ATTACHMENT 10

RELEVANT EXTRACTS FROM THE ASSET MANAGEMENT PLAN

ASSETS

Introduction

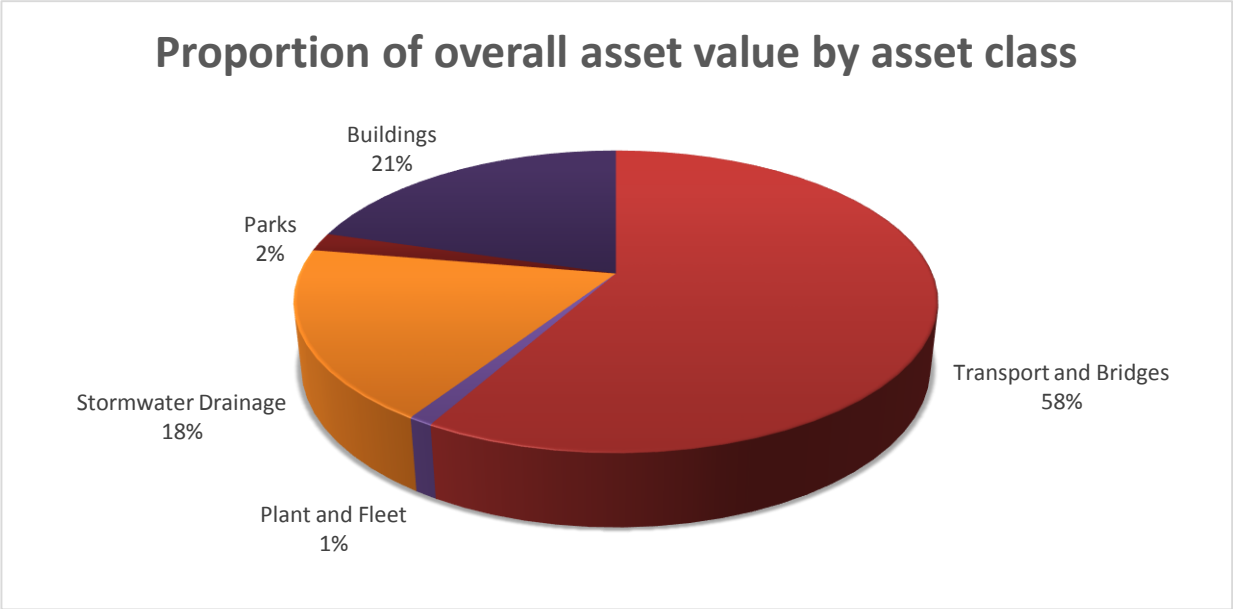
Council has a significant asset portfolio, primarily consisting of roads, paths, bridges, community buildings, drainage, land, fleet, parks and sportsgrounds. Smaller asset categories include books, IT equipment and office furniture. This asset portfolio has grown from a replacement value of $1,516,723,668 in 2009 to $2,205,126,000 in 2015. This growth comes with growth in the City, particularly new release areas, which add particularly to the roads, pathways, drainage and open space assets. Council's assets are a critical part of what we do; we cannot deliver services to our community without them. Some of Council's assets provide a service in themselves, as is the case with roads, footpaths, drains and parks; others, like our fleet, are used to help provide a service. Different categories present different challenges in terms of maintenance, risks and life cycle management. All assets, however, are managed according to Council's overarching asset management policy.

Council is responsible for managing its assets to deliver the level of service required by our community in a cost effective manner for present and future residents and customers. The key elements of our asset management policy are:

To ensure adequate provision is made for the long-term replacement of major assets by:

- Ensuring that Council's services and infrastructure are provided in a sustainable manner, with the appropriate levels of service to residents and visitors
- Safeguarding Council assets including physical assets and employees by implementing appropriate asset management strategies and appropriate financial resources for those assets
- Creating an environment where all Council employees take an integral part in overall management of Council assets by creating and sustaining an asset management awareness throughout the organisation by training and development
- Meeting legislative requirements for asset management
- Ensuring resources and operational capabilities are identified and responsibility for asset management is allocated
- Demonstrating transparent and responsible asset management processes that align with demonstrated best practice

We are committed to monitoring how much our assets are used and what they are used for, to ensure we are buying the right assets and using them in the right way to get value for money



Why is asset management important?

Asset management covers maintenance, renewal, expansion and upgrade of assets, and must take into account the estimated lifespan of an asset, the level of service it is expected to provide and any costs associated with disposal.

Maintenance

Expenditure on an asset which allows it to continue to be used, but does not increase its service potential or life.

Renewal

Expenditure on an asset which increases the service potential or extends the life of the asset.

Expansion

Providing an asset to an area not currently serviced, but at the same level of service as is provided elsewhere in the community.

Upgrade

Expenditure on an asset to improve its level of service or extend its life.

Asset management, particularly maintenance and renewal of key infrastructure (primarily roads, drains and buildings) is a significant issue for local government. Many of our key infrastructure assets are a part of people's everyday lives and are most noticeable only when they start to deteriorate or the level of service they provide declines. This makes it easy to reduce spending on infrastructure maintenance in favour of providing more prominent services when there are competing demands for limited funds. In some cases this reduced spending can continue for several years before any significant impact is noticed.

The difficulty with this approach is that a poorly maintained asset will have a significantly shorter lifespan – delaying spending on maintenance will cost the community more both in terms of a reduced level of service, and additional costs to either bring an asset back up to standard or replace it entirely. There may also be other, hidden costs of inadequate spending on asset maintenance. A poorly maintained public domain can lead to the community feeling unsafe and makes an area less attractive for investors. This then limits jobs, housing choice and economic growth. Poorly maintained parks can have long term heath impacts by discouraging an active lifestyle. Roads which are not upgraded to meet traffic demands result in traffic congestion, longer travel times and less time for family and leisure activities.

The importance of consistent allocation of funds to asset renewal is reflected in the inclusion of the Building and Asset Renewal Ratio, Infrastructure Backlog Ratio and Asset Maintenance Ratio as part of the assessment of whether Councils are financially sustainable. Penrith's current and projected performance against these ratio, based on the asset management assumptions and long term financial planning included in this document, appears below:

	FFF	2016-17	2017-18	2018-19	2019-20	2020-21
Building and Asset Renewal Ratio *Improvement within 5 years, towards greater than 100% average over 3 years* ***Ongoing improvement from 2016-17***	44.4%	45.16%	45.68%	48.28%	55.64%	62.93%
Infrastructure Backlog Ratio *Less than 2%* ***Meet by 2016-17***	4.43%	1.22%	1.15%	1.03%	0.92%	0.86%
Asset Maintenance Ratio *Greater than 100% average over 3 years* ***Benchmark met. Performance maintained***	114.1%	111.92%	110.88%	110.56%	110.31%	110.00%

How is Council working to improve asset management?

Asset Review

Physical assets – roads, footpaths, drainage systems, parks, and buildings are a crucial part of the delivery of Council's services to the community. Our community depend on these assets and we have a moral and legal obligation to manage and maintain them to ensure that they remain safe and fit for use. Asset management, particularly the management of infrastructure backlog and allocation of sufficient funding to asset maintenance and renewal, has been an area where local government overall has been found lacking in the past few years. A review of councils asset management documents, responsibilities and processes has significant scope for building capacity now and into the future, both in terms of current increased efficiencies and reduction in future liabilities.

