



City of
Mount Gambier

Plant & Equipment Asset Management Plan 2022-2031

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1 SUMMARY

Plant and equipment owned by Council is range 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 2020 was \$5.875M with annual consumption approximately \$677,166 (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 C375 (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.

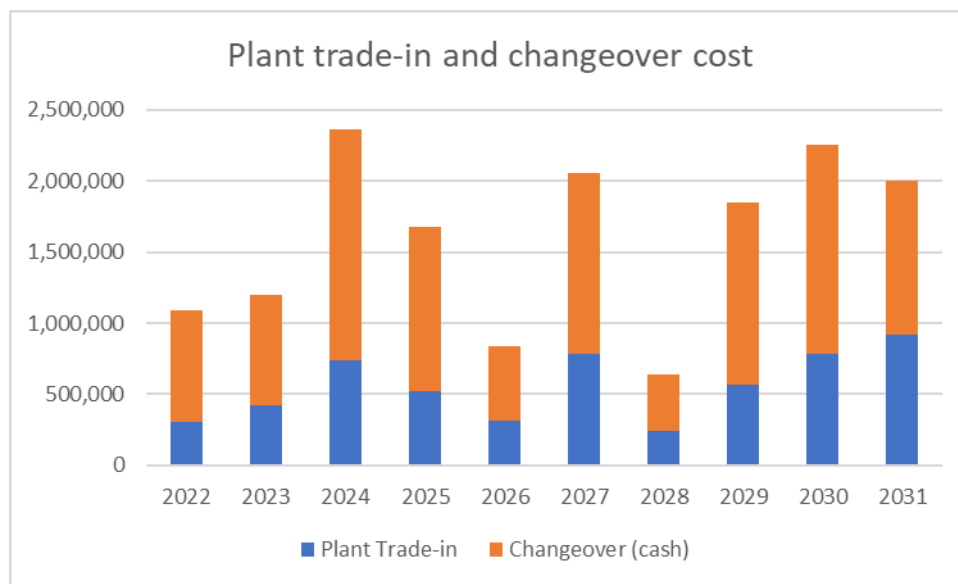
2 FINANCIAL SUMMARY

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
2022	694	790	96	96
2023	711	773	62	157
2024	729	1,624	895	1,052
2025	747	1,159	412	1,464
2026	766	520	-246	1,218
2027	785	1,275	490	1,707
2028	805	402	-403	1,304
2029	825	1,283	458	1,762
2030	846	1,473	627	2,390
2031	867	1,085	218	2,608

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.

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 Standard.
- Council's financial and accounting function is subject to a comprehensive Internal Control Policy and has reporting responsibilities to Council's Audit Committee whose membership is derived from persons both internal and external of the 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 Accounting 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

City of Mount Gambier Annual Report and Budget

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										
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Renewal	790,000	773,000	1,624,000	1,159,000	520,000	1,275,000	402,000	1,283,000	1,473,000	1,085,000
Upgrade/new	41,000	42,025	43,076	44,153	45,256	46,388	47,547	48,736	49,955	51,203