

PARKES SHIRE COUNCIL

10 YEAR

Asset Management Strategy

2013-14 TO 2022-23



COMMUNITY STRATEGIC PLAN 2020 (REVIEWED 2012)
PARKES SHIRE LOCAL ENVIRONMENTAL PLAN (LEP) 2012
COMMUNITY ENGAGEMENT STRATEGY 2012 - 2016
DELIVERY PROGRAM 2013-14 TO 2016-17
DELIVERY PLAN FINANCIAL FORECASTS 2013-14 TO 2016-17
10 YEAR ASSET MANAGEMENT STRATEGY 2013-14 TO 2022-23
10 YEAR LONG TERM FINANCIAL PLAN 2013-14 TO 2022-23
PARKES SHIRE COUNCIL WORKFORCE PLAN 2013-14 TO 2016-17
OPERATIONAL PLAN 2013- 2014
OPERATIONAL BUDGET 2013 - 2014
ANNUAL REPORT 2013 - 2014
END OF TERM REPORT 2013-14 TO 2016-17

Parkes Shire Council



ASSET MANAGEMENT STRATEGY



2015-16 TO 2024-25

June 2015

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Document Control					
Rev No	Date	Revision Details	Author	Verifier	Approver
0.5	24/06/2015	Initial draft	ML	RS	KB
1.0		Final Draft for Exhibition	ML		Council

1. Executive Summary

As part of the preparation of this Strategy a high level review of Council's Asset Management policies, practices and systems has been completed to provide both strategic direction and guidance for improving asset management planning and performance. Council is responsible for infrastructure and other assets that have a fair value of approximately \$0.65 billion dollars. Asset Management Plans have now been developed for each of the six main categories of assets Council controls.

This Strategy is presented at a high level to provide key information that can be used in the determination of levels of service and funding required. Table 1.1 provides a snapshot of the Corporations asset groups, twenty (20) year average costs, and the projected backlog of works.

Table 1.1: Council's Asset Portfolio Overview (in 2015 \$,000)

Asset Category	Fair Value	Operation & Maintenance Budget ¹	Renewal Budget ¹	Upgrade & New Budget ¹	Backlog ² 2015/16
Transport	320,032	4,484.3	3,851.4	1,737.6	\$2,403
Water	157,625	4,995.0	5,178.5	1,942.2	\$6,317
Sewer	58,498	1,676.3	2,557.6	385.0	\$2,051
Drainage	24,374	136.0	907.6	0.5	\$475
Buildings	49,335	2,845.1	361.0	314.8	\$1,565
Recreation & Open Space	7,149	4,823.0	1,157.0	1,072.0	\$674
Other ⁵	39,383				\$510
TOTAL	656,396	18,959.7	14,013.1	5,452.1	\$13,995

Notes:

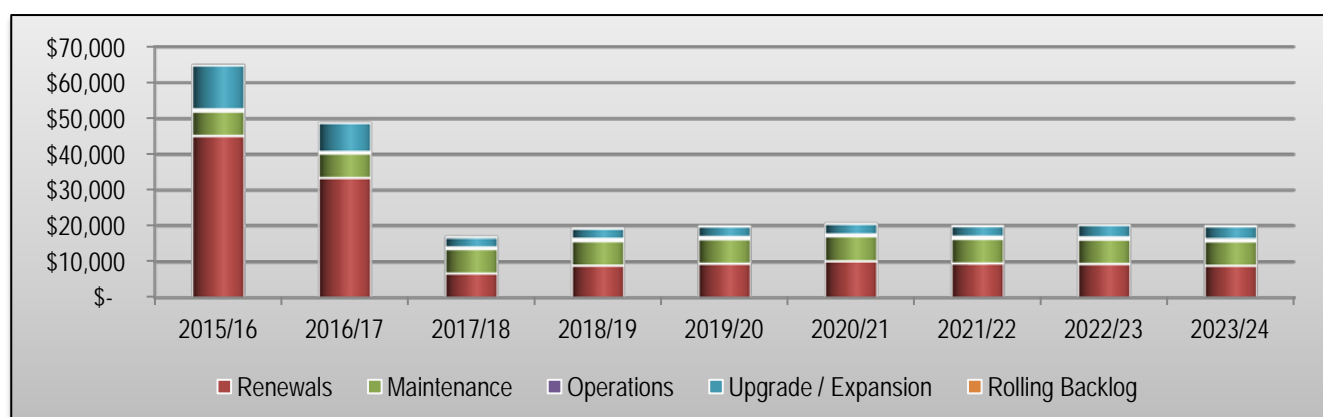
1. Budget Figures are the 10 year annual average amounts.

2. Transport & Stormwater reflect fair value figures at 30 June 2015, other figures from June 2014 Special Schedule 7

The 10 year forecasts presented in this Asset Management Strategy (AMS) are based on the modelling undertaken and achieving the levels of service presented in the plan, and are intended to assist Council when considering future Community Plan, Delivery Program and Operational Plan. If changes are made to the Long Term Financial Plan, those changes will be reflected in the next AMS and Asset Management Plans (AMPs).

Figure 1.2 provides an indication of the total annual expenditure for all asset categories in each of the major program areas together with the backlog that is expected in any one year based on the currently available funding.

Figure 1.2: Forecast Expenditure & Backlog over the next 10 years (in 2014 \$,000)



A number of options are available to address any funding gaps including adjustment to service levels, extending asset life (i.e. changing the acceptable condition levels prior to renewal), obtaining increased grant funding, increases in rate revenue ie Special Rate Variation and borrowing strategies.

In addition to these options which are available generally to Local Government, Council has also been undertaking both a Service Review project and a Budgetary Priorities project to identify savings as part of the Corporations response to the Percy Allan Report. It is recommended that the savings currently being identified through the Service Review Project and Budget Priority Project be allocated directly to assist in closing the identified funding gap. In the event that the savings from these projects equate to \$500,000 per annum, the funding gap will reduce to \$710,000 and after 10 years the projected backlog for the corporation will reduce to \$5.83 million.

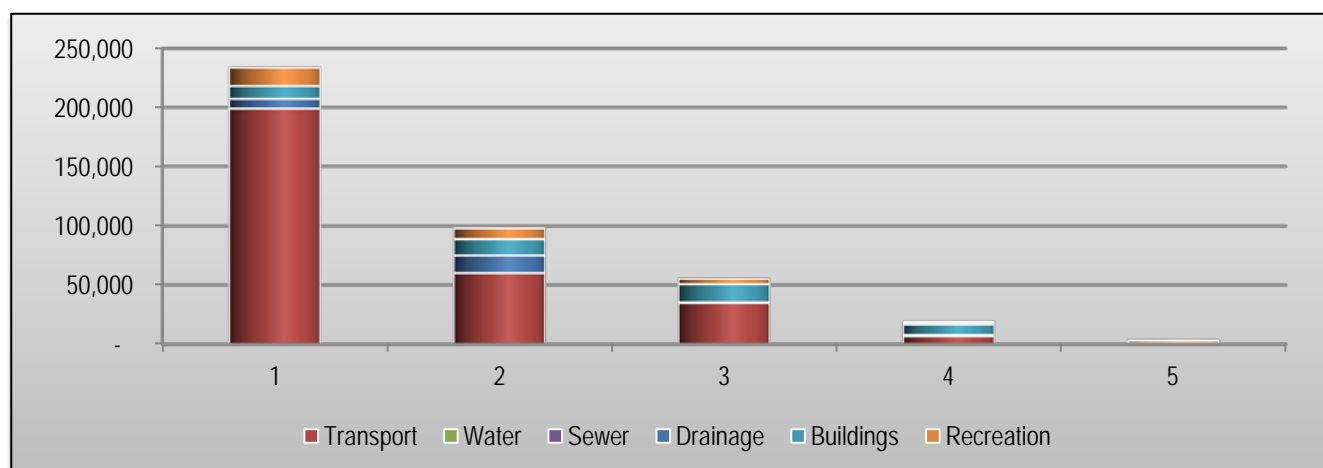
Levels of Service, Intervention Levels, Condition Rating and Useful Life

The determination of **Levels of Service** (LOS) is crucial in the calculation of the gap between required funds for asset service delivery and available budgets. The levels will be determined by defining the outcomes as agreed with the community, identifying the services required to meet those outcomes and the infrastructure required to support those services. Details on proposed LOS are contained within each of the six Asset Management Plans.

In order to allocate limited funds responsibly, renewal or rehabilitation of assets will only be undertaken once they reach a certain condition, referred to as the intervention level. Typically assets will not be renewed until they are between a condition 3 and 4 depending on the utilisation, function and / or criticality of the asset. Condition Rating assessments on individual assets are undertaken on a regular basis depending on the component, its current age, previous condition and criticality.

