Plant and Equipment

ASSET MANAGEMENT PLAN

Version 1
September 2011
<table>
<thead>
<tr>
<th>Rev No</th>
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<th>Author</th>
<th>Reviewer</th>
<th>Approver</th>
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<td>1</td>
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## ABBREVIATIONS

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

Annual service cost (ASC)
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 operating, maintenance, depreciation, finance/ opportunity and disposal costs, less revenue.

Asset class
Grouping of assets of a similar nature and use in an entity’s operations (AASB 166.37).

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

Asset management
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.

Assets
Future economic benefits controlled by the entity as a result of past transactions or other past events (AAS27.12).

Property, plant and equipment including infrastructure and other assets (such as furniture and fittings) with benefits expected to last more than 12 months.

Average annual asset consumption (AAAC)*
The amount of a local government’s asset base consumed during a year. This may be calculated by dividing the Depreciable Amount (DA) by the Useful Life and totalled for each and every asset OR by dividing the Fair Value (Depreciated Replacement Cost) by the Remaining Life and totalled for each and every asset in an asset category or class.

Brownfield asset values**
Asset (re)valuation values based on the cost to replace the asset including demolition and restoration costs.

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 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

Capital new expenditure
Expenditure which creates a new asset providing a new service to the community that did not exist beforehand. As it increases service potential it may impact revenue and will increase future operating and maintenance expenditure.

Capital renewal expenditure
Expenditure on an existing asset, which returns the service potential or the life 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 has no impact on revenue, but may reduce future operating and maintenance expenditure if completed at the optimum time, eg. resurfacing or resheeting a material part of a road network, replacing a material section of a drainage network with pipes of the same capacity, resurfacing an oval. Where capital projects involve a combination of renewal, expansion and/or upgrade expenditures, the total project cost needs to be allocated accordingly.

Capital upgrade expenditure
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 discrentional and often does not result in additional revenue unless direct user charges apply. It will increase operating and maintenance expenditure in the future because of the increase in the council’s asset base, eg. widening the sealed area of an existing road, replacing drainage pipes with pipes of a greater capacity, enlarging a grandstand at a sporting facility. Where capital projects involve a combination of renewal, expansion and/or upgrade...
expenditures, the total project cost needs to be allocated accordingly.

**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**
An individual part of an asset which contributes to the composition of the whole and can be separated from or attached to an asset or a system.

**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, plus any costs necessary to place the asset into service. This includes one-off design and project management costs.

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

**Current replacement cost “As New” (CRC)**
The current cost of replacing the original service potential of an existing asset, with a similar modern equivalent asset, i.e. the total cost of replacing an existing asset with an as NEW or similar asset expressed in current dollar values.

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

**Depreciable amount**
The cost of an asset, or other amount substituted for its cost, less its residual value (AASB 116.6)

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

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

**Economic life**
See useful life definition.

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

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

**Greenfield asset values**
Asset (re)valuation values based on the cost to initially acquire the asset.

**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 of the entity or of another entity that contribute to meeting the public's need for access to major economic and social facilities and services, eg. roads, drainage, footpaths and cycleways. These are typically large, interconnected networks or portfolios of composite assets. The components of these assets may be separately maintained, renewed or replaced individually so that the required level and standard of service from the network of assets is continuously sustained. Generally the components and hence the assets have long lives. They are fixed in place and are often have no 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 (AASB 140.5)

**Level of service**
The defined service quality for a particular service against which service performance may be measured. Service levels usually relate to quality, quantity, reliability, responsiveness, environmental, acceptability and cost).
Life Cycle Cost **
The life cycle cost (LCC) is average cost to provide the service over the longest asset life cycle. It comprises annual maintenance and asset consumption expense, represented by depreciation expense. The Life Cycle Cost does not indicate the funds required to provide the service in a particular year.

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

Loans / borrowings
Loans result in funds being received which are then repaid over a period of time with interest (an additional cost). Their primary benefit is in ‘spreading the burden’ of capital expenditure over time. Although loans enable works to be completed sooner, they are only ultimately cost effective where the capital works funded (generally renewals) result in operating and maintenance cost savings, which are greater than the cost of the loan (interest and charges).

Maintenance and renewal gap
Difference between estimated budgets and projected expenditures for maintenance and renewal of assets, totalled over a defined time (eg 5, 10 and 15 years).

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

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

Materiality
An item is material is its omission or misstatement could influence the economic decisions of users taken on the basis of the financial report. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances.

Modern equivalent asset.
A structure similar to an existing structure and having the equivalent productive capacity, which could be built using modern materials, techniques and design. Replacement cost is the basis used to estimate the cost of constructing a modern equivalent asset.

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

Operating expenditure
Recurrent expenditure, which is continuously required excluding maintenance and depreciation, eg power, fuel, staff, plant equipment, on-costs and overheads.

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

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, acting the work and reporting what was done to develop a maintenance history and improve maintenance and service delivery performance.

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

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

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

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

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

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 operating and maintenance expenditure.

Recurrent funding
Funding to pay for recurrent expenditure.

Rehabilitation
See capital renewal expenditure definition above.

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

Renewal
See capital renewal expenditure definition above.

Residual value
The net amount which an entity expects to obtain for an asset at the end of its useful life after deducting the expected costs of disposal.

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

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

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

Service potential
The capacity to provide goods and services in accordance with the entity’s objectives, whether those objectives are the generation of net cash inflows or the provision of goods and services of a particular volume and quantity to the beneficiaries thereof.

Service potential remaining*
A measure of the remaining life of assets expressed as a percentage of economic life. 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 (DRC/DA).

Strategic Management Plan (SA)**
Documents Council objectives for a specified period (3-5 yrs), the principle activities to achieve the objectives, the means by which that will be carried out, estimated income and expenditure, measures to assess performance and how rating policy relates to the Council’s objectives and activities.

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. It is the same as the economic life.

Value in Use
The present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. 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 new cash flows, where if deprived of the asset its future economic benefits would be replaced.

Source: DVC 2006, Glossary
Note: Items shown * modified to use DA instead of CRC
Additional glossary items shown **
1. EXECUTIVE SUMMARY

What Council Provides

Council provides a range of vehicles, plant & equipment which is essential to support the delivery of maintenance to our community assets.

A strategic asset management framework that is consistent with the approach as outlined in the National Infrastructure manual and as promoted by the Local Government’s asset management advisory group. This framework provides for the integration of all elements of the asset management system, and ensures a consistent approach to:

- Planning.
- Utilisation
- Procurement
- Operations.
- Maintenance.
- Occupational Health & safety.

