustainability Frameworks* for councils, local government associations, and in aggregate to Federal, State and Territory Governments.
- Demonstrate continuous improvement in asset and financial management at the local, regional, state and national level
- Meet councils' needs to determine ongoing action plans for future improvement
- Assist organisations supporting local government to identify areas for support, training and additional resources.

Council's Asset Management Journey

Break O Day Council has been on a journey of continuous improvement and is currently working towards achieving a "core" asset management maturity level.

Councils intent is to ensure its future sustainability through the adoption and enhancement of sound asset management and financial planning processes and to utilise the National Assessment Framework as a practical tool to inform decision making, focus scarce resources and provide direction and co-ordination of efforts to achieving the long-term sustainability of infrastructure, financial sustainability and levels of service to its community.

Legislative reform

Section 70D of the Tasmanian Local Government Act requires councils to prepare an AMS for the municipal area.

The AMS is to be consistent with the strategic plan for the municipal area and contain at least the matters that are specified in an order made under section 70F as required to be included in an asset management policy

Section 70E requires the AMS to be reviewed at least every four (4) years.

The Local Government (Content of Plans and Strategies) Order 2014, Section 9 (2) requires the AMS to include the following matters:

- a) an outline of all existing assets, and the services provided by the use of those assets;
- b) an outline of the condition of each existing asset, including financial status and the estimated costs related to the acquisition and use of the asset during its lifecycle;
- c) details of the goals and objectives of the council relating to the delivery of services provided by the use of its assets;
- d) details of the asset management strategies of the council to be implemented to enable the objectives of the strategic plan of the council and the assets management policy of the council to be achieved;
- e) a plan for the improvement of asset management, detailing the program of tasks to be completed and the resources required to achieve the relevant minimum core level of asset maturity and competence required in respect of the asset as defined in the Local Government Financial Sustainability Nationally Consistent Frameworks.

2. ASSET MANAGEMENT STRATEGY

2.1 Asset Management System

Asset management enables an organisation to realise value from assets in the achievement of organisational objectives, while balancing financial, environmental and social costs, risk, quality of service and performance related to assets.¹ **Note: 2015 dollar values used throughout this document.**

An asset management system is a set of interrelated and interacting elements of an organisation to establish the asset management policy and asset management objectives, and the processes, needed to achieve those objectives. An asset management system is more than a 'management information system'. The asset management system provides a means for coordinating contributions from and interactions between functional units within an organisation.²

The asset management system includes:

- The Asset Management Policy
- The asset management objectives
- The Strategic Asset Management Plan
- The Asset Management Plans, which are implemented in
 - Operational planning and control
 - Supporting activities
 - Control activities
 - Other relevant processes.³

2.1.1 Asset Management Policy

The asset management policy sets out the principles by which the organisation intends applying asset management to achieve its organisational objectives.⁴ Organisational objectives are the results the organisation plans to achieve, as documented in the Break O'Day Council Strategic Plan 2011-2015 which is still a current document.

2.1.2 Asset Management Objectives

The asset management objectives, developed in this strategic asset management plan provide the essential link between the organisational objectives and the asset management plan(s) that describe how those objectives are going to be achieved. The asset management objectives transform the required outcomes (product or service) to be provided by the assets, into activities typically described in the asset management plans. Asset management objectives should be specific, measureable, achievable, realistic and time bound (i.e. SMART objectives).⁵

2.1.3 Strategic Asset Management Plan

This strategic asset management plan is to document the relationship between the organisational objectives set out in the Break O'Day Long Term Strategic Plan and the asset management (or service) objectives and define the framework required to achieve the asset management objectives.⁶

¹ ISO, 2014, ISO 55000, Sec 2.2, p 2

² ISO, 2014, ISO 55000, Sec 2.5.1, p 5

³ ISO, 2014, ISO 55002, Sec 4.1.1, p 2.

⁴ ISO, 2014, ISO 55002, Sec 5.2, p 7.

⁵ ISO, 2014, ISO 55002, Sec 6.2.1, p 9.

⁶ ISO, 2014, ISO 55002, Sec 4.1.1, p 2.

This strategic asset management plan currently encompasses the following assets:

- Transport
- Stormwater
- Buildings & Facilities

The strategic asset management framework incorporates strategies to achieve the asset management objectives. The strategies are developed in four (4) steps:

- What assets do we have?
- Our assets and their management
- Where do we want to be?
- How will we get there?⁷

2.1.4 Asset Management Plans

Supporting the strategic asset management plan are asset management plans for major service/asset categories. The asset management plans document the activities to be implemented and resources to be applied to meet the asset management objectives. The strategic asset management plan summarises the key issues from following asset management plans:

- Break O’Day Council Transport Asset Management Plan
- Break O’Day Council Stormwater Asset Management Plan
- Break O’Day Council Buildings & Facilities Asset Management Plan

2.2 What Assets do we have?

We manage a lot of assets to provide services to our community. The assets provide the foundation for the community to carry out its everyday activities, while contributing to overall quality of life.

Table 2.2: Assets covered by this Plan

Asset Class/Category	Dimension
Bridges	140 (No.)
Sealed Roads	225.84 (km)
Unsealed Roads	321.28 (km)
Footpaths/Bikeways	42.07 (km)
Kerb & Channel	76.35 (km)
Culverts	2,137 (No.)
Stormwater mains	48.82 (km)
Stormwater manholes	665 (No.)
Side entry pits/GPT’s	580 (No.)
Buildings	120 (No.)
Toilet blocks	24 (No.)
Other Facilities	25 (No.)

⁷ LGPMC, 2009, Framework 2, Sec 4.2, p 4.

2.3 Our Assets and their management

2.3.1 Asset Values

This infrastructure assets covered by this strategic asset management plan are shown in Table 2.3.1. These assets are used to provide services to the community.

Table 2.3.1: Assets covered by this Plan

Asset Class/Category	Total Current Replacement Cost	Current Value	Annual Asset Consumption
Transport	\$147,949,124	\$90,521,906	\$2,441,315
Stormwater	\$17,365,665	\$16,252,645	\$328,415
Buildings/facilities	\$8,516,739	\$8,028,222	\$181,538
TOTAL	\$173,831,528	\$114,802,773	\$2,951,268

Note:

- Figures shown relate to assets covered in AMPs and do not cover other asset classes
- Council's Annual Depreciation stated in the Annual Report

Figure 1 shows the replacement value of our assets.

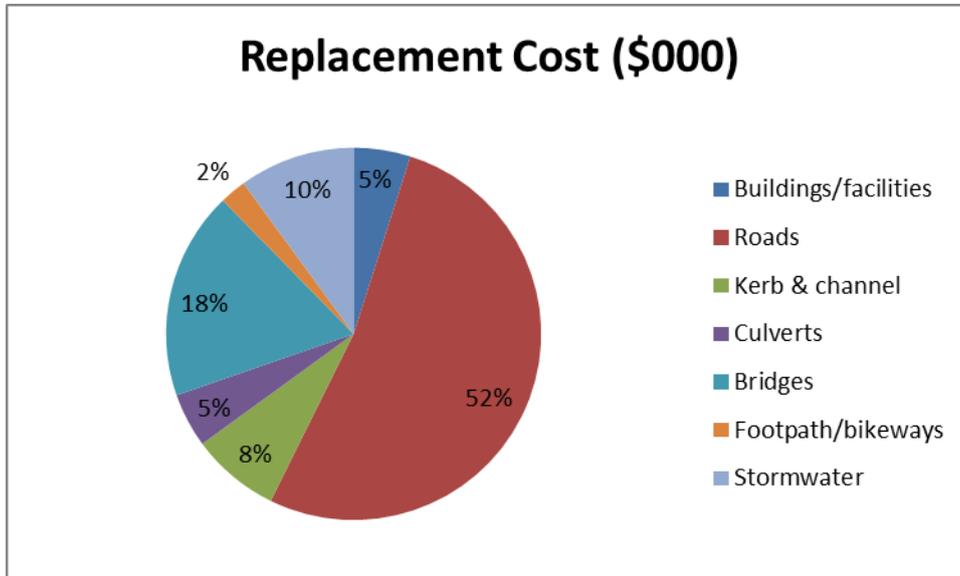


Figure 1: Asset Replacement Values

2.3.2 Asset Condition

The condition of our assets is shown in Figure 2. Condition is assessed on a 1- 5 score where 1 is very good and 5 is very poor.

Transport

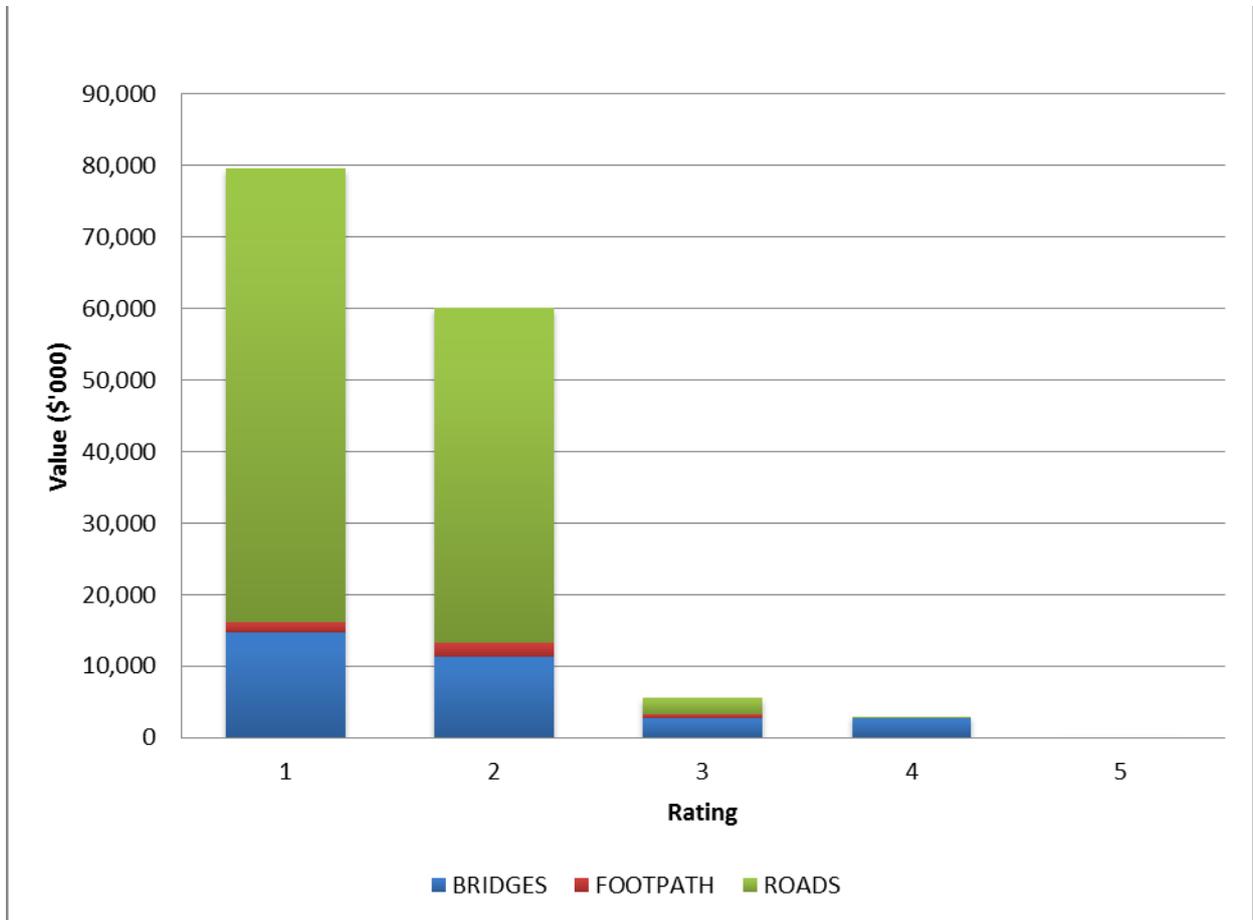


Figure 2a: Condition of Transport Assets

A further breakdown of the transport graph is in Appendix A

Stormwater

Break O’Day Council does not currently have condition data for stormwater condition as, apart from a survey of a sample of manholes carried out in 2011, there has been no survey of the condition of stormwater assets.

New technologies such as QuickView allow for initial surveys to be undertaken without going to the expense of full CCTV survey and allow for the identification of areas that may require detail investigation.

Critical assets that are identified within the stormwater network will need to be inspected as required. The use of a risk analysis process will allow for prioritisation of this inspection process to be established.