Council identified a need to improve productivity and efficiency in 2013 and an organisation wide Capacity Review to examine all key areas of Council's operations. One of the major components of the Capacity Review was the Assets Review, the purpose of which was to both review current asset management practices and develop and maintain a contemporary, comprehensive asset management strategy. The new Asset Management Strategy, adopted by Council in February 2016, applies to all council's assets and incorporates anticipated future supply; risk; and actions / funding required to address any backlog in maintenance. The Strategy sets the direction for asset acquisition, maintenance, renewal and disposal into the future and will be supported by individual asset management plans for each major asset class, including public art and buildings managed by the property department.

Key future actions

A number of immediate actions have come out of the Asset Review that will be implemented over the next two years. Progress on these actions will be reported through Council's normal reporting process.

Outcome	Milestone
Service reviews completed for all services and recommendations adopted	All reviews complete - December 2015 First stage implementation – June 2016
Service level agreements in place for all identified service relationships	December 2016
New service specifications in place for all services	June 2017
Business process review completed and recommendations adopted	First stage implementation – December 2015 All key processes reviewed by June 2017
Endorsement of the Asset Management Strategy, including risk, priorities, critical assets and levels of service	Endorsed by 31 March 2016
Endorsement of Asset Management Plan, including maintenance expenditure, renewal expenditure and anticipated backlog	By 30 June each year
An agreed program and mechanism to rationalise identified open space and building assets including options for reinvestment of funds	By June 2016

Levels of Service

Levels of service for individual asset classes are discussed in more detail later in this section. All levels of service are set from a starting point that all assets are maintained to a level that enables them to perform their expected role safely. Assets are not allowed to deteriorate below this level.

As part of the community engagement program committed to in the Fit for the Future Improvement Plan the Penrith Community Panel considered the question "What services and facilities do we need in Penrith?" The Panel prepared a report entitles "The City We Want" which includes 81 recommendations on various council services and initiatives. The recommendations that relate to levels of service for assets will be considered over the next 12 months and implemented where feasible.

Section 94 of the Environmental Planning and Assessment Act

Section 94 of the Environmental Planning and Assessment Act allows Council to charge contributions on new development to provide land and infrastructure needed as a result of that new development. In Penrith City, contributions are levied for both greenfield development (new residential or employment estates) and for redevelopment of established suburbs. Contributions are most commonly used to provide parks and recreation facilities, community and cultural facilities, roads and drainage to meet the additional demand arising from new communities and to maintain our current rates of facility provision.

Section 94 can only be applied, however, to capital costs. This means it can fund the initial construction of a road or building or acquisition of land, but cannot fund the ongoing maintenance of these facilities. Maintenance costs are expected to be funded by rate revenue from the new community. To ensure the suitability of new facilities funded by development contributions, Council seeks to ensure the works are high quality, robust and minimise ongoing maintenance costs.

In 2013 the State Government announced proposed changes to the section 94 development contributions process in a Planning System White Paper. The draft changes would affect the type of local infrastructure for which Council could levy and the contribution charge. Section 94 was proposed to be replaced by local infrastructure contributions, which would only include essential infrastructure directly attributable to the new development, being local roads and traffic management; local open space and embellishment; basic community facilities (land and capital) and the capital costs of drainage. The costs of the infrastructure that we could include in a local infrastructure plan was to be benchmarked across NSW and applied based on a unit charge (e.g. per lot or per square metre of development). The Independent Pricing and Regulatory Tribunal was also to play a role in reviewing plans proposed by Council.

The impact of the White Paper proposed changes on existing contributions plans which have either commenced delivering infrastructure or which are repaying advance-funded infrastructure was unclear. We have sought confirmation from the Minister that the new Planning Bill legislation will ensure existing section 94 Plans can continue unaffected. While the Bill was introduced into the NSW Parliament in 2014, it was not passed and the proposed changes have not taken effect. There has been no announcement from the NSW Government or the Minister for Planning regarding the Planning Bill and its changes to contributions planning and local infrastructure delivery.

If implemented as drafted, the proposed new approach to contributions planning would have several significant consequences, including not permitting funding for car parking, district open space, cultural facilities or drainage land. This would result in an infrastructure funding gap exceeding $110 million in the case of Penrith City. We have consistently lobbied the Minister on the adverse implications of this shortfall since the announcement of the White Paper and have received support for our initiatives on this issue from our local Members of Parliament, neighbouring councils and WSROC, most recently in November 2015, when WSROC broached the issue with the Minister. The future of the new Planning System Bill and changes to contributions planning is uncertain, but it appears that changes are more likely to be evolutionary rather than as dramatic as proposed in the White Paper.

The Minister's $30,000 cap on residential development contributions continues to apply in the Werrington Enterprise Living and Learning (WELL) Precinct, however Council's resolution in response to the cap (requiring roads and drainage to be delivered by developers) and entering Voluntary Planning Agreements with developers of dwellings, has ensured we continue to deliver all essential local infrastructure and minimise the impact on general revenue.

Council is expecting a number of assets of different types to be transferred or enhanced through section 94 plans and planning agreements over the next five years. These include:

Section 94 contributions plans	
District Open Space	District facilities upgrades and embellishments
Local Open Space	Local open space improvements
WELL Precinct (Werrington, South Werrington and Caddens)	Drainage Facilities; local roads; local open space (active and passive); footpaths and cycle ways
Waterside	Local open space improvements
Claremont Meadows Stage 2	Conservation Land and embellishment; Local Open Space – passive park; additional childcare places
District Open Space	District facilities upgrades and embellishments
Planning agreements	
St Marys (Jordan Springs and Central Precinct)	Drainage Facilities; local roads; local open space (active and passive); footpaths and cycle ways; community facility
Glenmore Park Stage 2	Riparian and Drainage Reserves
Caddens Release	Riparian Reserves
Caddens Knoll	Hilltop park (including embellishments), shared pathway, Caddens road upgrade.

Key opportunities and risks

Service delivery is dependent on our assets, so poor asset management presents a significant risk to our service delivery. This in turn presents risks to the organisation associated with resident dissatisfaction and loss of reputation, as well as potentially not meeting legislative obligations. There are also more immediate personal risks associated with asset failure. Clearly, it is vital that this plan is used to minimise these risks as far as possible within the available budget. There are, however, also opportunities associated with improved asset management, including cost saving and improved customer service.

We have identified a number of significant opportunities for improvement in both asset management and the delivery of asset based services. These opportunities were endorsed by Council in June 2015 for implementation as part of the Fit for the Future Improvement Plan and have been updated in this plan. We will monitor each of these actions and report our progress each year in our Annual Report.

1. Confirmation of service levels following comprehensive community engagement

   The results of the Community Panel and extensive community consultation occurring in late 2015 and early 2016 will provide Council with up to date, detailed information on the levels of service the community expects from assets and services. This will help inform resource allocation.

