Our Resourcing Strategy

Narrabri Shire Council

2017 - 2021

Society *Environment* *Economy* *Civic Leadership*

Narrabri SHIRE
Heart of the North West

DISCLAIMER

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DOCUMENT CONTROL

Issue	Revision	Date	Description	Controlled	Resolution
Draft	*1*	*16/05/2017*	*For Exhibition*	*T Meppem*	*90/2017*
Final	*2*	*27/06/2017*	*Adopted*	*T Meppem*	*95/2017*

TABLE OF CONTENTS

OUR RESOURCING STRATEGY 3

WORKFORCE MANAGEMENT PLAN 5

LONG-TERM FINANCIAL PLAN 18

ASSET MANAGEMENT PLANNING 38

APPENDICES 49

- APPENDIX A: BUILDINGS, OTHER STRUCTURES AND RECREATION ASSET MANAGEMENT PLAN 50
- APPENDIX B: TRANSPORT ASSET MANAGEMENT PLAN 81
- APPENDIX C: WATER ASSET MANAGEMENT PLAN 111
- APPENDIX D: SEWER ASSET MANAGEMENT PLAN 140

OUR RESOURCING STRATEGY

OUR RESOURCING STRATEGY

According to the Local Government Act 1993, Council must prepare a Resourcing Strategy that achieves the objectives established by the Community Strategic Plan for which the Council is responsible and includes the provision for workforce management planning, asset management planning and long-term financial planning.

The association between the Resourcing Strategy, Community Strategic Plan, Delivery Program and Operational Plan is demonstrated in Figure 1.

Figure 1: Integrated Planning and Reporting Framework

WORKFORCE MANAGEMENT PLAN

The Workforce Management Plan addresses the human resourcing requirements of Council's Delivery Program and is prepared over a four-year period.

- Identified asset service standards
- Long-term projections of asset maintenance, rehabilitation and replacement costs
- Asset reporting requirements for the condition of Council assets

LONG-TERM FINANCIAL PLAN

The Long-Term Financial Plan outlines how Council will structure its available financial resources to achieve the strategic objectives over a 10-year timeframe. The Long-Term Financial Plan includes:

- Projected income and expenditure, balance sheet and cash flow statement
- Planning assumptions used to develop the plan

- Sensitivity analysis including highlight factors or assumptions most likely to affect the plan
- Financial modelling for different scenarios i.e. planned/optimistic/conservative
- Methods of monitoring financial performance

ASSET MANAGEMENT PLANNING

The Asset Management Planning sets the direction for Council to determine what level of service is required for the infrastructure and assets it has, or is to be developed, to meet the needs of the community over a 10-year timeframe. The Asset Management Plan includes:

- Endorsed Assets Management Strategy
- Plans for all existing assets under Council ownership
- Any new assets solutions proposed in the Community Strategic Plan and Delivery Program
- Identified assets critical to Council's operations and risk management strategies for assets
- Specific actions required to improve Council's Asset Management capability and the projected resource requirements and timeframes

REPORTING ON PROGRESS

Council must monitor and report every six months based on the progress made towards achieving the objectives and strategies detailed in the Delivery Program.

The community will revisit the Community Strategic Plan every four years when the new Council is elected. The Long Term Financial Plan will be reviewed in detail as part of the four yearly review of the Community Strategic Plan.

Council must also report on the condition of their assets in their annual financial statements in line with the Local Government Code of Accounting Practice and Financial Reporting.

WORKFORCE MANAGEMENT PLAN

INTRODUCTION AND OVERVIEW

What is workforce planning?

Workforce planning is a continuous improvement process designed to ensure Council's workforce is capable of delivering the community's key priorities now and into the future. In simple terms, the Workforce Management Plan must ensure Council has the right people, in the right place, at the right time. Workforce planning enables evidence-based decision-making about the workforce to develop strategies to address gaps between supply and demand.

How does this link to our Vision?

The vision for Narrabri Shire is:

"Narrabri Shire will be a strong and vibrant regional growth centre providing a quality living environment for the entire Shire community."

To enable the Shire to achieve its shared vision and strategic direction Council must ensure it has the appropriate resources to achieve it. This Workforce Management Plan aims to ensure that Council's workforce requirements to do this are met.

Council's Values

Narrabri Shire Council's Values (ILCARE) are at the very core of what we do and help build and maintain our family friendly, cohesive and progressive culture.

Our values guide our behaviour, how we go about our work, how we engage with each other and our customers, the choices we make and how we spend our time. Our values should be reflected in our everyday actions and decisions and by all employees, regardless of their position and whether they are with us for a short time or long term career.

Our values are:

- Integrity: ensuring transparency and honesty in all our activities.
- Leadership: providing guidance and direction to our community and our people.
- Customer focus: delivering prompt, courteous and helpful service and being responsive to people's changing needs.
- Accountability: accepting our responsibility for the provision of quality services and information.
- Respect: treating everyone with courtesy, dignity and fairness.
- Excellence: being recognised for providing services, programs and information which consistently meet and exceed standards.

OUR WORKFORCE PLANNING FRAMEWORK

Our Workforce Management Plan is underpinned by the Workforce Planning Framework. This is pictured and described in more detail below:

Council's process is outlined as follows:

1. Workforce Analysis
   Establishing the profile of our existing workforce, including external workforce influences.

2. Forecast Needs
   Establishing the future profile of our workforce based on Council's direction over the next four years and beyond. This involves identifying changes to the service delivery requirements of Council.

3. Analyse Gaps
   Understanding the gap between our existing workforce and the future profile of our workforce.

4. Developing strategies to address gaps
   Establishing strategies to develop the skills internally to match future needs and where applicable source the skills externally and overcome any constraints. These strategies outline the actions to be completed to achieve the desired outcomes.

5. Implementation of strategies
   Actions are put into place, responsibility for the action assigned, timeframes set and budget implications highlighted.

6. Monitoring and evaluation
   This final process involves ensuring the strategies are being actioned and are on track to be fully implemented. This step is also conducted to determine the effectiveness of strategies.

EXTERNAL INFLUENCES

Ageing Population and Workforce

Consistent with global trends, Australia's population is ageing due to sustained low fertility and increasing life expectancy. This has resulted in proportionally fewer children under 15 and a proportionally larger increase in those aged 65 and over.

Between 1996 and 2016, the proportion of Australia's population aged 15-64 years remained stable, decreasing from 66.6% to 65.9% of the total population. During the same period, the proportion of people aged 65 years and over increased from 12.0% to 15.3% with the proportion of people aged 85 years and over almost doubling from 1.1% of the total population in 1996 to 2.0% in 2016 (ABS website 2017).

The ageing Australian population will also impact on the structure of the demand for our Council's services. As the population ages, demand for health and aged care related services increases. These challenges can affect workforce capacity and the capabilities required by Council from staff.

A Shrinking Workforce

Australia's workforce is shrinking. This is a direct result of the ageing population, as well as a fall in the number of young people of working age. This will directly impact on the potential pool of employees available to Council.

Differing needs and expectations of a multi-generational workforce

The characteristics of the workforce will look different across all age cohorts. For example, younger employees have different expectations of their jobs, careers and employers. These varying attitudes and expectations towards work means that employers need to adopt a variety of workforce strategies to meet the various needs of workers.

Skills Shortages

A skills shortage is a major issue facing Australia's workforce as the available Australian workforce is not growing fast enough to keep up with the demand for labour and the particular skills required by many industries. Skills shortages have been identified in a number of occupations required by local government, including engineering, town planning and environmental health. Our Council consistently experiences difficulties in recruiting for a number of roles such skills as engineering, building certification, environmental and animal control.

Increasing Competition

A growth in the resources industry has occurred in the Narrabri Local Government Area in recent years. Whilst the impact on Council's ability to attract workers has been negligible to date further developments over the coming years may incur more noticeable impacts. With the difficulty to retain Fly-In, Fly-Out (FIFO) workers during productivity dips these industries may start looking more locally for a sustainable workforce.

Other Influences

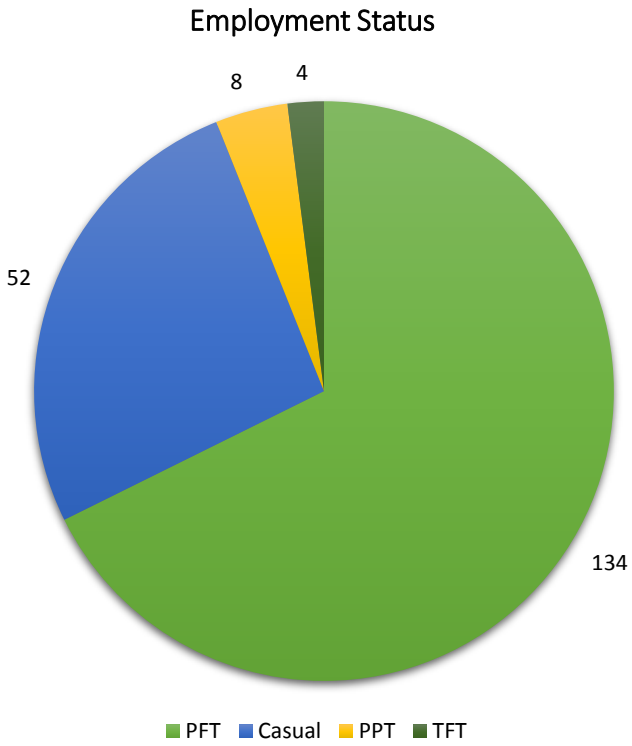
In addition, technological changes, rising expectations of the community, changes in legislation and Local Government Reform all have potential impacts on our future workforce requirements.

CURRENT WORKFORCE PROFILE AND TRENDS

Narrabri Shire Council employs 198 employees across a very diverse range of occupations. Segmentation of our workforce follows to allow us to understand and identify potential gaps.

Employment Status

Our workforce consists of permanent, temporary and casual employees. Staffing levels by employment status as at March 2017 are indicated in the graph below. This combination allows flexibility in responding to the needs of the community. The majority of our casual workforce typically work in The Crossing Theatre, Pools, Libraries and Tourism. The part time indicator demonstrates that Council has supported flexible working arrangements for some its workers.

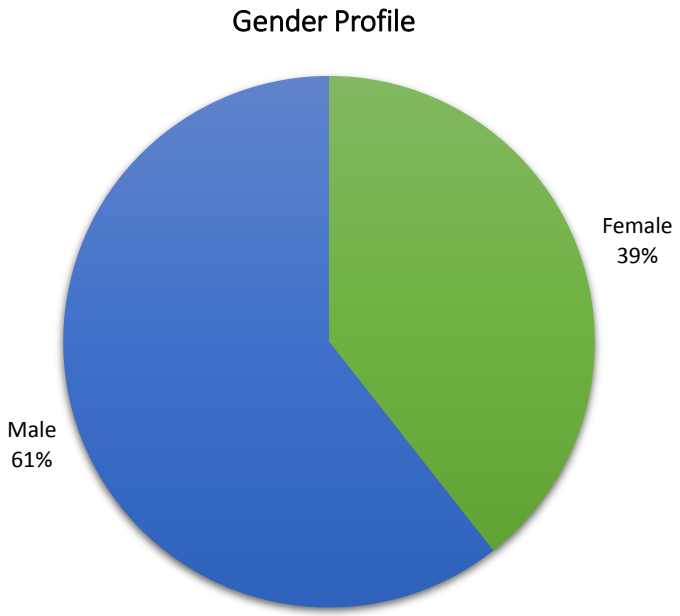


Gender Diversity

Council has a higher gender balance towards males within our workforce. This is likely linked to the types of work Council undertakes. In some professions the ratio of male to female is traditionally higher. For example, the sections of Road Services, Water and Sewer Services, Community Facilities and Waste Facilities have been traditionally male dominated due to the type

of labouring work undertaken. Other services such as Library, Tourism, Hospitality and Administration are typically female dominated.

The Local Government Area statistics for 2015 have the male population sitting at 51% with the female at 49%.



Age

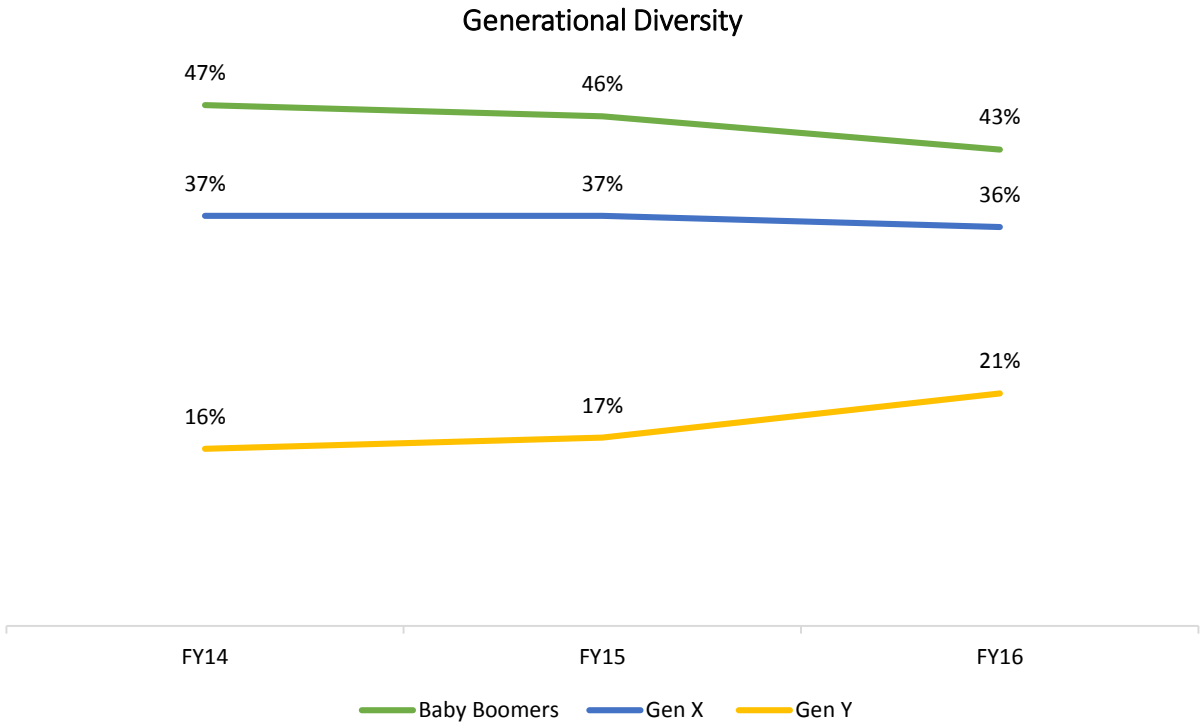
The following table provides a breakdown of Council's workforce by age bracket.

Age Bracket	No. of Employees	Percentage of Workforce	LGA Stats 2015
15 – 24 yrs	29	15%	11.5%
25 – 34 yrs	35	18%	11.4%
35 – 44 yrs	46	23%	12.3%
45 – 54 yrs	43	22%	13%
55 - 64 yrs	41	21%	13%
65 – 74 yrs	4	2%	9.4%

The average age of our workforce is 42 years in comparison to 39.2 for the LGA and 37.4 nationally in 2015 (ABS website 2017 - Narrabri LGA). Almost a quarter (23%) of Council's employees are over 55 years of age. Whilst there is a good representation of employees in the younger and mid-career age brackets overall, there are some sections and skills areas of Council that have a higher

representation of older workers, for example, Libraries, Road Services and Parks and Gardens. This poses a significant risk for retention of corporate knowledge as well as health and safety issues as people begin to experience difficulties in performing the physical aspects of their jobs. These risks will need to be appropriately managed.

The following chart does show that though we are seeing attrition of the Baby Boomers we have been successful in replacing them with younger workers from Gen Y. Gen Y, however, are twice as likely to leave a council, compared to Baby Boomers and Gen X[1]. Retention and replacement strategies will need to be developed to mitigate this risk.



Equal Employment Opportunity (EEO)

Our EEO data is somewhat limited as it is not a mandatory requirement to complete the data collection survey and some staff chose not to share this information. At present, of the 198 employees of Council we have EEO data for 159 employees:

- 1 employee indicated they have a disability
- 6 employees indicated they are from a diverse cultural background
- 8 employees indicated an indigenous background

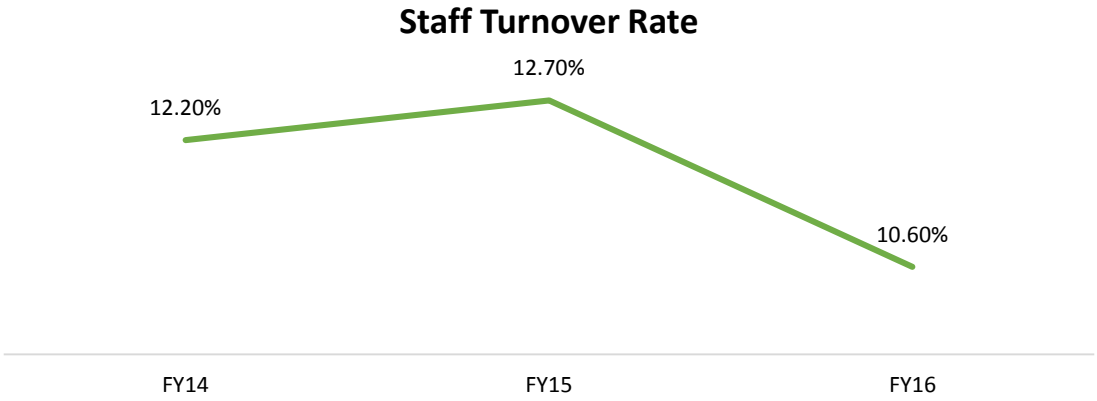
There is an opportunity for Council to tap the under-employed labour market to access a greater pool of potential workers. This market includes people with carer responsibilities, people with

[1] The Australasian LG Performance Excellence Program FY16

disabilities and people from culturally diverse and indigenous backgrounds. To do this, Council will need to ensure that it establishes the appropriate mechanisms to support it.

Staff Turnover

Council's staff turnover rate at the end of the 2016 financial year was slightly lower than the NSW Survey Population of 10.9% in The Australasian LG Performance Excellence Program. As seen in the graph below, this is a 2% decrease on the previous year. Previous years were higher than the NSW Survey Population by 1.4% (FY15) and 1.5% (FY14).



