Shoalhaven City Council

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Asset Management Strategy

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1. Executive Summary

1.1. Introduction

The purpose of the Asset Management Strategy is to provide strategic direction for Asset Management in Shoalhaven City Council.

The Asset Management Strategy is a high level action plan that will continuously evolve as the strategic objectives of Council develop and change to meet the customer service provision. The key steps in this process include understanding the customer requirements/ expectations for service provisions, reviewing the strategic trends, assessing potential impacts on the assets and assessing gaps in the asset knowledge required to review and develop the Asset Management Plans.

The Asset Management Strategy identifies assets that are critical to the council's operations and outlines risk management strategies for these assets. The Strategy must also include specific actions required to improve Council's asset management capability and projected resource requirements and timeframes.

Shoalhaven City Council provides a diverse range of services that requires infrastructure assets. The fair value or cost to replace like for like assets for which the Shoalhaven City Council is the custodian of, including community and commercial assets, is $4,968,476,000 as reported in the June 2021 Financial Statements

There are legislative and community expectations that Council assets are managed to meet agreed service expectations.

Shoalhaven City Council has adopted an Asset Custodian model that assigns responsibility for service provision and the development, implementation and reviewing of Asset Management Plans (AMP's) for the various services to the Asset Custodians .

A comprehensive Asset Management (AM) system is required to meet community expectation and to satisfy statutory and financial imperatives.

An Asset Management system must include:

- Asset registers
- Asset condition assessments
- Asset maintenance and management systems
- Strategic planning capabilities
- Predictive modelling
- Deterioration modelling
- Risk analysis
- Lifecycle costing

A component of the Asset Management Strategy must be a plan to fully develop, implement and continuously improve the Asset Management system as well as lead corporate change to improve asset management.

1.2. Objectives

The main objectives of the Asset Management Strategy (AMS) are:

- Aligning Council's service provision/ Levels of service (LoS) for its infrastructure assets with community expectations and priorities captured in the Community Strategic Plan 2032 (CSP).
- Improving Council's Asset Management practices.
- Assist in addressing improved long term financial sustainability of assets for future generations.

As the Asset Management Strategy is aligned with the CSP, it adopts a minimum timeframe of 10 years. This alignment is also consistent with the Long Term Financial Plan (LTFP) and the AMP's. However, it also has a view to sustainability beyond the 10 year timeframe and will ideally be for the life of the service provision and the infrastructure assets.

1.3. Establishing a Corporate Approach

It is essential to recognise that asset management is a corporate, not a technical responsibility. The key components of a sound asset management approach cannot be achieved within the individual operational areas of Council alone. Some of the areas where there is a need for a corporate approach include:

- Community involvement in establishing what is desired for service provisions and standards from the Community Strategic Plan and other strategic plans
- Reliable information and systems
- Comprehensive Asset Management Planning undertaken by the Asset Strategic Planner and the Asset Custodian
- Rigor in financial assessments. To advise what it costs now, what we can afford and when we can afford to renew/replace/upgrade
- Performance measurement of asset management. To advise 'How much we did, How well we did it and How much did it cost'.

To develop a strong corporate approach to Asset Management a cross directorate Enterprise Asset Management (EAM) Steering Committee is to be established to define and review the EAM implementation Road Map.

An EAM Oversight Group comprising key asset management leaders from across the organisation is to oversee and facilitate the implementation of the Road Map.

Engagement with the users of the service provision is required in developing Community Strategic Plan themes, objectives and strategies. These drive the Resourcing Strategy (People, Finances and Assets Planning) and the levels of service the users/ community desires or will accept for each category of assets.

The agreed levels of service are important as they influence all asset management decisions. The community needs to be aware of resourcing, environmental, legal, political and other constraints before agreement can be reached on sustainable levels of service. Previous community engagements on levels of service have included surveys and targeted community meetings. The key is to obtain consensus of "sustainable levels of service". That is, understanding the desired level of service and delivering an outcome that manages risk, ensures optimum performance and is financially sustainable.

Current adopted Asset Management Plans (AMPs) contain Levels of Service (LOS) based on historic operational and risk management needs and budgets.

The approach to refine LOS will be to:

- Assume current levels remain until changes are discussed with the community and adopted by the Council for each service provision/ asset class
- Continue the LOS community engagement for service provision especially for critical assets
- Some asset types may not require or benefit from community engagement where there are overriding legislative safety requirements that determine LOS e.g. Asset Protection Zones (APZ's)
- Define a LOS at the lowest financially feasible and environmentally practical levels for each service provision of infrastructure assets category, consistent with CSP objectives. These will be known as the Sustainable Levels of Service (SLOS).
- Assets will then be maintained in a condition to meet the SLOS for that service provision/ precinct/ asset category

It is important to note that the SLOS condition is NOT the same as the Office of Local Government (OLG) defined 'satisfactory standard' LOS or 'FAIR condition'. These could be described as the desirable condition of assets whereas the SLOS condition is a minimum acceptable level.

A key challenge to all Councils is the very large 'gap' between the current condition of their assets and the condition required to deliver the OLG's satisfactory standard. In fact, the gap, both in terms of clawing back the backlog of renewal and maintenance, and continuing to fund to adequate levels, is arguably too large to bridge without extreme changes. This is compounded further by the increasing frequency of extreme weather events negatively impacting on asset condition and performance.

In response to this, a key component of this strategy is to define SLOS condition as well as the OLG defined "satisfactory standard", to use this as a medium term target, and to report to the community accordingly.

1.4. Recommendations (key strategies)

The actions required to improve asset management at Shoalhaven City Council are captured in this strategy and the AMP's.

The main recommendations with resourcing and timeframes are –

- Review Sustainable Levels of Service (SLOS) with community for all appropriate services/ Precincts/ asset categories
- Determine effect of achieving/ maintaining SLOS on Long Term Financial Plan
- Document processes & procedures for recording new assets, adjusting budgets for new assets and valuing assets and train staff as required
- Continuously improve mapping of GIS – assets
- Continuously improve the implemented asset management system as part of a corporate integrated system that considers the following:
  - Asset register
  - Finance
  - Customer requests
  - Records

  - Work planning
  - Job cost / timesheets
  - Spatial Mapping
- Progressively review and update AMPs
- Adopt a 'Renewal before Upgrade or New' philosophy for asset planning as appropriate
- Continually develop and maintain digital platforms that enable community access to data where appropriate
- Align allocations made in the Long Term Financial Plan for asset renewal with the maintenance backlog resulting from agreed SLOS (subject to funding options).

2. Introduction

2.1. Asset Management Strategy Definition

The definition of an Asset Management Strategy is – *A strategy for asset management covering development and implementation of plans and programs for asset creation, operation, maintenance, rehabilitation/replacement, disposal and performance monitoring to ensure desired level of service and other operational objectives are achieved at optimum cost.*

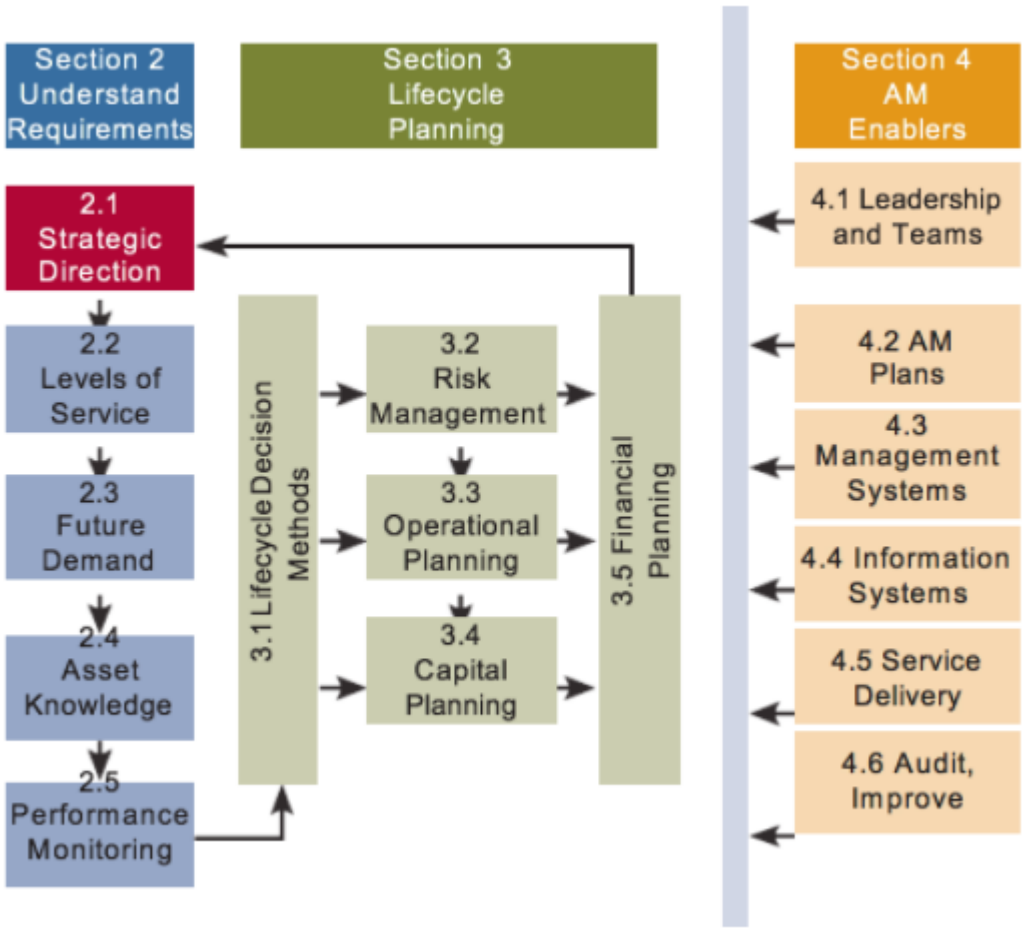
2.2. Assets classes included in the Asset Management Strategy