Figure 1.3 presents a snapshot of the current condition of Councils assets based on the value of each asset component in each of 5 conditions ranging from 1 being near new to 5 as a completely failed component or asset. Note that this only includes the assets that have been condition rated and modelled in the 2015 Asset Management Plans.

Figure 1.3: Councils Asset Condition Profile Based on Replacement Value (2015 \$M)



The **Useful Life** of an asset is the period from when it is constructed until it reaches its defined intervention level. The modelling undertaken is based on this information which is a 'best estimate', with the actual life dependant on numerous factors that influence the rate of deterioration of the asset (e.g. construction methods, materials, weather, usage, and worker skill). Appendix A provides an example calculation of this

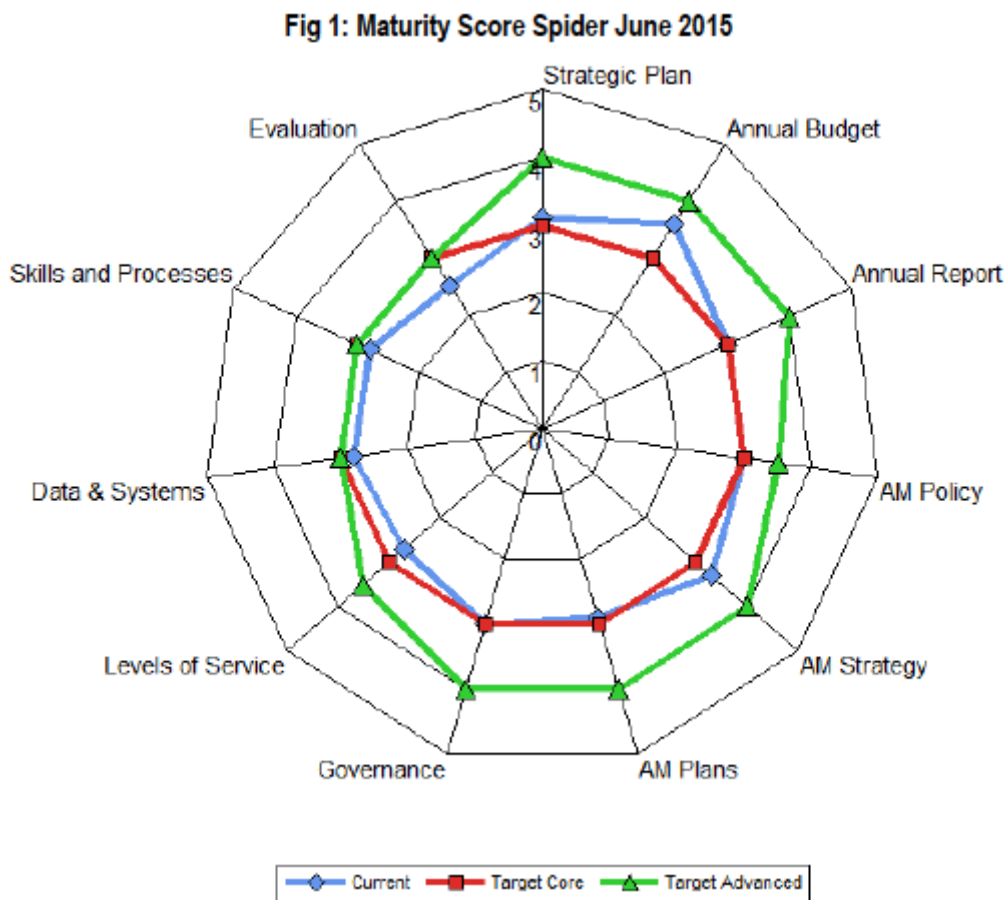
Risk Management

Section 14 outlines the management of risk in delivery of assets to the community with their delivery considered in the Enterprise Risk Management Program. Critical assets are identified in each AMP with those most critical listed in this Strategy.

Improvement Program

To manage its' improvement process Council has engaged JRA to undertake an assessment of Council's Asset Maturity using the National Asset Management Assessment Framework (NAMAF). The spider diagram in Figure 1.4 indicates the progress against this framework, and Appendix B provides the status of the improvement program actions.

Figure 1.4: Status of Improvement Program



2. Strategic Framework

Parkes Shire Council developed a comprehensive community engagement strategy to ensure a broad range of opinions; ideas and visions were captured to help shape the Parkes Community Strategic Plan. From this Plan a number of Strategic Objectives are supported by the effective management of Assets including:

- 2.5 Maximise public safety
- 3.1 Develop and implement individual township plans
- 3.5 Provide equitable access to community services
- 4.3 Maintain a strong innovative agricultural sector
- 5.1 Develop and promote the Parkes National Logistics Hub
- 5.2 Develop a ring-road to divert heavy vehicle traffic to the Parkes National Logistics Hub (PNL&HUB)
- 5.4 Make Parkes Regional Airport progressive and profitable
- 5.5 Improve road access to Sydney
- 6.1 Improve aquatic recreation facilities
- 6.2 Develop and implement pedestrian access and cycling mobility facilities
- 6.3 Maintain and develop sporting, recreational and cultural facilities
- 6.4 Ensure the library is an ongoing cultural, recreational, learning centre for the community
- 8.1 Ensure that Shire water management is in line with best practice
- 8.2 Manage road assets
- 8.3 Ensure that sewer management is in line with best practice
- 8.4 Ensure Shire storm water management minimises negative impacts and maximises reuse
- 8.5 Maintain and operate Parkes Regional Airport
- 8.6 Manage, maintain and update Council owned property

To assist in delivering these outcomes, Council will operate and maintain its assets to:

1. Ensure adequate provision is made for the long-term management of assets, the delivery of new assets and the renewal or upgrading of existing assets to meet service delivery objectives.
2. Ensure that assets are maintained in a safe and functional condition.
3. To encourage and support the economic and social development in and around Parkes.
4. Ensure that Infrastructure is managed to deliver the requirements of Council's Asset Management Policy and Community Strategic Plan.

We will achieve these objectives by:

- Maximising the service potential of existing assets by ensuring that they are appropriately used and maintained
- Identifying opportunities to reduce demand for new/upgraded assets by implementing demand management techniques and considering alternative service delivery options (e.g. water restrictions)
- Increasing value for money in the identification and delivery of new works by considering life cycle costing and / or alternative construction techniques
- Focusing attention on results by clearly assigning responsibility, accountability and reporting requirements in relation to asset management.

The key principles guiding the development of Council's Asset Management Strategy are:

- Sound information and systems are needed to inform decision making;
- Comprehensive asset management planning is required to ensure decisions are based on an evaluation of alternatives that take into account life cycle costs, benefits and risks of assets;
- The Community will be informed and have an opportunity to be involved in establishing level of service standards based on a willingness to pay;
- Responsibility for asset management, including accountability and reporting requirements, is clearly established, communicated and implemented;
- An effective policy framework is established for the strategic management of assets.

To assist in the delivery of the objectives in this plan, a number of key documents and systems have been prepared and should be referred to in considering the findings presented:

Table 2.1: Where can I find additional information?

Document / System	Content
Community Strategic Plan	Outcomes and Strategies identified by the community and includes the delivery, operational plan, annual report and resourcing strategy
Council Asset Policy	How we manage assets
Asset Management Plans	Detailed analysis for each asset portfolio including Transport, Buildings, Water, Sewer, Urban Stormwater, and Parks & Landcare
Condition Assessment Manual	Details on the process of assessing condition, including photographic examples of various conditions
Enterprise Risk Management Plan	The identification and management of risks across Council operations
Assetic Asset Management System (AM)	Electronic system that contains the asset register, condition ratings and used to model future renewals
Mapinfo GIS	Geographical information system that produces maps of assets

The Strategy will be influenced by the following factors:

1. The increasing community expectations for a higher quality of service to be provided by Council.
2. An increasing focus on lifestyle and environmental issues.
3. The combination of ageing asset stock and increased community expectations will make risk management an increasingly important asset management activity.
4. The trend for the cost of materials, labour, and risk management will continue to be much greater than CPI in the short to medium term due to:
 - a) The cost of materials due to a range of factors - increasing: production, wages, cartage, insurances, quality assurance and other ancillary costs.
 - b) Escalations in the price of petroleum products will continue to have a significant impact because of the high proportion of the budget allocated to maintaining the road network, an area highly sensitive to the price of oil;
 - c) The continuing increased cost of risk management processes and public liability insurance;
 - d) The increased cost of work health and safety regulation and superannuation contributions.
5. The impact weather patterns have upon the pace of deterioration.
6. The ageing of infrastructure will require renewal at some time in the future if service levels are to be maintained.

