Infrastructure Assessment Report

Hawkesbury City Council

Infrastructure Depreciation Review and FFF Summary

Version 4
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JRA

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This report focuses on whether the Council has reasonable capacity, based on the information provided to JRA, to manage infrastructure risks

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Table of Contents

List of Tables

List of Figures

Abbreviations used in this report in the order they appear

Abbreviation	Full Term
FFF	"Fit for the Future" NSW Office Local Government
OLG	NSW Office of Local Government
BTS	Bring to Satisfactory – see report section 3.
IPART	Independent Pricing and Regulatory Tribunal
ILGRP Report	Final Report of the NSW Independent Local Government Review Panel October 2013
IIMM	International Infrastructure Management Manual, IPWEA
IPART Guide	IPART Local Government — Assessment Methodology, Methodology for Assessment of Council Fit for the Future Proposals, June 2015
IPWEA	Institute of Public Works Engineering Australasia
IPR	NSW Integrated Planning and Reporting
IPR Manual	Integrated Planning and Reporting Manual for local government in NSW, March 2013, NSW Office of Local Government
Code Update 23	Local Government Code of Accounting Practice and Financial Reporting (Guidelines). Update 23 March 2015, NSW Office of Local Government.
CSP	Community Strategic Plan as described in IPR Manual
AMP	Asset Management Plan as described in IPR Manual. Includes RMP summary.
RMP	Risk Management Plan – should be included in AMP.
AASB	Australian Accounting Standards Board
AIFMG	Australian Infrastructure Financial Management Guidelines IPWEA

1. Executive Summary

Hawkesbury City Council's infrastructure backlog presents a manageable financial risk and the infrastructure sustainability FFF targets are achievable in 5 years. Asset Management Plans will be updated annually to ensure optimised infrastructure expenditure with reporting on service level and risk.

Previous backlog reporting included assets that didn't need renewal yet as well as upgrade items. This has been re aligned to reflect actual current renewal need and high risk assets aligned with community consultation as set out in section 3 of the report.

1.1 Infrastructure Backlog

Table 1: Infrastructure Sustainability Measures

Infrastructure Sustainability Measures	2014 Annual Report	2015 FFF Estimates
Infrastructure WDV (For SS7 Backlog Ratio)	$454,358	$480,844
AASB116 Infrastructure Current Replacement Cost	$881,060	$887,125
Population	62,353	62,353
Annual Revenue	$55,700	$55,700
Depreciation	$9,768	$9,633
Annual Depreciation % of Current Replacement Cost	1.11%	1.09%
Infrastructure BTS Backlog Value #	$63,849	$20,405
BTS Backlog / Total Infrastructure Value	0.07	0.02
Renewal Expenditure (SS7)	$8,331	$8,331
Actual Maintenance Expenditure (SS7)	$12,439	$12,439
Required Maintenance Expenditure (SS7)	$23,484	$12,725
Total Capital Expenditure	$13,304	$13,304
Annual Maintenance % of Value	0.01	0.01
1. Building & Infrastructure Renewals Ratio	0.85	0.86
2. Infrastructure Backlog Ratio	0.14	0.04
3. Asset Maintenance Ratio	0.53	0.98
4. Capital Expenditure Ratio	1.36	1.38
5. Infrastructure Population/Ratio	$14	$14
6. Expansion/Upgrade Expenditure *	$4,973	$4,973
7. Expansion/Upgrade Ratio **	0.60	0.60
8. Maintenance and Operating Increase ***	$187.69	$125.33
9. Infrastructure Growth per Population	0.08	0.08
Residual Values Applied	No	No

** Capital Expenditure on new or upgraded infrastructure. Represents increasing service levels and operating costs (maintenance and operations)*
*** Expansion/Upgrade Expenditure divided by Renewal Expenditure. A measure of how much is being spent on upgrade new compared with renewal of existing.*
**** Addition depreciation and maintenance resulting from upgrade expansion*

Observations and Trends

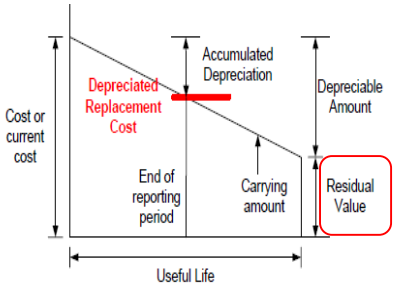
1. Depreciation for 30 June 2015 is an estimate and will be updated following the finalisation of revaluation of civil infrastructure (transport and drainage).
2. Asset management plans will be updated to provide a 10 year forward projection of operating, maintenance, renewal and expansion balanced to the Long Term Financial Plan.
3. The target renewal needed will be reviewed annually to align with the asset management plan projections for optimum renewal levels to ensure value for money to the community.
4. Hawkesbury, Blue Mountains and Penrith Councils are in a strategic alliance to share resources and expertise to improve efficiency, asset management capability and cost effective service delivery.