This AMS includes all Council's infrastructure assets, typically known by Asset Class as:

- Public and Community Buildings
- Recreation & Leisure
- Road Network
- Stormwater
- Water and Sewerage
- Land
- Plant & Equipment (including fleet)
- Recycling and Waste
- Commercial Activities
- Office equipment, furniture & IT hardware

2.3. Asset Management System

Council's Asset Management System aligns with IPWEA. See extract from section 2.1. defining scope of Asset Management - IIMM



2.4. Roles & Responsibilities

The role of Technical Services is to:

- Provide leadership
- Provide governance (Asset Management Policy, Asset Management Strategy, Template Asset Management Plan, Configuration of Asset Register)
- Advisor

The role of the Asset Custodian is to:

- Deliver a great customer experience
- Know what assets they have
- Maximise value from the investment
- Know the service levels and their cost
- Know where the assets are in their life cycle
- Understand the annual consumption cost (Operations, Maintenance, Depreciation)
- Understand future demands
- Manage the risks
- Develop and use asset management and long-term financial plans

The role of Information Services and Financial Services is to provide:

- Support to enable the Asset Custodians to provide great customer experiences through good Asset Management

2.5. Legislative Requirements

Changes to the Local Government Act require Councils to consider asset management as part of their Resourcing Strategies. Guidelines issued by the NSW Office of Local Government (OLG) are referenced in the legislation and Councils must comply with these.

The OLG has the following requirements with regard to asset management (references to Asset Management Strategy are in bold) –

General requirements for asset management planning

- Each Council must account for and plan for all of the existing assets under its ownership, and any new asset solutions proposed in its Community Strategic Plan and Delivery Program.
- Each Council must prepare an ***Asset Management Strategy*** and Asset Management Plan/s to support the Community Strategic Plan and Delivery Program.

Minimum timeframe for the Asset Management Strategy and Plans

- The ***Asset Management Strategy*** and Plan/s must be for a minimum timeframe of 10 years.

Basic Structure of the Asset Management Strategy

- The ***Asset Management Strategy*** must include a council endorsed Asset Management Policy.
- The ***Asset Management Strategy*** must identify assets that are critical to the council's operations and outline risk management strategies for these assets.
- The ***Asset Management Strategy*** must include specific actions required to improve council's asset management capability and projected resource requirements and timeframes.

Basic Structure of the Asset Management Plans

- The Asset Management Plans must encompass all the assets under a council's control.
- The Asset Management Plans must identify asset service standards.
- The Asset Management Plans must contain long term projections of asset maintenance, rehabilitation and replacement costs.

Asset Management Reporting

- Councils must report on their assets in the annual financial statements, in accordance with the Local Government Code of Accounting Practice and Financial Reporting, including condition assessment, renewal and maintenance expenditure.

3. Summary of Existing Assets

3.1. Asset Value

The total (Gross carrying) value of all infrastructure assets is $4,968,476,000. The net carrying amount (written down value consists of Gross carrying amount less accumulated depreciation) is $3,386,861,000. Annual depreciation in asset value of $70,241,000 as per the 2020/21 Financial Statements - C1-7 Infrastructure, property, plant & Equipment. Extract below.

C1-7 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period								At 30 June 2021		
	Gross carrying amount $ '000	Accumulated depreciation and impairment $ '000	Net carrying amount $ '000	Additions renewals [1] $ '000	Additions new assets $ '000	Carrying value of disposals $ '000	Depreciation expense $ '000	WIP Capitalised $ '000	Adjustments and transfers $ '000	Revaluation decrements/ impairment to equity (ARR) $ '000	Revaluation increments to equity (ARR) $ '000	Gross carrying amount $ '000	Accumulated depreciation and impairment $ '000	Net carrying amount $ '000
Capital work in progress	185,119	–	185,119	–	98,761	–	–	(204,782)	–	–	–	79,098	–	79,098
Plant and equipment	68,728	(25,069)	43,659	–	10,917	(1,726)	(6,788)	–	–	–	–	75,344	(29,333)	46,011
Office equipment	14,460	(11,365)	3,095	–	–	–	(594)	–	(51)	–	–	14,261	(11,811)	2,450
Furniture and fittings	4,842	(2,143)	2,699	–	106	–	(292)	–	–	–	–	4,948	(2,435)	2,513
Land:														
– Crown land	–	–	–	–	–	–	–	–	25,820	–	–	25,820	–	25,820
– Operational land	173,469	–	173,469	–	990	(2,443)	–	–	(12,074)	–	24,648	184,590	–	184,590
– Community land	129,226	–	129,226	–	1,636	–	–	–	(15,771)	–	–	115,091	–	115,091
– Land under roads (post 30/6/08)	1,708	–	1,708	–	36	–	–	–	–	–	–	1,744	–	1,744
Land improvements – non-depreciable	127,740	–	127,740	–	–	–	–	–	–	–	–	127,740	–	127,740
Land improvements – depreciable	1,829	(1,401)	428	–	–	–	(48)	–	–	–	–	1,829	(1,449)	380
Infrastructure:														
– Buildings – non-specialised	2,035	(92)	1,943	–	347	(443)	(39)	–	–	–	–	1,909	(101)	1,808
– Buildings – specialised	408,100	(122,470)	285,630	10,265	3,235	–	(7,993)	–	(2,569)	(1,313)	–	415,479	(128,224)	287,255
– Other structures	39,216	(22,435)	16,781	–	591	–	(1,276)	–	–	–	–	39,993	(23,897)	16,096
– Roads	1,098,631	(400,282)	698,349	10,959	239	–	(19,461)	–	–	–	236,213	1,384,719	(458,420)	926,299
– Bridges	103,014	(42,086)	60,928	–	2,344	–	(1,350)	–	–	(100)	1,269	114,688	(51,597)	63,091
– Footpaths	72,883	(24,204)	48,679	1,064	–	–	(1,646)	–	–	(90)	–	73,859	(25,852)	48,007
– Bulk earthworks (non-depreciable)	109,696	–	109,696	–	418	–	–	–	–	–	181,859	291,973	–	291,973
– Stormwater drainage	193,426	(87,228)	106,198	1,470	–	–	(2,742)	–	–	–	49,187	261,047	(106,934)	154,113
– Water supply network	661,031	(319,979)	341,052	11,041	–	–	(8,401)	–	–	–	3,134	678,238	(331,412)	346,826
– Sewerage network	721,518	(284,048)	437,470	8,952	140,000	–	(14,066)	–	(14)	(971)	4,123	875,640	(300,146)	575,494
– Swimming pools	22,588	(13,243)	9,345	–	717	–	(338)	–	–	–	–	23,372	(13,648)	9,724
– Other open space/recreational assets	45,883	(23,855)	22,028	914	376	–	(2,171)	–	–	–	–	47,305	(26,158)	21,147
– Other infrastructure	108,915	(51,438)	57,477	2,193	301	–	(2,402)	–	–	(2)	50	117,664	(60,047)	57,617
Other assets:														
– Library books	9,201	(8,194)	1,007	–	382	–	(254)	–	–	–	–	9,583	(8,448)	1,135
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):														
– Tip assets	2,824	(1,324)	1,500	–	–	–	(380)	–	(281)	–	–	2,542	(1,703)	839
Total infrastructure, property, plant and equipment	4,306,082	(1,440,856)	2,865,226	46,858	261,396	(4,612)	(70,241)	(204,782)	(4,940)	(2,476)	500,483	4,968,476	(1,581,615)	3,386,861

(1) Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

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3.2. Asset Condition

Asset Custodians will ensure that the condition of the asset is updated when inspecting assets. Asset Condition is reported in the 2020/21 Financial Statements – Report on Infrastructure Assets – extract below.

