




City of
Mount Gambier

Building and Structures Asset Management Plan 2023-2032

June 2022

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1 INTRODUCTION

1.1 Background

The purpose of the Buildings and Structures Asset Management Plan (AMP) is to outline a broad approach asset management, demonstrate proactive management of assets (and services provided from those assets) and model the funding required from the assumptions developed for those assets. This AMP is to be read in conjunction with Council's Asset Management Policy, Asset Management Strategy and the following associated planning documents:

- Long Term Financial Plan (LTFP)
- Council's Development Plan
- Annual Business Plan and Budget (ABP&B)
- Council's Strategic Plan
- Community Land Management Plans
- Management Agreements for the management of Council facilities

This AMP covers all Council controlled buildings and structures within the City of Mount Gambier as indicated in the following summary:

Table 1 : Building and Structures covered by this Plan (as at 30 June 2020)

Asset Category	At Cost Value	Carrying Value (\$)
Buildings	\$84.75M	\$45.99M
Structures	\$23.59M	\$12.85M
TOTAL	\$108.34M	\$58.84M

Table 2 : Key Stakeholders

Key Stakeholder	Role in AMP
Councillors	<ul style="list-style-type: none">• Represent needs of the community and stakeholders• Set targeted sustainability ratios• Ensure organisation is financial sustainable• Adopt Strategic Plans, LTFP (biennially), AMPs (biennially) and Annual budget
Executives	<ul style="list-style-type: none">• Setting / review of LTFP (annually), AMPs (annually) and Annual budget• Portfolio sponsor
Customers	<ul style="list-style-type: none">• End users of service/assets• Licence/Leaseholders
Insurers	<ul style="list-style-type: none">• Partner with Council to mutually cover risk exposure
Contractors/suppliers	<ul style="list-style-type: none">• Support the provision of human and physical resources• External valuations, including insurance valuations
Government	<ul style="list-style-type: none">• Provides occasional grants to Council for building projects

Building Maintenance Business Unit	<ul style="list-style-type: none"> • Responsible for actual maintenance and renewal for identified buildings and structures • Contract manage relevant building maintenance contracts
Strategic Finance & Accountability / Finance Business Unit	<ul style="list-style-type: none"> • Preparation of Council's LTFP, AMPs and Annual budget • Asset valuation and depreciation • Procurement facilitation

1.2 Goals and objectives of Asset Management

The Council exists to provide services to its community. Some of these services are provided by building and structure assets. Council has acquired assets by purchase, construction and by donation/gift.

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

- Taking a life cycle approach to developing cost-effective management strategies for the long term
- Providing a defined level of service and monitoring performance in line with stakeholder needs
- Managing risks associated with asset failures and disasters
- Having an LTFP which includes required, affordable expenditure and how it will be financed
- Continuous improvement in asset management practices.¹

This AMP is prepared under the direction of Council's Strategic Plan which represents the vision, aspirations and priorities of the community now and into the future.

A 'top down' approach has been used where analysis is applied at the system or network level to meet minimum legislative and organisational requirements for sustainable service delivery and long-term financial planning and reporting.

Future versions of the AM Plan will move towards 'advanced' asset management using both a hybrid 'top down' and 'bottom up' approach for reporting up to date information about individual assets.