Buildings

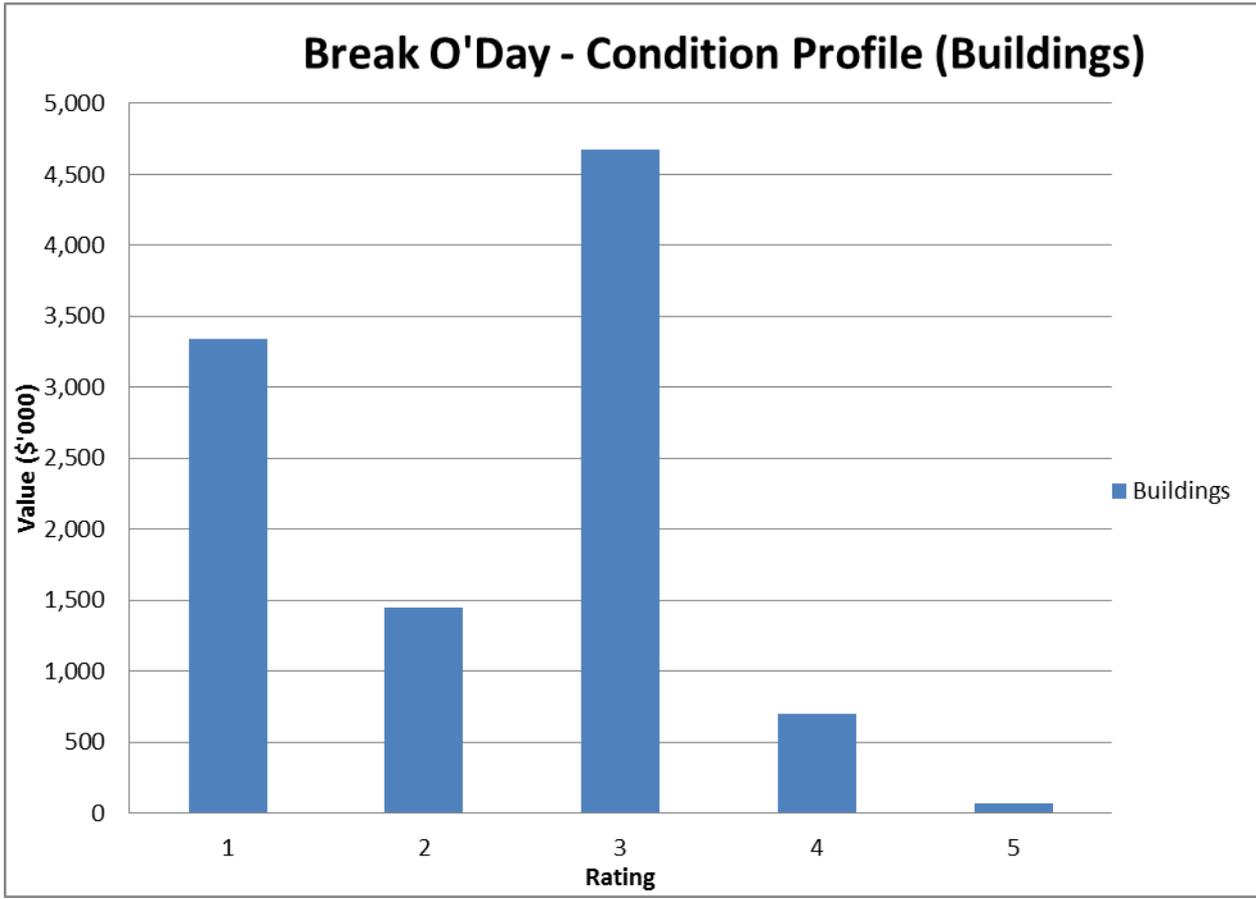


Figure 2b: Condition of Buildings Assets

IIMM Description of Condition

Condition Rating	Description	
1	Excellent condition: Only planned maintenance required.	Maintenance
2	Very good: Minor maintenance required plus Maintenance planned maintenance.	
3	Good: Significant maintenance required.	
4	Fair: Significant renewal/upgrade required. Renewal likely to be required in the short term 2 to 5 years.	Capital
5	Poor: Unserviceable. Renewal or removal required as a priority	

2.3.3 Lifecycle Costs

Lifecycle costs (or whole of life costs) are the average annual costs that are required to sustain the service levels over the longest asset life. Lifecycle costs include operating and maintenance expenditures plus asset consumption (depreciation). Life cycle costs can be compared to life cycle expenditure to give an indication of sustainability in service provision.

Lifecycle expenditures include operating and maintenance expenditures plus capital renewal expenditure in the previous year (or preferably averaged over the past three (3) years). The capital renewal component of lifecycle expenditure can vary depending on the timing of asset renewals.

The average annual costs over the lifecycle of each asset are shown in Table 2.3.3.

Table 2.3.3: Asset Lifecycle Costs

Asset Class/Category	Lifecycle Cost (\$M/yr)	Lifecycle Expenditure (\$M/yr)	Lifecycle Sustainability Indicator
Transport	\$4.216	\$2.978	71%
Stormwater	\$0.329	\$0.153	47%
Buildings & facilities	\$0.515	\$0.510	99%
TOTAL	\$5.060	\$3.641	72%

2.3.4 Asset Management Indicators

An asset management objective is to provide the services that the community needs at the optimum lifecycle cost in a financially sustainable manner. Figure 4 shows the projected operations, maintenance, capital renewal, capital upgrade/new expenditure balanced with financial outlays in the long-term financial plan.

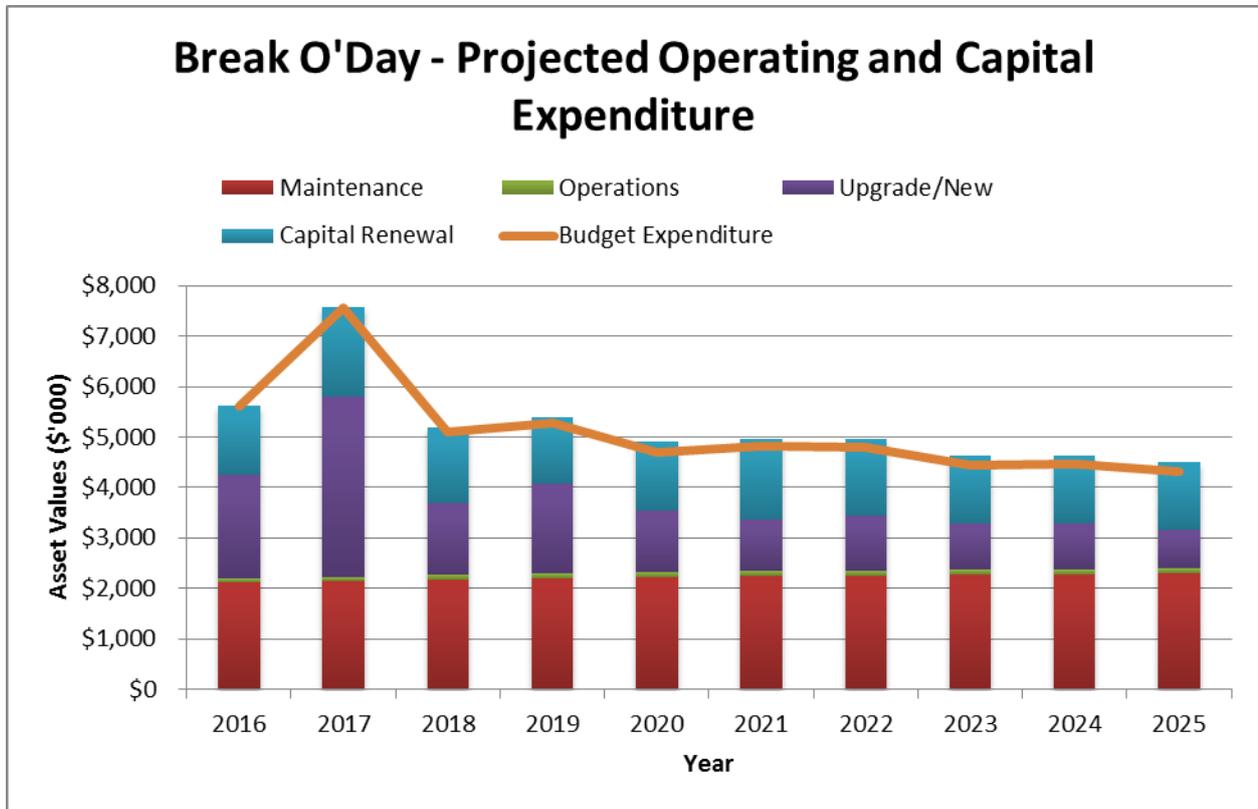


Figure 4: Balanced Position Projected Operating and Capital Expenditure

Note: 2017 increase is driven by R2R funding increase enabling additional Upgrade/New expenditure well beyond normal activity.

Assumption: Funding will continue at 2016 levels for the life of the plan.

The purpose of this strategic asset management plan is to develop the strategies to achieve the asset management objectives through balancing of asset service performance, cost and risk.

2.3.5 Opportunities and Risks

We have identified opportunities relevant to the services included in this strategic asset management plan for the future including:

- Technological advancement – (i) potential for reduced operating costs through more effective use of IT (software and hardware) and (ii) emergence of improved engineering design and construction practices (modern equivalent asset) to provide better value for money for customers/ratepayers
- Compare the Annual Report against the strategic objective and examine variations between the budget and long term financial plan

Relevant risks to the strategic asset management plan in the future are:

- Reduced financial assistance grant (FAG) funding to Council
- Increased loading and shorter life for rural roads
- Declining real income of community (high percentage of population on pensions or welfare)
- Loss of younger people from the community
- Respond to all mobility issues that exist
- Respond to all issues identified as a major concern to Council
- Demand on Council to pipe open drains
- Undertake major stormwater upgrades to address identified network deficiencies

Infrastructure risk management plans for these and other relevant risks are summarised with risk management activities and resource requirements incorporated in the relevant asset management plans.

2.3.6 Asset and Financial Management Maturity

We have taken steps to improve our asset and financial management performance including assessing our asset management maturity against the 3 Frameworks of the Local Government Financial Sustainability National Consistent Frameworks. Our target is to achieve 'core' maturity with the Frameworks. Figure 5 shows the current and target 'core' and 'advanced' maturity scores for the eleven elements of the National Frameworks.

Break ODay - Maturity Assessment ID 471

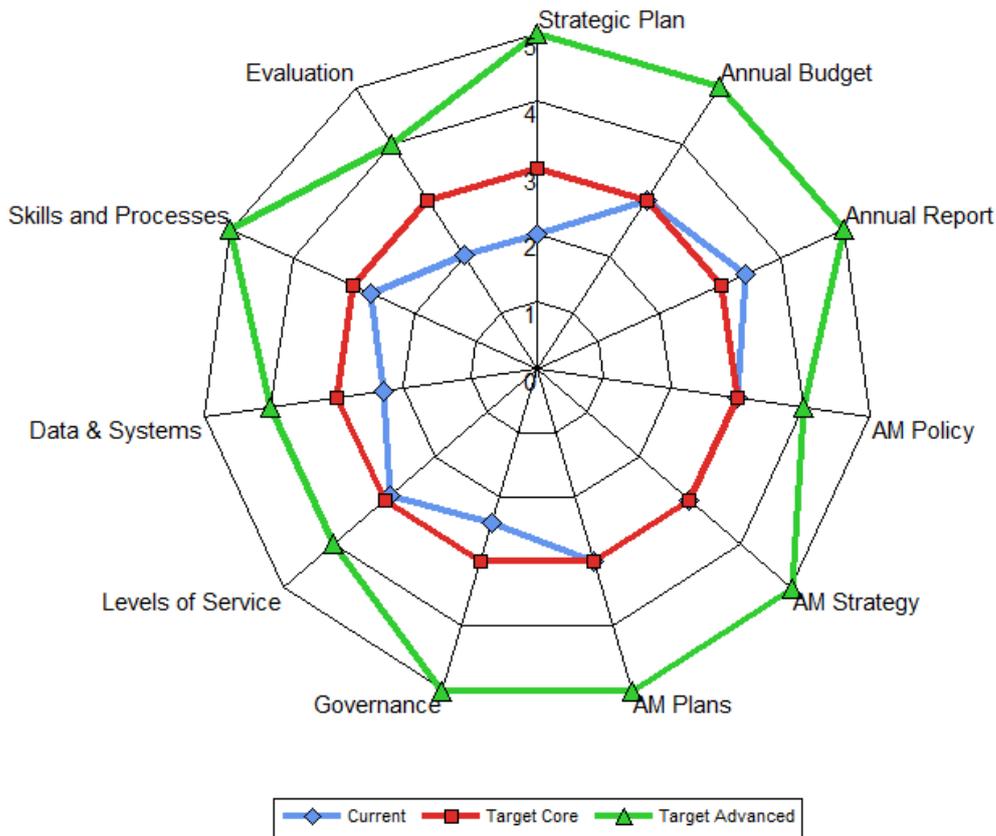


Figure 5: Maturity Assessment

Improvement in 'core' maturity is indicated by movement of the blue (current maturity) line to the red ('core' maturity) and green line (desired maturity).

Elements with low maturity scores are:

- Linkage of AMP to Strategic objectives
- Levels of Service
- Data and systems
- Skills and processes

2.3.8 Strategy Outlook

1. We are able to provide current services at existing levels into the future.
2. We are able to fund current infrastructure lifecycle costs at current levels of service and available revenue providing action is taken which reflects Asset Management plans.
3. Our current asset and financial management maturity is below 'core' level and investment is needed to improve information management, lifecycle management, service management and accountability and strategic direction.

2.4 Where do we want to be?

2.4.1 Community Expectations

We have identified community expectations for service levels to be generally consistent with current levels of service. This has been identified through municipal management plans and customer surveys. Community engagement is necessary to ensure that informed decisions are made on future levels of service and costs and that service and risk consequences are known and accepted by stakeholders.

2.4.2 Organisational Objectives

The organisation objectives are developed in the strategic plan under Vision, Mission, Values and Priority Areas as shown below.

Vision

To ensure an active, forward looking and well managed community creating a unique and desirable place to live, work and visit

Mission

We value the natural and built environment that supports us and will ensure resources are utilised responsibly and effectively by nurturing, empowering and communicating with one another

Values

Break O'Day Council is required that in striving to achieve Council's vision, all staff must abide by the Council's values. It is in the context of these values that the Councillors of the Break O'Day Council are expected to fulfil the expectations set out in the Code of Conduct as a fundamental and integral part of their duties at the Break O'Day Council. Council values are:

- Leadership
- Equity
- Community Involvement
- Responsiveness
- Quality

Our six (6) future directions

1. A sustainable natural and built environment
2. A thriving local economy
3. Vibrant and engaged communities
4. A Healthy and safe community
5. Innovative leadership and community governance
6. Planned infrastructure services.

The organisation objectives developed for priority areas are shown in Table 2.4.2.