To effectively manage the long term financial impact of new assets developed as the Shire grows, an increase in maintenance, operational and renewal costs will be factored into the plan.

Urban population is projected to grow at 0.62% per annum, based on the latest projections developed for the Community Strategic Plan. This will require new areas for housing, which are being staged through Urban planning to provide for logical and economic provision of suitable, serviced land. The Parkes Shire population at the 2011 Census was estimated to be 14,592 and the Parkes urban area 10,033.

3. Services Provided

Council recognises the importance of asset management planning. The preparation of this Asset Management Strategy is another step in providing guidance to Council on improving its asset management systems and practices.

The establishment of a classification system for asset groups will be included in each asset management plan (AMP) to ensure the efficient allocation of resources to maintain levels of service appropriate to their function. These classifications will be developed within each AMP specifically based on functionality, utilisation, and community requirements.

The infrastructure assets managed by Council are detailed in Table 3.1, noting that the building fair values for parks, water and sewer are contained within those asset categories.

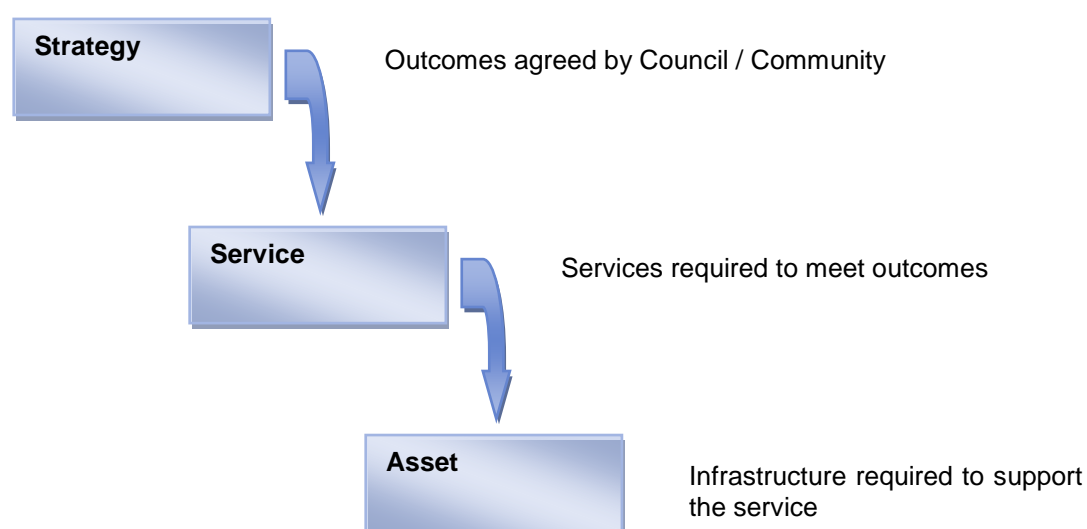
Table 3.1: Council Asset Portfolio (\$,000)?

Asset Category	Component	Dimension / Scale	Fair Value
Roads	Roads (incl. ancillaries)	560 km of sealed roads and 1300 km unsealed roads	320,032
	Kerb & Gutter	64 km of kerb and channel	
	Pathways (footpaths and Cycleways)	47 km of footpaths and cycleways	
	Bridges and Culverts	15 bridges and 18 Bridge size culverts.	
Drainage	Urban stormwater infrastructure	Includes 46 km of underground pipe, open drains and detention structures.	24,374
Open Space/Recreation	Pools, Sports grounds, playground		7,149
Buildings	Corporate	Administration buildings, Works Depots	49,335
	Community	Halls, Library and museums	
	Land Under Roads		
Sewer	Reticulation system, pump stations and STP	Over 8km rising mains and 120 km gravity mains	58,498
Water	Supply, Reticulation, WFP, Storage	Bores, Dams, Pipes, Pumps, Reservoirs, FP and Trunk mains	157,625
Other	(Includes Airport, plant, office equipment, land and other assets)		26,802
Total			\$647,869

4. Levels of Service

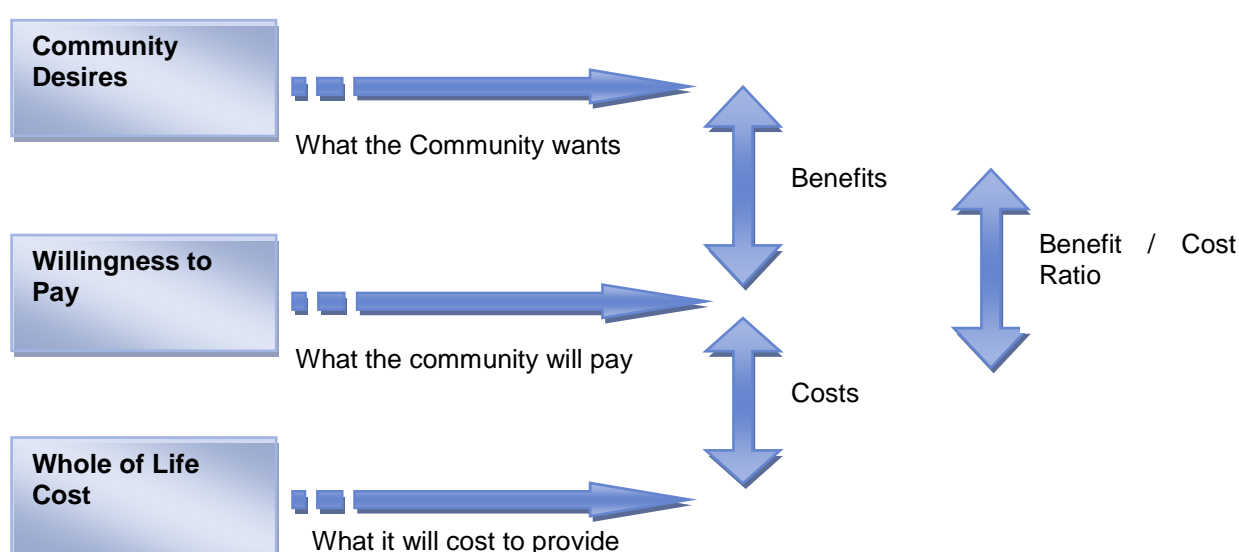
One of the basic tenets of sound asset management practice is to provide the level of service the current and future community want and are prepared to pay for, in the most cost effective way (NZNAMS2007). The final determination of service levels will be undertaken in conjunction with the community as the Superior Asset Management Project progresses. This will enable Council to make informed decisions on the allocation of community resources in accordance with community priorities and willingness to pay.

Figure 4.1 – How do we develop Level of Service?



The level of service and the cost to deliver services at that level is an essential component in strategic asset management planning. Council must know the true cost of service delivery, priorities placed by the community on infrastructure, the service levels that are desired by the community and at what level they are willing to pay.

Figure 4.2 – How can we determine a sustainable level of service?