1.3 Plan Framework

Key elements of the Plan are

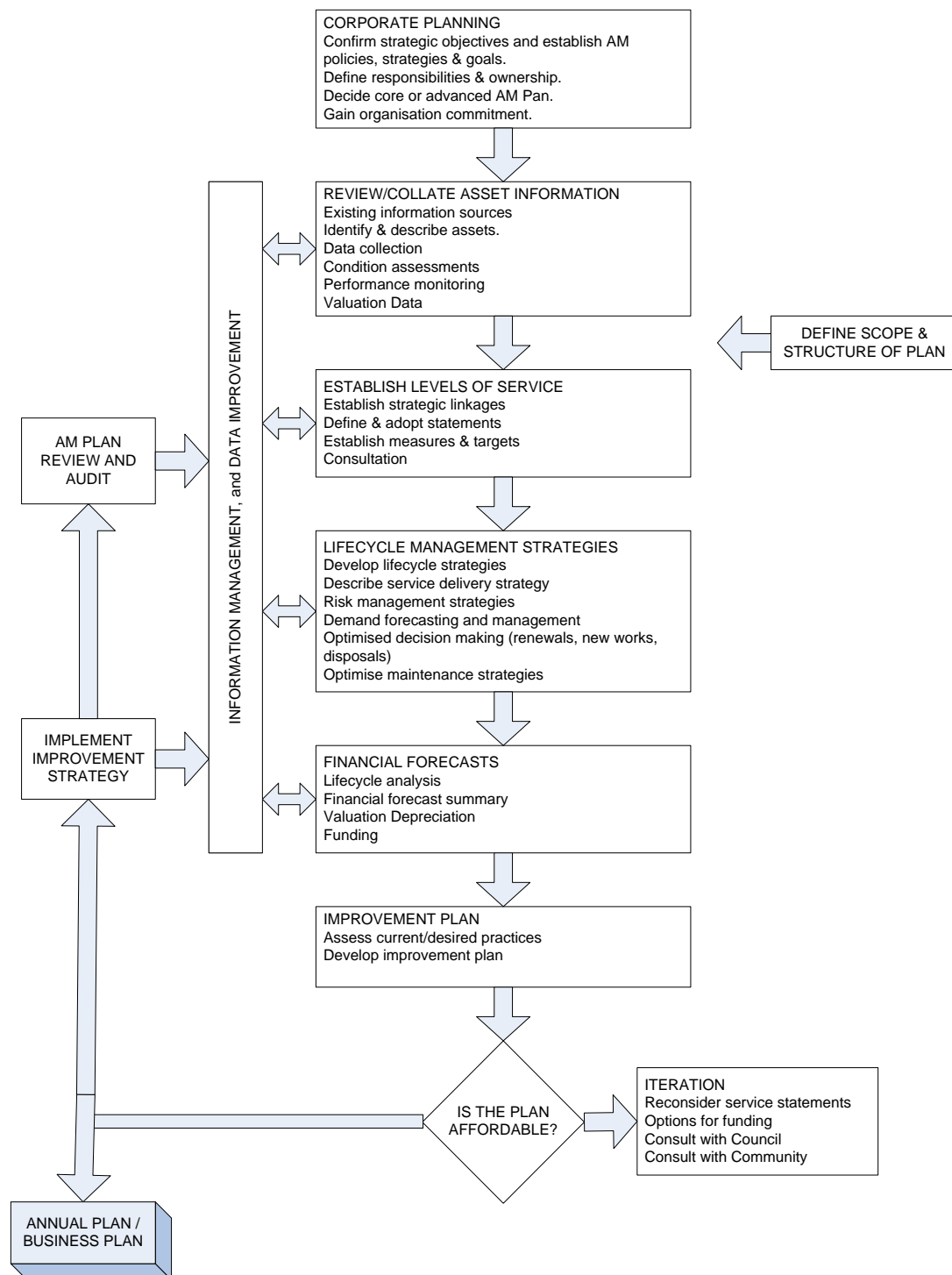
- Levels of service – specifies the services and levels of service to be provided by Council.
- Future demand – how this will impact on future service delivery and how this is to be met.
- Life cycle management – how Council will manage its existing and future assets to provide the required services.
- 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.

¹ IIMM 2006 Sec 1.1.3, p 1.3

A road map for preparing an Asset Management Plan is shown below.

Figure 1: Road Map for preparing an Asset Management Plan

Source: IIMM Fig 1.5.1, p 1.11



2 LEVELS OF SERVICE

Levels of service provide the basis for life cycle management strategies and works programs, whilst supporting the Council's strategic goals. Ongoing planning for the ownership and management of Council's buildings aims to ensure that building assets provide, or help to provide, appropriate services for the community.