GAP ANALYSIS AND CLOSING STRATEGIES

To address workforce issues and to ensure any workforce gaps are minimised, the following general recommendations are made:

Objective 1: Workforce Sustainability

Expected Outcome: Council's workforce is multi-generational, diverse and inclusive.

Strategy	Key Actions	Responsibility	Partners	Timing	Performance Measures
Ensure Council's employment demographic is sustainable now and into the future.	• Develop better data capture of Council's workforce information. Expand on current data currently captured to better inform future workforce planning.	Human Resources	Managers	Ongoing	Appropriate data capture systems in place.
	• Continually monitor, review and identify risks with current workforce.	Human Resources	Managers	Annually	Demographics reviewed to identify risks and trends.
Ensure planning is undertaken to address issues with the ageing workforce.	• Develop a Mature Aged Workforce Strategy with a view to encourage mature aged workers to remain in paid work, allowing flexibility of work during the transition to retirement while managing the associated risks.	Human Resources	Managers Consultant	2017/2018	Strategy and actions developed and implemented.
Encourage diversity in the workforce.	• Implement EEO strategies outlined in Council's EEO Management Plan.	Human Resources	MANEX Managers & Supervisors	2017-2021	EEO actions implemented and targets are met.
	• Implement actions outlined in Council's Reconciliation Action Plan (RAP) applicable to Council's workforce.	Human Resources	MANEX & Managers	2017-2021	RAP actions implemented.
	• Develop and implement an Aboriginal Employment Strategy.	Human Resources	MANEX & Managers	2017-2021	Strategy developed and actions implemented.

	• Implement actions outlined in the Disability and Inclusion Action Plan (DIAP) applicable to Council's workforce.	Human Resources	MANEX & Managers	2017-2021	DIAP actions implemented.
Support youth employment.	• Explore options for expanding on Traineeships/Apprenticeships across Council targeting future critical shortages.	Human Resources	MANEX Managers	Ongoing	Options explored, considered and implemented where appropriate.
	• Explore opportunities for graduate roles across Council targeting future critical shortages by setting up programs with universities and colleges to recruit specific candidates and disciplines.	Human Resources	Managers	2018-2021	Opportunities explored, considered and implemented where appropriate.
	• Continue to support but also encourage and invite work experience students.	Human Resources	Managers	Ongoing	Opportunities identified and work experience offered and taken up.
	• Strengthen links with local high schools, universities and technical colleges, thereby promoting a career with Council.	Human Resources	High schools, Universities and TAFE	Ongoing	Partnerships formed and scoped.
Consider cadetship program.	• Investigate and report on viability of a cadetship program.	Human Resources	Universities & TAFE	2017-2021	Proposal developed and submitted to MANEX for consideration.

Objective 2: Attraction and Retention

Expected Outcome: Highly skilled and motivated employees are attracted to and retained by Council.

Strategy	Key Actions	Responsibility	Partners	Timing	Performance Measures
Ensure Council can attract and retain quality employees.	• Develop innovative advertising with access to a wide audience.	Human Resources	Communications Consultant	Ongoing	Suitable applicants are attracted to Council.
	• Investigate further streamlining of recruitment and selection practices.	Human Resources		2017-2021	Recruitment and selection practices reviewed. Surveys/reporting mechanisms expanded.
	• Review on-boarding processes to ensure the best possible start for new employees.	Human Resources	Other sections responsible for on-boarding activities	2017-2018	On-boarding processes reviewed.
	• Develop a marketing strategy that includes a strong employer brand and an effective employee value proposition (EVP).	Human Resources	Tourism Manager Consultant	2017-2021	Strategy developed and implemented.
	• Explore additional benefits to attract and retain employees, such as: ▪ Expanding on Salary Sacrificing options. ▪ Expanding on Wellness Initiatives. ▪ Developing a Rewards and Recognition framework.	Human Resources	MANEX		Benefits are explored, considered and implemented where appropriate.
Seek employee feedback.	• Continue to conduct employee engagement surveys every two years.	Human Resources	Managers & Supervisors External Provider	2017 & 2019	Surveys completed, actions developed and implemented where appropriate.

Provide career development opportunities	• Opportunities for career development are identified and planned during performance reviews.	Managers & Supervisors	Human Resources	Ongoing	Career development plans are agreed on during the performance appraisal process. Appropriate training programs implemented.

Objective 3: Skills and Labour Shortages

Expected Outcome: Council has the right people, with the right skills at the right time.

Strategy	Key Actions	Responsibility	Partners	Timing	Performance Measures
Ensure Council has the right skills in the available workforce.	• Continue to implement Council's Competency Assessments and develop individual and organisational training action plans to close skill gaps.	Human Resources	MANEX Managers Supervisors StateCover	Annually	Individual training action plans developed and implemented.
Succession Planning.	• Identify critical positions for succession planning and develop strategies to mitigate risk. • Identify and support opportunities for Relief Duties in higher graded positions.	Managers & Supervisors Managers & Supervisors	Human Resources Human Resources	Ongoing Ongoing	Critical positions identified and succession plans developed and implemented. Opportunities for relief duties identified and supported.
Leadership qualities are developed and supported.	• Identify potential leaders. • Implement leadership program.	Managers & Supervisors Human Resources	Human Resources Managers Program Service Provider	Ongoing	Potential leaders identified. Identified potential leaders participate in Leadership program.
Develop processes to ensure corporate knowledge is retained.	• Develop information sharing processes to retain corporate knowledge.	Managers & Supervisors	Information Services	Ongoing	Processes are developed within teams and implemented.

Objective 4: Workforce Wellbeing

Expected Outcome: Council's employees have a safe and supportive work environment.

Strategy	Key Actions	Responsibility	Partners	Timing	Performance Measures
Provide a safe workplace.	• Continue to review Council's safety management system and developing and implementing annual safety action plan.	Human Resources	MANEX Managers Supervisors StateCover	2017-2021	Annual Action Plan developed and actions implemented. Performance against key performance measures regarding Incidents and Injuries.
	• Communicate, report and consult on WHS issues.	Managers & Supervisors	Health & Safety Committee	Ongoing	Raised awareness of WHS issues and compliance needs.
	• Provide training where identified.	Managers & Supervisors	Human Resources	Ongoing	Training provided.
Support opportunities for work/life balance.	• Identify opportunities for flexible work practices where services can be maintained.	Human Resources	MANEX Managers	2017-2021	Opportunities identified and provided where appropriate.
Ensure employees understand their importance to the community.	• Link performance & work plans to the CSP Key Objectives.	Managers & Supervisors	Human Resources	2017-2018	Performance plans and Position Descriptions directly link to delivery of CSP.
	• Develop clear understanding of Council's performance and service level expectations.	Managers & Supervisors MANEX		Ongoing	As above.
	• Provide employees with regular feedback on their performance.	Managers & Supervisors		Ongoing	Performance reviews and feedback provided to

Strategy	Key Actions	Responsibility	Partners	Timing	Performance Measures
					employees at least annually.
Provide reward and recognition to employees.	• Explore options for rewarding and recognising employees' contributions.	Human Resources	MANEX Managers	Ongoing	Reward and recognition program developed and implemented.
Provide support through Council's Employee Assistance Program (EAP).	• Raise awareness of and promote Council's reviewed EAP service to all employees. • Ensure Council's EAP is providing a high standard of service.	Human Resources Managers & Supervisors Human Resources	 EAP Service Provider	2017 and ongoing Ongoing	Information provided to employees on a regular basis. Reviewed annually.
Provide Health and Wellbeing initiatives for employees.	• Continue to implement and continually review Council's Health & Wellbeing Strategy.	Employee Relations	MANEX	Ongoing	Health & Wellbeing Strategy implemented and reviewed annually.

REVIEW

This Workforce Management Plan will be reviewed and updated annually and strategies adjusted to align the existing workforce with changing internal and external influences. A minimum of quarterly checks will be made to ensure that strategies are successfully implemented.

LONG TERM FINANCIAL PLAN

1. Introduction

The Long Term Financial Plan (LTFP) is prepared in accordance with the provisions of the Local Government Amendment (planning and reporting) Act 2009 and the associated Guidelines and Manual.

The purpose of this LTFP is to provide a framework to assist future decision making that will secure the economic sustainability of the organisation and ensure adequate funds are generated into the future to achieve desirable outcomes for the community.

Council's LTFP was originally adopted in June 2013. The plan has been updated annually to assist in the preparation of yearly budget forecasts. This plan is a key document in forecasting the financial resources available for Council to achieve the strategic Direction and Goals specified in Council's Community Strategic Plan.

Policy Statements contained in this plan have been given force by resolution of Council. These policies provide the framework to guide decision making, future budgets and establish a mechanism to fund future investment decisions.

Council's LTFP has been developed to include financial forecasting and to form part of Council's Resourcing Strategy. The Resourcing Strategy will comprise the Long Term Financial Plan, the Workforce Management Plan and Asset Management Plans. The LTFP also provides a link to Council's Delivery and Operational Plans.

The LTFP establishes a framework, mechanism and financial targets of the Council. It is the basis or benchmark to guide Council in the decision making process across multiple years. It contains guiding philosophies to promote a consistent financial direction spanning financial years and council terms.

The financial model predicts Narrabri Shire Council's future funding requirements in order to maintain a strong financial position and deliver the facilities and services expected by our community. Setting the strategic direction of a financial plan promotes the sustainability of the organisation and ensures the availability of funds in future years to achieve all of Councils' goals and objectives.

2. Policy Framework

Previous Council resolutions have provided a policy framework to help guide the development of Council budgeting and long term financial planning. Future resource use and decision making by the Council can be guided by the structure provided in the policy framework. Council's 10 Year Long Term Financial Plan has been prepared to comply with the following policies:

2.1 Fiscal Responsibility Principles

Council's Fiscal Responsibility Principles provides a clear direction and context for decision making that guides the allocation, management and use of its financial resources. It aims to ensure that Council remains financially stable while giving focus to financing key Council priorities through strong financial management. It acts as the catalyst for improving efficiency and releasing resources to improve frontline services and continuity.

The Principles set parameters within which Council agrees to operate in order to maintain accepted financial outcomes and should be viewed as an enabling strategy that aims to provide financial stability, affordability, delivery, and value for money, over the short, medium and longer term.

2.2 Restricted Assets Policy

To assist Council in continuing to be fiscally responsible with a strong focus on financial capacity and long term sustainability; Council has established a series of Restricted Assets utilising sensible practices regarding the establishment and maintenance of cash reserves to fund future asset renewal or liability obligations.

The policy provides the basis and methodology for internally restricted assets, including their purpose, utilisation and maintenance.

2.3 Infrastructure and Service Level Policy

The effective management of capital expenditure is becoming more and more crucial for Local Government; budgetary pressures and ever increasing community expectations mean that Council must ensure that investment in new infrastructure and increases in service levels need to be properly and accurately scoped and assessed prior to any commitment.

Prior to committing to new infrastructure or increased service level investment; Council will utilise industry recognised and accepted methods to assess and review any proposed investment in additional infrastructure or increased service levels prior to formal commitment.

3. Current Financial Position of Council

Council's net operating result for 2015/2016 was a surplus of $4.042m ($0.159m surplus in 2014/2015).

Council's favourable result last financial year enabled additional funds to be set aside for asset management. Council maintained adequate cash reserves to meet future obligations and unforeseen circumstances. Council's internal cash reserves totalled $14.8m ($6.7m in 2014/2015).

Last financial year's results reflect the responsible approach taken by Council throughout the year in managing its finances and left Council in a sound financial position as at 30 June 2016.

4. Significant Forecasting Assumptions, Uncertainties and Risks

The following assumptions, risks and uncertainties have been prepared in accordance with the Council's legislative requirements, and in reference to the Council's Community Strategic Plan. Uncertainty increases as the number of years of prospective financial information increases. These forecast financial statements must be read with caution utilising the details of financial assumptions contained in this statement.

Uncontrollable external events can significantly affect the forecast. The most significant risks that may impact on the forecast financial statements include unexpected changes to legislation and/or regulations. It has been assumed that the organisational structure of Council will remain relatively unchanged.

4.1 Service Priorities

It is assumed that the community will continue to endorse the current range of services that the Council provides to the community. Extensive consultation has been conducted as part of the Community Strategic Planning Process to determine the range of services expected by the community.

4.2 Asset Ownership and Management

There are no major asset sales or change in management of significant assets that is forecast in this plan.

Council will continue to manage its large infrastructure stock in accordance with Asset Management Plans detailed as part of the Resourcing Strategy. Technology and further asset information may impact on the Council's Asset Management Strategy. However, significant changes to Council's strategy are not anticipated over the life of this plan.

4.3 Natural Disasters

The funding provisions in this plan assume that there will be no major natural disaster of a type that causes widespread and significant damage to Council's infrastructure.

4.4 External Factors

There will be no unexpected changes to legislation, national standards, or other external factors which alter the nature or extent of services provided by Council.

4.5 Interest Rates

Council's external borrowings are locked in for the short-term and therefore repayment levels are known. Two loans are however up for renewal in 2019/2020. An interest rate estimate of 5% has been applied for the renewals. No new loans have been included in the LTFP.

Interest on money invested is estimated at 2.75% pa.

4.6 Depreciation and Useful Lives

Estimates are based on Council's accounting policies and useful lives as stated in Council's Asset Management Plans.

Future revaluations will have an impact on infrastructure remaining lives as well as future depreciation charges. This plan does not anticipate significant valuation movements that would significantly change depreciation charges on infrastructure. Depreciation has been indexed by 1% pa across the term of the LTFP.

4.7 Outsourcing

Where Council outsources physical works and professional services, it is assumed this practice will continue over the life of the plan.

4.8 Asset Renewal

The forecast expenditure for infrastructural asset renewal is sufficient to maintain the current level of service provided by those assets.

There is a risk of deferred maintenance resulting in additional funding requirements and/or reduced service levels not stated or provided in the Community Strategic Plan. The Council is continually working to improve the level of confidence in the asset renewal forecasts.

4.9 Sources of Funds

It is assumed that the level of funds available to the Council over the period of this plan will be sufficient to meet the planned service levels.

4.10 Changes to Planned Service Levels

Council assumes that the service issues not provided for, or not fully provided for in the Community Strategic Plan will be considered by Council in the future, and in a manner that is consistent with the requirements of the Local Government Act 1993. In doing so it is assumed that the capacity of Council to fund these services will be assessed against the key financial management ratios and financial policy framework stated in this plan.

5. Financial Scenarios provided in the LTFP

Attached are Consolidated Income Statements, Balance Sheets and Cash Flow Statements for the four scenarios listed below:

- **SCENARIO 1** - BASE CASE - Continue down the same path as originally set out in Council's *"Fit for the Future" Improvement Plan* that includes a Special Rate Variation (SRV) of 5% pa for three (3) cumulative years from 2018/2019 (exclusive of 1.5% pa Rate Peg estimate)
- **SCENARIO 2** - BASE (ALTERNATIVE) CASE – Vary the SRV to 3% pa for five (5) cumulative years from 2018/2019 (exclusive of 1.5% pa Rate Peg estimate)
- **SCENARIO 3 -** NO SPECIAL RATE VARIATION CASE - BASE CASE with no SRV
- **SCENARIO 4 -** CRITICAL CASE - BASE CASE with no SRV and no Financial Assistance Grant indexation

The base case scenario model is a financial forecast aimed at delivering the strategic goals and outcomes set out in Council's Community Strategic Plan. It is based on Council's Fit for the Future Improvement Plan: An Agenda for Fiscal Responsibility and provides thorough estimates of future income and expenditure under normal operating conditions. Readers should note the forecast assumptions, uncertainties and risks to the performance of this budget plan set out in this document.

The base case scenario (Scenario 1) includes a foreshadowed special rate variation of 5% in the 2018/2019 financial year (exclusive of the rate-pegging limit) for three cumulative years. Scenario 2 provides an alternative SRV structure (smaller increases over longer period). Scenario 3 provides financial comparatives without the SRV and Scenario 4 provides for no SRV and no indexation of the Financial Assistance Grant.

All scenarios are provided under the following assumptions:

- Allowable rate increases of 1.5% pa have been applied over the term of the LTFP;
- Non-specific User Charges & Fees have been forecasted for 2017/2018 using the most up-to-date information available; and have been indexed by 3% pa for the remaining years of the LTFP;
- Financial Assistance Grant increases of 2% pa have been applied over the term of the LTFP (excepting scenario 4 where the effects of the current Commonwealth Government indexation freeze has been applied);
- Salaries & Wages increases of 2.5% pa have been applied over the term of the LTFP. The new Local Government (State) Award conditions have not yet been finalised, but is due to come into effect from 1 July 2017;
- Superannuation expenses have increased in-line with wages estimates and the scheduled increases of the Superannuation Guarantee from currently 9.5%, eventually increasing to 12% for the 2025/2026 financial year;
- Materials & Contracts and Other Expenses have been forecasted for 2017/2018 using the most up-to-date information available; and have been indexed by 2% pa for the remaining years of the LTFP;
- Depreciation increases of 1% pa have been applied over the term of the LTFP: and
- No new loans have been included.