Table 2: Asset Values '000's

Hawkesbury LGA - Note 9a	As at 30/6/2014			As at 30/6/2015 Estimated **		
$'000	At Fair Value (current replacement cost) *	Carrying Value (WDV)	Depreciation Expense	At Fair Value (current replacement cost)	Carrying Value (WDV)	Depreciation Expense
Land Improvements - depreciable	5,389	748	130	4,870	438	98
Buildings - Non Specialised	36,384	21,668	751	23,726	11,303	609
Buildings - Specialised	74,303	42,391	3,420	87,640	79,800	2,739
Other Structures	26,779	10,487	670	27,458	10,602	572
Infrastructure						
- Roads	476,225	235,619	3,113	478,610	235,175	3,087
- Bridges	35,827	21,004	315	37,383	22,260	327
- Footpaths	15,859	7,134	182	16,192	7,297	184
- Stormwater Drainage	174,156	94,174	1,187	174,330	93,248	1,201
- Swimming Pools	3,313	1,222	$	3,314	1,168	59
- Open Space	32,825	19,911	$	33,602	19,553	756
TOTAL	**$ 881,060**	**$ 454,358**	**$ 9,768**	**$ 887,125**	**$ 480,844**	**$ 9,633**

** Note 9a incorrectly labels AASB 116 Current Replacement Cost as "Fair Value". Fair value is "is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction."[1] Depreciated replacement cost should be shown as fair value where there is no active market (non-specialised buildings and infrastructure). Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.*
*** Civil infrastructure (roads and drains) are currently being revalued and this is an interim estimate.*

Figure 1: Australian Accounting Standards Terminology



[1] AASB116

Table 3: Asset Backlog Results

Table 3 shows the detail of the backlog results. Working papers for each group have reviewed asset condition and risk to determine backlog in accordance with the methodology set out in this report.

SS7 Category	Subcategory	Description	**BTS Backlog '000's**
Buildings	All buildings	From Building SS7 - Unfunded building rectification cost identified in the risk register	$ 11,758
Other Structures		No high risk items	$ -
Roads	Sealed Roads Surface	Road Surface in Condition 4 and 5	$ 3161
Roads	Sealed Roads Structure	Road Structure in Condition 4 and 5. Full renewal in condition 5 and partial renewal in Cond 4 depending on traffic levels	$ 2,421
Roads	Unsealed Roads	No high risk assets. No Gravel roads in condition 4 or 5. However, shortfall in annual maintenance funding required to replace inadequate gravel cover material.	$-
Roads	Bridges	2014 SS7 used until bridge data and asset management plan is reviewed	$ 2,830
Roads	Footpaths and Cycleways	There are no high risk condition 4 or 5 paths	$ -
Roads	Kerb and Gutter	There are no high risk condition 4 or 5 kerb	$ -
Roads	Other Road Assets	No high risk items	$ -
Roads	Car Parks	Included in sealed roads	$ -
Stormwater Drainage	Pipes and Pits	No pipes with structural condition of 5. Minor Pit / Inlet renewal required	$ 6
Open Space Recreation	Parks and recreation	High Risk Parks Assets - Condition 5	$ 229
	V4 21 June 2015 JRA		**$20,405**

Scenario 1 on the following page shows the forward projection for the long term financial plan. Backlog increases because asset renewal is underfunded.

These models are optimisation models that predict depreciation, renewal need and backlog that are not intended to balance to the OLG FFF template. FFF targets are not achieved under this scenario. Maintenance and renewal optimum targets are estimates based on best available data and will be updated to align with asset management plans when the AMP update is completed. Maintenance required increases as the deferred renewal amount increases. The budget allocation for maintenance is sufficient to manage risk in the short term, however this scenario results in high financial risk from underfunded renewal.