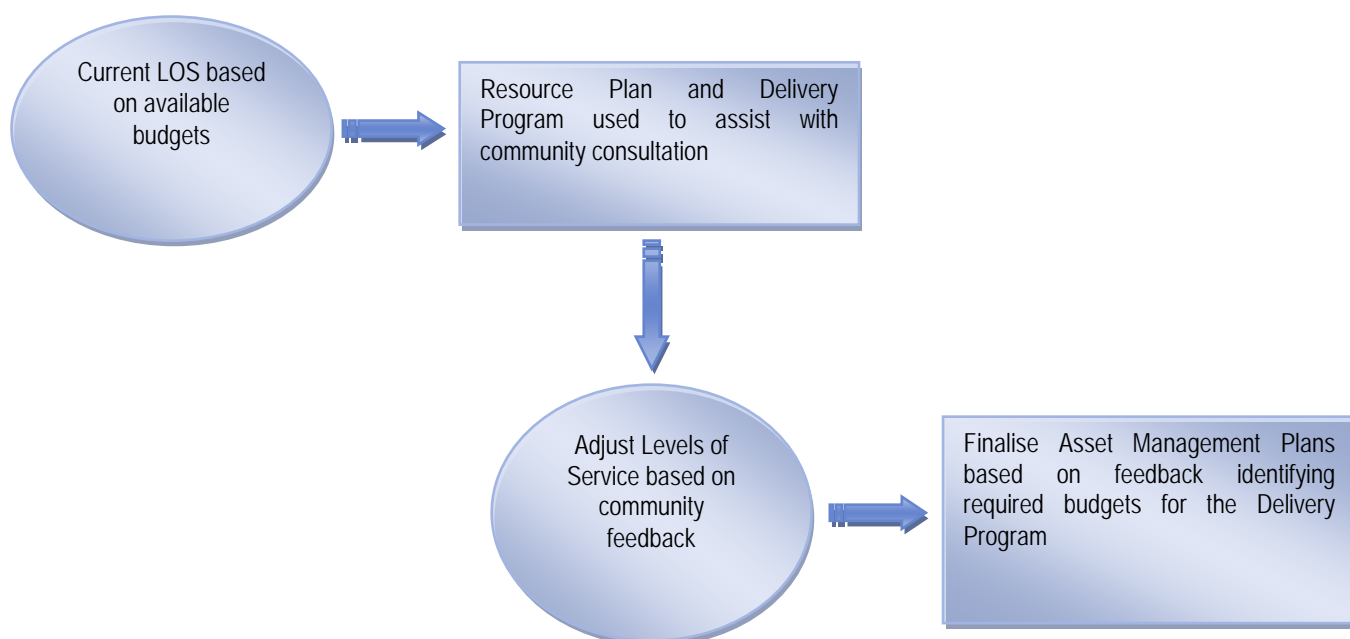


As work on developing acceptable levels of service are underway, for the development of each Asset Management Plan, historical defined levels of service will be identified together with options to increase or decrease these levels and the cost savings / increases associated with those options. This will provide an excellent starting point for the consultation required as indicative costs for various service levels will be available.

Council will continue to develop service levels in the future revisions of each Asset Management Plans and link these service levels to the Delivery Program. This will provide the link between service levels and costs of service delivery, providing a tool for community consultation on these levels to enable Council to make decisions on service levels and costs in setting budgets and rate levels.

To assist in this process, consideration of life cycle costing and funding models is required to better inform Council and the Community.

Figure 4.3 – How do Levels of Service influence the Delivery Program?



- Two primary types of level of service are defined in the AMP:

- Community LOS – relates to how the community receives the service in terms of safety, quality, quantity, reliability responsiveness, cost efficiency and legislative compliance; and
- Technical LOS – are the technical measures of performance developed to ensure the minimum community levels of service are met.

5. Condition of Council's Assets

Council maintains a Condition Assessment Manual that details the frequency of inspection and condition rating to be used for all assets. This data is recorded in the Council Asset Management Systems and used to predict the timing of renewal / maintenance requirements in the Long Term Financial Plan.

Assets are rated on a 1 (Near New) to 5 (Completely Failed) scale consistent with the Maloney model and advanced asset management practices as outlined in the Institute of Public Works and Engineering Australia (IPWEA) International Infrastructure Management Manual. Details on how Council assesses condition and further information on the rating scale are contained in the Condition Assessment Manual.

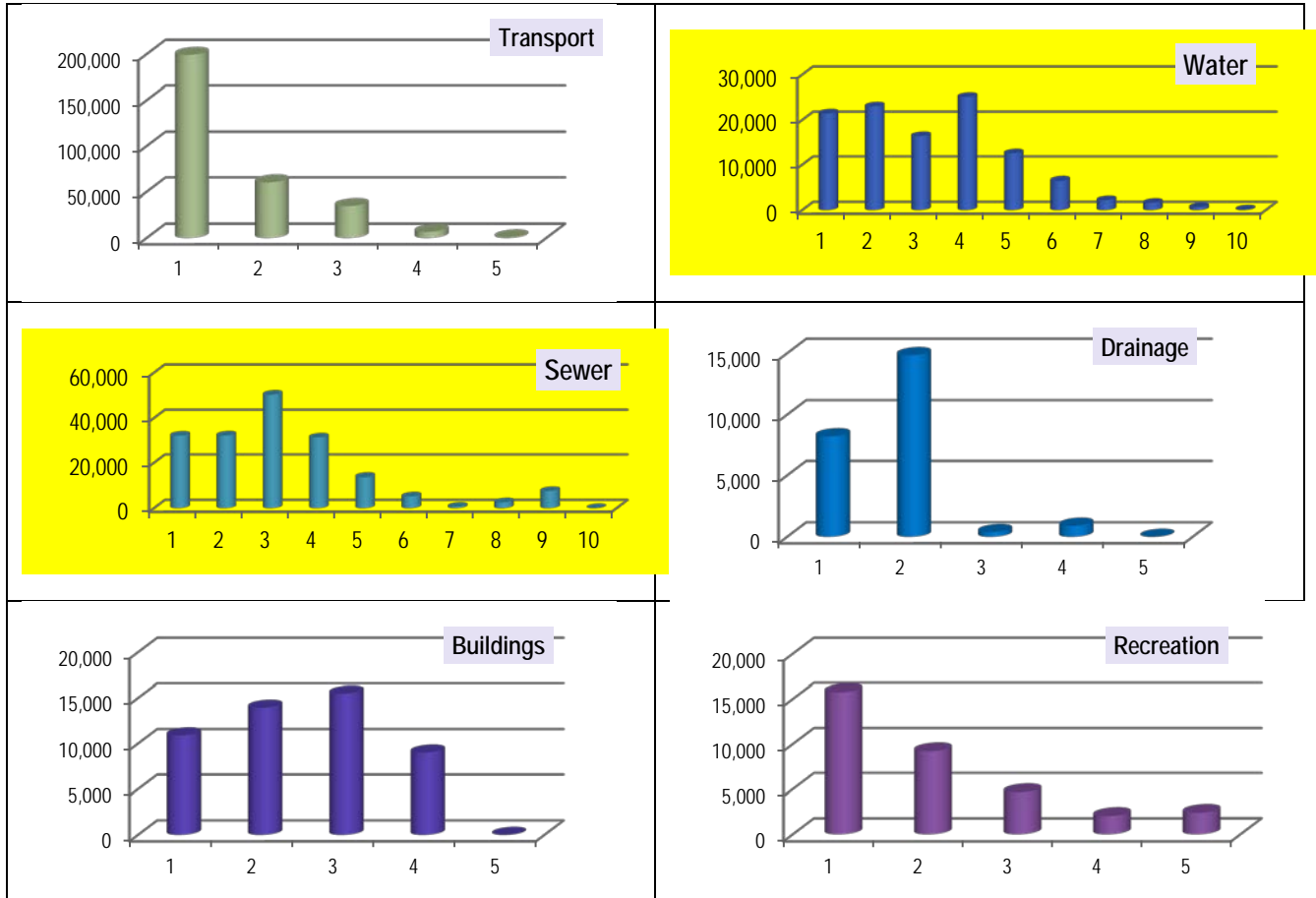
The intent of Council is not to undertake renewal on an asset until it reaches its 'Intervention Level', that is the condition at which the community has determined renewal is required based on the LOS analysis. Typically assets will be renewed between condition 3 and 4 which ranges from fair/poor to very poor depending on their classification. Details of the intervention level and useful lives will be contained within each of the AMP's, a sample from each is presented in table 5.1 below.

Table 5.1: What are Council's Intervention Levels to Renew an Asset?

Component	Class	Intervention Level	Useful Life
Road Seals (Flush Seal)	Collector & Sub-Arterial	Condition Index 3.5	15-yrs
Water Pipes	Trunk Mains	Risk Score 20-30	80-yrs
Sewer Earthenware Pipes	Trunk Mains	Risk Score 20-30	80-yrs
Playgrounds	Regional play ground -(all access play equipment and soft fall)	Condition Index 4	20-yrs
Ducted Air Conditioning	To Specialised Buildings - Category A	Condition Index 3	100-yrs
Drainage Concrete Pipes	Critical assets (cpe Jan. 2015)	Risk Score High	150-yrs

Each asset's condition is maintained in the Asset Register and the graphs below details the condition profile.

Figure 5.1: What Condition are Council's Assets in (\$,000)?



6. Operations

Operational activities are those regular activities that are required to continuously provide the service including asset inspection, electricity costs, fuel and overheads. Inspections are an important operational activity and details of some of those undertaken are provided below, further information is available in each AMP.

Table 6.1: When do we undertake Inspections?

