



ASSET MANAGEMENT PLAN 2019/20 BUILDINGS

Document Control		Asset Management Plan  			
Document ID : NAMSPLUS Concise Asset Management Plan Template_180402					
Rev No	Date	Revision Details	Author	Reviewer	Approver
1	March 2019	New Revision	Luke Harris	Simon Keith	Paul Alberton



Asset Management Plan 2019-20

Date: 2 July 2019

Endorsed by: City of Playford

Produced by City of Playford

12 Bishopstone Road

Davoren Park SA 5112

For further contact

(08) 8256 0333 or visit www.playford.sa.gov.au

© Images and content. City of Playford

© Copyright 2017 – All rights reserved.
 The Institute of Public Works Engineering Australasia.
www.ipwea.org/namsplus



This document forms part of the Plan Section of the City of Playford Business Planning Framework

Contents

1. EXECUTIVE SUMMARY	1
1.1 The Purpose of the Plan	1
1.2 Asset Description	1
1.3 Levels of Service	1
1.4 Future Demand	1
1.5 Lifecycle Management Plan.....	1
1.6 Financial Summary	1
1.7 Asset Management Practices	2
1.8 Monitoring and Improvement Program	2
2. INTRODUCTION	3
2.1 Background	3
2.2 Goals and Objectives of Asset Ownership.....	3
2.3 Core and Advanced Asset Management	4
3. LEVELS OF SERVICE	4
3.1 Customer Research and Expectations	4
3.2 Strategic and Corporate Goals.....	6
3.3 Legislative Requirements.....	7
3.4 Customer Levels of Service	8
3.5 Technical Levels of Service	10
4. FUTURE DEMAND	12
4.1 Demand Drivers	12
4.2 Demand Forecasts.....	12
4.3 Demand Impact on Assets	12
4.4 Demand Management Plan	13
4.5 Asset Programs to meet Demand	13
5. LIFECYCLE MANAGEMENT PLAN	14
5.1 Background Data.....	14
5.2 Operations and Maintenance Plan.....	17
5.3 Renewal/Replacement Plan.....	18
5.4 Creation/Acquisition/Upgrade Plan	20
5.5 Disposal Plan	23
6. RISK MANAGEMENT PLAN	23
6.1 Critical Assets.....	23
6.2 Risk Assessment.....	23
6.3 Service and Risk Trade-Offs	25
7. FINANCIAL SUMMARY	26
7.1 Financial Statements and Projections.....	26
7.2 Funding Strategy	27
7.3 Valuation Forecasts	27
7.4 Key Assumptions Made in Financial Forecasts	28
7.5 Forecast Reliability and Confidence.....	29
8. PLAN IMPROVEMENT AND MONITORING	30
8.1 Status of Asset Management Practices	30
8.2 Improvement Plan	30
8.3 Monitoring and Review Procedures	31
8.4 Performance Measures	31
9. REFERENCES	31
10. APPENDICES	32
Appendix A Projected 10-year Capital Renewal and Replacement Works Program	33
Appendix B Glossary	34

This page is intentionally left blank

1. EXECUTIVE SUMMARY

1.1 The Purpose of the Plan

Asset management planning is a comprehensive process to ensure delivery of services from infrastructure is provided in a financially sustainable manner.

This Asset Management Plan (AM Plan) details information about infrastructure assets including actions required to provide an agreed level of service in the most cost effective manner while outlining associated risks. The plan defines the services to be provided, how the services are provided and what funds are required to provide the services over a 20-year planning period.

This plan covers the infrastructure assets that provide building services.

1.2 Asset Description

The Building assets are comprised of:

- Community – 40 ea.
- Sporting - 49 ea.
- Public Toilet – 17 ea.
- Corporate - 42 ea.
- Other – 43 ea.

These infrastructure assets have significant value estimated at \$139,059,000.

1.3 Levels of Service

Our present funding levels are sufficient to continue to provide existing services at current levels in the medium term (10 years).

1.4 Future Demand

The main demands for new services are created by:

- Population growth
- Residential land development

These 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.

Ongoing upgrade & new programs in place:

- CBD building development

1.5 Lifecycle Management Plan

What does it Cost?

The projected outlays necessary to provide the services covered by this Asset Management Plan (AM Plan) includes operations, maintenance, renewal and upgrade of existing assets over the 10-year planning period is \$11,332,000 on average per year.

1.6 Financial Summary

What we will do

Estimated available funding for this period is \$11,332,000 on average per year as per the long term financial plan. This is 100% of the cost to sustain the current level of service at the lowest lifecycle cost.

The infrastructure reality is that only what is funded in the long term financial plan can be provided. The emphasis of the Asset Management Plan is to communicate the consequences that this will have on the service provided and risks, so that decision making is "informed".

The allocated funding leaves no shortfall on average per year of the projected expenditure required to provide services in the Asset Management Plan compared with planned expenditure currently included in the Long Term Financial Plan. This is shown in the figure below.

Projected Operating and Capital Expenditure

Playford CC - Projected and Budget Expenditure for (Buildings_S1_V1)

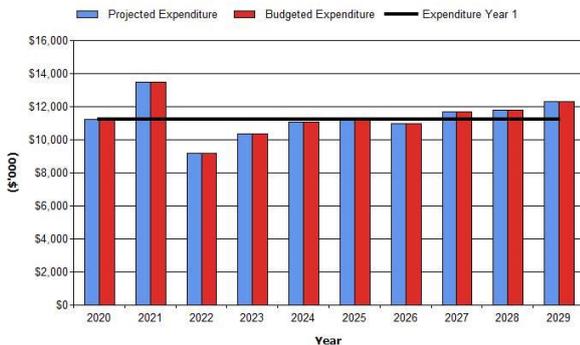


Figure Values are in current (real) dollars.

We plan to provide building services for the following:

- Operation, maintenance, renewal and upgrade of air-conditioning, fit-out, structure, roofing, electrical and plumbing to meet service levels set in annual budgets.
- Grenville Centre upgrade and Angle Vale Community Sports Centre within the 10-year planning period.

Managing the Risks

Our present funding levels are sufficient to continue to manage risks in the medium term.

The critical risks identified in this plan are:

- Playford Aquadome gas heated boiler risk of mechanical failure due to age.

We will manage these risks within available funding by:

- Renewing critical Aquadome infrastructure in 2019/20.

1.7 Asset Management Practices

Our systems to manage assets include:

- Technology One, One Council, financial system
- Technology One, One Council, Assets system

Assets requiring renewal/replacement are identified from one of three methods provided in the 'Expenditure Template'.

- Method 1 uses Asset Register data to project the renewal costs using acquisition year and useful life to determine the renewal year, or
- Method 2 uses capital renewal expenditure projections from external condition modelling systems (such as Pavement Management Systems), or
- Method 3 uses a combination of average network renewals plus defect repairs in the Renewal Plan and Defect Repair Plan worksheets on the 'Expenditure template'.

Method 1 was used for this asset management plan.

1.8 Monitoring and Improvement Program

The next steps resulting from this asset management plan to improve asset management practices are:

- Undertake an external audit of buildings recording condition, component details and useful lives
- Restructure building component asset records to reflect renewal and maintenance activities
- Formalise the building Risk Register
- Categorise buildings in to classes that reflect technical service levels (high use / criticality)
- Implement an annual condition assessment process for Building assets
- Finalise the technical levels of service still to be developed
- Undertake a strategic review of community needs that require building services

2. INTRODUCTION

2.1 Background

This asset management plan communicates the actions required for the responsive management of assets (and services provided from assets), compliance with regulatory requirements, and funding needed to provide the required levels of service over a 20-year planning period.

The asset management plan is to be read with the City of Playford's planning documents. This includes the Asset Management Policy and Asset Management Strategy along with other key planning documents:

- Community Vision 2043
- Strategic Plan
- Long Term Financial Plan
- Annual Business Plan

The assets covered by this asset management plan are shown in Table 2.1. These assets are used to provide building services.

- Category 1 Corporate – administration buildings, theatres, libraries, operational buildings/sheds and facilities. These assets provide civic functions to the community.
- Category 2 Sporting Buildings – clubrooms, change rooms, storage sheds. These building assets are leased to sporting clubs for the service provision of community recreation throughout the city.
- Category 3 Community Buildings – community halls, kindergarten, training centres, fire stations, community centres, childcare centres, storage sheds. Community buildings within the City of Playford are diverse in nature.
- Category 4 Public Toilets - Those assets that provide basic services to the community, such as toilet blocks. These assets contribute to leisure and tourism.
- Category 5 Other - Those assets that provide basic services and storage to the community and Council such as sheds, pump houses, etc.