Table 2.4.2: Strategic Priority Areas and Organisational Objectives

Future Direction	Strategic Outcomes
1. Vibrant and engaged communities	3.4 Break O’Day communities have the resilience and capacity to address and overcome life’s challenges and emergencies
2. A healthy and safe community	4.2 Infrastructure, facilities and programmes encourage increased participation in all forms of active and passive recreation
3. Innovative leadership and community governance	5.2 Long term financial planning and AM underpins the ongoing viability of Break O’Day
4. Planned infrastructure services	6.1 The future of Break O’Day infrastructure assets is assured through affordable planned maintenance and renewal strategies
	6.3 The Break O’Day transport network meets the present and future needs of the community and business
	6.4 Recreation facilities and public building are well utilised and maintained
	6.5 Stormwater and flooding cause no adverse impacts
	6.6 Infrastructure services are affordable and meet the community’s needs into the future

2.4.3 Asset Management Objectives

The asset management objectives translate the organisational objectives into the required service outcomes to be provided by infrastructure assets and activities described in the asset management plans. The asset management outcomes, actions to achieve the asset management outcomes and performance targets and timelines are shown in Tables 2.4.3 – 2.4.3.5.

Table 2.4.3: Asset Management Objectives – Transport(Roads, Footpaths, Bridges & Culverts)

Asset Management Objective	Action	Performance Target & Timeline
Strategic Outcomes: 3.4 Break O’Day communities have the resilience and capacity to address and overcome life’s challenges and emergencies		
Risk and resilience plans are managed within AMPs	Review risks and resilience regularly and update AMPs	Review and update after next condition assessment by MAMS
Strategic Outcomes: 4.2 Infrastructure, facilities and programmes encourage increased participation in all forms of active and passive recreation		
Transport service delivery is matched to demand	Review of function and capacity/usage level of service indicators regularly and update AMPs	Review and update after next condition assessment by MAMS
Strategic Outcomes: 5.2 Long term financial planning and AM underpins the ongoing viability of Break O’Day		
Transport service delivery is appropriate and affordable	Review, update and link AMPs with long-term financial plans for budget estimates	Plans updated and budget based on long-term financial plan

Asset Management Objective	Action	Performance Target & Timeline
Strategic Outcomes: 6.1 The future of Break O’Day infrastructure assets is assured through affordable planned maintenance and renewal strategies		
Provide agreed service levels from road assets	Manage operations and maintenance of road assets within budget	Achieve Level of Service targets Annual budget compliance
Provide agreed service levels from road assets	Renew and replace road assets in accordance with AMPs	CWP compliance Annual budget compliance
Strategic Outcomes: 6.3 The Break O’Day transport network meets the present and future needs of the community and business		
Transport services meet community demand and usage	Provide transport services to specified service levels and within budget	Achieve Levels of Service targets Annual budget compliance
Strategic Outcomes: 6.6 Infrastructure services are affordable and meet the community’s needs into the future		
Transport services are delivered to agreed levels of service and within budgets	Provide transport services to specified service levels and within budget	Achieve Levels of Service targets Annual budget compliance

Table 2.4.3.1: Asset Management Objectives - Stormwater

Asset Management Objective	Action	Performance Target & Timeline
Strategic Outcomes: 3.4 Break O’Day communities have the resilience and capacity to address and overcome life’s challenges and emergencies		
Risk and resilience plans are managed within AMPs	Review risks and resilience regularly and update AMPs	Ongoing
Strategic Outcomes: 4.2 Infrastructure, facilities and programmes encourage increased participation in all forms of active and passive recreation		
Stormwater service delivery is matched to demand	Review of function and capacity/usage level of service indicators regularly and update AMPs	Ongoing
Strategic Outcomes: 5.2 Long term financial planning and AM underpins the ongoing viability of Break O’Day		
Stormwater service delivery is appropriate and affordable	Review, update and link AMPs with long-term financial plans for budget estimates	Plans recently developed and budget based on long-term financial plan
Strategic Outcomes: 6.1 The future of Break O’Day infrastructure assets is assured through affordable planned maintenance and renewal strategies		
Provide agreed service levels from Stormwater assets	Manage operations and maintenance of Stormwater assets within budget	Achieve Levels of Service targets Annual budget compliance
Provide agreed service levels from Stormwater assets	Renew and replace Stormwater assets in accordance with AMPs	CWP compliance Annual budget compliance
Strategic Outcomes: 6.5 Stormwater and flooding cause no adverse impacts		
Stormwater services meet community demand and usage	Provide Stormwater services to specified service levels and within budget	Achieve Levels of Service targets Annual budget compliance
Strategic Outcomes: 6.6 Infrastructure services are affordable and meet the community’s needs into the future		
Stormwater services are delivered to agreed levels of service and within budgets	Provide Stormwater services to specified service levels and within budget	Achieve Levels of Service targets Annual budget compliance

Table 2.4.3.2: Asset Management Objectives – Buildings/Facilities

Asset Management Objective	Action	Performance Target & Timeline
Strategic Outcomes: 3.4 Break O'Day communities have the resilience and capacity to address and overcome life's challenges and emergencies		
Risk and resilience plans are managed within AMPs	Review risks and resilience regularly and update AMPs	In house review completed and plans to be updated in the future
Strategic Outcomes: 4.2 Infrastructure, facilities and programmes encourage increased participation in all forms of active and passive recreation		
Building service delivery is matched to demand	Review of function and capacity/usage level of service indicators regularly and update AMPs	In house review completed and plans to be updated in the future
Strategic Outcomes: 5.2 Long term financial planning and AM underpins the ongoing viability of Break O'Day		
Building service delivery is appropriate and affordable	Review, update and link AMPs with long-term financial plans for budget estimates	In house review completed and plans to be updated in the future
Strategic Outcomes: 6.1 The future of Break O'Day infrastructure assets is assured through affordable planned maintenance and renewal strategies		
Provide agreed service levels from building assets	Manage operations and maintenance of building assets within budget	Achieve Levels of Service targets Annual budget compliance
Provide agreed service levels from building assets	Renew and replace building assets in accordance with AMPs	CWP compliance Annual budget compliance
Strategic Outcomes: 6.4 Recreation facilities and public building are well utilised and maintained		
Building services meet community demand and usage	Provide building services to specified service levels and within budget	Achieve Levels of Service targets Annual budget compliance
Strategic Outcomes: 6.6 Infrastructure services are affordable and meet the community's needs into the future		
Building services are delivered to agreed levels of service and within budgets	Provide building services to specified service levels and within budget	Achieve Levels of Service targets Annual budget compliance

2.5 Asset Management Vision

To ensure the long-term financial sustainability of the organisation, it is essential to balance the community's expectations for services with their ability 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, we aspire 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 strategic asset management plan are to:

- ensure that our 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 our financial sustainability,
- safeguard our 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 our 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 Audit Committee/GM reporting to Council on development and implementation of the Strategic Asset Management Plan, Asset Management Plan and Long Term Financial Plan.

Strategies to achieve this position are outlined in Section 2.6.

2.6. How will we get there?

The strategic asset management plan proposes strategies to enable the organisational objectives and asset management policies to be achieved.

Table 2.6: Asset Management Continuous Improvement Strategies

No	Strategy	Desired Outcome
1	Move from annual budgeting to long term financial planning and four year capital budgeting.	The long term implications of all services are considered in annual budget deliberations.
2	Develop and regularly review asset management plans and strategic asset management plan 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.
3	Develop and maintain a long term financial plan covering 10 years incorporating asset management plan expenditure projections with a sustainable funding position outcome.	Sustainable funding model to provide our services.
4	Ensure council 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.
5	Implement an improvement plan to realise 'core' maturity for the financial and asset management competencies within 2 years.	Improved financial and asset management capacity within the organisation.
6	Report annually to Council by Audit Panel/GM on development and implementation of strategic asset management plan, AM Plans and long term financial plans as part of the annual budget development process.	Oversight of resource allocation and performance.

2.7 Asset Management Improvement Plan

The tasks required achieving a 'core' financial and asset management maturity are shown in priority order in the asset management improvement plan in Section 7.2

2.8. Consequences if actions are not completed

There are consequences for the Council if the improvement actions are not completed. These include:

- Inability to achieve strategic and organisational objectives
- Inability to achieve financial sustainability for the organisation's operations
- Current risks to infrastructure service delivery are likely to eventuate and response actions may not be appropriately managed
- We may not be able to accommodate and/or manage changes in demand for infrastructure services.

3. LEVELS OF SERVICE

3.1 Consumer Research and Expectations

The expectations and requirements of various stakeholders were considered in the preparation of asset management plans summarised in this strategic asset management plan. Table 3.1 shows estimating satisfaction levels for these services.

Table 3.1: Community Satisfaction Levels

Asset Management Plan	Service	Satisfaction Level		
		Previous Year	Prior Year	Last Year
Transport	Road network	71%	70%	70%
Transport	Footpaths	72%	68%	68%
Stormwater	Function of stormwater	66%	68%	73%
Buildings	Sport facilities	76%	76%	83%
Buildings	Public halls	75%	75%	76%
Buildings	Toilet blocks	80%	83%	82%

This appears to be conservative based on the reduction in negative comment and the increase in positive comment.

Note: the improvement in satisfaction level for stormwater is mainly due to the infrastructure improvements carried out in the St Helens CBD area.

3.2 Organisational Objectives

Sections 2.4.2 and 2.4.3 of this strategic asset management plan reported the organisational objectives from the Strategic Plan and asset management objectives developed from the organisational objectives.

The organisational and asset management objectives provide focus for the community and technical level of service tables in Section 3.4.

3.3 Legislative Requirements

We have to meet many legislative requirements including Australian and State legislation and State regulations. These are detailed in the various asset management plans summarised in this strategic asset management plan.

3.4 Levels of Service

We have defined service levels in two terms.

Community Levels of Service measure how the community receives the service and whether the organisation is providing community value.

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

Quality	How good is the service?
Function	Does it meet users' needs?
Capacity/Utilisation	Is the service over or under used?

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

Technical service measures are linked to annual budgets covering:

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

Service managers plan, implement and control technical service levels to influence the customer service levels.⁸

Together the community and technical levels of service provide detail on service performance, cost and whether service levels are likely to stay the same, get better or worse.

Our current and projected technical levels of service shown in the Asset Management Plans are summarised in this Strategic Asset Management Plan.

Tables summarising the current and desired technical levels of service are shown in Appendix B.

⁸ IPWEA, 2011, IIMM, p 2.22

4. FUTURE DEMAND

4.1 Demand Drivers

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

4.2 Demand Forecast

The present position and projections for demand drivers that may impact future service delivery and utilisation of assets were identified and are documented in Table 4.3.

4.3 Demand Impact on Assets

The impact of demand drivers that may affect future service delivery and utilisation of assets are shown in Table 4.3.

Table 4.3: Demand Drivers, Projections and Impact on Services

Projection	Impact on services
Federal Assistance Grant funding	
Reduced funding available to Council	Reduce Council's ability to fund levels of service at current standards into the future
Population	
It is expected that the municipality will experience an increase in population over the next 10 years	Could result in increased traffic volumes and use of Council's infrastructure leading to an increase of maintenance and renewal
Climate change	
High intensity rainfall events & under capacity stormwater network	Increased risk of flooding of properties requires upgrading of stormwater network
Demographics	
Population continues to age with increased proportion of persons over 60 years of age	Increased use of footpaths Demand to widen and upgrade footpaths and provide DDA compliant access ramps
Consumer preferences	
Building amenities	Change of use of buildings therefore requiring upgrades
Visitor Impact	
It is expected that the municipality will experience a growth of tourism numbers (up 22% in 2015)	Could result in increased traffic volumes and use of Council's infrastructure leading to an increase of maintenance and renewal

4.4 Demand Management Plan

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

Non-asset solutions focus on providing the required service without the need for the organisation to own the assets and management actions including reducing demand for the service, reducing the level of service (allowing some assets to deteriorate beyond current service levels) or educating customers to accept appropriate asset failures⁹. Examples of non-asset solutions include providing services from existing infrastructure such as aquatic centres and libraries that may be in another community area or public toilets provided in commercial premises.

Opportunities identified for demand management are shown in Table 4.4.

Table 4.4: Demand Management Plan Summary

Service Impact	Demand Management Plan
Reduced grant funding	Council make informed decisions on new and asset upgrade to minimise financial impact on rate payers
Increased risk of flooding of properties requires upgrading of stormwater networks	Upgrades identified through stormwater modelling and the development of upstream detention basins where possible
Main growth in urban area to increase traffic volumes	Construction of new control measures such as lighted intersections & roundabouts
Increasing development	Implement development controls to mitigate additional loads on Council's infrastructure i.e. stormwater, roads

4.5 Asset Programs to meet Demand

The new assets required to meet growth will be acquired free of cost from land developments and constructed/acquired by the organisation. New assets constructed/acquired by the organisation are discussed in Section 5.5.

Acquiring these new assets will commit the organisation to fund ongoing operations, maintenance and renewal costs for the period that the service provided from the assets is required. These future costs are identified and considered in developing forecasts of future operations, maintenance and renewal costs in Section 5.

⁹ IPWEA, 2011, IIMM, Table 3.4.1, p 3|58.

5. LIFECYCLE MANAGEMENT PLAN

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

5.1 Background Data

5.1.1 Physical parameters

The assets covered by this strategic asset management plan are shown in Tables 2.2 and 2.3.1.

5.2 Infrastructure Risk Management Plan

An assessment of risks associated with service delivery from infrastructure assets conducted for each relevant asset management plan identified critical risks that will result in loss or reduction in service from infrastructure assets or a 'financial shock' to the organisation. The risk assessment process identifies credible risks, the likelihood of the risk event occurring, the consequences should the event occur, develops a risk rating, evaluates the risk and develops a risk treatment plan for non-acceptable risks.