2. Resolution of key issues identified through the Assets Review
   - Definition of and allocation of responsibility for Strategic Asset Management, through creation of a team with responsibility for all assets and have strong linkages with Integrated Planning and Reporting and financial planning
   - Up to date Asset Management Plan prepared and adopted for all asset classes, including those not currently included in asset management plans. These plans to include improved information on value, remaining useful life, maintenance and renewal requirements for all asset classes
   - Accurate planning for maintenance and renewal of all asset classes, including those not currently included in asset management plans
3. Introduction of a comprehensive asset management strategy that includes rationalisation of assets

4. Scaling of asset standards and levels. The Asset Management improvement process will identify assets that are critical to the council's operations; expenditure will be in proportion to standard, level and risk rating
5. Implement the Building and Infrastructure Asset Renewal program
    - Improve tracking / allocation of asset maintenance and renewal expenditure to ensure that information on expenditure for asset maintenance and asset renewal is accurate
    - Work with industry to assess the appropriateness of depreciation rates for asset classes and individual components within asset classes
    - Continue to include modifications to assets required for compliance reasons (e.g. kitchen upgrades) in the renewal program
6. Completion of a number of other, related projects that will impact on either the asset portfolio itself, levels of service or community expectations. These include:
    - Completion of the Public Open Space Reinvestment Project
    - Finalisation of the Neighbourhood Facilities Management Study and endorsement of an action plan
    - Completion of a Recreation Study to clarify recreational needs of the community

There are also a number of risks associated with this plan, the above strategies and asset management in general. Risks identified included strategic risks to the reputation and profile of council if assets used by the community were non-compliant with relevant standards, operational risk associated with physical failure of assets and financial risk associated with unexpected major expenditure to maintain assets in working condition. The most immediate, relevant risks identified to this asset management plan in the future are:

1. Failure to gain a clear message around priorities and levels of service from the community

    The benefits of effective community engagement are clear – understanding what the community values and the expectations they have for various asset classes will enable council to prioritise works and allocate funding to meet those needs. There are also a number of risks, however, which will limit the usefulness of the engagement program and mean that council is unable to develop a targeted works program that allocates resources to respond to community expectations. These include:

    - Conflicting or inconsistent messages from different sections of the community around priorities for asset provision or expected standards
    - High community expectations without an associated willingness to fund higher levels of service
    - Community priorities that are inconsistent with political priorities

    These risks are best managed through clear communication and ensuring that engagement is meaningful and representative.

2. Failure to gain community or political support for disposal of assets

    Disposal of assets, although generating an income, also comes at a cost. Significant investigation and community engagement is required both to identify assets for disposal and appropriate use of funds. There is also a risk of community backlash around the potential rationalisation of assets, resulting in a separate risk of lack of political will to implement the findings of the Open Space Reinvestment Project and the Neighbourhood Facilities Review.

3. Failure to implement recommendations of the Assets Review and relevant service reviews

   The Assets Review was a comprehensive review process which, together with the service reviews of asset based services, identified a number of key areas for improvement in asset management within Council. If implemented, the recommendations have the potential to increase efficiency of service provision, increase quality of service and reduce costs. Although the key findings of the asset review and relevant service reviews have been endorsed for action, implementation will require allocation of time and resources which has not yet been confirmed.

Physical risks that apply to all asset classes are:

1. Failure to allocate sufficient resources to asset maintenance and renewal

   If insufficient funds are allocated to maintenance and renewal the level of service provided by assets will fall and maintenance costs will increase disproportionately over time, resulting in a greater than predicted lifecycle cost and a shorter than predicted useful life from some assets.

   This risk will be mitigated through careful planning and ensuring that decisions on funding and budget allocation are taken with an awareness of long term and cumulative impacts. Tracking of asset based financial indicators will also help mitigate this risk.

2. Failure to adequately plan for and mitigate the impacts of climate change

   There are a number of potential risks to assets associated with changing weather patterns. These include:

   - More hot days and fewer cold nights will result in faster deterioration of buildings, roads and other assets;
   - Reduction in available water coupled with increased demand will likely result in the prohibition of the use of potable water for playing fields;
   - All council assets, particularly structures, will be more at risk due to an increase in extreme bushfire danger days;
   - Drainage assets are likely to be under more stress due to increased intensity of short duration rainfall events
   - Council buildings will be more subject to storm damage if storm severity increases.

   General mitigation strategies already in place or underway include:

   a. Asset deterioration:
      - assessing the adequacy of Council's construction standards and maintenance regimes,
      - use of more durable external materials and / or designing the fixing of external material to facilitate more frequent replacement.
      - regular monitoring of building foundations to determine the impact of a drier climate
      - monitoring of roads to determine the impact of increased rainfall.

   b. Storms:
      - alternate power supplies for critical buildings during power failure;
      - business continuity plans are in place that will reduce the interruption to Council business caused by storms

   c. Water shortage:
      - Increased use of stormwater harvesting and reuse for irrigation of sporting fields,
      - identify an alternative to potable water for filling swimming pools.

d. Bushfire:
   - the most bushfire prone Council buildings have been mapped

e. Flood:
   - updated design procedures will be applied to all hydraulic structures to maintain current level of protection;
   - flood studies for the CBD and St Marys have recently been updated
   - monitoring of flood effects on road pavement and sub structure

3. Failure to plan for the impact of increased salinity in soil

   An increase in the salinity of groundwater can have a significant impact on underground assets made of porous materials – this includes building footings, roads and car parks. At this stage Council is already aware of salinity issues in parts of St Marys.

   Generally, salinity affectation in roads and car parks results in a need for more frequent maintenance. Salinity affectation of building footings can be more serious, as it can lead to damage and subsequent weakening of the footings. Council's current risk management strategy for salinity is to monitor assets in affected areas and carry out maintenance as required. As salinity becomes a more significant issue in Penrith, a specific salinity action plan may need to be prepared.

4. Failure to adequately plan for and mitigate the impacts of vandalism

   Buildings and other structures (including fences, light poles and flood lights) are vulnerable to vandalism and potentially theft. Designs for new structures include reducing the potential for vandalism as a consideration. Although the damage caused is generally insurable, an affected asset may deliver a lower than expected level of service or no service at all while repairs are carried out. In some cases, for example CCTV cameras, this can have broader implications.

   This risk is mitigated through design, involvement of user groups in reporting suspicious activity and inclusion of specific anti-vandal elements in a building wherever possible and practical. Vandalism rates and the impact both on maintenance costs and levels of service will continue to be monitored.

5. Failure to adequately plan for and mitigate the impacts of fire

   Fire risk comes from both bush fires and town fires. Both bush and town fires predominantly present a risk to above ground structures – buildings, fences, play equipment etc. Fire risk to roads and drainage networks are not as significant, though there is a risk to road furniture such as street signs and street trees, and roads can be closed if other infrastructure (power lines in particular) are unsafe as a result of a fire.

   As these risks already exist, in general Council already has management strategies in place. These range from installation of smoke detectors to emergency lighting, evacuation procedures and sprinkler systems. New assets comply with all relevant standards and existing assets are upgraded on a rolling program to ensure compliance. Council also has insurance to cover damage or loss of assets from fire.