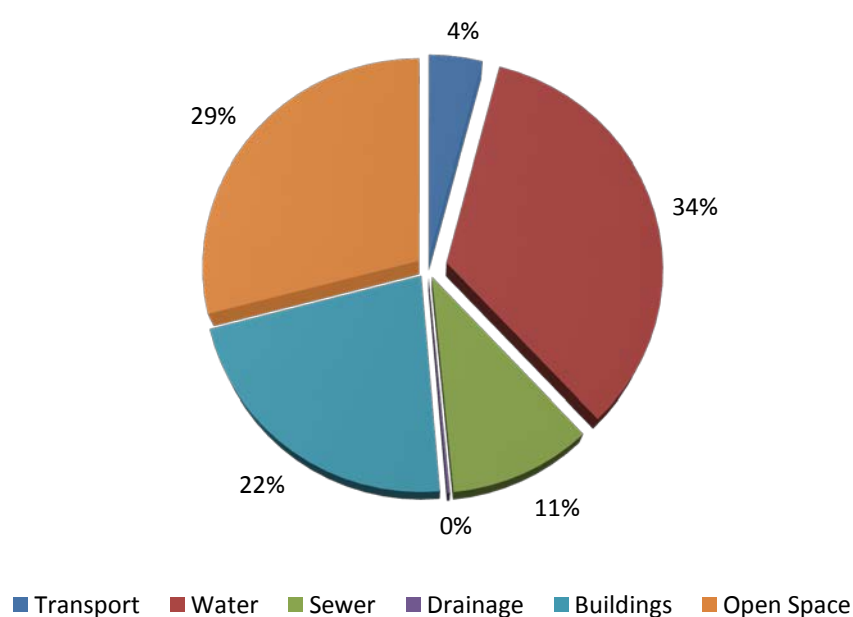
Inspection	Frequency
Transport (sealed roads) Sub Arterial	Monthly
Water – Condition of above ground assets	3-5 yrs
Sewer – Condition of above ground assets	3 - 5 yrs
Parks – Condition assessments	Weekly
Buildings – safety for medium / high buildings	6 monthly for critical assets
Drainage GPT's	After storm events

The expenditure on operational costs in each asset group are detailed in table 6.2 and graphed below in Figure 6.1.

Table 6.2: What are Council's Annual Average Operational Costs?

Activity	10 year average (2015 \$,000)
Transport	1,061
Water	3,993
Sewer	1,221
Drainage	22
Buildings	2,618
Open Space/Recreation	3,418
Total	\$12,333

Figure 6.1: What is the breakup of Council's Operational Costs?



7. Maintenance

Routine maintenance is the regular on-going work that is necessary to keep assets operating to ensure they reach their useful life. It includes work on an asset where a portion may fail and need immediate repair to make it operational again. It may be either planned where works are programmed in or cyclic in nature or reactive in response to storm damage, vandalism etc.

Maintenance is either planned or reactive, defined as:

- Reactive maintenance – unplanned repair work carried out in response to service requests.
- 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 experience, prioritising, scheduling, actioning the work and reporting what was done to develop a maintenance history and improve maintenance and service delivery performance.

Maintenance expenditure levels are considered to be adequate to meet required service levels. Future revision of this strategy will include linking required maintenance expenditures with required service levels in the Community Strategic Plan. The level of service and standards of care for maintenance is carried out in accordance with details in each AMP. Example maintenance activities are outlined in table 7.1.

Table 7.1: Examples of Maintenance Activities and the frequency we undertake them are?

Asset Group	Activity	Class	Frequency
Transport	Maintenance Grading	Collector Roads	6 monthly
Water	Mains flushing	Trunk Mains	4-5 yrs
Sewer	CCTV Inspections	All	5-yrs
Open Space/Recreation	BBQ Repairs	Regional	Weekly cleaning
Buildings	Fire Systems	All	6-mthly as required by legislation
Drainage	Cleaning of pipes	All	Routine maintenance

Adjusting Levels of Service

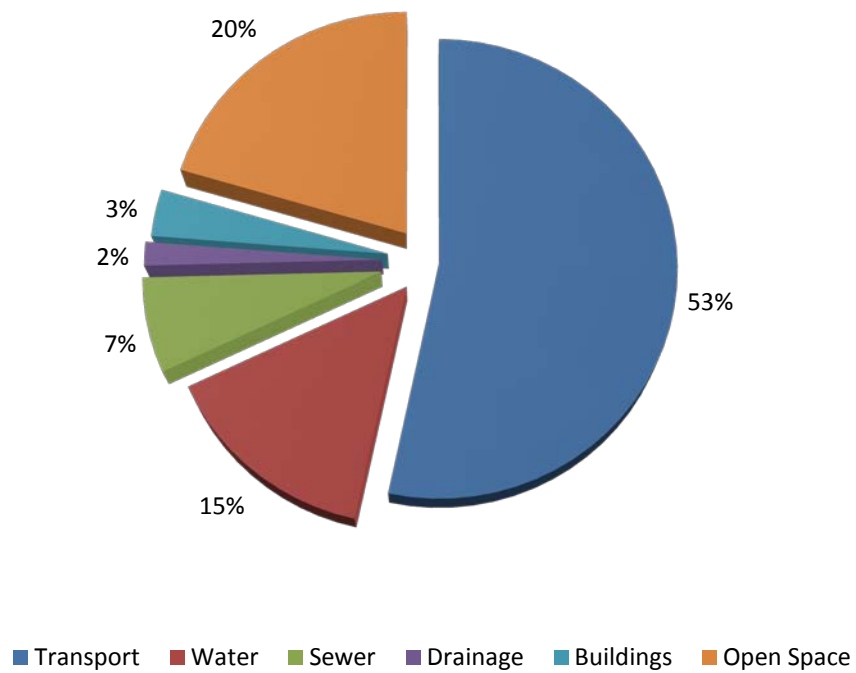
Council can adjust the level of service and reduce the cost of providing the service by either reducing the time to respond to maintenance requests (e.g. only undertaking work during business hours), or by reducing the frequency of maintenance activities (e.g. grading roads on a less frequent basis). Conversely increasing the frequency of maintenance activities will increase the cost of providing the service.

The proposed maintenance programs are detailed in each AMP, with the average annual costs detailed below:

Table 7.2: What are Council's Average Annual Maintenance Costs?

Activity	10 year average (2015 \$,000)
Transport	3,423
Water	1,002
Sewer	456
Drainage	114
Buildings	227
Open Space/Recreation	1,405
Total	\$6,627

Figure 7.1: What is the breakup of Council's Maintenance Costs?



8. Capital Renewal / Rehabilitation

Renewal or rehabilitation includes work on an existing asset to replace or rehabilitate it to a condition that restores the capability of the asset back to that which it had originally. The intervention level and estimated useful lives are contained in Table 5.1.

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

This Asset Strategy contains an analysis based on broad assumptions and best available knowledge to date. Modelling is not an exact science so we deal with long term averages across the entire asset stock. Work will continue on improving the quality of Council's asset registers and systems to increase the accuracy of Council's renewal models.

Assets requiring renewal will be generally identified from estimates of remaining life and condition assessments obtained from the asset register and models. Asset renewal proposals will be inspected to verify the accuracy of the remaining life estimate and to develop a preliminary renewal estimate. Verified proposals are ranked by priority and available funds, and then scheduled in future works programmes.

Details of planned renewal activities proposed over the next four years are contained in each Asset Management Plan. The first year of the program will be considered in the development of the next Operational Plan and the remaining 3 years of work will be assessed each year to confirm that the asset has reached its intervention level prior to the work being scheduled.

It is clear from the initial analysis of each asset class that a gap in funding may exist depending on the condition at which renewal occurs. A number of options are available to manage this gap, including:

- Improving knowledge of the condition of assets and their remaining life, thereby deferring renewal as late as possible;
- Improving maintenance to extend the life of assets and defer projected renewal;
- Improving efficiency and introducing innovative practices for carrying out maintenance and renewal works;
- Using lower cost renewal / rehabilitation methods;
- Rationalising (disposing of unnecessary assets);
- Lowering service levels;
- Increasing funding; and / or a
- Combinations of each option.

Asset Management Plans for each asset class consider these options in the analysis of service levels and the gap analysis.

It should also be recognised that the acquisition of additional assets (expansion and upgrade) will add to the funding gap for projected renewal and to annual operating and maintenance costs.

Figure 8.1: What will we spend over the next 10 years on Renewal (2015 \$,000)?

