

Ku-ring-gai Council



BUILDINGS

ASSET MANAGEMENT PLAN



Version 4

Adopted 22 February 2011

Document Control

Document ID: 59_07_070909_nams.plus_amp template v11

Rev No	Date	Revision Details	Author	Reviewer	Approver
DRAFT	18/05/2010		BL		
2	20/08/2010		BL		
3	10/09/10	After Discussion with GP	BL		
4	07/01/2011	To reflect current data	BL		GP
5	22/2/2011	Adopted by Council			Council

© Copyright 2007 – All rights reserved.

The Institute of Public Works Engineering Australia.

TABLE OF CONTENTS

ABBREVIATIONS	i
GLOSSARY.....	ii
1. EXECUTIVE SUMMARY	1
What Council Provides	1
What does it Cost?.....	1
Plans for the Future	1
Measuring our Performance.....	1
The Next Steps	2
2. INTRODUCTION	2
2.1 Background	2
2.2 Goals and Objectives of Asset Management	3
2.3 Plan Framework	4
2.4 Core and Advanced Asset Management.....	6
3. LEVELS OF SERVICE	7
3.1 Customer Research and Expectations	7
3.2 Legislative Requirements.....	7
3.3 Current Levels of Service	8
3.4 Desired Levels of Service	10
4. FUTURE DEMAND.....	11
4.1 Demand Forecast	11
4.2 Changes in Technology.....	11
4.3 Demand Management Plan.....	12
4.4 New Assets from Growth.....	12
5. LIFECYCLE MANAGEMENT PLAN	13
5.1 Background Data	13
5.1.1 Physical parameters.....	13
5.1.2 Asset capacity and performance	14
5.1.3 Asset condition.....	14
5.1.4 Asset valuations	15
5.2 Risk Management Plan	16
5.3 Routine Maintenance Plan	17
5.3.1 Maintenance plan.....	17
5.3.2 Standards and specifications.....	18
5.3.3 Summary of future maintenance expenditures	18
5.4 Renewal/Replacement Plan.....	19
5.4.1 Renewal plan	19
5.4.2 Renewal standards	20
5.4.3 Summary of future renewal expenditure	20
5.5 Creation/Acquisition/Upgrade Plan	21
5.5.1 Selection criteria.....	21
5.5.2 Standards and specifications.....	22
5.5.3 Summary of future upgrade/new assets expenditure	22
5.6 Disposal Plan.....	22
6. FINANCIAL SUMMARY	23
6.1 Financial Statements and Projections	23
6.1.1 Sustainability of service delivery	23
6.2 Funding Strategy	25
6.3 Valuation Forecasts.....	26

6.4 Key Assumptions made in Financial Forecasts	28
7. ASSET MANAGEMENT PRACTICES	29
7.1 Accounting / Financial Systems	29
7.2 Asset Management Systems	29
7.3 Information Flow Requirements and Processes	29
7.4 Standards and Guidelines	29
8. PLAN IMPROVEMENT AND MONITORING.....	30
8.1 Performance Measures.....	30
8.2 Improvement Plan	30
8.3 Monitoring and Review Procedures	30
REFERENCES.....	33
APPENDICES	34

ABBREVIATIONS

AAAC	Average annual asset consumption
AMP	Asset management plan
ARI	Average recurrence interval
BOD	Biochemical (biological) oxygen demand
CRC	Current replacement cost
CWMS	Community wastewater management systems
DA	Depreciable amount
DoH	Department of Health
EF	Earthworks/formation
IRMP	Infrastructure risk management plan
LCC	Life Cycle cost
LCE	Life cycle expenditure
MMS	Maintenance management system
PCI	Pavement condition index
RV	Residual value
SS	Suspended solids
vph	Vehicles per hour

GLOSSARY

Annual service cost (ASC)

An estimate of the cost that would be tendered, per annum, if tenders were called for the supply of a service to a performance specification for a fixed term. The Annual Service Cost includes operating, maintenance, depreciation, finance/ opportunity and disposal costs, less revenue.

Asset class

Grouping of assets of a similar nature and use in an entity's operations (AASB 166.37).

Asset condition assessment

The process of continuous or periodic inspection, assessment, measurement and interpretation of the resultant data to indicate the condition of a specific asset so as to determine the need for some preventative or remedial action.

Asset management

The combination of management, financial, economic, engineering and other practices applied to physical assets with the objective of providing the required level of service in the most cost effective manner.

Assets

Future economic benefits controlled by the entity as a result of past transactions or other past events (AAS27.12).

Property, plant and equipment including infrastructure and other assets (such as furniture and fittings) with benefits expected to last more than 12 month.

Average annual asset consumption (AAAC)*

The amount of a local government's asset base consumed during a year. This may be calculated by dividing the Depreciable Amount (DA) by the Useful Life and totalled for each and every asset OR by dividing the Fair Value (Depreciated Replacement Cost) by the Remaining Life and totalled for each and every asset in an asset category or class.

Brownfield asset values**

Asset (re)valuation values based on the cost to replace the asset including demolition and restoration costs.

Capital expansion expenditure

Expenditure that extends an existing asset, at the same standard as is currently enjoyed by residents, to a new group of users. It is 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, e.g. extending a drainage or road network, the provision of an oval or park in a new suburb for new residents.

Capital expenditure

Relatively large (material) expenditure, which has benefits, expected to last for more than 12 months. Capital expenditure includes renewal, expansion and upgrade. Where capital projects involve a combination of renewal, expansion and / or upgrade expenditures, the total project cost needs to be allocated accordingly.

Capital funding

Funding to pay for capital expenditure.

Capital grants

Monies received generally tied to the specific projects for which they are granted, which are often upgrade and / or expansion or new investment proposals.

Capital investment expenditure

See capital expenditure definition.

Capital new expenditure

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

Capital renewal expenditure

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

Capital upgrade expenditure

Expenditure, which enhances an existing asset to provide a higher level of service or expenditure that, will increase the life of the asset beyond that which it had originally. Upgrade expenditure is discretionary and often does not result in additional revenue unless direct user charges apply. It will increase operating and maintenance expenditure in the future because of the increase in the council's asset base, e.g. widening the sealed area of an existing road, replacing drainage pipes with pipes of a greater capacity, enlarging a grandstand at a sporting facility. Where capital projects involve a combination of renewal, expansion and / or upgrade expenditures, the total project cost needs to be allocated accordingly.

Carrying amount

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

Class of assets

See asset class definition.

Component

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

Cost of an asset

The amount of cash or cash equivalents paid or the fair value of the consideration given to acquire an asset at the time of its acquisition or construction, plus any costs necessary to place the asset into service. This includes one-off design and project management costs.

Current replacement cost (CRC)

The cost the entity would incur to acquire the asset on the reporting date. The cost is measured by reference to the lowest cost at which the gross future economic benefits could be obtained in the normal course of business or the minimum it would cost, to replace the existing asset with a technologically modern equivalent new asset (not a second hand one) with the same economic benefits (gross service potential) allowing for any differences in the quantity and quality of output and in operating costs.

Current replacement cost "As New" (CRC)

The current cost of replacing the original service potential of an existing asset, with a similar modern equivalent asset, i.e. the total cost of replacing an existing asset with an as NEW or similar asset expressed in current dollar values.

Cyclic Maintenance**

Replacement of higher value components / sub-components of assets that is undertaken on a regular cycle including repainting, building roof replacement, cycle, replacement of air conditioning equipment, etc. This work generally falls below the capital / maintenance threshold and needs to be identified in a specific maintenance budget allocation.

Depreciable amount

The cost of an asset, or other amount substituted for its cost, less its residual value (AASB 116.6)

Depreciated replacement cost (DRC)

The current replacement cost (CRC) of an asset less, where applicable,

accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset

Depreciation / amortisation

The systematic allocation of the depreciable amount (service potential) of an asset over its useful life.

Economic life

See useful life definition.

Expenditure

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

Fair value

The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties, in an arms length transaction.

Greenfield asset values **

Asset (re)valuation values based on the cost to initially acquire the asset.

Heritage asset

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

Impairment Loss

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

Infrastructure assets

Physical assets of the entity or of another entity that contribute to meeting the public's need for access to major economic and social facilities and services, e.g. roads, drainage, footpaths and cycleways. These are typically large, interconnected networks or portfolios of composite assets. The components of these assets may be separately maintained, renewed or replaced individually so that the required level and standard of service from the network of assets is continuously sustained. Generally the components and hence the assets have long lives. They are fixed in place and are often have no market value.

Investment property

Property held to earn rentals or for capital appreciation or both, rather than for:

(a) use in the production or supply of goods or services or for administrative purposes; or

(b) sale in the ordinary course of business (AASB 140.5)

Level of service

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

Life Cycle Cost **

The life cycle cost (LCC) is average cost to provide the service over the longest asset life cycle. It comprises annual maintenance and asset consumption expense, represented by depreciation expense. The Life Cycle Cost does not

indicate the funds required to provide the service in a particular year.

Life Cycle Expenditure **

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

Loans / borrowings

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

Maintenance and renewal gap

Difference between estimated budgets and projected expenditures for maintenance and renewal of assets, totalled over a defined time (e.g. 5, 10 and 15 years).

Maintenance and renewal sustainability index

Ratio of estimated budget to projected expenditure for maintenance and renewal of assets over a defined time (e.g. 5, 10 and 15 years).

Maintenance expenditure

Recurrent expenditure, which is periodically or regularly required as part of the anticipated schedule of works

required to ensure that the asset achieves its useful life and provides the required level of service. It is expenditure, which was anticipated in determining the asset's useful life.

Materiality

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

Modern equivalent asset.

A structure similar to an existing structure and having the equivalent productive capacity, which could be built using modern materials, techniques and design. Replacement cost is the basis used to estimate the cost of constructing a modern equivalent asset.

Non-revenue generating investments

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

Operating expenditure

Recurrent expenditure, which is continuously required excluding maintenance and depreciation, e.g. power, fuel, staff, plant equipment, on-costs and overheads.

