

Ballina Shire Council



CORPORATE (financial) SUMMARY

Asset Management Plan (draft)



February 2016

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Asset Management for Small, Rural or Remote Communities Practice Note

The Institute of Public Works Engineering Australia.

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TABLE OF CONTENTS

1. EXECUTIVE SUMMARY	ii
2. INTRODUCTION	1
2.1 Background	1
2.2 Goals and Objectives of Asset Management	6
2.3 Plan Framework	7
3. FINANCIAL SUMMARY	8
3.1 Financial Statements and Projections	8
3.2 Funding Strategy	12
3.3 Valuation Forecasts	12
REFERENCES	14
APPENDICES	15
Appendix A Projected Operating and Capital Expenditure and Budget (per AMP)	16
Appendix B Abbreviations	19
Appendix C Glossary	20

1. EXECUTIVE SUMMARY

Context

Ballina Shire Council is located in the Northern Rivers of the Far North Coast of New South Wales. It covers an area of 485 km² with a shire population of 41,335 (as of 30th June 2013).

The BSC Asset network comprises:

- Airport
- Buildings
- Open Spaces & Reserves
- Plant & Vehicles
- Road & Transport
- Stormwater
- Swimming Pools
- Urban Water
- Waste & Recycling

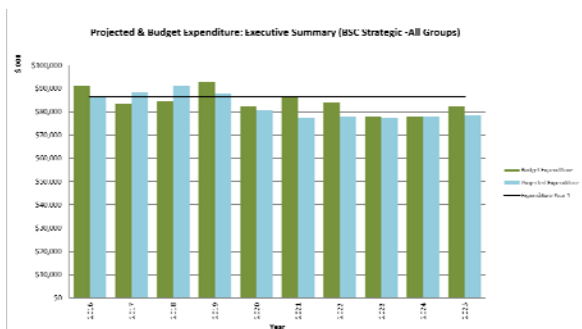
These infrastructure assets have a replacement value of \$1,374,042,996.

What does it Cost?

The projected cost to provide the services covered by this Asset Management Plan includes operations, maintenance, renewal and upgrade of existing assets over the 10-year planning period is \$70,007 k per year.

Council's estimated available funding for this period is \$84,271 k per year which is 102% of the cost to provide the service. This is a funding surplus of +\$2,019k per year. Projected and budgeted expenditure are shown in the graph below.

Executive Summary - What does it cost?	(\$'000)
10-year total cost [O, M, R & U]	\$822,521
10-year average cost	\$82,252
10-year total LTFP budget [O, M, R & U]	\$842,742
10-year average LTFP budget	\$84,271
10-year AM financial indicator	102%
10-year average funding shortfall	\$2,019



Councils' present funding levels are sufficient to continue to provide existing services at current levels in the medium term.

What we will do

Council plans to roll out the following principal projects during the next 20 years

- Replace, Marine Rescue Tower replacement
- New, Ballina Surf Club Building B
- Replace, Lennox Surf Club
- New, Wollongbar Sports field construction
- Replace Ballina Fire Station
- Establish program of public amenities upgrades
- Ballina & Alstonville Pool upgrades
- Playground replacement program
- Airport Expansion
- Works associated with the Roads developer contribution plan 2015.
- Works associated with the water and wastewater development services plan 2015

What we cannot do

Council does not have enough funding to provide all services at the desired service levels or provide new services. Works and services that cannot be provided under present funding levels are:

- Provide asphalt road surfaces to local urban streets & local rural roads.
- CCTV 100% of gravity reticulation networks
- Construct a second runway at the airport

Managing the Risks

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

- BSC Administration Building Roof
- BSC Administration Building Air Conditioning
- Asbestos Removal on selected buildings

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

- Inspection & maintenance programming
- Capital replacements when funding becomes available

Questions you may have

What is this plan about?

This asset management plan covers the infrastructure assets that serve Ballina Shire Council's Infrastructure needs. A summary is listed below on page 3.

What is an Asset Management Plan?

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

An asset management plan details information about infrastructure assets including actions required to provide an agreed level of service in the most cost effective manner. The Plan defines the services to be provided, how the services are provided and what funds are required to provide the services.

Why is there a funding shortfall?

Most of the Council's transport network was constructed from government grants often provided and accepted without consideration of ongoing operations, maintenance and replacement needs.

Many of these assets are approaching the later years of their life and require replacement, services from the assets are decreasing and maintenance costs are increasing.

Councils' present funding levels are insufficient to continue to provide existing services at current levels in the medium term.

What options do we have?

Resolving the funding shortfall involves several steps:

1. Improving asset knowledge so that data accurately records the asset inventory, how assets are performing and when assets are not able to provide the required service levels,
2. Improving our efficiency in operating, maintaining, replacing existing and constructing new assets to optimise life cycle costs,
3. Identifying and managing risks associated with providing services from infrastructure,
4. Making trade-offs between service levels and costs to ensure that the community receives the best return from infrastructure,
5. Identifying assets surplus to needs for disposal to make saving in future operations and maintenance costs
6. Consulting with the community to ensure that transport services and costs meet community needs and are affordable,

7. Developing partnership with other bodies, where available to provide services;
8. Seeking additional funding from governments and other bodies to better reflect a 'whole of government' funding approach to infrastructure services.

What happens if we don't manage the shortfall?

It is likely that council will have to reduce service levels in some areas, unless new sources of revenue are found. For Road & Transport, the service level reduction has involved the application of spray seals on all local & residential roads in lieu of asphalt surfacing.

What can we do?

Council can develop options and priorities for future services with costs of providing the services, consult with the community to plan future services to match the community services needs with ability to pay for services and maximise benefit to the community for costs to the community.

2. INTRODUCTION

2.1 Background

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

The asset management plan is to be read with Council's Asset Management Policy (2014), Asset Management Strategy (2013) and the following associated planning documents:

- Ballina Byron Gateway Airport AMP -2016
- Buildings & Structures AMP -2016
- Open Spaces & Reserves AMP -2016
- Plant & Vehicle AMP -2016
- Swimming Pools AMP -2016
- Stormwater AMP -2016
- Road & Transport AMP -2016
- Urban Water AMP -2016
- Waste & Recycling AMP -2016
- Infrastructure Risk Management Plan -2016
- Long Term Financial Plan -2016

Details of the infrastructure assets covered by this asset management plan are shown in Table 2.1.1 & Table 2.1.2

Table 2.1.1: Assets covered by this Plan

Asset Management Plan	Replacement Cost	WDV (fair value)	Annual Depreciation
Ballina Byron Gateway Airport	\$44,274,154	\$34,022,782	\$851,254
Buildings & Structures	\$288,606,838	\$244,378,304	\$2,556,676
Open Spaces & Reserves	\$18,690,068	\$11,000,629	\$462,911
Plant & Vehicles	\$16,503,682	\$6,396,171	\$1,654,848
Swimming Pools	\$3,793,715	\$1,721,808	\$75,687
Stormwater	\$108,993,286	\$70,063,948	\$1,419,385
Road & Transport	\$531,865,562	\$439,010,883	\$5,350,333
Urban Water	\$348,889,614	\$254,410,407	\$4,809,053
Waste & Recycling	\$12,426,077	\$3,858,206	\$232,037
TOTAL:	\$1,374,042,996	\$1,064,863,138	\$17,412,184