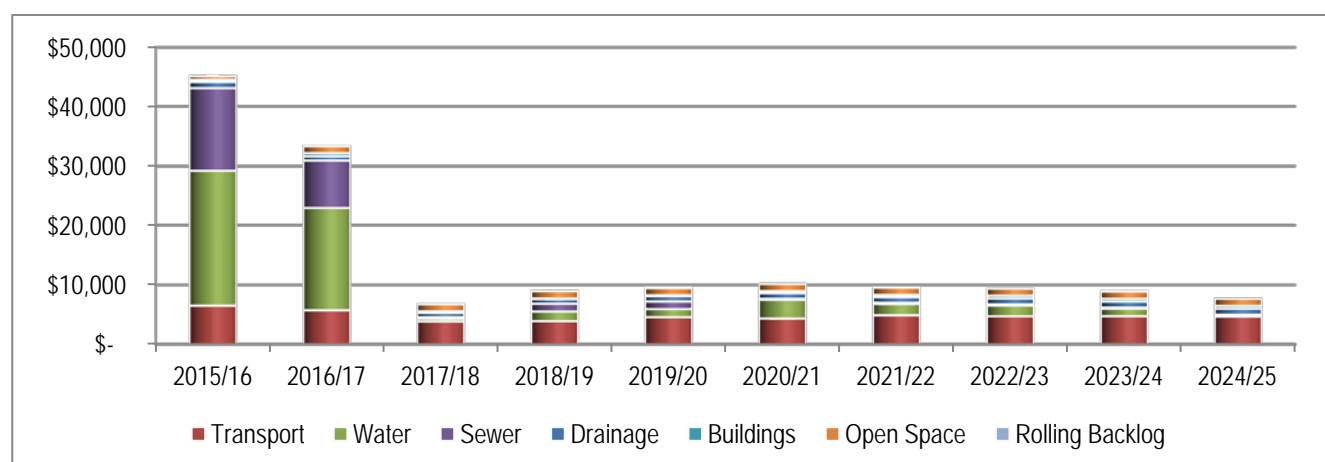


Figure 8.1 indicates that, based on current projections, Council will spend approximately \$9.19 million per annum on renewals across the six major asset groups.

Lifecycle costs

The lifecycle costs are determined based on the total cost of ownership of each asset including operations, maintenance, renewal and disposal costs. The average annualised lifecycle costs for a number of components is presented in each of the individual Asset Management Plans.

9. Capital Upgrades & New Assets

Upgrades enhance an existing asset to provide a higher level of service, for example widening an existing road seal. New assets are those created to meet an additional service level requirement or increase the size of a network, for example, new subdivisions, or extension of the stormwater drainage network.

Capital upgrade and expansion expenditure adds to future liabilities. These works commit Council to fund ongoing budget liabilities for operations, maintenance, depreciation and finance costs (where applicable) for the life of the asset. They are discretionary 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.

The requirements for new assets may result from growth, social or environmental needs. The impact from growth is included will be further developed in the next suite of Asset Plans and this Strategy. At present growth is predicted to continue at 0.62% per annum in the Parkes Shire.

Upgrades or new assets may be funded at least in part through Developer Contributions in the form of a Section 64 or 94 Contribution, a Voluntary Planning Agreement, or as part of a subdivision development.

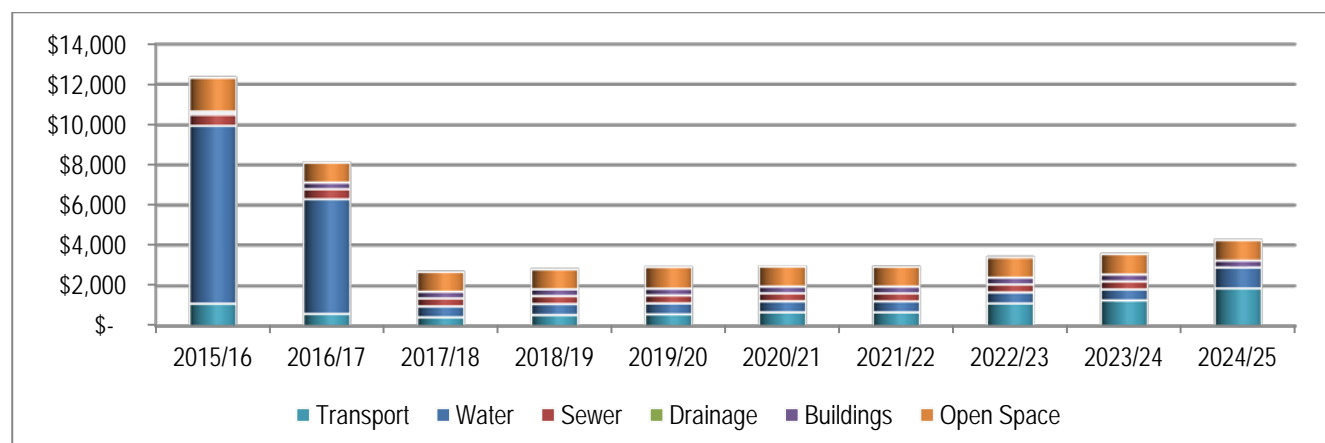
New assets and upgrade/expansion of existing assets are identified from various sources such as councillor or community requests, proposals identified by strategic plans or partnerships with other organisations. Project proposals are assessed to verify need and to develop a preliminary lifecycle cost estimate. Verified proposals are ranked by priority and available funds and scheduled in future works programmes.

Council has developed a framework for the prioritisation of capital projects and that information is used in the consideration of all new projects above the threshold set in the framework. Included in the analysis is the identification of life cycle costs as outlined in Appendix A.

Table 9.1: Top Proposed Project in each asset group over the next 10 years (2015 \$,000)

Asset Group	Project	Year(s)	Estimated Cost
Transport	Road pavement renewal	10	10,000
Water	Construct new Water Filtration Plant, Parkes	2	31,270
Sewer	Construct new Sewerage Treatment works, Parkes	2	32,300
Drainage	Renew and Upgrade underground stormwater system	10	4,675
Buildings	Village Special Allocation	10	390
Open Space/Recreation	Sporting ground improvements	10	1,900

Figure 9.1: What will we spend over the next 10 years on Upgraded or New Assets (\$,000)?



10. Disposal Plan

Disposal is any activity associated with disposal of a decommissioned asset including sale, demolition or relocation. Assets with a condition rating of 4-5 (very poor condition), where Council has received no contact through the Customer Request System indicating that the community don't require the asset (as they have raised concerns or complaints about the asset condition) may be considered to be a redundant asset or not utilised and therefore decommissioned and disposed unless it is considered critical infrastructure.

Prior to consideration of any proposed disposal a detailed report will be presented to Council.

Table 10.1: What assets are we planning to dispose of?

Asset	Reason	Year
Old WFP Parkes	Redundant - replaced	2017/18
Old STW Parkes	Redundant - replaced	2017/18

11. Financial Plan

As part of its funding strategy, Council has the option to supplement any or all of the current or new asset proposals that come into consideration for construction with borrowings. This strategy is heavily influenced by the monitoring of Councils Debt Service Ratio. The debt service ratio is a measure of the degree to which revenues are committed to servicing debt. The purpose of the ratio is to assess the impact of loan principal and interest repayments on the discretionary revenue of the Council. Council's long term target is to maintain a ratio of less than 12%.

A summary of the income and expenditure over the next 10 years is included in Appendix C, with the projected budget amounts being based on 2015 dollars. It is important to recognise that the forecasts developed in each AMP and therefore this Strategy are based on delivering the levels of service identified in each Plan. This information will be used to assist in the development of the overall Council Long Term Financial Plan that is adopted with the Community Strategic Plan, Delivery Program and Operational Plan.

Any changes made to the overall Long Term Financial Plan adopted by Council will be reflected in the next Asset Management Strategy and AMP.

Funding for management of assets can come from a variety of sources as detailed in the table below.

Table 11.1: Where does Council's Funding and Income come from?

Activity	10 year average (2015 \$,000)
Grants & Other Contributions	16,101
Develop Contributions	12
Fees & Charges	12,671
Rates & General Revenue	20,549
Other Income	2,643
Total	51,976

12. Key Performance Measures

AMPs document the linkage between levels of service and life cycle costs. Performance Levels are target Levels of Service. The performance measures for Council services typically are:

- Community safety and accessibility of the built environment - including reductions in road pavement roughness, and increases in accessibility including maintaining and extending network of sealed roads, footpaths, and bridges;
- Accessibility of footpaths, and levels of street lighting;
- Environmental amenity - including the cleaning of stormwater drainage pits, water quality works, public transport and bicycle way enhancements.

To monitor these performance standards the following asset knowledge needs to be assembled:

- Demand projections and forecasts;
- A description of the current asset portfolio;
- A broad description of the management activities (operations and maintenance, renewals, capital works and asset disposals) required to deliver the defined service levels;
- Identification of strategies and actions required to ensure service sustainability, including resources and timeframes;
- A cash-flow forecast outlining the asset related expenditure required over the term of the plan;
- Compliance and risk strategies and costs.

As part of identifying the best value mix of service, there needs to be a clearly understood link between the economic, social and environmental prosperity for the community and the asset stock needed and revenues needed to deliver these objectives.

This information allows Council to make better informed decisions on the allocation of limited resources based on community values of service and cost. It stands to reason that the provision of services providing the highest benefit at the least cost will give the greatest value.