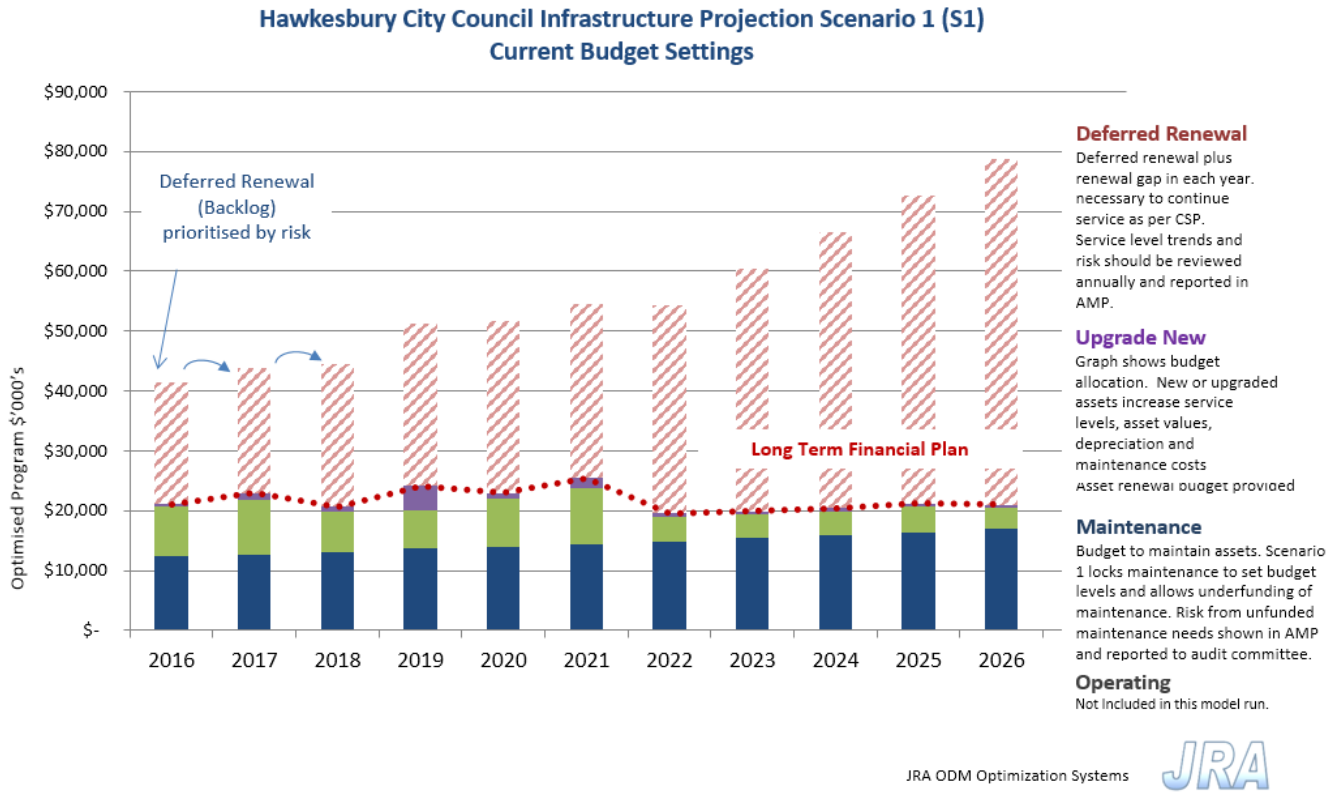
Table 4: Infrastructure Sustainability Measures Forward Projection Scenario 1

All amounts in '000s.

Table 5: Infrastructure Sustainability Model – Scenario 1 – Current LTFP Settings