SCENARIO 1

Narrabri Shire Council
10 Year Financial Plan for the Years ending 30 June 2027

INCOME STATEMENT - CONSOLIDATED	**Actuals**	**Current Year**	**Projected Years**									
Scenario: Base Case Scenario	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Income from Continuing Operations												
Revenue:												
Rates & Annual Charges	18,388,000	18,781,235	19,513,518	20,487,432	21,518,674	22,610,841	22,994,506	23,385,138	23,782,879	24,187,873	24,600,266	25,020,210
User Charges & Fees	8,791,000	8,422,661	7,881,822	8,104,160	8,365,601	8,581,257	8,801,247	9,025,690	9,204,709	9,388,433	9,576,991	9,770,519
Interest & Investment Revenue	1,332,000	1,436,600	1,452,800	1,452,800	1,452,800	1,452,800	1,452,800	1,452,800	1,452,800	1,452,800	1,452,800	1,452,800
Other Revenues	2,315,000	3,230,856	2,649,415	2,624,446	2,662,446	2,734,573	2,808,852	2,885,347	2,964,123	3,045,250	3,128,797	3,214,838
Grants & Contributions provided for Operating Purposes	12,506,000	13,294,824	11,534,727	10,392,104	10,518,742	10,540,002	10,682,423	10,827,694	10,975,869	11,127,009	11,281,170	11,438,416
Grants & Contributions provided for Capital Purposes	10,267,000	7,668,020	9,858,000	7,003,000	925,000	735,000	94,000	105,000	79,000	80,000	150,000	60,000
Other Income:												
Net gains from the disposal of assets	3,000	-	-	-	-	-	-	-	-	-	-	-
Joint Ventures & Associated Entities	-	-	-	-	-	-	-	-	-	-	-	-
Total Income from Continuing Operations	**53,602,000**	**52,834,196**	**52,890,282**	**50,063,943**	**45,443,263**	**46,654,473**	**46,833,828**	**47,681,668**	**48,459,381**	**49,281,364**	**50,190,025**	**50,956,783**
Expenses from Continuing Operations												
Employee Benefits & On-Costs	15,466,000	15,790,162	16,346,444	16,717,105	17,096,613	17,507,029	17,934,963	18,373,813	18,823,858	19,285,386	19,758,690	20,235,657
Borrowing Costs	597,000	404,623	338,714	282,220	238,300	270,670	243,340	214,156	183,079	156,636	139,308	121,097
Materials & Contracts	9,120,000	10,840,741	10,777,066	9,694,566	9,887,625	10,081,512	10,280,801	10,484,072	10,691,404	10,902,879	11,118,578	11,338,586
Depreciation & Amortisation	9,614,000	9,992,577	10,018,175	10,118,357	10,219,540	10,321,736	10,424,953	10,529,203	10,634,495	10,740,840	10,848,248	10,956,731
Impairment	-	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	4,040,000	4,426,775	4,195,670	4,191,414	4,273,338	4,496,872	4,442,050	4,528,903	4,617,465	4,867,768	4,799,848	4,893,740
Interest & Investment Losses	-	-	-	-	-	-	-	-	-	-	-	-
Net Losses from the Disposal of Assets	452,000	120,000	-	-	-	-	-	-	-	-	-	-
Joint Ventures & Associated Entities	4,000	-	-	-	-	-	-	-	-	-	-	-
Total Expenses from Continuing Operations	**39,293,000**	**41,574,878**	**41,676,069**	**41,003,662**	**41,715,417**	**42,677,819**	**43,326,107**	**44,130,147**	**44,950,301**	**45,953,508**	**46,664,672**	**47,545,811**
Operating Result from Continuing Operations	**14,309,000**	**11,259,318**	**11,214,213**	**9,060,280**	**3,727,846**	**3,976,654**	**3,507,721**	**3,551,521**	**3,509,080**	**3,327,856**	**3,525,353**	**3,410,971**
Discontinued Operations - Profit/(Loss)	-	-	-	-	-	-	-	-	-	-	-	-
Net Profit/(Loss) from Discontinued Operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net Operating Result for the Year	**14,309,000**	**11,259,318**	**11,214,213**	**9,060,280**	**3,727,846**	**3,976,654**	**3,507,721**	**3,551,521**	**3,509,080**	**3,327,856**	**3,525,353**	**3,410,971**
Net Operating Result before Grants and Contributions provided for Capital Purposes	**4,042,000**	**3,591,298**	**1,356,213**	**2,057,280**	**2,802,846**	**3,241,654**	**3,413,721**	**3,446,521**	**3,430,080**	**3,247,856**	**3,375,353**	**3,350,971**

Narrabri Shire Council
10 Year Financial Plan for the Years ending 30 June 2027
BALANCE SHEET - CONSOLIDATED
Scenario: Base Case Scenario

	Actuals	Current Year	Projected Years									
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	$	$	$	$	$	$	$	$	$	$	$	$
ASSETS												
Current Assets												
Cash & Cash Equivalents	3,312,000	4,633,704	4,500,000	5,944,181	8,403,532	10,000,000	11,401,208	12,656,693	13,000,000	13,000,000	13,000,000	13,000,000
Investments	44,000,000	39,273,404	27,940,997	24,786,592	24,127,613	25,865,749	29,727,884	33,638,752	38,662,258	44,508,266	49,923,890	55,561,215
Receivables	3,505,000	5,498,838	4,997,180	5,084,981	4,827,490	4,952,848	5,059,699	5,192,294	5,305,417	5,427,896	5,549,439	5,669,868
Inventories	3,561,000	3,675,394	3,655,745	3,461,443	3,489,358	3,517,301	3,546,071	3,575,417	3,605,349	3,635,879	3,667,021	3,698,785
Other	46,000	43,651	42,510	38,964	39,694	40,869	41,185	41,955	42,740	44,043	44,358	45,192
Non-current assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Assets	54,424,000	53,124,991	41,136,432	39,316,161	40,887,687	44,376,767	49,776,046	55,105,110	60,615,764	66,616,084	72,184,708	77,975,060
Non-Current Assets												
Investments	-	-	-	-	-	-	-	-	-	-	-	-
Receivables	493,000	441,211	457,182	475,802	495,439	516,155	524,666	533,325	542,136	551,101	560,223	569,506
Inventories	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure, Property, Plant & Equipment	420,262,000	433,103,597	455,257,567	464,588,103	466,056,094	466,217,822	463,924,775	461,743,602	459,308,367	456,410,841	454,069,541	451,404,758
Investments Accounted for using the equity method	172,000	172,000	172,000	172,000	172,000	172,000	172,000	172,000	172,000	172,000	172,000	172,000
Investment Property	-	-	-	-	-	-	-	-	-	-	-	-
Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-
Non-current assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-Current Assets	420,927,000	433,716,808	455,886,750	465,235,905	466,723,533	466,905,977	464,621,441	462,448,927	460,022,503	457,133,942	454,801,764	452,146,265
TOTAL ASSETS	**475,351,000**	**486,841,799**	**497,023,182**	**504,552,066**	**507,611,220**	**511,282,743**	**514,397,487**	**517,554,037**	**520,638,267**	**523,750,026**	**526,986,473**	**530,121,324**
LIABILITIES												
Current Liabilities												
Bank Overdraft	-	-	-	-	-	-	-	-	-	-	-	-
Payables	3,736,000	4,983,799	4,994,679	4,299,631	4,393,757	4,518,531	4,582,759	4,674,153	4,766,690	4,890,724	4,959,275	5,058,825
Borrowings	1,006,000	1,043,711	836,348	5,225,201	429,904	457,205	486,365	517,388	340,130	357,458	375,669	394,808
Provisions	3,495,000	3,447,295	3,447,295	3,447,295	3,447,295	3,447,295	3,447,295	3,447,295	3,447,295	3,447,295	3,447,295	3,447,295
Liabilities associated with assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	8,237,000	9,474,805	9,278,322	12,972,127	8,270,957	8,423,031	8,516,419	8,638,836	8,554,115	8,695,477	8,782,239	8,900,927
Non-Current Liabilities												
Payables	11,000	-	-	-	-	-	-	-	-	-	-	-
Borrowings	7,792,000	6,748,971	5,912,623	687,422	4,719,900	4,262,695	3,776,329	3,258,941	2,918,811	2,561,353	2,185,684	1,790,877
Provisions	161,000	208,705	208,705	208,705	208,705	208,705	208,705	208,705	208,705	208,705	208,705	208,705
Investments Accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities associated with assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-Current Liabilities	7,964,000	6,957,676	6,121,328	896,127	4,928,605	4,471,400	3,985,035	3,467,647	3,127,516	2,770,058	2,394,389	1,999,582
TOTAL LIABILITIES	**16,201,000**	**16,432,481**	**15,399,650**	**13,868,254**	**13,199,561**	**12,894,431**	**12,501,454**	**12,106,482**	**11,681,632**	**11,465,535**	**11,176,629**	**10,900,509**
Net Assets	**459,150,000**	**470,409,318**	**481,623,532**	**490,683,812**	**494,411,658**	**498,388,312**	**501,896,034**	**505,447,555**	**508,956,635**	**512,284,491**	**515,809,844**	**519,220,815**
EQUITY												
Retained Earnings	203,464,000	214,723,318	225,937,532	234,997,812	238,725,658	242,702,312	246,210,034	249,761,555	253,270,635	256,598,491	260,123,844	263,534,815
Revaluation Reserves	255,686,000	255,686,000	255,686,000	255,686,000	255,686,000	255,686,000	255,686,000	255,686,000	255,686,000	255,686,000	255,686,000	255,686,000
Council Equity Interest	459,150,000	470,409,318	481,623,532	490,683,812	494,411,658	498,388,312	501,896,034	505,447,555	508,956,635	512,284,491	515,809,844	519,220,815
Minority Equity Interest	-	-	-	-	-	-	-	-	-	-	-	-
Total Equity	**459,150,000**	**470,409,318**	**481,623,532**	**490,683,812**	**494,411,658**	**498,388,312**	**501,896,034**	**505,447,555**	**508,956,635**	**512,284,491**	**515,809,844**	**519,220,815**

Narrabri Shire Council
10 Year Financial Plan for the Years ending 30 June 2027
CASH FLOW STATEMENT - CONSOLIDATED
Scenario: Base Case Scenario

	Actuals	Current Year	Projected Years									
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	$	$	$	$	$	$	$	$	$	$	$	$
Cash Flows from Operating Activities												
Receipts:												
Rates & Annual Charges	18,205,000	18,877,193	19,469,105	20,436,666	21,465,177	22,554,446	22,970,673	23,360,892	23,758,212	24,162,776	24,574,732	24,994,230
User Charges & Fees	12,258,000	7,248,463	8,078,802	8,044,540	8,293,417	8,524,208	8,742,983	8,966,176	9,160,220	9,342,618	9,529,811	9,721,932
Interest & Investment Revenue Received	1,470,000	1,408,042	1,559,461	1,467,547	1,457,664	1,442,918	1,430,626	1,431,654	1,430,222	1,424,355	1,430,423	1,428,163
Grants & Contributions	24,433,000	20,449,574	21,433,312	17,389,765	11,834,011	11,280,184	10,791,735	10,927,895	11,051,117	11,202,336	11,424,286	11,496,351
Bonds & Deposits Received	61,000	-	-	-	-	-	-	-	-	-	-	-
Other	7,062,000	2,876,817	2,825,941	2,637,194	2,651,734	2,728,344	2,792,123	2,863,675	2,946,908	3,027,281	3,109,774	3,196,288
Payments:												
Employee Benefits & On-Costs	(15,135,000)	(15,540,545)	(16,324,870)	(17,330,296)	(17,096,613)	(17,507,029)	(17,934,963)	(18,373,813)	(18,823,858)	(19,285,386)	(19,758,690)	(20,235,657)
Materials & Contracts	(12,724,000)	(9,971,816)	(10,753,958)	(9,591,372)	(9,841,275)	(10,007,175)	(10,254,183)	(10,431,794)	(10,637,857)	(10,820,122)	(11,090,307)	(11,281,042)
Borrowing Costs	(520,000)	(401,180)	(341,468)	(284,784)	(240,638)	(271,988)	(244,741)	(215,647)	(184,665)	(157,678)	(140,403)	(122,248)
Bonds & Deposits Refunded	-	-	-	-	-	-	-	-	-	-	-	-
Other	(8,906,000)	(4,391,949)	(4,196,581)	(4,194,243)	(4,272,755)	(4,495,936)	(4,441,798)	(4,528,289)	(4,616,838)	(4,866,729)	(4,799,597)	(4,893,075)
Net Cash provided (or used in) Operating Activities	26,204,000	20,554,600	21,749,745	18,575,016	14,250,723	14,247,972	13,852,455	14,000,747	14,083,462	14,029,452	14,280,030	14,304,942
Cash Flows from Investing Activities												
Receipts:												
Sale of Investment Securities	62,000,000	4,726,596	11,332,407	3,154,406	1,703,811	479,097	-	-	-	-	-	-
Sale of Infrastructure, Property, Plant & Equipment	447,000	1,089,477	1,138,726	812,778	1,414,368	1,408,246	832,615	1,057,743	1,118,070	1,054,424	1,348,828	1,348,828
Payments:												
Purchase of Investment Securities	(73,000,000)	-	-	-	(1,044,833)	(2,217,233)	(3,862,135)	(3,910,868)	(5,023,506)	(5,846,008)	(5,415,624)	(5,637,325)
Purchase of Infrastructure, Property, Plant & Equipment	(22,811,000)	(24,043,651)	(33,310,871)	(20,261,671)	(13,101,899)	(11,891,710)	(8,964,522)	(9,405,772)	(9,317,330)	(8,897,738)	(9,855,776)	(9,640,776)
Purchase of Real Estate Assets	(69,000)	-	-	-	-	-	-	-	-	-	-	-
Net Cash provided (or used in) Investing Activities	(33,433,000)	(18,227,578)	(20,839,738)	(16,294,487)	(11,028,553)	(12,221,600)	(11,994,042)	(12,258,897)	(13,222,766)	(13,689,322)	(13,922,572)	(13,929,273)
Cash Flows from Financing Activities												
Receipts:												
Proceeds from Borrowings & Advances	-	-	-	-	4,462,382	-	-	-	-	-	-	-
Payments:												
Repayment of Borrowings & Advances	(1,591,000)	(979,455)	(1,041,574)	(836,348)	(5,225,201)	(429,904)	(457,205)	(486,365)	(517,388)	(340,130)	(357,458)	(375,669)
Repayment of Finance Lease Liabilities	(26,000)	(25,863)	(2,137)	-	-	-	-	-	-	-	-	-
Net Cash Flow provided (used in) Financing Activities	(1,617,000)	(1,005,318)	(1,043,711)	(836,348)	(762,819)	(429,904)	(457,205)	(486,365)	(517,388)	(340,130)	(357,458)	(375,669)
Net Increase/(Decrease) in Cash & Cash Equivalents	(8,846,000)	1,321,704	(133,704)	1,444,181	2,459,351	1,596,468	1,401,208	1,255,485	343,307	0	(0)	(0)
plus: Cash, Cash Equivalents & Investments - beginning of year	12,158,000	3,312,000	4,633,704	4,500,000	5,944,181	8,403,532	10,000,000	11,401,208	12,656,693	13,000,000	13,000,000	13,000,000
Cash & Cash Equivalents - end of the year	**3,312,000**	**4,633,704**	**4,500,000**	**5,944,181**	**8,403,532**	**10,000,000**	**11,401,208**	**12,656,693**	**13,000,000**	**13,000,000**	**13,000,000**	**13,000,000**
Cash & Cash Equivalents - end of the year	3,312,000	4,633,704	4,500,000	5,944,181	8,403,532	10,000,000	11,401,208	12,656,693	13,000,000	13,000,000	13,000,000	13,000,000
Investments - end of the year	44,000,000	39,273,404	27,940,997	24,786,592	24,127,613	25,865,749	29,727,884	33,638,752	38,662,258	44,508,266	49,923,890	55,561,215
Cash, Cash Equivalents & Investments - end of the year	**47,312,000**	**43,907,108**	**32,440,997**	**30,730,773**	**32,531,145**	**35,865,749**	**41,129,092**	**46,295,445**	**51,662,258**	**57,508,266**	**62,923,890**	**68,561,215**
Representing:												
- External Restrictions	29,821,435	28,040,461	22,841,795	23,813,596	27,053,033	30,950,841	34,975,782	39,238,031	43,504,787	47,926,278	52,423,754	56,998,495
- Internal Restricitons	14,878,627	12,638,003	7,791,369	6,559,976	5,285,296	4,281,258	5,169,578	5,730,804	6,507,058	7,423,749	7,935,533	8,596,280
- Unrestricted	2,611,938	3,228,644	1,807,832	357,201	192,816	633,649	983,732	1,326,610	1,650,413	2,158,239	2,564,603	2,966,440
	47,312,000	**43,907,108**	**32,440,997**	**30,730,773**	**32,531,145**	**35,865,749**	**41,129,092**	**46,295,445**	**51,662,258**	**57,508,266**	**62,923,890**	**68,561,215**