Table 2.1: Assets covered by this Plan

ASSET CATEGORY	MEASURE	REPLACEMENT VALUE
Community	40 ea.	\$40,577,000
Sporting	49 ea.	\$53,169,000
Public Toilet	17 ea.	\$1,916,000
Corporate	42 ea.	\$42,186,000
Other	43 ea.	\$1,211,000
TOTAL		\$139,059,000

2.2 Goals and Objectives of Asset Ownership

Our goal in managing infrastructure assets is to meet the defined level of service (as amended from time to time) in the most cost effective manner for present and future consumers. The key elements of infrastructure asset management are:

- Providing a defined level of service and monitoring performance,

- Managing the impact of growth through demand management and infrastructure investment,
- Taking a lifecycle approach to developing cost-effective management strategies for the long-term that meet the defined level of service,
- Identifying, assessing and appropriately controlling risks, and
- Linking to a long-term financial plan which identifies required, affordable expenditure and how it will be allocated.

Other references to the benefits, fundamentals principles and objectives of asset management are:

- International Infrastructure Management Manual 2015 ¹
- ISO 55000²

2.3 Core and Advanced Asset Management

This asset management plan is prepared as a 'core' asset management plan over a 20 year planning period in accordance with the International Infrastructure Management Manual³. Core asset management is a 'top down' approach where analysis is applied at the system or network level. An 'advanced' asset management approach uses a 'bottom up' approach for gathering detailed asset information for individual assets.

Future revisions of this 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

This 'core' asset management plan is prepared to facilitate consultation prior to adoption by the Council. Future revisions of the asset management plan will incorporate community consultation on service levels and costs of providing the service. This will assist the Council and stakeholders in matching the level of service required, service risks and consequences with the community's ability and willingness to pay for the service.

The City of Playford has been undertaking an independent evaluation of Council services through a Resident Satisfaction Survey since 2001. In 2015 the Resident Satisfaction Survey undertook a redesign to align questions to Council's Service Standard System, strategic direction, and ensure scaling and methodology was reflective of best practice market research.

The broad objectives of the Resident Satisfaction Survey include:

- Assessing and establishing the community's priorities and satisfaction in relation to Council activities, services and facilities
- Identifying the community's overall satisfaction with Council's performance
- Identifying the community's level of satisfaction with regards to contact they have had with Council staff

¹ Based on IPWEA 2015 IIMM, Sec 2.1.3, p 2| 13

² ISO 55000 Overview, principles and terminology

³ IPWEA, 2015, IIMM.

Table 3.1: Community Satisfaction Survey Levels - 2018

PERFORMANCE MEASURES	SATISFACTION LEVEL						
	Not at all satisfied	Not very satisfied	Somewhat satisfied	Satisfied	Very satisfied	Mean Score	4 year Trend
Access to community venues	<1%	4%	22%	42%	33%	4.02	—
Providing support & facilities for sporting clubs	1%	5%	22%	40%	33%	3.99	↑
Library service	1%	3%	15%	30%	51%	4.27	↑

INTERPRETING THE MEAN SCORE	
1.99 or lower	Very low satisfaction
2.00 – 2.49	Low satisfaction
2.50 – 2.99	Moderately low satisfaction
3.00 – 3.59	Moderate satisfaction
3.60 – 3.89	Moderately high satisfaction
3.90 – 4.19	High satisfaction
4.20 – 4.49	Very high satisfaction
4.50 +	Extremely high satisfaction

The community's satisfaction with providing support & facilities for sporting clubs and the library service have increased steadily over the past four years whilst access to community venues has remained stable.

Community satisfaction information is used in developing the Strategic Plan and in the allocation of resources in the budget.

3.2 Strategic and Corporate Goals

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

Our vision is:

Playford is the City of Opportunity, supporting the community's hopes and aspirations to be vibrant, thriving and sustainable. It provides an enviable lifestyle that is connected, healthy, happy and proud, where each individual can take advantage of the many opportunities offered, making the City prosperous, liveable and happy.

Our mission is:

Leveraging technology to create a better and healthier place to live, where business can prosper, people are happy and there is a sustainable economy.

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

Table 3.2: Goals and how these are addressed in this Plan

GOAL	HOW GOALS ARE ADDRESSED IN AM PLAN
Smart Service Delivery	Continually monitor the services and infrastructure we provide, and adjust them where needed, in line with up-to-date information and feedback from our community
Smart Living	Pursue innovative solutions for renewing our other older suburbs and increasing the diversity of housing choices.
Smart Jobs & Education	Introduce smart regional infrastructure management to maximise economic return and jobs growth in industrial and horticultural enterprises.
Smart CBD	Undertake the development of Prince George Plaza, a new Grenville Centre as well as an associated multi-storey carpark to service the expanding CBD.
Smart Sport	Development of new lawn bowls complex with three synthetic greens and a club facility and undertake planning for further stages of the precinct including a softball complex and further soccer facilities
Smart Health	Commence public realm improvements within the precinct.

The City of Playford will exercise its duty of care to ensure public safety in accordance with the infrastructure risk management plan prepared in conjunction with this Asset Management Plan. Management of infrastructure risks is covered in Section 6.

3.3 Legislative Requirements

There are many legislative requirements relating to the management of assets. These include, but are not limited to the following:

Table 3.3: Legislative Requirements

LEGISLATION	REQUIREMENT
Local Government Act 1999	Sets out role, purpose, responsibilities and powers of local governments including the preparation of a Long Term Financial Plan supported by Asset Management Plans for sustainable service delivery.
WHS Act 2012	An Act to provide for the health, safety and welfare of persons at work; and for other purposes
Disability Discrimination Act-1992	To ensure, as far as practicable, that persons with disabilities have the same rights to equality before the law as the rest of the community.
Development Act 1993	To provide for planning and regulate development in the State; to regulate the use and management of land and buildings, and the design and construction of buildings; to make provision for the maintenance and conservation of land and buildings where appropriate; and for other purposes.
Australian Accounting Standards	Set out the financial reporting standards relating to. Inter alia, the (re)valuation and depreciation of Assets.
Housing Improvement Act 2016	An Act to provide for the improvement of sub-standard housing conditions, to provide for housing of persons of limited means, to regulate the rentals of sub-standard dwelling houses in the metropolitan area and in certain other parts of the State, and for other purposes.
Liquor Licensing Act 1997	An Act to regulate the sale, supply and consumption of liquor; and for other purposes.
Food Act 2001	An Act to provide for the safety and suitability of food; and for other purposes
Building Code of Australia	The Building Code of Australia (BCA) is the national technical document which sets the standards for building work in Australia.

3.4 Customer Levels of Service

Service levels are defined service levels in two terms, customer levels of service and technical levels of service. These are supplemented by City of Playford's service standards measures.

Customer Levels of Service measure how the customer receives the service and whether value to the customer is provided.

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

- Quality** How good is the service ... *what is the condition or quality of the service?*
- Function** Is it suitable for its intended purpose *Is it the right service?*
- Capacity/Use** Is the service over or under used ... *do we need more or less of these assets?*

The current and expected customer service levels are detailed in Tables 3.4 and 3.5. Table 3.4 shows the expected levels of service based on resource levels in the current long-term financial plan.

Organisational measures are measures of fact related to the service delivery outcome e.g. number of occasions when service is not available, condition percentages of Very Poor, Poor/Average/Good, Very good.

These Organisational measures provide a balance in comparison to the customer perception that may be more subjective.

Table 3.4: Customer Level of Service

	EXPECTATION	PERFORMANCE MEASURE USED	CURRENT PERFORMANCE	EXPECTED POSITION IN 10 YEARS BASED ON THE CURRENT BUDGET
Service Objective: Buildings are maintain in a cost effective way including understanding whole of life needs of the various buildings, their users and managing council tenants via licence and tenure arrangements, providing clear reference to ownership, accountability, roles and responsibilities in the use of Council buildings				
Quality	Well maintained facility management	Customer service requests relating to quality	54 requests (down from 75 in 2017)	Expected to be stable
	Organisational measure	% of buildings in very good/good (1,2) and poor/very poor (4,5) condition	75% in very good / good condition and 8% in poor / very poor condition	Expected to be stable
	Confidence levels		Low	Medium – High (data based)
Function	Facilities meet users' and program delivery needs	Customer service requests relating to functionality	To be developed	Expected to be stable
	Organisational measure	% of buildings with very good/good (1,2) and poor/very poor (4,5) functionality	To be developed	Expected to be stable
	Confidence levels		Low	Medium – High (data based)
Capacity and Use	Building facilities have sufficient capacity to meet program delivery needs	Customer service requests relating to usage and availability	To be developed	Expected to be stable
	Organisational measure	% of buildings with very good/good (1,2) and poor/very poor (4,5) usage	To be developed	Expected to be stable
	Confidence levels		Low	Medium – High (data based)

Customer requests relating to quality has decreased, more work is to be done to develop customer measure regarding Functionality and capacity.