Scenario 1 - Current LTFP	Hawkesbury LGA	Forward Projections in LTFP	Asset Fully Depreciated at Renewal	Upgrade Expansion Budget	$ 11,739
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Renewal Budget	$ 8,384	$ 9,208	$ 6,731	$ 6,363	$ 8,129	$ 9,444	$ 4,100	$ 3,916	$ 4,085	$ 4,336	$ 3,564
Expansion Upgrade Budget	$ 369	$ 1,087	$ 936	$ 4,114	$ 939	$ 1,692	$ 693	$ 475	$ 477	$ 478	$ 480
Maintenance Budget	$ 12,339	$ 12,602	$ 13,010	$ 13,629	$ 13,875	$ 14,334	$ 14,812	$ 15,525	$ 15,829	$ 16,370	$ 16,934
Total Capital Budget	$ 19,770	$ 13,304	$ 12,469	$ 14,297	$ 12,628	$ 14,917	$ 9,328	$ 8,818	$ 9,427	$ 8,794	$ 9,471
Current Replacement Cost	$ 887,125	$ 888,212	$ 889,148	$ 893,262	$ 894,201	$ 895,893	$ 896,585	$ 897,061	$ 897,538	$ 898,016	$ 898,495
AMP Renewal Need (excluding backlog)	$ 9,633	$ 9,741	$ 9,849	$ 9,994	$ 10,104	$ 10,224	$ 10,335	$ 10,444	$ 10,554	$ 10,665	$ 10,777
AMP Renewal Plus Backlog	$ 30,038	$ 30,583	$ 33,615	$ 37,096	$ 38,787	$ 39,192	$ 44,938	$ 50,872	$ 56,643	$ 62,169	$ 68,474
Required Maintenance Expenditure	$ 12,725	$ 12,579	$ 12,718	$ 12,905	$ 13,047	$ 13,203	$ 13,345	$ 13,486	$ 13,628	$ 13,771	$ 13,917
Depreciation	$ 9,633	$ 9,645	$ 9,655	$ 9,700	$ 9,710	$ 9,728	$ 9,736	$ 9,741	$ 9,746	$ 9,751	$ 9,756
BTS Backlog (Deferred Renewal)	$ 20,405	$ 20,842	$ 23,766	$ 27,103	$ 28,683	$ 28,968	$ 34,604	$ 40,429	$ 46,090	$ 51,504	$ 57,697
Infrastructure WDV (For SS7 Backlog Ratio)	$ 480,844	$ 481,494	$ 479,506	$ 480,284	$ 479,642	$ 481,049	$ 476,106	$ 470,756	$ 465,572	$ 460,635	$ 454,923
1. Building & Infrastructure Renewals Ratio	0.87	0.95	0.70	0.66	0.84	0.97	0.42	0.40	0.42	0.44	0.37
2. Infrastructure Backlog Ratio	0.04	0.04	0.05	0.06	0.06	0.06	0.07	0.09	0.10	0.11	0.13
3. Asset Maintenance Ratio	0.97	1.00	1.02	1.06	1.06	1.09	1.11	1.15	1.16	1.19	1.22
4. Capital Expenditure Ratio	2.05	1.07	0.79	1.08	0.93	1.14	0.49	0.45	0.47	0.49	0.41