Shoalhaven City Council

Report on Infrastructure Assets
as at 30 June 2021

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard [a] $ '000	Estimated cost to bring to the agreed level of service set by Council [b, bi] $ '000	2020/21 Required maintenance [c] $ '000	2020/21 Actual maintenance $ '000	Net carrying amount $ '000	Gross replacement cost (GRC) $ '000	Assets in condition as a percentage of gross replacement cost 1 [1]	2 [2]	3 [3]	4 [4]	5 [5]
Buildings	Buildings	6,136	4,676	11,816	10,499	289,063	418,918	23.5%	45.2%	26.6%	3.6%	1.1%
	Sub-total	**6,136**	**4,676**	**11,816**	**10,499**	**289,063**	**418,918**	**23.5%**	**45.2%**	**26.6%**	**3.6%**	**1.1%**
Other structures	Other structures	1,000	800	565	413	16,096	39,993	42.0%	30.0%	20.0%	6.0%	2.0%
	Sub-total	**1,000**	**800**	**565**	**413**	**16,096**	**39,993**	**42.0%**	**30.0%**	**20.0%**	**6.0%**	**2.0%**
Roads	Sealed roads	32,211	11,106	5,851	5,215	674,470	1,036,858	18.0%	27.0%	34.0%	18.0%	3.0%
	Unsealed roads	743	2,323	1,481	1,348	7,223	23,232	10.0%	10.0%	42.0%	28.0%	10.0%
	Bridges	2,715	2,484	1,411	868	63,091	114,688	42.6%	25.9%	24.3%	5.1%	2.1%
	Footpaths	1,043	754	653	338	48,007	73,859	26.2%	52.0%	17.1%	3.6%	1.1%
	Other road assets	10,550	9,739	5,086	4,549	244,606	324,629	26.0%	38.0%	26.0%	7.0%	3.0%
	Bulk earthworks	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other road assets (incl. bulk earth works)	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	**47,262**	**26,406**	**14,482**	**12,318**	**1,329,370**	**1,573,266**	**21.7%**	**30.1%**	**31.0%**	**14.3%**	**2.9%**
Water supply network	Water supply network	6,530	65	13,701	13,657	346,826	678,238	18.0%	59.0%	20.0%	2.0%	1.0%
	Sub-total	**6,530**	**65**	**13,701**	**13,657**	**346,826**	**678,238**	**18.0%**	**59.0%**	**20.0%**	**2.0%**	**1.0%**
Sewerage network	Sewerage network	7,124	71	19,183	19,178	575,494	875,640	18.0%	59.0%	20.0%	2.0%	1.0%
	Sub-total	**7,124**	**71**	**19,183**	**19,178**	**575,494**	**875,640**	**18.0%**	**59.0%**	**20.0%**	**2.0%**	**1.0%**
Stormwater drainage	Stormwater drainage	7,789	2,596	2,721	1,322	154,113	261,047	43.3%	20.9%	24.9%	9.9%	1.0%
	Sub-total	**7,789**	**2,596**	**2,721**	**1,322**	**154,113**	**261,047**	**43.3%**	**20.9%**	**24.9%**	**9.9%**	**1.0%**
Open space / recreational assets	Swimming pools	2,966	2,561	2,878	2,238	9,724	23,372	21.1%	21.6%	17.5%	28.8%	11.0%
	Other open space / Recreational Assets	783	626	986	682	21,147	47,305	20.0%	40.0%	34.7%	4.0%	1.3%
	Sub-total	**3,749**	**3,187**	**3,864**	**2,920**	**30,871**	**70,677**	**20.4%**	**33.9%**	**29.0%**	**12.2%**	**4.5%**
Other infrastructure assets	Other infrastructure assets	2,610	3,701	1,727	1,364	57,617	117,664	16.5%	23.2%	54.6%	2.6%	3.1%
	Sub-total	**2,610**	**3,701**	**1,727**	**1,364**	**57,617**	**117,664**	**16.5%**	**23.2%**	**54.6%**	**2.6%**	**3.1%**
	Total – all assets	**82,200**	**41,502**	**68,059**	**61,671**	**2,799,450**	**4,035,443**	**21.9%**	**42.1%**	**26.4%**	**7.7%**	**1.9%**

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Detailed Condition ratings are to be adopted for each Asset Class. Note there are Industry standards such as Institute of Property Works Engineers Australia that can be aligned to or adopted. Example: Road condition ratings

1. Very Good – Roads are very trafficable with very minimal road defects noticeable
    a. Very smooth ride – comfortable / safe driving
    b. Extents of defects is less than 0.1% and required actions is Nil
    c. Negligible cracking, rutting, deformation
2. Good – Roads are very trafficable with minor road defects encountered
    a. some minor bumps encountered
    b. Extent of defects is 0.1% to 2% and required actions is minor maintenance
3. Fair - Minor cracking, rutting, deformation – Roads are trafficable with road defects noticeable such as filled in potholes
    a. constant small up and down and/ or sideways movement – reasonably comfortable driving
    b. Extent of defects is 2% to 5% and required actions are significant maintenance
4. Poor - Moderate cracking, rutting, deformation – Roads are potholed, have rough ride quality, major pavement failures and access is limited at times.
    a. Driving bearable, but with low comfort.
    b. Extent of defects is 5% to 20% and required actions are significant maintenance and part renewal/ replacement
    c. Extensive cracking, rutting, deformation

5. Very Poor – Roads are almost untrafficable, have extensive surface defects and pavement failures and access is severely constrained.
    a. Uncomfortable driveability experiencing severe up/down and/ or sideways movement. Drivers must maintain good control of steering and reduce speed ins some circumstances
    b. Extent of defects is more than 20% and required actions are complete renewal / replacement
    c. Extreme cracking, rutting, deformation
6. Failed – Road is closed for public use

It is noted that extreme weather events are having an impact on the condition of assets especially the transport network and the asset infrastructure is deteriorating at a rate greater than designed and constructed for, over and above utilisation demands.

3.3. Asset Extent

The Asset base has Asset Classifications of

- Buildings
- Land
- Open Spaces (Play spaces, seating, tables, BBQs, shelters, etc)
- Plant & Equipment
- Stormwater (Pipes, pits, ponds, etc)
- Transport (Roads, Bridges, Paths, Parking, etc)
- Waste Management
- Water and Sewer

3.4. Current Situation

Since 2019 Council has undertaken an Asset Custodian review and Asset Custodian transition of service provisions/ Asset Types/ Precincts to improve Asset Management & Customer focus. The following Table summarises the Asset Type and the Asset Custodian responsible for Asset Type.