6. Failure to adequately plan for and mitigate the impacts of flood events

   Flood is probably the risk which is easiest to quantify but most difficult to predict and it affects all categories of Council asset. The damage to buildings will vary depending on the level of submergence and the velocity of water flow. Drainage systems can be highly affected by floods which go beyond the design capabilities. This is particularly

relevant as although flood risk can be updated as new information and models are developed, it is often difficult to modify drainage infrastructure to reflect a change in potential flood levels.

Although there are few structures associated with parks and ovals, they can be at significant risk from floods as many are located in natural or artificial detention basins. Ovals in particular may be submerged for extended periods, meaning they cannot be used and will occasionally require returfing or seeding. Roads can generally accommodate limited submergence, but can be significantly affected if submerged for a long time. Extended periods of rain also frequently result in an increase in unplanned maintenance (e.g. potholes) which must be addressed if additional damage to the subsurface of the road is to be avoided.

As flooding is a known risk in the Penrith area, Council already has risk management strategies in place. New fixed assets (particularly buildings) are not constructed within a flood prone area, and drainage assets are sized based on likely flood volume and frequency to minimise damage. Where possible and practical, assets are upgraded in response to a change in flood potential.

Infrastructure risk management plans for risks relevant to specific asset classes are summarised with risk management activities and resource requirements incorporated in the relevant asset management plans.

Council will prioritise maintenance, operations, renewal, upgrade and new asset works to obtain the maximum benefits from its available resources. The asset management plans are based on balancing service performance, cost and risk to provide an agreed level of service from available resources in our long-term financial plan.

Critical risks that will result in loss or reduction in service from infrastructure assets or a 'financial shock' to the organisation will be identified in individual asset management plans as they are prepared. The risk assessment process identifies credible risks, the likelihood of the risk event occurring, the consequences should the event occur and looks at options to treat risks to reduce them to an acceptable level

OUR TRANSPORT NETWORK

Council's transport network includes the sealed and unsealed roads, footpaths and cycle ways, kerb and gutters, traffic facilities such as roundabouts and crossings, bridges and road furniture such as street signs, regulatory signs, line markings etc. that are under the care and control of Council. It does not include state roads or classified roads which are the responsibility of the NSW Road and Maritime Services (RMS).

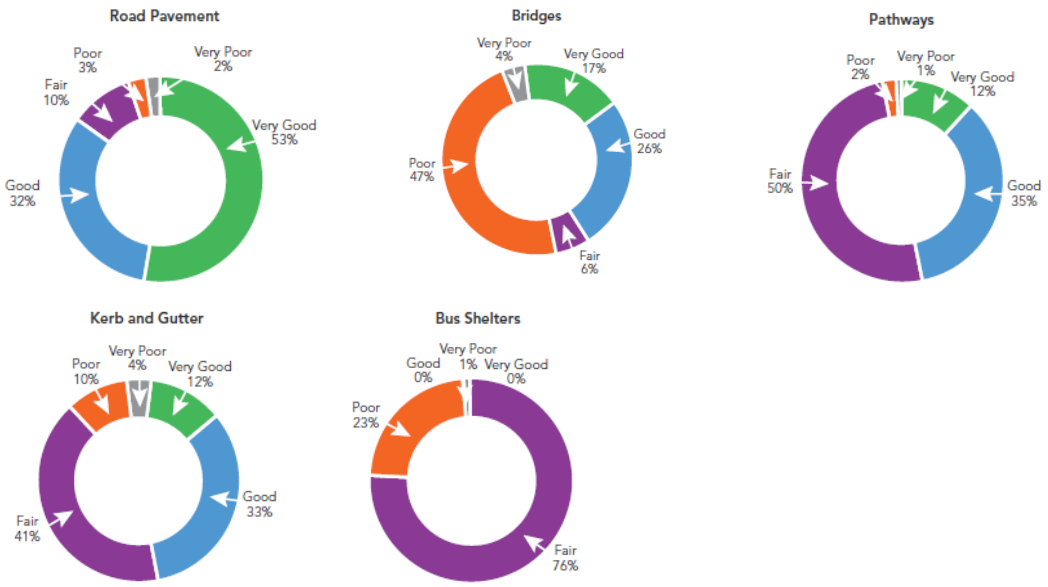
"Getting around our City" is one of the seven outcomes of the Community Plan. The provision and maintenance of Council's transport network is the main way we can deliver on this outcome, as well as advocating for better state and regional roads, and better public transport.

The transport network is one of the most extensively used Council's assets as it is used by everyone who lives in, works in or visits the City. We need to ensure we maintain these assets so that they are safe, usable and provide a satisfactory level of service. It is also Council's most valuable asset class, accounting for almost 58% of our asset replacement value.

The majority of Council's transport assets are in good condition, which means they are serviceable but require more than just preventative maintenance. The life cycle sustainability index of 0.87 indicates there is currently a shortfall in the optimum maintenance and renewal expenditure each year, though this must be considered in the context of a 10 year planning cycle – road assets have a long life so expenditure can vary without resulting in a decline in condition. .

Asset value	**$1,049,122,00**
Life cycle cost	**$24,403,000**
Life cycle expenditure	**$21,121,000**
Life cycle sustainability index	**0.87**

Asset condition



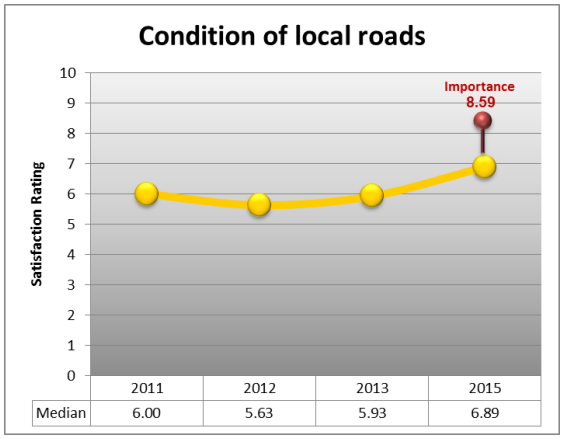
Asset Category	Dimension
Sealed road pavement	1,062 km
Unsealed road	14 km
Kerb and gutter	1,510 km
Paved pathways and cycleways	599 km
Bridges	98
Carparks	162
Road Furniture	1,041
Traffic facilities	Data currently not available
Bus Shelters	204
Regulatory Signs	24,000

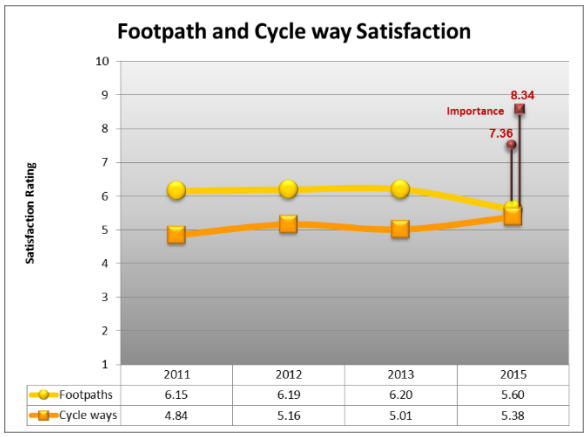
Level of service

Council has endorsed the following levels of service for our infrastructure assets. Maintaining these levels forms the basis for current budget allocations in the long term financial plan. The community engagement process being undertaken in late 2015 and early 2016 may provide information that will lead to the development of alternate levels of service. These will be negotiated with the community, key asset users, Councillors and asset management experts. If required, budget allocations in the long term financial plan will be adjusted accordingly.