2.1 Legislative Requirements

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

Table 3 : Legislative requirements

Legislation	Requirement
Local Government Act, 1999	Sets out role, purpose, responsibilities and powers of local governments including the preparation of a long-term financial plan supported by infrastructure and asset management plans for sustainable service delivery.
Development Act and subordinate legislation (example Development Plan and Building Code)	Provides Council with the legislative framework to guide the preservation and enhancement of its buildings and structures.
Heritage Act, 2004	An Act that conserves places with heritage value
Building Code of Australia, 2016	States the minimum requirements for the design, construction and maintenance of buildings
Work Health and Safety Act, 2012	Secures the health, safety and welfare of persons at work
Asbestos Removal Code of Practice	The management and maintenance of asbestos in accordance with the code
Disability Discrimination Act (DDA), 2012	An Act that bans discrimination of people based on a disability
Environmental Protection Act, 1997	An Act that covers the protection of the environment

2.2 Current Levels of Service

Council has defined service levels in two terms:

1. Community Service Levels

These relate to how the community receives the service in terms of safety, quality, function, quantity, reliability, responsiveness and cost/efficiency.

2. Operational or Technical Service Levels

These measures relate to the allocation of resources to service activities that the Council undertakes to best achieve the desired community outcomes, whilst meeting all legislative requirements.

Council's current service levels are detailed in Table 4.

Table 4 : Current Service Levels

Key Performance Measure	Level of Service	Performance Measure Process	Performance Target	Current Performance
COMMUNITY LEVELS OF SERVICE				
Quality	Provide buildings that are fit for purpose	Customer service requests Condition rating	Less than 2 per month for any particular building or structure	Less than 2 per month for any particular building or structure
Function	Buildings and structures are available and accessible for intended use at all times (apart from during times of maintenance)	Customer complaints relating to unavailability of building or structure	Less than 2 per month for any particular building or structure	Less than 2 per month for any particular building or structure
	Building facilities meet user requirements	Usage of facility	Average usage of facility 50% occupancy for each building	TBC
Safety	Provide buildings that comply with the principles of the BCA and DDA Buildings are free from hazards	Number of injury incidents relating to health, safety and disability for Council owned buildings and structures	Less than 3 per month per building or structure	Less than 3 per month per building or structure
Asbestos	Ensure that all building facilities meet asbestos regulations	Asbestos registers onsite and program in place to remove and/or manage asbestos from, in and around buildings	<2 incidents per year	0 incidents reported
TECHNICAL LEVELS OF SERVICE				
Condition	Carry out routine maintenance on buildings and structures	Number of complaints relating to minor maintenance matters	Less than 5 per month for any particular building or structure	Less than 5 per month for any particular building or structure
Compliance	Compliance with Building Codes and technical standards	All new work and significant refurbishment to comply with current standards	Development Act approval and compliance with Building Code of Australia	Plans and specifications are submitted to gain development approval
Costings/Affordability	Operational expenditure costs are known	Introduction of work order costing system to track maintenance of buildings	All plant, labour and material costs booked to work orders for individual buildings	All plant, labour and material costs booked to work orders for individual buildings
Safety	Condition assessment surveys to identify any issue relating to occupier safety	Building and structure condition assessments to be carried out on a one in three year cycle	Identified safety issues are documented and included in works program for the following financial year budget	Issues addressed as they are identified, assessment frequency not currently stipulated

3 FUTURE DEMAND

3.1 Demand Forecast

Factors affecting demand include population change, changes in demographics, seasonal factors, consumer preferences and expectations, economic factors, environmental awareness, changing legislative requirements, risk management practices, etc.

Demand factor trends and impacts on service delivery are summarised in Table 5

Table 5 : Demand Factors, Projections and Impact on Services

Demand factor	Present position	Projection	Impact on services
Population	26,276 (<i>census 2016</i>)	32,000 people by 2027 ²	Population growth will have marginal impact on existing services
Demographics	Ageing population		Increase in aged care accommodation and facilities to service the elderly. Disability access will become increasingly important.
Legislative changes	Compliance with BCA	Increasing legislative and governance demands, long term financial sustainability, environmental sustainability for the existing building stock as well as pressure for additional buildings	Demand for retrofitting buildings for, environmental sustainability etc. and impact on financial resources in the provision of new buildings

² Referenced from Community and Recreation Hub Feasibility Study

3.2 Changes in Technology

Technology changes are forecast to have little effect on the delivery of services covered by this plan, but will likely improve customer feedback and advice to Council (e.g. Web based communication to Council, smart phone technology, automated monitoring of building services, online/interactive building lighting/art).

Council will face increasing community pressure to retrofit existing facilities with technology that will improve the overall environmental sustainability of the facility and safety.