Asset Type	Asset Custodian
Administrative Centres and Works depots	Building Services Manager
Aquatic facilities	Swim, Sport & Fitness
Arts & Culture Buildings	Building Services Manager
Asset Protection Zones (APZ's)	Roads Manager & District Engineers
Bridges and Major Culverts	Roads Manager & District Engineers
Carparks – Public Areas	Roads Manager & District Engineers
Cemeteries	Manager Bereavement Services
Commercial buildings and property	Building Services Manager
Communication facilities (Towers) - Shoalwater	Shoalwater
Communication facilities (Towers) – General Sites	Building Services Manager
Community Buildings	Building Services Manager
Community Nursery	Building Services Manager
Foreshore Protection Assets (Constructed seawalls)	Roads Manager & District Engineers
Emergency Services Buildings	Building Services Manager
Fleet Services	Fleet Manager

Asset Type	Asset Custodian
Flood Mitigation Structures	Roads Manager & District Engineers
Holiday Haven (HH) Tourist Parks	Manager Tourist Parks
Industrial land	Manager Economic Development
Libraries and Shoalhaven Regional Gallery	Building Services Manager
Maritime Business	Economic Development
Natural areas (Infrastructure assets)	Roads Manager & District Engineers
Natural areas (Natural assets)	Manager Environmental Services
Navigation Channels	Roads Manager & District Engineers
Open Drains	Roads Manager & District Engineers
Parks & Reserves (Grounds)	Roads Manager & District Engineers
Parks & Reserves Precincts – Destination locations	Swim, Sport & Fitness
Pathways	Roads Manager & District Engineers
Public Amenities (Toilets)	Building Services Manager
Public Halls & Community Centres	Building Services Manager
Recycling & Waste Depots	Manager Waste Services
Roads	Roads Manager & District Engineers
Shoalhaven Animal Shelter	Building Services Manager
Shoalhaven Entertainment Centre (SEC)	Building Services Manager
Shoalhaven Indoor Sports Centre (SISC)	Swim, Sport & Fitness
Showground Precinct's	Swim, Sport & Fitness
Sporting Precincts	Swim, Sport & Fitness
Stormwater structure	Roads Manager & District Engineers
Surf Life Saving Clubs (SLSC)	Building Services Manager
Town Centres/ CBD's	Roads Manager & District Engineers
Tree's identified as Community Significant	Roads Manager & District Engineers
Ulladulla Civic Centre	Building Services Manager
Vacant Land	Building Services Manager
Waste water Supply	Shoalwater
Water Supply	Shoalwater
(Waterway's) Jetties, wharves & boat ramps	Roads Manager & District Engineers
Work Depots	Building Services Manager

Council has transitioned to an integrated software solution and all assets are to be within the Asset registers of this software solution.

3.5. Critical Assets

Critical Assets are assets that are likely to result in customer satisfaction levels decreasing and a significant social, environmental or financial cost to Council. Recognised Critical Asset classifications are;

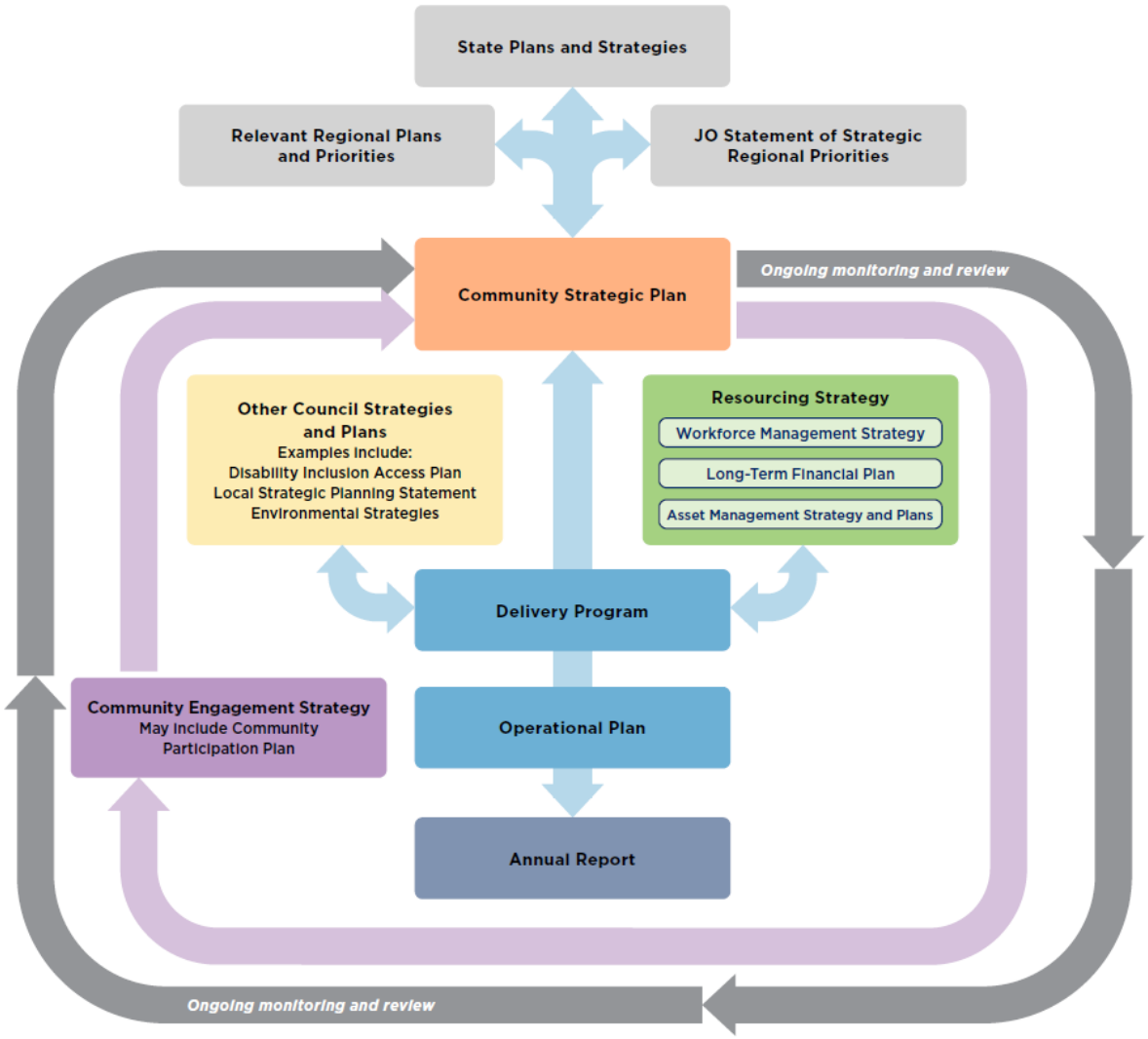
- Water and Sewer
- Road Network including Bridges
- Work Depots and Administrative Centres

Within these classifications the Asset Custodian identifies the level of criticality. Risk management procedures have been developed for these assets including emergency response, business continuity and condition monitoring

4. Community Strategic Plan

4.1. Introduction

As part of the Integrated Planning and Reporting Framework, the Community Strategic Plan (CSP) identifies “What the community told us”, that is their main priorities and expectations for the future. The Resourcing Strategy identifies ways to achieve these goals, within the limits of Council’s available resources. Office of Local Government Integrated Planning and Reporting framework extract below of where Asset Management Strategy fits into the Integrated Planning and Reporting.



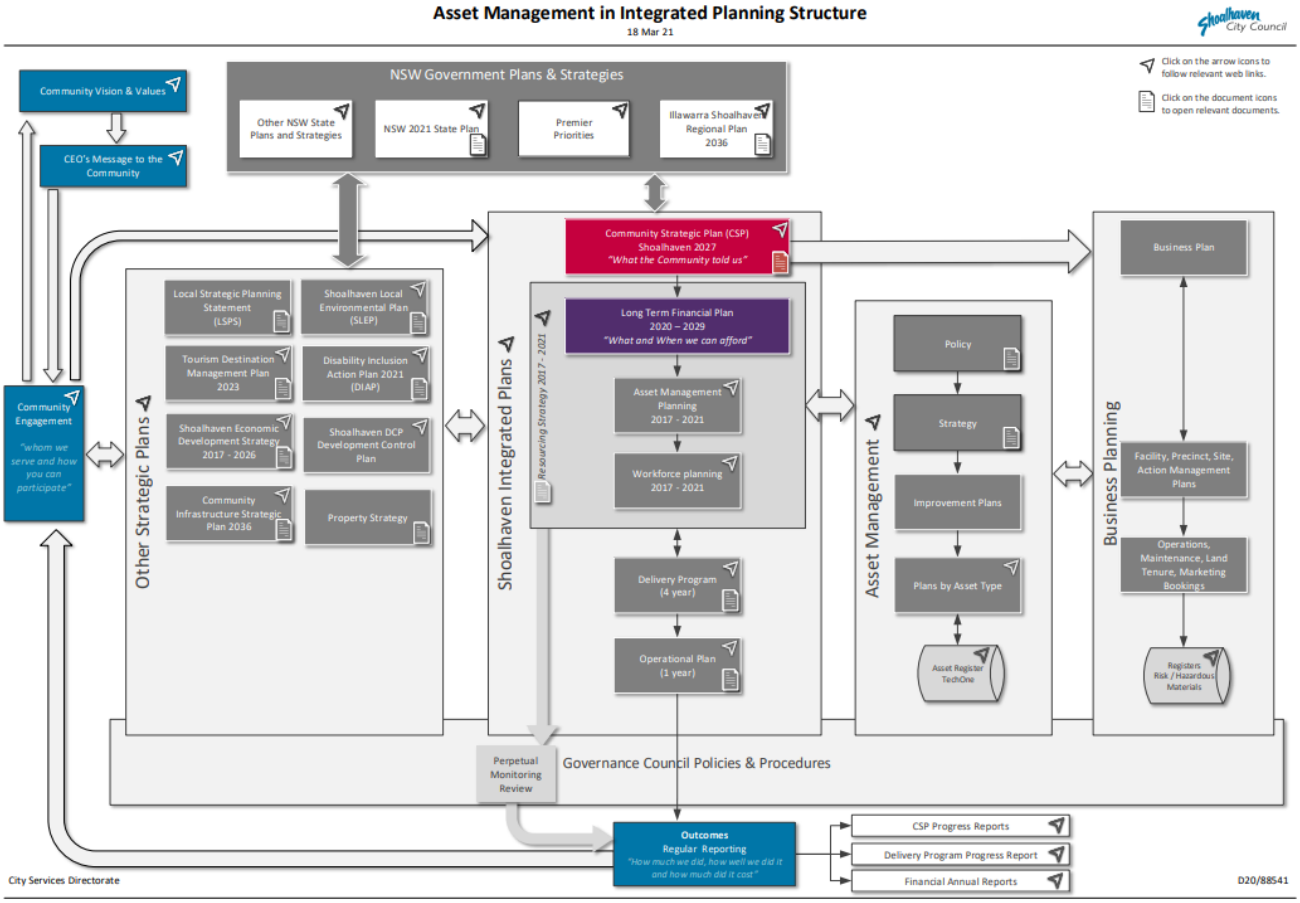
Referencing the above diagram, Asset Management Plans align with the service provisions to meet the customer agreed levels of service in an optimum way that is financially sustainable. AMP’s provide essential corporate information to assist in the preparation of the *Community Strategic Plan, Long Term Financial Plan* and the *Delivery Program.*