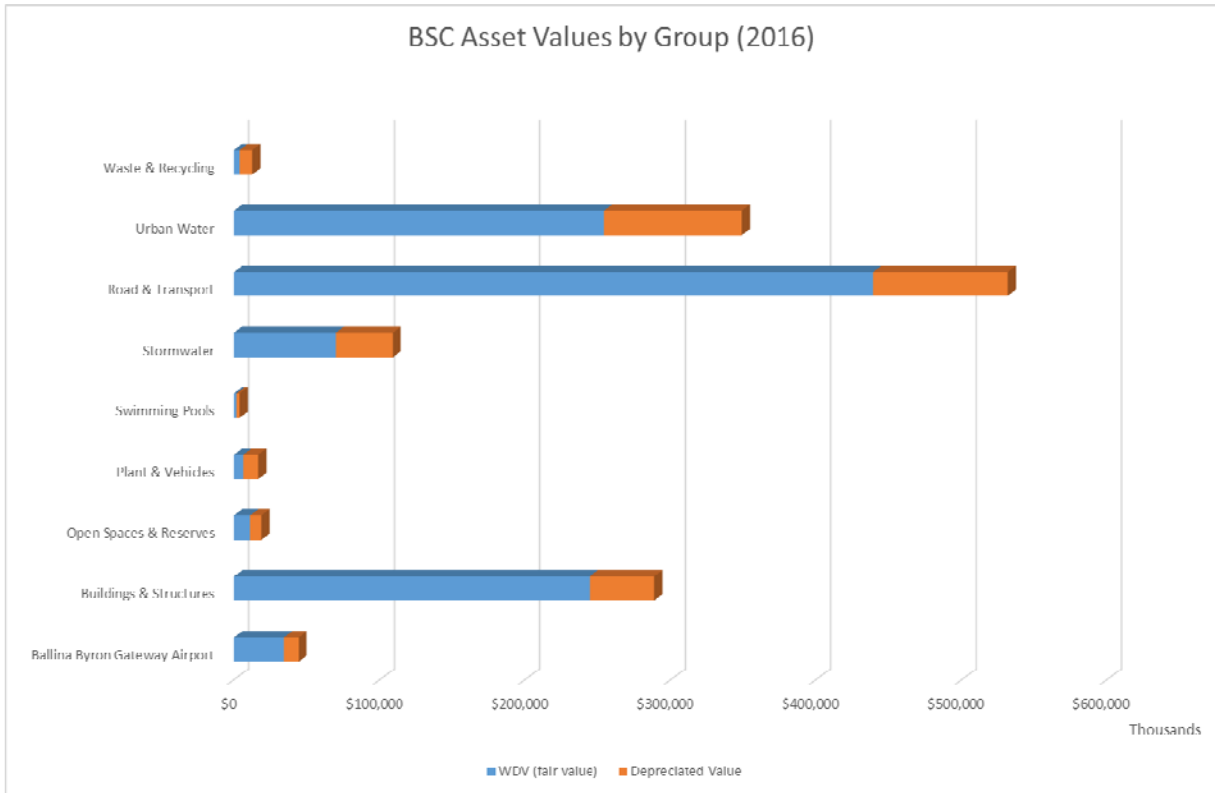


Figure 2.1.1: Asset Values by Asset Group

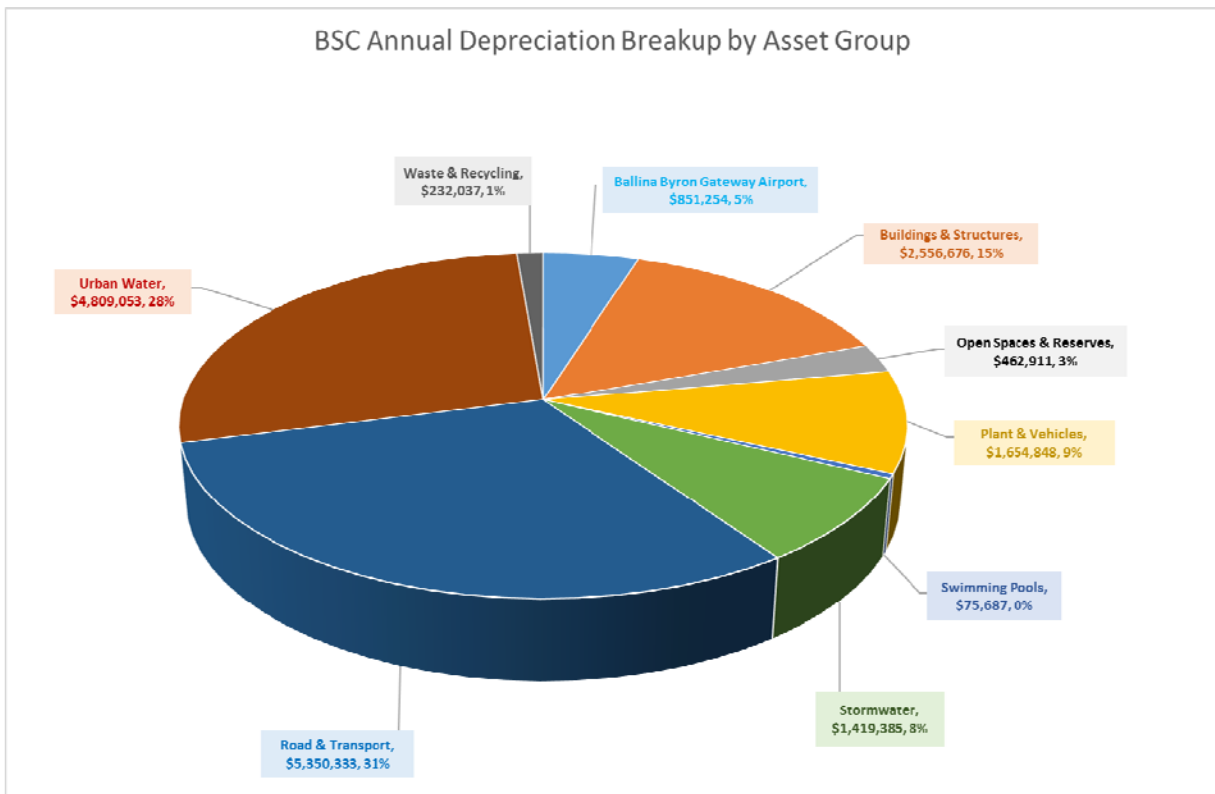


Figure 2.1.2: Annual Depreciation by Asset Group

Table 2.1.2: Assets covered by this Plan

Asset Management Plan	Group	Sub-Group	UOM	Quantity	
Ballina Byron Gateway Airport	Aircraft Movement Area	Runway	sq.m	72,150	
		Taxiways	sq.m	5,950	
		RPT & GA	sq.m	19,246	
	Vehicle Movement Areas	Car Parks	sq.m	20,004	
		Internal Roads (landside)	sq.m	6,422	
		Internal Roads (airside)	sq.m	7,374	
	Civil Infrastructure	Footpaths	sq.m	704	
		K&G	m	1,237	
		Site Lighting	each	13	
		Traffic Islands	each	12	
		Buildings	Operational	each	8
			Navigation Aids	NDB	item
		Security	Wind Sock & Signal Circle	each	2
			Aircraft Lights	each	107
			Fences, Gates	item	1
		Baggage Handling	Terminal Security	item	1
	Passenger Security		item	1	
	Conveyors		item	1	
	Buildings & Structures	Buildings	Structure	item	1
			Control systems	item	1
			Accommodation	each	10
		Structures	Amenities	each	40
			Commercial	each	14
Community			each	29	
Investment			each	4	
Operational			each	44	
Sport Facilities / OSR			each	31	
Community			each	3	
Land	Operational	each	13		
	Sport Facilities / OSR	each	39		
	Community	sq.m	8,071,000 (approx)		
Operational	sq.m	3,297,000 (approx)			
Open Spaces & Reserves	Playgrounds		each	61	
	Parks / reserves		each	157	
	Sporting Fields		each	32	
	Cemeteries		each	6	
Plant & Vehicles	Heavy Plant		each	154	
	Passenger Vehicles		each	33	
	Light Commercials		each	61	
	Small Plant + Equipment		each	171	
Swimming Pools	Pools	Olympic	each	2	
		Wading	each	2	
		Learners	each	2	
	Civil Infrastructure	Footpaths	sq.m	143	
		Site Lighting	each	16	
		Retaining Walls	m	68	
		Stairs / steps	each	1	
		Filtration Systems	Skimmers	each	6
			Soiled water lines	m	1,763