SCENARIO 2

Narrabri Shire Council
10 Year Financial Plan for the Years ending 30 June 2027

INCOME STATEMENT - CONSOLIDATED	**Actuals**	**Current Year**	**Projected Years**									
Scenario: Base Case (Alternative) Scenario	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Income from Continuing Operations												
Revenue:												
Rates & Annual Charges	18,388,000	18,781,235	19,513,518	20,231,377	20,978,397	21,755,826	22,564,969	23,384,818	23,782,554	24,187,543	24,599,931	25,019,871
User Charges & Fees	8,791,000	8,422,661	7,881,822	8,104,160	8,365,601	8,581,257	8,801,247	9,025,690	9,204,709	9,388,433	9,576,991	9,770,519
Interest & Investment Revenue	1,332,000	1,436,600	1,452,800	1,452,800	1,452,800	1,452,800	1,452,800	1,452,800	1,452,800	1,452,800	1,452,800	1,452,800
Other Revenues	2,315,000	3,230,856	2,649,415	2,624,446	2,662,446	2,734,573	2,808,852	2,885,347	2,964,123	3,045,250	3,128,797	3,214,838
Grants & Contributions provided for Operating Purposes	12,506,000	13,294,824	11,534,727	10,392,104	10,518,742	10,540,002	10,682,423	10,827,694	10,975,869	11,127,009	11,281,170	11,438,416
Grants & Contributions provided for Capital Purposes	10,267,000	7,668,020	9,858,000	7,003,000	925,000	735,000	94,000	105,000	79,000	80,000	150,000	60,000
Other Income:												
Net gains from the disposal of assets	3,000	-	-	-	-	-	-	-	-	-	-	-
Joint Ventures & Associated Entities	-	-	-	-	-	-	-	-	-	-	-	-
Total Income from Continuing Operations	**53,602,000**	**52,834,196**	**52,890,282**	**49,807,887**	**44,902,986**	**45,799,459**	**46,404,292**	**47,681,348**	**48,459,056**	**49,281,034**	**50,189,690**	**50,956,443**
Expenses from Continuing Operations												
Employee Benefits & On-Costs	15,466,000	15,790,162	16,346,444	16,717,105	17,096,613	17,507,029	17,934,963	18,373,813	18,823,858	19,285,386	19,758,690	20,235,657
Borrowing Costs	597,000	404,623	338,714	282,220	238,300	270,670	243,340	214,156	183,079	156,636	139,308	121,097
Materials & Contracts	9,120,000	10,840,741	10,777,066	9,694,566	9,887,625	10,081,512	10,280,801	10,484,072	10,691,404	10,902,879	11,118,578	11,338,586
Depreciation & Amortisation	9,614,000	9,992,577	10,018,175	10,118,357	10,219,540	10,321,736	10,424,953	10,529,203	10,634,495	10,740,840	10,848,248	10,956,731
Impairment	-	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	4,040,000	4,426,775	4,195,670	4,191,414	4,273,338	4,496,872	4,442,050	4,528,903	4,617,465	4,867,768	4,799,848	4,893,740
Interest & Investment Losses	-	-	-	-	-	-	-	-	-	-	-	-
Net Losses from the Disposal of Assets	452,000	120,000	-	-	-	-	-	-	-	-	-	-
Joint Ventures & Associated Entities	4,000	-	-	-	-	-	-	-	-	-	-	-
Total Expenses from Continuing Operations	**39,293,000**	**41,574,878**	**41,676,069**	**41,003,662**	**41,715,417**	**42,677,819**	**43,326,107**	**44,130,147**	**44,950,301**	**45,953,508**	**46,664,672**	**47,545,811**
Operating Result from Continuing Operations	**14,309,000**	**11,259,318**	**11,214,213**	**8,804,225**	**3,187,569**	**3,121,640**	**3,078,185**	**3,551,201**	**3,508,755**	**3,327,526**	**3,525,018**	**3,410,631**
Discontinued Operations - Profit/(Loss)	-	-	-	-	-	-	-	-	-	-	-	-
Net Profit/(Loss) from Discontinued Operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net Operating Result for the Year	**14,309,000**	**11,259,318**	**11,214,213**	**8,804,225**	**3,187,569**	**3,121,640**	**3,078,185**	**3,551,201**	**3,508,755**	**3,327,526**	**3,525,018**	**3,410,631**
Net Operating Result before Grants and Contributions provided for Capital Purposes	**4,042,000**	**3,591,298**	**1,356,213**	**1,801,225**	**2,262,569**	**2,386,640**	**2,984,185**	**3,446,201**	**3,429,755**	**3,247,526**	**3,375,018**	**3,350,631**

Narrabri Shire Council
10 Year Financial Plan for the Years ending 30 June 2027
BALANCE SHEET - CONSOLIDATED
Scenario: Base Case (Alternative) Scenario

	Actuals	Current Year	Projected Years									
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	$	$	$	$	$	$	$	$	$	$	$	$
ASSETS												
Current Assets												
Cash & Cash Equivalents	3,312,000	4,633,704	4,500,000	5,944,181	8,403,532	10,000,000	10,957,579	12,193,729	13,000,000	13,000,000	13,000,000	13,000,000
Investments	44,000,000	39,273,404	27,940,997	24,545,263	23,365,335	24,273,050	28,135,185	32,046,053	36,606,607	42,452,285	47,867,578	53,504,568
Receivables	3,505,000	5,498,838	4,997,180	5,070,299	4,793,529	4,894,348	5,015,218	5,166,753	5,279,540	5,402,018	5,523,558	5,643,982
Inventories	3,561,000	3,675,394	3,655,745	3,461,443	3,489,358	3,517,301	3,546,071	3,575,417	3,605,349	3,635,879	3,667,021	3,698,785
Other	46,000	43,651	42,510	38,964	39,694	40,869	41,185	41,955	42,740	44,043	44,358	45,192
Non-current assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Assets	54,424,000	53,124,991	41,136,432	39,060,149	40,091,448	42,725,568	47,695,237	53,023,907	58,534,236	64,534,226	70,102,515	75,892,527
Non-Current Assets												
Investments	-	-	-	-	-	-	-	-	-	-	-	-
Receivables	493,000	441,211	457,182	471,381	486,110	501,392	517,249	533,319	542,130	551,095	560,218	569,500
Inventories	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure, Property, Plant & Equipment	420,262,000	433,103,597	455,257,567	464,588,103	466,056,094	466,217,822	463,924,775	461,743,602	459,308,367	456,410,841	454,069,541	451,404,758
Investments Accounted for using the equity method	172,000	172,000	172,000	172,000	172,000	172,000	172,000	172,000	172,000	172,000	172,000	172,000
Investment Property	-	-	-	-	-	-	-	-	-	-	-	-
Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-
Non-current assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-Current Assets	420,927,000	433,716,808	455,886,750	465,231,484	466,714,204	466,891,214	464,614,025	462,448,921	460,022,497	457,133,936	454,801,759	452,146,259
TOTAL ASSETS	**475,351,000**	**486,841,799**	**497,023,182**	**504,291,634**	**506,805,652**	**509,616,781**	**512,309,262**	**515,472,828**	**518,556,733**	**521,668,162**	**524,904,274**	**528,038,786**
LIABILITIES												
Current Liabilities												
Bank Overdraft	-	-	-	-	-	-	-	-	-	-	-	-
Payables	3,736,000	4,983,799	4,994,679	4,295,254	4,384,522	4,503,916	4,575,417	4,674,147	4,766,685	4,890,718	4,959,270	5,058,819
Borrowings	1,006,000	1,043,711	836,348	5,225,201	429,904	457,205	486,365	517,388	340,130	357,458	375,669	394,808
Provisions	3,495,000	3,447,295	3,447,295	3,447,295	3,447,295	3,447,295	3,447,295	3,447,295	3,447,295	3,447,295	3,447,295	3,447,295
Liabilities associated with assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	8,237,000	9,474,805	9,278,322	12,967,750	8,261,722	8,408,416	8,509,077	8,638,830	8,554,110	8,695,471	8,782,233	8,900,921
Non-Current Liabilities												
Payables	11,000	-	-	-	-	-	-	-	-	-	-	-
Borrowings	7,792,000	6,748,971	5,912,623	687,422	4,719,900	4,262,695	3,776,329	3,258,941	2,918,811	2,561,353	2,185,684	1,790,877
Provisions	161,000	208,705	208,705	208,705	208,705	208,705	208,705	208,705	208,705	208,705	208,705	208,705
Investments Accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities associated with assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-Current Liabilities	7,964,000	6,957,676	6,121,328	896,127	4,928,605	4,471,400	3,985,035	3,467,647	3,127,516	2,770,058	2,394,389	1,999,582
TOTAL LIABILITIES	**16,201,000**	**16,432,481**	**15,399,650**	**13,863,877**	**13,190,326**	**12,879,816**	**12,494,112**	**12,106,477**	**11,681,626**	**11,465,529**	**11,176,623**	**10,900,503**
Net Assets	**459,150,000**	**470,409,318**	**481,623,532**	**490,427,756**	**493,615,326**	**496,736,966**	**499,815,150**	**503,366,351**	**506,875,107**	**510,202,633**	**513,727,651**	**517,138,283**
EQUITY												
Retained Earnings	203,464,000	214,723,318	225,937,532	234,741,756	237,929,326	241,050,966	244,129,150	247,680,351	251,189,107	254,516,633	258,041,651	261,452,283
Revaluation Reserves	255,686,000	255,686,000	255,686,000	255,686,000	255,686,000	255,686,000	255,686,000	255,686,000	255,686,000	255,686,000	255,686,000	255,686,000
Council Equity Interest	459,150,000	470,409,318	481,623,532	490,427,756	493,615,326	496,736,966	499,815,150	503,366,351	506,875,107	510,202,633	513,727,651	517,138,283
Minority Equity Interest	-	-	-	-	-	-	-	-	-	-	-	-
Total Equity	**459,150,000**	**470,409,318**	**481,623,532**	**490,427,756**	**493,615,326**	**496,736,966**	**499,815,150**	**503,366,351**	**506,875,107**	**510,202,633**	**513,727,651**	**517,138,283**

Narrabri Shire Council
10 Year Financial Plan for the Years ending 30 June 2027
CASH FLOW STATEMENT - CONSOLIDATED
Scenario: Base Case (Alternative) Scenario

	Actuals	Current Year	Projected Years									
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	$	$	$	$	$	$	$	$	$	$	$	$
Cash Flows from Operating Activities												
Receipts:												
Rates & Annual Charges	18,205,000	18,877,193	19,469,105	20,192,411	20,937,999	21,713,937	22,521,527	23,340,791	23,757,887	24,162,447	24,574,398	24,993,891
User Charges & Fees	12,258,000	7,248,463	8,078,802	8,044,540	8,293,417	8,524,208	8,742,983	8,966,176	9,160,220	9,342,618	9,529,811	9,721,932
Interest & Investment Revenue Received	1,470,000	1,408,042	1,559,461	1,474,850	1,468,751	1,458,387	1,428,869	1,425,084	1,430,558	1,424,355	1,430,427	1,428,167
Grants & Contributions	24,433,000	20,449,574	21,433,312	17,389,765	11,834,011	11,280,184	10,791,735	10,927,895	11,051,117	11,202,336	11,424,286	11,496,351
Bonds & Deposits Received	61,000	-	-	-	-	-	-	-	-	-	-	-
Other	7,062,000	2,876,817	2,825,941	2,632,817	2,646,876	2,722,964	2,799,395	2,871,011	2,946,908	3,027,281	3,109,774	3,196,288
Payments:												
Employee Benefits & On-Costs	(15,135,000)	(15,540,545)	(16,324,870)	(17,330,296)	(17,096,613)	(17,507,029)	(17,934,963)	(18,373,813)	(18,823,858)	(19,285,386)	(19,758,690)	(20,235,657)
Materials & Contracts	(12,724,000)	(9,971,816)	(10,753,958)	(9,591,372)	(9,841,275)	(10,007,175)	(10,254,183)	(10,431,794)	(10,637,857)	(10,820,122)	(11,090,307)	(11,281,042)
Borrowing Costs	(520,000)	(401,180)	(341,468)	(284,784)	(240,638)	(271,988)	(244,741)	(215,647)	(184,665)	(157,678)	(140,403)	(122,248)
Bonds & Deposits Refunded	-	-	-	-	-	-	-	-	-	-	-	-
Other	(8,906,000)	(4,391,949)	(4,196,581)	(4,194,243)	(4,272,755)	(4,495,936)	(4,441,798)	(4,528,289)	(4,616,838)	(4,866,729)	(4,799,597)	(4,893,075)
Net Cash provided (or used in) Operating Activities	26,204,000	20,554,600	21,749,745	18,333,688	13,729,773	13,417,552	13,408,825	13,981,413	14,083,473	14,029,122	14,279,699	14,304,606
Cash Flows from Investing Activities												
Receipts:												
Sale of Investment Securities	62,000,000	4,726,596	11,332,407	3,395,734	2,224,761	1,309,518	-	-	-	-	-	-
Sale of Infrastructure, Property, Plant & Equipment	447,000	1,089,477	1,138,726	812,778	1,414,368	1,408,246	832,615	1,057,743	1,118,070	1,054,424	1,348,828	1,348,828
Payments:												
Purchase of Investment Securities	(73,000,000)	-	-	-	(1,044,833)	(2,217,233)	(3,862,135)	(3,910,868)	(4,560,554)	(5,845,678)	(5,415,293)	(5,636,990)
Purchase of Infrastructure, Property, Plant & Equipment	(22,811,000)	(24,043,651)	(33,310,871)	(20,261,671)	(13,101,899)	(11,891,710)	(8,964,522)	(9,405,772)	(9,317,330)	(8,897,738)	(9,855,776)	(9,640,776)
Purchase of Real Estate Assets	(69,000)	-	-	-	-	-	-	-	-	-	-	-
Net Cash provided (or used in) Investing Activities	(33,433,000)	(18,227,578)	(20,839,738)	(16,053,159)	(10,507,603)	(11,391,179)	(11,994,042)	(12,258,897)	(12,759,814)	(13,688,992)	(13,922,241)	(13,928,938)
Cash Flows from Financing Activities												
Receipts:												
Proceeds from Borrowings & Advances	-	-	-	-	4,462,382	-	-	-	-	-	-	-
Payments:												
Repayment of Borrowings & Advances	(1,591,000)	(979,455)	(1,041,574)	(836,348)	(5,225,201)	(429,904)	(457,205)	(486,365)	(517,388)	(340,130)	(357,458)	(375,669)
Repayment of Finance Lease Liabilities	(26,000)	(25,863)	(2,137)	-	-	-	-	-	-	-	-	-
Net Cash Flow provided (used in) Financing Activities	(1,617,000)	(1,005,318)	(1,043,711)	(836,348)	(762,819)	(429,904)	(457,205)	(486,365)	(517,388)	(340,130)	(357,458)	(375,669)
Net Increase/(Decrease) in Cash & Cash Equivalents	(8,846,000)	1,321,704	(133,704)	1,444,181	2,459,351	1,596,468	957,579	1,236,151	806,271	(0)	0	(0)
plus: Cash, Cash Equivalents & Investments - beginning of year	12,158,000	3,312,000	4,633,704	4,500,000	5,944,181	8,403,532	10,000,000	10,957,579	12,193,729	13,000,000	13,000,000	13,000,000
Cash & Cash Equivalents - end of the year	**3,312,000**	**4,633,704**	**4,500,000**	**5,944,181**	**8,403,532**	**10,000,000**	**10,957,579**	**12,193,729**	**13,000,000**	**13,000,000**	**13,000,000**	**13,000,000**
Cash & Cash Equivalents - end of the year	3,312,000	4,633,704	4,500,000	5,944,181	8,403,532	10,000,000	10,957,579	12,193,729	13,000,000	13,000,000	13,000,000	13,000,000
Investments - end of the year	44,000,000	39,273,404	27,940,997	24,545,263	23,365,335	24,273,050	28,135,185	32,046,053	36,606,607	42,452,285	47,867,578	53,504,568
Cash, Cash Equivalents & Investments - end of the year	**47,312,000**	**43,907,108**	**32,440,997**	**30,489,444**	**31,768,867**	**34,273,050**	**39,092,763**	**44,239,782**	**49,606,607**	**55,452,285**	**60,867,578**	**66,504,568**
Representing:												
- External Restrictions	29,821,435	28,040,461	22,841,795	23,813,596	27,053,033	30,950,841	34,975,782	39,238,031	43,504,787	47,926,278	52,423,754	56,998,495
- Internal Restricitons	14,878,627	12,638,003	7,791,369	6,559,976	5,285,296	4,281,258	5,169,578	5,730,804	6,507,058	7,423,749	7,935,533	8,596,280
- Unrestricted	2,611,938	3,228,644	1,807,832	115,872	(569,463)	(959,050)	(1,052,597)	(729,052)	(405,238)	102,258	508,292	909,793
	47,312,000	**43,907,108**	**32,440,997**	**30,489,444**	**31,768,867**	**34,273,050**	**39,092,763**	**44,239,782**	**49,606,607**	**55,452,285**	**60,867,578**	**66,504,568**

SCENARIO 3

Narrabri Shire Council
10 Year Financial Plan for the Years ending 30 June 2027

INCOME STATEMENT - CONSOLIDATED	**Actuals**	**Current Year**	**Projected Years**									
Scenario: No SRV Case Scenario	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Income from Continuing Operations												
Revenue:												
Rates & Annual Charges	18,388,000	18,781,235	19,513,518	19,847,294	20,187,185	20,533,318	20,885,820	21,244,823	21,610,459	21,982,866	22,362,184	22,748,557
User Charges & Fees	8,791,000	8,422,661	7,881,822	8,104,160	8,365,601	8,581,257	8,801,247	9,025,690	9,204,709	9,388,433	9,576,991	9,770,519
Interest & Investment Revenue	1,332,000	1,436,600	1,452,800	1,452,800	1,452,800	1,452,800	1,452,800	1,452,800	1,452,800	1,452,800	1,452,800	1,452,800
Other Revenues	2,315,000	3,230,856	2,649,415	2,624,446	2,662,446	2,734,573	2,808,852	2,885,347	2,964,123	3,045,250	3,128,797	3,214,838
Grants & Contributions provided for Operating Purposes	12,506,000	13,294,824	11,534,727	10,392,104	10,518,742	10,540,002	10,682,423	10,827,694	10,975,869	11,127,009	11,281,170	11,438,416
Grants & Contributions provided for Capital Purposes	10,267,000	7,668,020	9,858,000	7,003,000	925,000	735,000	94,000	105,000	79,000	80,000	150,000	60,000
Other Income:												
Net gains from the disposal of assets	3,000	-	-	-	-	-	-	-	-	-	-	-
Joint Ventures & Associated Entities	-	-	-	-	-	-	-	-	-	-	-	-
Total Income from Continuing Operations	**53,602,000**	**52,834,196**	**52,890,282**	**49,423,804**	**44,111,774**	**44,576,951**	**44,725,143**	**45,541,353**	**46,286,961**	**47,076,357**	**47,951,943**	**48,685,130**
Expenses from Continuing Operations												
Employee Benefits & On-Costs	15,466,000	15,790,162	16,346,444	16,717,105	17,096,613	17,507,029	17,934,963	18,373,813	18,823,858	19,285,386	19,758,690	20,235,657
Borrowing Costs	597,000	404,623	338,714	282,220	238,300	270,670	243,340	214,156	183,079	156,636	139,308	121,097
Materials & Contracts	9,120,000	10,840,741	10,777,066	9,694,566	9,887,625	10,081,512	10,280,801	10,484,072	10,691,404	10,902,879	11,118,578	11,338,586
Depreciation & Amortisation	9,614,000	9,992,577	10,018,175	10,118,357	10,219,540	10,321,736	10,424,953	10,529,203	10,634,495	10,740,840	10,848,248	10,956,731
Impairment	-	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	4,040,000	4,426,775	4,195,670	4,191,414	4,273,338	4,496,872	4,442,050	4,528,903	4,617,465	4,867,768	4,799,848	4,893,740
Interest & Investment Losses	-	-	-	-	-	-	-	-	-	-	-	-
Net Losses from the Disposal of Assets	452,000	120,000	-	-	-	-	-	-	-	-	-	-
Joint Ventures & Associated Entities	4,000	-	-	-	-	-	-	-	-	-	-	-
Total Expenses from Continuing Operations	**39,293,000**	**41,574,878**	**41,676,069**	**41,003,662**	**41,715,417**	**42,677,819**	**43,326,107**	**44,130,147**	**44,950,301**	**45,953,508**	**46,664,672**	**47,545,811**
Operating Result from Continuing Operations	**14,309,000**	**11,259,318**	**11,214,213**	**8,420,142**	**2,396,358**	**1,899,132**	**1,399,036**	**1,411,205**	**1,336,660**	**1,122,849**	**1,287,271**	**1,139,318**
Discontinued Operations - Profit/(Loss)	-	-	-	-	-	-	-	-	-	-	-	-
Net Profit/(Loss) from Discontinued Operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net Operating Result for the Year	**14,309,000**	**11,259,318**	**11,214,213**	**8,420,142**	**2,396,358**	**1,899,132**	**1,399,036**	**1,411,205**	**1,336,660**	**1,122,849**	**1,287,271**	**1,139,318**
Net Operating Result before Grants and Contributions provided for Capital Purposes	**4,042,000**	**3,591,298**	**1,356,213**	**1,417,142**	**1,471,358**	**1,164,132**	**1,305,036**	**1,306,205**	**1,257,660**	**1,042,849**	**1,137,271**	**1,079,318**