- Maintain 1,062 kms of road networks; 599 kms of pathways, 1,510 kms of kerb and guttering, 162 car parks, 98 bridges and 2 underpasses
- Maintain 24,000 regulatory and street name signs; and 1,041 pieces of road furniture
- Respond to emergency call-outs within 1hour
- Carry out permanent repairs to footpaths within 30 days of receiving restoration order from service authority
- Carry out emergency repairs to hazardous road defects within 12 hours of inspection
- Priority intervention for any road, footpath, sign or drainage defect which causes a hazard to motorists or pedestrians
- Respond to hazardous storm damage on road network within 2; 4; 6 or 8 hours (busier roads = faster response)
- Repair non-hazardous potholes within 5; 7; 10 or 15 days (busier roads = faster response)
- Repair non-hazardous footpath and kerb and gutter defects within 14; 30; 60 or 90 days (busier paths = faster response)
- Repair / replace regulatory and warning signs within 28 days

Council regularly undertakes a community satisfaction survey to give our community the chance to tell us which issues are most important to them and how well we are performing. The results of this survey give us an idea of the level of service our community expects. The two charts below show the satisfaction rating of respondents in relation to the maintenance or provision of transport infrastructure.





These results correlate strongly with the results of the community engagement Council undertook in early 2012. When given options around things Council should do to create a more liveable city, three out of four people listed either roads or public transport as a top priority.

The analysis from the 2015 Community Survey identified that the community felt Council should focus on improving its performance of the 'condition of local roads'. According to the 2015 Community Survey nearly one in five (18.5%) respondents identified 'Improved traffic management / flow / road infrastructure' as one of the top priorities for Council over the next four years, followed by 'Maintenance of local roads to scope with increased traffic' (12.9%) and 'Ensuring Infrastructure keeps up with the growing community and the airport' (11.9%). The two highest responses both referred to roads and traffic and between them accounted for 31.4% of total responses.

Risks

The key risks for roads are salinity, storm, flood and increased traffic loadings. Salinity in the soil or ground water attacks the subsurface of the road, requiring more frequent maintenance if an adequate level of service is to be maintained. The risk of salinity in Penrith varies; it is high in St Marys in particular and generally higher around creek lines and water courses.

The risk to roads from storms and floods arises from excess water over the road surface. If there are weak areas on the road surface caused by vibration, normal wear and tear or other factors, water will create potholes, allowing water to enter the subsurface structure which can cause significant damage. This risk is higher if a road is submerged during the flood, rather than water running across the road surface.

An increase in the density of development or a change in land use can mean more vehicles using the road than was originally planned, or a change in the type of vehicles using a road (e.g. more trucks). This will cause the road pavement to deteriorate faster than expected, requiring additional maintenance and eventual reconstruction.

Future demand

Two of the three most popular priorities identified in the 2015 Community Survey was 'maintenance of local roads to cope with increased traffic' (12.9%) and 'ensuring infrastructure keeps up with the growing community and the airport' (11.9%).

Future demand for transport assets will come primarily from population growth. Transport assets in new urban areas should be provided as part of estate development, and include the road (plus signage and linemarking), footpaths, kerb and guttering and bridges. Future demand in new urban areas is a consideration for future maintenance and renewal programs. There is a projected 1% - 2% growth in transport network per year, meaning greater traffic congestion on existing roads and additional road networks to maintain. If

growth rates exceed this the quality of the network will decline unless additional funding is allocated. This rate of growth has been included in the asset maintenance and renewal allocations calculated for the long term financial plan.

The ongoing development within our City not only means more roads, but more cars on the road. In 2014–15 there has been an additional 14.6 km of roadway and 35.8km of pedestrian and shared pathways constructed that will need to be maintained into the future.

OUR BUILDINGS

Council's buildings include community centres, public halls, public amenities and child care centres, as well as the main Council offices in Penrith and St Marys, and the Joan Sutherland Performing Arts Centre.

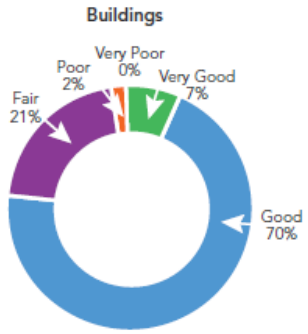
The delivery of many of our services relies on our buildings. Our community told us that ensuring services keep up with population growth is a top priority, along with safe, vibrant places, encouraging our residents to be healthy and building on our strong community spirit.

Our built assets are a critical part of delivering on the community outcomes of "We plan for our future growth"; "We have safe, vibrant places" and "We are healthy, and share strong community spirit".

The majority of Council's building assets are in good or very good condition, meaning they are serviceable but still require maintenance. The life cycle sustainability index of 0.63 indicates that there is currently a shortfall in the optimum maintenance and renewal expenditure each year. If this continues, asset condition will decline, resulting in a lower level of service. It also means that current users are not paying their full share of the cost of maintaining our buildings, and future users will need to pay substantially more to bring the assets up to a serviceable condition..

Asset value	$367,690,000
Life cycle cost	$10,066,000
Life cycle expenditure	$9,806,000
Life cycle sustainability index	97%

Asset condition



Asset Category	Quantity
Sporting facility	105
Public toilets	28
SES and bush fire sheds	11
Administration and operation (includes Penrith and St Marys library)	25
Community uses	12
Senior citizen centres	2

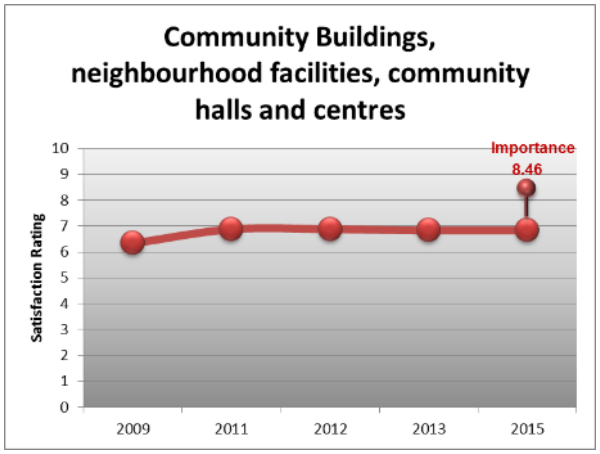
Childcare	27
Property Development (These are not included in AMP)	32
Halls	12
Neighbourhood Centres	23
Libraries (formerly Emu Plains library)	1
Theatres & Galleries	7
Youth centres	2
Total	293