Asset Management Plan	Group	Sub-Group	UOM	Quantity
		Chemical Dosing	each	2
		Pumps	each	4
	Furniture	Picnic Tables	each	18
		Bench Seats	each	18
		Bollards & Fences	m	563
		Shade Structures	sq.m	870
Stormwater	Rural Culverts		m	15,102
	Reticulation	Pipes	m	178,695
		Pits	each	7,096
		Pollution Control	each	469
	Retention	Stormwater Channels	m	4,909
		Stormwater Ponds	sq.m	478
Road & Transport	Roads	Urban -sealed	sq.m	2,413,362
		Urban -unsealed	sq.m	38,249
		Rural -sealed	sq.m	2,668,170
		Rural -unsealed	sq.m	503,050
	Bridges		each	48
	Causeways		each	11
	Civil Infrastructure	Footpaths	sq.m	221,040
		K&G	m	369,514
		Traffic Islands	sq.m	21,678
		Roundabouts	each	46
		Signage	each	7,208
		Site Lighting	each	16
	Carparks		m2	56,384
	Bus Shelters		each	49
	Marine Assets	Boat Ramps	each	15
		Wharf, Jetties & Pontoons	each	15
		Ferry Infrastructure	each	8
Urban Water	Waste Water	Treatment Works	each	4
		Pump Stations	each	119
		Reticulation -waste	m	291,213
		Reticulation -recycled	m	18,144
		Reticulation -nodes	each	4,868
	Water	Treatment Works	each	1
		Reservoirs	each	13
		Pump Station	each	2
		Bores	each	2
		Water Meters	each	13,292
		Reticulation -mains	m	313,234
Waste & Recycling	Leachate System	De-leaching Wells	each	14
		Mother Wells	item	1
		Leachate Treatment Plant	item	1
		Reticulation pipe network	m	6,574
		Sumps	each	5
	Landfill	Cells	each	3
	Site Stormwater	Stormwater Ponds	each	5
		Pumps	each	2
		Reticulation	m	244
	Organics Processing		item	1
	Equipment	Baler	item	1

Asset Management Plan	Group	Sub-Group	UOM	Quantity
		Bins / Hoppers	item	1
		Weighbridge	item	1
		Boom gates	each	2
	Security	Fence	m	1,688
		Gates	each	5
	Pavement	Roads / Car Park	sq.m	20,243
		Roundabout	item	1
		K&G	m	1,090
		Footpath	sq.m	224
	Irrigation	Pipes	m	1,132
		Travelling Irrigator	item	1

Figure 2.1.3: historical expenditure

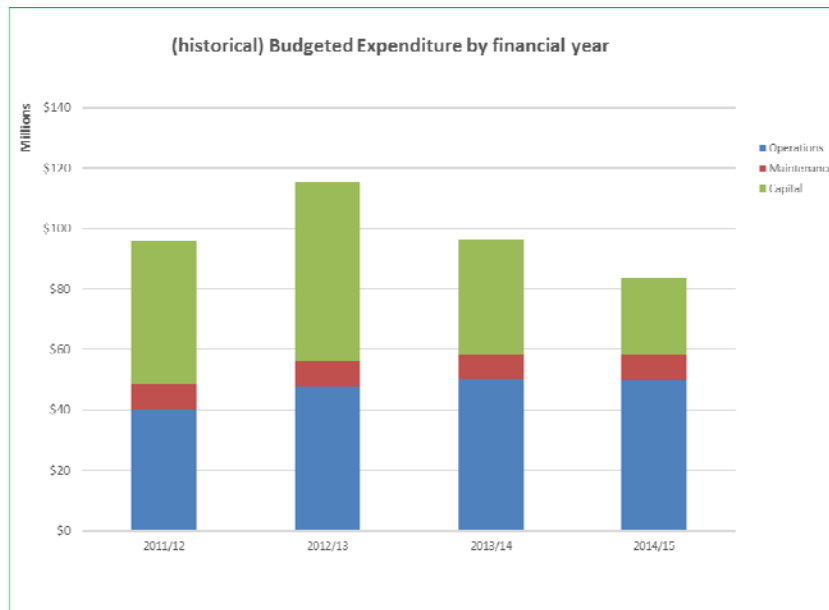
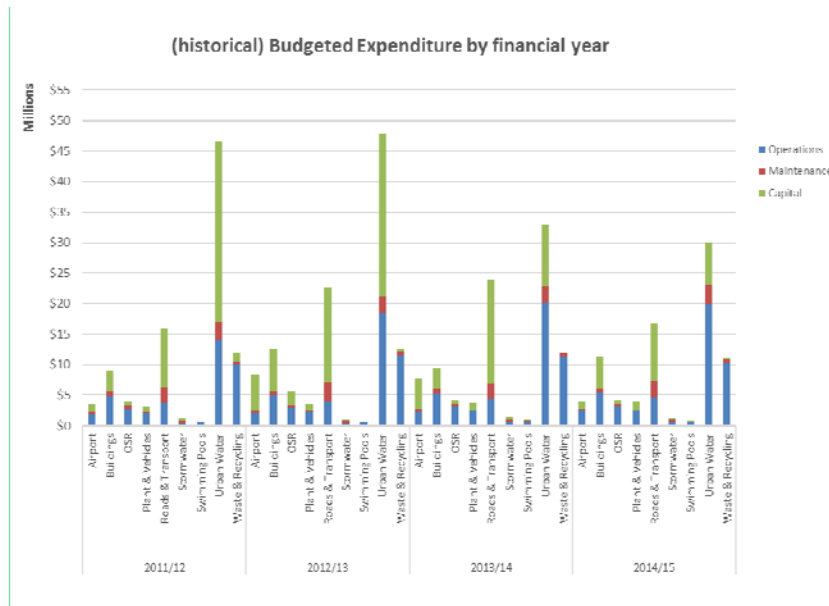


Figure 2.1.4: historical expenditure by AMP Group



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

The goal of this asset management plan is to:

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

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

Our vision is:

We are serving the community of today while preparing for the challenges of tomorrow

Our mission is:

Our Community Values (CARES)

*Creative * Accessible * Respectful * Energetic * Safe*

¹ IPWEA, 2006, *IIMM* Sec 1.1.3, p 1.3.