The CSP identifies the following themes –

- Resilient, safe, accessible and inclusive communities
- Sustainable, liveable environments
- Thriving local economies
- Effective, responsible and authentic leadership

Asset Management is understanding the customer experiences desired and then coordinating activity of management, physical, financial, economic, engineering and other practices applied to the assets for the whole of their life with the objective of providing the required levels of service in the most cost-effective manner whilst balancing risk and trade.

The below table shows “Asset Management integration with the Integrated Planning Structure.



5. 10 Year Capital Works Program

The 10 Year Capital Works Program (CWP) is based on what the community have told us and what we need for commercial activities and is to align to the Asset Management Plans as part of the Resourcing Strategy.

The CWP predominantly includes asset renewal projects to gradually improve financial sustainability indicators over the life of the CWP.

Asset renewal projects have been derived from their respective Asset Management Plans.

However, an annual budgetary process refines the corporate ranking method for capital projects that reflects the desires expressed in the Community Strategic Plan, Risk Management, best value renewal and statutory obligations. Quarterly Reviews are undertaken to assess what is happening and impacting the capital works programs such as weather events, resourcing (people, material, etc), and cost reviews.

6. Asset Information System

Council has acquired TechOne OneCouncil as the corporate asset register. OneCouncil also provides an Asset Book and financials integrated to allow whole of life costing. Council has ESRI as the corporate GIS. Continuous improvement is to occur with aligning Asset Types to spatial mapping

Building insurance data is a tab within the Asset register and reports are able to be produced to identify what is insured and where the asset type is.

It has been recognised that further integration or awareness is required with:

- Finance – linking
  - Work orders to asset (capital and operating)
  - Asset Strategy/ Replacement details
- Customer requests
  - Link service requested to asset through work orders
- Mapping
  - Work orders and projects can be mapped to show what is being done, where and what time frames
- Records
  - ECM is a separate system to EDRMS
  - Survey and Design registers
- Works programming
  - Multiple software solutions are being utilised and not all integrate with OneCouncil
- Inspections
  - electronically and spatially collected all details on asset from attributes, condition, risk, etc and
- Asset Management Plans
  - Digital Asset Management plans that are live and provide customer with details on Assets by type, Capital/operating and maintenance programs and future works

Council has purchased an integrated software solution and is implementing this over the current and next financial years. The success of this integration is considered essential for better asset management.

7. Asset Data

Asset Custodians are responsible for compiling a comprehensive and up-to-date Asset Information System, including monitoring asset condition, performance and monitoring and control of asset risk for Asset Details. Additionally ensuring an Asset Book (Capital value, Life expectancy and replacement rates and replacement cost) for capital Assets and ensuring Spatial mapping of where the Asset Type is.

Asset Data includes the following core data:

- Asset Description
- Asset Type/ class/ category
- Asset measurements
- Asset Construction material
- Asset Condition
- Whether asset is to be insured
- Asset Strategy – AMP what to do and when to it
- Replacement details – Asset life
- Physical location – required for stocktake
- Where it is spatially – Area Location - required for stocktake

Asset Data also has other non-core data to assist the Asset Custodians in managing the service provision from the assets and is configured based on Asset type for additional attribute fields.

It is expected that data accuracy will continuously improve as Asset Custodians mature in their roles.

Stocktake inspections, surveys and condition inspections are undertaken, and details must be updated in the Asset register and mapping solutions by the Asset Custodians

The current financial/costing system allows for Capital (Renewal, New, Growth or refurbish) or operating/maintenance costs to be attributed to an asset through a work order to enable whole of life costing.

Further work on processes, procedures and forms are required to continuously improve how Asset Custodians are ensuring their Asset Information System is kept up to date and valid.

7.1. Fair Valuation - Asset Revaluations by Financial Reporting categories

Asset revaluations are conducted on a regular basis, not being more than 5 years subject to capacity as has been an issue with recent events from the 2019 to 2022 i.e. drought, bushfires, covid, extreme weather events (storms, tidal events and flooding), to assess the assets carrying value against the assets fair value at reporting date.

This has also been a requirement of Office of Local Government which mandated the process in 2006 with circular 08-07 – Valuation of Property, plant & Equipment at fair value in accordance with Australian Accounting Standards Board AASB116 Property, Plant & equipment.

The below table highlights revised time frames for revaluation with the intent to realign.

		Next revaluation				
Category of Asset	Last revalued date:	22ACT	23ACT	24ACT	25ACT	26ACT
Operational land	30/06/2021		Yes		Yes	
Community land	30/06/2018	Yes		Yes		Yes
Land under roads	30/06/2021				Yes	
Land improvements – non-depreciable	30/06/2016	Yes				
Land improvements – depreciable	30/06/2016	Yes				
Buildings – non-specialised	30/06/2019			Yes		
Buildings – specialised	30/06/2019			Yes		
Other structures	30/06/2016		Yes			
Roads	30/06/2021				Yes	
Bridges	30/06/2021					Yes
Footpaths	30/06/2015	Yes			Yes	
Bulk earthworks (non-depreciable)	30/06/2021				Yes	
Stormwater drainage	30/06/2021					Yes
Water supply network	Full reval 30/06/2017	Yes				
Sewerage network	Full reval 30/06/2017	Yes				
Swimming pools	30/06/2016		Yes			
Other open space / recreational assets	30/06/2016		Yes			
Other infrastructure	30/06/2016	Yes				
Foreshore protection			Yes			
Library books	depreciate over 5 years					
Tip asset						
Investment Property	30/06/2021	Yes	Yes	Yes	Yes	Yes

7.2. Asset Stocktakes

The Asset Custodian is responsible for ensuring the asset exists, is performing to meet the agreed levels of service for the customer, there has been no significant changes and to update condition.

Stocktakes are currently required to be undertaken prior to revaluation of Assets by Financial Reporting Categories by the Asset Custodians.

Stocktake of Roads is to be undertaken by a detailed laser assessment and visual inspection.

Stocktake of all plant and equipment assets is to be undertaken no less than yearly and can be undertaken when servicing occurs.

Stocktake of intangible assets carried at cost is conducted on an annual basis.

The purpose of the stocktake is to verify the physical existence of items recorded in the asset register. It also seeks to identify assets that are under-utilised or those that are surplus to requirement and may require disposal. The stocktake also ensures that Asset Register and Asset Book details are true and correct. The Asset Accounting policy/ procedure will identify how to process and account for financial changes to Asset Book values.

