



City of
Mount Gambier

Plant & Equipment Asset Management Plan 2023-2032

June 2022

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1 SUMMARY

Plant and equipment owned by Council ranges from large earthmoving equipment, refuse collection vehicles, work utilities and small trucks, mowers, office vehicles, and specialised equipment such as footpath sweeping machine and paver laying machine.

1.1 What does it cost?

Total Carrying value of Plant and Equipment as at 30 June 2021 was \$5.875M with annual consumption approximately \$711,448 (i.e. annual depreciation expense). Council's goal is to align the consumption of plant and equipment reasonably over the life of the asset with its planned renewal so that minimal gap exists between the annual depreciation cost and the actual budget expenditure.

1.2 Future Plans

Council plans to manage its plant and equipment fleet to achieve the following strategic objectives.

- Ensure the fleet is maintained at a safe and functional standard and is fit for purpose.
- Provide for plant and equipment renewal in accordance with Council Policy P420 Procurement & Disposal of Land and Assets (as amended from time to time).
- Project plant and equipment renewals over a 20-year period, see Appendix D (values have been included based on anticipated dollar value at the time of purchase).
- Council has historically only owned plant and equipment to satisfy 'core function' activities and has sub-contracted or contracted specialist equipment on an as needs basis (e.g. excavators, backhoes, bobcats, asphalt laying equipment).
- Identify and dispose of any surplus equipment or equipment that becomes available of a specialist nature which will help provide and/or improve efficient service delivery to the community.
- Review the most efficient and effective means of owning fleet, for e.g. lease, hire purchase, own outright, buy new, and buy second hand.
- Complete cyclical audits on its plant and equipment fleet to ensure they are stored correctly, onsite and ready for use.

1.3 Relationship to Long Term Financial Plan and Annual Budgets

Plant and equipment purchases are not uniform in value and annual budget allocations can vary significantly from year to year. This Asset Management Plan considers the scheduled replacement cost of purchase for the next ten years which is duplicated in both the Annual Budget and the Long-Term Financial Plan.

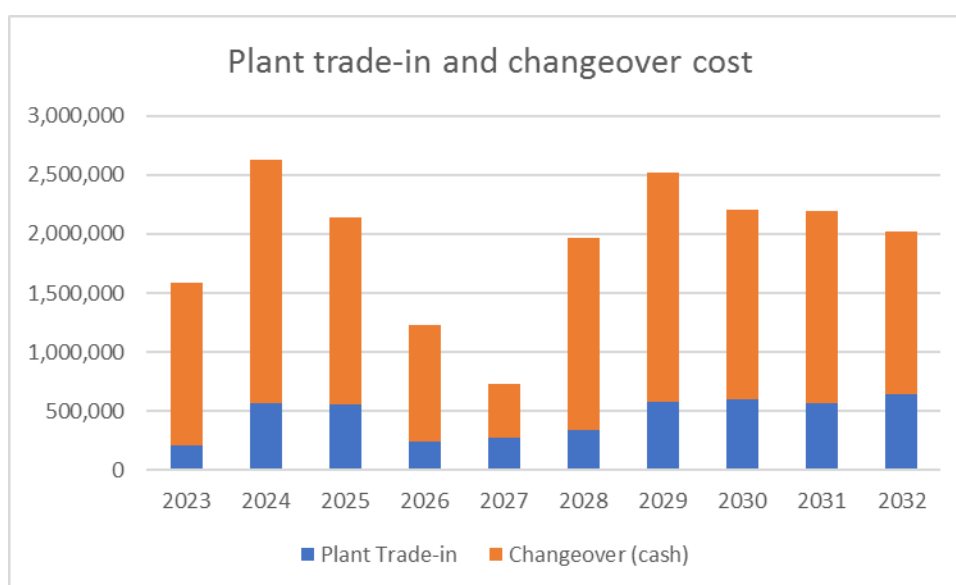
2 FINANCIAL SUMMARY

This section contains the financial requirements resulting from all the information presented in the previous sections of this Infrastructure and 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.

2.1 Financial Statements and Projections

The financial projections are shown in Figure 1 for planned replacement and net capital changeover expense.

Figure 1: Plant replacement and changeover



2.1.1 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 (depreciation expense).

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.

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 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.

Medium term – 10 Year Financial Planning Period

This 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 10-year period to identify any gap. In a core Asset Management Plan, a gap is generally due to increasing asset renewals or underfunding of capital renewal programs.

Table 1 provides a breakdown over the next 10 years comparing projected renewals and planned renewals. In most cases it is evidenced that Council's planned renewals (net changeover) exceed projected renewals (depreciation).