Fleet, plant and equipment can be categorised into the following groups:

- Car Fleet.
- Heavy Vehicles
- Heavy Plant.
- Equipment
- Minor Plant

What does it Cost?

There are two key indicators of cost to provide the Plant & Equipment service.

- The life cycle cost being the average cost over the life cycle of the asset, and
- The total maintenance and capital renewal expenditure required to deliver existing service levels in the next 10 years covered by Council’s long term financial plan.

The life cycle cost to provide the Plant & Equipment service is estimated at $667,000 per annum. Council’s planned life cycle expenditure for year 1 of the asset management plan is $677,172 which gives a life cycle sustainability index of 1.01.

The total maintenance and capital renewal expenditure required to provide the Plant & Equipment service the in the next 10 years is estimated at $6,771,280. This is an average of $677,172 per annum.

Council’s maintenance and capital renewal expenditure for year 1 of the asset management plan of $677,172 giving a 10 year sustainability index of 1.0.

Plans for the Future

Council plans to operate and maintain the Plant & Equipment network to achieve the following strategic objectives.

1. Ensure the Plant & Equipment network is maintained at a safe and functional standard as set out in this asset management plan. Priority will be given to the provision of energy efficient machinery for our new purchases. We will be flexible in our approach to procurement to ensure that value and fit for purpose decisions are made.

2. The asset strategy will focus on a review of our operations and procedures from initial planning through to the disposal stages of the asset.

3. The asset strategy uses Lifecycle Management techniques to develop decision support information to determine replacement in accordance with the renewal programme and budgets.

4. In order to be effective, the lifecycle model of fleet assets need accurate and up to date data which accommodates the management of the anticipated economic life, estimates of remaining life, maintenance and replacement costs. Any estimate of economic life of an asset assumes a certain level of quality and operation in order to achieve that life span.

Measuring our Performance

Quality

Plant & Equipment assets will be maintained in a reasonably usable condition. Defects found or reported that are outside our service standard will be repaired. See our maintenance response service levels for details of defect prioritisation and response time.

Function

Our intent is that an appropriate Plant & Equipment network is maintained with stakeholders to adopt best practices to ensure the management of our assets is controlled in a systematic and consistent manner.

Plant & Equipment asset attributes will be maintained at a safe level and associated signage and equipment be provided as needed to ensure public safety. We need to ensure key functional objectives are met:

- Outline the context for strategic asset management planning for the City of Holdfast Shore’s fleet and plant assets.
- Effectively manage council’s financial investment in fleet, plant & equipment.
- Ensure community requirements and expectations are translated into services through the application of appropriate service levels.
- Adopt a whole-of-life approach to asset management.
- Developing cost-effective management strategies for the long term.
- Providing a defined level of service and monitoring performance.
- Ensuring a sustainable use of physical resources.
- Providing a continual improvement in asset management practices.
- Through consultation with associated work groups, ensure that plant to be replaced is fit for purpose in accordance with the requirements of established specs.
- Adhere to councils Occupational Health & Safety procedures and deliver on all OH&S requirements to ensure that all our obligations are met in accordance with the relevant and current rules and regulations.
- Facilitate and demonstrate strategic asset management and the implementation of whole of life strategies to the fleet, plant & equipment asset portfolio.
- Effectively manage the risks associated with the fleet, plant & equipment portfolio.
- Use a specific set of goals and objectives to guide the development and implementation of Council’s fleet, plant & equipment assets.

Safety
We inspect all Plant & Equipment regularly and prioritise and repair defects in accordance with our inspection schedule to ensure they are safe.

The Next Steps

This actions resulting from this asset management plan are:
- Undertake condition audits for all fleet, plant & equipment.
- Introduce a systematic approach to asset management.
- Undertake an assessment of our utilisation and record subsequent whole of life costs.
- Establish maintenance standards and schedules.
- Define and introduce appropriate Service Levels.
- Conduct appropriate consultation throughout all phases of the planning and procurement processes.
- Implement appropriate optimum replacement program for all fleet, plant & equipment.
- Undertake Risk Assessments for all Plant & Equipment.
- Providing tenders that reflect user consumption and sufficient information to enable efficient decisions.
2. **INTRODUCTION**

2.1 **Background**

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

The asset management plan is to be read with the following associated planning documents:

- Councils long term financial plan and associated Asset Management plans.

This asset management plan covers the following infrastructure assets:

- Car Fleet, Heavy Vehicles, Plant & Equipment.

**Table 2.1. Assets covered by this Plan**

<table>
<thead>
<tr>
<th>Asset category</th>
<th>Dimension</th>
<th>Replacement Value ($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Car Fleet</td>
<td>30 Vehicles</td>
<td>$1,274,413</td>
</tr>
<tr>
<td>Heavy Vehicles</td>
<td>29 Vehicles</td>
<td>$3,087,269</td>
</tr>
<tr>
<td>Plant &amp; Equipment</td>
<td>168 Items</td>
<td>$550,760</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>$4,912,444</strong></td>
</tr>
</tbody>
</table>

Alwyndor Aged Care Home assets are not listed in this Asset Plan but will be included in an individual separate asset management plan which will include:

- 4 X Holden Sedans
- 1 X Toyota Station Wagon.
- 1 X Toyota Bus.
- 37 X Items of Plant & Equipment.

Key stakeholders in the preparation and implementation of this asset management plan are:

<table>
<thead>
<tr>
<th>Elected Members</th>
<th>Approval &amp; acceptance of this Plan.</th>
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<tbody>
<tr>
<td>Finance Department</td>
<td>Allocation of depreciation for the implementation of this plan.</td>
</tr>
<tr>
<td>City Assets</td>
<td>Prioritisation and programming of maintenance and capital works, preparation and revision of asset plans.</td>
</tr>
<tr>
<td>Senior Leadership Team</td>
<td>Acceptance and guidance of this plan.</td>
</tr>
<tr>
<td>Depot</td>
<td>Undertaking programmed &amp; reactive maintenance works.</td>
</tr>
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</table>
2.2 Goals and Objectives of Asset Management

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

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

- Taking a life cycle approach,
- Developing cost-effective management strategies for the long term,
- Providing a defined level of service and monitoring performance,
- Understanding and meeting the demands of growth through demand management and infrastructure investment,
- Managing risks associated with asset failures,
- Sustainable use of physical resources,
- Continuous improvement in asset management practices.¹

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

Council’s vision is:

A sustainable, well serviced, safe and cohesive seaside community that enjoys an outstanding quality of life welcomes visitors and values the City’s distinctive history and open spaces.

