

Where are we now?

Current Situation

In developing the Asset Management Strategy we needed to understand the current situation of Council's assets and their management. This included consideration of the following:

- What assets do we have and where are they?
- What is the current condition of assets?
- Do they meet Council's and community current and forecast needs?
- Is the funding base for operation, maintenance and renewal appropriate and affordable?
- What is the state of Council's asset management practices, procedures and training?

A recent NSW Government report completed Treasury Corporation (TCorp) has assessed Council's infrastructure management and infrastructure financial planning. This independent report has determined Council's infrastructure management as Strong.

Asset cost, condition and value

The cost, condition and value of assets are reported each year in Council's Annual Report. The values are documented in Financial Statements, and the condition and expenditures in Special Schedule 7. The valuation figure of all infrastructure assets reported in Special Schedule 7 is \$826Million¹. The carrying amount (WDV) is \$474Million. These values are reported each year in Council's Annual Report.

The figures above are not aligned with the technical asset registers, which are updated on a more regular basis. The replacement cost of all assets in the technical asset registers is \$1billion and a depreciated value is \$590Million.

Council has completed an assessment of all its infrastructure assets to determine the required amount of funding to renew assets identified in a poor and failed condition. As a result, the average annual cost required to renew these assets is \$16.5Million. The annual budgeted renewal amount (average over ten years) identified in the Long Term Financial Plan is \$12.5Million, which results in a funding gap of \$4Million annually².

The infrastructure gap described above is the difference between what Council should be spending on asset renewal, and what Council can afford to spend on asset renewal. The term Infrastructure backlog refers to the total amount, or value, of renewal works that need to be

¹Ku-ring-gai Council Annual Report 2012-2013 - Financial Statements Note 9

² Based on current prices

undertaken to bring Council's asset stock up to an acceptable condition. The greater the backlog, the higher the risks associated with our infrastructure.

Council's infrastructure backlog represents the cost to bring assets in a poor condition to an acceptable standard. It does not take into account the deterioration or depreciation of fair and good assets over the ten year period. Hence, the cost to achieve an acceptable standard is greater than currently projected. This will be determined with further asset modelling in the future.

Council spends approximately \$22Million per annum to fund new and upgraded assets, and these assets will require additional funding for maintenance and renewal in the future. The funding spent on upgraded and new assets is predominately a requirement of our s.94 Contribution Plan (CP), and are funded through restricted reserves – not general revenue. In addition there is a Council co-contribution requirement of \$54M to deliver these new and upgraded assets/facilities listed in the CP and this is identified in the 10 year LTFP.

Figure 1 Financial status of each asset class (identified in the long term financial model)

(\$000)	AT CURRENT PRICES	10 Year Total	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Roads & Transport	Required Funding (Annual)	121,513	12,151	12,151	12,151	12,151	12,151	12,151	12,151	12,151	12,151	12,151
	Less: Current Allocations	99,436	7,964	8,421	9,933	10,440	9,798	10,347	10,332	10,413	10,766	11,022
	Variance	22,076	4,187	3,731	2,218	1,711	2,353	1,804	1,820	1,738	1,385	1,130
	Required Funding (Annual)	4,671	467	467	467	467	467	467	467	467	467	467
Recreational Facilities	Less: Current Allocations	4,407	203	195	120	460	572	572	572	572	572	572
	Variance	264	264	272	347	7	-104	-104	-104	-104	-104	-104
	Required Funding (Annual)	23,982	2,398	2,398	2,398	2,398	2,398	2,398	2,398	2,398	2,398	2,398
	Less: Current Allocations	13,488	533	605	1,030	1,120	1,440	1,659	1,653	1,686	1,829	1,932

	Variance	10,494	1,865	1,793	1,368	1,278	958	739	745	712	569	466
Asset Category		10 Year Total	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Drainage	Required Funding (Annual)	15,004	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
	Less: Current Allocations	7,793	53	191	263	376	1,379	1,044	1,040	1,062	1,157	1,226
	Variance	7,211	1,447	1,309	1,237	1,124	121	456	461	438	343	274
	TOTALS - ALL ASSET CLASSES											
TOTAL	Required Funding (Annual)	165,169	16,517	16,517	16,517	16,517	16,517	16,517	16,517	16,517	16,517	16,517
Current Prices	Less: Current Allocations	125,123	8,754	9,412	11,347	12,397	13,189	13,621	13,596	13,732	14,323	14,752
	FUNDS REQUIRED TO CLOSE THE GAP	40,046	7,763	7,105	5,170	4,120	3,328	2,896	2,921	2,784	2,194	1,765
	AT FUTURE PRICES											
TOTAL	Required Funding (Annual)	190,581	16,930	17,302	17,787	18,285	18,760	19,248	19,768	20,301	20,829	21,371
Future Prices	Less: Current Allocations	145,930	8,973	9,859	12,219	13,724	14,981	15,874	16,272	16,879	18,063	19,087
	FUNDS REQUIRED TO CLOSE THE GAP	44,652	7,957	7,443	5,568	4,561	3,779	3,374	3,496	3,422	2,766	2,284

The table above shows the required funding and the current allocated funding for each asset class. The variance identifies the amount of funding required for asset renewal over the next ten years (this includes the funding from the Special Rate Variation).

Asset (\$000)	Replacement Cost	Fair Value	Annual Depreciation	Asset consumption ratio	Asset renewal funding ratio with SRV	Asset renewal funding ratio without SRV
Roads (including formation)	\$ 370,301	\$ 227,582	\$ 6,432	61%	100%	72%
Footpaths	\$ 43,761	\$ 29,870	\$ 1,418	68%	88%	
Kerb and Gutter	\$ 105,450	\$ 42,535	\$ 1,768	40%	0%	
Bridges	\$ 9,212	\$ 6,875	\$ 167	75%	0%	
Buildings	\$ 137,672	\$ 77,009	\$ 2,418	56%	56%	N/A ³
Drainage	\$ 235,700	\$ 136,672	\$ 2,122	58%	52%	
Street Furniture and Structures	\$ 10,198	\$ 7,072	\$ 436	69%	0%	
Car Parks - Pavement (including formation)	\$ 6,787	\$ 4,195	\$ 148	62%	0%	
Car Parks - Structures	\$ 3,176	\$ 2,088	\$ 145	66%	0%	
Recreational facilities	\$ 84,632	\$ 53,358	\$ 2,820	63%	94%	
TOTALS	\$ 1,006,890	\$ 587,256	\$ 17,875			

Figure 2 – Financial status and sustainability ratios (Technical asset registers).

Figure 2 shows the current value (replacement cost), the depreciable amount (fair value) and the annual depreciation for each of our asset groups. The table also shows the asset consumption ratio and the asset renewal funding ratio.

³ The SRV is only for Councils roads