Figure 2: Optimisation Model Scenario 1 – Current Budget Settings

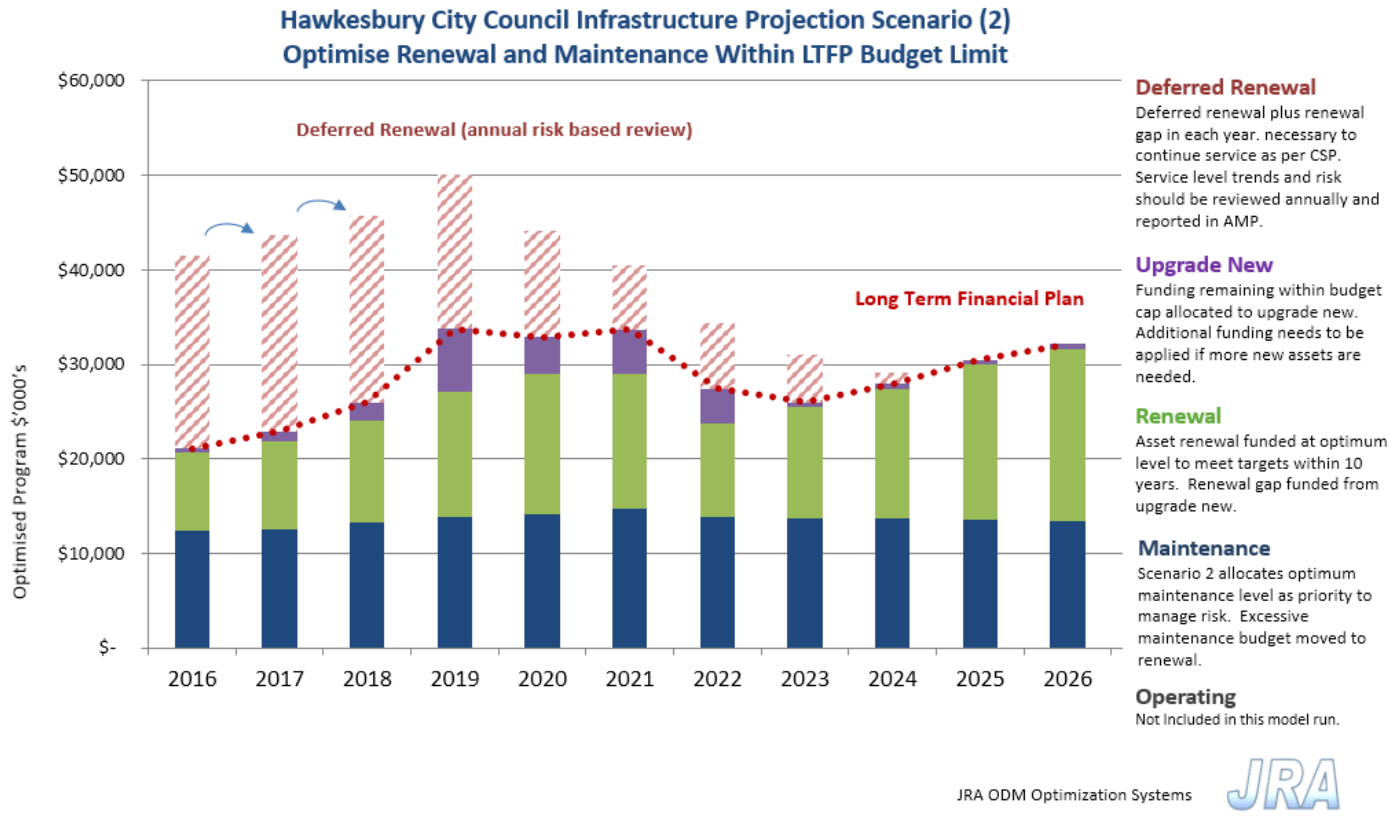


Scenario 2 shows the forward projection for the additional funding scenario in the long term financial plan. OLG infrastructure targets are met within 5 years and backlog is fully funded in 2025. In years 2021 to 2023 surplus maintenance is transferred to renewal to provide an optimum result. The savings from optimisation makes additional funds available for higher service levels from 2024.

Table 6: Additional Funding Scenario 2 with Asset Expenditure Optimisation

Scenario 2	Hawkesbury LG Meet FFF Targets in 5 years			Asset Fully Depreciated at Renewal			$ 23,033	Maintenance Transferred to Renewal to Meet Target			
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Renewal Budget	$ 8,384	$ 9,208	$ 10,756	$ 13,155	$ 14,804	$ 14,318	$ 9,816	$ 11,701	$ 13,794	$ 16,453	$ 18,269
Expansion Upgrade Budget	$ 369	$ 1,087	$ 1,936	$ 6,714	$ 3,939	$ 4,692	$ 3,693	$ 475	$ 477	$ 478	$ 480
Maintenance Budget	$ 12,339	$ 12,602	$ 13,260	$ 13,879	$ 14,125	$ 14,684	$ 13,912	$ 13,781	$ 13,652	$ 13,524	$ 13,397
Current Replacement Cost	887,125	888,212	890,148	896,862	900,801	905,493	909,185	909,661	910,138	910,616	911,095
AMP Renewal Need (Optimised)	9,633	9,645	9,666	9,739	9,782	9,832	9,873	9,878	9,883	9,888	9,893
AMP Renewal Need Including Backlog	30,038	30,487	29,418	26,075	21,095	16,661	16,758	14,939	11,033	9,888	9,893
Initial Maintenance Budget for S2	12,339	12,602	13,260	13,879	14,125	14,684	15,978	18,191	18,495	19,036	19,600
Amount Transferred Maintenance to Renewal	0	0	0	0	0	0	2,066	4,409	4,843	5,512	6,203
Required Maintenance Expenditure	13,307	13,456	13,621	13,861	14,061	13,994	13,912	13,781	13,652	13,524	13,397
Depreciation	9,633	9,645	9,666	9,739	9,782	9,832	9,873	9,878	9,883	9,888	9,893
BTS Backlog (Deferred Renewal)	20,405	20,842	19,752	16,336	11,313	6,828	6,885	5,062	1,151	0	0
Infrastructure WDV (For SS7 Backlog Ratio)	480,844	$ 481,494	$ 484,520	$ 494,650	$ 503,612	$ 512,789	$ 516,425	$ 518,723	$ 523,111	$ 530,154	$ 539,010
1. Building & Infrastructure Renewals Ratio	0.87	0.95	1.11	1.35	1.51	1.46	0.99	1.18	1.40	1.66	1.85
2. Infrastructure Backlog Ratio	0.04	0.04	0.04	0.03	0.02	0.01	0.01	0.01	0.00	0.00	0.00
3. Asset Maintenance Ratio	0.93	0.94	0.97	1.00	1.00	1.05	1.00	1.00	1.00	1.00	1.00
4. Capital Expenditure Ratio	0.91	1.07	1.31	2.04	1.92	1.93	1.37	1.23	1.44	1.71	1.90
LTFP Budget Renewal for S2	$ 8,384	$ 9,208	$ 10,756	$ 13,155	$ 14,804	$ 14,318	$ 7,750	$ 7,292	$ 8,951	$ 10,941	$ 12,066
Renewal Funding Needed Incl Backlog	$ 30,038	$ 30,487	$ 29,418	$ 26,075	$ 21,095	$ 16,661	$ 16,758	$ 14,939	$ 11,033	$ 9,888	$ 9,893
Available for higher service levels										$ 6,565	$ 8,376