13. Plan Improvements

It is not the intention of this strategic document to identify recommendations for individual areas of Council's operations, but to establish the key areas for asset management improvement.

During a workshop held with senior staff in June 2015 a review of recommended improvement actions based on JRA's NAMAFA asset maturity assessment was undertaken. From this an action plan with responsible officers and timeframes was developed.

The key activities proposed over the coming financial year include, noting that the number in brackets is the Task ID from the action plan details in Appendix B:

- Incorporating historical comparative figures in the annual report for at least 2 years by June 2016 (7).
- Ensure the Asset Management Policy is implemented and communicated by June 2016 (13).
- Complete a review of all asset register and update AMP's by December 2015 to lead into the next Budget (18, 19, 21)
- Complete service levels for asset management plans by June 2016 using state of the assets reporting (condition / function / capacity) (20)
- Set up a formal process for corporate risk reporting for any residual high risks from AMP to Council executive and Internal Audit committee by June 2016 (24).
- Develop an internal process to ensure that asset register are kept up to date by June 2016 and ongoing (30)
- Identify skills required for asset management utilising the annual performance appraisal and develop training program – to be completed by June 2016 (31).
- Review the useful lives of assets to assist in development of the next suite of AMP's by December 2015 (35)
- Develop business processes relating to audit trail for financial and asset records by June 2016 (36)
- Incorporate AMP risks into the corporate risk register and report thereon to Council by June 2016 (38)

14. Risk Management Plan

Parkes Shire Council is committed to a structured and systematic approach to the management of risk and has committed resources to the implementation of an Enterprise Risk Management Program. This program aims to embed the principles of risk management in all aspects of Council's operations, which will ultimately:

- Increase the likelihood of Council achieving its objectives
- Create an environment where all employees have a key role in managing risk
- Encourage proactive management
- Improve the identification of opportunities and threats
- Improve stakeholder confidence and trust
- Improve financial stability and minimise losses
- Improve organisational performance

For assets with potentially long lives, risks associated with changing economic conditions, varying levels of demand for services, new competition and maintenance and disposal requirements needs to be analysed and managed to ensure the investment is worthwhile.

Size is not the only consideration. Projects or programs, which are inherently complex will also benefit from particular attention to Risk Management. This might occur when there are important economic or financial aspects, sensitive environmental or safety issues, or complex regulatory and licensing requirements.

One of the outcomes of this risk assessment in each plan will be the determination of Critical Assets. Critical assets are specific assets which have a high consequence of failure but not necessarily a high likelihood of failure. By identifying critical assets and critical failure modes, Council can appropriately target and refine inspection regimes, maintenance plans and capital expenditure plans.

Operations and maintenances activities may also be targeted to mitigate critical assets failure and maintain service levels. These activities may include increased inspection frequency, higher maintenance intervention

levels, etc. The most critical assets in each group are identified in the individual Asset Management Plans, with examples presented in Table 14.1 below:

Table 14.1 Critical Assets

Asset Group	Critical Asset	Critical Failure Mode	Treatment Plan
Transport	Bridges on Sub Arterial Roads	Structural failure	Implement load limit and activate detour. Consider cost/benefit for repair or replace
Water	WFP, Parkes	Prolonged power disruption.	Storage capacity, initiate water restrictions. Identify nature of failure and development risk mitigation measures
Sewer	STW Parkes	Wet weather surcharge	Notify EPA, sampling for analysis and consider cost/benefit for mitigating future risk of wet weather surcharges
Drainage	Bogan Street Trunk main	Failure to cope with inflow - surcharging	Close Road, activate traffic diversion and protect property. Consider cost/benefit for capacity up grade
Buildings	Administration	Fire	Fire alarm testing and evacuation procedures. Business continuity plan activated. Identify cause.
Open Spaces/Recreation	Parkes pool	Water quality	Water quality monitoring. Pool closure and water filtration. Identify failure cause and adequacy of filtration system

15. Appendix A: Example of Annual Service Costs

This example details the costs to provide, operate (including daily cleaning), and maintain a new public barbeque that is expected to have a life of 10 years. The annual service cost is detailed in Table A.1.

Table A.1 Annual Service Cost for a Public BBQ

	Capital Cost	Annual Service Cost	Remarks
Capital Cost	8,000		
Finance/Opportunity cost		320	4% pa
Depreciation		800	10 years
Operations (cleaning)		7,300	Daily cleaning
Maintenance		400	
Demolition		100	\$1,000 @ 10 yrs
Revenue		0	
TOTAL	\$8,000	8,920	

The Annual Service Cost for the provision of the public barbeque is \$9,240 for the 10 year life required. The cost per use can be calculated by dividing the Annual Service Cost by the number of uses.

The Costs shown in **bold** are the ongoing budget commitments that the Council must fund in future budgets for the service provided by the new barbeque. These total \$8,920 per annum for the next 10 years (depreciation, operations, and maintenance).

The Annual Service Cost is a tool for evaluating capital works projects. Council should be satisfied that it will obtain value or community benefits greater than \$8,920 per annum for this project, otherwise the project should not be approved.

This information will be used when considering annual capital works programs to assist in assessing projects. This shows the project estimate, apportioned into renewal and new asset components, the budget commitment and equivalent rate increase required to fund the budget commitment and the annual service cost.

In determining its capital works program, Council will make a policy decision to allocate funds for asset renewal in accordance with its Asset Management Plans under the principle of allocating the value of depreciation expense progressively for asset renewals.

16. Appendix B: Improvement Action Plan (June 2015)

Practice Area	Actions	Task ID	Status	Actions	Responsibility	Due Date
Strategic Longer Term Plan	1. Ensure future plans indicate likely service level and risk trends resulting from adopted LTFP	1	Complete		CFO	
	2. Consider including in the next update of the Community Strategic Plan (CSP) commentary on the important role Infrastructure plays in achieving strategic objectives and the future outlook for this infrastructure (any challenges/risks).	2	Adopted	Include in 2017 CSP	SP	June 2017
	3. Ensure that CSP performance measures line up with Asset Management Plan service levels utilising state of the assets reporting.	3	Adopted	Include in 2017 CSP	SP	June 2017
	4. Brief Council and Community using state of the assets information in the regular community engagement processes.	4	Complete	Included in Community Engagement continuum	SP	Ongoing
Annual Budget	1. Include commentary in the budget to provide a statement of whether the budget will achieve the CSP objectives and sustain current service levels.	5	Adopted	Include in 2016/17 Operational Plan / Budget	SP	June 2016
	2. Develop ongoing councillor and community engagement strategy on affordable service levels based on current LTFP.	6	Complete	Included in Community Engagement continuum	SP	Ongoing
	3. Council should include historical comparatives wherever possible. At least 2 years is needed and additional historical data improves the understanding of the movements in the forecast financial position	7	Adopted	Include in 2016/17 Operational Plan / Budget	CFO	June 2016
	4. Council needs to ensure that the depreciation projections in the LTFP are related to forecast movements in the asset base.	8	Complete	Incorporated into annual AMP reviews	MA	Ongoing
Annual Report	1. Include "state of the assets" reporting in annual report to show service level trends e.g. % or assets at Poor/Fair/Good condition, function and capacity. This will provide an annual snapshot of service level trends.	9	Adopted	Include in 2015/16 annual report	SP	Ongoing
	2. Ensure that special schedule 7 shows that cost to bring to satisfactory is equal to available resources. Special schedule 7 should be consistent with the resourcing strategy and satisfactory service levels agreed to with the community and determined by Council.	10	Completed		CFO	Ongoing
	3. Ensure special schedule 7 reporting is accompanied by notes (Sec 428) clearly explaining the methodology used and why, an explanation of what the value represents and if the value is not backlog or aligned to agreed service levels that this clearly highlighted.	11	Completed		CFO	Ongoing

Asset Management Strategy

<i>Practice Area</i>	<i>Actions</i>	<i>Task ID</i>	<i>Status</i>	<i>Actions</i>	<i>Responsibility</i>	<i>Due Date</i>
AM Policy	1. Update policy to comply with the requirements of the NAMAFA.	12	Completed	Revised policy submitted to Council July 2015	MA	July 2015
	2. Ensure that the AM Policy is implemented and communicated to key stakeholders.	13	Adopted	Through GPEC (Project Management Working Party)	MA	June 2016
	3. Annual review of policy implementation by the Project Management Working Party and Risk Review Committee.	14	Adopted		SP	Ongoing
	4. Ensure Council is briefed on their roles and governance responsibilities under the reviewed AM policy.	15	Completed	Revised policy submitted to Council July 2015	MA	July 2015
AM Strategy	1. Update the strategy to include critical risks and a copy of this maturity assessment report.	16	Completed	Revised AMS submitted to Council July 2015	MA	July 2015
	2. Annually review the asset management strategy and update improvement plan as required.	17	Completed		MA	Ongoing
AM Plans	1. Update the AMPs to show what needs to be done what will be done with available funding.	18	Adopted	After community engagement in October 2015 and adopted in December then revised annually in December after initial adoption		December 2015
	2. Finalise asset registers for all major asset components	19	85% completed	Transport, water, sewer and storm water completed. Buildings and Open Space to be completed	MA	June 2016
	2. Complete service levels for asset management plans using state of the assets reporting (condition / function / capacity).	20	85% completed	Transport, water, sewer and storm water completed. Buildings and Open Space to be completed	MA	June 2016
	4. Identify critical assets and incorporate into each AMP.	21	Adopted	BCP's developed for water and sewer.	MA	Dec 2015