3.5 Technical Levels of Service

Supporting the customer service levels are operational or technical measures of performance. These technical measures relate to the allocation of resources to service activities to best achieve the desired customer outcomes and demonstrate effective performance.

Technical service measures are linked to the activities and annual budgets covering:

- Operations – the regular activities to provide services (e.g. opening hours, cleaning, mowing grass, energy, inspections, etc.),
- Maintenance – the activities necessary to retain an asset as near as practicable to an appropriate service condition. Maintenance activities enable an asset to provide service for its planned life (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. road resurfacing and pavement reconstruction, pipeline replacement and building component replacement),
- Upgrade/New – the activities to provide a 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 and asset managers plan, implement and control technical service levels to influence the customer service levels.⁴

Table 3.5 shows the technical levels of service expected to be provided under this Asset Management Plan. The 'Desired' position in the table documents the position being recommended in this Asset Management Plan.

⁴ IPWEA, 2015, IIMM, p 2|28.

Table 3.5: Technical Levels of Service

SERVICE ATTRIBUTE	SERVICE ACTIVITY OBJECTIVE	ACTIVITY MEASURE PROCESS	CURRENT PERFORMANCE	DESIRED FOR OPTIMUM LIFECYCLE COST
TECHNICAL LEVELS OF SERVICE				
Operations				
	Building facilities meet user's needs	Periodic inspections	Class A – Every 3 months Class B – Every 6 months Class C – Every 12 months	Not significantly different from current performance
	Buildings are clean	Cleaning Frequency	Class A – daily Class A (Category 2) – 2/3 times per week Class B & C - no cleaning service provided	Not significantly different from current performance
	Buildings are secure	Security Frequency	Class A - Patrol Guarded Class B – Alarm Response Class C – No security service provided	Not significantly different from current performance
	Buildings are sustainable	Utility usage	To be developed	Not significantly different from current performance
		Budget	\$4.2m	
Maintenance				
	Buildings are suitable for purpose	Reactive service requests completed within adopted timeframes	93% of Work Orders met within the agreed Service Level Agreement (up from 85% prior year)	Not significantly different from current performance
		Planned maintenance activities completed to schedule	90% of programmed and proactive maintenance done to schedule (up from 74% prior year)	
		No. of recorded defects	To be developed	
		Budget	\$2.1m	
Renewal				
	Building facilities meet user's needs	Building elements renewed once at condition: 3 – Class A 4 – Class B 5 – Class C	4.9% of buildings at condition 5	Not significantly different from current performance

SERVICE ATTRIBUTE	SERVICE ACTIVITY OBJECTIVE	ACTIVITY MEASURE PROCESS	CURRENT PERFORMANCE	DESIRED FOR OPTIMUM LIFECYCLE COST
		Budget	\$1.7m	
Upgrade/New				
	Expansion of the asset base to be undertaken where the benefits to the Community justify the whole of life costs	Projects completed on time and on budget	<ul style="list-style-type: none"> Grenville Centre Upgrade Angle Vale Sports Centre 	Not significantly different from current performance
		Budget	\$3.2m	

4. FUTURE DEMAND

4.1 Demand Drivers

Drivers affecting demand include things such as population change, regulations, changes in demographics, seasonal factors, consumer preferences and expectations, technological changes, economic factors, environmental awareness, etc.

4.2 Demand Forecasts

The present position and projections for demand drivers that may impact future service delivery and use 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 use of assets are shown in Table 4.3.

Table 4.3: Demand Drivers, Projections and Impact on Services

Demand drivers	Present position	Projection	Impact on services
Population	92,066	Increase to 131,726 by 2036	Greater demand for services.
Residential land development	2,303 Ha of land recently rezoned	Rezone land to be developed over 20 - 30 years	Greater demand for community, sporting and administration buildings

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 can include non-asset solutions, insuring against risks and managing failures.

Opportunities identified to date for demand management are shown in Table 4.4. Further opportunities will be developed in future revisions of this asset management plan.

Table 4.4: Demand Management Plan Summary

Demand Driver	Impact on Services	Demand Management Plan
Population & Residential development	Greater demand for services and additional buildings.	Ongoing upgrade & new programs in place: <ul style="list-style-type: none"> CBD building development

4.5 Asset Programs to meet Demand

The new assets required to meet demand can be acquired, donated or constructed. Additional assets are discussed in Section 5.5. The summary of the cumulative value of additional asset is shown in Figure 1.

Figure 1: Upgrade and New Assets to meet Demand – (Cumulative)

Playford CC - Upgrade & New Assets to meet Demand (Buildings_S1_V1)

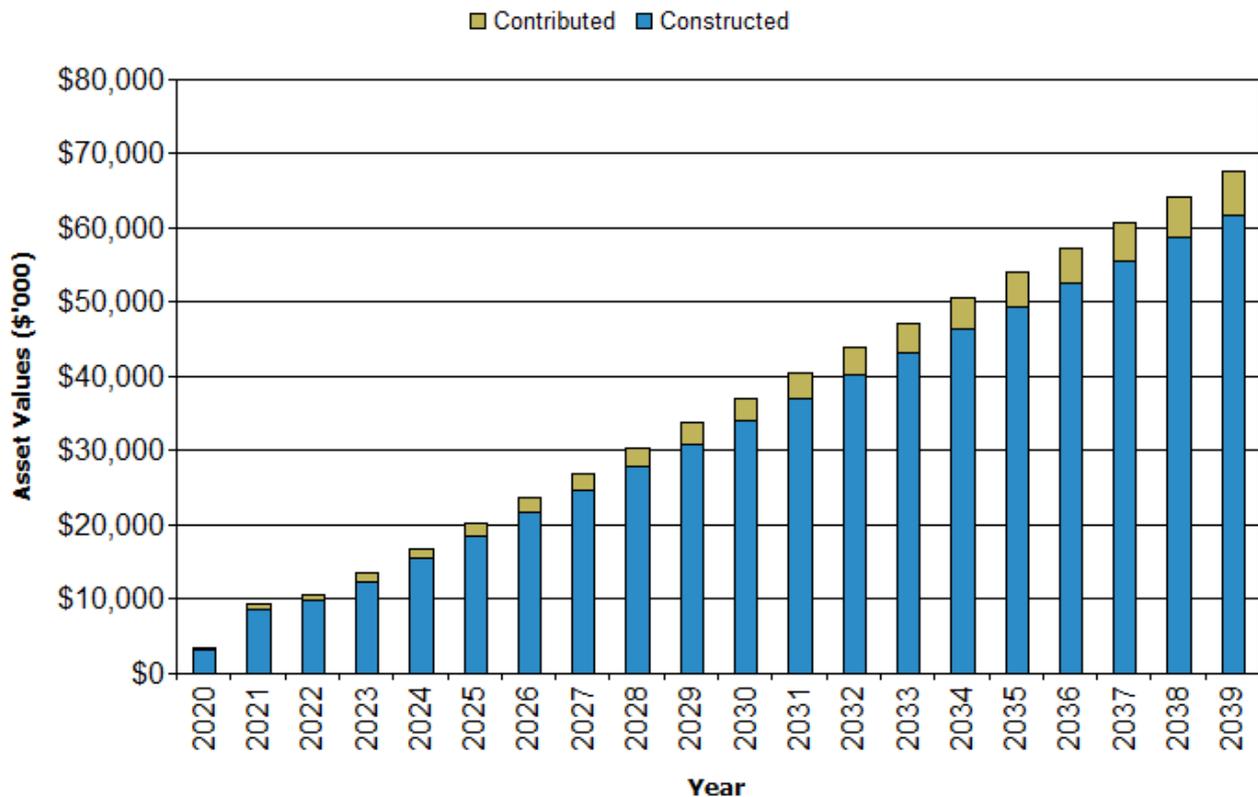


Figure Values are in current (real) dollars.

The City of Playford is one of the fastest growing communities in South Australia and thus over the forward projections is expected to upgrade existing assets to cater to the increased demand brought on by these developments. The financial costs relating to the contributed and newly constructed assets will be funded through the additional rates received from new property developments.

Acquiring these new assets will commit 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 for inclusion in the long term financial plan in Section 5.

5. LIFECYCLE MANAGEMENT PLAN

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

5.1 Background Data

5.1.1 Physical parameters

The assets covered by this asset management plan are shown in Table 2.1.

The building component assets covered by this plan are structure (32%), fit-out (21%), roofing (17%), plumbing (11%), electrical (10%) and Air-conditioning (8%).