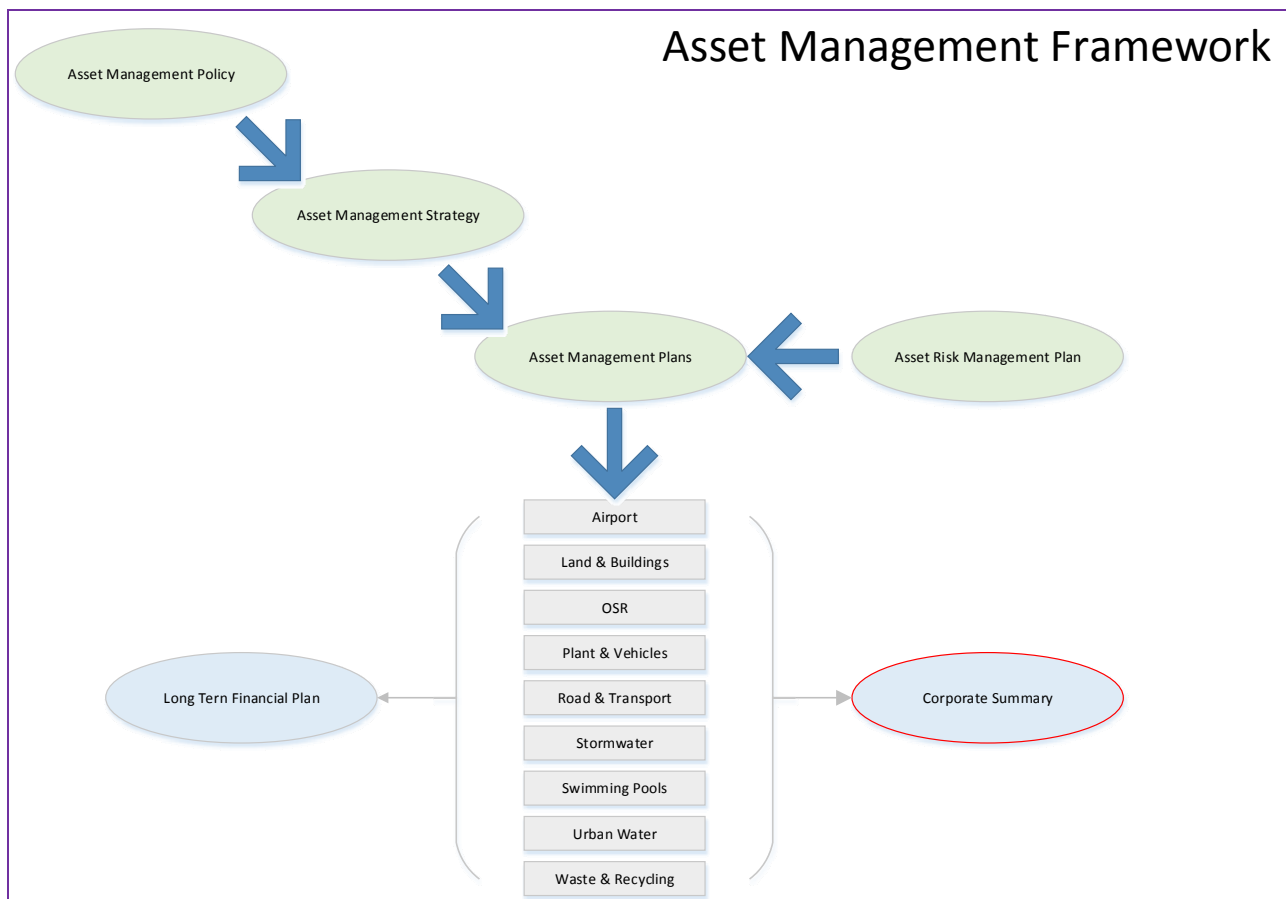
2.3 Plan Framework

Key elements of this plan are

- Financial summaries for each AMP & overall.
- Procedural overview of Councils Asset Management Systems

For more asset specific data please refer to individual Asset Management Plans

- Levels of service (refer to individual Asset Management Plan)
- Future demand (refer to individual Asset Management Plan)
- Life cycle management (refer to individual Asset Management Plan)
- Monitoring (refer to individual Asset Management Plan)
- Asset management improvement plan (refer to individual Asset Management Plan)



3. FINANCIAL SUMMARY

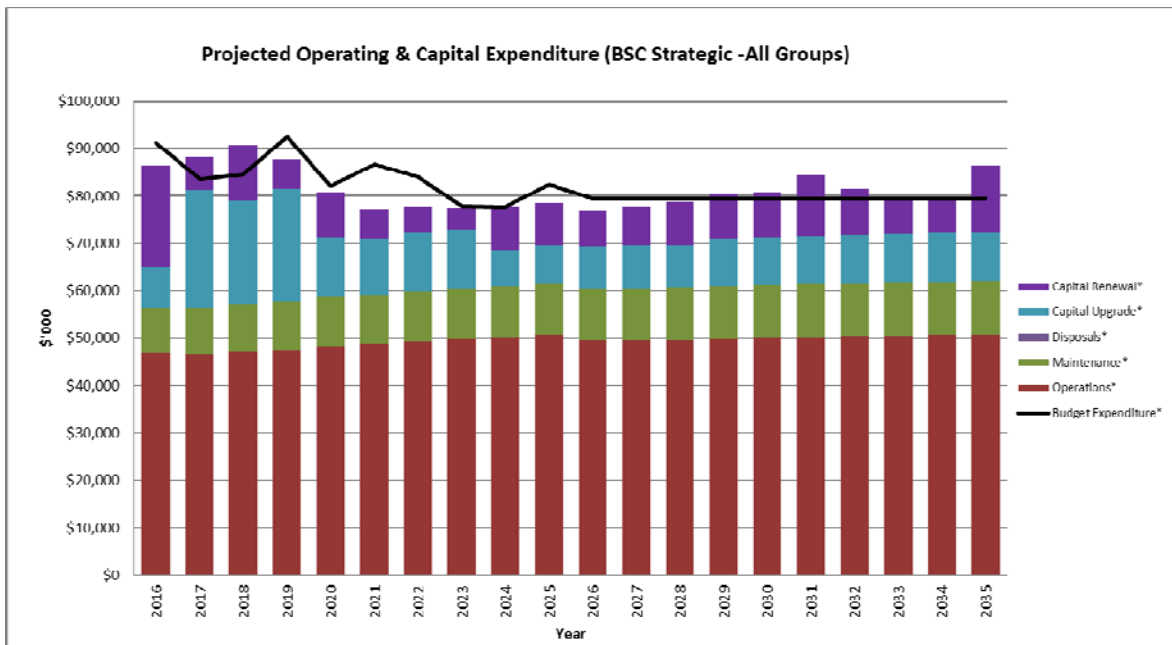
This section contains the financial requirements resulting from all the information presented in the previous sections of this asset management plan. The financial projections will be improved as further information becomes available on desired levels of service and current and projected future asset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

3.1 Financial Statements and Projections

The financial projections are shown in Figure 7 for projected operating (operations and maintenance) and capital expenditure (renewal and upgrade/expansion/new assets), net disposal expenditure and estimated budget funding.

Note that all costs are shown in 2015/16 dollar values.

Figure 7: Projected Operating and Capital Expenditure and Budget



3.1.1 Financial sustainability in service delivery

There are three 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/expenditures and medium term projected/budgeted expenditures over 5 and 10 years of the 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 operations and maintenance expenditure and asset consumption (depreciation expense). The life cycle cost for the services covered in this asset management plan is $(\$48,512k + \$10,284k + \$16,404k) = \$75,200k$ per year (10-year average operations and maintenance expenditure plus depreciation expense).

Life cycle costs can be compared to life cycle expenditure to give an indicator of sustainability in service provision. Life cycle expenditure includes operations, maintenance and capital renewal expenditure in year 1. Life cycle expenditure will vary depending on the timing of asset renewals. The life cycle expenditure at the start of the plan is $(\$57,211.7k + \$16,232.3k) = \$73,535k$ (10-year average operations and maintenance expenditure plus budgeted capital renewal expenditure).

A shortfall between life cycle cost and life cycle expenditure is the life cycle gap.

The life cycle gap for services covered by this asset management plan is $-\$1,665$ per year (-ve = gap, +ve = surplus).

Life cycle expenditure is 98% of life cycle costs giving a life cycle sustainability index of 0.98

The life cycle costs and life cycle expenditure comparison highlights any difference between present outlays and the average cost of providing the service over the long term. If the life cycle expenditure is less than that life cycle cost, it is most likely that outlays will need to be increased or cuts in services made in the future.

Knowing the extent and timing of any required increase in outlays and the service consequences if funding is not available will assist organisations in providing services to their communities in a financially sustainable manner. This is the purpose of the asset management plans and long term financial plan.

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.

The projected operations, maintenance and capital renewal expenditure required over the 10-year planning period is $\$67,833k$ per year.

Estimated (budget) operations, maintenance and capital renewal funding is $\$73,535k$ per year giving a 10-year funding surplus of $+\$5,703k$ per year and a 10-year sustainability indicator of 108%. This indicates that Council has 108% of the projected expenditures needed to provide the services documented in the asset management plan.