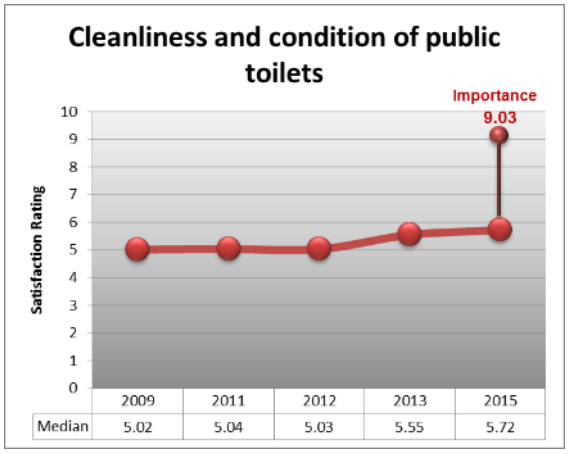
Level of service

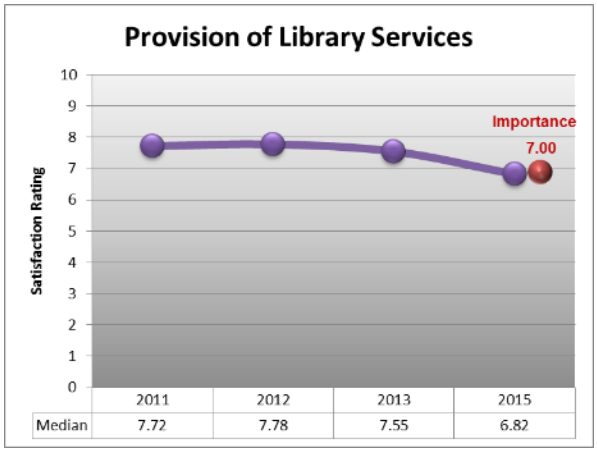
Council has endorsed the following levels of service for our infrastructure assets. Maintaining these levels forms the basis for current budget allocations in the long term financial plan. The community engagement process being undertaken in late 2015 and early 2016 may provide information that will lead to the development of alternate levels of service. These will be negotiated with the community, key asset users, Councillors and asset management experts. If required, budget allocations in the long term financial plan will be adjusted accordingly.

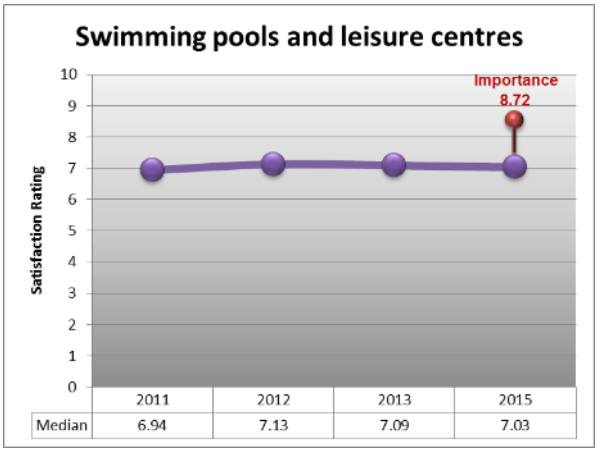
- Manage the planned and unplanned maintenance for 293 Council buildings
- Respond to approximately 2,600 building maintenance requests each year
- Coordinate approximately 9,000 scheduled tasks across buildings annually
- Inspect buildings every 2 years
- Conduct 25 Work Health Safety inspections and 761 pre-event inspections annually
- Coordinates 24 infrastructure improvement projects annually

Council regularly undertakes a community satisfaction survey to give our community the chance to tell us which issues are most important to them and how well we are performing. The results of this survey give us an idea of the level of service our community expects. The two charts below show the satisfaction rating of respondents in relation to the maintenance or provision of key building assets and the services they help deliver.









Council's Building Asset Renewal program is still ongoing and provides for the replacement or refurbishment of major building components such as plant, roofing, floor coverings and paintwork. The special initiative allocation to this program in 2014–15 was more than $1 million with $800,000 expended. Key projects undertaken in 2014-15 were:

- Amenities and canteen upgrades at Hunter Fields and Leonay Oval sporting facilities.
- Judges Carpark painting and toilet upgrade.
- Ripples Swimming Centre works to address build-up of condensation in the ceilings.
- Installation of greasetrap at the Lewers Gallery kitchen.

Risk

The main risks for Council's building assets are vandalism and fire. Vandalism can range from graffiti and minor damage to major damage to all or part of a building. Even though buildings that have been vandalised are often still usable, graffiti, broken fittings and other minor damage will affect the appearance and feel of a building, making it less pleasant to use and causing a perceived reduction in the service it provides. Critical work is assessed and responded to within 24 hours.

Vandalism and fire are both best managed by prevention through the initial design of the building and then through security systems – vandal resistant fittings, fire and smoke alarms, fire extinguishers and sprinkler systems. These measures are installed and tested regularly to ensure they are providing the maximum possible protection.

Future demand

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

Future demand for buildings comes from new development and from changes to the way our buildings are used. As new communities are developed, associated community facilities should be provided as part of estate development, either through the provision of new assets or through payment to extend or otherwise increase the capacity of nearby assets. Future demand in new urban areas is a consideration for future maintenance and renewal programs. We need to ensure that the necessary funds for maintenance and renewal of new assets are allocated once the hand over process is complete.

Future demand in existing areas comes from community expectation of improved services or changes to the way our communities use our buildings. Council's challenge is to ensure our

buildings remain fit for contemporary use. This may require building asset renewal to take changing needs into account, rather than maintaining the building in its original layout.

Council has also identified a need to fully assess the accessibility of our buildings to ensure all members or our community can participate in events or activities. A study has been undertaken to assess the work required to make all of our public buildings more accessible. These works will be prioritised and either incorporated into the building asset renewal program or completed as stand along projects as funding becomes available.

OUR DRAINAGE NETWORK

Council's drainage network includes our stormwater transportation system, which includes pits, pipes, culverts and headwalls. It also includes gross pollutant traps, dry retarding basins and litter baskets.

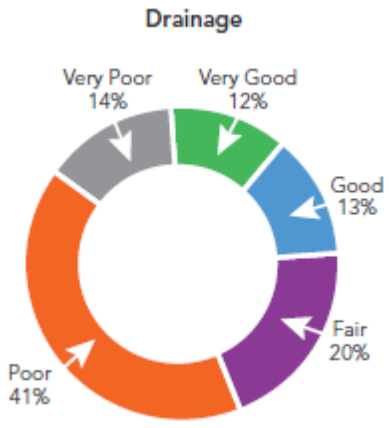
The drainage assets owned and maintained by Council represent our commitment to provide our communities with reliable storm water transportation, reduce risk from flooding and water overflow, and to protect our rivers, lakes and creeks by capturing pollutants that might otherwise enter our waterways.

The life cycle sustainability index of 0.58 indicates a shortfall in renewal/ maintenance expenditure. Despite the low sustainability index due to the long life of drainage assets (on average around 100 years) minimal expenditure is needed on major asset renewal. Although the monetary rate of depreciation is quite large, the condition of these assets does not make it necessary for major renewal works to be scheduled. When only the maintenance and minor renewal expenditure required is compared to the life cycle expenditure the sustainability index would be equal to 0.75.

There is no annual shortfall for drainage assets. Condition rating for drainage assets is primarily based on age as regular inspection of assets below ground is both costly and generally unnecessary. Older assets are automatically rated as 'poor' even if there is no evidence of failure to deliver the expected service. The 14% of drainage assets rated in 'very poor' condition relates to drainage infrastructure constructed pre-1969. All drainage assets are still operating and hence not considered to have a 'backlog'.