8. Asset Management Plans

8.1. Introduction

The AM Strategy is developed by Technical Services for governance and Asset Custodians are responsible for individual Asset Management Plans.

Council has adopted Asset Management Plans on Council's webpage

However, the Asset Custodian Model has highlighted that not all Service Provisions/ assets have corresponding Asset Management Plans. The Proposed Structure for Asset Management Plans is detailed below:

Asset Management Plan	Asset Custodian
Administration & Depot Buildings	Building Services
Bereavement Facilities	Bereavement Services
Bridges & Major Culverts > 6 metres	District Engineers Coordinated by Roads Manager
Commercial Property	Building Services
Community Buildings	Building Services
Cultural Buildings	Building Services
Destination Parks Precincts	Swim, Sport & Fitness
Economic Development	Economic Development
Emergency Services Buildings	Building Services
Flood Mitigation Infrastructure	District Engineers Coordinated by Roads Manager
Holiday Haven Facilities	Holiday Haven
Natural Areas	Environmental Services
Natural Areas (Infrastructure)	District Engineers Coordinated by Roads Manager
Parks & Open Spaces	District Engineers Coordinated by Roads Manager
Pathways	District Engineers Coordinated by Roads Manager
Plant & Fleet	Plant & Fleet
Public Amenities (Toilets)	Building Services
Recycling & Waste	Recycling & Waste
Road Network	District Engineers Coordinated by Roads Manager
Showground Facilities	Swim, Sport & Fitness
Sporting Facilities	Swim, Sport & Fitness
Standalone Off Street Public Parking	District Engineers Coordinated by Roads Manager
Stormwater Infrastructure	District Engineers Coordinated by Roads Manager
Street Infrastructure	District Engineers Coordinated by Roads Manager
Waste Water Supply	Shoalwater
Water Supply	Shoalwater
Waterways Infrastructure	District Engineers Coordinated by Roads Manager

Asset Management Plans contain:

1. Executive Summary
2. Asset Description
3. Levels of Service
4. Future Demand
5. Lifecycle Management Plan
6. Risk Management Plan
7. Financial Summary
8. Plan for improvement and Monitoring

   Reference: *Section 4.2, pg4/33, IMM 2015*

- A description of the asset category and the services delivered
- The key standards, systems and guidelines which influence asset management activities
- Levels of service (current and desired) and a system of performance measures
- Factors influencing future demand and the impacts of changing demand
- Management of risk
- Summary of life cycle strategies
- Long term cash flow projections
- Links to the Community Strategic Plan, Long Term Financial Plan, Delivery Program and Operational Plan, through capital and maintenance programs.

As indicated in the Asset Management Policy, Council is guided in the development of asset management by the *IPWEA International Infrastructure Management Manual (2015)* and has adopted the NAMS AMP Template for consistency with Shoalhaven referencing to be consistent across all AMP's.

8.2. AMP Recommendations

The following recommendations were included in adopted AMPs and require consideration. However, these have not been based on refined SLOS considerations but rather on preliminary community consultation and operational or efficiency grounds.

- Annual budget for all asset types should be prepared on an 'activity' basis not a 'resource' basis.
- An appropriate occupation of council owned or managed land policy has been adopted and should be adhered to.
- The mowing frequency (level of service) for passive recreation areas should be continually reviewed with the local community.
- Monitoring and Improvement Programme – Asset Management Plans are dynamic documents reflecting and responding to changes over time. Monitoring of the AMP is required to ensure compliance with the proposed improvement program milestone and to ensure compliance with adopted standards and procedures for condition and performance.

9. Levels of Service

Levels of Service have been specified in most AMPs.

- The current Community Strategic Plan can realign AMPs to "what the community told us" and the resourcing strategy "what we can do and when we can do it"

- The current adopted AMPs were publicly advertised; however engagement through technology has improved to achieve a greater audience.
- LOS surveys have been undertaken on Council's website in the past years with pictures and the respondents identifying if it is or is not acceptable.
- Council also undertakes Community Satisfaction surveys to determine how we went and what we can do better.

The AM Policy includes a provision –

- To agree on appropriate 'levels of service' asset performance.

To achieve significant community engagement in the reviewing of sustainable 'levels of service' (SLOS) can be achieved with this Community Strategic Plan and "Get Involved Shoalhaven" where the Community "can have their say". This webpage has a timeline/ lifecycle to keep all that have an interest to be informed of the proposals to improve "service provision" which is ultimately good asset management.

Each Asset Custodian must undertake this process to understand the customers current and future demands, especially in relation to level of service provision.

The way that assets are managed in an organisation is a critical component of customer satisfaction. Customers expect the assets of Shoalhaven City Council to provide them with defined service levels. For example, a building that is clean, vibrant, in the right location, will make a difference to the community perception of what is a good service.

10. Asset Custodians

The Asset Custodian is required to manage assigned assets on behalf of the Asset Owner (usually, Council) given Levels of Service expectations and available funding.

Asset Custodians are:

- Bereavement Services
- Building Services
- Economic Development
- Holiday Haven Tourist Parks
- Natural Resources
- Plant & Fleet
- Recycling & Waste
- Roads Manager (District Engineers)
- Shoalwater
- Swim, Sport & Fitness

Key responsibilities for Asset Custodians are:

1. Establish (or adopt) technical and acceptable Levels of Service to be provided by an asset having regard to the Asset Owner's responsibility and ability to ultimately fund the adopted Levels of Service and the Asset Owner's understanding of the Service Owner/Provider and customer needs.

2. Develop and implement Asset Management Plan(s) and ensure they are updated annually and comprehensively reviewed (and adopted by the Asset Owner) at least every four years. Note: It may be necessary to outsource the development of parts of the initial AMP and comprehensive reviews of the AMP say every 5 years. The Asset Custodian will need to determine and resource this.
3. Compile a comprehensive and up-to-date Asset Information System, including monitoring asset condition and performance and monitoring and control of asset risks. Note: This database must be stored on a Corporate Approved Asset Management System which is audit able by and accessible to Senior Management. The initial development of this Information System may need to be outsourced or developed by a fixed term team. The Asset Custodian will need to arrange and resource this. Corporately, Council is migrating ALL asset register details to Technology One
4. Obtain and manage the maintenance budget for reactive and programmed works. Example replacement of roof sheeting, external paint etc. An exception is for tenant / occupier responsibilities. Example is fit out specific to occupancy or service provided. Items identified in occupation agreement. Obtain and manage the operating budget and arrange for operations such as statutory test and inspections of fire compliance measures and lifts. etc. An exception is for tenant / occupier responsibilities (utilities, cleaning, security, etc.). If No tenant then wholly responsible.
5. Incorporate a Strategic Asset Development Plan, looking forward at least 10 years, into the Asset Management Plan (at Section 4 Future Demand). Asset Custodians are stakeholders in this strategic process; however, the Asset Owner will rely heavily on Strategic Asset Planners to undertake the extensive consultation and justification required for strategic asset investment or divestment. Note: Strategic Planning may be a project on its own and funding allocated to this process. Often strategic plans will be referred to within the AMP as a reference document, i.e. Business Plan, Management Plan, Growth Plan, etc. Also, Strategic Planning may have an impact on current and future Levels of Service, as well as technology changes and operating laws. (see Strategic Asset Planners below)
6. Document all of the above in an Asset Management Plan (that conforms to corporate standards) and obtain the Asset Owner's approval of the Plan. Prior to Asset Owner's approval, the Executive Team will be required to sign off on each Asset Plan; this will ensure that each plan has been considered widely within the organisation and all the relevant organisational stakeholders have contributed appropriately. Note: All AMPs will require sign off by the CEO (and appropriate GD's) and thus Strategic Asset Planners input to the AMP and collaboration with respect to Levels of Service will be is assured before the plan is considered by Council.
7. Ensure draft budget allocations are proposed in accordance with the adopted Asset Management Plans and the resultant allocated budgets are expended (Operating, Capital including Major Projects). If required, refine the Asset Management Plans to reflect the actual annual asset expenditure (i.e., defer items within the 10-year timeframe and/or revise levels of service). Note: Council has a Major Projects and Contracts Section that can assist Asset Custodians deliver Strategic Capital Projects. An Asset Custodian cannot "outsource" or delegate this responsibility unless agreed to in writing.
8. Prepare and supervise contracts, leases, conditions of use and other agreements (i.e. EPA licences etc). Note: Experts within Council can assist with this. Similar to safety, an Asset Custodian cannot "outsource" or delegate this responsibility.