Council’s mission is:

We will deliver of our mission statement through efficient systems and processes, quality service delivery, skilled people and prudent financial and asset management.

Relevant Council goals and objectives and how these are addressed in this asset management plan are:

Table 2.2. Council Goals and how these are addressed in this Plan

<table>
<thead>
<tr>
<th>Goal</th>
<th>Objective</th>
<th>How Goal and Objectives are addressed in IAMP</th>
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<tbody>
<tr>
<td>Assets</td>
<td>To maintain and develop the City’s assets to support the lifestyle of the people of Holdfast Bay.</td>
<td>Strategies will be developed to ensure that car fleet, heavy vehicles &amp; are suitably maintained to ensure that pre-determined service standards are met.</td>
</tr>
<tr>
<td>Systems &amp; Processes</td>
<td>To have all the necessary tools and processes in place that will allow us to deliver our services sustainedly, efficiently and effectively.</td>
<td>Included in this asset plan will be references to procedures and practices to manage, and on an ongoing basis, schedule the delivery of maintenance in accordance with independent maintenance requirements.</td>
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¹ IIMM 2006 Sec 1.1.3, p 1.3
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<tr>
<th>Service Delivery</th>
<th>To serve our residents, businesses and visitor communities through quality services and programs that meets its expectations.</th>
<th>Service delivery will be supported by a fleet that is sustainable, efficient and represents value for money. This plan will raise the sophistication of our fleet and plant and LOS will be developed in consultation with all concerned.</th>
</tr>
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<tr>
<td>Finance</td>
<td>To manage our financial resources equitably and sustainedly so that we can meet the expectations of our community.</td>
<td>Strategic planning incorporating whole of life costs will be implemented into a 10 year financial plan which will enable maintenance and replacement costs to be pre determined allowing budgets to reflect these needs.</td>
</tr>
<tr>
<td>Environment</td>
<td>To ensure that all reasonable steps are taken to effectively manage the reduction of our CO2 emissions.</td>
<td>Our procurement processes in plant &amp; vehicle selection will include considerations within our tender rating system to ensure that items purchased are compliant with current and relevant emissions legislation as a minimum standard of practice.</td>
</tr>
<tr>
<td></td>
<td>Maximise recycle content, minimise consumables it uses.</td>
<td>Climate change will have a direct affect on everyone, with potential for a tax on carbon emissions. Weighting will be given to the purchase of those items with greener credentials.</td>
</tr>
<tr>
<td></td>
<td>Use of efficient plant.</td>
<td>Ensure plant life is maximised to the fullest, and that consumables are recycled and based from a renewable resource.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Procure products with consideration given to the minimalisation of fossil fuel consumption, and the use of high energy efficiency star rating, and high green vehicle guide rating.</td>
</tr>
</tbody>
</table>

### 2.3 Plan Framework

Key elements of the plan are

- Levels of service – specifies the services and levels of service to be provided by council.
- Future demand – how this will impact on future service delivery and how this is to be met.
- Life cycle management – how Council will manage its existing and future assets to provide the required services
- Financial summary – what funds are required to provide the required services.
- Asset management practices
- Monitoring – how the plan will be monitored to ensure it is meeting Council’s objectives.
- Asset management improvement plan

A road map for preparing an asset management plan is shown below.
Road Map for preparing an Asset Management Plan

Source: IIMM Fig 1.5.1, p 1.11

CORPORATE PLANNING
Confirm strategic objectives and establish AM policies, strategies & goals. Define responsibilities & ownership. Decide core or advanced AM Plan. Gain organisation commitment.

REVIEW/COLLABORATE ASSET INFORMATION
Existing information sources Identify & describe assets. Data collection Condition assessments Performance monitoring Valuation Data

DEFINE SCOPE & STRUCTURE OF PLAN

ESTABLISH LEVELS OF SERVICE
Establish strategic linkages Define & adopt statements Establish measures & targets Consultation

LIFECYCLE MANAGEMENT STRATEGIES
Develop lifecycle strategies Describe service delivery strategy Risk management strategies Demand forecasting and management Optimised decision making (renewals, new works, disposals) Optimise maintenance strategies

FINANCIAL FORECASTS
Lifecycle analysis Financial forecast summary Valuation Depreciation Funding

IMPROVEMENT PLAN
Assess current/desired practices Develop improvement plan

ITERATION
Reconsider service statements Options for funding Consult with Council Consult with Community

ANNUAL PLAN / BUSINESS PLAN

AM PLAN REVIEW AND AUDIT

IMPLEMENT IMPROVEMENT STRATEGY

INFORMATION MANAGEMENT, and DATA IMPROVEMENT

IS THE PLAN AFFORDABLE?

CITY OF HOLDFAST BAY – PLANT & EQUIPMENT ASSET MANAGEMENT PLAN
2.4 Core and Advanced Asset Management

This asset management plan is prepared as a ‘core’ asset management plan in accordance with the International Infrastructure Management Manual. It is prepared to meet minimum legislative and organisational requirements for sustainable service delivery and long term financial planning and reporting. Core asset management is a ‘top down’ approach where analysis is applied at the ‘system’ or ‘network’ level.

Future revisions of this asset management plan will move towards ‘advanced’ asset management using a ‘bottom up’ approach for gathering asset information for individual assets to support the optimisation of activities and programs to meet agreed service levels.

3. LEVELS OF SERVICE

3.1 Customer Research and Expectations

Council participates in the Comparative Performance Measures in Local Government Customer Satisfaction survey. This telephone survey polls a sample of residents on their level of satisfaction with Council’s services. The most recent customer satisfaction survey reported satisfaction levels for the following services.

<table>
<thead>
<tr>
<th>Performance Measure</th>
<th>Satisfaction Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Satisfied</td>
<td>Fairly Satisfied</td>
</tr>
<tr>
<td>5.2.5. Community satisfaction with asset management</td>
<td></td>
</tr>
</tbody>
</table>

Council uses this information in developing the Strategic Management Plan and in allocation of resources in the budget.