Medium Term – 5-year financial planning period

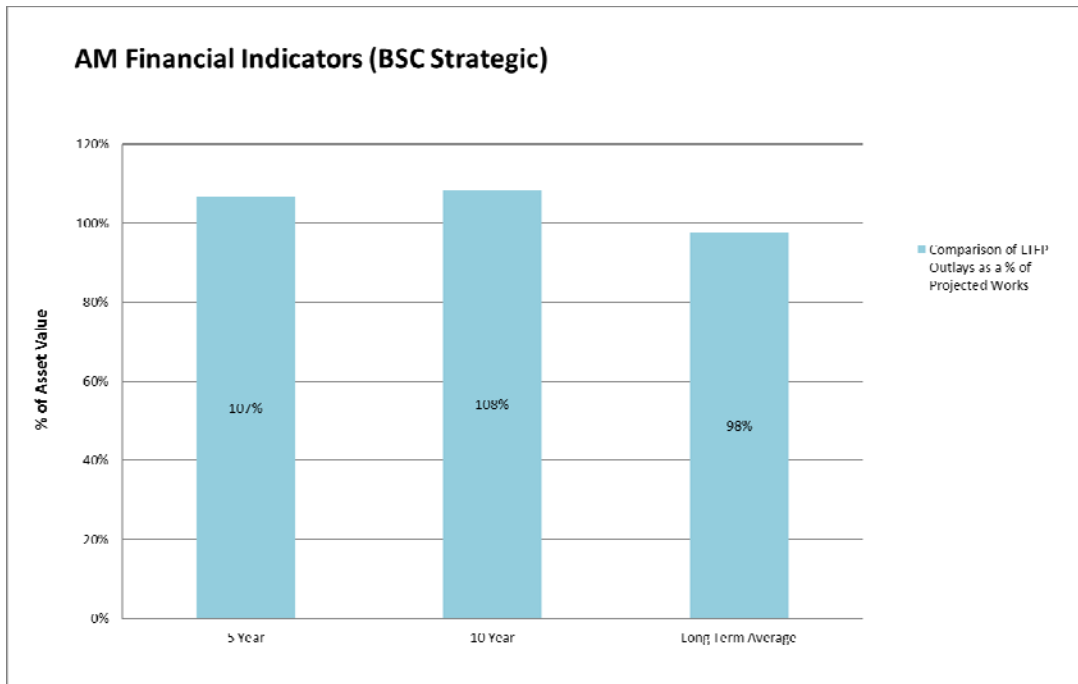
The projected operations, maintenance and capital renewal expenditure required over the first 5 years of the planning period is $\$68,357k$ per year.

Estimated (budget) operations, maintenance and capital renewal funding is $\$72,938k$ per year giving a 5-year funding surplus of $+\$4,582$. This is 107% of projected expenditures giving a 5-year sustainability indicator of 1.07

Financial Sustainability Indicators

Figure 7A shows the financial sustainability indicators over the 10-year planning period and for the long term life cycle.

Figure 7A: Financial Sustainability Indicators



Providing services from infrastructure in a sustainable manner requires the matching and managing of service levels, risks, projected expenditures and funding to achieve a financial sustainability indicator of 1.0 for the first years of the asset management plan and ideally over the 10-year life of the AM Plan.

Figure 8 shows the projected asset renewals in the 10-year planning period from Appendix B. The projected asset renewals are compared to budgeted renewal expenditure in the capital works program and capital renewal expenditure in year 1 of the planning period in Figure 8.

Figure 8: Projected and Budgeted Renewal Expenditure

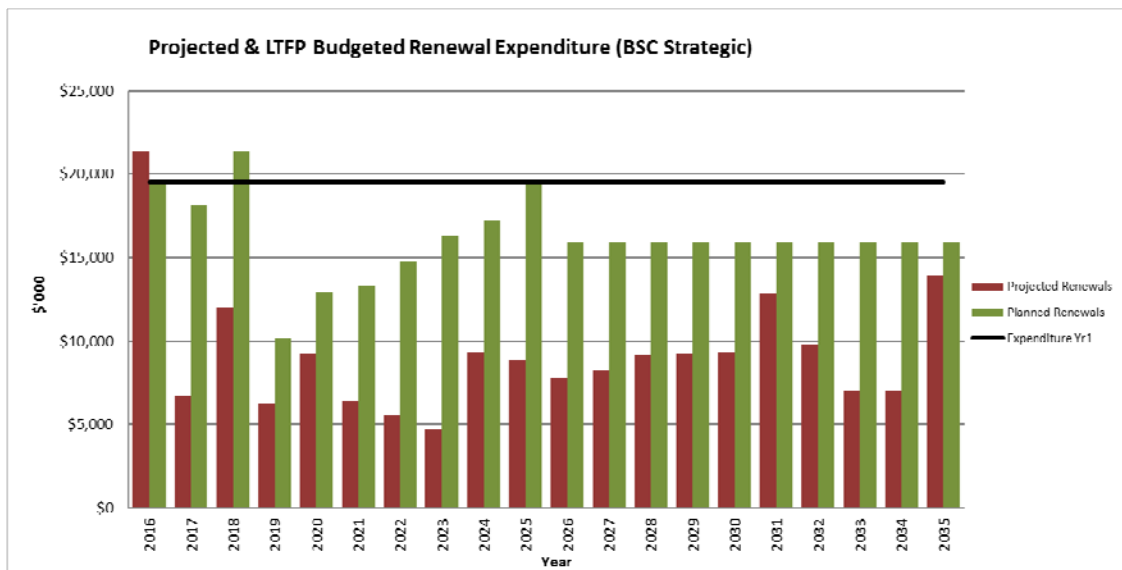


Table 6.1.1 shows the shortfall between projected and budgeted renewals

Table 6.1.1: Projected and Budgeted Renewals and Expenditure Shortfall

Year	Projected Renewals (\$000)	Planned Renewal Budget (\$000)	Renewal Funding Short-fall (\$000) (-ve Gap, +ve Surplus)	Cumulative Short-fall (\$000) (-ve Gap, +ve Surplus)
2016	\$21,359	\$19,512	-\$1,847	-\$1,847
2017	\$6,765	\$18,171	\$11,406	\$9,559
2018	\$11,987	\$21,386	\$9,399	\$18,958
2019	\$6,263	\$10,207	\$3,944	\$22,902
2020	\$9,226	\$12,933	\$3,707	\$26,609
2021	\$6,395	\$13,330	\$6,935	\$33,544
2022	\$5,594	\$14,753	\$9,159	\$42,703
2023	\$4,683	\$16,365	\$11,682	\$54,385
2024	\$9,257	\$17,245	\$7,988	\$62,373
2025	\$8,835	\$19,334	\$10,499	\$72,872

Note: A negative shortfall indicates a funding gap; a positive shortfall indicates a surplus for that 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.

We 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 review future services, service levels and costs with the community.

3.1.2 Expenditure projections for long term financial plan

Table 6.1.2 shows the projected expenditures for the 10-year long term financial plan.

Expenditure projections are in current (non-inflated) values. Disposals are shown as net expenditures (revenues are negative).

Table 6.1.2: Expenditure Projections for Long Term Financial Plan (\$000)

Year	Operations (\$000)	Maintenance (\$000)	Projected Capital Renewal (\$000)	Capital Upgrade/ New (\$000)	Disposals (\$000)
2016	\$46,786	\$9,507	\$21,359	\$8,783	\$0
2017	\$46,601	\$9,729	\$6,765	\$25,102	\$0
2018	\$47,192	\$10,009	\$11,987	\$21,634	\$0
2019	\$47,530	\$10,164	\$6,263	\$23,835	\$0
2020	\$48,346	\$10,319	\$9,226	\$12,781	\$0
2021	\$48,825	\$10,429	\$6,395	\$11,537	\$0
2022	\$49,277	\$10,526	\$5,594	\$12,388	\$0
2023	\$49,881	\$10,633	\$4,683	\$12,329	\$0
2024	\$50,229	\$10,739	\$9,257	\$7,437	\$0
2025	\$50,453	\$10,786	\$8,835	\$8,370	\$0