Figure 3: Additional Funding Scenario 2 with Asset Expenditure Optimisation



2. Introduction

This report provides an independent assessment of Hawkesbury City Council's capacity to sustainably deliver infrastructure based services to its community. This report has reviewed two of the primary indicators of financial sustainability of interest to IPART, depreciation compared with renewal expenditure and "infrastructure backlog."

The NSW Government has asked IPART to perform the role of the Expert Advisory Panel to assess how council proposals meet the Fit for the Future criteria. Councils are to prepare proposals as to how they will meet the criteria for submission to IPART by 30 June 2015.

This report is Part 1 of a 2 Part Report and provides the assessment of depreciation and backlog necessary for the "fit for the future" (FFF) application to IPART.

Part 1 provides a forward estimate of the 3 asset management inputs to FFF criteria and measures set out in the IPART Guide Table 1.1.

Building and Asset Renewal Ratio

Building and Asset Renewal Ratio	Asset renewals (building and infrastructure) / Depreciation, amortisation and impairment (building and infrastructure)	Greater than 100% average over 3 years

Infrastructure Backlog Ratio

Infrastructure Backlog Ratio	Estimated cost to bring assets to satisfactory condition / Total (WDV)[a] of infrastructure, buildings, other structures, depreciable land, and improvement assets	Less than 2%

Asset Maintenance Ratio

Asset Maintenance Ratio	Actual asset maintenance / Required asset maintenance	Greater than 100% average over 3 years

Finance, asset management and corporate will work closely together to ensure:

- Condition assessment is based on "up to date asset condition assessments rather than an engineering estimates."[2]

[2] Code update 23 pC21

- Asset Management Plans aligns with the requirements set out the ILGRP Report and IPR Manual.

3. Infrastructure Backlog

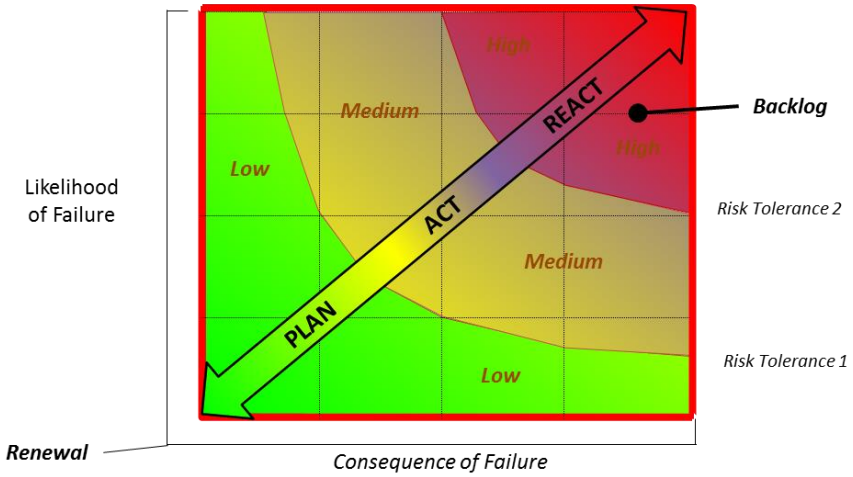
Infrastructure backlog needs to be defined in asset management terms to ensure auditable and evidence based approach to measurement and reporting and avoid theoretical and aspirational goals the community does not want to pay for. The International Infrastructure Management Manual (IIMM) does not focus on "backlog". It concentrates on minimising asset lifecycle cost for service levels essential to strategic objectives while managing risk. The NSW Integrated Planning and Reporting Manual (IPR) also focuses on managing infrastructure services and risk does not mention "backlog".