Based on council's previous external revaluation, the following expected useful lives have been calculated as follows:

- Structure 103 years
- Fit-out 40 years
- Roofing 77 years
- Plumbing 74 years
- Electrical 73 years
- Air-condition 40 years

The age profile of the assets included in this Asset Management Plan are shown in Figure 2.

Figure 2: Asset Age Profile

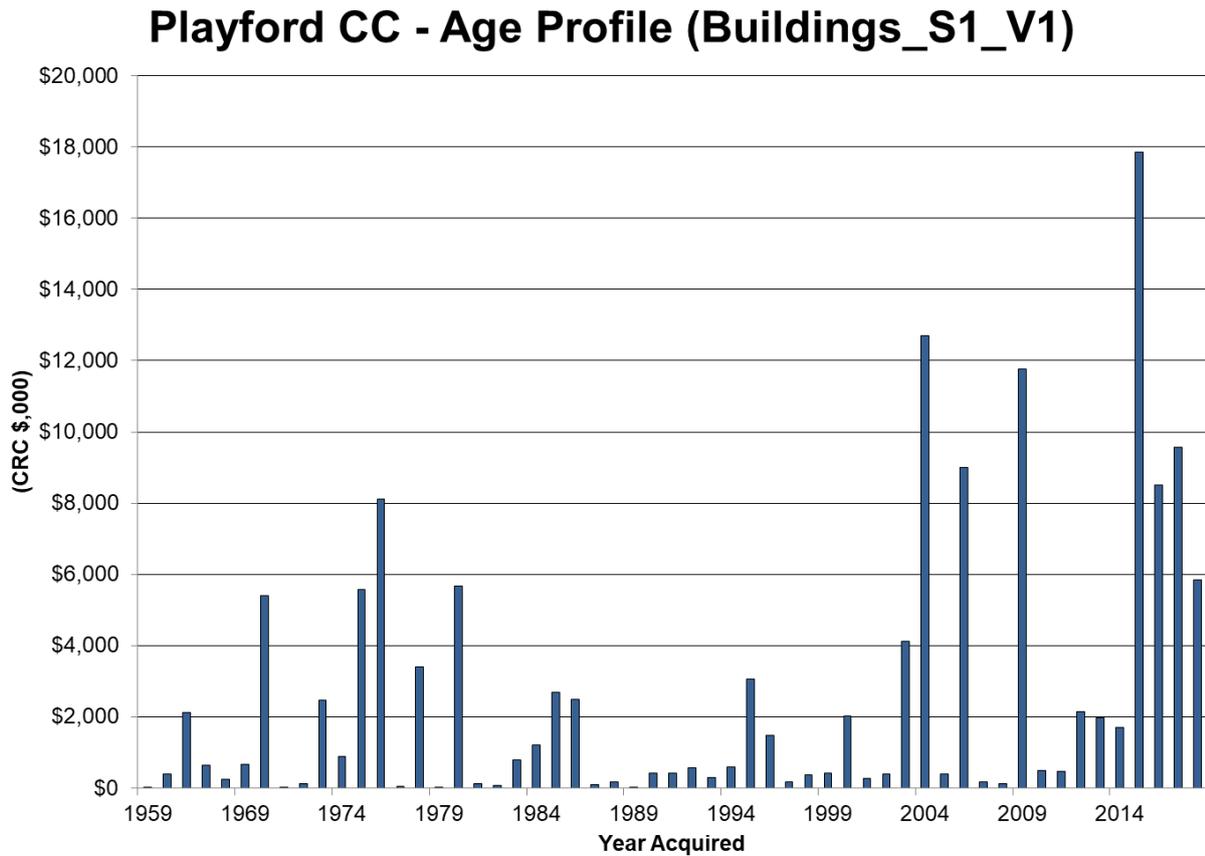


Figure Values are in current (real) dollars.

5.1.2 Asset capacity and performance

Assets 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

Category	Service Deficiency
Sporting Facilities & Community Buildings	<ul style="list-style-type: none"> Vandalism – Reducing life expectancy of component; Changing trends – Changing demographics; Clubs / tenants not conforming to lease agreements – Increasing Council maintenance costs.
Public Toilets	<ul style="list-style-type: none"> Vandalism.

The above service deficiencies were identified from the annual inspection program and customer requests.

5.1.3 Asset condition

Condition is monitored annually as per IPWEA condition assessment & asset performance guidelines

The condition profile of our assets is shown in Figure 3.

Figure 3: Asset Condition Profile

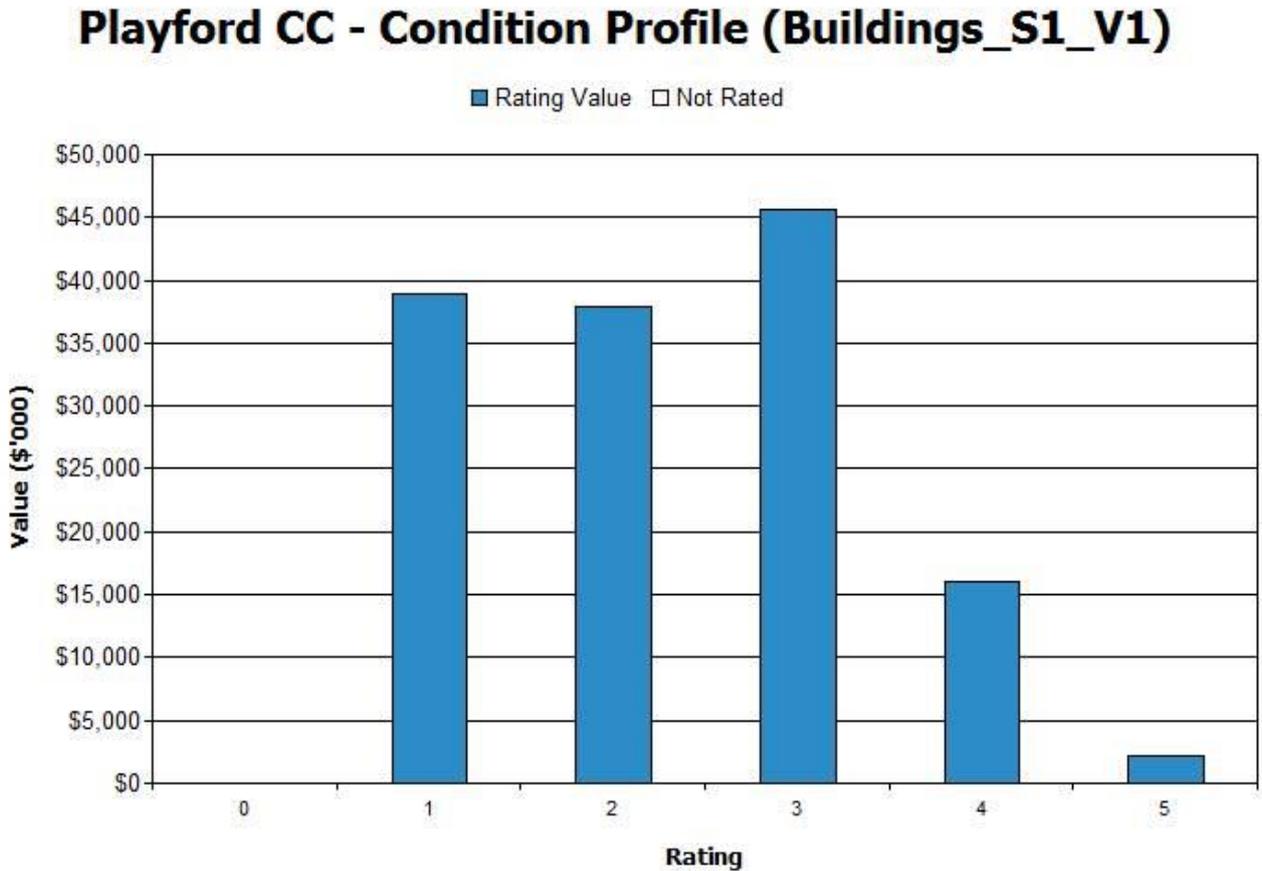


Figure Values are in current (real) dollars.

The condition of a majority of building assets is very good to good, with only a minor amount in poor or very poor.

Condition is measured using a 1 – 5 grading system⁵ as detailed in Table 5.1.3.

⁵ IPWEA, 2015, IIMM, Sec 2.5.4, p 2|80.

Table 5.1.3: Simple Condition Grading Model

Condition Grading	Description of Condition
0	Not rated
1	Very Good: only planned maintenance required
2	Good: minor maintenance required plus planned maintenance
3	Fair: significant maintenance required
4	Poor: significant renewal/rehabilitation required
5	Very Poor: physically unsound and/or beyond rehabilitation

5.2 Operations and Maintenance Plan

Operations include regular activities to provide services such as public health, safety and amenity, e.g. cleaning, utilities costs and security.