3.2 Legislative Requirements

Council has to meet many legislative requirements including Australian and State legislation and State regulations. These include:

<table>
<thead>
<tr>
<th>Legislation</th>
<th>Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Government Act 1999</td>
<td>Sets out the role, purpose, responsibilities and powers of local governments including the preparation of a long term financial plan supported by infrastructure and asset management plans for sustainable service delivery.</td>
</tr>
<tr>
<td>OHS&amp;W Act 1986 and amendments. OHS&amp;W Regs 2010</td>
<td>Requirements with respect to Risk management. Controls for the provision of safe work practices. Controls for the maintenance and condition of vehicles, plant and equipment.</td>
</tr>
<tr>
<td>AAS27 Accounting Guidelines</td>
<td>Defines the rules to be applied when accounting for assets within the local government environment.</td>
</tr>
</tbody>
</table>
3.3 Current Levels of Service

Council has defined service levels in two terms.

Community Levels of Service relate to how the community receives the service in terms of safety, quality, quantity, reliability, responsiveness, cost/efficiency and legislative compliance.

Supporting the community service levels are operational or technical measures of performance developed to ensure that the minimum community levels of service are met. These technical measures relate to service criteria such as:

<table>
<thead>
<tr>
<th>Service Criteria</th>
<th>Technical measures may relate to</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality</td>
<td>Smoothness of roads</td>
</tr>
<tr>
<td>Quantity</td>
<td>Area of parks per resident</td>
</tr>
<tr>
<td>Availability</td>
<td>Distance from a dwelling to a sealed road</td>
</tr>
<tr>
<td>Safety</td>
<td>Number of injury accidents</td>
</tr>
</tbody>
</table>

Council’s current service levels are detailed in Table 3.3.

**Table 3.3. Current Service Levels**

<table>
<thead>
<tr>
<th>Key Performance Measure</th>
<th>Level of Service</th>
<th>Performance Measure Process</th>
<th>Performance Target</th>
<th>Current Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>COMMUNITY LEVELS OF SERVICE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quality</td>
<td>Plant is fit for purpose and maintained to assist end service to open spaces as expected by the public.</td>
<td>Qty of recorded break downs and incidents. Customer complaints.</td>
<td>No incidents or complaints, with delivery on time to budget and to required standard.</td>
<td>Minor complaints &amp; incidents.</td>
</tr>
<tr>
<td>Function</td>
<td>Capacity to support the required maintenance operations as needed.</td>
<td>Fit for purpose assessments. Adopt best trade practices.</td>
<td>Plant maintained and operational. Trained Operators</td>
<td>Adequate performance</td>
</tr>
<tr>
<td>Safety</td>
<td>Councils Assets are safe and of a suitable standard to ensure trouble free use.</td>
<td>Regular audits and timely action taken on results.</td>
<td>No incidents or complaints, with assets performing to required standard.</td>
<td>Performance at an acceptable standard. Improvements needed in Risk Management.</td>
</tr>
<tr>
<td><strong>TECHNICAL LEVELS OF SERVICE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maintenance</td>
<td>Asset fully maintained throughout the life of the Asset.</td>
<td>Meet scheduled maintenance in accordance with manufacturers recommendations</td>
<td>100% compliant to manufactures specs and timely attention to any necessary non scheduled repairs.</td>
<td>Improvements will be achieved in the auditing and follow up of maintenance kpi.</td>
</tr>
<tr>
<td>Replacement</td>
<td>In accordance with Fit for purpose needs and value for money considerations.</td>
<td>Programmed Replacement within budget &amp; time scale.</td>
<td>Meet optimum replacement point decision making through correct data.</td>
<td>Assessment on optimum replacement including whole of life records.</td>
</tr>
</tbody>
</table>
3.4 Desired Levels of Service

At present, indications of desired levels of service are obtained from various sources including Customer Satisfaction survey, residents' feedback to Councillors and staff, service requests and correspondence. Council has yet to quantify desired levels of service. This will continue to be done in future revisions of this asset management plan.

The current levels of service (LOS) have been developed through internal consultation to represent an improvement to the existing practices. As this Fleet, Plant & Equipment Asset Plan is reviewed and becomes more sophisticated through regular consultation with stakeholders, the LOS will form part of the continual improvement plan. Refer to the Level of Service initiatives located in the appendices at the rear of this management plan. These initiatives will drive the management of all Fleet, Heavy Vehicles, Plant, and minor plant, including but not necessarily limited to the following:

- Replacement.
- Procurement
- Maintenance
- Utilisation
- Disposal
- OH&S.
4. **FUTURE DEMAND**

4.1 Demand Forecast

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

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

**Table 4.1. Demand Factors, Projections and Impact on Services**

<table>
<thead>
<tr>
<th>Demand factor</th>
<th>Present position</th>
<th>Projection 2021</th>
<th>Impact on services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>33,303</td>
<td>35,924</td>
<td>Minimal impact on demand for services</td>
</tr>
<tr>
<td>Demographics</td>
<td>15.8% &lt; 17 yo (cf SA 22.6%)&lt;br&gt;22.6% &gt; 65 yo (cf SA 15.4%)</td>
<td>13.0% &lt; 15 yo&lt;br&gt;24.6 &gt; 65 yo</td>
<td>Greater use in passive recreation, but ongoing visitor demand for active recreation.</td>
</tr>
<tr>
<td>Gender</td>
<td>Males = 15,687&lt;br&gt;Females = 17,616</td>
<td>17,578&lt;br&gt;18,822</td>
<td>Nil</td>
</tr>
</tbody>
</table>

4.2 Changes in Technology

Technology changes are forecast to have little effect on the delivery of services covered by this plan.

Technology changes are forecast to affect the delivery of services covered by this plan in the following areas.