Note: All projected expenditures are in 2015/16 values

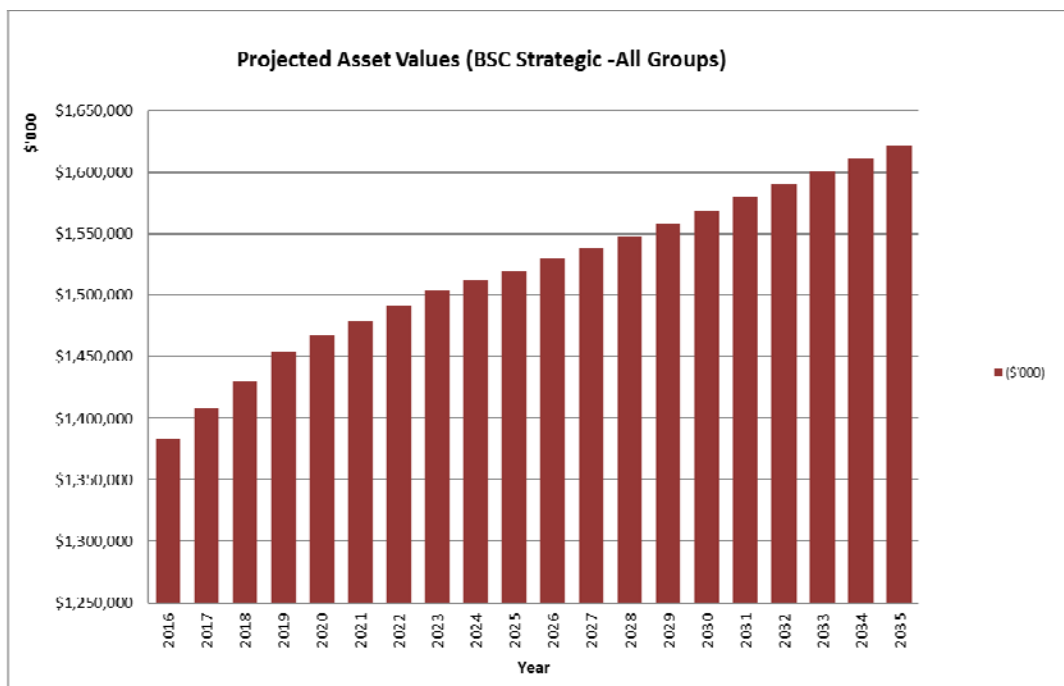
3.2 Funding Strategy

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

3.3 Valuation Forecasts

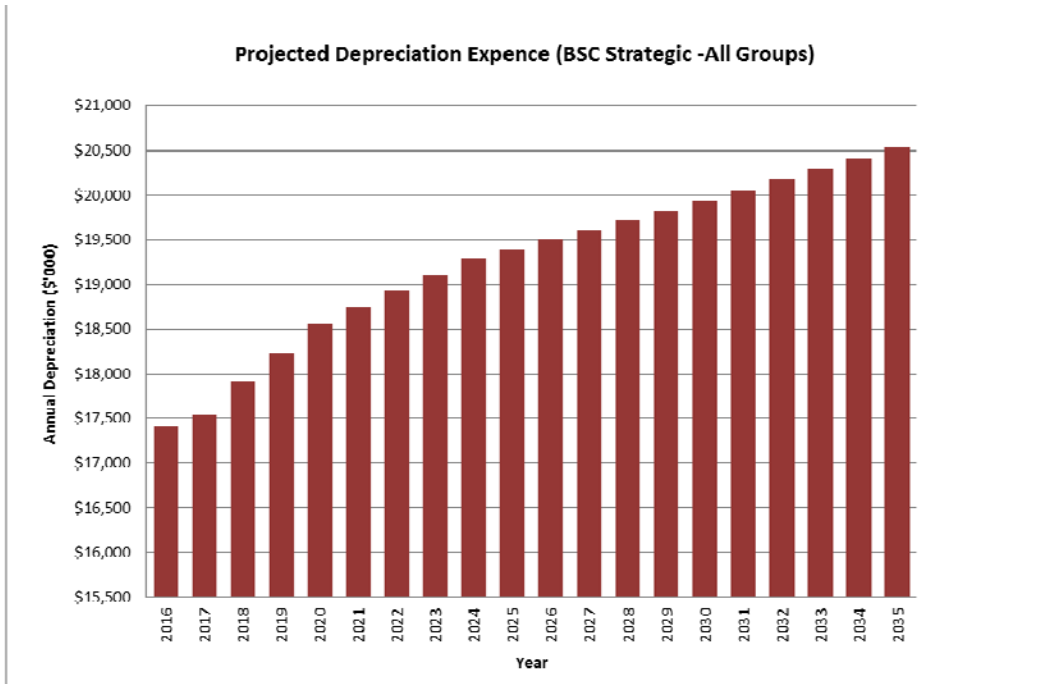
Asset values are forecast to increase as additional assets are added to the asset stock from construction and acquisition by Council and from assets constructed by land developers and others and donated to Council. Figure 9 shows the projected replacement cost asset values over the planning period in 2015/16 dollar values.

Figure 9: Projected Asset Values



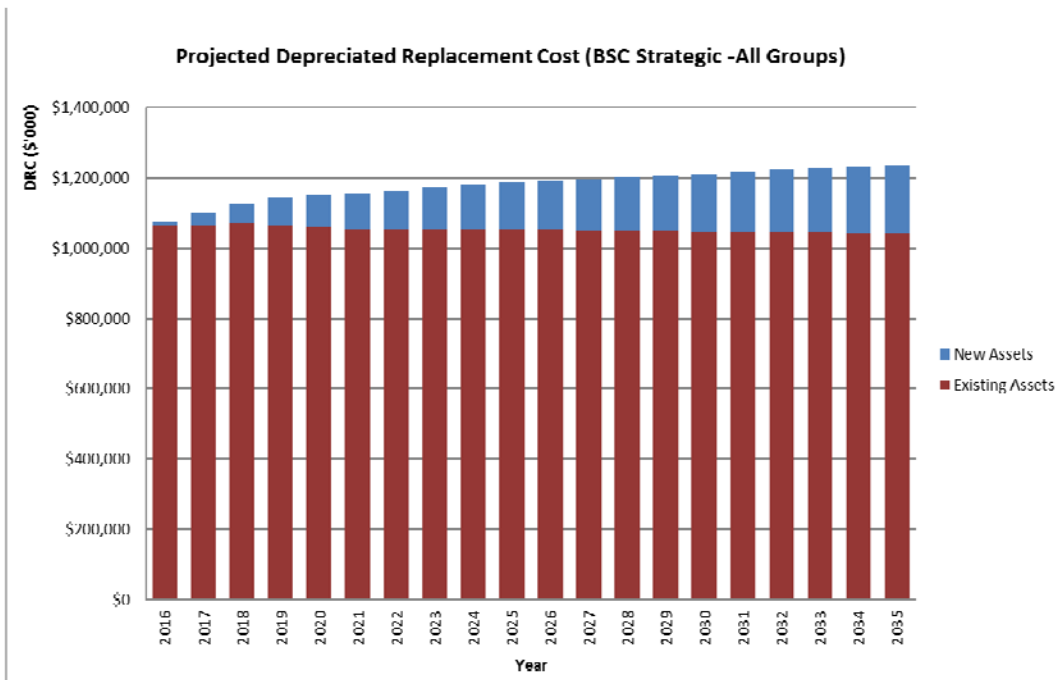
Depreciation expense values are forecast in line with asset values as shown in Figure 10.

Figure 10: Projected Depreciation Expense



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 Figure 11. The effect of contributed and new assets on the depreciated replacement cost is shown in the darker colour.