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, e.g. Repair air-condition units.

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.

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 they will result in a lesser level of service, the service consequences and service risks have been identified and is highlighted in this Asset Management Plan and service risks considered in the Infrastructure Risk Management Plan.

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 4. Note that all costs are shown in current 2018/19 dollar values (i.e. real values).

Figure 4: Projected Operations and Maintenance Expenditure

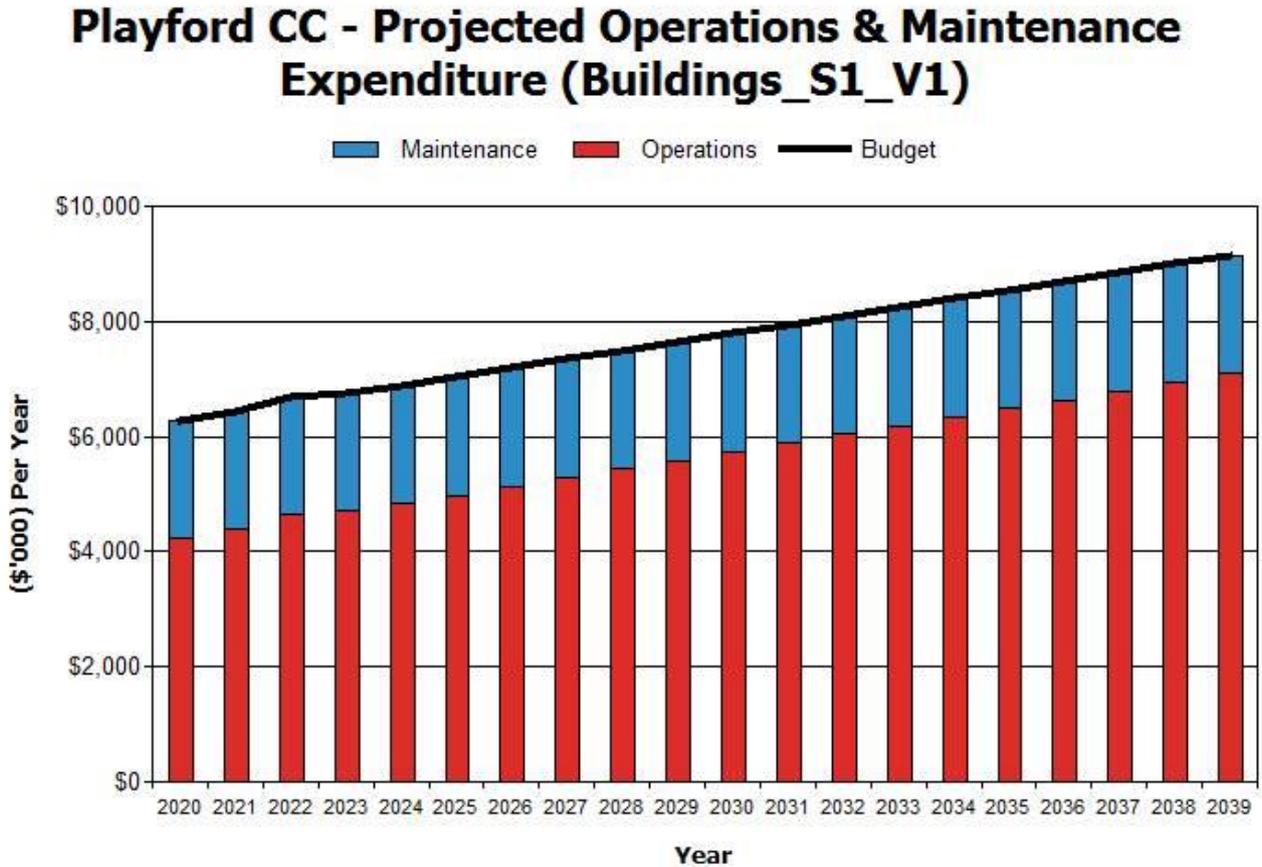


Figure Values are in current (real) dollars.

It is expected that Council’s maintenance and operations budget will increase due to developer contributed assets and new and upgraded infrastructure. The ongoing financial cost is funded through increase in rates from new properties.

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.

Maintenance is funded from the operating budget where available. This is further discussed in Section 7.

5.3 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 service potential. Work over and above restoring an asset to original service potential is considered to be an upgrade/expansion or new work expenditure resulting in additional future operations and maintenance costs.

Assets requiring renewal/replacement are identified from one of three methods provided in the ‘Expenditure Template’.

- Method 1 uses Asset Register data to project the renewal costs using acquisition year and useful life to determine the renewal year, or
- Method 2 uses capital renewal expenditure projections from external condition modelling systems (such as Pavement Management Systems), or

- Method 3 uses a combination of average network renewals plus defect repairs in the Renewal Plan and Defect Repair Plan worksheets on the 'Expenditure template'.

Method 1 was used for this asset management plan.

5.3.1 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. replacing inefficient air-conditioning units), or
- To ensure the infrastructure is of sufficient quality to meet the service requirements (e.g. condition of bar and kitchen fit-out in clubroom).⁶

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 high use and subsequent impact on users would be greatest,
- Have a total value representing the greatest net value,
- Have the highest average age relative to their expected lives,
- Are identified in the Asset Management Plan as key cost factors,
- Have high operational or maintenance costs, and
- Have replacement with a modern equivalent asset that would provide the equivalent service at a savings.⁷

The ranking criteria used to determine priority of identified renewal and replacement proposals is detailed in Table 5.3.1.

Table 5.3.1: Renewal and Replacement Priority Ranking Criteria

Criteria	Weighting
Current Service Level	30 %
Alignment with Council's strategic objectives.	25 %
Funding within 10 Year Financial Plan	25 %
Legislative requirements	20 %
Total	100%

5.3.2 Summary of future renewal and replacement expenditure

Projected future renewal and replacement expenditures are forecast to increase over time when the asset stock increases. The expenditure required is shown in Fig 5. Note that all amounts are shown in current (real) dollars.

⁶ IPWEA, 2015, IIMM, Sec 3.4.4, p 3|91.

⁷ Based on IPWEA, 2015, IIMM, Sec 3.4.5, p 3|97.