Critical risks, being those assessed as 'Very High' - requiring immediate corrective action and 'High' – requiring prioritised corrective action identified in the Infrastructure Risk Management Plan(s) and the adopted treatment plan are summarised in Table 5.2. These risks are regularly reported to management and Council.

Table 5.2: Critical Risks and Treatment Plans

Service or Asset at Risk	What can Happen	Risk Rating (VH, H)	Risk Treatment Plan
Transport			
Roads	Road surface or pavement failure due to flood damage	H	Inspect and maintain roadside drains and culverts
Bridges	Bridge collapse	H	Bi-annual bridge inspections
Footpaths	User can trip and injure themselves	H	Regular footpath inspections
Stormwater			
Capacity	Localised flooding	H	Modelling of network to determine capacity and upgraded when required
Blockages	Upstream flooding	H	Inspect pipes with history of blockages and establish pipe cleaning program Ensure pipe can carry capacity of water – upgrade if necessary
Buildings			
Fire	Uncontrolled bushfire	H	Keep fuel load low around building
Service faults	Electrical failure causing fire damage	H	Regular inspections and upgrade as required Test alarms/evacuation procedures regularly
Flooding	Erosion of footings and foundations and other possible damage	H	Regular inspection and maintenance of stormwater outlets, guttering etc.

5.3 Routine Operations and Maintenance Plan

Operations include regular activities to provide services such as public health, safety and amenity, e.g. cleansing, utility services, street sweeping, grass mowing and street lighting.

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

5.3.1 Operations and Maintenance Plan

Operations activities affect service levels including quality and function, such as cleanliness, appearance, etc., through street sweeping and grass mowing frequency, intensity and spacing of street lights and cleaning frequency and opening hours of building and other facilities.

Maintenance includes all actions necessary for retaining an asset as near as practicable to an appropriate service condition including regular ongoing day-to-day work necessary to keep assets operating, e.g. road patching but excluding rehabilitation or renewal.

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

5.3.2 Operations and Maintenance Strategies

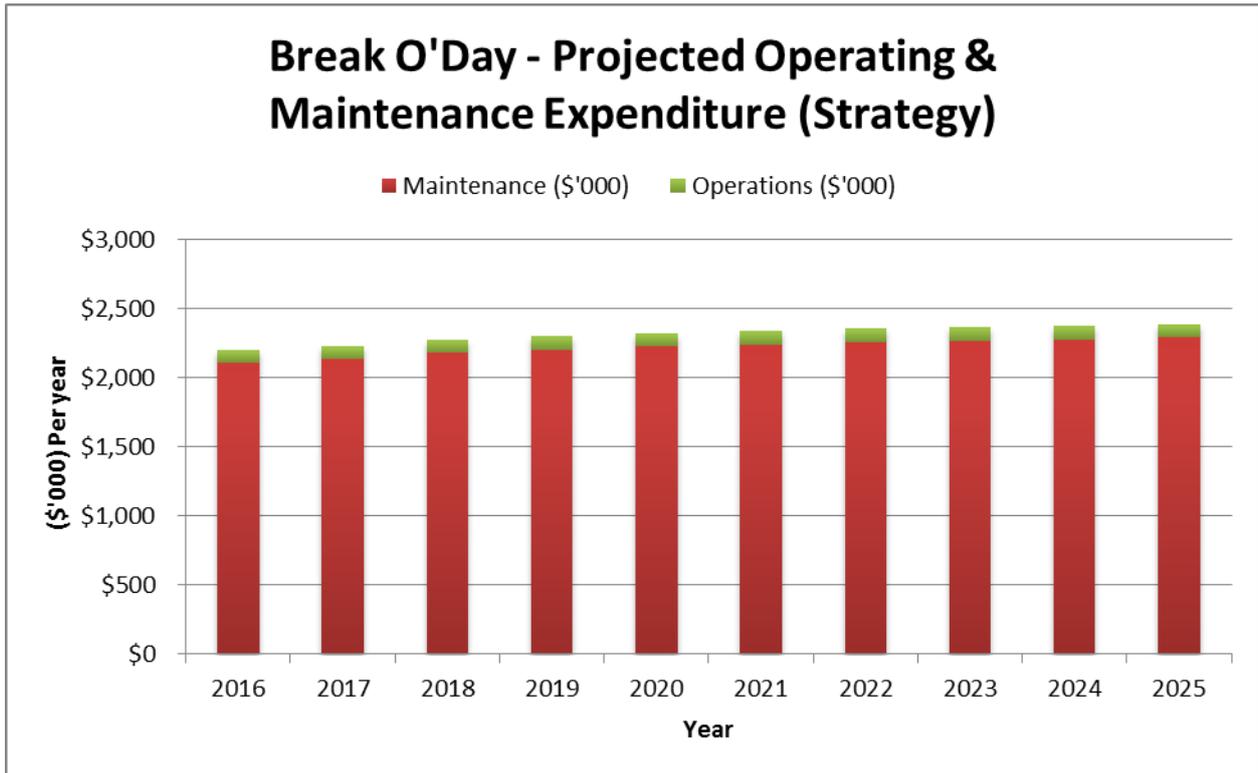
We will operate and maintain assets to provide the defined level of service to approved budgets in the most cost-efficient manner. The operation and maintenance activities include:

- Scheduling operations activities to deliver the defined level of service in the most efficient manner,
- Undertaking maintenance activities through a planned maintenance system to reduce maintenance costs and improve maintenance outcomes. Undertake cost-benefit analysis to determine the most cost-effective split between planned and unplanned maintenance activities (50 – 70% planned desirable as measured by cost),
- Maintain a current infrastructure risk register for assets and present service risks associated with providing services from infrastructure assets and reporting Very High and High risks and residual risks after treatment to management and Council,
- Review current and required skills base and implement workforce training and development to meet required operations and maintenance needs,
- Review asset utilisation to identify underutilised assets and appropriate remedies, and over utilised assets and customer demand management options,
- Maintain a current hierarchy of critical assets and required operations and maintenance activities,
- Develop and regularly review appropriate emergency response capability,
- Review management of operations and maintenance activities to ensure we are obtaining best value for resources used.

5.3.3 Summary of future operations and maintenance expenditures

Future operations and maintenance expenditure is forecast to trend in line with the value of the asset stock as shown in Figure 8. Note that all costs are shown in current dollar values (i.e. real values).

Figure 8: Projected Operations and Maintenance Expenditure



Note: the largest driver of maintenance expenditure is the maintenance of roads.

The consequences of deferred maintenance, i.e. works that are identified for maintenance and unable to be funded are to be included in the risk assessment and analysis in the infrastructure risk management plan(s).

5.4 Renewal/Replacement Plan

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

5.4.1 Renewal and Replacement Strategies

We will plan capital renewal and replacement projects to meet level of service objectives and minimise infrastructure service risks by:

- Planning and scheduling renewal projects to deliver the defined level of service in the most efficient manner,
- Undertaking project scoping for all capital renewal and replacement projects to identify;
 - the service delivery 'deficiency', present risk and optimum time for renewal/replacement,
 - the project objectives to rectify the deficiency,
 - the range of options, estimated capital and life cycle costs for each options that could address the service deficiency,
 - and evaluate the options against evaluation criteria adopted by Council, and
 - select the best option to be included in capital renewal programs,
- Using *optimal* renewal methods (cost of renewal is less than replacement) wherever possible,
- Maintain a current infrastructure risk register for assets and service risks associated with providing services from infrastructure assets and reporting Very High and High risks and residual risks after treatment to management and Council,
- Review current and required skills base and implement workforce training and development to meet required construction and renewal needs,

- Maintain a current hierarchy of critical assets and capital renewal treatments and timings required ,
- Review management of capital renewal and replacement activities to ensure we are obtaining best value for resources used.

Renewal ranking criteria

Asset renewal and replacement is typically undertaken to either:

- Ensure the reliability of the existing infrastructure to deliver the service it was constructed to facilitate (e.g. replace a bridge that has a 5 t load limit), or
- To ensure the infrastructure is of sufficient quality to meet the service requirements (e.g. roughness of a road).¹⁰

It is possible to get some indication of capital renewal and replacement priorities by identifying assets or asset groups that:

- Have a high consequence of failure,
- Have a high utilisation and subsequent impact on users would be greatest,
- The total value represents the greatest net value to the organisation,
- Have the highest average age relative to their expected lives,
- Are identified in the AM Plan as key cost factors,
- Have high operational or maintenance costs, and
- Where replacement with modern equivalent assets would yield material savings.¹¹

The ranking criteria used to determine priority of identified renewal and replacement proposals is detailed in the respective asset management plans.

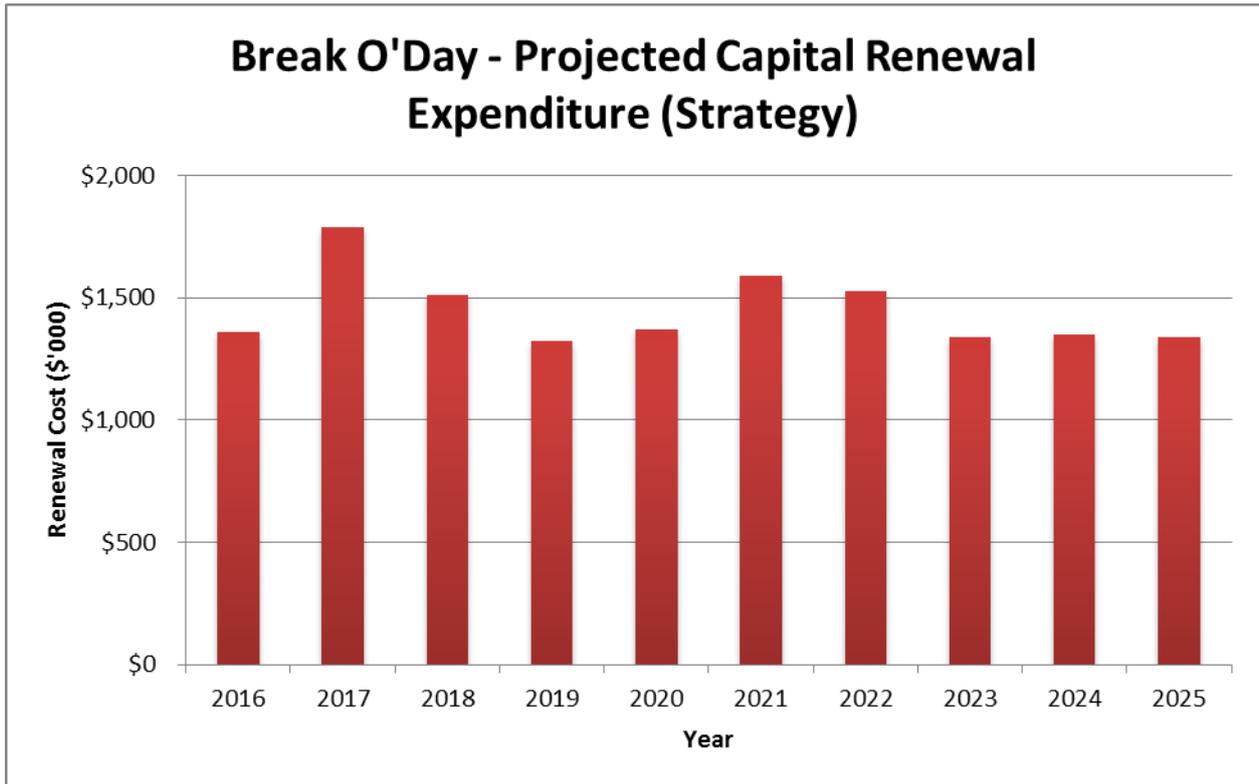
5.4.3 Summary of future renewal and replacement expenditure

Projected future renewal and replacement expenditures are forecast to increase over time as the asset stock increases from growth. The expenditure is summarised in Fig 9. Note that all amounts are shown in real values.

¹⁰ IPWEA, 2011, IIMM, Sec 3.4.4, p 3|60.

¹¹ Based on IPWEA, 2011, IIMM, Sec 3.4.5, p 3|66.

Fig 9: Projected Capital Renewal and Replacement Expenditure



Note: the spike in 2017 is due to road reconstruction (\$348,000) and unsealed road re-sheeting (\$602,000). See Appendix C for further detail.

Where renewal projections are based on estimates of asset useful lives, the useful lives are documented in the relevant asset management plan(s). Projected capital renewal and replacement programs are shown in Appendix C.

5.5 Creation/Acquisition/Upgrade Plan

New works are those works that create a new asset that did not previously exist, or works which upgrade or improve an existing asset beyond its existing capacity. They may result from growth, social or environmental needs. Assets may also be acquired at no cost to the organisation from land development. These assets from growth are discussed in Section 4.5.

5.5.1 Selection criteria

New assets and upgrade/expansion of existing assets are identified from various sources such as councillor or community requests, proposals identified by strategic plans or partnerships with other organisations. Candidate proposals are inspected to verify need and to develop a preliminary renewal estimate. Verified proposals are ranked by priority and available funds and scheduled in future works programmes. The priority ranking criteria is detailed in the respective asset management plans.