9. Will be responsible for the asset creation standards and the acceptance of assets into Council ownership either from Contractor, Developer or Community constructed assets. (via a service level agreement between units of Council or directly inspecting)
10. Must ensure that all existing assets which require insurance are declared under the State-Wide Property Scheme and reviewed during the policy renewal. All newly constructed, purchased or acquired assets must be declared to the Insurance Claims Officer using the State-Wide New Building Checklist

11. Asset Management Improvement Plan (AMIP)

11.1. Introduction

An AM Improvement Plan details actions necessary to progress from the current situation to eventually achieving the expected outcomes of the CSP. The Improvement Plan therefore needs to fill any gap or deficiency in asset knowledge, systems, resources and service levels to meet these outcomes. The AM Plan covers the following groupings:

- AM preparation
- AM process improvement
- AM information system improvement
- AM data improvement
- AM organisation and training.

The deficiencies in AM capability have been recognised by various methods including:

- self-assessment tools for AM
- comparison with 'best practice' AM publications e.g. International Infrastructure Management Manual
- discussions with reference groups and
- staff knowledge and experience.

11.2. Priority Actions

11.2.1. AM Preparation

- Ensure an asset service investment analysis is taken for all new and replaced or proposed to be replaced assets which includes whole of life costs.
- Complete Asset Management Plans (AMPs) in a timely manner to inform the Resourcing Strategy – especially Long term financial plan.
- Asset Custodians to review Business Plans to ensure they contain adequate interrelationship with good asset management.
- Define current and ideal levels of service and performance measures for each asset management plan.
- Undertake Community engagement to review levels of service and agree on the 'sustainable' level of service (SLOS) for each asset category.
- Update financial and demand projections when reviewing AMPs.
- Continuously update and review AMPs.

11.2.2. AM process improvement

- Document corporate responsibilities for the maintenance of asset information.
- Document processes/procedures for updating asset information.

- Establish appropriate valuation, depreciation and effective life procedures for each financial asset category.
- Refine the procedure for recording asset acquisition and ensure project managers are educated to improve this procedure with reliable data.
- Develop the procedure for recognition of contributed assets through the implementation of ADAC – Asset Design As Constructed.
- Develop the procedure to ensure that annual operation/maintenance budgets include an allowance for additional costs arising from the addition of new assets through development, acquisition, dedication or leasing and/or licensing as well as an allowance to cover cost increases in line with indices relevant to each asset class.
- Develop utilisation measures and record utilisation for all assets and recommend surplus assets example land and buildings.
- Review the management & leasing arrangements for assets to determine service levels, rentals and sustainable subsidisation of each service provision in line with the Community Infrastructure Strategic Plan.
- Workshop with stakeholders of community infrastructure various delivery models to seek best value outcomes
- Better define business case approach for service provision to determine quadruple bottom line outcomes i.e. social, environmental, financial and good governance.
- Develop protocols for inputting AMP information into annual budget process for operational and capital works programs
- Develop strategies to meet financial challenges e.g. how fast to bridge the maintenance and renewal 'gap'; how much and how quickly to contribute to 'growth' assets

11.2.3. AM information system improvement

- Link the financial system with AM database.
- Improve links of the Geographic Information System (GIS) with Asset register.
- Link all Maintenance Management Systems and Inspections software solutions with Asset Register.
- Implement a replacement customer request system (Merit) to Asset register/ Work Planning.
- Develop a Capital Works database to show the priority and whole of life costs of all identified future projects with projects able to be viewed graphically
- Provide definitions, data and links from the AM information system for statutory and financial reporting to allow automated and consistent completion of reports.

11.2.4. AM data improvement

- Undertake stocktakes as identified and more regular condition audits to all assets especially Road Network if impacted by events that may reduce customer satisfaction.
- Determine and enter in Asset register the remaining life for all assets.
- Document asset register replacement unit rate calculations and enter rates in Asset register.
- Review annual renewal funding needs for all service provision/ precincts/ asset classes and revise the 10 Year Financial Plan.
- Record works and cost information through work orders per asset/ service provision for optimum whole-of-life calculations.
- Include proposed assets and predicted cash-flows in a Capital Works Database and link the database to a mapping system.
- Record outcomes of statutory inspections per asset in Asset register.

11.2.5. AM organisation and training

- Review how we do business and current resource requirements for immediate needs (particularly for Asset Custodians to maintain concise asset registers).
- Review resource requirements for system functionality and maturity changes as to core data as Asset custodians mature.
- Review the frequency of condition assessments and risk inspections for various asset categories and ensure adequate resources are available.
- Develop training to ensure all Asset Custodians have Asset Management ingrained into “how they do Business” and it’s not someone else’s task/ responsibility. Asset Management will be treated same as “safety”. Its everyone’s responsibility.
- Complete the integration of the AM system with corporate systems and processes/ procedures/ forms.

12. Glossary

This glossary is provided for use with the Asset Management Policy, Asset Management Strategy and Asset Management Plans.

Advance Asset Management
Asset Management which employs predictive modelling, risk management and optimised decision making techniques to establish asset lifecycle treatment options and related long term cash flow predictions.

Asset
A resource controlled by Council to provide a service.

Asset Book – Financial Asset
An asset shall be recognised in the statement of financial position when and only when:

- It is probable that the future economic benefits embodied in the asset will eventuate; and
- The asset possesses a cost or other value that can be measured reliably.

Most transport /road infrastructure assets satisfy both criteria. Exceptions are land under roads and bulk earthworks. For network assets such as roads, the combined application of the concept of materiality and high variability of the road attributes across the network has resulted in the almost universal and correct practice that assets be broken into categories/ components and with Transport assets of roads - segments. Each asset has a current replacement value, written down current replacement value, annual depreciation amount, and economic and remaining life.

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 category
Sub-group of assets within an asset classification hierarchy.

Asset classification
The main asset types (Buildings, Land, Open Spaces, Stormwater, Transport) further categorised by (Asset Categories and asset components) which have different life expectancies and different replacement costs.

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 Component
Individual Assets in a hierarchy from Asset Classification/ Asset Category/ Asset component. Example Transport/ Road/ Wearing course (Surface).

Asset Management
A systematic process to guide the planning, acquisition, operation and maintenance, renewal and disposal of asset based on 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 Management Framework
The overarching Asset Management Hierarchy and includes the Asset Management Policy, Strategy, Objectives, Plans.

Asset Management Information Systems
A combination of processes, data, software and hardware applied to provide the essential outputs for effective Asset Management.

Asset Management Plan (AMP)
Long term plans for infrastructure assets that outline the asset activities for each service area and resources applied to provide a defined level of service in the most cost effective way.

Asset Register
A record of asset information including condition, construction, financial, historical, inventory and technical details.

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].

Asset Resilience
The ability of an asset to perform at an acceptable / desired level when subject to a hazard event.

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.

Benefit – Cost Analysis (BCA)
A decision technique that quantifies the benefits and costs in monetary terms over the life of the decision for the service provision. Usually for the life of the asset.

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**.**

Business Plan
A plan produced by the Asset Custodian for the service provision.

Capital expansion expenditure
Expenditure that extends an existing asset, at the same standard as is currently enjoyed by residents, to a new group of users. It is discretional expenditure, which increases future operating, and maintenance costs, because it increases council'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
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 - 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.

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.

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

Capital renewal expenditure
Expenditure on an existing asset, which returns the service potential or the life of the asset up to that which it had originally. It is periodically required expenditure, relatively large (material) in value compared with the value of the components or subcomponents of the asset being renewed. As it reinstates existing service potential, it has no impact on revenue, but may reduce future operating and maintenance expenditure if completed at the optimum time, 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 a road. Where capital projects involve a combination of renewal, expansion and/or upgrade expenditures, the total project cost needs to be allocated accordingly.

Capital upgrade expenditure
Expenditure, which enhances an existing asset to provide a higher level of service or expenditure that will increase the life of the asset beyond that which it had originally. Upgrade expenditure is discretional and often does not result in additional revenue unless direct user charges apply. It will increase operating and maintenance expenditure in the future because of the increase in the council's asset base, 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. Where capital projects involve a combination of renewal, expansion and/or upgrade expenditures, the total project cost needs to be allocated accordingly.

Capital Works
The creation of new assets or an increase in the capacity of existing assets beyond their original design capacity or service potential.