Technology changes forecast to affect the delivery of services covered by this plan are detailed below.

Table 6 : Potential changes in technology and effect on service delivery

Technology Change	Effect on Service Delivery
CCTV Cameras	Council have implemented CCTV systems that are utilised in asset management, assessment and surveillance to assist in reduction of damage to its buildings and structures.
Automatic detection and safety systems	Expansion of electronic access to buildings
Plant & Equipment	Updated plant & equipment may result in improved service delivery within a more efficient timeframe and to a better standard.
Mobile computing	Use of improved technology for condition rating may lead to increased data integrity and ability to link to GIS for improved visualisation. Will also mean simpler and more efficient information transfer without double handing of data.
Environment Sustainability	Installation of energy and water saving equipment for environmental responsibility and for cost efficiency.

3.3 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. Demand management practices include non-asset solutions, insuring against risks and managing failures.

Non-asset solutions focus on providing the required service without the need for the organisation to own the assets, such as leasing arrangements or providing services from existing infrastructure which may be located in another community area or contributing to capital improvements of another organisation that provide benefits for our community. An example of this includes, the Mount Gambier Airport, located outside the City of Mount Gambier boundary, however Council has contributed funding to upgrade its facilities.

The current lack of information on the extent of service provision required to meet community demand for buildings makes it difficult to assess the gap between the community desires/needs and existing service provision. Opportunities identified to date for demand management are shown in Table 7. Further opportunities will be developed in future revisions of this AM Plan.

Table 7 : Demand Management Plan Summary

Service Activity	Demand Management Plan
Operations	Utilise office space more efficiently. Identify buildings not being used to their full potential and consult the community on other uses.
Financial	Develop long-term financial management plans to ensure financial sustainability
DDA provision improvements	To enact works programs developed as part of the accessibility assessment identified in Table 6
Environmental sustainability	Use Triple Bottom Line analysis to assess whether any identified project is to proceed. Council will need to ensure that the community is aware of this Plan and understands the long-term financial implications.
Public Toilet Facilities	Councillors and community have recently encouraged investment in building renewal for primary public toilet facilities.

4 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 the section “Levels of Service”) while optimising life cycle costs.

4.1 Background Data

4.1.1 Physical Parameters

The assets covered by this Plan are shown in Table 1.

Over 5% of Council's building and structure assets are identified as heritage. Generally, the building and structure assets are in fair to good condition although asset ages vary considerably across the City. Council has limited data on the age profile of its Asset stock but does have an increasing understanding of the condition data for building and structure asset categories. Council uses a combination of the age and condition data to set future works programs and also to prepare risk control strategies.

4.1.2 Asset Capacity and Performance

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

Council engaged a consultant in July 2018 to complete a preliminary disability audit on a selection of buildings including public amenities and heritage sites.

Council to adopt inclusive design principles that encourages best practice rather than meeting minimum legislative requirements.

The Preliminary Disability Access Report (the Report) provides a snapshot of where Council is at in terms of general disabled access. It also identifies buildings (including surrounds) that are not meeting compliance standards and should be ear marked for demolishing or significant works. At the time of writing this Plan, further analysis of the Report is required. Council's key tasks in relation to the Report are to:

- Consult with the community
- Prioritise works to be completed
- Design and project cost works
- Ensure strategic alliance (both financial and non-financial)

Future iterations of this Plan will provide further detail on forward works programming.

4.1.3 Asset Condition

Council's building and structure assets were last assessed for condition as at 30 June 2020 by external consultants as part of the revaluation process. The condition is measured using a 0 – 5 rating system.