Engagement with communities on appropriate and affordable service levels while managing risk is also a foundational principle of IPR, encouraging councils to *"engage the community in identifying the acceptable level of service for each asset type in Asset Management Plans."*

Asset Management Plans balanced to Long Term Financial Plans, annually reviewed in accordance with the IPR manual are the key instrument to enable organisations to be fit for the future and accordingly this report will also review the state of asset management plans.

For the purpose of this report "infrastructure backlog" will be defined as *"unfunded high residual risk associated with assets essential to achieving Council's Community Strategic Plan (CSP). High risk assets not essential to Councils CSP should be disposed, closed or reclassified and do not represent a financial sustainability risk."* This is shown in figure 1 and ensures backlog is aligned with Council's asset management plan in accordance with Code Update 23, IPR manual and the IPART Assessment Methodology released 5th June 2015.

Figure 4: Infrastructure Backlog Definition



4. Calculation of Bring to Satisfactory / Backlog

4.1 Existing Policy Framework

- The existing policy framework to determine satisfactory service levels and risks based on IP&R is robust and effective and provide the basis for a transparent, accountable and evidence based methodology. JRA observation is that this policy framework has not been applied consistently to "Bring to Satisfactory" BTS or "backlog" across NSW local government primarily due to it being seen as a lower priority. The realisation of importance has changed, the guidance needed to implement this awareness is needed urgently and the following guide provides a summary of policy and practice.
- The Annual Report is one of the key accountability mechanisms between a Council and its community. As such, it should be written and presented in a way that is appropriate for each council's community.[3]
- Councils are required to report on the condition of the public works (including public buildings, public roads, as well as water, sewerage and drainage works) under the control of the Council as at the end of that year, together with:
- An estimate (at current values) of the amount of money required to bring the works up to a satisfactory standard;
- An estimate (at current values) of the annual expense of maintaining the works at that standard;
- The council's program of maintenance for that year in respect of the works; and
- The report on the condition of public works is also included in the financial reports and is known as Special Schedule 7. Councils must complete this Schedule each year.[4]
- The Asset Management Strategy must identify assets that are critical to the council's operations and outline the risk management strategies for these assets.[5]
- The Asset Management Plan/s must identify asset service standards and should incorporate an assessment of the risks associated with the assets involved and the identification of strategies for the management of those risks. The strategies should be consistent with the overall risk policy of Council. The International and Australian Standard AS/NZS/ISO/31000:2009 – Risk management – Principles and guideline provides a useful guide. [6]
- For water supply and sewerage a 30-year total asset management plan (TAMP, which is a key element of the Strategic Business Plan (SBP) and Integrated Water Cycle Management (IWCM) Strategy) and a 30 year financial plan are required. A council's peak planning document is the later of its IWCM Strategy

[3] IP&R Manual March 2013. Section 6.1.
[4] Ibid Section 6.4
[5] Ibid Section 3.4.1
[6] Ibid Section 3.4.2

and SBP, which are required every 8 years on a rotation of every 4 years (www.water.nsw.gov.au). The key outputs of the IWCM Strategy or SBP are a 30-year TAMP, a 30-year financial plan and an affordable Typical Residential Bill (TRB) on the basis of the agreed levels of service and the projected demographic growth. The annual Action Plan to Council, which is the key water and sewerage working document provided to the council each year, enables the council to effectively and efficiently manage its risks and highlights any corrective actions needed to address emerging issues, areas of underperformance, or to implement Best Practice Management (BPM) requirements.

- The report on the condition of public works (Special Schedule 7) should flow directly from the Delivery Program (Note 1) which should define performance indicators for both existing and proposed levels of service. These performance measures can be used to quantify the upgrade costs (or degree of over-servicing) between existing and target service levels (Note 2).
- The determination of satisfactory target service levels (Note 3) involves an informed trade-off using the Long Term Financial Plan and Asset Management Plan 10 year scenarios for revenues, risks and service levels. This approach is consistently identified in the IP&R Manual and expanded in complementary resources such the IPWEA Level of Service and Community Engagement Practice Note 8.
- The Final Report of the NSW Independent Local Government Review Panel October 2013 noted that "Collaborative approaches are also needed to ensure that all councils have access to high quality technical assistance in fields such as setting realistic condition standards for infrastructure, including undertaking community engagement to determine what levels of service are acceptable. It needs to be more widely understood that at any given time a significant percentage of a council's infrastructure assets will be at a less than desirable standard: it is simply financially impossible (and irresponsible) to aim for every road, bridge, drain, building etc to be 'satisfactory' or better."[7] The report notes that some councils have already done excellent work in this regard and that the Institute of Public Works Engineering and the Australian Centre of Excellence for Local Government have prepared a 'practice note' on levels of service which should provide a sound basis for training programs.
- Cost to bring to assets to satisfactory (BTS) should be determined by asset and risk management plans. This guide recommends that the cost to bring to satisfactory should be the total unfunded cost to renew all high residual risk assets in the current risk register. Residual risk includes all types of risk shown in table 1 on the following page.
- Special Schedule 7 is auditable by checking for alignment between SS7 and asset and risk management plans. The risk register establishes a consistent and evidence based cost to bring to satisfactory and connects to good governance practice of transparent reporting of risk through appropriate governance processes such as an audit committee.