5.5.2 Capital Investment Strategies

We will plan capital upgrade and new projects to meet level of service objectives by:

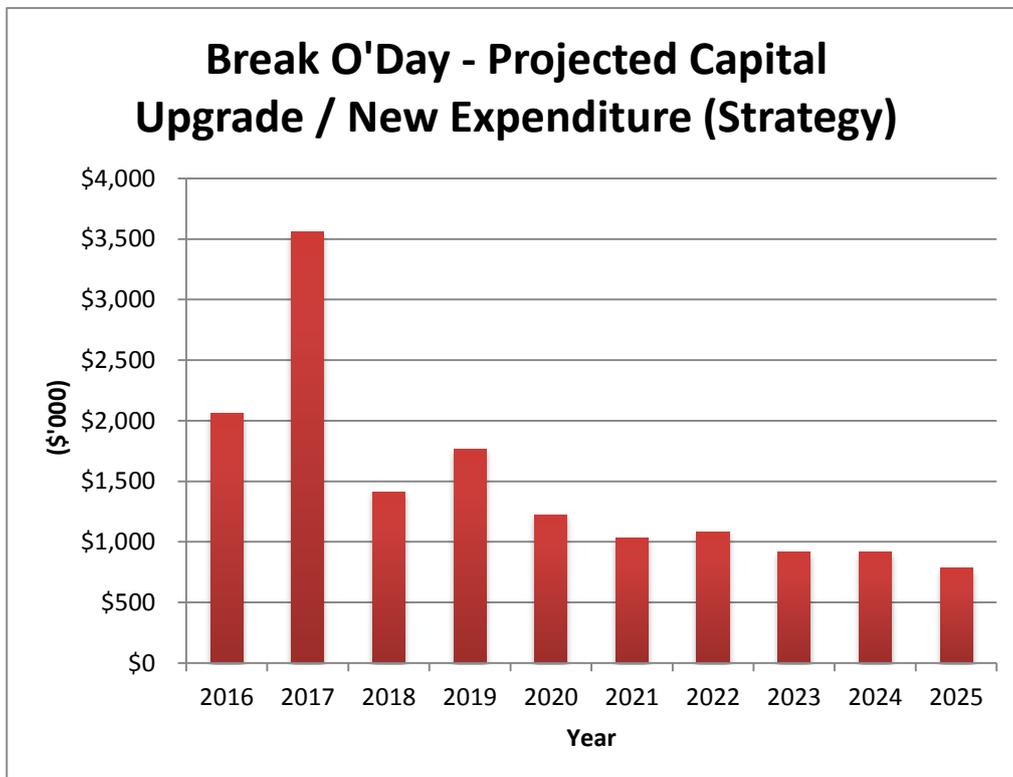
- Planning and scheduling capital upgrade and new projects to deliver the defined level of service in the most efficient manner,
- Undertake project scoping for all capital upgrade/new projects to identify:
 - the service delivery 'deficiency', present risk and required timeline for delivery of the upgrade/new asset,
 - the project objectives to rectify the deficiency including value management for major projects,
 - the range of options, estimated capital and life cycle costs for each options that could address the service deficiency,
 - management of risks associated with alternative options,
 - and evaluate the options against evaluation criteria adopted by Council, and
 - select the best option to be included in capital upgrade/new programs,
- Review current and required skills base and implement training and development to meet required construction and project management needs,
- Review management of capital project management activities to ensure we are obtaining best value for resources used.

Standards and specifications for new assets and for upgrade/expansion of existing assets are detailed in relevant asset management plans.

5.5.3 Summary of future upgrade/new assets expenditure

Projected upgrade/new asset expenditures are summarised in Fig 10. The projected upgrade/new capital works program is shown in Appendix D. All amounts are shown in real values.

Fig 10: Projected Capital Upgrade/New Asset Expenditure



Note: The spike in 2017 is due to bridge upgrade including Argonaut Rd bridge (\$1,364,000). See Appendix D for further details.

5.6 Disposal Plan

Disposal includes any activity associated with disposal of a decommissioned asset including sale, demolition or relocation. Assets identified for possible decommissioning and disposal are shown in the respective asset management plans.

5.7 Service Consequences and Risks

The organisation has prioritised decisions made in adopting the asset management plans summarised in this strategic asset management plan to obtain the optimum benefits from its available resources.

The asset management plans are based on balancing service performance, cost and risk to provide an agreed level of service from available resources in our long-term financial plan.

5.7.1 What we cannot do

There are some operations and maintenance activities and capital projects that are unable to be undertaken within the next 10 years. These are shown in Appendix E. The major activities and projects include:

- Extend the stormwater reticulation into currently un-serviced urban area
- Upgrade all roadside guardrails to latest Australian standard
- Upgrade culverts
- Ensure all new building work and upgrades to publically accessible buildings are compliant with the *Disability Discrimination Act 1992*

5.7.2 Service consequences

Operations and maintenance activities and capital projects that cannot be undertaken will maintain or create service consequences for users. The major service consequences include:

- No stormwater connections available therefore reduced level of service
- Older type guardrails may not protect motor vehicle occupants
- Undersized/defective culverts can cause flooding of roads
- Existing building are not compliant with Disability Discrimination Act and applicable Australian Standards
- Assets may pose a threat to health and safety to the public or users and/or occupants of buildings/land.

5.7.3 Risk consequences

The operations and maintenance activities and capital projects that cannot be undertaken may maintain or create risk consequences for the organisation. The major service risks include:

- Lack of stormwater connection may result in increased risk of inundation and localised flooding
- Guardrail non-compliance may increase the severity of injury sustained by motor vehicle occupants in the event of a collision with the guardrail
- Undersized culverts may lead to localised flooding causing erosion of roads and possible motor vehicle accidents
- Risk of lodgement of a complaint against Council for discrimination under the Disability Discrimination Act 1992 for non-complying assets
- Risk of legal ramifications against Council for exposing public/users to health and safety hazards

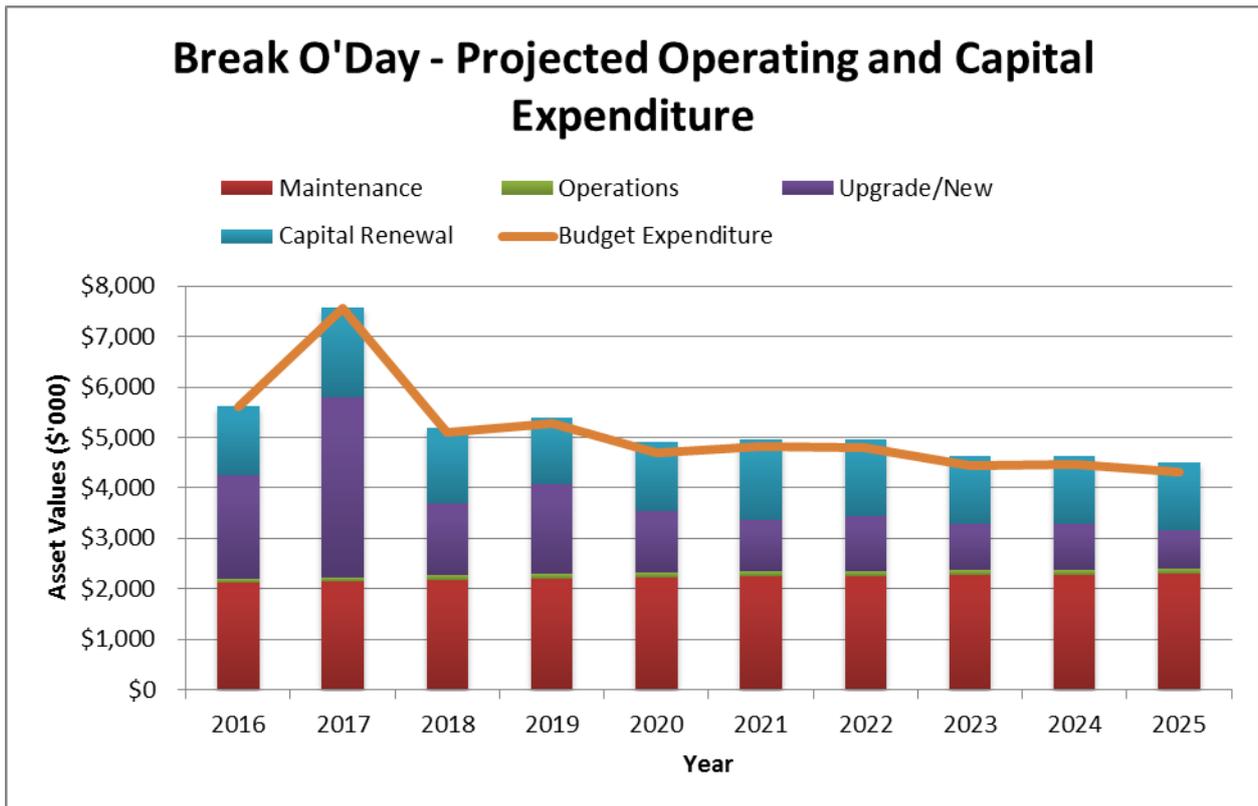
6. FINANCIAL SUMMARY

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

6.1 Financial Indicators and Projections

The financial projections are shown in Fig 11 for projected operating (operations and maintenance) and capital expenditure (renewal and upgrade/expansion/new assets). Note that all costs are shown in real values.

Fig 11: Projected Operating and Capital Expenditure



6.1.1 Sustainability of service delivery

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

Asset Renewal Funding Ratio

The Asset Renewal Funding Ratio indicates whether projected capital renewal and replacement expenditure are able to be financed in the long-term financial plan. Over the next 10 years, we are forecasting that we will have 99% of the funds required for the optimal renewal and replacement of assets.

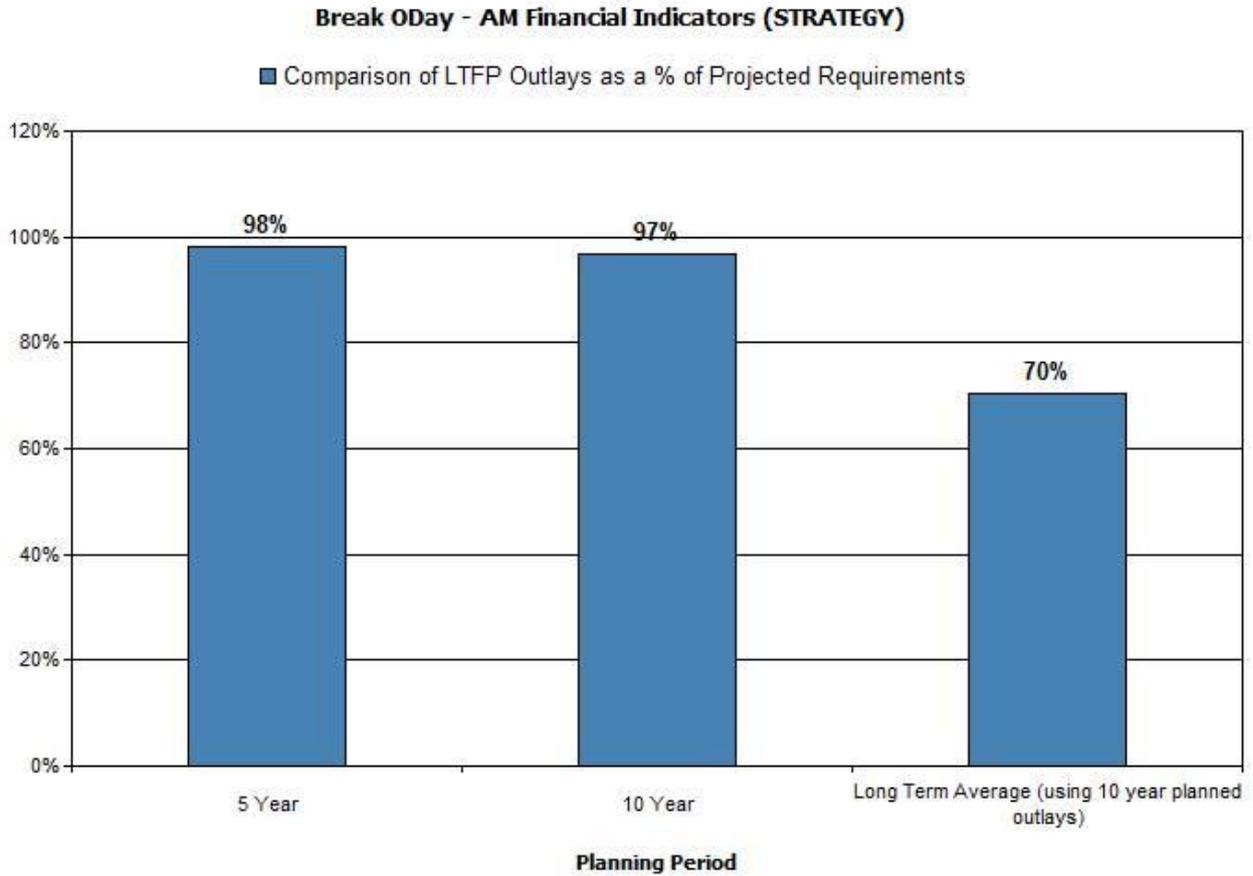
Asset management financial indicators

Life cycle costs (or whole of life costs) are the average costs that are required to sustain the service levels over the asset life cycle. Life cycle costs include operations and maintenance expenditure and asset consumption (depreciation expense) averaged over 10 years.

Life cycle costs can be compared to life cycle expenditure to give an initial indicator of affordability of projected service levels when considered with age profiles. Life cycle expenditure includes operations, maintenance and capital renewal expenditure. Life cycle expenditure will vary depending on the timing of asset renewals.

Figure 12 shows the asset management financial indicators over the 10 year planning period and for the long term life cycle.