Asset Management Strategy

<i>Practice Area</i>	<i>Actions</i>	<i>Task ID</i>	<i>Status</i>	<i>Actions</i>	<i>Responsibility</i>	<i>Due Date</i>
<i>Governance and Management</i>	1. Adopt charter for the Project Management Working Party as outlined in Appendix F. The focus of the group should be on the implementation of Asset Management Improvement Program and to report risk and service level trends. The Project Management Working Party can undertake the role as a standing agenda item.	22	Completed	Through GPEC (Project Management Working Party)	MA	Ongoing
	2. Ensure whole of life costing is used for all capital upgrade/expansion projects with a feedback loop into the LTFP. Utilise the Victorian Asset Investment Guidelines as the basis for the development of new business processes.	23	Adopted	Already partially adopted, to be fully integrated into Project Management Program	MA	June 2017
	3. Set up a formal process for corporate risk reporting for any residual high risks from AMP to Council, executive and Internal Audit committee.	24	Adopted	Mechanism in place, to be implemented	SP	June 2016
	4. Complete documentation on key asset management tasks and responsibilities.	25	Complete	Assigned training and responsibilities to key personnel	MA	
	5. Develop Asset Management Improvement Program (AMIP). Program to include all improvement tasks identified in Council's Asset and Risk Management Plans and Strategy	26	Complete	Revised AMIP included in AMS submitted to council July 2015	MA	July 2015
<i>Levels of Service</i>	1. Update AMPs with state of the assets service levels for condition, function and capacity.	27	Adopted	After community engagement in October 2015 and adopted in December then revised annually in December after initial adoption		December 2015
	2. Develop additional AMP scenarios as required to align with the LTFP and show service outcomes and risk consequences of LTFP resourcing levels. Aim is to ensure the community service levels and targets in AMPs align with the CSP and annual reporting (special schedule 7).	28	Completed			
	Provide a data improvement programme as part of the asset management improvement programme based on benefit/cost/risk. This should be done in conjunction with the development of the Asset Accounting Policy and Implementation of the new Asset Management System. This process should determine the level of data required to meet both financial and asset management requirements.	29	Complete			

Asset Management Strategy

<i>Practice Area</i>	<i>Actions</i>	<i>Task ID</i>	<i>Status</i>	<i>Actions</i>	<i>Responsibility</i>	<i>Due Date</i>
Data and Systems	Ensure that the current register is kept up to date and asset condition is monitored and reported as part of the annual review of the works programme	30	85%	Internal process developed to ensure data maintained	MA	June 2016
	Provide a knowledge management strategy to continue to identify skills and knowledge needed for the technology/data options and audit trail, security etc.	31	Adopted	Utilise information from annual staff performance and development reviews to develop strategy	MA	June 2016
	Annual update of unit rates based on completed works programme to update replacement cost and renewal cost rates.	32	Complete			Ongoing
	This maturity assessment provides the capacity to benchmark asset management performance and practice against other councils as required.	33	Complete			
	Complete condition assessment manual for all asset classes as required.	34	85% Complete	To be completed for buildings and open space		June 2017
	Annually review and update asset useful lives following the development of the detailed works program.	35	Adopted	After community engagement in October 2015 and adopted in December then revised annually in December after initial adoption		December 2015
Skills and Processes	1. Develop business processes and documentation to ensure audit trail for financial transactions, asset register updates and annual reporting. This should be done as part of the Assetic implementation process.	36	Adopted	Already partially implemented for audit trails, asset register updates to be documented	MA	June 2016
	2 Document methodology for determining asset lives and financial reporting in an asset accounting policy as per Australian Infrastructure Management Guidelines	37	Complete			
	3. Ensure AMP risks are included in the corporate risk register and reported to council/audit committee acceptance of residual risk.	38	Adopted	Mechanism in place, to be implemented	SP	June 2016

Asset Management Strategy

<i>Practice Area</i>	<i>Actions</i>	<i>Task ID</i>	<i>Status</i>	<i>Actions</i>	<i>Responsibility</i>	<i>Due Date</i>
	4. Continue to utilise the Local Government training programs to further develop and broaden internal capacity	39	Completed			Ongoing
Evaluation	Implement the improvement programme within available resources and report to Council on improvement tasks that have risk consequences but are not resourced via the Project Management Working Party and senior management.	40	Completed			Ongoing
	Implement state of the assets reporting and include in asset management plans and the annual report.	41	Adopted	After community engagement in October 2015 and adopted in December then revised annually in December after initial adoption		Dec 2016
	Annually review asset management maturity.	42	Complete			Ongoing
	Continue to ensure resources are available to collect and maintain service level, risk and condition data.	43	Partial	85% of data capture and maintenance being achieved		Ongoing

17. Appendix C: 10 year Financial Plan (2015 \$,000)

Table C.1: Long Term Financial Plan

Year	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Average
Renewal											
Transport	3,902	3,091	3,442	3,598	3,777	3,841	3,907	3,967	4,327	4,662	3,581
Water	22,705	17,201	482	1,621	1,367	3,171	1,895	1,831	1,279	232	5,178
Sewer	13,867	8,012	234	1,319	1,274	180	227	190	196	76	2,558
Drainage	1,053	712	731	770	924	928	932	987	1,017	1,022	908
Buildings	372	540	253	138	147	366	375	469	478	472	361
Open Space	628	1,174	1,213	1,224	1,206	1,209	1,236	1,215	1,218	1,247	1,157
Sub-Total	42,527	30,730	6,354	8,671	8,696	9,694	8,572	8,659	8,515	7,711	14,013
Maintenance											
Transport	2,919	4,301	2,808	2,893	3,006	3,429	3,011	3,640	3,671	4,555	3,423
Water	1,002	1,002	1,002	1,002	1,002	1,002	1,002	1,002	1,002	1,002	1,002
Sewer	456	456	456	456	456	456	456	456	456	456	456
Drainage	114	114	114	114	114	114	114	114	114	114	114
Buildings	227	227	227	227	227	227	227	227	227	227	227
Open Space	1,405	1,405	1,405	1,405	1,405	1,405	1,405	1,405	1,405	1,405	1,405
Sub-Total	6,122	7,504	6,011	6,096	6,209	6,632	6,214	6,843	6,874	7,758	6,626
Operations											
Transport	930	958	984	1,014	1,042	1,071	1,104	1,135	1,169	1,203	1,061
Water	3,993	3,993	3,993	3,993	3,993	3,993	3,993	3,993	3,993	3,993	3,993
Sewer	1,221	1,221	1,221	1,221	1,221	1,221	1,221	1,221	1,221	1,221	1,221
Drainage	20	27	26	25	24	22	21	20	19	17	22
Buildings	2,618	2,618	2,618	2,618	2,618	2,618	2,618	2,618	2,618	2,618	2,618
Open Space	3,418	3,418	3,418	3,418	3,418	3,418	3,418	3,418	3,418	3,418	3,418
Sub-Total	12,200	12,235	12,260	12,289	12,316	12,344	12,375	12,405	12,438	12,470	12,333
Upgrade / Expansion											
Transport	3,203	2,462	1,281	1,320	1,474	1,478	1,482	1,537	1,567	1,572	1,738
Water	8,848	5,690	543	553	546	555	547	549	550	1,042	1,942
Sewer	550	500	400	400	400	400	400	400	400	-	385
Drainage	5	-	-	-	-	-	-	-	-	-	1
Buildings	127	328	330	333	335	336	338	339	341	342	315
Open Space	1,685	995	995	995	1,075	995	995	995	995	995	1,072
Sub-Total	14,418	9,975	3,549	3,601	3,830	3,764	3,762	3,820	3,852	3,951	5,452
Grand Total	75,267	60,445	28,174	30,657	31,050	32,434	30,924	31,727	31,679	31,891	38,425