Table 1: Projected and Planned Renewals and Expenditure Gap

Year	Projected Renewals / Depreciation \$'000	Planned Renewals \$'000	Renewal Funding Gap/Excess \$'000	Cumulative Gap \$'000
2023	711	1,386	675	675
2024	729	2,055	1,326	2,001
2025	747	1,581	834	2,835
2026	766	985	219	3,054
2027	785	446	-339	2,715
2028	805	1,629	824	3,539
2029	825	1,945	1,120	4,659
2030	846	1,599	753	5,412
2031	867	1,627	760	6,172
2032	889	1,377	488	6,660

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.

The COVID-19 worldwide pandemic has impacted significantly on the renewal and replacement of plant and equipment over recent times delaying delivery and increasing changeover costs. Trade in values have decreased and new plant costs have increased widening the gap between depreciation and planned renewals. The delay on delivery has resulted in budgets being rolled forward to ensure delivery of critical plant and equipment while some planned new/upgrade initiatives aimed at achieving efficiencies in service delivery have needed to be deferred to future budget bids. These factors have a cumulative effect on the AMP as projected costs increase over time further widening the gap between Councils projected renewals and planned renewals.

Work is currently underway to conduct a service review of plant and equipment providing individual plant assessments detailing:

- condition rating
- usage versus age
- maintenance cost
- suitability for intended purpose
- fair market value
- cost of replacement
- ownership vs lease vs hire

This work will better inform the AMP for future budget and long-term financial planning.

Future iterations of this Plan will refine the assumptions used to project plant and equipment renewals with the objective of better aligning net changeover values to depreciation over the life of the asset. The current positive gap indicates that Council's plant & equipment programme more than offsets the depreciation in this AMP. Further iterations of this AMP will aim to bring these more into line, which

include a clearer delineation between asset renewal versus new asset acquisition, as well as review of the depreciation as the optimal level for renewal.

2.2 Funding Strategy

Projected expenditure identified in Section 2.1 is to be funded from Council's operating and capital budgets. The funding strategy is detailed in the Council's Long-Term Financial Plan.

2.3 Valuation Forecasts

Asset values are forecast to increase as additional assets are added to the asset stock from acquisition by Council. Depreciation expense values are forecast in line with asset values based on asset useful life and expected residual values. Due to the high turnover and nature of Council's plant and equipment assets, Council does not revalue this asset category.

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.

3 ASSET MANAGEMENT PRACTICES

3.1 Accounting / Financial Systems

- Local Government authorities in South Australia are established under the provisions of the Local Government Act, 1999.
- Financial and Accounting practices and procedures are required to be in accordance with the Local Government Act 1999, Local Government (Financial Management) Regulations and the Australian Accounting Standards.
- Council's asset accounting policy ensures that all Council owned assets are valued and depreciated in accordance with relevant Australian Accounting Standards ("the Standards") pursuant to Local Government Act 1999 under section 303(4).organisation.
- Council's audit regime includes the required annual statutory audit required by legislation and also a periodic 'procedural' audit. This process is also completed on an annual basis.
- Council's accounting and financial systems utilise the Civica local government enterprise software solution entitled 'Authority'.
- The Authority software solution enables integration of all Council operations including the Finance and Asset Management functions.

3.2 Information Flow Requirements and Processes

The key information that flows into this Infrastructure and Asset Management Plan are:

- The asset register data on size, age, value, remaining life of the network
- The 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 Asset Management Plan are:

- The assumed Works Program and trends
- The resulting budget, valuation and depreciation projections
- The useful life analysis
- Funding gap/excess considerations
- Improvements for asset management planning.

These will impact on the Long-Term Financial Plan, Community Plan, Annual Budget and business unit plans and budgets.

4 PLAN IMPROVEMENT AND MONITORING

4.1 Performance Measures

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

- The degree to which the required cash flows identified in this Asset Management Plan are incorporated into Council's LTFP
- 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 Asset Management Plan.

4.2 Monitoring and Review Procedures

This 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 4 years and is due for revision and updating within 2 years of each Council election in accordance with the Local Government Act.

5 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

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

6 Appendices

6.1 Plant and Machinery Asset Management Plan

Plant & Machinery Asset Management Plan - 2022-2031										
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Renewal	1,386,000	2,054,251	1,580,377	984,964	445,707	1,628,588	1,944,328	1,598,618	1,626,884	1,376,407
Upgrade/new	620,940	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
TOTAL	2,006,940	2,094,251	1,620,377	1,024,964	485,707	1,668,588	1,984,328	1,638,618	1,666,884	1,416,407