**Table 4.2. Changes in Technology and Forecast effect on Service Delivery**

<table>
<thead>
<tr>
<th>Technology Change</th>
<th>Effect on Service Delivery</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improvements in Emission Standards</td>
<td>Delays expected from overseas imports</td>
</tr>
<tr>
<td>Increased competition from oversees suppliers</td>
<td>A wider range of asset will be available at competitive costs</td>
</tr>
<tr>
<td>Improvement on capability of Car Fleet &amp; Heavy Vehicles</td>
<td>Ability to deliver at a higher operational level</td>
</tr>
<tr>
<td>Peak Oil – Availability</td>
<td>Increased cost and future availability levels due to lower stocks.</td>
</tr>
</tbody>
</table>

4.3 Demand Management Plan

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

Opportunities identified to date for demand management are shown in Table 4.3. Further opportunities will be developed in future revisions of this asset management plan.
Table 4.3. Demand Management Plan Summary

<table>
<thead>
<tr>
<th>Service Activity</th>
<th>Demand Management Plan</th>
</tr>
</thead>
</table>
| Procurement      | • Include a wider range of asset type selection.  
|                  | • Include a larger coverage of tender possibilities.  
|                  | • Ensure maintenance is undertaken to ensure trade in and highest asset disposal income.  
|                  | • Ensure consideration is given to the availability of parts.  
|                  | • Include a wide range of product to ensure a greater variety of choice. |
| Replacement      | • Ensure whole of life costs reflect optimum replacement points.  
|                  | • Ensure replacements meet with schedule demand.  
|                  | • Ensure Budget demand and replacement is linked.  
|                  | • Condition rate plant to achieve accuracy & correctness of decision. |

4.4 New Assets from Growth

There is no Asset from Growth graphs at this time.
5. LIFECYCLE MANAGEMENT PLAN

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

5.1 Background Data

5.1.1 Physical parameters

<table>
<thead>
<tr>
<th>Car Fleet</th>
<th>Includes 30 X motor vehicles and utes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heavy Vehicles</td>
<td>Includes 29 X trucks and other Civil Vehicles.</td>
</tr>
<tr>
<td>Plant</td>
<td>Includes 183 X plant, tools and equipment</td>
</tr>
</tbody>
</table>

Council car fleet of 30 vehicles are distributed as follows:

- **Depot** – 9 X utility vehicles
  2 X sedans
  1 X van

- **Winton House** - 3 X utility vehicles
  3 X buses

- **Civic Centre** - 2 X Patrol vans
  1 X Utility Vehicle
  3 X Station Wagons
  6 X sedans

Council has a heavy vehicle fleet as follows:

- **Depot** - 17 X Trucks of various sizes.
  3 X Sweeper vehicles
  1 X backhoe
  2 X Loaders
  1 X Chipper
  1 X Hydraulic Rake
  2 X Tractors
  1 X Motorised Roller
  1 X Hydraladder

**Alwyndor Aged Care Home** assets are not included in this Asset Plan but will be included in an individual separate asset management plan, these include:

- 4 X Holden Sedans
- 1 X Toyota Station Wagon.
- 1 X Toyota Bus.
- 37 X Items of Plant & Equipment.

Currently, there is irregular Lifecycle planning and management of Fleet, Heavy vehicles, Plant and Equipment. As part of our improvement plan regular inspection and monitoring including condition rating throughout the life of our plant and equipment, will ensure that projected life cycles are met and decisions that affect plant and equipment are in accordance with this Asset Management plan.

The age profile of Council's assets are as follows.
5.1.2 Asset capacity and performance

Council’s services are generally provided to meet design standards where these are available. Locations where deficiencies in service performance are known are detailed in Table 5.1.2.

Table 5.1.2. Known Service Performance Deficiencies

<table>
<thead>
<tr>
<th>Location</th>
<th>Service Deficiency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Whole of Council</td>
<td>Maintain Asset Register, &amp; record whole of life costs including maintenance and fuel usage, for each individual asset</td>
</tr>
<tr>
<td>Depot</td>
<td>Implement effective OH&amp;S Management System</td>
</tr>
<tr>
<td>Whole of Council</td>
<td>Lifecycle Planning - Replacements not in line with replacement criteria and 10 year Financial plan.</td>
</tr>
<tr>
<td>Whole of Council</td>
<td>Develop processes to review and modify LOS including Customer Consultation</td>
</tr>
<tr>
<td>Whole of Council</td>
<td>Condition Assessments are not being undertaken.</td>
</tr>
<tr>
<td>Depot</td>
<td>Asset creation &amp; Disposal – improved timing and notification for replacement or new fleet.</td>
</tr>
<tr>
<td>Car Fleet</td>
<td>Policy for use of fuels ie premium, unleaded, diesel etc.</td>
</tr>
</tbody>
</table>
The above service deficiencies were identified from an audit of Councils operations and consultation with various work groups.

5.1.3 Asset condition

Condition is measured using a 1 – 5 rating system.²

<table>
<thead>
<tr>
<th>Rating</th>
<th>Description of Condition</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Excellent condition: Only planned maintenance required.</td>
</tr>
<tr>
<td>2</td>
<td>Very good: Minor maintenance required plus planned maintenance.</td>
</tr>
<tr>
<td>3</td>
<td>Good: Significant maintenance required.</td>
</tr>
<tr>
<td>4</td>
<td>Average: Significant renewal/upgrade required.</td>
</tr>
<tr>
<td>5</td>
<td>Poor: Unserviceable.</td>
</tr>
</tbody>
</table>

5.1.4 Asset valuations

The value of assets as at September 2011 covered by this asset management plan is summarised below. Assets were last re-valued at September 2011. Assets are valued at brownfield rates.

- Current Replacement Cost: $4,768,000.
- Depreciable Amount: $3,366,245.
- Depreciated Replacement Cost: $2,935,000.
- Annual Depreciation Expense: $497,000.

Council’s sustainability reporting reports the rate of annual asset consumption and compares this to asset renewal and asset upgrade and expansion.

- Asset Consumption: $497,000 / $3,366,245 = 1.47%
- Asset renewal: $3,366,245 / $3,366,245 = 1
- Annual Upgrade/expansion: 0

5.2 Risk Management Plan

An assessment of risks³ associated with service delivery from infrastructure assets has identified critical risks to Council. 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 are summarised in Table 5.2.
Table 5.2. Critical Risks and Treatment Plans

<table>
<thead>
<tr>
<th>Asset at Risk</th>
<th>What can Happen</th>
<th>Risk Rating (VH, H)</th>
<th>Risk Treatment Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heavy Vehicles, Plant &amp; Equipment</td>
<td>Incorrect Use</td>
<td>VH</td>
<td>Implement Training &amp; Create a Training Register. Conduct Risk Assessments</td>
</tr>
<tr>
<td>Heavy Vehicles</td>
<td>Injury to operators</td>
<td>VH</td>
<td>Implement OH&amp;S management Plan incorporating Risk Assessments.</td>
</tr>
<tr>
<td>Heavy vehicles Plant &amp; Equipment</td>
<td>Breakdown</td>
<td>H</td>
<td>Daily – Weekly – monthly inspections and continual auditing to ensure compliance. Conduct Risk Assessments</td>
</tr>
</tbody>
</table>

5.3 Routine Maintenance Plan

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 Maintenance plan

Maintenance includes reactive, planned and cyclic maintenance work activities.