Figure 5: Projected Capital Renewal and Replacement Expenditure

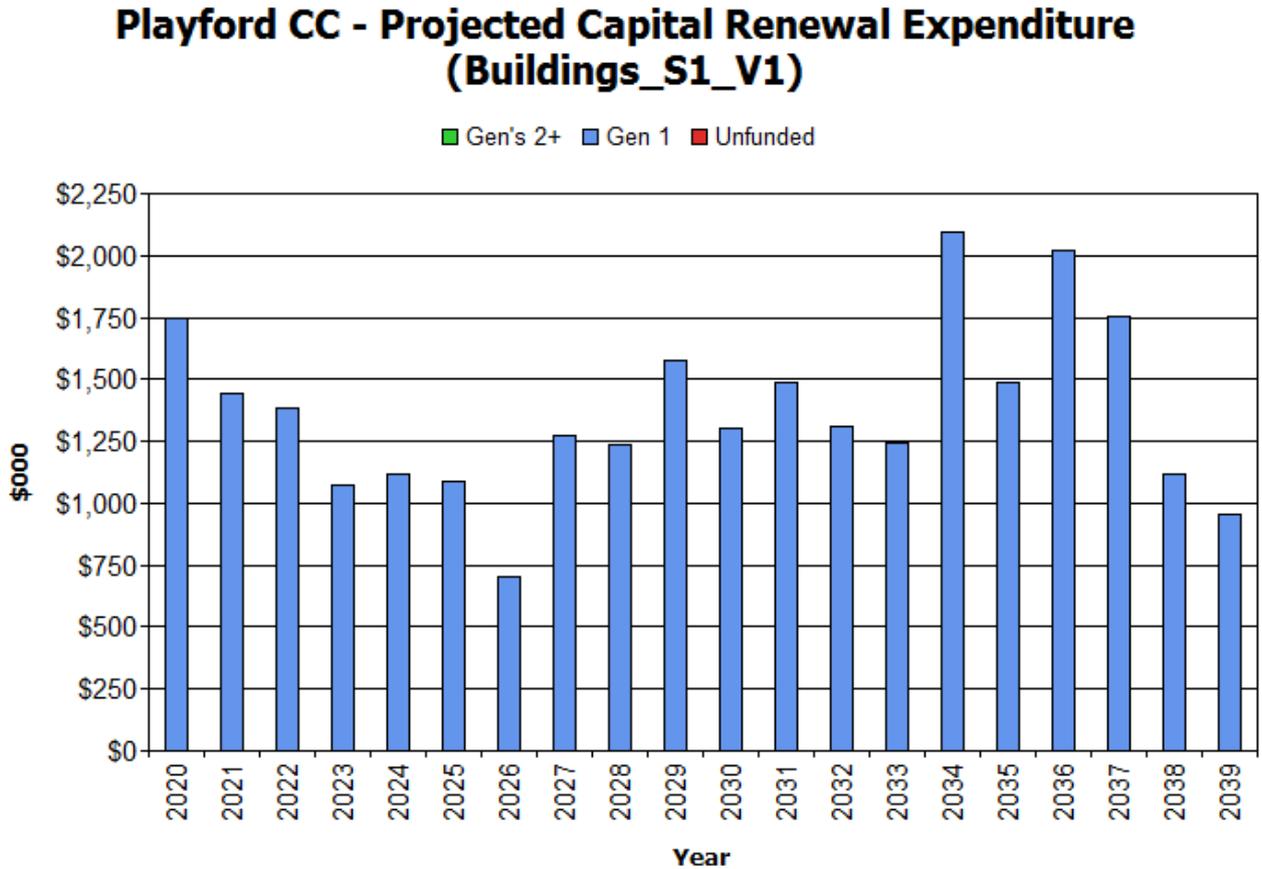


Figure Values are in current (real) dollars.

Over the next 20 years fit-out renewals account for 68% of building renewal expenditure, this is due to fit out having a shorter useful life compared other long lived assets such as structure and roofing. Air conditioning renewal makes up approximately 16% of projected renewal expenditure.

Deferred renewal and replacement, i.e. those assets identified for renewal and/or replacement and not scheduled in capital works programs, are to be included in the risk analysis process in the risk management plan.

Renewals and replacement expenditure in the capital works program will be accommodated in the long term financial plan. This is further discussed in Section 7.

5.4 Creation/Acquisition/Upgrade Plan

New works are those that create a new asset that did not previously exist, or works which will 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. These additional assets are considered in Section 4.4.

5.4.1 Selection criteria

New assets and upgrade/expansion of existing assets are identified from various sources such as community requests, proposals identified by strategic plans or partnerships with others. 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 programs. The priority ranking criteria is detailed below.

Table 5.4.1: New Assets Priority Ranking Criteria

Criteria	Weighting
Alignment with Council’s strategic objectives.	30 %
Funding within 10 Year Financial Plan	30 %
Community need	20 %
Legislative requirements	20 %
Total	100%

5.4.2 Summary of future upgrade/new assets expenditure

Projected upgrade/new asset expenditures are summarised in Fig 6. The projected upgrade/new capital works program is shown in Appendix C. All amounts are shown in real values.

Figure 6: Projected Capital Upgrade/New Asset Expenditure

Playford CC - Projected Capital Upgrade/New Expenditure (Buildings_S1_V1)

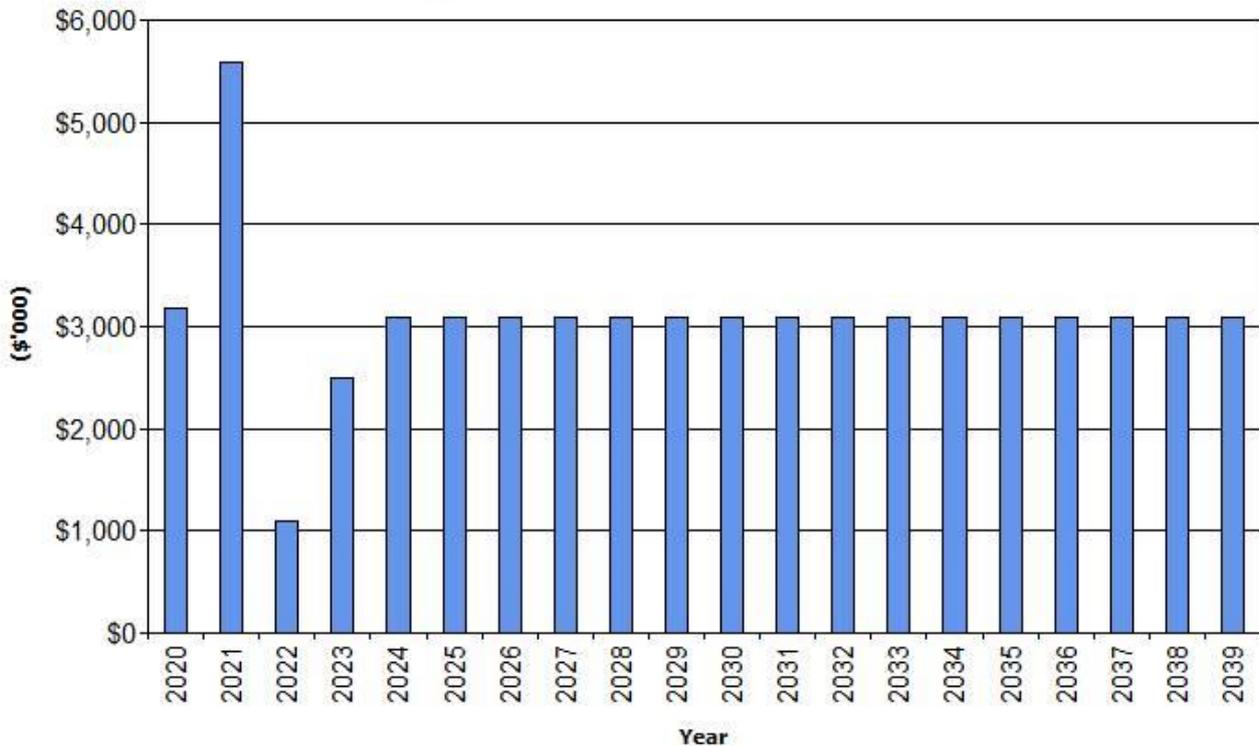


Figure Values are in current (real) dollars.

Expenditure on new assets and services in the capital works program will be accommodated in the long term financial plan but only to the extent of the available funds.

Capital upgrades and new capital expenditure that increase council’s asset base will have ongoing operations, maintenance and renewal costs. These whole of life asset costs are funded through an increase in rates for new services to ensure long-term financial sustainability.

5.4.3 Summary of asset expenditure requirements

The financial projections from this asset plan are shown in Fig 7 for projected operating (operations and maintenance) and capital expenditure (renewal and upgrade/expansion/new assets). Note that all costs are shown in real values.

The bars in the graphs represent the anticipated budget needs required to achieve lowest lifecycle costs, the budget line indicates what is currently available. The gap between these informs the discussion on achieving the balance between services, costs and risk to achieve the best value outcome.

Figure 7: Projected Operating and Capital Expenditure

Playford CC - Projected Operating and Capital Expenditure (Buildings_S1_V1)

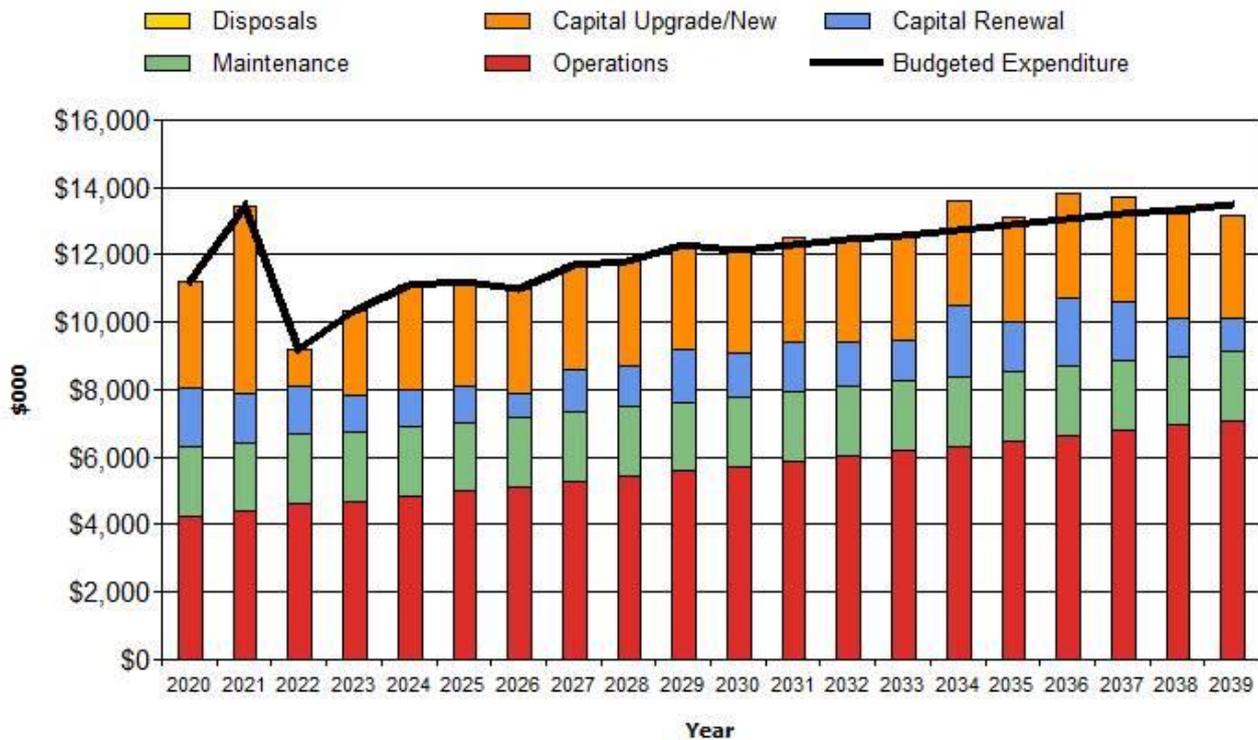


Figure Values are in current (real) dollars.