Narrabri Shire Council
10 Year Financial Plan for the Years ending 30 June 2027
BALANCE SHEET - CONSOLIDATED
Scenario: No SRV Case Scenario

	Actuals	Current Year	Projected Years									
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	$	$	$	$	$	$	$	$	$	$	$	$
ASSETS												
Current Assets												
Cash & Cash Equivalents	3,312,000	4,633,704	4,500,000	5,944,181	8,403,532	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Investments	44,000,000	39,273,404	27,940,997	24,183,270	22,240,016	21,959,543	25,141,225	28,195,260	31,418,065	35,087,903	38,294,714	41,690,095
Receivables	3,505,000	5,498,838	4,997,180	5,048,275	4,743,689	4,810,263	4,890,095	4,994,698	5,079,415	5,173,063	5,265,343	5,356,069
Inventories	3,561,000	3,675,394	3,655,745	3,461,443	3,489,358	3,517,301	3,546,071	3,575,417	3,605,349	3,635,879	3,667,021	3,698,785
Other	46,000	43,651	42,510	38,964	39,694	40,869	41,185	41,955	42,740	44,043	44,358	45,192
Non-current assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Assets	54,424,000	53,124,991	41,136,432	38,676,133	38,916,290	40,327,976	43,618,576	46,807,330	50,145,569	53,940,888	57,271,436	60,790,140
Non-Current Assets												
Investments	-	-	-	-	-	-	-	-	-	-	-	-
Receivables	493,000	441,211	457,182	464,749	472,449	480,284	488,256	496,370	504,626	513,028	521,580	530,283
Inventories	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure, Property, Plant & Equipment	420,262,000	433,103,597	455,257,567	464,588,103	466,056,094	466,217,822	463,924,775	461,743,602	459,308,367	456,410,841	454,069,541	451,404,758
Investments Accounted for using the equity method	172,000	172,000	172,000	172,000	172,000	172,000	172,000	172,000	172,000	172,000	172,000	172,000
Investment Property	-	-	-	-	-	-	-	-	-	-	-	-
Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-
Non-current assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-Current Assets	420,927,000	433,716,808	455,886,750	465,224,853	466,700,543	466,870,106	464,585,032	462,411,971	459,984,993	457,095,870	454,763,121	452,107,041
TOTAL ASSETS	**475,351,000**	**486,841,799**	**497,023,182**	**503,900,985**	**505,616,833**	**507,198,082**	**508,203,608**	**509,219,301**	**510,130,562**	**511,036,757**	**512,034,557**	**512,897,182**
LIABILITIES												
Current Liabilities												
Bank Overdraft	-	-	-	-	-	-	-	-	-	-	-	-
Payables	3,736,000	4,983,799	4,994,679	4,288,689	4,370,998	4,483,020	4,546,715	4,637,568	4,729,556	4,853,033	4,921,019	5,019,995
Borrowings	1,006,000	1,043,711	836,348	5,225,201	429,904	457,205	486,365	517,388	340,130	357,458	375,669	394,808
Provisions	3,495,000	3,447,295	3,447,295	3,447,295	3,447,295	3,447,295	3,447,295	3,447,295	3,447,295	3,447,295	3,447,295	3,447,295
Liabilities associated with assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	8,237,000	9,474,805	9,278,322	12,961,185	8,248,197	8,387,520	8,480,375	8,602,251	8,516,981	8,657,786	8,743,983	8,862,097
Non-Current Liabilities												
Payables	11,000	-	-	-	-	-	-	-	-	-	-	-
Borrowings	7,792,000	6,748,971	5,912,623	687,422	4,719,900	4,262,695	3,776,329	3,258,941	2,918,811	2,561,353	2,185,684	1,790,877
Provisions	161,000	208,705	208,705	208,705	208,705	208,705	208,705	208,705	208,705	208,705	208,705	208,705
Investments Accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities associated with assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-Current Liabilities	7,964,000	6,957,676	6,121,328	896,127	4,928,605	4,471,400	3,985,035	3,467,647	3,127,516	2,770,058	2,394,389	1,999,582
TOTAL LIABILITIES	**16,201,000**	**16,432,481**	**15,399,650**	**13,857,312**	**13,176,802**	**12,858,919**	**12,465,409**	**12,069,897**	**11,644,498**	**11,427,844**	**11,138,372**	**10,861,679**
Net Assets	**459,150,000**	**470,409,318**	**481,623,532**	**490,043,673**	**492,440,031**	**494,339,162**	**495,738,198**	**497,149,404**	**498,486,064**	**499,608,913**	**500,896,185**	**502,035,503**
EQUITY												
Retained Earnings	203,464,000	214,723,318	225,937,532	234,357,673	236,754,031	238,653,162	240,052,198	241,463,404	242,800,064	243,922,913	245,210,185	246,349,503
Revaluation Reserves	255,686,000	255,686,000	255,686,000	255,686,000	255,686,000	255,686,000	255,686,000	255,686,000	255,686,000	255,686,000	255,686,000	255,686,000
Council Equity Interest	459,150,000	470,409,318	481,623,532	490,043,673	492,440,031	494,339,162	495,738,198	497,149,404	498,486,064	499,608,913	500,896,185	502,035,503
Minority Equity Interest	-	-	-	-	-	-	-	-	-	-	-	-
Total Equity	**459,150,000**	**470,409,318**	**481,623,532**	**490,043,673**	**492,440,031**	**494,339,162**	**495,738,198**	**497,149,404**	**498,486,064**	**499,608,913**	**500,896,185**	**502,035,503**

Narrabri Shire Council
10 Year Financial Plan for the Years ending 30 June 2027
CASH FLOW STATEMENT - CONSOLIDATED
Scenario: No SRV Case Scenario

	Actuals	Current Year	Projected Years									
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	$	$	$	$	$	$	$	$	$	$	$	$
Cash Flows from Operating Activities												
Receipts:												
Rates & Annual Charges	18,205,000	18,877,193	19,469,105	19,826,029	20,165,550	20,511,306	20,863,424	21,222,034	21,587,271	21,959,271	22,338,175	22,724,125
User Charges & Fees	12,258,000	7,248,463	8,078,802	8,044,540	8,293,417	8,524,208	8,742,983	8,966,176	9,160,220	9,342,618	9,529,811	9,721,932
Interest & Investment Revenue Received	1,470,000	1,408,042	1,559,461	1,485,804	1,484,834	1,480,202	1,456,746	1,458,734	1,457,702	1,452,247	1,458,734	1,456,898
Grants & Contributions	24,433,000	20,449,574	21,433,312	17,389,765	11,834,011	11,280,184	10,791,735	10,927,895	11,051,117	11,202,336	11,424,286	11,496,351
Bonds & Deposits Received	61,000	-	-	-	-	-	-	-	-	-	-	-
Other	7,062,000	2,876,817	2,825,941	2,626,252	2,639,917	2,715,592	2,791,590	2,863,134	2,946,359	3,026,724	3,109,208	3,195,714
Payments:												
Employee Benefits & On-Costs	(15,135,000)	(15,540,545)	(16,324,870)	(17,330,296)	(17,096,613)	(17,507,029)	(17,934,963)	(18,373,813)	(18,823,858)	(19,285,386)	(19,758,690)	(20,235,657)
Materials & Contracts	(12,724,000)	(9,971,816)	(10,753,958)	(9,591,372)	(9,841,275)	(10,007,175)	(10,254,183)	(10,431,794)	(10,637,857)	(10,820,122)	(11,090,307)	(11,281,042)
Borrowing Costs	(520,000)	(401,180)	(341,468)	(284,784)	(240,638)	(271,988)	(244,741)	(215,647)	(184,665)	(157,678)	(140,403)	(122,248)
Bonds & Deposits Refunded	-	-	-	-	-	-	-	-	-	-	-	-
Other	(8,906,000)	(4,391,949)	(4,196,581)	(4,194,243)	(4,272,755)	(4,495,936)	(4,441,798)	(4,528,289)	(4,616,838)	(4,866,729)	(4,799,597)	(4,893,075)
Net Cash provided (or used in) Operating Activities	26,204,000	20,554,600	21,749,745	17,971,695	12,966,448	12,229,363	11,770,794	11,888,430	11,939,452	11,853,282	12,071,218	12,062,998
Cash Flows from Investing Activities												
Receipts:												
Sale of Investment Securities	62,000,000	4,726,596	11,332,407	3,757,728	2,988,086	2,497,706	680,453	856,833	737,093	339,376	852,003	713,311
Sale of Infrastructure, Property, Plant & Equipment	447,000	1,089,477	1,138,726	812,778	1,414,368	1,408,246	832,615	1,057,743	1,118,070	1,054,424	1,348,828	1,348,828
Payments:												
Purchase of Investment Securities	(73,000,000)	-	-	-	(1,044,833)	(2,217,233)	(3,862,135)	(3,910,868)	(3,959,897)	(4,009,214)	(4,058,815)	(4,108,692)
Purchase of Infrastructure, Property, Plant & Equipment	(22,811,000)	(24,043,651)	(33,310,871)	(20,261,671)	(13,101,899)	(11,891,710)	(8,964,522)	(9,405,772)	(9,317,330)	(8,897,738)	(9,855,776)	(9,640,776)
Purchase of Real Estate Assets	(69,000)	-	-	-	-	-	-	-	-	-	-	-
Net Cash provided (or used in) Investing Activities	(33,433,000)	(18,227,578)	(20,839,738)	(15,691,165)	(9,744,278)	(10,202,991)	(11,313,589)	(11,402,064)	(11,422,064)	(11,513,152)	(11,713,759)	(11,687,329)
Cash Flows from Financing Activities												
Receipts:												
Proceeds from Borrowings & Advances	-	-	-	-	4,462,382	-	-	-	-	-	-	-
Payments:												
Repayment of Borrowings & Advances	(1,591,000)	(979,455)	(1,041,574)	(836,348)	(5,225,201)	(429,904)	(457,205)	(486,365)	(517,388)	(340,130)	(357,458)	(375,669)
Repayment of Finance Lease Liabilities	(26,000)	(25,863)	(2,137)	-	-	-	-	-	-	-	-	-
Net Cash Flow provided (used in) Financing Activities	(1,617,000)	(1,005,318)	(1,043,711)	(836,348)	(762,819)	(429,904)	(457,205)	(486,365)	(517,388)	(340,130)	(357,458)	(375,669)
Net Increase/(Decrease) in Cash & Cash Equivalents	(8,846,000)	1,321,704	(133,704)	1,444,181	2,459,351	1,596,468	(0)	0	(0)	(0)	(0)	(0)
plus: Cash, Cash Equivalents & Investments - beginning of year	12,158,000	3,312,000	4,633,704	4,500,000	5,944,181	8,403,532	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Cash & Cash Equivalents - end of the year	**3,312,000**	**4,633,704**	**4,500,000**	**5,944,181**	**8,403,532**	**10,000,000**	**10,000,000**	**10,000,000**	**10,000,000**	**10,000,000**	**10,000,000**	**10,000,000**
Cash & Cash Equivalents - end of the year	3,312,000	4,633,704	4,500,000	5,944,181	8,403,532	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Investments - end of the year	44,000,000	39,273,404	27,940,997	24,183,270	22,240,016	21,959,543	25,141,225	28,195,260	31,418,065	35,087,903	38,294,714	41,690,095
Cash, Cash Equivalents & Investments - end of the year	**47,312,000**	**43,907,108**	**32,440,997**	**30,127,451**	**30,643,549**	**31,959,543**	**35,141,225**	**38,195,260**	**41,418,065**	**45,087,903**	**48,294,714**	**51,690,095**
Representing:												
- External Restrictions	29,821,435	28,040,461	22,841,795	23,813,596	27,053,033	30,950,841	34,975,782	39,238,031	43,504,787	47,926,278	52,423,754	56,998,495
- Internal Restricitons	14,878,627	12,638,003	7,791,369	6,559,976	5,285,296	4,281,258	5,169,578	5,730,804	6,507,058	7,423,749	7,935,533	8,596,280
- Unrestricted	2,611,938	3,228,644	1,807,832	(246,121)	(1,694,781)	(3,272,556)	(5,004,135)	(6,773,574)	(8,593,781)	(10,262,124)	(12,064,572)	(13,904,680)
	47,312,000	**43,907,108**	**32,440,997**	**30,127,451**	**30,643,549**	**31,959,543**	**35,141,225**	**38,195,260**	**41,418,065**	**45,087,903**	**48,294,714**	**51,690,095**

SCENARIO 4

Narrabri Shire Council
10 Year Financial Plan for the Years ending 30 June 2027
INCOME STATEMENT - CONSOLIDATED
Scenario: Critical Case Scenario

	Actuals	Current Year	Projected Years									
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	$	$	$	$	$	$	$	$	$	$	$	$
Income from Continuing Operations												
Revenue:												
Rates & Annual Charges	18,388,000	18,781,235	19,513,518	19,847,294	20,187,185	20,533,318	20,885,820	21,244,823	21,610,459	21,982,866	22,362,184	22,748,557
User Charges & Fees	8,791,000	8,422,661	7,881,822	8,104,160	8,365,601	8,581,257	8,801,247	9,025,690	9,204,709	9,388,433	9,576,991	9,770,519
Interest & Investment Revenue	1,332,000	1,436,600	1,452,800	1,452,800	1,452,800	1,452,800	1,452,800	1,452,800	1,452,800	1,452,800	1,452,800	1,452,800
Other Revenues	2,315,000	3,230,856	2,649,415	2,624,446	2,662,446	2,734,573	2,808,852	2,885,347	2,964,123	3,045,250	3,128,797	3,214,838
Grants & Contributions provided for Operating Purposes	12,506,000	13,294,824	11,403,151	10,126,321	10,116,068	9,997,698	9,997,698	9,997,698	9,997,698	9,997,698	9,997,698	9,997,698
Grants & Contributions provided for Capital Purposes	10,267,000	7,668,020	9,858,000	7,003,000	925,000	735,000	94,000	105,000	79,000	80,000	150,000	60,000
Other Income:												
Net gains from the disposal of assets	3,000	-	-	-	-	-	-	-	-	-	-	-
Joint Ventures & Associated Entities	-	-	-	-	-	-	-	-	-	-	-	-
Total Income from Continuing Operations	**53,602,000**	**52,834,196**	**52,758,707**	**49,158,021**	**43,709,100**	**44,034,647**	**44,040,417**	**44,711,357**	**45,308,789**	**45,947,047**	**46,668,471**	**47,244,412**
Expenses from Continuing Operations												
Employee Benefits & On-Costs	15,466,000	15,790,162	16,346,444	16,717,105	17,096,613	17,507,029	17,934,963	18,373,813	18,823,858	19,285,386	19,758,690	20,235,657
Borrowing Costs	597,000	404,623	338,714	282,220	238,300	270,670	243,340	214,156	183,079	156,636	139,308	121,097
Materials & Contracts	9,120,000	10,840,741	10,777,066	9,694,566	9,887,625	10,081,512	10,280,801	10,484,072	10,691,404	10,902,879	11,118,578	11,338,586
Depreciation & Amortisation	9,614,000	9,992,577	10,018,175	10,118,357	10,219,540	10,321,736	10,424,953	10,529,203	10,634,495	10,740,840	10,848,248	10,956,731
Impairment	-	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	4,040,000	4,426,775	4,195,670	4,191,414	4,273,338	4,496,872	4,442,050	4,528,903	4,617,465	4,867,768	4,799,848	4,893,740
Interest & Investment Losses	-	-	-	-	-	-	-	-	-	-	-	-
Net Losses from the Disposal of Assets	452,000	120,000	-	-	-	-	-	-	-	-	-	-
Joint Ventures & Associated Entities	4,000	-	-	-	-	-	-	-	-	-	-	-
Total Expenses from Continuing Operations	**39,293,000**	**41,574,878**	**41,676,069**	**41,003,662**	**41,715,417**	**42,677,819**	**43,326,107**	**44,130,147**	**44,950,301**	**45,953,508**	**46,664,672**	**47,545,811**
Operating Result from Continuing Operations	**14,309,000**	**11,259,318**	**11,082,638**	**8,154,359**	**1,993,683**	**1,356,828**	**714,311**	**581,210**	**358,489**	**(6,461)**	**3,799**	**(301,399)**
Discontinued Operations - Profit/(Loss)	-	-	-	-	-	-	-	-	-	-	-	-
Net Profit/(Loss) from Discontinued Operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net Operating Result for the Year	**14,309,000**	**11,259,318**	**11,082,638**	**8,154,359**	**1,993,683**	**1,356,828**	**714,311**	**581,210**	**358,489**	**(6,461)**	**3,799**	**(301,399)**
Net Operating Result before Grants and Contributions provided for Capital Purposes	**4,042,000**	**3,591,298**	**1,224,638**	**1,151,359**	**1,068,683**	**621,828**	**620,311**	**476,210**	**279,489**	**(86,461)**	**(146,201)**	**(361,399)**