Pavement management system

A systematic process for measuring and predicting the condition of road pavements and wearing surfaces over

time and recommending corrective actions.

Planned Maintenance**

Repair work that is identified and managed through a maintenance management system (MMS). MMS activities include inspection, assessing the condition against failure/breakdown criteria / experience, prioritising scheduling, actioning the work and reporting what was done to develop a maintenance history and improve maintenance and service delivery performance.

PMS Score

A measure of condition of a road segment determined from a Pavement Management System.

Rate of annual asset consumption*

A measure of average annual consumption of assets (AAAC) expressed as a percentage of the depreciable amount (AAAC/DA). Depreciation may be used for AAAC.

Rate of annual asset renewal*

A measure of the rate at which assets are being renewed per annum expressed as a percentage of depreciable amount (capital renewal expenditure/DA).

Rate of annual asset upgrade*

A measure of the rate at which assets are being upgraded and expanded per annum expressed as a percentage of depreciable amount (capital upgrade / expansion expenditure/DA).

Reactive maintenance

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

Recoverable amount

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

Recurrent expenditure

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

Recurrent funding

Funding to pay for recurrent expenditure.

Rehabilitation

See capital renewal expenditure definition above.

Remaining life

The time remaining until an asset ceases to provide the required service level or economic usefulness. Age plus remaining life is economic life.

Renewal

See capital renewal expenditure definition above.

Residual value

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

Revenue generating investments

Investments for the provision of goods and services to sustain or improve services to the community that are expected to generate some savings or revenue to offset operating costs, e.g. public halls and theatres, childcare centres, sporting and recreation

facilities, tourist information centres, etc.

Risk management

The application of a formal process to the range of possible values relating to key factors associated with a risk in order to determine the resultant ranges of outcomes and their probability of occurrence.

Section or segment

A self-contained part or piece of an infrastructure asset.

Service potential

The capacity to provide goods and services in accordance with the entity's objectives, whether those objectives are the generation of net cash inflows or the provision of goods and services of a particular volume and quantity to the beneficiaries thereof.

Service potential remaining*

A measure of the remaining life of assets expressed as a percentage of economic life. It is also a measure of the percentage of the asset's potential to provide services that are still available for use in providing services (DRC/DA).

Strategic Management Plan (SA)**

Documents Council objectives for a specified period (3-5 yrs), the principle activities to achieve the objectives, the means by which that will be carried out, estimated income and expenditure, measures to assess performance and how rating policy relates to the Council's objectives and activities.

Sub-component

Smaller individual parts that make up a component part.

Useful life

Either:

- (a) the period over which an asset is expected to be available for use by an entity, or
- (b) the number of production or similar units expected to be obtained from the asset by the entity.

It is estimated or expected time between placing the asset into service and removing it from service, or the estimated period of time over which the future economic benefits embodied in a depreciable asset, are expected to be consumed by the council. It is the same as the economic life.

Value in Use

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

Source: DVC 2006, Glossary

Note: Items shown:

* modified to use DA instead of CRC

** Additional glossary items shown

1. EXECUTIVE SUMMARY

What Council Provides

Council provides a Building portfolio to enable residents and other stakeholders' safe and accessible facilities for a variety of activities and uses.

Buildings allow the delivery of a variety of services for Ku-ring-gai residents including childcare, community halls, administrative services, housing for equipment and works services as well as public amenities and educational services such as libraries and the art centre.

What does it Cost?

There are two (2) key indicators of cost to provide the Buildings service.

- The life cycle cost being the average cost over the life cycle of the asset, and
- The total maintenance and capital renewal expenditure required to deliver existing service levels in the next 10 years covered by Council's Long Term Financial Plan.

The life cycle cost to provide the Buildings service is estimated at \$1.97 million per annum. Council's planned life cycle expenditure for Year 1 of the Buildings Asset Management Plan is \$1.59 million which gives a life cycle sustainability index of 0.81.

The total maintenance and capital renewal expenditure required to provide the building service in the next 10 years is estimated at \$19.7 million. This is an average of \$1.97 million per annum.

Council's maintenance and capital renewal expenditure for Year 1 of the Buildings Asset Management Plan of \$1.59million giving a 10 year sustainability index of 0.81.

Plans for the Future

Council plans to operate and maintain the building network to achieve the following strategic objectives.

1. Ensure the Buildings portfolio is maintained at a safe and functional standard as set out in this Buildings Asset Management Plan.
2. Ensure sufficient funding is maintained to keep Council's buildings at a satisfactory level and aim to achieve all buildings rated as average or better standard.
3. Keep the Buildings Asset Register updated to ensure equity in the distribution of funding.
4. Ensure heritage buildings are maintained and repaired in accordance with heritage requirements.

Measuring our Performance

Quality

Building assets will be maintained in a reasonably usable condition. Defects found or reported that are outside our service standard will be repaired. See our maintenance response service levels for details of defect prioritisation and response time.

Function

Our intent is that an appropriate buildings network is maintained in partnership with other levels of government and stakeholders to ensure Council buildings are maintained at a safe and functional level to allow for optimal service delivery.

Building asset attributes will be maintained at a safe level and associated

signage and equipment be provided as needed to ensure public safety. We need to ensure key functional objectives are met:

- Ensure sufficient funding is maintained to keep Council's buildings at a satisfactory level and aim to achieve all buildings rated as average or better standard.
- Keep the Buildings Asset Register updated to ensure equity in the distribution of funding.

The main functional consequences of the building portfolio and ensuring that buildings are maintained at a safe manner is to provide satisfactory facilities for the community and to prevent ongoing liabilities for Council.

Safety

We inspect all Buildings regularly and prioritise and repair defects in accordance with our inspection schedule to ensure they are safe.

The Next Steps

The actions resulting from this Buildings Asset Management Plan are:

- Identify the annual depreciation required to achieve sufficient funding for building maintenance.
- Identify required service levels associated with building usage.
- Identify risks associated with not providing funding.
- Identify priorities for funding.

2. INTRODUCTION

2.1 Background

This Buildings Asset Management Plan is to demonstrate responsive management of assets (and services provided from assets), compliance with regulatory requirements, and to communicate funding required to provide the required levels of service.

The Buildings Asset Management Plan is to be read with the following associated planning documents:

Ku-ring-gai Community Facilities Strategy 2009.

Ku-ring-gai Asset Management Strategy and Policy.

Ku-ring-gai Council Building Fair and Insurance Value Report.

This Buildings Asset Management Plan covers the following infrastructure assets.

The assets covered in this plan include all Council owned buildings; excluding car parks. Also included in the plan are all buildings used by community groups, sporting groups including the aquatic centre and various services such as the SES and child care services. Amenities blocks as well as equipment sheds and maintenance equipment storage facilities as well as other buildings associated with parks have been included; however play equipment, oval lighting and miscellaneous park structures such as playing courts have been omitted.

Table 2.1. Assets covered by this Plan

Asset Group	Description	Replacement Value (\$M)
Operational Buildings	Includes all administrative buildings as well as those associated with works such as storage sheds and depot	\$23,635,579
Community Buildings	Includes all community used buildings such as libraries and clubhouses as well as amenities and various shelters	\$58,897,504
Commercial Buildings	Includes all Industrial and retail buildings as well as car-parks and council owned residences	\$5,487,175
TOTAL		\$88,020,258

Key stakeholders in the preparation and implementation of this Buildings Asset Management Plan are:

Director Operations	Preparation and direction of the AMP
Manager Engineering Services	Management of works and budgets
Building Asset Coordinator	Development of maintenance programs and quality of works
Building Trade Supervisor	Supervision of maintenance works
Building Contract Supervisor	Supervision of contracted maintenance works
Building Asset Officer	Inspection, recording and updating of Building Assets register

2.2 Goals and Objectives of Asset Management

The Council exists to provide services to its community. Infrastructure assets provide some of these services. Council has acquired infrastructure assets by 'purchase', by contract, construction by Council staff and by donation of assets constructed by developers and others to meet increased levels of service.

Council's goal in managing infrastructure assets is to meet the required level of service in the most cost effective manner for present and future consumers. The key elements of infrastructure asset management are:

- taking a life cycle approach,
- developing cost-effective management strategies for the long term,
- providing a defined level of service and monitoring performance,
- understanding and meeting the demands of growth through demand management and infrastructure investment,
- managing risks associated with asset failures,
- sustainable use of physical resources,
- continuous improvement in asset management practices

This Buildings Asset Management Plan is prepared under the direction of Council's vision, mission, goals and objectives.

Council's vision is:

Ku-ring-gai will be a creative, vibrant place where citizens respect each other and conserve the magnificent environment and society for our children and grandchildren.

Council's mission is:

Ensure its assets are sustainable and sufficient funding is provided to maintain them at a satisfactory standard.

Relevant Council goals and objectives and how these are addressed in this Buildings Asset Management Plan are:

Table 2.2. Council Goals and how these are addressed in this Plan

Goal	Objective	How Goal and Objectives are addressed in IAMP
Higher Standards	Implement and / or improve management processes	Development of programs which will bring the standard of Council's buildings to a fair or better condition.
Assessed Level of Risk	Assets and procedures for cost and risk documented	Develop, register and utilise standards for the inclusion of risk in asset management.
Sustainable Assets	An established program that provides funding to maintain Council's assets at a sustainable standard	Adopt an Asset Management Plan for all Council's assets and an agreed profile in accordance with the Long Term Financial Plan.
Greater understanding of asset management	Understanding of AMPs for relevant staff	Provides framework for stakeholders to understand their role in asset management and may highlight areas for further training.