Asset value	$331,577,000
Life cycle cost	$3,641,000
Life cycle expenditure	$2,122,000
Life cycle sustainability index	58%

Asset condition



Asset Category	Length/number
Pipelines	616 km
Drainage pits	23,462
Headwalls	2021
Culverts (box and pipes	9.6km
Concrete channel	5.0km
Prescribed dams	3
Dry retarding basins	111
Gross pollutant traps	95
Litter baskets	89
Levee banks	2

Level of Service

It is difficult to determine a level of service for our drainage network as these assets are not used by the community in the same way parks and roads are used. While Council regularly undertakes a community satisfaction survey to give our community the chance to tell us which issues are most important to them and how well we are performing, the last two community surveys did not discuss the drainage network.

Council has endorsed the following levels of service for our drainage network. Maintaining these levels forms the basis for current budget allocations in the long term financial plan.

- Maintain 616 kms of pipelines, 23,462 drainage pits, 2,021 headwalls, 2 prescribed dams and 111 dry retarding basins to design capacity
- Maximise the design life of 95 Gross Pollutant Traps (GPTs); 89 litter baskets and 2 levy banks
- Clean Gross Pollutant Traps within 7 days once volume reduced by more than 20%
- Clean Gross Pollutant Traps on average every 3 months, plus additional cleaning as required (e.g. after a major storm event)

Risk

Generally, the location of drainage assets below ground means that they are subject to fewer risks than other assets. Key risks are accidental damage as part of construction works, damage from natural causes such as tree roots and drying soils and damage or failure in extreme rainfall events. Tree roots can cause significant damage to pipes, resulting in blockages, cracks and potentially breaks. Careful selection of tree species for street trees and use of crack resistant materials for pipes reduces this risk.

Future Demand

Future demand in drainage assets will primarily come from the development of new urban areas and in areas that have old drainage lines that need replacement or upgrading. These demands will be driven by developers in new areas, and developers and other authorities in existing areas. Some parts of Penrith are located in a flood plain, placing pressure on drainage assets.

General changes in the environment and growth in urban areas will also put some strain on drainage assets. As housing becomes denser the drainage network in our existing urban areas will become more heavily used and subject to higher volume flows of stormwater and increased pollutants, particularly litter, that can clog the drainage system causing overflow. Added to this is the current trend for fewer, more intense rainfall events. As subdivisions develop and the climate changes Council will need to allocate more resources to maintain and repair drainage assets to maintain a reasonable level of service.

OUR FLEET

Council's fleet is a significant part of our overall asset portfolio and plays a key role in the delivery of many of our services. Our fleet and plant supports construction and maintenance of many of our other assets including parks, roads, pathways, buildings and drains. They also assist in the presentation of our City, including street sweeping, graffiti removal and high pressure cleaning. Our light vehicle fleet provides transport for staff to undertake building and development inspections and investigate complaints. Services such as the mobile play van, public domain maintenance and Rangers also rely on fleet to operate. Proper maintenance of our plant and fleet is therefore important.

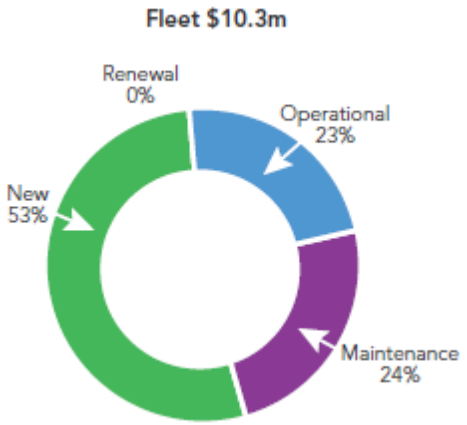
Asset value	$19,100,000
Life cycle cost	$11,287,000
Life cycle expenditure	$10,359,000
Life cycle sustainability index	92%

There is no annual shortfall for fleet assets, however there is a range of plant currently retained for longer than industry standard. A Plant Optimisation Project is currently in progress to inform future plant purchases and GPS units have been installed in all major plant items to assist with scheduling servicing and plant replacement.

Fleet and plant must be maintained properly as if maintenance is inadequate running costs significantly increase. Similarly, if fleet and plant items are not renewed as needed maintenance costs will significantly increase. An increase in running and maintenance costs means that either the works program will need to be reduced to reflect the higher cost, or projects which rely on fleet and plant will run over budget.

Plant in poor condition is considered inoperable or un-registerable. No plant is allowed to deteriorate to this point.

Asset condition



Asset Category	Number
Light vehicles (passenger cars, utilities etc but not trade staff utilities and vans)	220
Registered plant (street sweepers, buses, trucks, tractors and trade staff utilities and vans	208
Unregistered plant (ride on mowers, small rollers- driven to work sites on other vehicles)	33
Equipment valued at $2000 and over	63
Emergency vehicles(utes, trucks etc. used by the SES and RFS)	16
TOTAL	500

Level of Service

Our community does not generally have expectations on level of service from fleet and plant, so there are no survey questions in the community survey relevant to this class of asset.

Plant utilisation is the most effective measure of service levels provided by our fleet and plant, and these will be able to be more effectively measured as the new asset management system and procedures recommended by the study are put into place.

Council currently replaces its light vehicle fleet based on their age. Replacement vehicles are ordered at 2 years and 6 months for changeover at 2 years and 9 months. This ensures that the vehicles continue to provide a high level of service, balanced by a reasonable resale value.

Council has endorsed the following levels of service for our infrastructure assets. Maintaining these levels forms the basis for current budget allocations in the long term financial plan.

- Maintain 360 items of major plant
- Maintain 600 minor plant items
- Maintain 180 light vehicles
- Maintain 208 items of registered plant
- Maintain 33 items of unregistered plant
- Maintain 63 large items of equipment
- Maintain 16 emergency vehicles
- Undertake unscheduled repairs on all plant and equipment as required
- Dispose of and replace plant and equipment as required

Risk

Collisions are the primary risk specific to fleet and plant. Driver and operator education and training are the key ways Council can mitigate this risk. Our fleet is also fully insured, to reduce the financial impact to the organisation when incidents do occur. Failure to perform

scheduled maintenance increases risks associated with fleet and plant, as does retaining fleet and plant items beyond the optimal replacement date.

Assessment of this type of risk also needs to consider the impact of having that vehicle or plant item unavailable for use while it is repaired or, in some cases, replaced. Processes are in place to either shift workloads to other items of plant or fleet that can perform the same function, or to accelerate the replacement of critical items when required.

Future Demand

Future demand for fleet and plant will be driven by increase in demand for services and growth in other asset classes. For example new release areas add to the asset portfolio in all areas, additional fleet and assets may be required to cater to the additional demand. Growth in some assets has been accounted for as part of the financial modelling for this plan.

If Council acquires additional parks we need to acquire more mowers, or different types of mowers that are more efficient, in order to maintain them. A higher expectation around the maintenance of our public domain increases the need for sweepers and cleaning trucks. More buildings means more trucks for maintenance crews.

Ensuring that we get good utilisation rates from each of our assets is a key part of achieving our organisational goal of financial sustainability. The Plant Optimisation Study will assist in ensuring that existing plant items are fully utilised and that new plant purchased is appropriate for a range of uses. Before Council purchases or leases an item of fleet or plant, we need to be sure that it is suitable for the intended use and there is sufficient demand for that item to make acquiring it cost effective.