Reactive maintenance is unplanned repair work carried out in response to service requests and management/supervisory directions.

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

Cyclic maintenance is replacement of higher value components/sub-components of assets that is undertaken on a regular cycle including repainting, building roof replacement, etc. This work generally falls below the capital/maintenance threshold.

Regular Servicing will be undertaken by providers that have been sourced, tested and compared against the market on frequent and regular intervals.

Maintenance expenditure trends are shown in Table 5.3.1

Table 5.3.1. Maintenance Expenditure Trends

<table>
<thead>
<tr>
<th>Year</th>
<th>Reactive</th>
<th>Planned</th>
<th>Cyclic</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008/2009</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2009/2010</td>
<td>$40,000</td>
<td>$100,000</td>
<td>$30,000</td>
</tr>
<tr>
<td>2010/2011</td>
<td>$35,000</td>
<td>$108,000</td>
<td>$27,000</td>
</tr>
</tbody>
</table>

Planned maintenance work is 57% of total maintenance expenditure.
Maintenance expenditure levels are considered to be adequate OR inadequate to meet required service levels. Future revision of this asset management plan will include linking required maintenance expenditures with required service levels.

Assessment and prioritisation of reactive maintenance is undertaken by Council staff using experience and judgement.

5.3.2 Standards and specifications

Maintenance work is carried out in accordance with the following Standards and Specifications.

- Supplier written specification and maintenance recommendation.
- Relevant and current Australian Standards and Codes of Practice.
- As per Dept Transport compliance requirements.

5.3.3 Summary of future maintenance expenditures

Future maintenance expenditure is forecast to trend in line with the value of the asset stock as shown in Fig 4. Note that all costs are shown in current 2011-2012 dollar values.

*Fig 4. Planned Maintenance Expenditure*

Deferred maintenance, ie works that are identified for maintenance and unable to be funded are to be included in the risk assessment process in the infrastructure risk management plan.

Maintenance is funded from Council’s operating budget and grants where available. This is further discussed in Section 6.2.
5.4 Renewal/Replacement Plan

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

5.4.1 Renewal plan

Assets requiring renewal are identified from estimates of remaining life obtained from the asset register worksheets on the ‘Planned Expenditure template’. Candidate proposals are inspected to verify accuracy of remaining life estimate 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 Table 5.4.1.

Table 5.4.1 Renewal Priority Ranking Criteria

<table>
<thead>
<tr>
<th>Asset</th>
<th>Criteria</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Car Fleet, Heavy Vehicle Plant &amp; Equipment</td>
<td>On attainment of estimated whole of Life of the Asset as per the Asset Plan.</td>
<td>30%</td>
</tr>
<tr>
<td></td>
<td>On the estimated condition rating</td>
<td>30%</td>
</tr>
<tr>
<td></td>
<td>Financial considerations</td>
<td>40%</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

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

Examples of low cost renewal include

- Replace operating part or component of plant to extend the useful life
- Procurement of a similar asset but of a lesser value.
- Seek alternate operational procedures to include a reduced cost renewal

5.4.2 Renewal standards

Renewal work is carried out in carried out in accordance with the following Standards and Specifications.

- Approved supplier written technical manual and specification.
- In accordance with the requirements of Safework SA.
- Council acceptable standards.
- Other applicable Government legislation and Codes of Practice

5.4.3 Summary of future renewal expenditure

Projected future renewal expenditures are forecast to increase over time as the asset stock ages. The costs are summarised in Fig 5. Note that all costs are shown in current 2011-2012 dollar values.

The projected capital renewal program is shown in Appendix B.
Significant financial gains can be expected by the grouping of like vehicles and plant which can achieve better trade in and purchase values. Volume purchases should always be considered at end of the assets useful life to negotiate actual net gains of our replacements.

Deferred renewal, ie those assets identified for renewal and not scheduled for renewal in capital works programs are to be included in the risk assessment process in the risk management plan.

Renewals are to be funded from Council’s capital works program and grants where available. This is further discussed in Section 6.2.

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 Council from land development. These assets from growth are considered in Section 4.4.

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 below.
### Table 5.5.1 New Assets Priority Ranking Criteria

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price and Trade in - Financial</td>
<td>40%</td>
</tr>
<tr>
<td>Mechanical – Operational Assessment</td>
<td>20%</td>
</tr>
<tr>
<td>Service &amp; Back UP</td>
<td>20%</td>
</tr>
<tr>
<td>Environmental Considerations</td>
<td>20%</td>
</tr>
</tbody>
</table>

5.5.2 Standards and specifications

Standards and specifications for new assets and for upgrade/expansion of existing assets are the same as those for renewal shown in Section 5.4.2.

5.5.3 Summary of future upgrade/new assets expenditure

Planned upgrade/new asset expenditures are summarised in Fig 6. The planned upgrade/new capital works program is shown in Appendix C. All costs are shown in current 2011 – 2012 dollar values.

**Fig 6. Planned Capital Upgrade/New Asset Expenditure (Not Available at this time)**

New assets and services are to be funded from Council’s capital works program and grants where available. This is further discussed in Section 6.2.

### 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 Table 5.6. These assets will be further reinvestigated to determine the required levels of service and see what options are available for alternate service delivery, if any.

#### Table 5.6 Assets identified for Disposal

<table>
<thead>
<tr>
<th>Asset</th>
<th>Reason for Disposal</th>
<th>Timing</th>
<th>Cash flow from disposal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Car Fleet</td>
<td>Reached end of Asset Life</td>
<td>2011-2012</td>
<td>$80,057.00</td>
</tr>
<tr>
<td>Heavy Vehicles</td>
<td>Reached end of Asset life</td>
<td>2011-2012</td>
<td>$42,000.00</td>
</tr>
<tr>
<td>Plant &amp; Equipment</td>
<td>Reached end of Asset Life</td>
<td>2011-2012</td>
<td>$3,000.00</td>
</tr>
</tbody>
</table>

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

The financial projections are shown in Fig 7 for projected operating (operations and maintenance) and capital expenditure (renewal and upgrade/expansion/new assets).

Fig 7. Planned Operating and Capital Expenditure

*Insert graph of planned future operating and capital expenditure – see guidelines for details*

Note that all costs are shown in current 2011-2012 dollar values.