2.3 Plan Framework

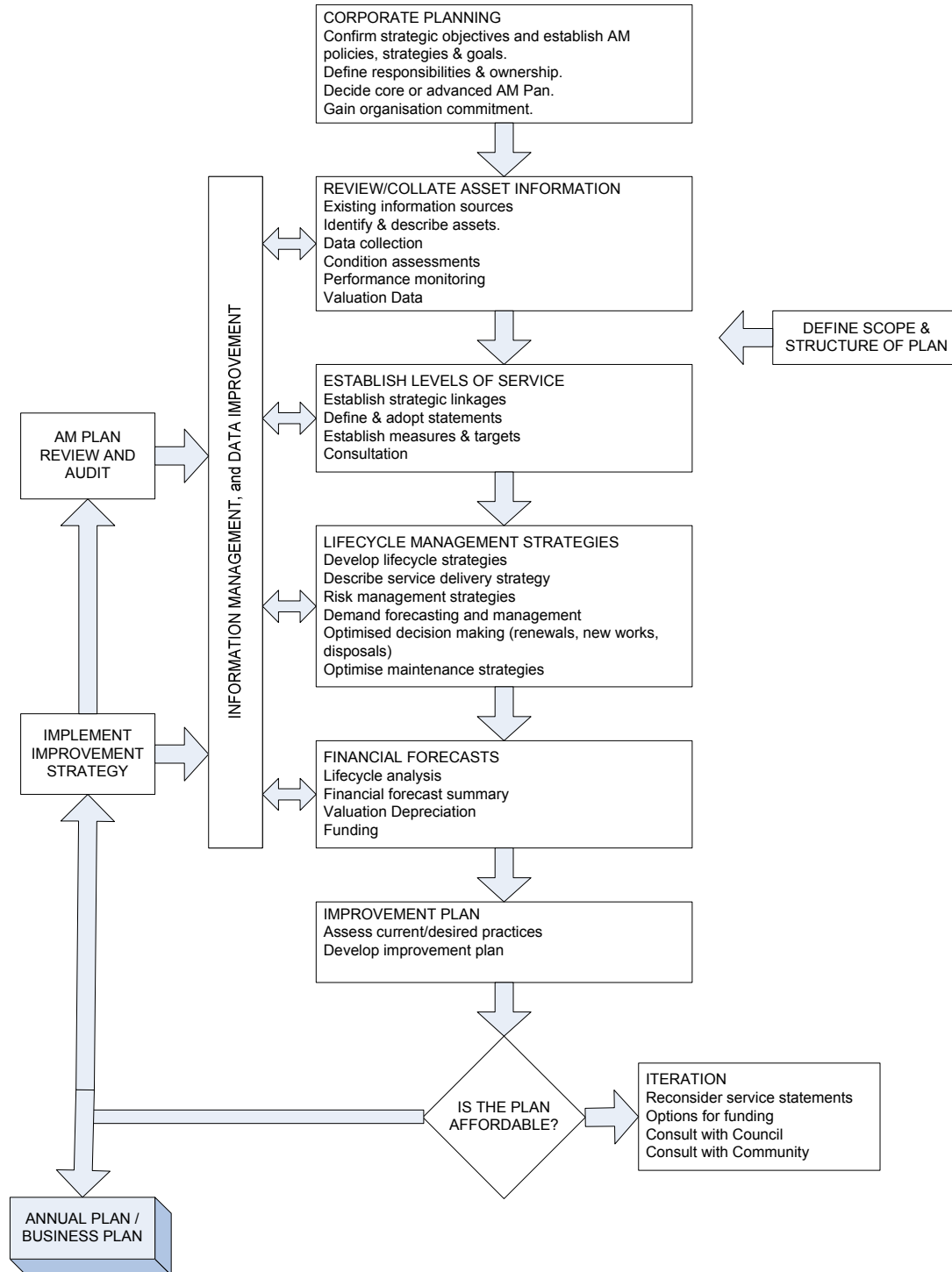
Key elements of the plan are

- Levels of service
Specifies the services and levels of service to be provided by council.
- Future demand
How this will impact on future service delivery and how this is to be met.
- Life cycle management
How Council will manage its existing and future assets to provide the required services
- Financial summary
What funds are required to provide the required services.
- Asset management practices
- Monitoring
How the plan will be monitored to ensure it is meeting Council's objectives.
- Asset Management Improvement Plan

A road map for preparing an asset management plan is shown below.

Road Map for preparing an Asset Management Plan

Source: IIMM Fig 1.5.1, p 1.11



2.4 Core and Advanced Asset Management

This Buildings Asset Management Plan is prepared as a 'core' Asset Management Plan in accordance with the International Infrastructure Management Manual. It is prepared to meet minimum legislative and organisational requirements for sustainable service delivery and Long Term Financial Planning and reporting. Core asset management is a 'top down' approach where analysis is applied at the 'system' or 'network' level.

Future revisions of this Buildings Asset Management Plan will move towards 'advanced' asset management using a 'bottom up' approach for gathering asset information for individual assets to support the optimisation of activities and programs to meet agreed service levels.

3. LEVELS OF SERVICE

3.1 Customer Research and Expectations

Council recently commissioned a Community Facilities Strategy (June 2009). Included in this strategy was a community survey which questioned satisfaction levels across a variety of facilities offered by Council. The results of this survey are represented below:

Table 3.1. Community Satisfaction Survey Levels

Performance Measure	Satisfaction Level			
	Not Applicable	Not Satisfied	Satisfied	Very Satisfied
Community satisfaction with building Library Services	46%	7%	29%	18%
Community satisfaction with children's services	90%	3%	4%	3%
Community satisfaction with services and facilities for older people	96%	2%	2%	0%
Community satisfaction with general facilities (e.g. community halls, lifeline etc...)	74%	9%	13%	4%
Community satisfaction with services and facilities for culturally and linguistically diverse people	95%	3%	1%	1%
Community satisfaction with cultural facilities (e.g. Marian St Theatre, Art Centre etc...)	59%	13%	19%	9%
Community satisfaction with other building facilities	68%	6%	12%	14%

Council uses this information in developing the Strategic Management Plan and in allocation of resources in the budget.

3.2 Legislative Requirements

Council has to meet many legislative requirements including Australian and State legislation and State regulations. These include:

Table 3.2. Legislative Requirements

Legislation	Requirement
<i>Local Government Act</i>	Sets out role, purpose, responsibilities and powers of local governments including the preparation of a Long Term Financial Plan supported by asset management plans for sustainable service delivery.
<i>Building Act</i>	Outlines consent, compliance and information production for construction, alteration or demolition of building assets.
<i>Fire Service Act</i>	Approved evacuation scheme and fire prevention measures.
<i>Occupational Health and Safety Act</i>	Provision of safe workplaces with hazards identified.
<i>Heritage Act</i>	Protection of historic sites and buildings.
<i>Disability Discrimination Act</i>	Provides protection for everyone in Australia against discrimination based on disability.
<i>Building Code Australia</i>	Outlines technical provisions for the design and construction of buildings and other structures, covering such matters as structure, fire resistance, access and egress, services and equipment, and certain aspects of health and amenity.

3.3 Current Levels of Service

Council has defined service levels in two (2) terms.

Community levels of service relate to how the community receives the service in terms of safety, quality, quantity, reliability, responsiveness, cost / efficiency and legislative compliance.

Supporting the Community service levels are operational or technical measures of performance developed to ensure that the minimum community levels of service are met.

These technical measures relate to service criteria such as:

Service Criteria	Technical measures may relate to
Quality	Condition of building
Quantity	Number of buildings per resident
Availability	Distance from a dwelling to a community facility
Safety	Number of injury accidents

Council's current service levels are detailed in Table 3.3.

Table 3.3. Current Service Levels

Key Performance Measure	Level of Service	Performance Measure Process	Performance Target	Current Performance
COMMUNITY LEVELS OF SERVICE				
Quality	Provide quality building facilities	Customer request system	Condition of Council buildings	Not available
Function	Ensure that building facilities meet user requirements	Customer Requests relating to functionality	Community satisfaction with services	94%
Safety	Provide safe suitable facilities, free from hazards	Number of injury accidents	Number of injury reports	None
TECHNICAL LEVELS OF SERVICE				
Condition	Provide appropriate building facilities to meet user requirements	Customer service requests relating to maintenance	Number of reported maintenance problems	1037
	Provide appropriate building facilities to meet user requirements	Building Condition Audit	Number of items from audit not meeting standards	28
Availability	Ensure building facilities are accessible to all users	A range of hours of operation, locations and programs are available to users.	Number of times buildings have had to close due to not meeting standards.	1
Accessibility	Ensure building facilities are accessible to all users	Compliance with DDA requirements	Percentage of non compliance with accessibility standards	7%
Cost Effectiveness	Provide building facilities services in a cost-effective manner	Building maintenance cost \$/facility/yr	Effectiveness of maintenance work	Not available
Safety	Provide safe suitable facilities, free from hazards	Insurance claim history	Number of insurance claims relating to Council buildings	1

3.4 Desired Levels of Service

At present, indications of desired levels of service are obtained from various sources including the 2010 Customer Satisfaction survey, residents' feedback to Councillors and staff, service requests and correspondence. Council has yet to quantify desired levels of service. This will be done in future revisions of this Buildings Asset Management Plan.

4. FUTURE DEMAND

4.1 Demand Forecast

Factors affecting demand include population change, changes in demographics, seasonal factors, vehicle ownership, consumer preferences and expectations, economic factors, agricultural practices, environmental awareness, etc.

Demand factor trends and impacts on service delivery are summarised in Table 4.1.

Table 4.1. Demand Factors, Projections and Impact on Services

Demand factor	Present position	Projection	Impact on services
Population	108,150	Increase to 126,000 by 2031	Additional demand for various community facilities
Demographics	23.5% of population aged over 65	28.6% of population aged over 65 by 2031	Increase in aged services requirements
Demographics	32.2% born overseas	40% born overseas	Increased demand for culturally diverse facilities

4.2 Changes in Technology

Technology changes are forecast to have little effect on the delivery of services covered by this plan.

Table 4.2. Changes in Technology and Forecast effect on Service Delivery

Technology Change	Effect on Service Delivery
Improvements to use of environmentally sustainable practices and materials	Could result in long term savings on materials used in construction.
Asset data collection	New Works and Assets system to provide better information and data on Council's buildings and the various components.