[7] Revitalising Local Government Final Report of the NSW Independent Local Government Review Panel October 2013, p52

- Asset Risks include operational, technical, financial, legal, social and environmental risks using the ISO 31000 framework. Supporting resources are available and this methodology is consistently applied internationally. (Note 4)

Note 1 *– For water supply and sewerage, this is the first 4 years of a water and sewerage council's 30-year total asset management plan (TAMP) in accordance with the Strategic Business Planning Check List (http://www.water.nsw.gov.au/ArticleDocuments/36/town_planning_strategy_checklist.pdf.aspx). The TAMP involves a cost -effective 30-year capital works program showing each of works for growth, improved standards and a renewals plan, together with an operation plan, which includes non-build solutions, and a maintenance plan.*
Note 2 *– NSW Office of Local Government, IP&R Manual Section 6.4 P133*
Note 3 *– Levels of service for water supply and sewerage need to be determined and reported in accordance with Item 4 on page 5 of the Strategic Business Planning Check List.*
Note 4 *– IPWEA NAMSPLUS – Asset and Risk Management Plan Templates*

The input of the NSW Office of Water to the draft of this guide is gratefully acknowledged. Also the peer review by Dr Penny Burns and John Comrie (JAC).

4.2 Application for Hawkesbury City Council

The following principles have been applied to implement the existing policy framework. This methodology focuses limited council resources to areas of highest risk.

- "Bring to satisfactory" is the sum of Modern Equivalent Renewal Cost (MERC) of high residual risk assets not financed in the current annual reporting period. This is based on assets due for renewal or partial renewal but not funded[i]. Cost to bring to satisfactory is the most efficient modern equivalent capital treatment to keep the asset to service at a satisfactory level. (Note 5) This aligns with Code update 23 when read together with the IPR manual. Satisfactory level of service is not bringing an asset to "as new" condition but to a level where "only minor maintenance is required".
- "Maintain at satisfactory" (MAS) is the unfunded maintenance treatments recommended by the risk management plan to manage BTS risks but not financed in the current annual reporting period.
- BTS is audited by examining the Asset Management Plan and Risk Register that act as "working papers" for BTS and MAS in the annual report.
- Deferring renewal may result in the modern equivalent renewal cost increasing and will impact future BTS reporting.
- BTS analysis must be carried out for each material asset component. Network averages are not likely to provide reliable or consistent BTS reporting.
- The connection to risk registers reinforces the importance of independent Audit Committees to report service risks associated with "unsatisfactory service levels" to Council. This enables the essential separation of aspirational but unaffordable service levels from target service levels identified in the delivery program.

Table 7: Types of Risk

(NAMSPLUS Risk Management Plan Template, ISO 31000)

Criterion	Risk Evaluation Notes
Operational	Risks that have the potential to reduce services for a period of time unacceptable to the community and/or adversely affect the council's public image.
Technical	Risks that cannot be treated by council's existing and/or readily available technical resources.
Financial	Risks that cannot be treated within council's normal maintenance budgets or by reallocation of an annual capital works program.
Legal	Risks that have the potential to generate unacceptable exposure to litigation.
Social	Risks that have the potential to: - cause personal injury or death and/or - cause significant social/political disruption in the community.
Environmental	Risks that have the potential to cause environmental harm.

Note 5 *– This application is consistent with code update 23 where Satisfactory is defined as "satisfying expectations or needs, leaving no room for complaint, causing satisfaction, adequate". High levels of complaint. The estimated cost to bring assets to a satisfactory standard is the amount of money that is required to be spent on an asset to ensure that it is in a satisfactory standard. Where an asset is in condition 3, 4 or 5 AND has low risk AND acceptable levels of community complaint (operational risk) then the cost or renewing these assets would represent an unaffordable cost to the community and should not be included in reported backlog. It may be included in aspirational service levels for consultation in the Community Strategic Plan (CSP).*

5. References

References

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