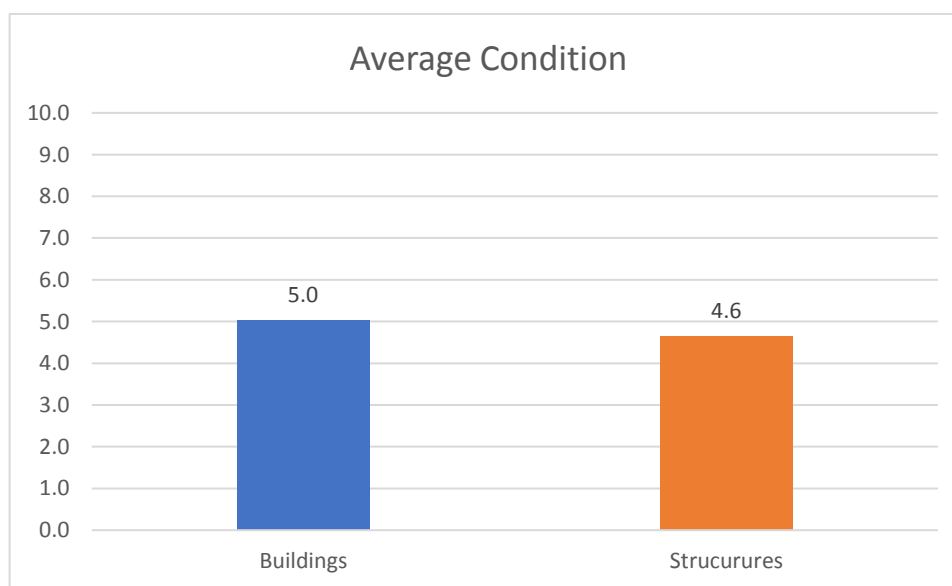
The condition profile of Council's assets will be further assessed by technical building experts and include review of compliance standards, appearance, security, fit for purpose and environmental fitness and be reflected in future updates of this Plan.

Table 8 : Condition Rating Scale

Rating	Description of Condition
1	Asset Unserviceable
2	Extremely Poor
3	Poor
4	Below Average
5	Average
6	Fair
7	Good
8	Very Good
9	Excellent
10	New

The condition profile of Council's building and structure assets is shown below in figures 2 and 3.

Figure 2: Building and Structure Asset Condition Profile



4.1.4 Asset Valuations

The value of building and structure assets covered by this AMP is summarised below. Building and Structure assets were last re-valued at 30 June 2020 by AssetVal Pty Ltd.

As at 30 June 2020 the value of these assets was:

Total Value (at cost & fair value)	\$ 108.3M
Accumulated Depreciation and Impairment	\$ 49.5M

Carrying Amount	\$ 58.8M
Annual Depreciation Expense	\$ 2.34M

4.2 Risk Management Plan

An assessment of risks associated with service delivery from infrastructure assets identifies 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.

4.3 Operations and Maintenance

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.

4.3.1 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 and may include painting, re-roofing, replace occasional window etc. This work generally falls below the capitalisation threshold.

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

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.

4.3.2 Renewal Plan

Assets requiring renewal are identified from one of three methods:

- Method 1 uses Asset Register data to project the renewal costs using acquisition year and useful life to determine the renewal year
- Method 2 uses capital renewal expenditure projections from external condition modelling systems
- Method 3 uses a combination of average network renewals plus defect repairs.

A combination of methods 1 and 2 were used for this Plan.

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

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

4.3.3 Renewal Standards

Renewal work is carried out in accordance with the following Standards and Specifications:

- Current Australian and Industry Standards
 - Building Code of Australia 2016
 - Disability Discrimination Act (DDA)
 - Asbestos Removal Code of Practice
 - Electrical Wiring Code AS3000
- Work Health Safety Act and Regulations

4.3.4 Summary of Future Renewal Expenditure

Council has determined that the optimal level of renewal is based on a weighted percentage of the depreciation per asset sub-class, subsequently adjusted down for the impact of continuous maintenance. This optimal level can be met by the combination of maintenance and capital renewal of the underlying assets. At this point in time, for Buildings and Structures, Council assumes the full maintenance expenditure (100%) is extending the life of the Buildings and Structures equally. The outcome of this process then forms the input in the LTFP and drives the overall asset sustainability ratios within Council for the various asset classes.

Additionally, there are some assets, primarily within the buildings and structures, that are of heritage value, and constant maintenance will be kept up to keep these in their heritage state.