4.3 Demand Management Plan

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

Opportunities identified to date for demand management are shown in Table 4.3.

Further opportunities will be developed in future revisions of this Buildings Asset Management Plan.

Better facilities may be provided in the town centres associated with development and Council's contribution plan.

Table 4.3. Demand Management Plan Summary

Service Activity	Demand Management Plan
Building Facilities	Promote sharing of current facilities to account for increased demand
Public Transport	With predicted increases in demand for various Council building facilities public transport must be able to provide adequate support for this demand, particularly for older residents

4.4 New Assets from Growth

The new assets required to meet growth will be acquired from land developments and constructed by Council. The Town Centres Development Control Plan will likely lead to new assets that will be considered in subsequent asset management plans.

These future costs are identified and considered in developing forecasts of future operating and maintenance costs.

5. LIFECYCLE MANAGEMENT PLAN

The lifecycle management plan details how Council plans to manage and operate the assets at the agreed levels of service (defined in Section 3) while optimising life cycle costs.

5.1 Background Data

5.1.1 Physical parameters

The assets covered by this Buildings Asset Management Plan are shown below.

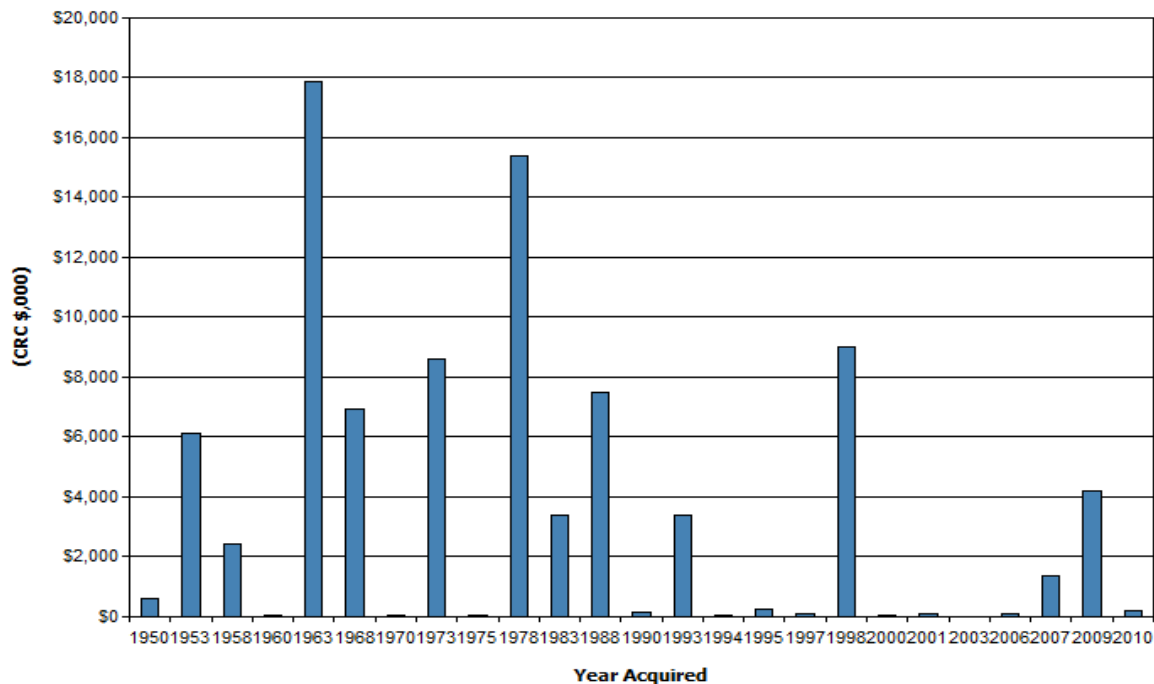
Community Buildings	Amenities blocks, Art Centre, Child Care Centres, Community Centres and Halls, Clubhouses and the Libraries.
Operational Buildings	Administration buildings, Depots, Nursery, Rural Fire Service and State Emergency Services.
Commercial Buildings	Car Parks, Industrial Buildings, Residences and Retail Buildings owned by Council.
Heritage Buildings	Different strategies and management practices are required to ensure heritage buildings are maintained in accordance with heritage guidelines and practices.

Building assets are distributed broadly over the entire local government area and provide a broad range of services. Recently a hierarchy breaking down the buildings asset class into components has been completed. Many of Council's buildings are in need of an upgrade.

The age profile of Council's assets is shown below:

Fig 2. Asset Age Profile

Ku-ring-gai - Age Profile (Buildings)



5.1.2 Asset capacity and performance

Council’s services are generally provided to meet design standards where these are available.

Locations where deficiencies in service performance are known are detailed in Table 5.1.2.

Table 5.1.2. Known Service Performance Deficiencies

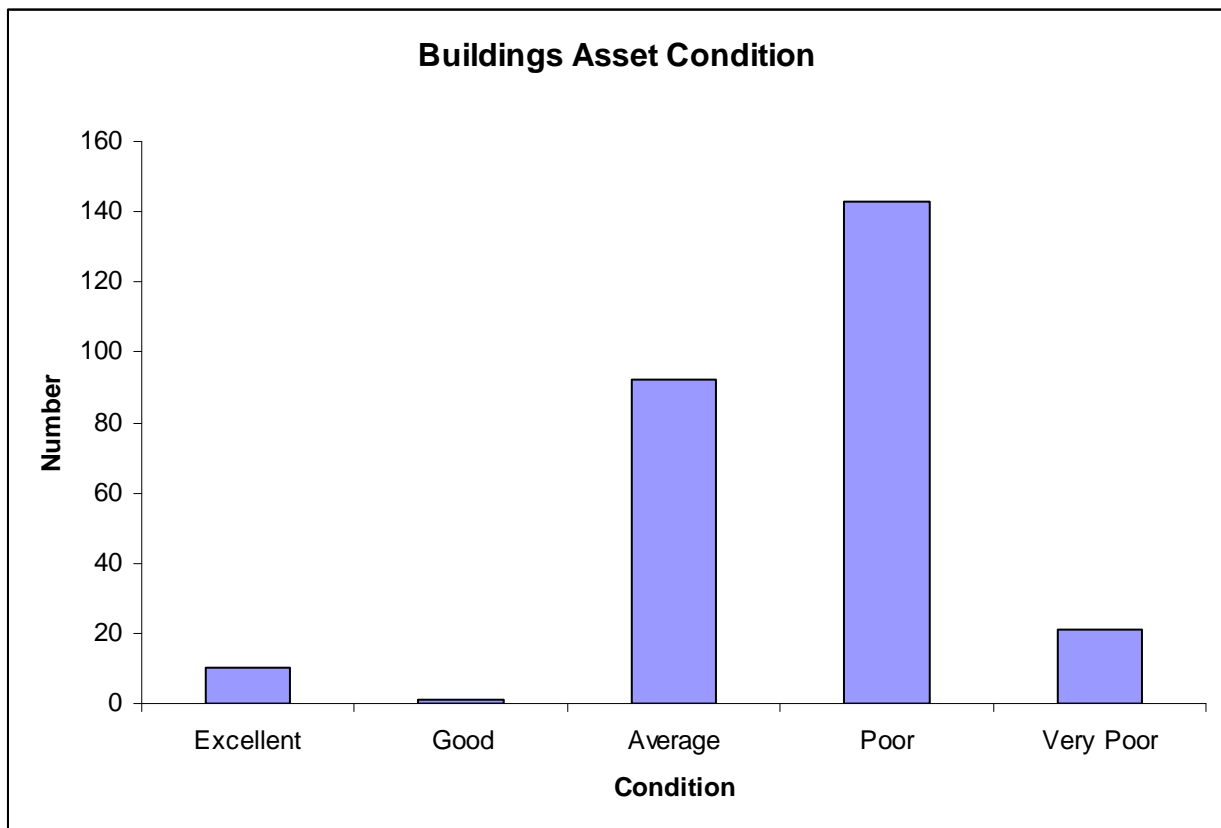
Location	Service Deficiency
Asset Register	Low levels of information retained and updated
Community Buildings	Percentage of buildings rated as poor or very poor
Operational Buildings	Percentage of buildings rated as poor or very poor
Commercial Buildings	Percentage of buildings rated as poor or very poor

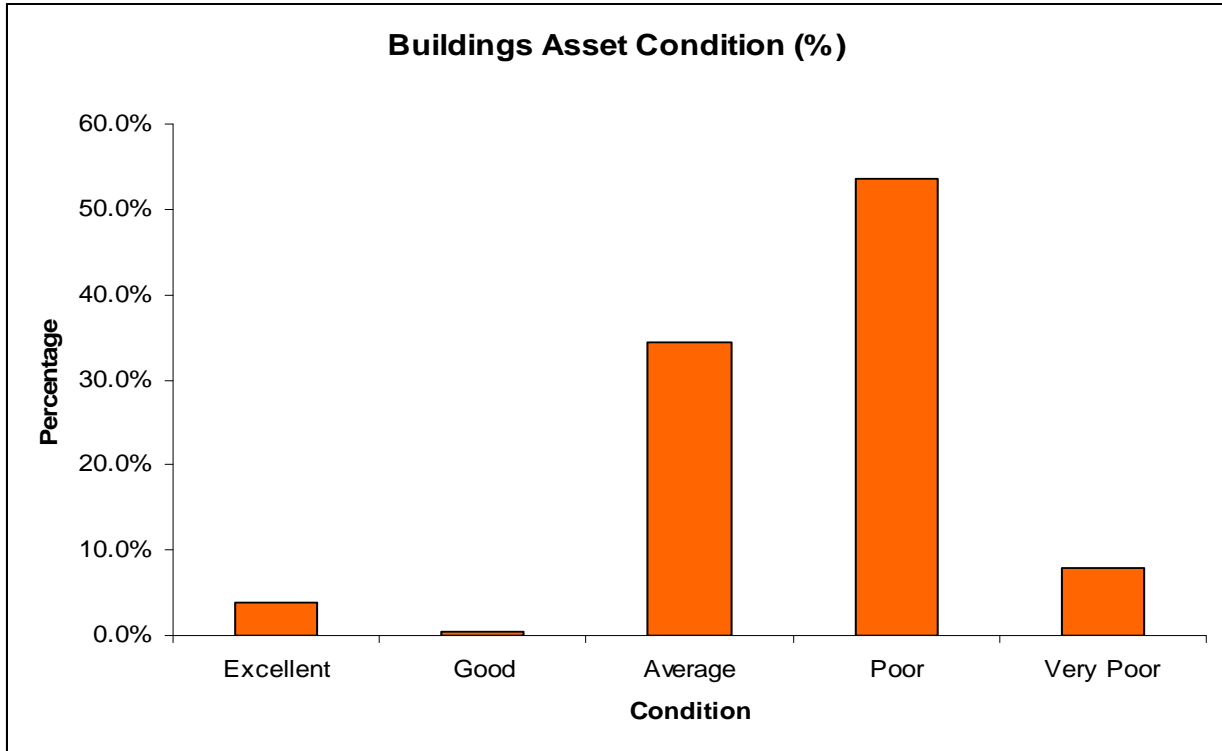
The above service deficiencies were identified from the Building Asset Register.