Narrabri Shire Council
10 Year Financial Plan for the Years ending 30 June 2027

BALANCE SHEET - CONSOLIDATED	**Actuals**	**Current Year**	**Projected Years**									
Scenario: Critical Case Scenario	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
ASSETS												
Current Assets												
Cash & Cash Equivalents	3,312,000	4,633,704	4,500,000	5,944,181	8,403,532	10,000,000	10,000,000	10,000,000	10,000,000	9,735,495	7,617,805	5,460,675
Investments	44,000,000	39,273,404	27,816,006	23,800,785	21,464,947	20,654,097	23,164,852	25,404,602	27,666,894	30,491,573	34,550,388	38,659,080
Receivables	3,505,000	5,498,838	4,990,596	5,033,401	4,718,726	4,773,373	4,839,405	4,928,298	4,995,357	5,069,358	5,143,852	5,237,679
Inventories	3,561,000	3,675,394	3,655,745	3,461,443	3,489,358	3,517,301	3,546,071	3,575,417	3,605,349	3,635,879	3,667,021	3,698,785
Other	46,000	43,651	42,510	38,964	39,694	40,869	41,185	41,955	42,740	44,043	44,358	45,192
Non-current assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Assets	54,424,000	53,124,991	41,004,857	38,278,774	38,116,257	38,985,639	41,591,514	43,950,272	46,310,340	48,976,348	51,023,424	53,101,411
Non-Current Assets												
Investments	-	-	-	-	-	-	-	-	-	-	-	-
Receivables	493,000	441,211	457,182	464,749	472,449	480,284	488,256	496,370	504,626	513,028	521,580	530,283
Inventories	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure, Property, Plant & Equipment	420,262,000	433,103,597	455,257,567	464,588,103	466,056,094	466,217,822	463,924,775	461,743,602	459,308,367	456,410,841	454,069,541	451,404,758
Investments Accounted for using the equity method	172,000	172,000	172,000	172,000	172,000	172,000	172,000	172,000	172,000	172,000	172,000	172,000
Investment Property	-	-	-	-	-	-	-	-	-	-	-	-
Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-
Non-current assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-Current Assets	420,927,000	433,716,808	455,886,750	465,224,853	466,700,543	466,870,106	464,585,032	462,411,971	459,984,993	457,095,870	454,763,121	452,107,041
TOTAL ASSETS	**475,351,000**	**486,841,799**	**496,891,606**	**503,503,627**	**504,816,800**	**505,855,745**	**506,176,546**	**506,362,243**	**506,295,332**	**506,072,218**	**505,786,545**	**505,208,452**
LIABILITIES												
Current Liabilities												
Bank Overdraft	-	-	-	-	-	-	-	-	-	-	-	-
Payables	3,736,000	4,983,799	4,994,679	4,288,689	4,370,998	4,483,020	4,546,715	4,637,568	4,729,556	4,853,033	4,921,019	5,019,995
Borrowings	1,006,000	1,043,711	836,348	5,225,201	429,904	457,205	486,365	517,388	340,130	357,458	375,669	394,808
Provisions	3,495,000	3,447,295	3,447,295	3,447,295	3,447,295	3,447,295	3,447,295	3,447,295	3,447,295	3,447,295	3,447,295	3,447,295
Liabilities associated with assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	8,237,000	9,474,805	9,278,322	12,961,185	8,248,197	8,387,520	8,480,375	8,602,251	8,516,981	8,657,786	8,743,983	8,862,097
Non-Current Liabilities												
Payables	11,000	-	-	-	-	-	-	-	-	-	-	-
Borrowings	7,792,000	6,748,971	5,912,623	687,422	4,719,900	4,262,695	3,776,329	3,258,941	2,918,811	2,561,353	2,185,684	1,790,877
Provisions	161,000	208,705	208,705	208,705	208,705	208,705	208,705	208,705	208,705	208,705	208,705	208,705
Investments Accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities associated with assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-Current Liabilities	7,964,000	6,957,676	6,121,328	896,127	4,928,605	4,471,400	3,985,035	3,467,647	3,127,516	2,770,058	2,394,389	1,999,582
TOTAL LIABILITIES	**16,201,000**	**16,432,481**	**15,399,650**	**13,857,312**	**13,176,802**	**12,858,919**	**12,465,409**	**12,069,897**	**11,644,498**	**11,427,844**	**11,138,372**	**10,861,679**
Net Assets	**459,150,000**	**470,409,318**	**481,491,956**	**489,646,314**	**491,639,998**	**492,996,826**	**493,711,136**	**494,292,346**	**494,650,835**	**494,644,373**	**494,648,172**	**494,346,773**
EQUITY												
Retained Earnings	203,464,000	214,723,318	225,805,956	233,960,314	235,953,998	237,310,826	238,025,136	238,606,346	238,964,835	238,958,373	238,962,172	238,660,773
Revaluation Reserves	255,686,000	255,686,000	255,686,000	255,686,000	255,686,000	255,686,000	255,686,000	255,686,000	255,686,000	255,686,000	255,686,000	255,686,000
Council Equity Interest	459,150,000	470,409,318	481,491,956	489,646,314	491,639,998	492,996,826	493,711,136	494,292,346	494,650,835	494,644,373	494,648,172	494,346,773
Minority Equity Interest	-	-	-	-	-	-	-	-	-	-	-	-
Total Equity	**459,150,000**	**470,409,318**	**481,491,956**	**489,646,314**	**491,639,998**	**492,996,826**	**493,711,136**	**494,292,346**	**494,650,835**	**494,644,373**	**494,648,172**	**494,346,773**

Narrabri Shire Council
10 Year Financial Plan for the Years ending 30 June 2027
CASH FLOW STATEMENT - CONSOLIDATED
Scenario: Critical Case Scenario

	Actuals	Current Year	Projected Years									
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	$	$	$	$	$	$	$	$	$	$	$	$
Cash Flows from Operating Activities												
Receipts:												
Rates & Annual Charges	18,205,000	18,877,193	19,469,105	19,826,029	20,165,550	20,511,306	20,863,424	21,222,034	21,587,271	21,959,271	22,338,175	22,724,125
User Charges & Fees	12,258,000	7,248,463	8,078,802	8,044,540	8,293,417	8,524,208	8,742,983	8,966,176	9,160,220	9,342,618	9,529,811	9,721,932
Interest & Investment Revenue Received	1,470,000	1,408,042	1,561,117	1,489,065	1,489,795	1,486,897	1,465,210	1,469,002	1,469,809	1,466,231	1,470,743	1,447,906
Grants & Contributions	24,433,000	20,449,574	21,305,777	17,128,103	11,435,541	10,742,168	10,111,383	10,102,360	10,077,496	10,077,667	10,145,548	10,060,462
Bonds & Deposits Received	61,000	-	-	-	-	-	-	-	-	-	-	-
Other	7,062,000	2,876,817	2,826,831	2,627,158	2,640,842	2,716,535	2,792,552	2,864,115	2,947,360	3,027,746	3,110,250	3,196,777
Payments:												
Employee Benefits & On-Costs	(15,135,000)	(15,540,545)	(16,324,870)	(17,330,296)	(17,096,613)	(17,507,029)	(17,934,963)	(18,373,813)	(18,823,858)	(19,285,386)	(19,758,690)	(20,235,657)
Materials & Contracts	(12,724,000)	(9,971,816)	(10,753,958)	(9,591,372)	(9,841,275)	(10,007,175)	(10,254,183)	(10,431,794)	(10,637,857)	(10,820,122)	(11,090,307)	(11,281,042)
Borrowing Costs	(520,000)	(401,180)	(341,468)	(284,784)	(240,638)	(271,988)	(244,741)	(215,647)	(184,665)	(157,678)	(140,403)	(122,248)
Bonds & Deposits Refunded	-	-	-	-	-	-	-	-	-	-	-	-
Other	(8,906,000)	(4,391,949)	(4,196,581)	(4,194,243)	(4,272,755)	(4,495,936)	(4,441,798)	(4,528,289)	(4,616,838)	(4,866,729)	(4,799,597)	(4,893,075)
Net Cash provided (or used in) Operating Activities	26,204,000	20,554,600	21,624,754	17,714,200	12,573,864	11,698,986	11,099,868	11,074,144	10,978,940	10,743,618	10,805,531	10,619,179
Cash Flows from Investing Activities												
Receipts:												
Sale of Investment Securities	62,000,000	4,726,596	11,457,397	4,015,222	3,380,670	3,028,083	1,351,379	1,671,119	1,697,605	1,184,535	-	-
Sale of Infrastructure, Property, Plant & Equipment	447,000	1,089,477	1,138,726	812,778	1,414,368	1,408,246	832,615	1,057,743	1,118,070	1,054,424	1,348,828	1,348,828
Payments:												
Purchase of Investment Securities	(73,000,000)	-	-	-	(1,044,833)	(2,217,233)	(3,862,135)	(3,910,868)	(3,959,897)	(4,009,214)	(4,058,815)	(4,108,692)
Purchase of Infrastructure, Property, Plant & Equipment	(22,811,000)	(24,043,651)	(33,310,871)	(20,261,671)	(13,101,899)	(11,891,710)	(8,964,522)	(9,405,772)	(9,317,330)	(8,897,738)	(9,855,776)	(9,640,776)
Purchase of Real Estate Assets	(69,000)	-	-	-	-	-	-	-	-	-	-	-
Net Cash provided (or used in) Investing Activities	(33,433,000)	(18,227,578)	(20,714,748)	(15,433,671)	(9,351,694)	(9,672,614)	(10,642,663)	(10,587,779)	(10,461,552)	(10,667,993)	(12,565,763)	(12,400,640)
Cash Flows from Financing Activities												
Receipts:												
Proceeds from Borrowings & Advances	-	-	-	-	4,462,382	-	-	-	-	-	-	-
Payments:												
Repayment of Borrowings & Advances	(1,591,000)	(979,455)	(1,041,574)	(836,348)	(5,225,201)	(429,904)	(457,205)	(486,365)	(517,388)	(340,130)	(357,458)	(375,669)
Repayment of Finance Lease Liabilities	(26,000)	(25,863)	(2,137)	-	-	-	-	-	-	-	-	-
Net Cash Flow provided (used in) Financing Activities	(1,617,000)	(1,005,318)	(1,043,711)	(836,348)	(762,819)	(429,904)	(457,205)	(486,365)	(517,388)	(340,130)	(357,458)	(375,669)
Net Increase/(Decrease) in Cash & Cash Equivalents	(8,846,000)	1,321,704	(133,704)	1,444,181	2,459,351	1,596,468	0	0	0	(264,505)	(2,117,690)	(2,157,130)
plus: Cash, Cash Equivalents & Investments - beginning of year	12,158,000	3,312,000	4,633,704	4,500,000	5,944,181	8,403,532	10,000,000	10,000,000	10,000,000	10,000,000	9,735,495	7,617,805
Cash & Cash Equivalents - end of the year	**3,312,000**	**4,633,704**	**4,500,000**	**5,944,181**	**8,403,532**	**10,000,000**	**10,000,000**	**10,000,000**	**10,000,000**	**9,735,495**	**7,617,805**	**5,460,675**
Cash & Cash Equivalents - end of the year	3,312,000	4,633,704	4,500,000	5,944,181	8,403,532	10,000,000	10,000,000	10,000,000	10,000,000	9,735,495	7,617,805	5,460,675
Investments - end of the year	44,000,000	39,273,404	27,816,006	23,800,785	21,464,947	20,654,097	23,164,852	25,404,602	27,666,894	30,491,573	34,550,388	38,659,080
Cash, Cash Equivalents & Investments - end of the year	**47,312,000**	**43,907,108**	**32,316,006**	**29,744,966**	**29,868,479**	**30,654,097**	**33,164,852**	**35,404,602**	**37,666,894**	**40,227,068**	**42,168,193**	**44,119,755**
Representing:												
- External Restrictions	29,821,435	28,040,461	22,841,795	23,813,596	27,053,033	30,950,841	34,975,782	39,238,031	43,504,787	47,926,278	52,423,754	56,998,495
- Internal Restricitons	14,878,627	12,638,003	7,791,369	6,559,976	5,285,296	4,281,258	5,169,578	5,730,804	6,507,058	7,423,749	7,935,533	8,596,280
- Unrestricted	2,611,938	3,228,644	1,682,842	(628,606)	(2,469,851)	(4,578,003)	(6,980,508)	(9,564,232)	(12,344,951)	(15,122,959)	(18,191,094)	(21,475,020)
	47,312,000	**43,907,108**	**32,316,006**	**29,744,966**	**29,868,479**	**30,654,097**	**33,164,852**	**35,404,602**	**37,666,894**	**40,227,068**	**42,168,193**	**44,119,755**

ASSET MANAGEMENT PLANNING

ASSET MANAGEMENT POLICY

Responsible Department: Corporate Services

Responsible Section: Financial Services

Responsible Officer: Manager Financial Services

Purpose

This Policy has been developed to ensure that Council complies with the management of its assets as required by the NSW Local Government Act (1993). The Policy outlines Council's commitment to implementing a methodology for systematic asset management which will assist Council with its decision making to inform operations designed to meet community expectations.

The role of the Council is to;

- Provide stewardship for infrastructure assets,
- Set levels of service, risk and cost within available resources,
- Approve Councils asset management policy, strategy and plans,
- Ensure appropriate allocation of asset management resources,
- Evaluate asset management improvement, and
- Ensure asset management is part of senior management performance criteria.

Setting policy is one way that Council fulfils its role to set a direction for the organisation and a framework for managers and staff to work within.

This policy sets guidelines for the implementation of consistent asset management processes, while reflecting the direction set by Council for future desired asset management operational protocol.

This policy covers all of Councils infrastructure assets within the core asset groups of 'Buildings, Other Structures and Recreation', 'Transport', 'Water' and 'Sewer'.

This policy covers all relevant capacity planning, control and timing for asset related operational activities including inspections, maintenance and renewal of existing assets; and the analysis of any upgrade or extension to the infrastructure network.

Objective

To ensure adequate provision by Council for the long-term management of infrastructure assets by:

- Ensuring that Council's infrastructure assets are provided in a sustainable manner, with the appropriate levels of service to residents, visitors and the environment,
- Safeguarding Council assets, including physical assets and employees, by implementing an appropriate asset management strategy and financial resources for the management of those assets,

- Creating a situation where all Council employees take an integral part in overall management of Council assets by creating and sustaining asset management awareness throughout the Council,
- Managing Councils associated risk,
- Meeting legislative requirements for asset management,
- Ensuring resources and operational capabilities are identified and responsibility for asset categories are duly allocated, and
- Demonstrating transparent, responsible management processes to align with accepted best practice.

Introduction

Council recognises that to determine the community's needs and required service levels, holistic consultation is an essential part of asset management. Council will undertake community consultation to determine the need for infrastructure assets, along with determination of the service levels required.

Council is committed to identifying life cycle costs including the increase in operating expenses in future budgets as a consequence of all proposals involving new assets and services, or upgrades to existing assets and services. Council will ensure all assets are planned, created, operated, maintained, renewed and disposed of in accordance with Council priorities for service delivery.

A consistent strategic approach to asset management will ensure Council delivers the highest appropriate level of service, providing positive impact on:

- Members of the public and staff,
- Councils financial bottom line,
- Councils ability to deliver infrastructure assets at the expected levels of service,
- The political environment within which Council operates, and
- The legal liabilities of Council.

Appropriate asset management practices will impact directly on the core business of the organisation, enhancing Councils ability to achieve its strategic objectives. Council owns and uses approximately $420M worth of non-current assets to support its core business of service delivery to the community.

Decisions relating to asset management will be reflected in the strategic objectives, strategies, actions and performance measures outlined in Council's adopted Community Strategic Plan, Delivery Program and Operational Plan which in turn are informed by Council's Asset Management Strategy and Plans.

The Policy also commits Council to implementing asset management best practice across all Departments of Council. This includes ensuring that assets are planned, created, operated, maintained, renewed and disposed of in accordance with Council's priorities for service delivery.

An asset management policy sets the framework for asset management and covers the following principles:

- Service delivery; Ensuring community needs and the levels of service required inform the asset management processes adopted.

- Informed decision making; Ensuring all decisions incorporate a life cycle approach to infrastructure asset management.
- Sustainability; Ensuring that present needs are provided for whilst sustaining resources for the benefit of future generations.

Council's commitment will take into account relevant legislation along with political, environmental, economic and social factors of relevance to community needs. Council is committed to the implementation of a proactive management system which includes;

- Asset registers,
- Asset condition assessments,
- Asset maintenance and management systems,
- Strategic planning capabilities,
- Predictive modelling,
- Deterioration modelling,
- Risk analysis, and
- Lifecycle costing.

Policy

1. Asset development and renewal will be:
    - Driven by community needs as reflected in the Community Strategic Plan,
    - Identified in Council's long term Asset Management Plans,
    - Accounted for in Council's Long-term Financial Plan, and
    - Reflected in the Delivery Program and Operational Plan.
2. All relevant legislation will be adhered to while taking into account the political, social and economic environments associated to asset management.
3. Asset management plans will be developed for all major asset categories.
4. Asset renewals required to meet agreed service levels will form the basis of annual budget estimates and be prioritised and implemented progressively.
5. Demonstrated need and future life cycle costing will be reported and considered in decisions relative to new services or assets and upgrading of existing services or assets.
6. Council is committed to prioritising asset development, renewal and maintenance based upon agreed service levels, the ability of the current assets to meet the needs of the community, and Council's available resources.
7. Council will incorporate consideration of risk management requirements in decision making processes.
8. Systematic and cyclic reviews will be applied to all asset classes to ensure they are managed, valued and depreciated in accordance with appropriate best practice as prescribed by Australian Standards, including the Australian Accounting Standards Board's AASB 116.

References

- Local Government Act 1993,
- Integrated Planning & Reporting Framework,
- Local Government Financial Sustainability Framework,
- International Infrastructure Management Manual (IIMM).

Related Documents

Asset Management Strategy and all associated Asset Management Plans.

Review Date

This Policy has a lifespan of four (4) years and will subsequently be reviewed prior to the next Local Government election.

Measure of Success

- Measure by the adherence to the Policy.

ASSET MANAGEMENT STRATEGY

1. Executive Summary

The Asset Management Strategy is a key component of Narrabri Shire Councils' procedural documentation, underpinning Council's compliance with the NSW Governments 'Integrated Planning and Reporting' (IP&R) framework.