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

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

Condition
The physical state of the asset measured by Very good, good, fair, poor, very poor or failed.

Condition assessment
The process of scheduled or periodic inspection, assessment, measurement and interpretation of the resultant data to record the condition of the asset and identify "what to do and when to do it".

Consequence
A result or effect or outcome of an event.

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

Council
Shoalhaven City Council.

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.

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

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 wearing out, consumption or other loss of value of an asset whether arising from use, passing of time or obsolescence through technological and market changes. It is accounted by the allocation of the cost (or revalued amount) of the asset less its residual value over its useful life.

Disposal
Activities necessary to dispose of decommissioned assets.

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

Facility
A complex comprising many assets which represent a single management unit for financial, operational, maintenance and other purposes.

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**.**

GIS
Geographical Information System, mapping and spatial location technology systems which show location and relationship to key geographical datum points.

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

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

Infrastructure assets
Physical assets of the entity or of another entity that contribute to meeting the public's need for access to major economic and social facilities and services, 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 market value.

Investment property
Property held to earn rentals or for capital appreciation or both, rather than for:
(a) use in the production or supply of goods or services or for administrative purposes; or
(b) sale in the ordinary course of business (AASB 140.5).

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

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

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

Maintenance
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.

1. **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.
2. **Reactive maintenance**
   Unplanned repair work that is carried out in response to service requests and management/ supervisory directions.
3. **Specific maintenance**
   Maintenance work to repair components or replace sub-components that needs to be identified as a specific maintenance item in the maintenance budget.
4. **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 sustainability index
Ratio of estimated budget to projected expenditure for maintenance and renewal of assets over a defined time (e.g. 5, 10 and 15 years).

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

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

Modern equivalent asset
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.

New Works
New work expenditure is Capital Works expenditure, i.e. money spent on new works (development costs) and upgrades to an existing asset or on creating a new asset.

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

OLG
NSW Office of Local Government.

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 excluding maintenance and depreciation, e.g. power, fuel, staff, plant equipment, on-costs and overheads.

Operational Plan
Generally comprise detailed implementation plans and information with a 1-3 year outlook (short-term). The plans detail structure, authority, responsibilities, defined levels of service and emergency responses.

Process
A structured, measured set of activities designed to produce a specific output.

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).

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

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

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

Recurrent funding
Funding to pay for recurrent expenditure.

Rehabilitation
See capital renewal expenditure definition above.

Remaining Useful life
Remaining useful life is determined for each individual asset from the condition rating. It is the time that the asset provides future economic benefit, from acquisition to expected replacement, renewal in full or replacement / disposal.

Renewal
Works or actions to upgrade, refurbish or replace components of an asset to restore it to near new and required functional condition, extending its current remaining life.

Replacement cost

The cost to replace the asset with a new current (modern equivalent) with same benefits.

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

Resilience
The concept is wider than natural disasters and covers the capacity to withstand disrupting and to effectively continue operations during a crisis by adapting to changing conditions.

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
A benefit gained from utilising or accessing an asset and the associated work done by Council staff or others associated with the Council.

Service expectation
The description of Level of Service available to users of an asset and any associated services, as described in consultation for developing and reviewing the Community Strategic Plan.

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.

Stakeholder
A person; group; company or government department representing an interest in an asset; project or service utilising an asset.

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. It is the same as the economic life.

Value in Use
The present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. It is deemed to be depreciated replacement cost (DRC) for those assets whose future economic benefits are not primarily dependent on the asset's ability to generate new cash flows, where if deprived of the asset its future economic benefits would be replaced.

13. Review

This Strategy will be reviewed

- Within 12 months of the election of a new Council
- As directed by Council
- A change occurs to legislation that affects the policy

ATTACHMENT 1 – AMIP IMPLEMENTATION SCHEDULE

	Responsible Unit	Target Completion
1. Better Information for Better Planning		
a. Improve the accuracy and categorisation of the data and expenditure forecasts held for asset management planning.	Asset Custodians	Ongoing
b. Ensure optimum alignment between asset management planning and financial accounting and reporting in relation to assets, in particular the relationship between depreciation and asset renewal	Asset Custodians	Ongoing
c. Develop a forward estimate of our capacity to fund new services and new capital project works (by asset class) and confirm the extent to which this projected capacity will meet anticipated demands and ambitions.	Asset Custodians	Ongoing
i. Establish financial model	Asset Custodians	Ongoing
ii. Develop and test desired scenario	Asset Custodians	Ongoing
iii. Review all revenue sources and advise total financial capacity	Financial Services	Ongoing
d. Identify potential asset rationalisation opportunities which would ultimately facilitate the continued provision of services but reduce maintenance and ultimate renewal costs and engage the community on key issues associated with asset rationalisation.	Asset Custodians	Ongoing
2. Systems Improvements		
a. Define desirable AMP based renewal/strategic maintenance programs	Asset Custodians	Ongoing
b. Identify current spend and asset maintenance/renewal gap	Asset Custodians	Ongoing
c. Recognise in long term resource allocation the full and whole-of-life range of costs - capital & operation, and immediate and on-going, including depreciation - associated with proposed new initiatives.	Asset Custodians	On-going
d. Make full provision in the LTFP for Council's forecast Shoalhaven Contributions Plan obligations, consistent with actual and forecast developer contributions.	Asset Custodians	Ongoing
i. Adopt new Contributions Plan	Asset Custodians	Ongoing
ii. Review funding flexibility and deliverability and need	Asset Custodians	Ongoing

iii. Develop project plans for early/important projects	Asset Custodians	Ongoing
e. Develop and integrate processes and criteria for resource allocation to competing demands for City-growth and new initiatives projects.	Asset Custodians	Ongoing
3. AM Preparation		
a. Develop the Asset Management Strategy (AMS)	Asset Management Advisor	Ongoing
b. Define current levels of service and performance measures for each service provision/ precinct/ asset category.	Asset Custodians	Ongoing
c. Develop risk management strategies for critical assets (OLG)	Asset Custodians	Ongoing
d. Update financial and demand projections in existing AMPs.	Asset Custodians	Ongoing
e. Ensure all assets are constructed and maintain to meet appropriate quality standards.	Asset Custodians	On-going
f. Align AMPs with and inform CSP and DP and OP)	Asset Custodians	Ongoing
g. Include long term and 10year financial projections in AMPs (OLG)	Asset Custodians	Ongoing
4. Improve AM Processes		
a. Implement a process to improve accuracy of asset details	Asset Custodians	Ongoing
b. Establish appropriate valuation, depreciation and effective life procedures for each asset category.	Asset Custodians	Ongoing
c. Refine the procedure for recording asset acquisition.	Asset Custodians	Ongoing
d. Establish a protocol for asset type identification	Asset Custodians	Ongoing
e. Develop a framework for applying a unique identifier to an asset	Asset Management Advisor	Ongoing
5. Improve AM Systems		
a. Revie and improve the financial system with the AM database	Information Technology - Applications	2023
b. Link the Geographic Information System (GIS) with Asset Register, Projects and work Planning.	Information Technology	2023
i. Implement software solution to enable asset data to be viewable on GIS Viewer	Information Technology	2023
c. Link the external software solutions for Maintenance and Inspections with Asset Register	Information Technology	2023

d. Implement the customer request system to Asset Register.	Information Technology	2023
e. Adopt life cycle analyser tool and integrate into Council's reporting system	Asset Custodians	Ongoing
f. Integrate a corporate requesting system to be searchable from the corporate asset register	Information Technology	2023
6. Improve AM Data		
a. Document asset register unit rate calculations.	Asset Custodians	Ongoing
b. Record works and cost information per asset for optimum whole-of-life calculations.	Asset Custodians	Ongoing
c. Include proposed assets and predicted cash-flows in Asset register.	Asset Custodians	Ongoing
d. Record outcomes of statutory inspections per asset in Asset register	Asset Custodians	On-going
e. Review AMPs for data reliability	Asset Custodians	Ongoing
f. Review AMPs for maintenance timing/requirements	Asset Custodians	Ongoing
g. Actions for AM Organisation and Training	Asset Custodians	Ongoing
h. Review resource requirements as AM system functionality and maturity changes	Asset Custodians	Ongoing
i. Review the frequency of condition assessments and risk inspections for various asset categories.	Asset Custodians	Ongoing
j. Develop training and succession plans for staff involved in AM	Asset Custodians	Ongoing
k. Complete the integration of the AM system with corporate systems and processes.	Asset Custodians	Ongoing