PARKS, PLAYGROUNDS AND SPORTS FIELDS

Council's key open space assets include sports grounds, reserves and parks, natural areas and a broad range of open spaces (including drainage reserves) used for a variety of community purposes. Park assets include skate parks, fitness equipment, bubblers, signage, fencing, lighting etc. Park paths can be concrete or asphalt. Play equipment includes all equipment located in parks for children's play e.g. swings, slides, as well as surrounding soft-fall areas. The importance of physical activity in maintaining a healthy lifestyle is well understood and important to our community.

Asset value	$35,300,000
Life cycle cost	$12,744,000
Life cycle expenditure	$11,250,000
Life cycle sustainability index	88%

While there is an annual shortfall in asset renewal funding it should be noted that since the introduction of the Parks Asset Renewal Program in 2009 that a significant and ongoing upgrade of parks assets has occurred resulting in the reconstruction of over 30 playing fields, 40 playgrounds and a range of associated infrastructure such as floodlighting, irrigation systems, seating and shelters.

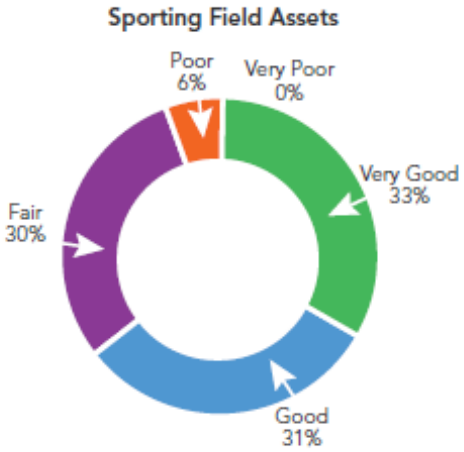
Council's parks, playgrounds and sports field assets are valued at $35.3 million and include:

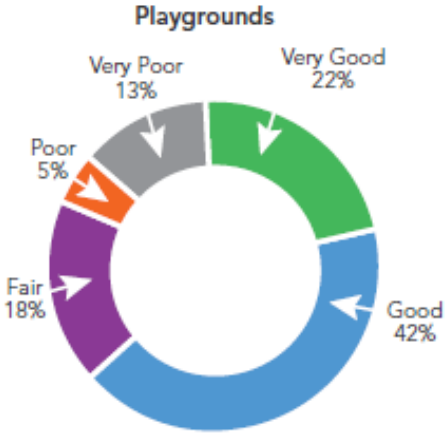
Asset Category	Dimension/Number
Playground equipment	142*
Skate parks	4
Field lighting	365
Park lighting	102
Irrigation	33
Signage	251
Furniture and seating	480
Structures	13
Litter bin and storage units	382
BBQs	7
Fencing/bollards	36.8km

Bubblers and taps	9
Fountains and pumps	7
Sporting field surfaces – grass	132
Netball court surfaces	51 (sealed) 14 (grass)
Tennis court surfaces – plexi pave	10
Tennis court surfaces – synthetic grass	33
Synthetic cricket wickets	36
Synthetic run up surfaces	13
Turf wickets	7
Cricket practice nets	12
Cricket sight screens	14
Throwing cages	13
Backstops and dugouts	17
Goal posts – sets	78
Landscaping and gardens	775,000m2

Asset condition

As with all our assets, parks, sports fields and playgrounds are not allowed to deteriorate to the point where they are unsafe to use. Assets in 'poor' or 'very poor' condition are therefore still providing a service, but are due for replacement.





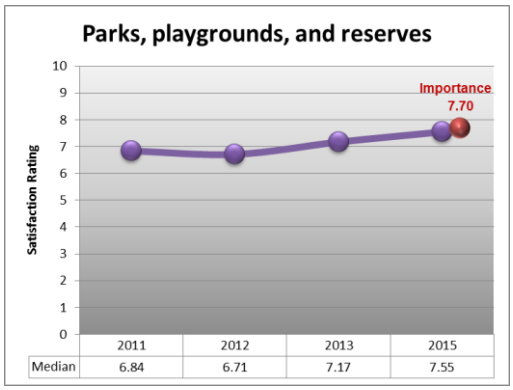
Levels of Service

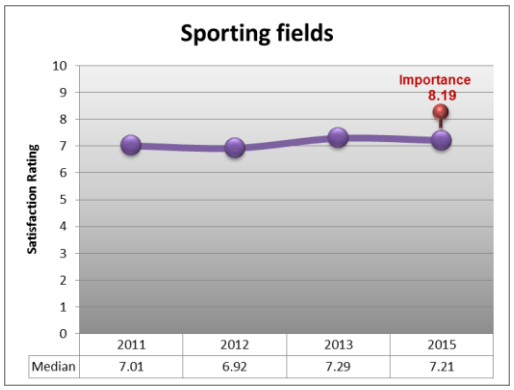
Council has endorsed the following levels of service for our parks, sports fields and reserves. Maintaining these levels forms the basis for current budget allocations in the long term financial plan. The community engagement process being undertaken in late 2015 and early 2016 may provide information that will lead to the development of alternate levels of service. These will be negotiated with the community, key asset users, Councillors and asset management experts. If required, budget allocations in the long term financial plan will be adjusted accordingly.

- Maintain 233 hectares of community use areas
- Maintain 274 hectares of natural areas
- Maintain 340 hectares of sports grounds to a level that allows effective competition
- Maintain 426 hectares of parks and reserves
- Provide horticultural services and technical advice to other sections of Council

Service frequencies vary in response to seasonal and climatic conditions. As an example, in summer, sporting fields are mowed on a weekly basis in response to rapid grass growth, whilst in winter they are mowed every two to three weeks or as needed. These variations occur across all of our parks, sports fields and reserves.

Council conducts a regular community satisfaction survey. As shown by the graphs below, satisfaction with the condition of parks, playgrounds and reserves has increased since 2011.





Overall there has been an increase of 19.4% since 2013 in the number of residents who participate in some form of sports or recreation, with a total of 73.4% of respondents participating in sporting or recreation activities at least once a month.

In 2014–15 major works and enhancements have been completed across the LGA such as:

- construction of the River walk
- new and upgraded playgrounds
- upgraded sports grounds with improved facilities.

Risk

There are a range of risks that need to be managed to ensure the effective provision and utilisation of parks assets.

Climate has a significant impact on the condition of parks assets with sporting grounds in particular susceptible to damage through prolonged drought or wet weather. Council has been attempting to mitigate these risks through the identification of non-potable water sources (bores), improved irrigation efficiency and an oval reconstruction program designed to create sustainable playing surfaces. Vandalism, particularly of playground assets, continues to be a major risk. These risks are managed through a regular inspection program and the allocation of resources to repair any damaged equipment.

Future Demand

The demand for quality parks and recreational space will increase over time as the population increases and all levels of government encourage communities to participate in sporting and active leisure pursuits for their quality health and social outcomes. Increases in population densities will see the value of open space significantly increase as the ‘traditional’ backyard becomes smaller. Council will be under increasing pressure to provide quality facilities and ensure existing assets are well maintained and contemporary.