6.1.1 Sustainability of service delivery

There are two key indicators for financial sustainability that have been considered in the analysis of the services provided by this asset category, these being long term life cycle costs and medium term costs over the 10 year financial planning period.

Long term - Life Cycle Cost

Life cycle costs (or whole of life costs) are the average costs that are required to sustain the service levels over the longest asset life. Life cycle costs include maintenance and asset consumption.
(depreciation expense). The annual average life cycle cost for the services covered in this asset management plan is $667,000.

Life cycle costs can be compared to life cycle expenditure to give an indicator of sustainability in service provision. Life cycle expenditure includes maintenance plus capital renewal expenditure. Life cycle expenditure will vary depending on the timing of asset renewals. The life cycle expenditure at the start of the plan is $677,172.

A gap between life cycle costs and life cycle expenditure gives an indication as to whether present consumers are paying their share of the assets they are consuming each year. The purpose of this Plant & Equipment asset management plan is to identify levels of service that the community needs and can afford and develop the necessary long term financial plans to provide the service in a sustainable manner.

The life cycle gap for services covered by this asset management plan is $10,172.00 per annum. The life cycle sustainability index is 1.01.

Medium term – 10 year financial planning period

This asset management plan identifies the estimated maintenance and capital expenditures required to provide an agreed level of service to the community over a 20 year period for input into a 10 year financial plan and funding plan to provide the service in a sustainable manner.

This may be compared to existing or planned expenditures in the 20 year period to identify any gap. In a core asset management plan, a gap is generally due to increasing asset renewals.

Fig 8 shows the projected asset renewals in the 20 year planning period from the asset register. The projected asset renewals are compared to planned renewal expenditure in the capital works program and capital renewal expenditure in year 1 of the planning period as shown in Fig 8. Table 6.1.1 shows the annual and cumulative funding gap between projected and planned renewals.

**Fig 8. Projected and Planned Renewals and Current Renewal Expenditure.**

![Projected and Planned Renewals and Current Renewal Expenditure](image-url)
Table 6.1.1 shows the gap between projected and planned renewals.

**Table 6.1.1 Projected and Planned Renewals and Expenditure Gap**

<table>
<thead>
<tr>
<th>Year</th>
<th>Projected Renewals</th>
<th>Planned Renewals</th>
<th>Renewal Funding Gap</th>
<th>Cumulative Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$387.20</td>
<td>$387.20</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>2012</td>
<td>$232.14</td>
<td>$232.14</td>
<td>$0.00</td>
<td>$0.00</td>
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<td>$513.78</td>
<td>$0.00</td>
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</tr>
<tr>
<td>2014</td>
<td>$544.76</td>
<td>$544.76</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>2015</td>
<td>$653.66</td>
<td>$653.66</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>2016</td>
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<td>$479.56</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>2017</td>
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<td>$552.59</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>2018</td>
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<td>$523.05</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>2019</td>
<td>$590.24</td>
<td>$590.24</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>2020</td>
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<td>$594.74</td>
<td>$0.00</td>
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</tr>
<tr>
<td>2021</td>
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<td>$0.00</td>
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</tr>
<tr>
<td>2024</td>
<td>$309.66</td>
<td>$309.66</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>2025</td>
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<td>$0.00</td>
</tr>
<tr>
<td>2026</td>
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<td>$404.35</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>2027</td>
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<tr>
<td>2029</td>
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<tr>
<td>2030</td>
<td>$340.36</td>
<td>$340.36</td>
<td>$0.00</td>
<td>$0.00</td>
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</table>

Asset consumption and the manner in which we allocate renewals have been changed from 2011. Previously, council operated on a model where identified plant was replaced and funded by “annual reserve funding”. This asset plan identifies those assets which have reached their useful lives and plans when they will require to be renewed. To enable the subsequent planned expenditure to be consistent over a 20 year cycle, adjustments have been made to remove any excessively high replacements in any one year.

Providing services in a sustainable manner will require matching of projected asset renewals to meet agreed service levels with planned capital works programs and available revenue.

A gap between projected asset renewals, planned asset renewals and funding indicates that further work is required to manage required service levels and funding to eliminate any funding gap.

Council will manage the ‘gap’ by developing this asset management plan to provide guidance on future service levels and resources required to provide these services, and by giving considering to the number of reserves and their functionality, by establishing a hierarchy of reserves and continual review of needs.

Council’s long term financial plan covers the first 10 years of the 20 year planning period. The total maintenance and capital renewal expenditure required over the 10 years is $6,771,720.

This is an average expenditure of $677,172. Estimated maintenance and capital renewal expenditure in year 1 is $677,172. The 10 year sustainability index is 1.0.
6.2 Funding Strategy

Projected expenditure identified in Section 6.1 is to be funded from Council's operating and capital budgets. The funding strategy is detailed in the Council's 10 year long term financial plan.

Achieving the financial strategy will require continual monitoring of data for the whole of life cycle costs of assets to correctly budget for both short term and the long term requirements.

Prior to this asset 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 Council and from assets constructed by land developers and others and donated to Council. Fig 9 shows the projected replacement cost asset values over the planning period in current 2011-2012 dollar values.

*Fig 9. Projected Asset Values*

Depreciation expense values are forecast in line with asset values as shown in Fig 10.
The depreciated replacement cost (current replacement cost less accumulated depreciation) 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 Fig 11.
6.4 Key Assumptions made in Financial Forecasts

This section details the key assumptions made in presenting the information contained in this 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 are:

- Asset data is correct and up to date.
- Assets are maintained in accordance with supplier specifications.
- Replacements occur at reported optimum changeover dates.
- Budgets are correct and will not be altered to accommodate change.

Accuracy of future financial forecasts may be improved in future revisions of this asset management plan by the following actions.

- Training on data collection accuracy.
- Increased awareness and participation in Asset Management Strategies.
- Consultation throughout between all operators.
7. ASSET MANAGEMENT PRACTICES

7.1 Accounting/Financial Systems

The City of Holdfast Bay uses Finance One Software as its corporate financial and accounting management practice. It is an integrated system, used for all accounting and financial activities including budget control, purchasing/debtors invoicing/creditors, asset valuations and depreciation, taxation and reporting.

The system operates on a windows based platform, with most employees across the organisation having regulated access on a needs basis. The Finance Department generally oversees the management of the system.