Figure 11: Projected Depreciated Replacement Cost



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Ballina Council, Resourcing Strategy

Ballina Council, Delivery Program & Operational Plan 2014/15 – 2017/18

Ballina Council, Long Term Financial Plan 2014/15 – 2023/24

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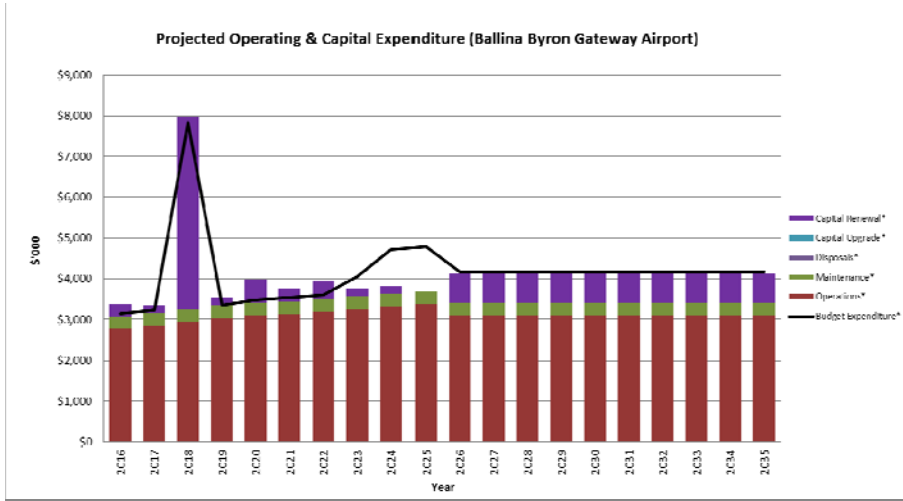
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APPENDICES

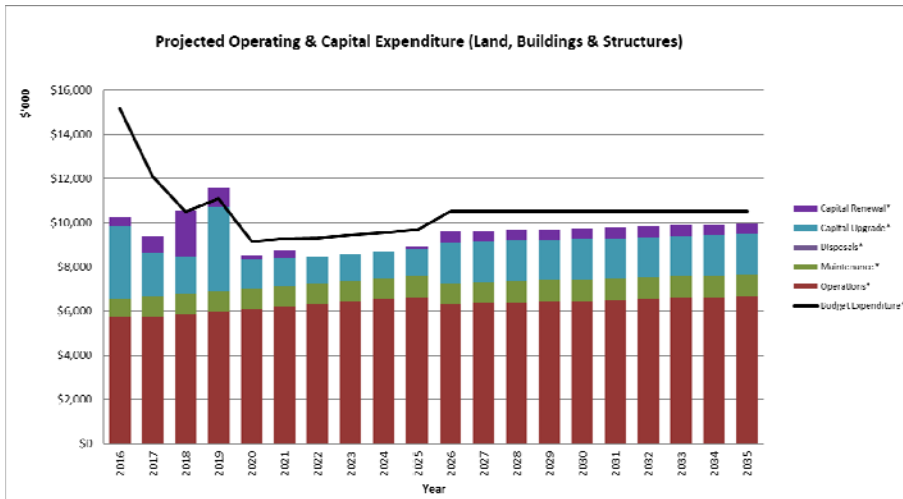
Appendix A	AMP Charts (Projected Operating and Capital Expenditure and Budget)
Appendix B	Abbreviations
Appendix C	Glossary

Appendix A Projected Operating and Capital Expenditure and Budget (per AMP)