Within buildings and structures the following percentages are applied for the optimal level determination:

Estimated life	Renewal Percentage
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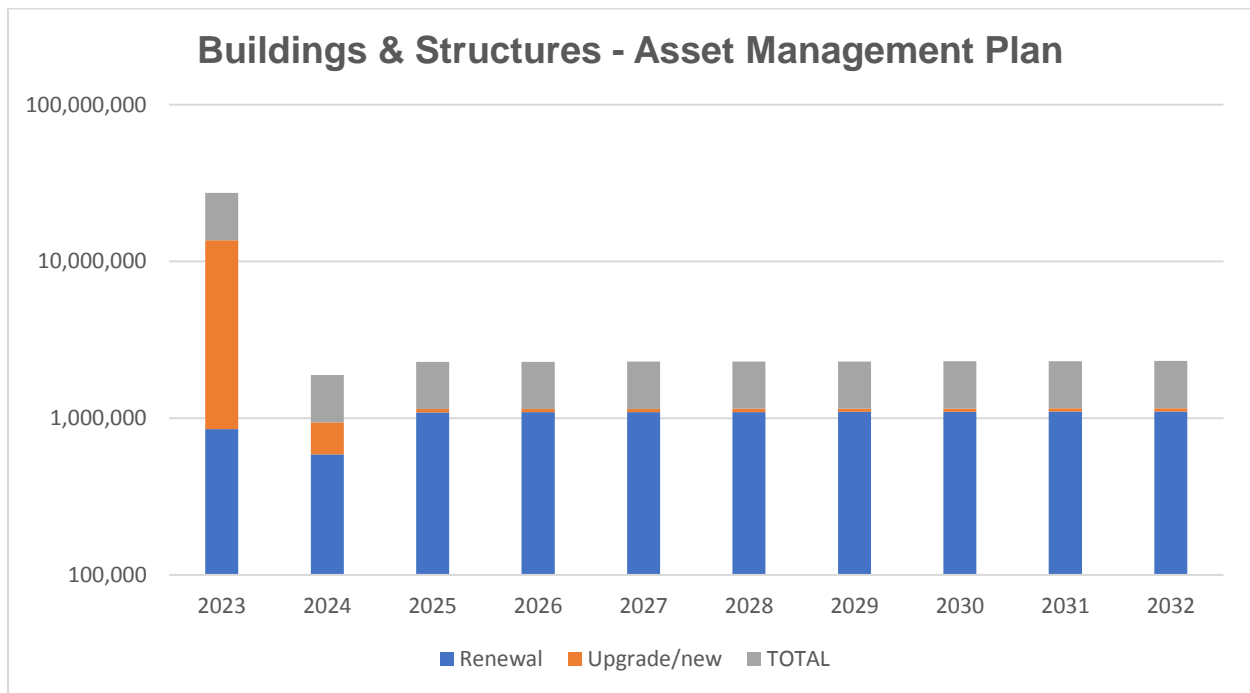
Buildings

Various	15	100%
Various	20	100%
Services	25	50%
Fit-out	30	50%
Sheds, Structures, Roofing	40	100%
Toilets & Super-structure	50	100%
Super-structure	60	100%
Super-structure	80	90%
Sub-structure & Super-structure	100	90%
Weighted average - Building Renewals		63%

Structures Renewals 90%

Projected future renewal expenditures - the optimal level of renewals - are forecast to increase over time as the asset stock ages. The costs are summarised in Figure 5. Note that all costs are shown in nominal dollar values.

Figure 5: Projected capital renewal expenditure over next 10 years



Planned renewals are to be funded from Council’s capital works program and grants where available. This is further discussed in Section 5.2. Council has recently taken the first step towards improving its buildings and structures planned renewal programming by using remaining useful life estimates. Future iterations of this Plan will become more detailed as Council continues to develop its assets categorisation and information.

4.4 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.

Council has commenced building the Wulanda Recreation and Convention Centre which will result in the largest infrastructure asset investment in Council's history. For this reason, expenditure on other new assets has been kept minimal pending a successful completion.

4.4.1 Selection Criteria

New assets and upgrade/expansion of existing assets are identified from various sources such as community requests, proposals identified by strategic plans or partnerships with other organisations. Candidate proposals are inspected to verify need and to develop a preliminary estimate. Verified proposals are ranked by priority and available funds and scheduled in future works programmes. Council ultimately makes the decision on priority ranking of new assets based on this information.

4.4.2 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 4.3.3.

4.4.3 Summary of Future Upgrade / New Assets Expenditure

New assets and services are to be funded from Council's capital works program and grant funding where available. This is further discussed in Section 5.2.