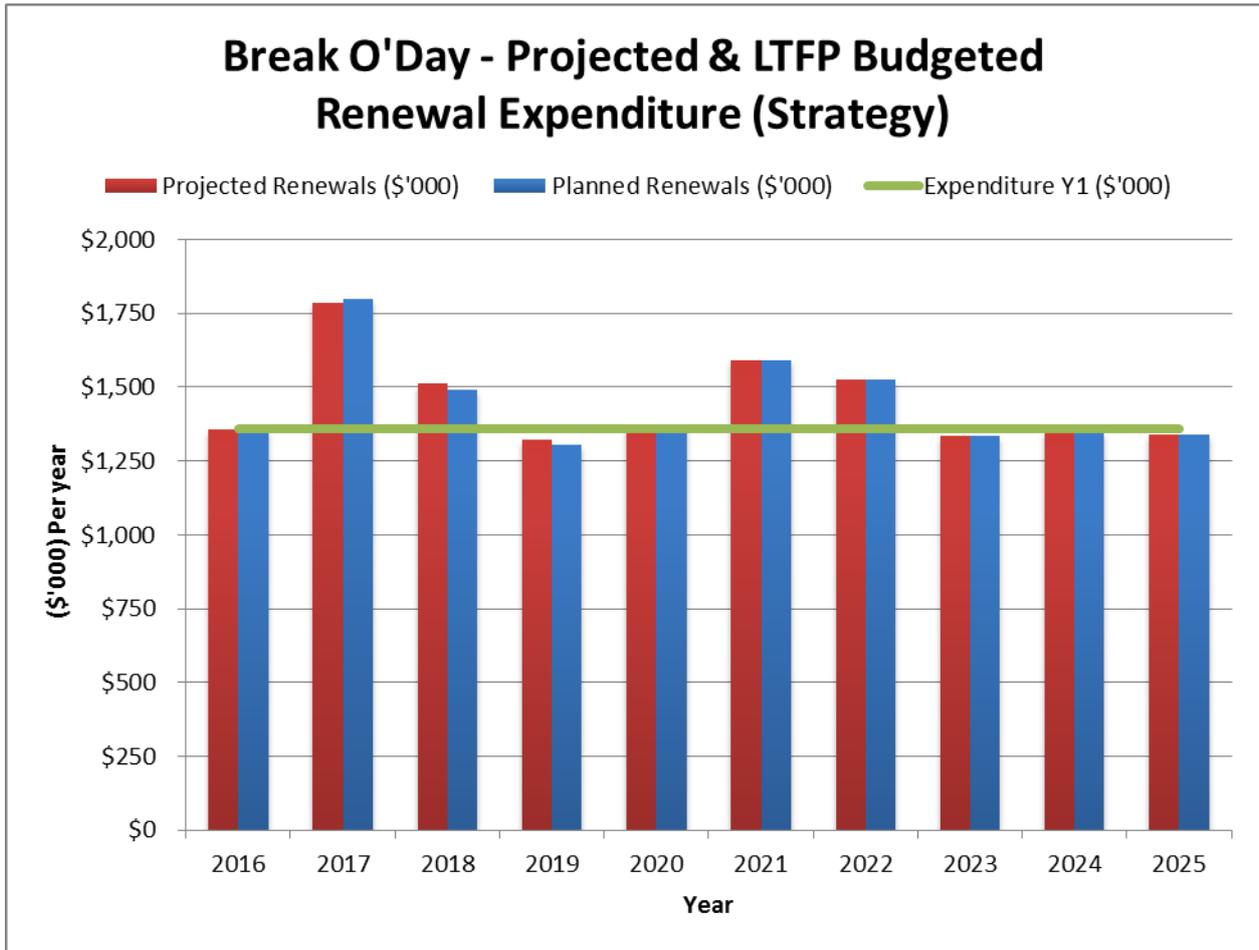
Figure 12: Asset Management Financial Indicators



Providing services from infrastructure in a sustainable manner requires the matching and managing of service levels, risks, projected expenditures and financing to achieve a financial indicator of approximately 100% for the first years of the asset management plan and ideally over the 10 year life of the Long Term Financial Plan.

Figure 13 shows the projected asset renewal and replacement expenditure over the 20 years of the AM Plan. The projected asset renewal and replacement expenditure is compared to renewal and replacement expenditure in the capital works program, which is accommodated in the long term financial plan

Figure 13: Projected and LTFP Budgeted Renewal Expenditure



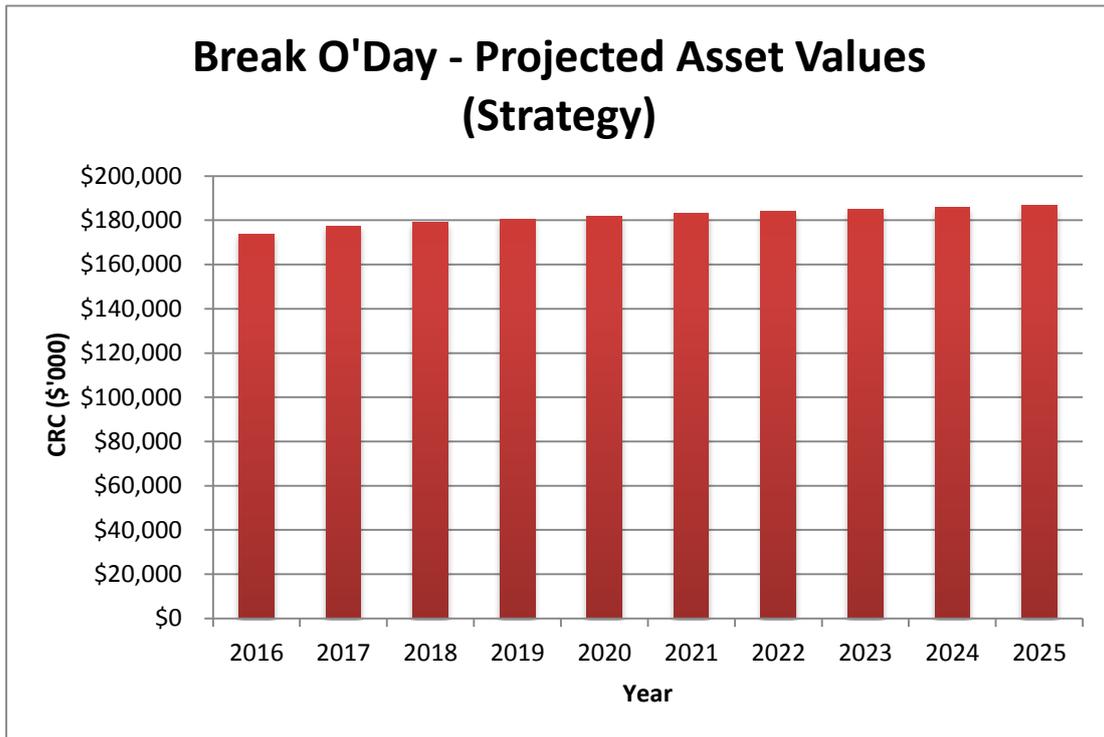
6.2 Funding Strategy

The funding strategy to provide the services covered by this strategic asset management plan and supporting asset management plans is contained within the organisation's 10 year long term financial plan.

6.3 Valuation Forecasts

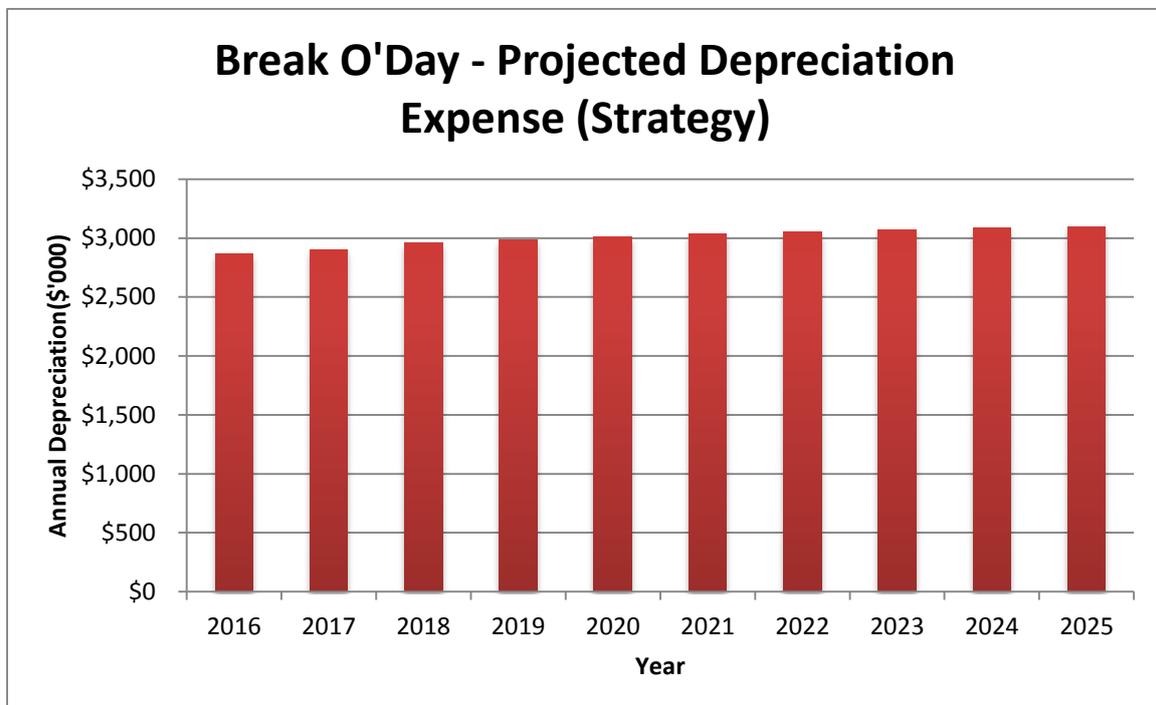
Asset values are forecast to increase as additional assets are added to the asset stock from construction and acquisition by the organisation and from assets constructed by land developers and others and donated to the organisation. Figure 14 shows the projected replacement cost asset values over the planning period in real values.

Figure 14: Projected Asset Values



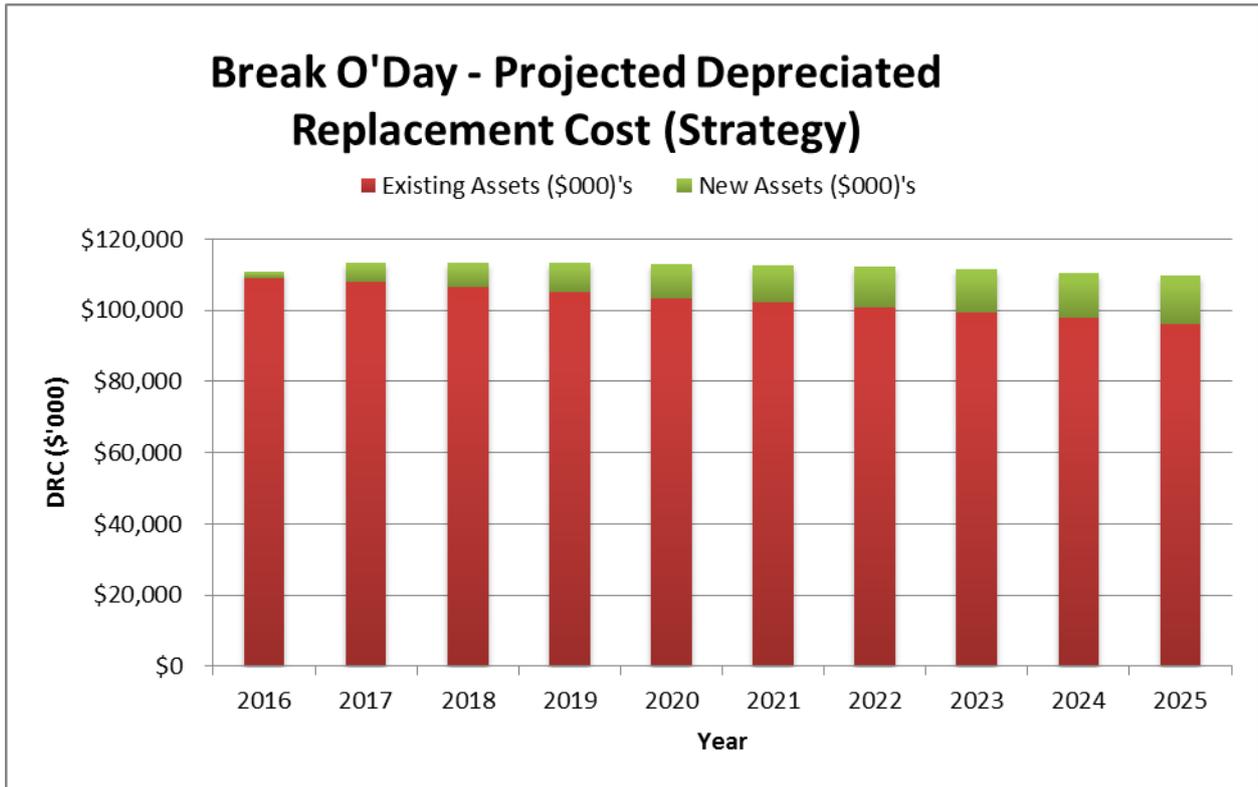
Depreciation expense values are forecast in line with asset values as shown in Figure 15.

Figure 15: Projected Depreciation Expense



The depreciated replacement cost will vary over the forecast period depending on the rates of addition of new assets, disposal of old assets and consumption and renewal of existing assets. Forecast of the assets' depreciated replacement cost is shown in Figure 16. The depreciated replacement cost of contributed and new assets is shown in the darker colour and in the lighter colour for existing assets.

Figure 16: Projected Depreciated Replacement Cost



6.4 Key Assumptions made in Financial Forecasts

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

Key assumptions made in this asset management plan and risks that these may change are shown in Table 6.4.

Table 6.4: Key Assumptions made in AM Plan and Risks of Change

Key Assumptions	Risks of Change to Assumptions
Asset register is up to date	If assets are not listed, financial estimates will be incorrect
Asset estimated lives and replacement costs are accurate	Could vary depreciation estimates
Service levels meet community expectations	Funding for asset replacement and/or upgrade will need to be increased

6.5 Forecast Reliability and Confidence

The expenditure and valuations projections in this strategic AM Plan are based on best available data. Currency and accuracy of data is critical to effective asset and financial management.