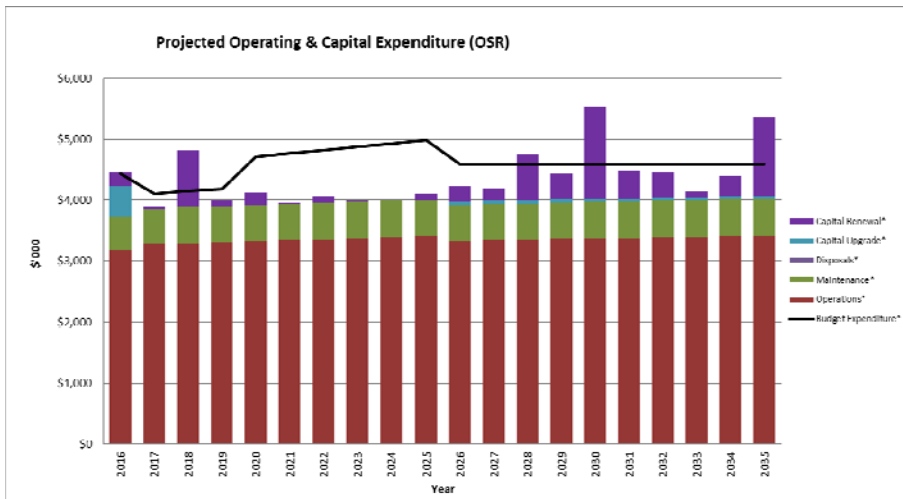
Airport



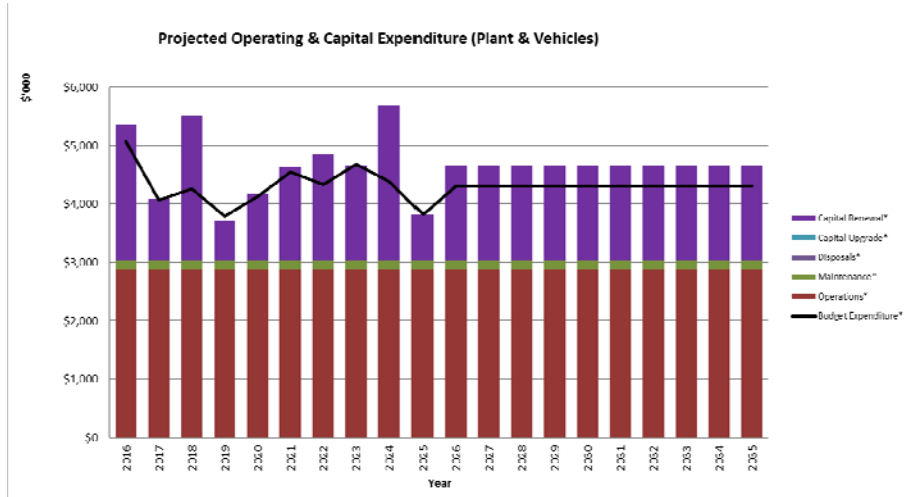
Land, Buildings & Structures



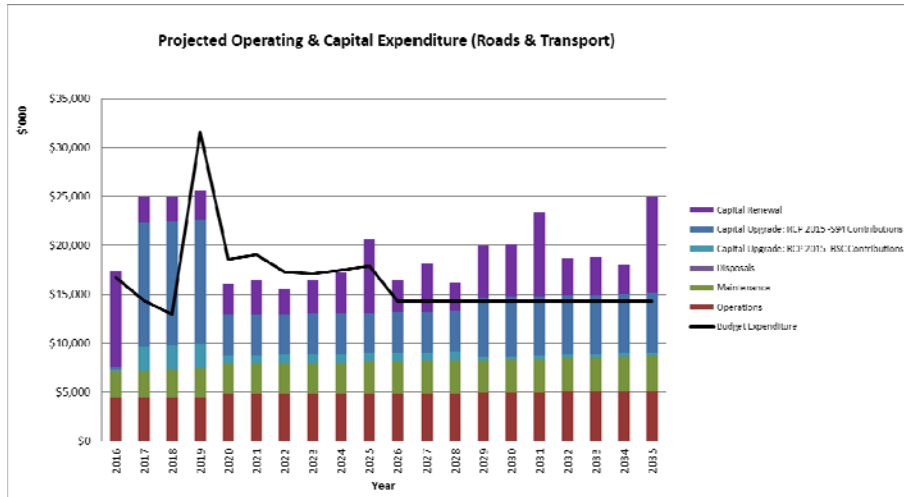
Open Spaces & Reserves



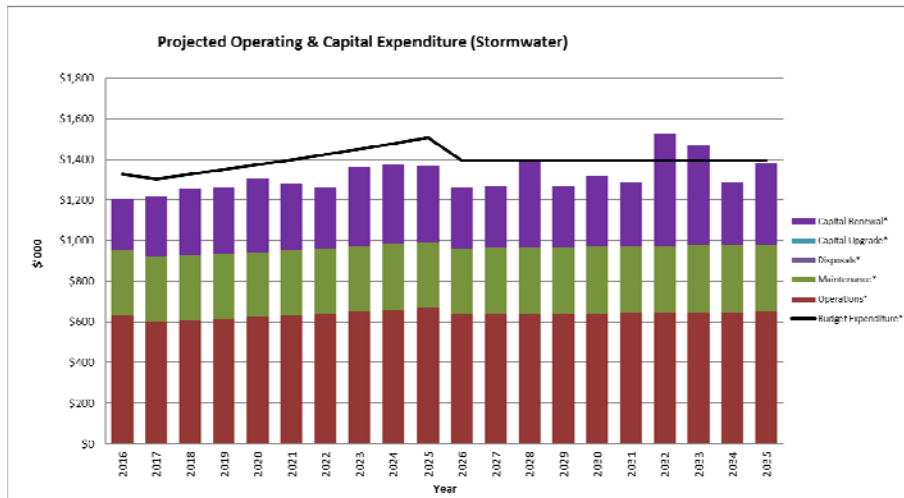
Plant & Vehicles



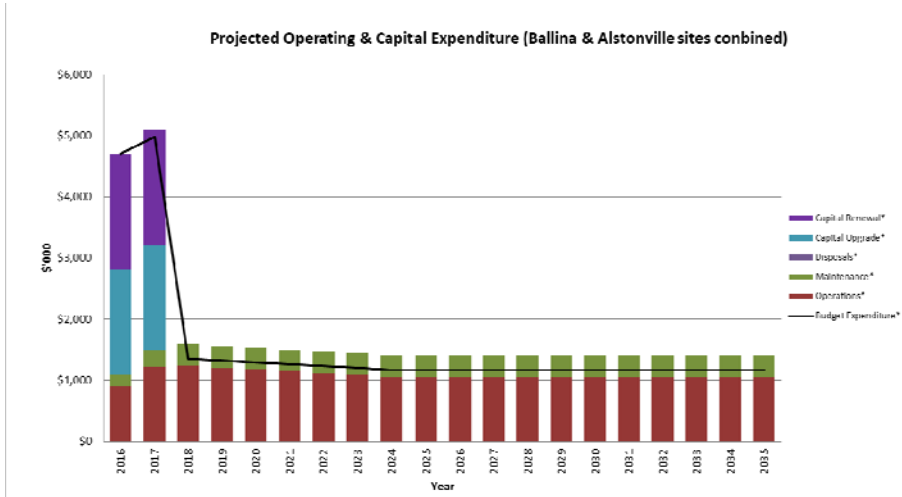
Road & Transport



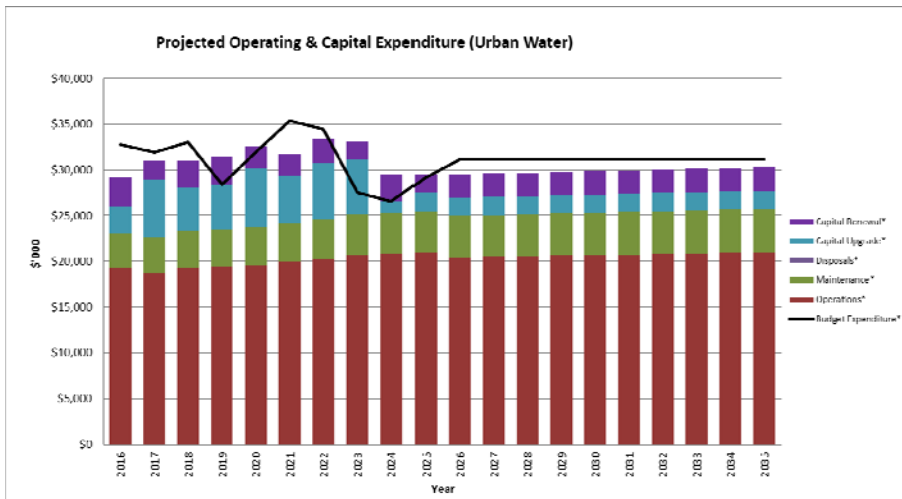
Stormwater



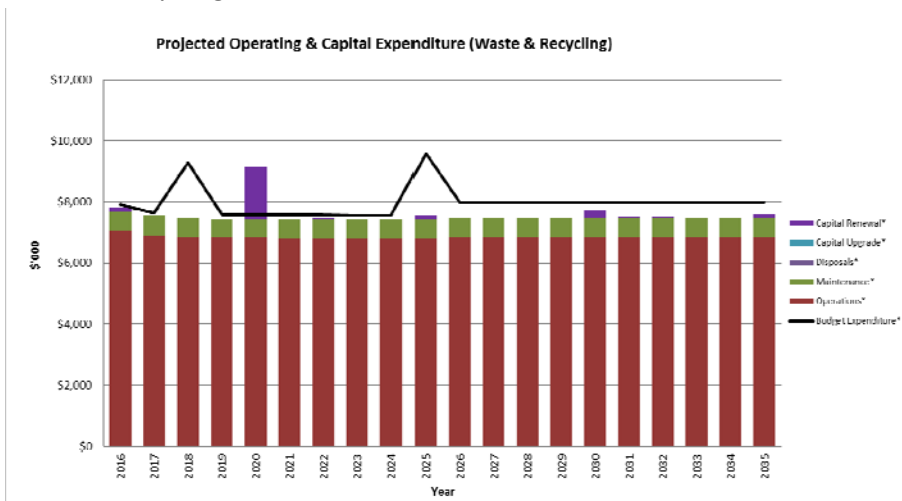
Swimming Pools



Urban Water



Waste & Recycling



Appendix B Abbreviations

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

Appendix C Glossary

Annual service cost (ASC)

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

Asset

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

Asset class

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

Asset condition assessment

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

Asset management (AM)

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

Average annual asset consumption (AAAC)*

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

Borrowings

A borrowing or loan is a contractual obligation of the borrowing entity to deliver cash or another financial asset to the lending entity over a specified period of time or at a specified point in time, to cover both the initial capital provided and the cost of the interest incurred for providing this capital. A borrowing or loan provides the means for the borrowing entity to finance outlays (typically physical assets) when it has insufficient funds of its own to do so, and for the lending entity to make a financial return, normally in the form of interest revenue, on the funding provided.

Capital expenditure

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

Capital expenditure - expansion

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

Capital expenditure - new

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

Capital expenditure - renewal

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

Capital expenditure - upgrade

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

Capital funding

Funding to pay for capital expenditure.

Capital grants

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

Capital investment expenditure

See capital expenditure definition

Capitalisation threshold

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

Carrying amount

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

Class of assets

See asset class definition

Component

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

Cost of an asset

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

Current replacement cost (CRC)

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

Depreciable amount

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

Depreciated replacement cost (DRC)

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

Depreciation / amortisation

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

Economic life

See useful life definition.

Expenditure

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

Fair value

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

Funding gap

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

Heritage asset

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

Impairment Loss

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

Infrastructure assets

Physical assets that contribute to meeting the needs of organisations or the need for access to major economic and social facilities and services, eg. roads, drainage, footpaths and cycleways. These are typically large, interconnected networks or portfolios of composite assets. The components of these assets may be separately maintained, renewed or replaced individually so that the required level and standard of service from the network of assets is continuously sustained. Generally the components and hence the assets have long lives. They are fixed in place and are often have no separate market value.

Investment property

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

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

Key performance indicator

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

Level of service

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

Life Cycle Cost

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

Life Cycle Expenditure

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

Loans / borrowings

See borrowings.

Maintenance

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

• **Planned maintenance**

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

• **Reactive maintenance**

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

• **Significant maintenance**

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

• **Unplanned maintenance**

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

Maintenance and renewal gap

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

Maintenance and renewal sustainability index

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

Maintenance expenditure

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

Materiality

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

Modern equivalent asset

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

Net present value (NPV)

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

Non-revenue generating investments

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

Operations expenditure

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

Operating expense

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

Pavement management system

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

PMS Score

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

Rate of annual asset consumption

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

Rate of annual asset renewal

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

Rate of annual asset upgrade

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

Recoverable amount

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

Recurrent expenditure

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

Recurrent funding

Funding to pay for recurrent expenditure.

Rehabilitation

See capital renewal expenditure definition above.

Remaining useful life

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

Renewal

See capital renewal expenditure definition above.

Residual value

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

Revenue generating investments

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

Risk management

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

Section or segment

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

Service potential

The total future service capacity of an asset. It is normally determined by reference to the operating capacity and economic life of an asset. A measure of service potential is used in the not-for-profit sector/public sector to value assets, particularly those not producing a cash flow.

Service potential remaining

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

Strategic Longer-Term Plan

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

Specific Maintenance

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

Sub-component

Smaller individual parts that make up a component part.

Useful life

Either:

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

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

Value in Use

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

Source: IPWEA, 2009, Glossary