Council is required to plan and account for all existing assets under its control, along with any new or upgraded asset solutions referred to in the Community Strategic Plan.

Council has divided its assets into the following four categories for core asset management planning:

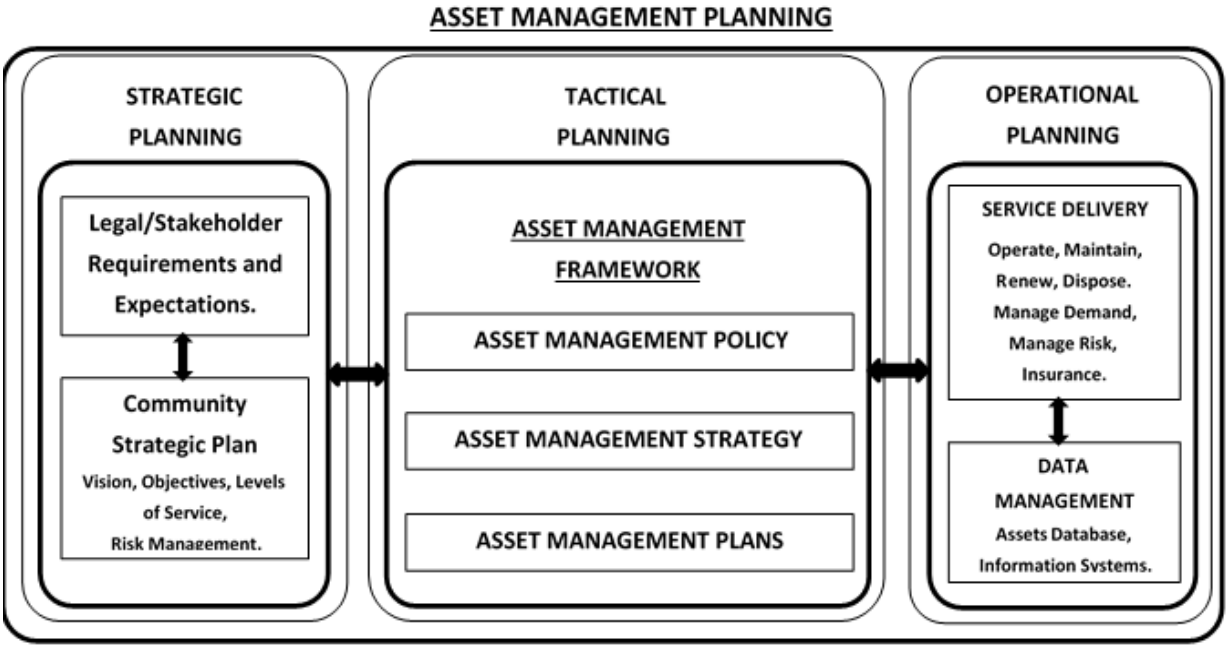
- Transport
- Buildings, Other Structures & Recreation
- Water
- Sewer

This strategy seeks to define necessary actions in aligning the funds and resources essential to continue to provide the required services to the community, in the most cost effective and sustainable manner for present and future generations.

The Strategy, in conjunction with the Asset Management (AM) Policy and Plans, will provide guidance to Council on the procedure for improving its asset management systems and processes. The objective is to establish a framework to guide the planning, construction, maintenance and operation of all infrastructure assets essential for the provision of services to the community.

Continued analysis of strategic trends, risk management and assessment of Councils knowledge gaps in contemporary asset management, will enable Council to prepare Asset Management Plans at an increasingly advanced level. The Asset Management Strategy will continue to evolve as the strategic objectives of Council, and the community, develop and change over time.

Council will continue to develop its Asset Management practice and procedures by consolidating and improving corporate systems and processes, while maintaining compliance with NSW legislation. Service levels and performance targets will be documented in AM Plans, with expenditure scenarios stipulated within the Long Term Financial Plan (LTFP).



2. Introduction

2.1 Overview

Narrabri Shire Council exists to provide services and facilities to its community in an economically sound and sustainable manner. Council has over time acquired a broad range of infrastructure assets and through various mechanisms it uses these assets to meet the increased service level needs of the public.

The goal of the Asset Management Strategy is to convey direction in developing the ongoing process for managing infrastructure assets. As custodian, Council is responsible for efficiently accounting for and managing assets, while having regard for the long-term and cumulative effects of its decisions.

Assessment of legislative requirements and community expectations will enhance the analysis of needs against the proposed service delivery. In keeping with that, the Operational Plan is critically aligned with this document and should be considered in concurrence, along with the service Delivery Program.

2.2 Planning Framework

Council's holistic asset management methodology needs to be formulated in a comprehensive, integrated and structured approach for delivery of maximum benefit to the community. The proposed framework will consist of three major components, those being;

- Asset Management Policy – setting out the broad framework for undertaking asset management,
- Asset Management Strategy – developing a structured set of actions aimed at enabling improved asset management by Council, and
- Asset Management Plans – outlining particular actions and resources required to provide defined levels of service for each class of asset the Council manages.

Within the framework, the Asset Management Policy establishes the nature and direction of Asset Management within Narrabri Shire Council. The Asset Management Strategy, a companion to the Policy, outlines the key principles that underpin asset management for Council. Underneath the Policy and Strategy documentation stand the Asset Management Plans developed for each of the core asset groups identified in this strategy.

2.3 Objective

The objective of the Asset Management Strategy is to establish a framework to guide the planning, construction, maintenance and operation of the infrastructure essential for council to provide services to the community.

The development of an Asset Management Strategy enables Council to portray its asset portfolio in support of the service delivery needs for the Narrabri Community into the future. The Strategy provides a systematic process ensuring the requirements of the community are clearly understood and integrated into an asset management framework that enhances the outcome achieved by policy and investment decisions. This tactical approach will support Council's objective of optimising its asset management capacity and development. Asset Management Plans are also being developed on a service level basis to align with internal asset management responsibilities and external reporting requirements.

3. Current Situation

3.1 Resourcing

The resources required to deliver services are finite and asset appraisal to date has identified a funding shortfall in the renewal and maintenance of existing Council assets. The challenge for the Council over

the next ten years is to ensure that adequate resources are available to facilitate the provision and management of assets at an appropriate service level delivery to the community.

Asset management planning is a comprehensive process to ensure that assets are maintained in a way that facilitates optimal service level delivery. Service level affordability is determined by assessing Councils financial sustainability using varied scenarios proposing differing levels of service delivery.

Numerous categories of Council infrastructure were bulk constructed at the same time; this will therefore involve numerous assets requiring rehabilitation concurrently as they all near the end of their useful lives. Compounding the issue is the fact that historically the built environment has been driven by short-term objectives with little consideration for the adverse impacts of excessive resource consumption and waste output.

3.2 Community Expectations

The agreed Levels of Service (LOS) the community desires for each category of infrastructure assets will influence all asset management decisions.

Council recognises the need to maintain its asset base and will target a long term asset sustainability index (actual replacement/renewal budget versus required funding as per AMPs) averaging 90-100% for each of the core asset groups.

Councils approach to meeting community expectations will include;

- Conducting community consultation in the development of appropriate LOS and asset performance shall be measured against these levels,
- Risk, environment and sustainability will be considered in the development of asset strategies,
- Asset acquisition shall include consideration of the 'whole of life cost' of the new asset including initial capital cost, operation, maintenance, rehabilitation and disposal costs,
- Adequate resources shall be provided to undertake regular condition assessment inspections,
- Operations and maintenance costs will be monitored to ensure a sustainable cost benefit ratio, and
- Capacity/utilisation metrics will be reviewed to determine surplus infrastructure assets for disposal.

3.3 Maturity and Capacity

Council has prepared plans for the six (6) core asset groups and continual assessment of these plans is necessary to align with community expectation and the requirements of the IP&R Framework. Council must aim to fully fund the capital, maintenance and operating costs necessary to maintain adopted service levels and performance targets associated to these asset groups.

The next stage for Council to focus on in developing asset management maturity, requires consolidating and improving corporate systems, developing internal asset management capacity and improving long-term planning. The major improvement necessary is to put in place the asset planning, reporting and governance processes that link service outcomes with funding levels.

Council is currently working through procedures to establish a clear link between budget allocation decisions and long term and cumulative service level consequences. Progressive asset condition assessments will improve the ability to forecast estimates for allocation of funding, thereby providing a link for the projected delivery of services within Councils' capital works program.

3.4 Future Requirements

Implementation of an enterprise Asset Management system will enable collation of a comprehensive asset database for managing cost-effective and sustainable lifecycle delivery programs. Prescribed accountability will then help define specific practices suitable to measuring performance and activity.

Council must consolidate and integrate corporate systems to improve the link between long-term planning objectives and the service potential of the asset base. Another focus is to improve Council's management of risk associated with its asset use and improve transparency in decision-making to demonstrate Council's evolution in managing community infrastructure.

Council's asset management protocol is being developed to ensure compliance with NSW legislative requirements, maintaining core level consistency where it exists and identifying the key elements necessary to progress toward advanced level asset management.

Narrabri Shire Council is committed to a high level organisational focus on providing sustainable infrastructure through the ongoing refinement of its long term financial plan which funds capital, maintenance, operating and depreciation costs.

4. Asset Management Framework

4.1 Asset Management Administration

Council has identified the necessity for overarching control of infrastructure assets protocol to fall to the Corporate Services section, with specialised input from all service managers.

The requirements for asset management administration at Council include:

- Ensuring responsibility for all asset management activities is assigned within the organisation, and that skill levels are sufficient to achieve the desired results;
- Coordinating and monitoring a consistent corporate approach to the development, implementation and review of Asset Management Plans;
- Developing and implementing systematic processes to ensure accurate information required for financial planning and reporting is readily available;
- Defining internal quality assurance and auditing procedures ensuring continuous improvement in managing Councils asset portfolio; and
- Investigating suitable software options and making a recommendation to Council on the implementation of an enterprise Asset Management (AM) System.
- The preferred AM system should enable strategic and operational efficiency by providing integrated project management, work order, maintenance, capitalisation, and reporting solutions to manage the lifecycle of Councils' asset delivery program.

4.2 Asset Management Policy

Council's Asset Management Policy defines the Council's vision and service delivery objectives for asset management in accordance with the Strategic Plan and applicable legislation.

The asset management strategy is developed to support the asset management policy and is to enable council to show:

- how its asset portfolio will meet the affordable service delivery needs of the community into the future,
- enable Council's asset management policies to be achieved, and
- ensure the integration of Council's asset management with its long term strategic plans.

4.3 Asset Management Vision

To ensure the long-term financial sustainability of Council, it is essential to balance the community's expectations for services with their ability to pay for the infrastructure assets used to provide the services. Maintenance of service levels for infrastructure services requires appropriate investment over the whole of the asset life cycle. To assist in achieving this balance, Council aspires to develop and maintain asset management governance, skills, process, systems and data in order to provide the level of service the community need at present and in the futures, in the most cost-effective and fit for purpose manner.

The objectives of the asset management strategy are to:

- ensure that the Council's infrastructure services are provided in an economically optimal way, with the appropriate level of service to residents, visitors and the environment determined by reference to Council's financial sustainability,
- safeguard Council's assets including physical assets and employees by implementing appropriate asset management strategies and appropriate financial resources for those assets,
- adopt the long term financial plan as the basis for all service and budget funding decisions,
- meet legislative requirements for all Council's operations,

ensure resources and operational capabilities are identified and responsibility for asset management is allocated,

4.4 Asset Management Strategies

No	Strategy	Desired Outcome
1	Annually review Asset Management Plans covering at least 10 years for all major asset classes.	Identification of services needed by the community and required funding to optimise 'whole of life' costs.
2	Long Term Financial Plan to incorporate asset management plan expenditure projections with a sustainable funding position outcome.	Sustainable funding model to provide Council services.
3	Review and update asset management plans and long term financial plans after adoption of annual budgets. Communicate any consequence of funding decisions on service levels and service risks.	Council and the community are aware of changes to service levels and costs arising from budget decisions.
4	Ensure Council's decisions are made from accurate and current information in asset registers, on service level performance and costs and 'whole of life' costs.	Improved decision making and greater value for money.
5	Ensure responsibilities for asset management are identified and incorporated into staff position descriptions.	Responsibility for asset management is defined.
6	Implement an Improvement Plan to realise 'core' maturity for the financial and asset management competencies within 2 years.	Improved financial and asset management capacity within Council.

5. Improvement Plan

The major area for asset management improvement is the integration of service outcomes identified through the Asset Management Plans, with continuing investment decisions and associated funding in

the Long Term Financial Plan (LTFP). Other areas for improvement include the need for planning of new and upgraded assets to include analysis of lifecycle costs (including ongoing operational expenditure), and the internal resources necessary to manage a growing system.

The recommendations for Council's strategic asset management improvement program are listed below.

Asset Management Improvement Program	Responsibility	Timeline
1. Data		
a. Improve data accuracy & expenditure forecasts	Service Managers	Annual Review
b. Optimal alignment of AMPs & accounting standards	Finance	Annual Review
c. Review service levels & capacity to fund	Finance	Annual Review
d. Make GIS layers available online internally	P&A	30-6-2018
e. Make GIS layers available to the public online	P&A	30-6-2018
2. Operations		
a. Define renewal/strategic maintenance programs	Service Managers	Annual Review
b. Identify whole of life costs and highlight funding gap	Service Managers	Annual Review
c. Show full provision for identified costs in the LTFP	Finance	Annual Review
d. Develop project plans for major works	Service Managers	Annual Review
e. Define field data capture procedure with service units	P&A, ID, Finance	Project Aligned
3. Documentation		
a. Develop advanced AM Strategy/Policy & AM Plans	Finance	Annual Review
b. Align AMPs with & inform CSP/Delivery Programs	Finance	Electoral Cycle
c. Review current levels of service & performance measures	Service Managers	Electoral Cycle
d. Review risk management strategies for critical assets	Service Managers	Electoral Cycle
4. AM System		
a. Ensure linkage to current Council systems (Finance/GIS/MMS/etc.)	CIS working group	Upon Install

Council must identify additional revenue sources before making decisions on the expansion of services or infrastructure. Appropriate risk management procedures will proffer the capacity to foresee future adverse events, but is highly dependent on individual people within the organisation, and on their capacity to convince others that a possible future risk is a priority.

6. Conclusion

This Asset Management Strategy provides a broad-based approach to creating the baseline structure of an asset management system within Council. The business of asset management includes the premise that the custodian (Council) is aware of its portfolio, understands its statutory obligations as well as its customer expectations, facilitates assessment of future requirements (demand management) and prioritises the risks involved in meeting that demand.

Council will develop an Asset Management working group which will contain all internal stakeholders of Asset Management, this group will then work to continually improve Councils maturity levels. Council's constant review of the infrastructure assets portfolio will facilitate collation of the information to project future scheduling. Continual improvement of the Asset Management Framework, will enhance Councils' ability to develop its asset management maturity and achieve sustainable service delivery levels.

The introduction of quality assurance procedures, incorporating auditing protocols, will enhance understanding of the advancing maturity of Councils' asset portfolio. This, coupled with the information

provided through the asset management plans, will then inform the process of appraisal for achieving the desired level of service delivery.

Related Documents

Asset Management Policy and all associated Asset Management Plans.

Review Date

This Policy is aligned to the objectives within the Community Strategic Plan and therefore adopts the same lifespan of ten (10) years and will subsequently be reviewed in coordination with the overall Council strategy. The alignment is also consistent with the Long Term Financial Plan as well as the Asset Management plans, which proffers the ability to look beyond the ten-year timeframe.

APPENDICES

APPENDIX A: BUILDINGS, OTHER STRUCTURES AND RECREATION ASSET MANAGEMENT PLAN

APPENDIX B: TRANSPORT ASSET MANAGEMENT PLAN

APPENDIX C: WATER ASSET MANAGEMENT PLAN

APPENDIX D: SEWER ASSET MANAGEMENT PLAN

APPENDIX A

Buildings, Other Structures & Recreation

Asset Management Plan

Narrabri Shire Council

TABLE OF CONTENTS

1. EXECUTIVE SUMMARY 3
1.1 The Asset Management Plan Methodology 3
1.2 What does it Cost? 3
1.3 What Council Can & Cannot Do 4
1.4 Managing the Risk 4
1.5 The Next Steps 5
2. INTRODUCTION 6
2.1 Background 6
2.2 Goals and Objectives of Asset Management 6
2.3 Plan Framework 7
2.4 Community Consultation 7
3. LEVELS OF SERVICE 8
4. FUTURE DEMAND 11
4.1 Demand Drivers 11
4.2 Demand Management Plan 11
4.3 Asset Program to meet Demand 11
5. LIFECYCLE MANAGEMENT PLAN 12
5.1 Background Data 12
5.2 Infrastructure Risk Management Plan 14
5.3 Routine Maintenance Plan 14
5.4 Renewal/Replacement Plan 15
5.5 Creation/Acquisition/Upgrade Plan 16
5.6 Disposal Plan 17
6. FINANCIAL ANALYSIS 18
6.1 Financial Statements and Projections 18
6.4 Key Assumptions made in Financial Forecasts 22
6.5 Forecast Reliability and Confidence 22
7. PLAN IMPROVEMENT AND MONITORING 24
7.1 Asset Management Practices 24
7.2 Improvement Program 25
7.3 Monitor and Review Procedures 25
7.4 Performance Measures 25
8. REFERENCES 26
9. APPENDICES 26
Appendix A Glossary 27

1. EXECUTIVE SUMMARY

Narrabri Shire is home to approximately 14,000 people spanning an area of over 13,000 square kilometres. Most of the population is centred around three main towns being Boggabri, Narrabri and Wee Waa as well as a number of villages in Pilliga, Gwabegar, Bellata, Edgeroi and Baan Baa.

The 'Buildings, Other Structures (OS) & Recreation' Asset Management (AM) Plan covers a portfolio of Operational and Community buildings & structures as well as all recreational assets including swimming pools, Parks and Cemeteries situated in various locations around the Shire. These infrastructure assets have a current replacement cost, as at 30 June 2016, of $67.195M.

Asset Management plans define the services and service levels to be provided, how the services are to be provided and what funds are required to provide those services. They are an essential tool for organisations that provide services from long life infrastructure assets. Council can't produce effective budgets and long term financial plans without good quality Asset Management Plans.