The estimated confidence level for and reliability of data sourced and used in this AM Plan is shown in Table 6.5.

Table 6.5: Data Confidence Assessment for AM Plans summarised in Strategic AM Plan

AM Plan	Confidence Assessment	Comment
Transport	High	Well documented and assessed regularly
Stormwater	Low	Most assets mapped but condition assessments are not complete
Buildings	Medium	Condition assessment carried out recently by internal staff

Over all data sources, the data confidence is assessed as medium confidence level for data used in the preparation of this strategic AM Plan.

Actions to mitigate the adverse effects of data quality are included within Table 7.2 Improvement Plan,

7. PLAN IMPROVEMENT AND MONITORING

7.1 Status of Asset Management Practices

Break O’Day Council is committed to sustainable service delivery into the future and Council has made significant progress towards improving the maturity level of its asset management practices. However, we have a good deal of work to do before we can claim to be at a ‘core’ level of maturity as measured against the national strategic asset management framework and some changes to Council’s current organisational systems which could be considered to provide major benefits include:

- Develop process to inform AMPs and LTFP of projects which deliver strategic objectives and are approved and adopted by Council
- Capture corporate knowledge of assets and increase awareness of AM within Council with Councillors and Council officers
- Continue to improve asset information

7.2 Improvement Program

The asset management improvement tasks identified from an asset management maturity assessment and preparation of this strategic asset management plan are shown in Table 7.2.

Table 7.2: Improvement Plan

Task No	Task	Responsibility	Resources Required
1	Data and systems, improve asset data accuracy, document inspection processes and standards. Use Maturity Assessment to benchmark AM performance and AM practices	Technical services	Staff Time
2	Fine tune AMP service levels to the standard that defines operational standards. Link AMP service levels to operational service standards. Costs of providing current levels of service can be described in value for money reporting for key activities. (e.g. mowing, gravel resheeting, resurfacing, building maintenance)	Technical services	Staff Time
3	Complete development of a corporate strategic plan that has a closer link between strategic plan and LTFP that reports on levels of service targets achievable under the LTFP and AMPs. Include a statement about future outlook for service levels in the update of the corporate strategic plan	Corporate (Technical & Financial)	Staff Time
4	Review of AM Plans to include documented hierarchies, asset utilisation and performance, where necessary (e.g. disposal plans, service request targets)	Technical services	Staff Time
5	Implement a state of asset reporting to provide overview for service level trends	Technical services	Staff Time
6	Where relevant Annual Report needs to report on policy initiatives and how these changes might impact on Councils Strategic Plan	Corporate (Technical & Financial)	Staff Time
7	Refer to Strategic Plan in the Annual Budget to establish the link. Review community engagement process as part of the Strategic Plan	Corporate (Technical & Financial)	Staff Time
8	Formalise training and induction for Councillors and staff. Separate upgrade from renewal to allow annual review of unit costs for renewal activities	Corporate (Technical & Financial)	Staff Time
9	Review methodology for determining remaining life, with detailed assessment for assets requiring renewal in the medium term (next 10-20 years)	Corporate (Technical & Financial)	Staff Time
10	Investigate purchase and implementation of asset management software package	Corporate (Technical & Financial)	Staff time/ Council decision

7.3 Monitoring and Review Procedures

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

The strategic AM Plan will be updated annually to ensure it represents the current service level, asset values, projected operations, maintenance, capital renewal and replacement, capital upgrade/new and asset disposal expenditures and projected expenditure values incorporated into the Council's long term financial plan.

The strategic AM Plan has a life of four (4) years (Council election cycle) and is due for complete revision and updating within 12 months of each Council election.

7.4 Performance Measures

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

- The degree to which the required projected expenditures identified in this strategic asset management plan are incorporated into the organisation's long term financial plan,
- The degree to which 1-5 year detailed works programs, budgets, business plans and organisational structures take into account the 'global' works program trends provided by the summarised asset management plans,
- The degree to which the existing and projected service levels and service consequences (what we cannot do), risks and residual risks are incorporated into the organisation's Strategic Plan and associated plans,
- **The Asset Renewal Funding Ratio achieving the target of 100% within a timeframe of 10 years.**

8. REFERENCES

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9. APPENDICES

Appendix A Breakdown of Transport Asset Condition

Appendix B Technical Levels of Service

Appendix C Projected 10 year Capital Renewal and Replacement Works Program

Appendix D Projected 10 year Capital Upgrade/New Works Program

Appendix E Unfunded Initiatives and Capital Works proposals

Appendix F Abbreviations

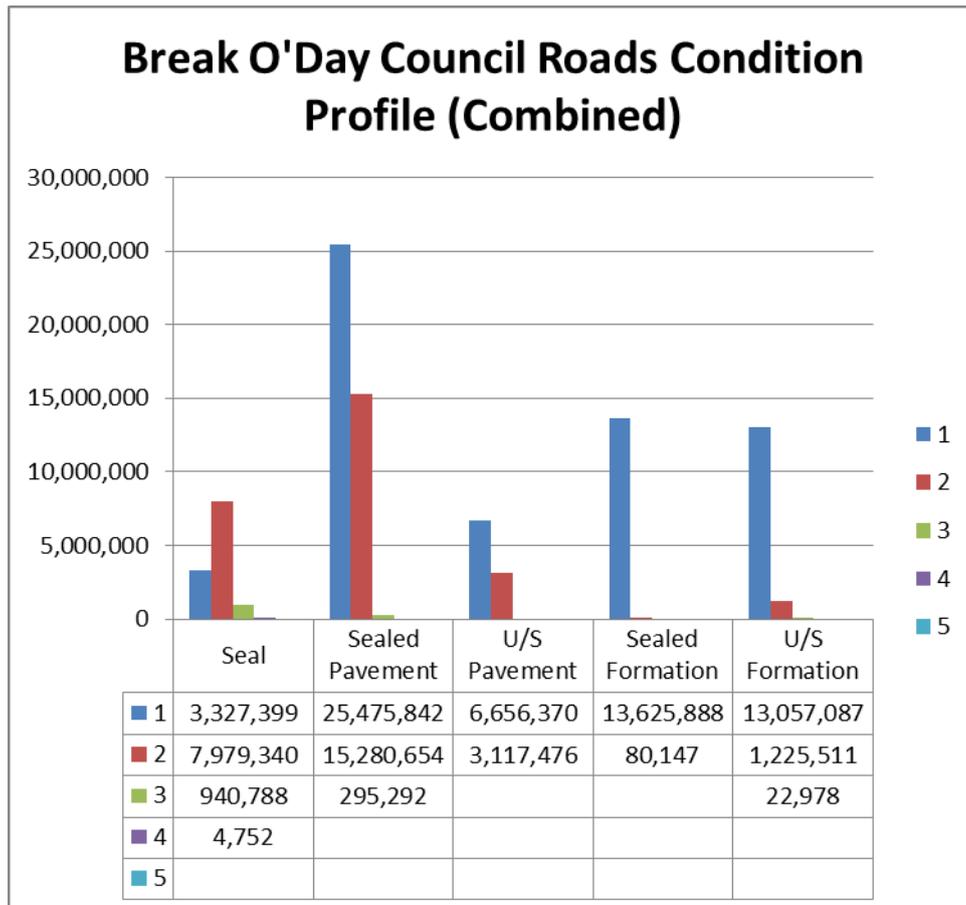
Appendix G Glossary

Appendix A: Breakdown of Transport Asset Condition

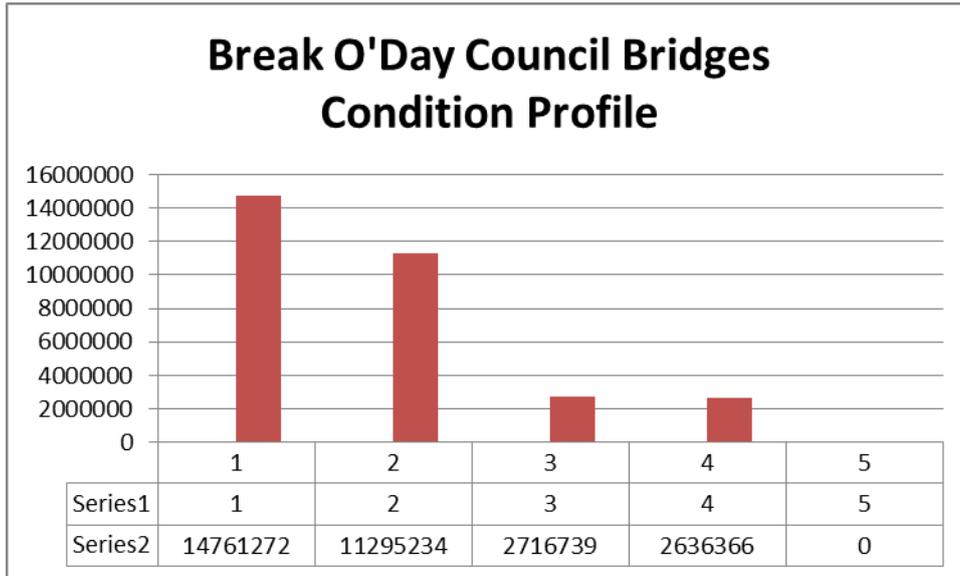
IIMM Description of Condition

Condition Rating	Description	
1	Excellent condition: Only planned maintenance required.	Maintenance
2	Very good: Minor maintenance required plus Maintenance planned maintenance.	
3	Good: Significant maintenance required.	
4	Fair: Significant renewal/upgrade required. Renewal likely to be required in the short term 2 to 5 years.	Capital
5	Poor: Unserviceable. Renewal or removal required as a priority	

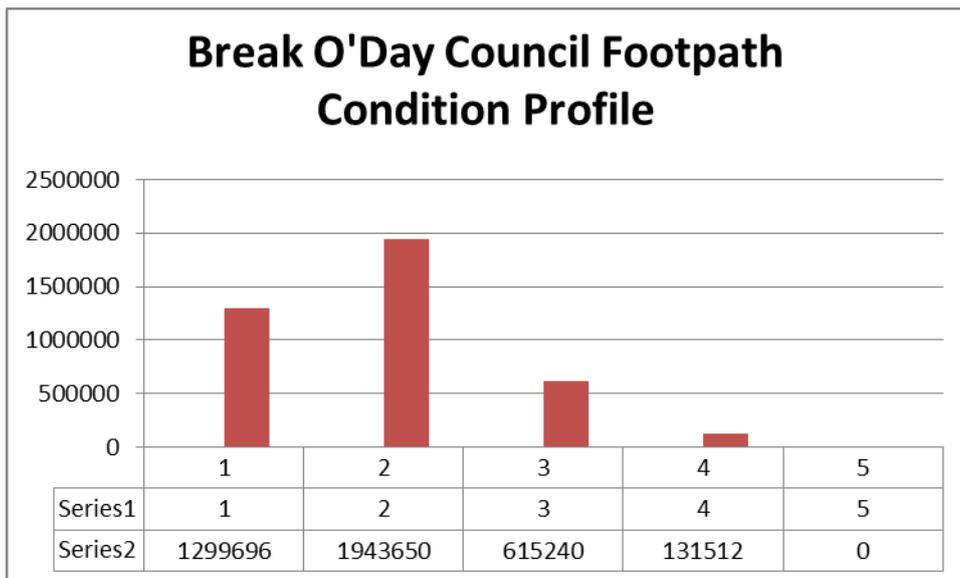
Roads



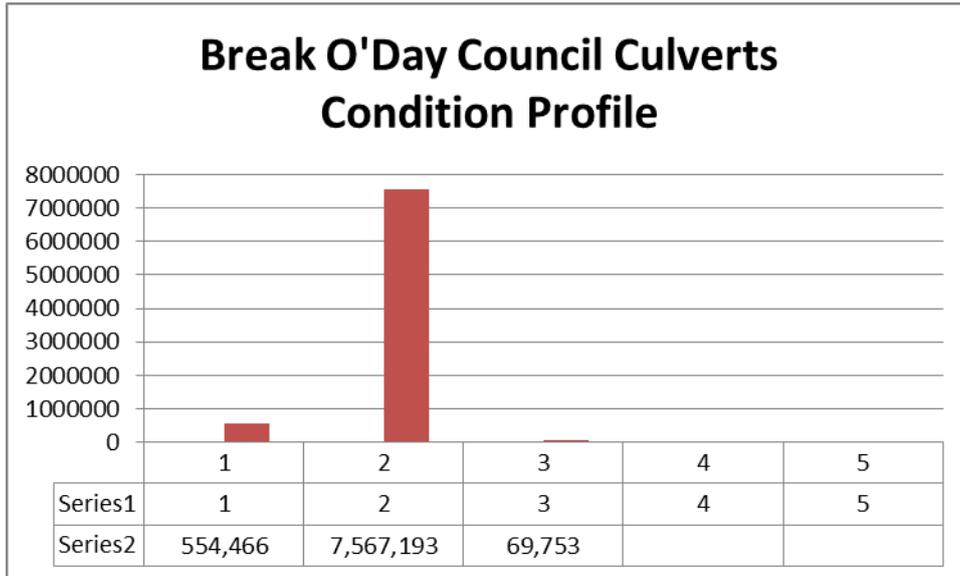
Bridges



Footpaths



Culverts



Appendix B: Levels of Service

B1.2 Technical Levels of Service

Table B1.2: Technical Levels of Service – Sealed Roads

Service Attribute	Service Objective	Activity Measure Process	Current Performance *	Desired for Optimum Lifecycle Cost **	Agreed Sustainable Position ***
TECHNICAL LEVELS OF SERVICE					
Operations	Roads are safe for users' needs	Regular condition and defect inspections	2 annual condition and defect inspections	Annual condition and defect inspections of 50% of network	Annual condition and defect inspections of 20% of network
Maintenance	Maintain road assets to achieve long life	Reactive service requests completed within adopted time frames	75%	90%	70%
Renewal	Infrastructure meets users' needs	Percentage of surfaces renewed in year	2%	5%	4%
Upgrade/New	Road capacity meets usage	Road capacity compared to traffic counts	80% of sealed roads meet hierarchy capacity standards	80% of sealed roads meet hierarchy capacity standards	80% of sealed roads meet hierarchy capacity standards
		Budget			

Note: * Current activities and costs (currently funded).