4.5 Disposal Plan

Currently there are no assets in the buildings and structures category that are listed for disposal. Council is considering the demolition and renewal of public amenities.

5 FINANCIAL SUMMARY

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

5.1 Financial Statements and Projections

5.1.1 Sustainability of Service Delivery

There are two 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, i.e. depreciation expense. The buildings and structures annual consumption cost for the services covered in this Plan, represented by the Buildings – Renewals and the Structures – Renewals amounts to \$21,978.

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 AMP is created with the view to include the optimal level and therefore should not show a gap. Such a gap will only appear in case the LTFP drives capital allocation to a different year than as per the AMP, or when Council does for other reasons spend more or less on life cycle costs for the year than the AMP suggests

Any gap between life cycle costs and life cycle expenditure gives an indication as to whether present consumers are paying their share of the assets that are consumed each year.

The above confirms the purpose of this AMP: 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 so that future generations are not burdened with failing assets.

A gap between projected asset renewal expenditure and actual (planned) expenditure indicates that further work is required to manage required service levels and future planned expenditure funding needs to eliminate any funding gap.

Council will need to manage the 'gap' by developing this AM Plan to provide guidance on future service levels and resources required to provide these services, and to ensure that the gap closes to a controllable level.

5.2 Funding Strategy

Projected expenditure identified in Figure 5 is to be funded from Council's operating and capital budgets. The funding strategy is detailed in Council's Long-Term Financial Plan (LTFP).

Additional new and renewal of building capital, in addition to the optimal level, or as part of reaching the optimal level, could be funded out of regular Council income. However, taking into account Council's financial constraints other options to assist reducing a funding gap or fund additional capital expenditure include:

- Grant funding
- Fundraising
- Alternate revenue streams
- Sale of underutilised assets
- Change in services and service levels
- Refinement of CPI and consumption rates and assumptions.

5.3 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. Depreciation expense values are forecast in line with asset values based on asset condition depreciation and will be adjusted in accordance with asset revaluations which will occur from time to time taking into account condition assessments and additional asset age data.

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. Council may wish to explore the option for limited asset disposal of buildings and structures whilst still maintaining a reasonable and acceptable level of service to the community.

5.4 Key Assumptions made in Financial Forecasts

This section details the key assumptions made in presenting the information contained in this Plan and in preparing forecasts of required operating and capital expenditure and asset values. 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 Plan are:

- Asset condition and valuation has been determined by AssetVal Pty Ltd.
- Straight line depreciation of asset condition has been assumed and AssetVal Pty Ltd have determined the residual value for buildings and structures assets.
- This AM Plan was put together based on the information at hand at the time of preparing the Plan. As asset information is updated and more accurate information becomes available, this Plan will become more accurate.
- With respect to Table 12 projected renewals are assumed to increase in value at a rate of 2.5% per annum.

5.5 Improvement and Monitoring

5.5.1 Accounting and financial systems

Council uses Civica Authority as its accounting and financial system. This system integrates with Council's asset management system another module of the Civica Authority suite.

The Australian Accounting Standards provide the benchmark against which Council reports on asset accounting. Council's current capitalisation threshold is \$5,000.

The link between asset management and the financial system includes:

- The assumed works programs and trends
- The resulting budget, valuation and depreciation projections
- Useful life analysis (including renewal projections)
- Inputs to Council's LTFP and ABP&B

6 REFERENCES

The City of Mount Gambier Futures Paper

City of Mount Gambier Strategic Plan 2020-2024

City of Mount Gambier Annual Business Plan and Budget

DVC, 2006, 'Asset Investment Guidelines', 'Glossary', Department for Victorian Communities, Local Government Victoria, Melbourne

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7 APPENDICES

7.1 Buildings and structures Asset Management Plan

Buildings and Structures Asset Management Plan - 2023-2032										
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Renewal	850,800	587,389	1,089,158	1,091,021	1,092,884	1,094,869	1,096,984	1,099,010	1,101,089	1,103,222
Upgrade/new	12,829,421	353,640	53,640	53,640	53,640	53,640	53,640	53,640	53,640	53,640
TOTAL	13,680,221	941,029	1,142,798	1,144,661	1,146,524	1,148,509	1,150,624	1,152,650	1,154,729	1,156,862