The total projected 20 year asset management plan operating and capital expenditure costs average approximately \$12.2m per annum. Whilst the budgeted expenditure broadly matches each year’s projected expenditure, a number of years’ projections exceed budget and thus some renewals will need to be delayed by one to two years. This will not be expected to have a significant impact on service levels.

5.5 Disposal Plan

Disposal includes any activity associated with the disposal of a decommissioned asset including sale, demolition or relocation. Assets identified for possible decommissioning and disposal are shown in Table 5.5, together with estimated annual savings from not having to fund operations and maintenance of the assets. These assets will be further reinvestigated to determine the required levels of service and see what options are available for alternate service delivery, if any. Any costs or revenue gained from asset disposals is accommodated in the long term financial plan.

Table 5.5: Assets Identified for Disposal

Asset	Reason for Disposal	Timing
Munno Para Bowls Club	Fund new bowls centre located within the Playford Sports Precinct	2019/20

6. RISK MANAGEMENT PLAN

The purpose of infrastructure risk management is to document the results and recommendations resulting from the periodic identification, assessment and treatment of risks associated with providing services from infrastructure, using the fundamentals of International Standard ISO 31000:2009 Risk management – Principles and guidelines.

Risk Management is defined in ISO 31000:2009 as: ‘coordinated activities to direct and control with regard to risk’⁸.

An assessment of risks⁹ associated with service delivery from infrastructure assets has identified critical risks that will result in loss or reduction in service from infrastructure assets or a ‘financial shock’. 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.

6.1 Critical Assets

Critical assets are defined as those which have a high consequence of failure causing significant loss or reduction of service. Similarly, critical failure modes are those which have the highest consequences.

Critical assets have been identified and their typical failure mode and the impact on service delivery are as follows:

Table 6.1 Critical Assets

Critical Asset(s)	Failure Mode	Impact
Playford Aquadome – Gas heating boiler	Mechanical failure due to age	Pool closure

By identifying critical assets and failure modes, investigative activities, condition inspection programs, maintenance and capital expenditure plans can be targeted at the critical areas.

6.2 Risk Assessment

The risk management process used in this project is shown in Figure 6.2 below.

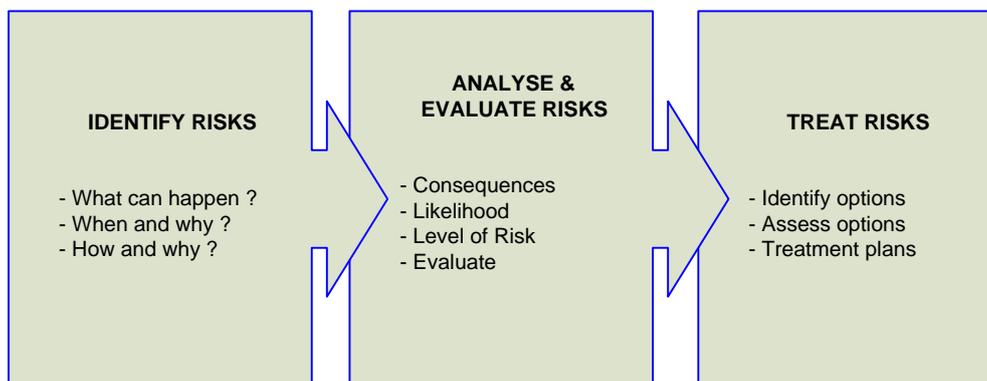
⁸ ISO 31000:2009, p 2

⁹ City of Playford’s Integrated Risk Management Framework

The purpose of the risk management process is to provide a logical framework for the selection of treatment plans and the management actions to protect the community against unacceptable risk.

The process is based on the fundamentals of the ISO risk assessment standard ISO 31000:2009.

Fig 6.2 Risk Management Process – Abridged



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.

An assessment of risks¹⁰ associated with service delivery from infrastructure assets has identified the critical risks that will result in significant loss, ‘financial shock’ or a reduction in service.

Critical risks are those assessed with ‘Very High’ (requiring immediate corrective action) and ‘High’ (requiring corrective action) risk ratings identified in the Infrastructure Risk Management Plan. The residual risk and treatment cost after the selected treatment plan is implemented is shown in Table 6.2. These risks and costs are reported to management and Council.

Table 6.2: Critical Risks and Treatment Plans

Service or Asset at Risk	What can Happen	Risk Rating (VH, H)	Risk Treatment Plan	Residual Risk *
Buildings	Age, condition and insufficient maintenance over the years have increased the risk of injury to users.	H	Planned replacement/ maintenance as per AM Plans and service delivery	Low
	Vandalism to buildings potentially causing damage to infrastructure, increasing maintenance costs.	H	Use alternative building materials, install lighting and CCTV, increase security patrols	Low
	Non-compliance with legislation / DDA.	H	Upgrades to comply with legislation, Maintain DDA Action plan	Low

¹⁰ City of Playford’s Integrated Risk Management Framework

Service or Asset at Risk	What can Happen	Risk Rating (VH, H)	Risk Treatment Plan	Residual Risk *
	Lack of notification of required maintenance by tenant causing City of Playford to be unaware of maintenance requirements.	H	Increase communication with clubs and lease holders.	Low
	Roof leaks and internal flooding.	H	Regular maintenance and inspections. Programmed. Replacement program.	Low

Note * The residual risk is the risk remaining after the selected risk treatment plan is operational.

6.3 Service and Risk Trade-Offs

The decisions made in adopting this Asset Management Plan are based on the objective to achieve the optimum benefits from the available resources.

Currently the existing service level and additional assets brought on by development and growth for buildings is funded through the long-term financial plan and thus there does not need to be any service or risk trade-offs of any significance at this point.

7. FINANCIAL SUMMARY

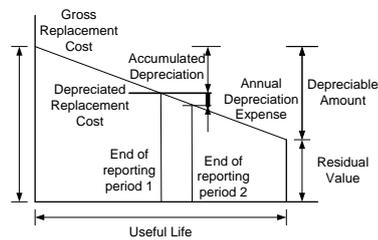
This section contains the financial requirements resulting from all the information presented in the previous sections of this asset management plan. The financial projections will be improved as further information becomes available on desired levels of service and current and projected future asset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

7.1 Financial Statements and Projections

7.1.1 Asset valuations

The best available estimate of the value of assets included in this Asset Management Plan are shown below. Assets are valued at fair value replacement cost

Gross Replacement Cost (or CRC)	\$140,875,000
Depreciable Amount	\$140,883,875
Depreciated Replacement Cost ¹¹	\$107,678,000
Annual Average Asset Consumption	\$2,531,000



7.1.1 Sustainability of service delivery

Two 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, and
- medium term budgeted expenditures/projected expenditure (over 10 years of the planning period).

Asset Renewal Funding Ratio

Asset Renewal Funding Ratio¹² 100%

The Asset Renewal Funding Ratio is the most important indicator and indicates that over the next 10 years of the forecasting that we expect to have 100% of the funds required for the optimal renewal and replacement of assets.

Medium term – 10 year financial planning period

This asset management plan identifies the projected operations, maintenance and capital renewal expenditures required to provide an agreed level of service to the community over a 10 year period. This provides input into 10 year financial and funding plans aimed at providing the required services in a sustainable manner.

These projected expenditures may be compared to budgeted expenditures in the 10 year period to identify any funding shortfall. In a core asset management plan, a gap is generally due to increasing asset renewals for ageing assets.