5.1.3 Asset condition

The condition profile of Council’s assets is shown below:

Fig 3. Asset Condition Profile





Condition is measured using a 1 – 5 rating system.¹

	Rating	Description of Condition
1	Excellent condition	Only planned maintenance required.
2	Good	Minor maintenance required plus planned maintenance.
3	Average	Significant maintenance required.
4	Poor	Significant renewal / upgrade required.
5	Very Poor	Unserviceable.

5.1.4 Asset valuations

The value of assets as at 30th June 2010 covered by this Buildings Asset Management Plan is summarised below. Assets were last revalued at 30th June 2008. Assets are valued at brownfield rates.

¹ IIMM 2006, Appendix B, p B:1-3 ('cyclic' modified to 'planned')

Current Replacement Cost	\$88,020,258
Fair Value (Depreciable Amount)	\$38,099,966
Depreciated Replacement Cost	\$54,865,523
Annual Depreciation Expense	\$1,459,664

Council's sustainability reporting reports the rate of annual asset consumption and compares this to asset renewal and asset upgrade and expansion.

Asset Consumption	1.61%
Asset renewal	0.06%
Annual Upgrade / expansion	0.14%

5.2 Risk Management Plan

An assessment of risks associated with service delivery from infrastructure assets has identified critical risks to Council. The risk assessment process identifies credible risks, the likelihood of the risk event occurring, the consequences should the event occur, develops a risk rating, evaluates the risk and develops a risk treatment plan for non-acceptable risks.

Critical risks, being those assessed as

'Very High' - requiring immediate corrective action, and

'High' - requiring prioritised corrective action

are identified in the Infrastructure Risk Management Plan which are summarised following in Table 5.2.

Table 5.2. Critical Risks and Treatment Plans

Asset at Risk	What can Happen	Risk Rating (VH, H)	Risk Treatment Plan
Community buildings rated as poor or very poor	Injury to Users	VH	Scheduled maintenance and repair in accordance with the policy
Operational buildings rated as poor or very poor	Injury to Users	H	Scheduled maintenance and repair in accordance with the policy
Commercial buildings rated as poor or very poor	Injury to Users	H	Scheduled maintenance and repair in accordance with the policy

5.3 Routine Maintenance Plan

Routine maintenance is the regular on-going work that is necessary to keep assets operating, including instances where portions of the asset fail and need immediate repair to make the asset operational again.

5.3.1 Maintenance plan

Maintenance includes reactive, planned and cyclic maintenance work activities.

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

Planned maintenance is 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.

Cyclic maintenance is replacement of higher value components / sub-components of assets that is undertaken on a regular cycle including repainting, building roof replacement, etc. This work generally falls below the capital / maintenance threshold.

Maintenance expenditure trends are shown in Table 5.3.1

Table 5.3.1. Maintenance Expenditure Trends

Year	Maintenance Expenditure		
	Reactive	Planned	Cyclic
2007/08	\$390,000	\$860,000	\$145,000
2008/09	\$395,500	\$875,600	\$145,000
2009/10	\$416,300	\$895,900	\$146,500

Planned maintenance work is 63% of total maintenance expenditure.

Maintenance expenditure levels are considered to be reasonably adequate to meet required service levels. Future revision of this Buildings Asset Management Plan will include linking required maintenance expenditures with required service levels.

Assessment and prioritisation of reactive maintenance is undertaken by Council staff using experience and judgement.

5.3.2 Standards and specifications

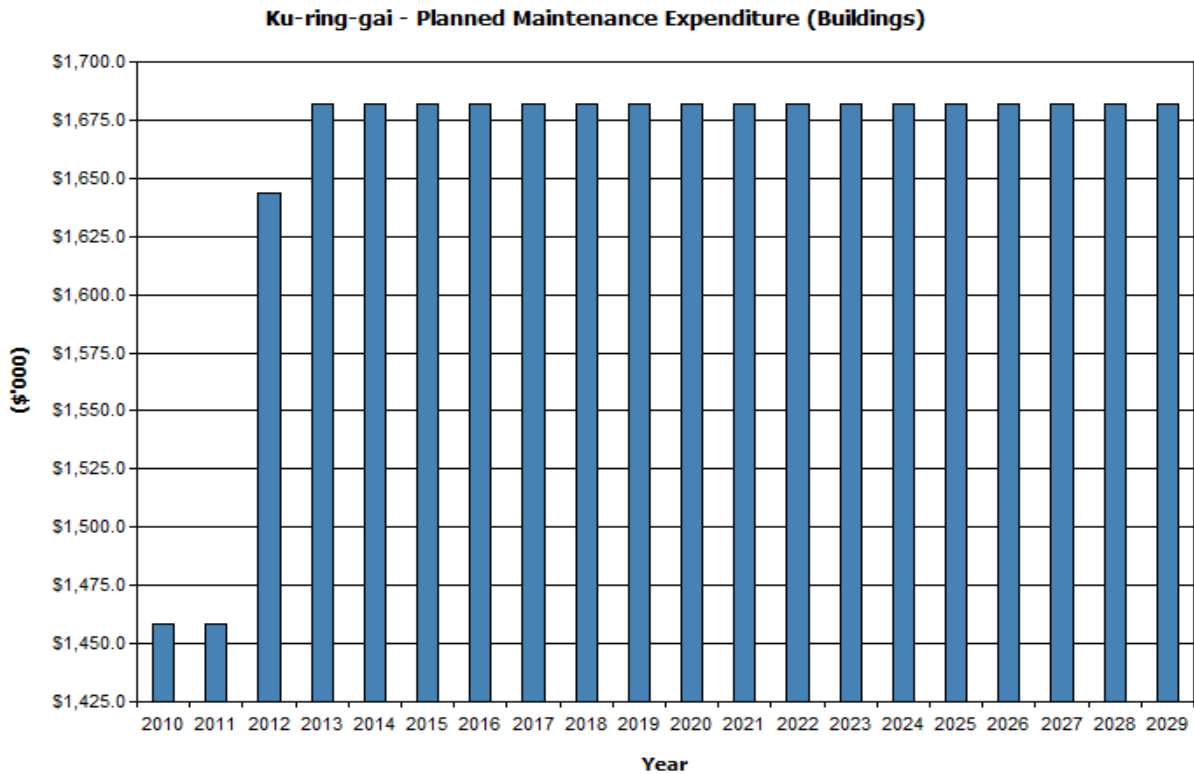
Maintenance work is carried out in accordance with National Standards and Specifications.

5.3.3 Summary of future maintenance expenditures

Future maintenance expenditure is forecast to trend in line with the value of the asset stock as shown in Fig 4.

Note that all costs are shown in current 2009/10 dollar values.

Fig 4. Planned Maintenance Expenditure



Deferred maintenance are works that are identified for maintenance and unable to be funded are to be included in the risk assessment process in the Infrastructure Risk Management Plan.

Maintenance is funded from Council's operating budget and grants where available. This is further discussed in Section 6.2.

5.4 Renewal/Replacement Plan

Renewal expenditure is major work which does not increase the asset's design capacity but restores, rehabilitates, replaces or renews an existing asset to its original service potential. Work over and above restoring an asset to original service potential is upgrade / expansion or new works expenditure.

5.4.1 Renewal plan

Assets requiring renewal are identified from estimates of remaining life obtained from the asset register worksheets on the '*Planned Expenditure template*'. Candidate proposals are inspected to verify accuracy of remaining life estimate and to develop a preliminary renewal estimate. Verified proposals are ranked by priority and available funds and scheduled in future works programmes.

The priority ranking criteria is detailed in Table 5.4.1.

Table 5.4.1 Renewal Priority Ranking Criteria

Criteria	Weighting
O H & S	20%
BCA compliance	20%
Accessibility	10%
Building condition	20%
Structural condition	10%
Sustainability	10%
Waterproofing	10%
Total	100%

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

5.4.2 Renewal standards

Renewal work is carried out in accordance with National Standards and Specification.