The Local Government (Financial Management) regulations 1999 require that the following accounting principles are met:

- Unless otherwise specified by the regulations, a council, council subsidiary must ensure that all accounting records, accounts and financial statements are prepared and maintained in accordance with the relevant Australian Accounting Standards.
- A council, council subsidiary or regional subsidiary must take a revaluation of all materials and non-current assets in accordance with the requirements of Australian Accounting Standards AASB 116.
- The relevant accounting standard covers the recognition, value, revaluation and depreciation of assets.

Under the doctrine of materiality (AAS5 Materiality in Financial Statements) entities record items as assets where information resulting from their application as material.

Quantitative thresholds used as guidance for determining materiality is a matter for professional judgement, however the standard suggests that if an amount is equal to or less than 5% of the applicable asset class total it may be presumed to be immaterial.

- Land & Building
- Infrastructure
- Equipment
- Furniture & Fittings.

The value of the asset is determined as fair value of the asset given as consideration plus costs incidental to the acquisition, including professional fees and all other costs incurred in preparing the assets for use.

Finance has determined that all plant and equipment purchased under the value of $5000 will be written off and fully depreciated at the time of purchase. However, the management of these items will continually to be undertaken in accordance with this Asset plan.

7.2 Asset Management Systems

Plant & Equipment when purchased is logged into the Finance Asset Register with financial information regarding the purchase recorded accordingly. This asset management plan uses the asset register to form the basis of assessment, treatment and recording of asset data. Through the NAMS asset management templates data information is manipulated to manage future maintenance and renewal programmes, forming the basis of yearly maintenance and capital budgets. This information in consultation with management is used in the development of council’s long term financial plan.

Accountability for this Asset Management plan is the responsibility of the Coordinator Asset Systems.

A complete review of council’s Car Fleet, Heavy Vehicle, Plant and Equipment has been undertaken to ensure the accuracy and effective management of council’s assets. Procedures have been developed to ensure the continual and efficient management of this Asset group. Refer to the Service Standard Plant & Equipment and accompanying forms at the rear of this asset plan.
7.3 Information Flow Requirements and Processes

The key information flows into this asset management plan are:

- The asset register data on size, age, value, remaining life of the network;
- The unit rates for categories of work/material;
- The adopted service levels;
- Projections of various factors affecting future demand for services;
- Correlations between maintenance and renewal, including decay models;
- Data on new assets acquired by council.

The key information flows from this asset management plan are:

- The assumed Replacement Program and trends;
- The resulting budget, valuation and depreciation projections;
- The useful life analysis.

These will impact the Long Term Financial Plan, Strategic Business Plan, annual budget and departmental business plans and budgets.

The Asset Register for Car Fleet, Heavy Vehicles, Plant & Equipment will operate in tandem with Finance One Asset Register, using similar Asset identification numbers. It will be the responsibility of the Coordinator Asset Systems to ensure that Finance staff is made aware of all financial transactions incurred from procurement, maintenance and disposal processes. Regular auditing and will ensure accuracy and compliance with the Asset and Financial plans.

All expenditure throughout the life cycle of each item of plant will be captured to enable informed decisions regarding all aspects of Plant and equipment. Forms will be used to manage the processes of procurement, maintenance, condition rating and disposal. Refer to the form section in the appendix at the rear of this Asset Plan.

As purchases are made from budgeted capital expenditure, asset recognition is recorded at component level in the asset register after an informed decision is made to whether the item should be capitalised or expensed.

Generally items of plant with a value less than $5000 are expensed on acquisition.

Plant assets with a value of $5000 or greater are capitalised on acquisition, and are subsequently managed within council’s long term financial plan, where whole of life costs and depreciation strategies over the life of the asset are strategically monitored throughout.

7.4 Standards and Guidelines

The City of Holdfast bay uses NAMS.PLUS templates in accordance with the International Infrastructure Management Manual. Excel spreadsheets are used for the collection and recording of data.

The asset management of the Car Fleet, Heavy Vehicle, Plant & Equipment will be driven by service standards as documented on the following pages – Refer Appendix A.
8. PLAN IMPROVEMENT AND MONITORING

8.1 Performance Measures

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

- The degree to which the required cashflows identified in this asset management plan are incorporated into council’s long term financial plan and Strategic Management 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 asset management plan;

8.2 Improvement Plan

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

<table>
<thead>
<tr>
<th>Task No</th>
<th>Task</th>
<th>Responsibility</th>
<th>Resources Required</th>
<th>Timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Conduct Risk Assessment for Plant &amp; Equipment</td>
<td>Coordinator Asset systems</td>
<td>In House</td>
<td>30/6/2012</td>
</tr>
<tr>
<td>2.</td>
<td>Review Planned Renewals on an ongoing way to ensure affordability.</td>
<td>OH&amp;S Coordinator Asset systems</td>
<td>In House</td>
<td>30/12/2012</td>
</tr>
<tr>
<td>3.</td>
<td>Review Plant Replacement procedures</td>
<td>Coordinator Asset systems</td>
<td>In House</td>
<td>30/6/2012</td>
</tr>
<tr>
<td>4.</td>
<td>Review Plant Procurement procedures</td>
<td>Coordinator Asset Systems</td>
<td>In House</td>
<td>30/6/2012</td>
</tr>
<tr>
<td>5.</td>
<td>Review Plant Disposal Procedures</td>
<td>Coordinator Asset Systems</td>
<td>In House</td>
<td>30/6/2012</td>
</tr>
<tr>
<td>6.</td>
<td>Consultation Process as per procedures model.</td>
<td>Coordinator Asset systems</td>
<td>In House</td>
<td>Ongoing</td>
</tr>
<tr>
<td>7.</td>
<td>Review Plant maintenance procedures</td>
<td>Coordinator Asset Systems</td>
<td>In House</td>
<td>30/12/2012</td>
</tr>
</tbody>
</table>

8.3 Monitoring and Review Procedures

This asset management plan will be reviewed during annual budget preparation and amended to recognise any changes in service levels and/or resources available to provide those services as a result of the budget decision process.

The Plan has a life of 4 years and is due for revision and updating within 2 years of each Council election.
REFERENCES

Sample Council, ‘Strategic Management Plan 2010 – 2011,

Sample Council, ‘Annual Plan and Budget.


APPENDICES

Appendix A  Levels of Service

Appendix B  Projected 20 year Capital Renewal Works Program

Appendix C  Planned Upgrade/Exp/New 20 year Capital Works Program

Appendix D  Forms