¹¹ Also reported as Written Down Value, Carrying or Net Book Value.

¹² AIFMM, 2015, Version 1.0, Financial Sustainability Indicator 3, Sec 2.6, p 9.

The projected operations, maintenance and capital renewal expenditure required over the 10 year planning period is \$8,242,000 on average per year.

Estimated (budget) operations, maintenance and capital renewal funding is \$8,243,000 on average per year giving a 10 year funding surplus of \$1,000 per year. This indicates 100% of the projected expenditures needed to provide the services documented in the asset management plan. This excludes upgrade/new assets.

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.

7.1.2 Projected expenditures for long term financial plan

Table 7.1.2 shows the projected expenditures for the 10 year long term financial plan.

Expenditure projections are in 2018/19 real values.

Table 7.1.2: Projected Expenditures for Long Term Financial Plan (\$000)

Year	Operations (\$000)	Maintenance (\$000)	Projected Capital Renewal (\$000)	Capital Upgrade/ New (\$000)	Disposals (\$000)
2020	\$4,229	\$2,058	\$1,746	\$3,186	\$0
2021	\$4,384	\$2,058	\$1,441	\$5,579	\$0
2022	\$4,645	\$2,058	\$1,387	\$1,094	\$0
2023	\$4,706	\$2,058	\$1,072	\$2,500	\$0
2024	\$4,831	\$2,058	\$1,119	\$3,090	\$0
2025	\$4,981	\$2,058	\$1,088	\$3,090	\$0
2026	\$5,133	\$2,058	\$700	\$3,090	\$0
2027	\$5,283	\$2,058	\$1,270	\$3,090	\$0
2028	\$5,433	\$2,058	\$1,236	\$3,090	\$0
2029	\$5,585	\$2,058	\$1,576	\$3,090	\$0

7.2 Funding Strategy

Funding for assets is provided from the budget and long term financial plan.

The financial strategy of the Council determines how funding will be provided, whereas the asset management plan communicates how and when this will be spent, along with the service and risk consequences of differing options.

7.3 Valuation Forecasts

Asset values are forecast to increase as additional assets are added in to service.

Additional assets will generally add to the operations and maintenance needs in the longer term, as well as the need for future renewal. Additional assets will also add to future depreciation forecasts.

7.4 Key Assumptions Made in Financial Forecasts

This section details the key assumptions made in presenting the information contained in this asset management plan. 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:

Table 7.4: Key Assumptions made in Asset Management Plan and Risks of Change

Key Assumptions	
1	Growth of asset base due to developer contributions equating to 0.2%
2	Steady state condition of building network as identified by external revaluation
3	Expected and adopted asset useful life will be achieved
4	Current replacement cost reflects cost of renewals

7.5 Forecast Reliability and Confidence

The expenditure and valuations projections in this AM Plan are based on best available data. Currency and accuracy of data is critical to effective asset and financial management. Data confidence is classified on a 5 level scale¹³ in accordance with Table 7.5.

Table 7.5: Data Confidence Grading System

Confidence Grade	Description
A Highly reliable	Data based on sound records, procedures, investigations and analysis, documented properly and agreed as the best method of assessment. Dataset is complete and estimated to be accurate $\pm 2\%$
B Reliable	Data based on sound records, procedures, investigations and analysis, documented properly but has minor shortcomings, for example some of the data is old, some documentation is missing and/or reliance is placed on unconfirmed reports or some extrapolation. Dataset is complete and estimated to be accurate $\pm 10\%$
C Uncertain	Data based on sound records, procedures, investigations and analysis which is incomplete or unsupported, or extrapolated from a limited sample for which grade A or B data are available. Dataset is substantially complete but up to 50% is extrapolated data and accuracy estimated $\pm 25\%$
D Very Uncertain	Data is based on unconfirmed verbal reports and/or cursory inspections and analysis. Dataset may not be fully complete and most data is estimated or extrapolated. Accuracy $\pm 40\%$
E Unknown	None or very little data held.

The estimated confidence level and reliability of data used in this Asset Management Plan is considered to be **reliable**

¹³ IPWEA, 2015, IIMM, Table 2.4.6, p 2|71.

8. PLAN IMPROVEMENT AND MONITORING

8.1 Status of Asset Management Practices¹⁴

8.1.1 Accounting and financial data sources

The City of Playford uses the Technology One, One Council, financial system. This system has an Asset Database module and a General Ledger module.

The finance module is the responsibility of the Finance function and asset module is the responsibility of the Asset Strategy function. There is joint responsibility for ensuring the integrity of the system and asset financial information overall.

The City of Playford prepares general purpose financial reports in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS) as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations (UIGs) and relevant South Australian legislation.

8.1.2 Asset management data sources

The General Ledger module references transactions from the Asset module through an asset number field. Transfer of financial information from the Asset to the GL module is automatic via system posting transactions.

8.2 Improvement Plan

The asset management improvement plan generated from this asset management plan is shown in Table 8.1.

Table 8.1: Improvement Plan

Task ID	Task	Responsibility	Resources Required	Timeline
B01	Undertake an external audit of buildings recording condition, component details and useful lives	Senior Manager Asset Operations	\$50,000	2019
B02	Restructure building component asset records to reflect renewal and maintenance activities	Senior Manager Asset Operations	Existing resources	2020
B03	Formalise the building Risk Register	Manager - Buildings	Existing resources	2019
B04	Categorise buildings in to classes that reflect technical service levels (high use / criticality)	Senior Manager Asset Operations	Existing resources	2019
B05	Implement an annual condition assessment process for Building assets	Manager - Buildings	Existing resources	2020
B06	Finalise the technical levels of service still to be developed	Asset Planning Coordinator	Existing resources	2020

¹⁴ ISO 55000 Refers to this the Asset Management System

8.3 Monitoring and Review Procedures

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

The Asset Management 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 long term financial plan.

The Asset Management Plan has a life of 4 years and is due for complete revision and updating within four years of each Council election.

8.4 Performance Measures

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

- The degree to which the required projected expenditures identified in this asset management plan are incorporated into the long term financial plan,
- The degree to which 1-5 year detailed works programs, budgets, business plans and corporate structures take into account the 'global' works program trends provided by the asset management plan,
- 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 Strategic Plan and associated plans,
- The Asset Renewal Funding Ratio achieving the target of 1.0.

9. REFERENCES

- IPWEA, 2006, 'International Infrastructure Management Manual', Institute of Public Works Engineering Australasia, Sydney, www.ipwea.org/IIMM.
- IPWEA, 2008, 'NAMS.PLUS Asset Management', Institute of Public Works Engineering Australasia, Sydney, www.ipwea.org/namsplus.
- IPWEA, 2015, 2nd edn., 'Australian Infrastructure Financial Management Manual', Institute of Public Works Engineering Australasia, Sydney, www.ipwea.org/AIFMM.
- IPWEA, 2015, 3rd edn., 'International Infrastructure Management Manual', Institute of Public Works Engineering Australasia, Sydney, www.ipwea.org/IIMM.
- IPWEA, 2012 LTFP Practice Note 6 PN Long Term Financial Plan, Institute of Public Works Engineering Australasia, Sydney.
- Playford Community Vision: 2043 - <http://www.playford.sa.gov.au/page.aspx?u=1256>
- City of Playford Strategic Plan: 2016 – 2020 Version 2 - <http://www.playford.sa.gov.au/strategicplan>

10. APPENDICES

Appendix A Projected 10 year Capital Renewal and Replacement Works Program.

Appendix B Glossary

Appendix A Projected 10-year Capital Renewal and Replacement Works Program

Summary (\$'000)

Building Type	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total
Community Building	-	501	210	335	257	319	41	145	521	265	2,593
Corporate Building	246	518	-	561	30	261	609	147	16	1,098	3,486
Other Building	-	172	-	-	69	10	3	36	9	-	299
Public Toilet	-	8	-	-	-	-	-	-	-	-	8
Sporting Building	1,500	241	1,177	176	764	498	46	942	690	213	6,247
Total	1,746	1,441	1,387	1,072	1,119	1,088	700	1,270	1,236	1,576	12,634

2020 Detail

Building	Component
AQUADOME AT PLAYFORD - AQUATIC CENTRE	Electrical, Mechanical & Fitout
PLAYFORD CIVIC CENTRE	Electrical & Fitout
PLAYFORD OPERATIONS	Electrical
PLAYFORD OPERATIONS - TRANS STYLE SIGN	Building
SPRUANCE HALL	Electrical, Mechanical, Fitout, & Plumbing
VIRGINIA OVAL - CLUBROOMS	Structure

Appendix B 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.

Expenses

Decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or increases in liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

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 are 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 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, Glossary