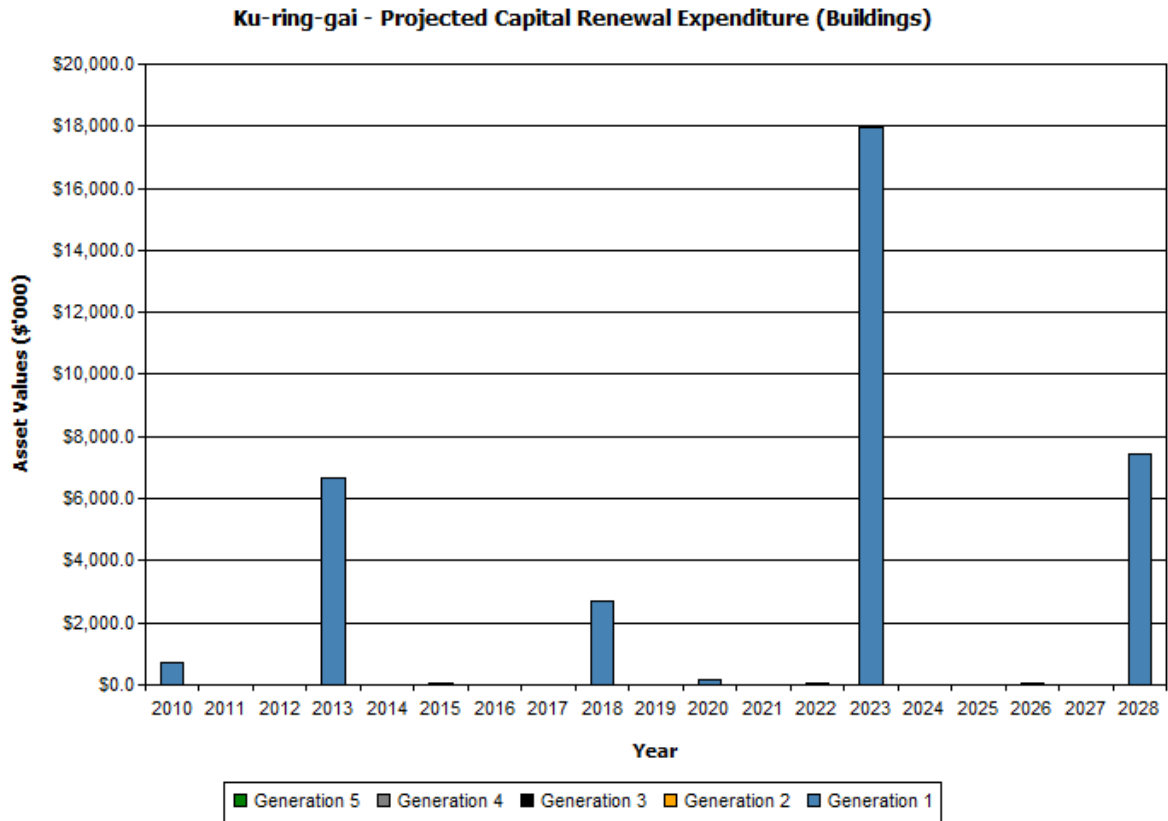
5.4.3 Summary of future renewal expenditure

Projected future renewal expenditures are forecast to increase over time as the asset stock ages.

The costs are summarised in Fig 5.

Note that all costs are shown in current 2009/10 dollar values.

Fig 5. Projected Capital Renewal Expenditure



Deferred renewal are those assets identified for renewal and not scheduled for renewal in capital works programs are to be included in the risk assessment process in the risk management plan.

Renewals are to be funded from Council’s capital works program and grants where available. This is further discussed in Section 6.2.

5.5 Creation/Acquisition/Upgrade Plan

New works are those works that create a new asset that did not previously exist, or works which upgrade or improve an existing asset beyond its existing capacity. They may result from growth, social or environmental needs. Assets may also be acquired at no cost to the Council from land development. These assets from growth are considered in Section 4.4.

5.5.1 Selection criteria

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. Candidate proposals are inspected to verify need and to develop a preliminary renewal estimate. Verified proposals are ranked by priority and available funds and scheduled in future works programmes. The priority ranking criteria is detailed below.

Table 5.5.1 New Assets Priority Ranking Criteria

Criteria	Weighting
Suitability of asset	25%
Condition	25%
Sustainability and energy efficiency	25%
Compliance with BCA	25%

5.5.2 Standards and specifications

Standards and specifications for new assets and for upgrade /expansion of existing assets are the same as those for renewal shown in Section 5.4.2.

5.5.3 Summary of future upgrade/new assets expenditure

Future upgrades and new assets will be considered alongside the development control plan and the local environment plan. Further expenditure into upgrades and new assets will be reconsidered in subsequent Buildings Asset Management Plans.

New assets and services are to be funded from Council’s Capital Works Program and grants where available. This is further discussed in Section 6.2.

5.6 Disposal Plan

Disposal includes any activity associated with disposal of a decommissioned asset including sale, demolition or relocation. These assets will be further reinvestigated to determine the required levels of service and see what options are available for alternate service delivery, if any. At the moment there are no building assets scheduled for disposal.

Where cashflow projections from asset disposals are not available, these will be developed in future revisions of this Buildings Asset Management Plan.

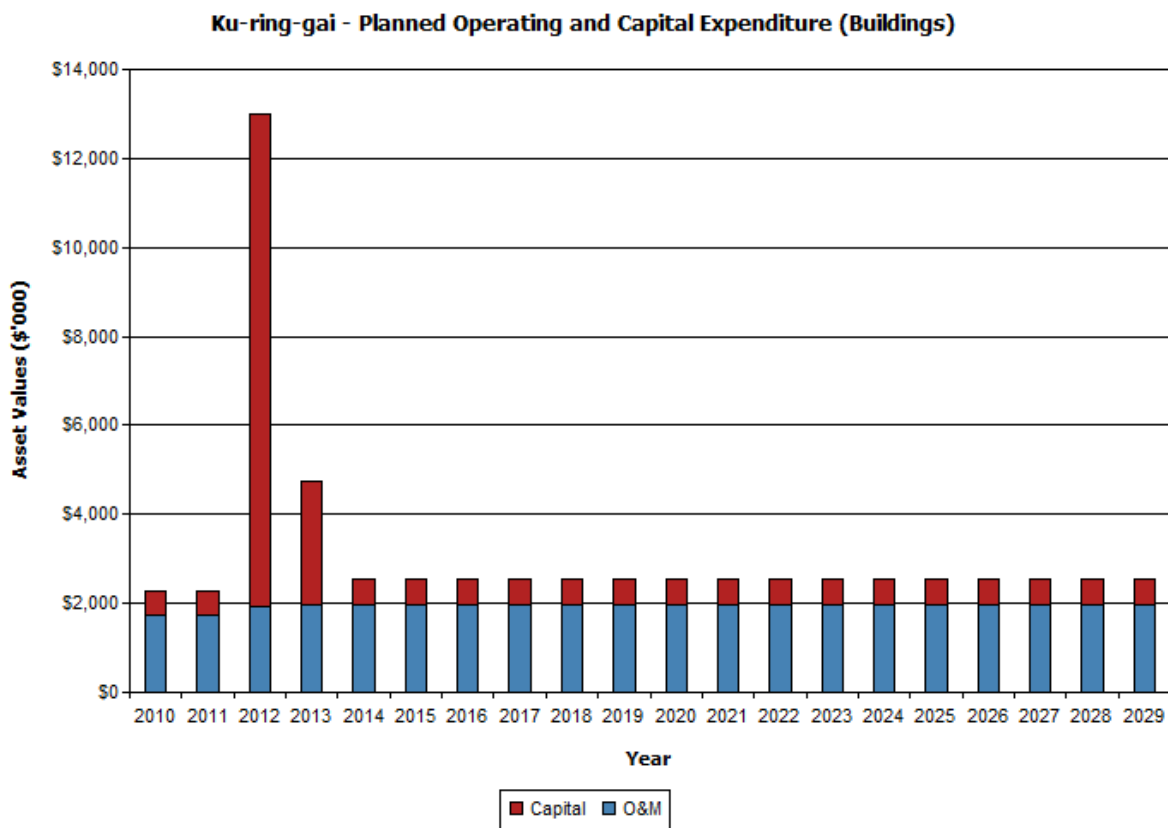
6. FINANCIAL SUMMARY

This section contains the financial requirements resulting from all the information presented in the previous sections of this Buildings Asset Management Plan. The financial projections will be improved as further information becomes available on desired levels of service and current and projected future asset performance.

6.1 Financial Statements and Projections

The financial projections are shown in Fig 7 for planned operating (operations and maintenance) and capital expenditure (renewal and upgrade / expansion / new assets).

Fig 7. Planned Operating and Capital Expenditure



Note that all costs are shown in current 2009/10 dollar values.

6.1.1 Sustainability of service delivery

There are two (2) key indicators for financial sustainability that have been considered in the analysis of the services provided by this asset category, these being long term life cycle costs and medium term costs over the 10 year financial planning period.

Long term - Life Cycle Cost

Life cycle costs (or whole of life costs) are the average costs that are required to sustain the service levels over the longest asset life. Life cycle costs include maintenance and asset consumption (depreciation expense). The annual average life cycle cost for the services covered in this Buildings Asset Management Plan is \$1.97 million.

Life cycle costs can be compared to life cycle expenditure to give an indicator of sustainability in service provision. Life cycle expenditure includes maintenance plus capital renewal expenditure. Life cycle expenditure will vary depending on the timing of asset renewals. The life cycle expenditure at the start of the plan is \$1.59 million.

A gap between life cycle costs and life cycle expenditure gives an indication as to whether present consumers are paying their share of the assets they are consuming each year. The purpose of this Buildings Asset Management Plan is to identify levels of service that the community needs and can afford and develop the necessary Long Term Financial Plans to provide the service in a sustainable manner.

The life cycle gap for services covered by this Buildings Asset Management Plan is approximately \$380,000 per annum. The life cycle sustainability index is 0.81.