** Desired activities and costs to sustain current service levels and achieve minimum life cycle costs (not currently funded).

*** Activities and costs communicated and agreed with the community as being sustainable (funded position following trade-offs, managing risks and delivering agreed service levels).

Table B1.2.1: Technical Levels of Service – Unsealed Roads

Service Attribute	Service Objective	Activity Measure Process	Current Performance *	Desired for Optimum Lifecycle Cost **	Agreed Sustainable Position ***
TECHNICAL LEVELS OF SERVICE					
Operations	Roads are safe for users' needs	Regular condition and defect inspections	4 annual condition and defect inspections	Annual condition and defect inspections of 50% of network	Annual condition and defect inspections of 20% of network
Maintenance	Respond to service requests	Reactive service requests completed within adopted time frames	65%	80%	70%
Renewal	Sustain gravel re-sheeting	Percentage of unsealed roads re-sheeted in year	10%	20%	12%
Upgrade/New	Residents have access to sealed roads	Distance from residences to sealed roads	80% of dwellings are within 5kms of a sealed road	85% of dwellings are within 5kms of sealed roads	No upgrades planned
		Budget			

Note: * Current activities and costs (currently funded).

** Desired activities and costs to sustain current service levels and achieve minimum life cycle costs (not currently funded).

*** Activities and costs communicated and agreed with the community as being sustainable (funded position following trade-offs, managing risks and delivering agreed service levels).

Table B1.2.2: Technical Levels of Service - Stormwater

Service Attribute	Service Objective	Activity Measure Process	Current Performance *	Desired for Optimum Lifecycle Cost **	Agreed Sustainable Position ***
TECHNICAL LEVELS OF SERVICE					
Operations	Cleaned regularly to reduce the risk of blockages	Frequency	Reactive to limit of budget allocation	Programme of operational works to be assessed and costed.	Developed programme of routine tasks to minimise costs & reduce reactive responses to issues
Maintenance	Urgent repairs undertaken	Respond to complaints	Reactive maintenance to limit of budget allocation	Regular inspections. Planned maintenance.	Develop cost effective maintenance treatments, adopting planned programme approach
Renewal	Renewal of assets	Replacement cycle	Renewal of stormwater assets to be undertaken to limit of budget allocation	Majority of network is in relatively good condition. Increasing renewal required in the medium to longer term due to age of network and climate change.	Ensure stormwater assets reach the end of their useful life or remaining life aligns with predicted renewals
Upgrade/New	Upgrade of assets to cope with flood events	Assessment by staff Flooding complaints	Upgrade of assets ongoing to limit of budget allocation. Achieved by a combination of Council and contract works	Achieved by a combination of Council and contract works. The augmentation of stormwater systems to meet appropriate service and risk outcomes is not funded.	Upgrade/new as capital works within budget

Note: * Current activities and costs (currently funded).

** Desired activities and costs to sustain current service levels and achieve minimum life cycle costs (not currently funded).

*** Activities and costs communicated and agreed with the community as being sustainable (funded position following trade-offs, managing risks and delivering agreed service levels).

Table B1.2.3: Technical Levels of Service - Buildings

Service Attribute	Service Objective	Activity Measure Process	Current Performance *	Desired for Optimum Lifecycle Cost **
TECHNICAL LEVELS OF SERVICE				
Operations	Building facilities meet user's needs	Condition inspections Defect inspections	Reviewed annually Every 3 Mths	Reviewed annually Every 3 Mths
Maintenance	Buildings are suitable for purpose	Reactive service requests completed within adopted timeframes	95% defects made safe within timeframe 90% of repairs completed within timeframes	100% defects made safe within timeframe 100% of repairs completed within timeframes
Renewal	Building facilities meet user's needs	Average Condition of building in asset management plan	99 of 127 (78%) building assets have an average condition rating of greater than 3.	80% of building assets of an average condition rating of less than 3.
Upgrade/New	Public toilets are suitable for all users	Public amenity buildings compliance with DDA	45% - Compliant 11 out of 24 public amenity buildings are compliance with DDA and AS1428.	100% compliance within 20 years
	Development of 10 year Amenities Replacement Program	4 year Capital Works program	Various amounts for each financial year subject to ten (10) year toilet replacement program.	10 year financial plan funding is sufficient to carry out require capital project in accordance with asset management plan and community expectations.

Note: * Current activities and costs (currently funded).

** Desired activities and costs to sustain current service levels and achieve minimum life cycle costs (not currently funded).

Appendix C: Projected Capital Renewal Program

Transport

Year	Bridges	Reseals	Gravel Resheets	Footpaths	K&G	Road recon/digouts	Total
2016	825,000	300,000	610,000		10,000	192,000	1,937,000
2017	716,000	525,000	602,000	15,000	23,000	348,000	2,229,000
2018	187,000	525,000	408,000	15,000	24,000	300,000	1,459,000
2019	412,000	525,000	362,000	15,000	22,000	300,000	1,636,000
2020	675,000	525,000	362,000	15,000	22,000	300,000	1,899,000
2021	292,000	525,000	362,000	15,000	22,000	300,000	1,516,000
2022	395,000	525,000	362,000	15,000	22,000	300,000	1,619,000
2023	376,000	525,000	362,000	15,000	22,000	300,000	1,600,000
2024	378,000	525,000	362,000	15,000	22,000	300,000	1,602,000
2025	244,000	525,000	362,000	15,000	22,000	300,000	1,468,000
Total	4,500,000	5,025,000	4,154,000	135,000	211,000	2,940,000	16,965,000

Please note: These figures represent a summary of projected capital renewal works. For more detail see asset management plan.

Stormwater

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
Renewals	15,000	85,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	500,000

Please note: These figures represent a summary of projected capital renewal works. For more detail see asset management plan

Buildings

Year	Buildings	Toilet Blocks	Other	Total
2016	45,000	185,000		230,000
2017	140,000		50,000	190,000
2018	85,000	75,000	30,000	190,000
2019	20,000		30,000	50,000
2020	57,000		30,000	87,000
2021	285,000		30,000	315,000
2022	220,000		30,000	250,000
2023	32,000		30,000	62,000
2024	43,000		30,000	73,000
2025	35,000		30,000	65,000
Total	962,000	260,000	290,000	1,512,000

Please note: These figures represent a summary of projected capital renewal works. For more detail see asset management plan

Appendix D: Projected Upgrade/New Capital Works Program

Transport

Year	Bridges	Footpaths	Streetscapes	Road recon/digouts	K&G	Total
2016	318,000	71,000	680,000	198,000	82,000	1,349,000
2017	1,496,000	109,000	430,000	90,000	193,000	2,318,000
2018	431,000	68,000	75,000	Not available	218,000	792,000
2019	263,000	93,000	500,000	N/A	87,000	943,000
2020		104,000	200,000	N/A	46,000	350,000
2021		35,000	350,000	N/A	28,000	413,000
2022		35,000	500,000	N/A	28,000	563,000
2023		35,000	350,000	N/A	28,000	413,000
2024		35,000	350,000	N/A	28,000	413,000
2025		35,000	350,000	N/A	28,000	413,000
Total	2,508,000	620,000	3,785,000	288,000	766,000	7,967,000

Please note: These figures represent a summary of projected upgrade/new capital works. For more detail see asset management plan

Stormwater

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
Upgrade New	185,000	415,000	186,000	295,000	150,000	125,000	125,000	125,000	125,000	125,000	1,856,000

Please note: These figures represent a summary of projected upgrade/new capital works. For more detail see asset management plan

Buildings

Year	Buildings	Toilet Blocks	Other	Total
2016	100,000	100,000	55,000	255,000
2017	85,000		25,000	110,000
2018	250,000			250,000
2019	50,000			50,000
2020	50,000			50,000
2021	200,000			200,000
2022	N/A	N/A	N/A	
2023	N/A	N/A	N/A	
2024	N/A	N/A	N/A	
2025	N/A	N/A	N/A	
Total	735,000	100,000	80,000	915,000

Please note: These figures represent a summary of projected upgrade/new capital works. For more detail see asset management plan

Appendix E: Unfunded Initiatives and Capital Works proposals

Transport

- Sealing of gravel roads
- Upgrade timber bridges to concrete structures on lower use roads
- Linking footpath networks in towns

Stormwater

- Upgrading existing stormwater infrastructure
- Installing new stormwater infrastructure in outlying suburbs/towns e.g. Stieglitz, Binalong Bay
- Full implementation of Stormwater Management Plan

Buildings & Facilities

- Renew St Helens works depot
- Upgrade Portland Hall
- Upgrade St Helens foreshore toilet block
- Replace various jetties

Appendix F: Abbreviations

AAAC	Average annual asset consumption
AM	Asset management
AM Plan	Asset management plan
ARI	Average recurrence interval
ASC	Annual service cost
BOD	Biochemical (biological) oxygen demand
CRC	Current replacement cost
CWMS	Community wastewater management systems
DA	Depreciable amount
DRC	Depreciated replacement cost
EF	Earthworks/formation
IRMP	Infrastructure risk management plan
LCC	Life Cycle cost
LCE	Life cycle expenditure
LTFP	Long term financial plan
MMS	Maintenance management system
PCI	Pavement condition index
RV	Residual value
SoA	State of the Assets
SS	Suspended solids
vph	Vehicles per hour
WDCRD	Written down current replacement cost

Appendix G: 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 category

Sub-group of assets within a class hierarchy for financial reporting and management purposes.

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 hierarchy

A framework for segmenting an asset base into appropriate classifications. The asset hierarchy can be based on asset function or asset type or a combination of the two.

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.

Asset renewal funding ratio

The ratio of the net present value of asset renewal funding accommodated over a 10 year period in a long term financial plan relative to the net present value of projected capital renewal expenditures identified in an asset management plan for the same period [AIFMG Financial Sustainability Indicator No 8].

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, e.g. 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, e.g. 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.

Core asset management

Asset management which relies primarily on the use of an asset register, maintenance management systems, job resource management, inventory control, condition assessment, simple risk assessment and defined levels of service, in order to establish alternative treatment options and long-term cashflow predictions. Priorities are usually established on the basis of financial return gained by carrying out the work (rather than detailed risk analysis and optimised decision-making).

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.

Critical assets

Assets for which the financial, business or service level consequences of failure are sufficiently severe to justify proactive inspection and rehabilitation. Critical assets have a lower threshold for action than noncritical assets.

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.

Deferred maintenance

The shortfall in rehabilitation work undertaken relative to that required to maintain the service potential of an asset.

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 outlays.

Fair value

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

Financing gap

A financing gap exists whenever an entity has insufficient capacity to finance 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 financing gap means service levels have already or are currently falling. A projected financing 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, e.g. 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 average operations, maintenance expenditure plus asset consumption expense, represented by depreciation expense projected over 10 years. 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 average operations, maintenance and capital renewal expenditure accommodated in the long term financial plan over 10 years. Life Cycle Expenditure may be compared to average Life Cycle Cost to give an initial indicator of affordability of projected service levels when considered with asset age profiles.

Loans / borrowings

See borrowings.

Maintenance

All actions necessary for retaining an asset as near as practicable to an appropriate service condition, including regular ongoing day-to-day work necessary to keep assets operating, e.g. 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.
- **Specific maintenance**
Maintenance work to repair components or replace sub-components that need 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 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 e.g. 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, e.g. parks and playgrounds, footpaths, roads and bridges, libraries, etc.

Operations

Regular activities to provide services such as public health, safety and amenity, e.g. street sweeping, grass mowing and street lighting.

Operating expenditure

Recurrent expenditure, which is continuously required to provide a service. In common use the term typically includes, e.g. 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.

Operating expenses

Recurrent expenses continuously required to provide a service, including power, fuel, staff, plant equipment, maintenance, depreciation, on-costs and overheads.

Operations, maintenance and renewal financing ratio

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

Operations, maintenance and renewal gap

Difference between budgeted expenditures in a long term financial plan (or estimated future budgets in absence of a long term financial plan) and projected expenditures for operations, maintenance and renewal of assets to achieve/maintain specified service levels, totalled over a defined time (e.g. 5, 10 and 15 years).

Pavement management system (PMS)

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 *

The ratio of annual asset consumption relative to the depreciable amount of the assets. It measures the amount of the consumable parts of assets that are consumed in a period (depreciation) expressed as a percentage of the depreciable amount.

Rate of annual asset renewal *

The ratio of asset renewal and replacement expenditure relative to depreciable amount for a period. It measures whether assets are being replaced at the rate they are wearing out with capital renewal expenditure expressed as a percentage of depreciable amount (capital renewal expenditure/DA).

Rate of annual asset upgrade/new *

A measure of the rate at which assets are being upgraded and expanded per annum with capital upgrade/new expenditure 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, e.g. 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).

Specific Maintenance

Replacement of higher value components/sub-components of assets that is undertaken on a regular cycle including repainting, 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.

Strategic Asset Management Plan *

A plan that specifies how organisational objectives are to be converted into asset management (service) objectives, the approach for developing asset management plans and the role of the asset management system in supporting the achievement of organisational and asset management objectives.

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.

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, AIFMG Glossary

Additional and modified glossary items shown *