Medium term – 10 year financial planning period

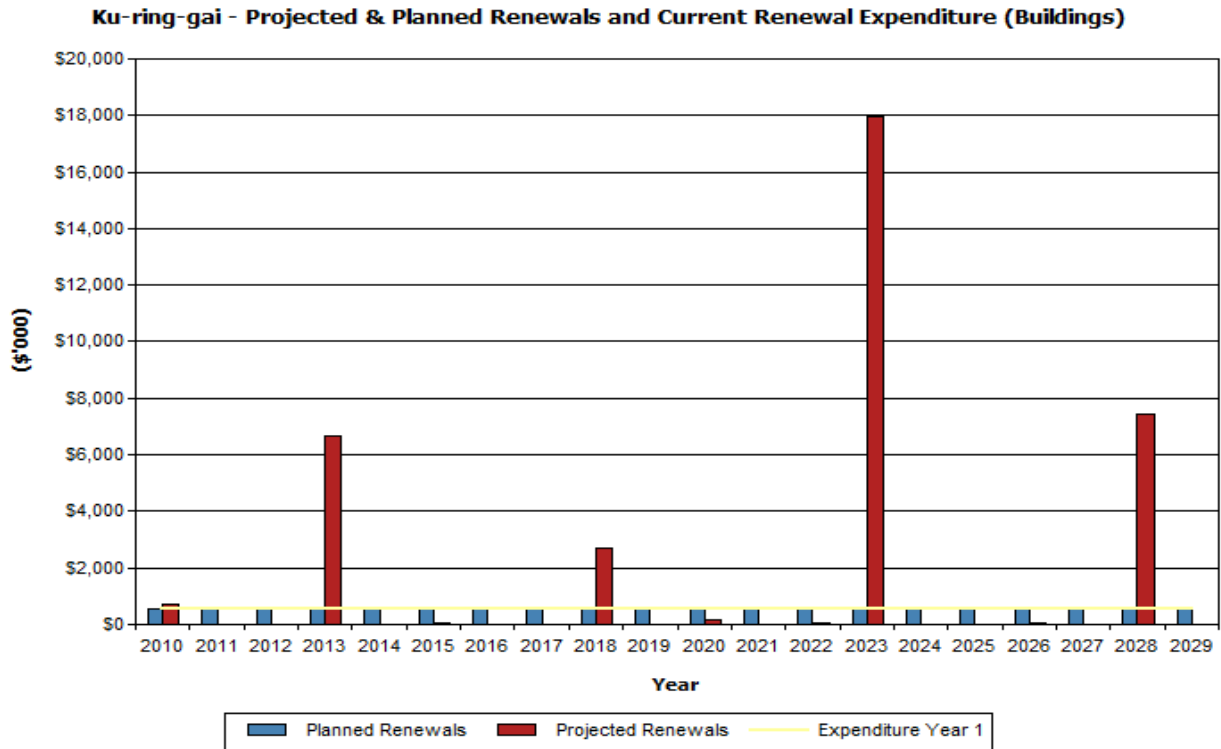
This Buildings Asset Management Plan identifies the estimated maintenance and capital expenditures required to provide an agreed level of service to the community over a 20 year period for input into a 10 year financial plan and funding plan to provide the service in a sustainable manner.

This may be compared to existing or planned expenditures in the 20 year period to identify any gap. In a core Asset Management Plan, a gap is generally due to increasing asset renewals.

Fig 8 shows the projected asset renewals in the 20 year planning period from the asset register. The projected asset renewals are compared to planned renewal expenditure in the Capital Works Program and capital renewal expenditure in Year 1 of the planning period as shown in Fig 8.

Table 6.1.1 shows the annual and cumulative funding gap between projected and planned renewals.

Fig 8. Projected and Planned Renewals and Current Renewal Expenditure



Providing services in a sustainable manner will require matching of projected asset renewals to meet agreed service levels with planned Capital Works Programs and available revenue.

A gap between projected asset renewals, planned asset renewals and funding indicates that further work is required to manage required service levels and funding to eliminate any funding gap of currently \$377,459.

Council will manage the ‘gap’ by developing this Buildings Asset Management Plan to provide guidance on future service levels and resources required to provide these services, and provided Council maintains the funding level shown in the Long Term Financial Plan, then the gap of good buildings to poor buildings should reduce.

Council’s Long Term Financial Plan covers the first 10 years of the 20 year planning period. The total maintenance and capital renewal expenditure required over the 10 years is \$19.7 million.

This is an average expenditure of \$1.97 million. Estimated maintenance and capital renewal expenditure in year 1 is \$1.59 million. The 10 year sustainability index is 0.81

6.2 Funding Strategy

Projected expenditure identified in Section 6.1 is to be funded from Council’s operating and capital budgets. The funding strategy is detailed in the Council’s 10 year Long Term Financial Plan.

Achieving the financial strategy will require sustained upkeep of asset management systems and their included values to allow prioritisation of works and minimise risk to buildings users. Adequate investment into the maintenance and renewal of buildings is paramount to a sustainable and long term buildings portfolio.

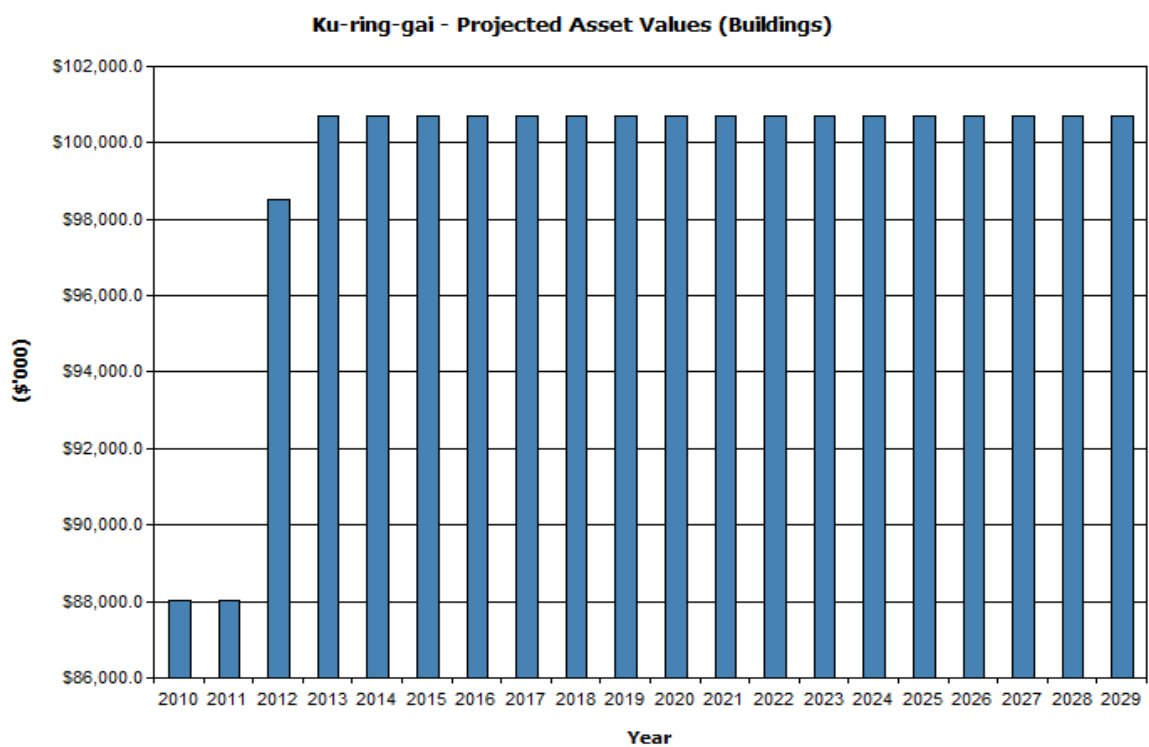
6.3 Valuation Forecasts

Asset values are forecast to increase as additional assets are added to the asset stock from construction and acquisition by Council and from assets constructed by land developers and others and donated to Council.

Fig 9 shows the projected replacement cost asset values over the planning period.

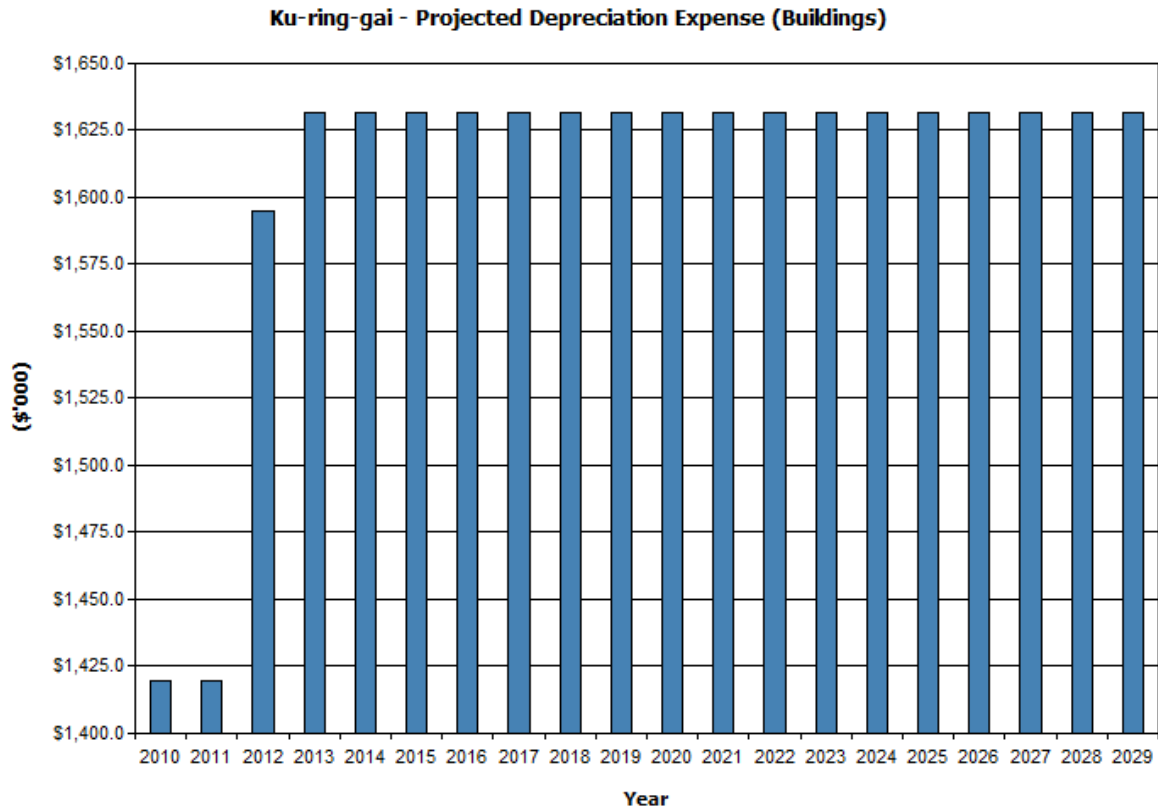
Note that all costs are shown in current 2009/10 dollar values.

Fig 9. Projected Asset Values



Depreciation expense values are forecast in line with asset values as shown in Fig 10.

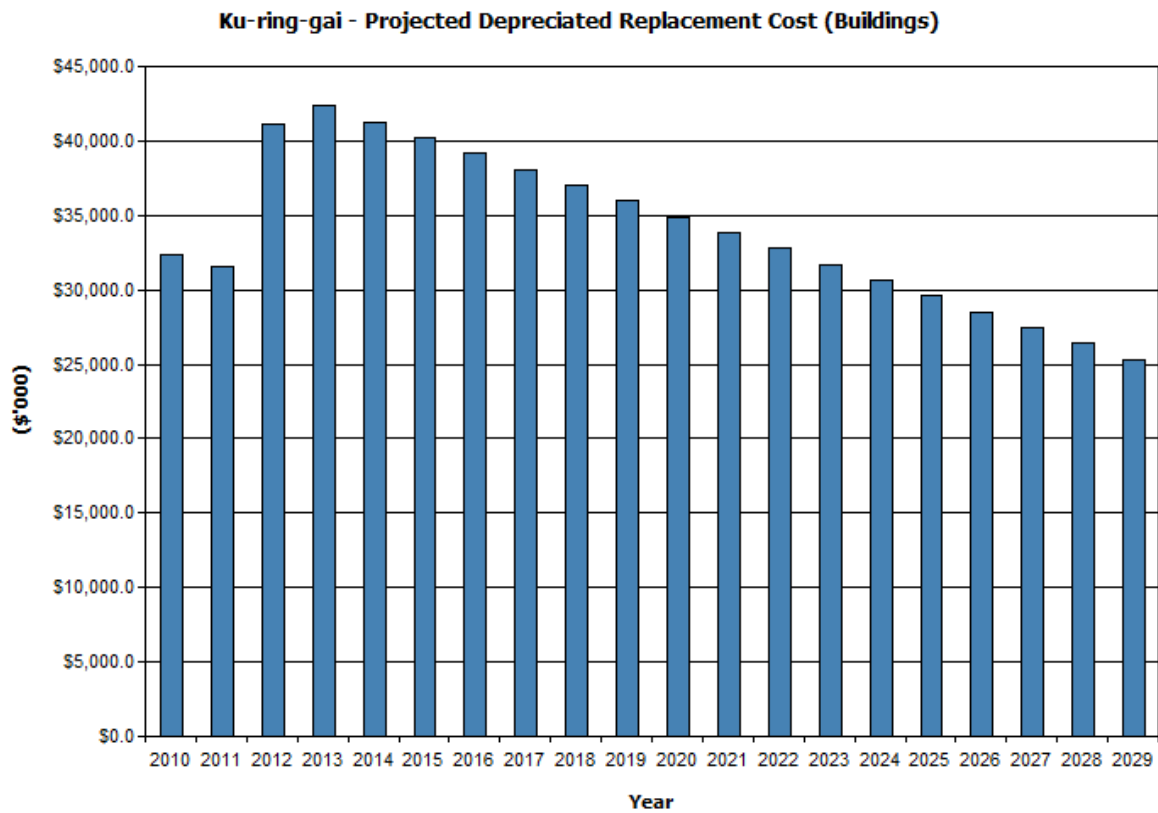
Fig 10. Projected Depreciation Expense



The depreciated replacement cost (current replacement cost less accumulated depreciation) will vary over the forecast period depending on the rates of addition of new assets, disposal of old assets and consumption and renewal of existing assets.

Forecast of the assets' depreciated replacement cost is shown in Fig 11.

Fig 11. Projected Depreciated Replacement Cost



6.4 Key Assumptions made in Financial Forecasts

This section details the key assumptions made in presenting the information contained in this Buildings Asset Management Plan and in preparing forecasts of required operating and capital expenditure and asset values, depreciation expense and carrying amount estimates. It is presented to enable readers to gain an understanding of the levels of confidence in the data behind the financial forecasts.

Key assumptions made in this Buildings Asset Management Plan are:

- that the Council continues to provide the same level of funding.
- that the Building Asset Register is accurate and consistent with reality.
- that the building components do not deteriorate faster than predicted due to external circumstances.

Accuracy of future financial forecasts may be improved in future revisions of this Buildings Asset Management Plan by the following actions:

- review of the Buildings Asset Register.
- review of component useful lives.
- more accurate unit costs for components
- better construction techniques are employed

7. ASSET MANAGEMENT PRACTICES

7.1 Accounting / Financial Systems

Tech One Financial systems for recording asset costs and values.

Operations and Corporate staff are responsible for allocating costs to assets.

Compliance with International Accounting Standards.

Continued allocation for both renewal and maintenance until buildings are in good **condition**.

7.2 Asset Management Systems

Buildings are recorded in the Buildings Asset Register (internal reference 2010/103073).

Council is currently investigating ways to integrate the asset register with the financial system.

Operational staff will be responsible for the maintenance of data and recording of costs against assets.

7.3 Information Flow Requirements and Processes

The key information flows *into* this Buildings Asset Management Plan are:

- Asset register data on size, age, value, remaining life of the network;
- Unit rates for categories of work / material;
- Adopted service levels;
- Projections of various factors affecting future demand for services;
- Correlations between maintenance and renewal, including decay models;
- Data on new assets acquired by Council.

The key information flows *from* this Buildings Asset Management Plan are:

- Assumed Works Program and trends;
- Resulting budget, valuation and depreciation projections;
- Useful life analysis.

These will impact the Long Term Financial Plan, Strategic Business Plan, annual budget and departmental business plans and budgets.

7.4 Standards and Guidelines

The plan is developed in accordance with Council's Asset Management Policy and Improvement Strategy.

8. PLAN IMPROVEMENT AND MONITORING

8.1 Performance Measures

The effectiveness of the Buildings Asset Management Plan can be measured in the following ways:

- The degree to which the required cashflows identified in this Buildings Asset Management Plan are incorporated into Council's Long Term Financial Plan and Strategic Management Plan;
- The degree to which 1-5 year detailed works programs, budgets, business plans and organisational structures take into account the 'global' works program trends provided by the Buildings Asset Management Plan;

8.2 Improvement Plan

The asset management improvement plan generated from this Buildings Asset Management Plan is shown in Table 8.2.

Table 8.2 Improvement Plan

Task No	Task	Responsibility	Resources Required	Timeline
1.	Review of building conditions	Facilities Co-ordinator	Trades staff	Annually
2.	Review of fair values	MES		Annually
3.	Review of remaining useful life	MES		Annually

8.3 Monitoring and Review Procedures

This Buildings Asset Management Plan will be reviewed during annual budget preparation and amended to recognise any changes in service levels and / or resources available to provide those services as a result of the budget decision process.

The Plan has a life of four (4) years and is due for revision and updating within two (2) years of each Council election.

9 CONCLUSION

From the fair value calculations for buildings, the following table provides a summary of the condition of Council's buildings at 30 June 2010:

Building Condition	Replacement Cost (\$)	Fair Value (\$)
Very Good	\$444,981	\$192,612
Good	\$9,460,188	\$4,094,885
Fair	\$24,193,654	\$10,472,332
Poor	\$46,420,186	\$20,093,187
Very poor	\$7,501,250	\$3,246,950
Total	\$88,020,258	\$38,099,966

The cost to bring Council's buildings to a satisfactory standard is based on the buildings at a condition less than fair.

Therefore the cost to bring Council's buildings to a satisfactory standard is **\$52,712,367**.

For the Long Term Financial Plan the annual depreciation amount for the rate of consumption of Council's buildings is **\$1.46 million**.

Asset	Replacement Cost	Fair Value	Annual Depreciation	Annual maintenance requirement	Annual life cycle cost
Buildings	\$88,020,258	\$38,099,966	\$1,459,664	\$ 509,295	\$1,968,959

Very Good	Good	Fair	Poor	Very Poor	Cost to Satisfactory
0.5%	10.7%	27.5%	52.7%	8.5%	\$52,712,367

Annual Capital	Annual Maintenance	Total Allocation	Sustainability Index	Gap
\$212,000	\$1,379,500	\$1,591,500	0.81	-\$377,459

Some of Council buildings are proposed for replacement such as the new depot, SES/RFS and the West Pymble Pool buildings but further consideration will need to be given to the replacement of a number of other buildings as part of the town centre upgrade process.

This will need to be considered along with the proposed reclassification of Council lands.

The level of funding for buildings will be further considered when all the data for Council's assets is available.

REFERENCES

Sample Council, 'Strategic Management Plan 20XX – 20XX,

Sample Council, 'Annual Plan and Budget.

DVC, 2006, 'Asset Investment Guidelines', 'Glossary', Department for Victorian Communities, Local Government Victoria, Melbourne, <http://www.dvc.vic.gov.au/web20/dvclgv.nsf/allDocs/RWP1C79EC4A7225CD2FCA257170003259F6?OpenDocument>

IPWEA, 2006, 'International Infrastructure Management Manual', Institute of Public Works Engineering Australia, Sydney, www.ipwea.org.au

APPENDICES

Document A	Maintenance Response Levels of Service
Document B	Capital Renewal Works Program (Projects 20 Year)
Document C	Capital Works Program (Planned Upgrade/Expected 20 Year)