This AM Plan is structured along the lines recommended in the International Infrastructure Management Manual (IIMM - 2011). The plan borrows format, context and material from various other Council plans as well as the IPWEA NAMS.PLUS AM Plan template. Asset management planning is a comprehensive process to ensure services from infrastructure are delivered in a safe and financially sustainable manner.

IPWEA (Institute of Public Works Engineering Australia) – NAMS (National Asset Management System)

The aim of this AM Plan is to provide a framework to detail and examine existing management practices for buildings & Other Structures infrastructure, and to form the basis of an improvement program to progressively resolve identified deficiencies.

1.1 The Asset Management Plan Methodology

One of the most important aspects of the asset management plan is the forecast of existing asset renewal requirements. For the Narrabri Shire Council 'Buildings, Other Structures and Recreation' Asset Management Plan, three scenarios have been considered when developing the forecast.

Scenario 1 uses Councils' asset register Valuation Data to project the renewal costs. In this scenario the useful life of the asset is added to the acquisition year of an asset, to estimate the timeframe when renewal is due. Scenario 1 indicates whether or not the funds to meet the forecast renewal requirements are aligned with funding in the Long Term Financial Plan (LTFP).

Unless the 'Useful Life', 'Acquisition Year' and 'Condition' data is considered of high integrity, this Scenario is only useful as an overview for modelling purposes.

Scenario 2 uses Capital Renewal Expenditure projections, assessed by technical staff, to sustain current service levels. This assessment uses a combination of detailed technical analysis and an estimate of the average network renewals required.

Scenario 3 is the actual reality of the situation where the Capital Renewal Expenditure that can be achieved is within available funds in the Long Term Financial Plan (LTFP).

Scenario 1, when compared to Scenario 3, provides an estimate of confidence in the accuracy and currency of the data register used for asset valuation purposes, while the difference between Scenario 2 and Scenario 3 represents the gap in funding. Consultation forums will lead to much better informed discussion on 'achievable and acceptable' service levels, as well as giving a focus for managing risk.

1.2 What does it Cost?

There are two key indicators of cost to providing services through buildings & other structures infrastructure;

1. The necessary funding for the Life Cycle of the asset, and
2. The Total Maintenance and the Capital Renewal Expenditure required in delivering existing service levels across the 10-year period encompassed by Council's Long Term Financial Plan.

The forecast of the projected outlay necessary to provide services covered by this Asset Management Plan over the 10 year planning period will amount to $43,559M or $4.356M on average per year. This is based on the Scenario 3 methodology providing the estimated funding to maintain current service levels.

Projected available funding for this period is $42.961M, or $4.296M on average per year, which is a funding deficit of $-60K on average per year, against the expenditure required to provide the current level of service, compared with planned expenditure currently included in the LTFP.

If Council can find alternative sources to cover the deficit (gap in funding), this will then provide confidence in its ability to sustain operations, maintenance and renewal of existing buildings and structures to meet service levels, as well as deliver identified upgrade/new additions (that are fully funded) within the 10 year planning period.

1.3 What Council Can & Cannot Do

Council must aim to provide levels of service to the community that are appropriate, affordable and most importantly attainable. Council will be guided in achieving this by following the Fiscal Responsibility Principles which will provide direction and context for decision making in the allocation, management and use of Councils financial resources and the Infrastructure & Service Level Investment policy.

Council must schedule a comprehensive maintenance program whereby asset planning is informed of the areas in need of attention and may then target renewal/upgrade, as opposed to the historically reactive maintenance regime previously engaged. Planning, knowing and forecasting maintenance across the asset portfolio allows financial planning and acquittal of maintenance expenditure to the most essential assets.

It is apparent from data modelling that Councils current level of expenditure is insufficient to ensure the sustainability of Councils infrastructure assets. Council can endeavour to *increase* funding (LTFP/Grants/Contributions/etc.) or *decrease* service levels to maintain fiscal responsibility.

1.4 Managing the Risk

There is risk associated with providing services and not being able to complete all identified activities and projects.

We have identified major risks as;

- Rising cost of providing and managing infrastructure,
- Meeting Community expectations for services,
- Providing the most appropriate infrastructure for the community,
- Variable and unpredictable weather events, such as flooding, and the impact this will have on all infrastructure assets (what seemingly is a manageable position can change very quickly), and
- The dependence on grants from other sources to fund major projects.

Council will endeavour to manage these risks within available funding in Council's Long Term Financial Plan through maintenance of existing infrastructure, managing expansion of infrastructure based on the priorities established in the Community Strategic Plan and seeking additional funding in the form of grants wherever possible.

Function & Quality Assurance

Council's intent is to maintain its buildings & other structures in partnership with all stakeholders to meet the community needs in providing efficient, quality infrastructure. Council will inspect all buildings & structures regularly and prioritise repairs in accordance with inspection schedules to ensure safety and utility.

The successful implementation of these functional objectives will be measured by;

- Community satisfaction indicators,
- Operational and Delivery Plan targets being achieved, and
- Usage of buildings & structures at a premium.

1.5 The Next Steps

The actions resulting from this asset management plan are;

- Continue to assess and maintain the Buildings & Other Structures asset base in a safe condition,
- Define maintenance standards and levels of service that can be delivered at various funding levels,
- Improve the analysis of options so that an informed discussion can be had with the community about priorities and fully-funding the delivery of future levels of service,
- Prioritise renewal and upgrade works based on risk assessment,
- Continue to collect asset information and knowledge including fair value calculations,
- Collate Asset register into new Financial and Asset Management system, and
- Monitor the provision of infrastructure assets in line with community expectations as expressed in the Narrabri Shire Council "Community Strategic Plan (CSP)".

2. INTRODUCTION

2.1 Background

Narrabri Shire Council owns a portfolio of buildings, other structures and recreation assets to support its operations and delivery of services to the community. These infrastructure assets range in age, quality and function. The buildings and Structures vary from simple shelters and storage sheds through to amenity blocks, libraries, office blocks, Swimming Pools, parks and community centres. The management of Councils building, OS & Recreation infrastructure requires the coordination of Councils technical and operational resources.

Councils relevant service managers coordinate the asset data entry into the asset register, whilst administering planned and reactive maintenance processes, determining strategic outcomes and developing operational work programs.

The types of assets covered by this AM Plan are used to support a broad range of services to the community.

Assets covered by this Plan

Asset Category	Current Replacement Cost (CRC)	Depreciated Value (DV)
Buildings	**$42,423,978**	**$26,464,960**
Other Structures	**$24,771,468**	**$19,027,592**

Asset Values as at the 30 June 2016.

Key stakeholders in the preparation and implementation of this AM plan are shown in the following table:

Key Stakeholders

Key Stakeholder	Associated role in Buildings, Other Structures & Recreation Asset Management Plan
Elected Members	Endorse the asset management policy, strategy and plans. Set high level direction through the development of asset management principles.
Senior Management	Prioritise actions resulting from this plan and improve the way Council manages assets and delivers services.
Finance & Assets Staff	Consolidate 'Buildings, OS & Recreation' asset register and ensure accurate valuation. Monitor Council's ability to meet 'Technical' and 'Customer' Levels of Service. Provide administration and services to support sustainability and financial reporting.
Operational Staff	Provide base level detail on infrastructure assets and monitor the maintenance standards deployed.
External Parties	Community Residents/Businesses; Tourists/Visitors (occasional users); Emergency Services; Developers/Utility Companies; Government Authorities.

2.2 Goals and Objectives of Asset Management

The organisation exists to provide services to its community, some of which are provided by infrastructure assets. We have acquired infrastructure assets by purchase, by contract, by construction and by donation of assets created by developers and others, to meet increased levels of service demands.

Our goal in managing infrastructure assets is to meet the defined levels of service (as amended from time to time) in the most cost effective manner for present and future constituents. The key elements of infrastructure asset management are;

- Providing a defined level of service and monitoring performance,
- Controlling the impact of growth through demand management and infrastructure investment,
- Taking a lifecycle approach to developing long-term cost-effective management strategies that meet the defined levels of service,

- Identifying, assessing and appropriately controlling risk, and
- Long-term financial planning identifying the required expenditure, along with how it will be financed.

Council must endeavour to fully-fund all projected asset renewals and upgrade/new construction as a matter of course within normal budgeting protocol.

2.3 Plan Framework

Key elements of the plan are;

- Levels of Service – specific levels of service to be provided by Council,
- Future Demand – factors that may impact on future service delivery,
- Life Cycle Management – processes for managing existing and future assets,
- Financial Analysis – funding required to provide the defined services,
- Monitoring – procedures ensuring the plan meets organisational objectives,
- Asset Management Practices, and
- Improvement Plan.

2.4 Community Consultation

This 'core' asset management plan is prepared to facilitate community consultation, initially through feedback on public display of the Draft Asset Management Plan, prior to adoption by the Council. Future revisions of the AM Plan will incorporate community consultation on service levels and costs of providing the service. This will assist the Council and the community in matching the levels of service needed, and the risks and consequences associated, with the community's ability and willingness to pay for that level of service.

3. LEVELS OF SERVICE

Levels of Service acceptable to the community are a core component of asset management planning. Levels of Service are determined to match community expectations with the service levels that can actually be afforded through Council's Operational Plan. Council may need to review Levels of Service in the future in accordance with changing customer needs, industry trends and affordability.

The Asset Management Plans, in conjunction with the Long Term Financial Plan and the Community Strategic Plan, are the tools which Council will use to assess the long term sustainability of infrastructure assets and identify the appropriate level of resourcing to maintain agreed service levels.

Accurate, up-to-date and easily accessible records are important factors in enabling Council to meet its statutory governance requirements. Compliance with regulations is a principle theme of the asset planning process, and is considered in the context of Quality, Function and Risk.

Council will use Asset Management Planning to provide a way in which the community can become engaged in the setting of priorities and the allocation of resources. The AM Plans help to categorise some of the risk associated to Council infrastructure and enables identification and implementation of work programs linked to achieving corporate objectives and service level targets.

Service levels are defined in respect of two categories:

A) Community Levels of Service - Measures how the community receives the service and whether the organisation is providing value to the community.

'Community Levels of Service' measures used in the asset management plans are:

- *Quality* - How good/safe is the service?
- *Function* - Does it meet users' needs?
- *Capacity/Utilisation* - Is the service over or under-utilised?

B) Technical Levels of Service - These technical measures relate to the allocation of resources against the service activities that the organisation undertakes to best achieve the desired community outcomes and demonstrate effective organisational performance.

'Technical Levels of Service' measures are linked to annual budgets covering:

- *Operations* – regular activities to provide services (opening hours/cleaning frequency/pest control/etc.),
- *Maintenance* – activities necessary to retain an asset as near as practicable to an appropriate service condition (structural repairs/painting/etc.),
- *Renewal* – activities that return the service capability of an asset up to the original intent (component repairs/replacement/etc.), and
- *Upgrade/New* – activities to provide a higher level of service such as; replacing components with a larger size *or* a completely new element that did not exist previously.

Asset managers plan, implement and control 'technical' service levels to influence 'customer' service levels.

The asset management planning process includes the development of 3 Scenarios, to develop levels of service that are financially sustainable.

Condition is measured using a 1 – 5 grading system and summarised into very good/good, fair and poor/very poor, as detailed in following table.

Condition Grading Model

Grading	Description of Condition
1	**Very Good**: Planned maintenance schedule only.
2	**Good**: Minor maintenance required, planned maintenance schedule.
3	**Fair**: Significant maintenance required.
4	**Poor**: Significant renewal/rehabilitation required.
5	**Very Poor**: Physically unsound and/or beyond rehabilitation.

Community Levels of Service					
Performance Measure	**Service Objective**	**Performance Measure Process**	**Current Level of Service**	**10 Year Projection With Current Funding (Agreed in LTFP) Scenario 3**	**Optimal Scenario to Sustain Current Service Levels Scenario 2**
Quality	Well maintained, Condition rating adequate	Customer Service Requests (CSR) relating to service quality	Building & OS services are clean and appropriate for users	Anticipate community satisfaction to dip slightly over the 10yrs with LTFP agreed funding levels.	CSR's should decrease in number with assets at a high quality.
Function	Ensure access provided and suitable for proposed usage.	Fit for purpose. CSR's and complaints relating to usage and availability	Assessment of current functionality of assets is good.	Assessment of projected functionality of assets is positive.	Functionality of asset base requires regular appraisal of suitability.
Capacity/ Utilisation	Assets fully utilised.	Usage at premium. Inspections and CSR's relating to congestion or underuse	Some facilities underutilised.	Some facilities will remain underused, while others currently operating at a full capacity will become over utilised.	A plan for under and over utilised facilities developed to maximise efficiency.

Technical Levels of Service					
Service Attribute	**Service Objective**	**Activity Measure Process**	**Current Performance ***	**Desired for Optimum Lifecycle Cost ****	**Targeted Sustainable Position *****
Operations	Assets meet relevant standards and are safe to users.	Routine Inspections of assets	Inspections completed as per Local Government Act and Australian Standards	Inspections are completed in a timely manner to allow for any issues to be discovered as soon as they arise.	Inspections completed as per Local Government Act and Australian Standards
		Budget	Operating within budget constraints.	Operational costing to determine budget requirements.	Operating within budget constraints.
Maintenance	Respond to Customer service Requests	CSR's completed within adopted time frames	65%	90%	75%
		Budget	Operating within budget constraints	Budget developed based on planned asset maintenance and repairing assets in poor condition.	Planned maintenance schedule developed to allow more accurate budgeting
Renewal	Infrastructure meets user needs	Renewals completed at end of useful life before reaching condition 5	13.9% of assets in condition 4/5 which need to be renewed	All assets renewed at an intervention point being condition 3	Assets replaced when reaching total failure and unserviceable. Condition 5
Upgrade/New	New assets constructed when optimal for cost and usage.	Number of complaints regarding assets where new and upgrade is only option	Only constructed when grant funds or council budgets are available.	Constructed at optimum time to allow for max usage and minimise maintenance costs.	Only constructed when grant funds or council budgets are available.

Note: * *Current activities and costs (currently funded).*
** *Desired activities and costs to sustain current service levels and achieve minimum life cycle costs (not currently funded).*
*** *Activities and costs communicated and agreed with the community as being sustainable (funded position following trade-offs, managing risks and delivering agreed service levels).*

4. FUTURE DEMAND

4.1 Demand Drivers

Drivers affecting demand can include population change, changes in demographics, seasonal factors, tenancy rates, consumer preferences and expectations, technological changes, economic factors, environmental awareness, etc.

The present position and projections for demand were identified and the impact of how that demand may affect future service delivery and utilisation of assets is shown in the table following.

Drivers	Present position	Projection	Impact on services
Community Expectation.	Desire for high standards.	Expectations will continue increasing.	Existing infrastructure may not be suitable for purpose over the longer term.
Increasing Cost.	Costs' greater than revenue.	Costs anticipated to continue increasing.	Need to target and plan infrastructure increase within funding limitations.
Environmental impact.	Environment & climate changing.	Extreme conditions to impact services.	Direct impact from extreme weather. Additional cost to fund enviro-initiatives.
Tourism.	Expanding.	Expected to increase.	Increased demand for tourism facilities.
Ageing population.	15.7% >65 in 2011.	Expected to increase.	Increased demand for disabled access to all facilities. Change in preference from Active to Passive recreation.
Mining.	Expanding.	Expected to increase.	Increased demand for facilities.

4.2 Demand Management Plan

Demand will be managed through a combination of upgrading existing assets and providing new assets to meet any increased demand. Technological advancement, such as improved construction techniques and increased use of prefabricated components, has the potential to reduce costs. Field data capture and non-invasive inspection methodology will improve the collection of information without adversely affecting the asset.

Non-asset solutions focus on providing the required service without the need for the organisation to own the assets and management actions include reducing demand for the service or reducing the level of service. Opportunities identified to date for demand management are shown in the table following.

Demand Driver	Impact on Services	Demand Management Plan
Community Expectation	Existing infrastructure may not be suited to future community expectations	Consult with the community about what they want and are willing to pay for.
Population Demographic	Change in use of recreation services, disability access to assets required	Disabled access provided to all facilities, Assess the needs for passive recreation facilities walking tracks and places to rest i.e. Bench seating.
Tourism	Increased demand for facilities	Provide more parks and public toilets in convenient locations (highway frontage or near other services).

4.3 Asset Program to meet Demand

Any new assets will be constructed/acquired by Council to meet growth and increased demand in a sustainable manner. Acquiring new, or upgrading existing assets, will commit the organisation to fund ongoing operations, maintenance and renewal costs for the entire lifecycle period of required service provided from those assets.

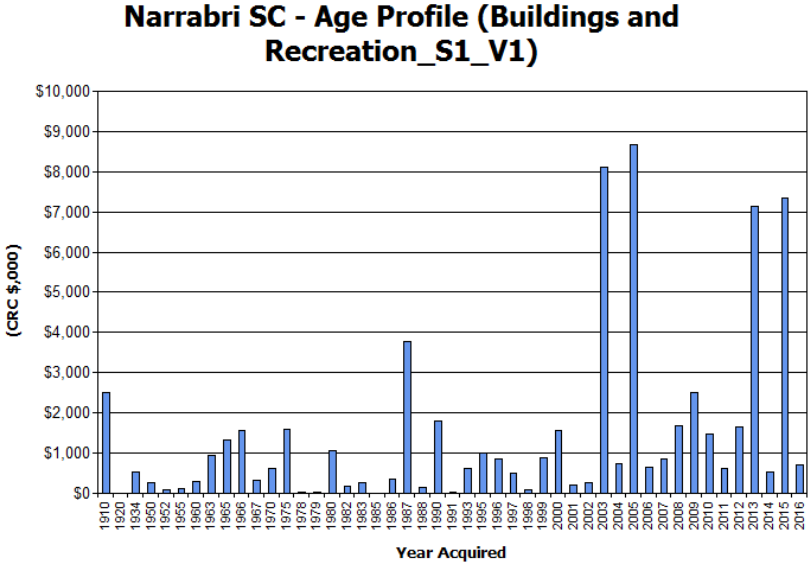
5. LIFECYCLE MANAGEMENT PLAN

The lifecycle management plan details how the organisation plans to manage and operate the assets at the agreed levels of service while optimising life cycle costs.

5.1 Background Data

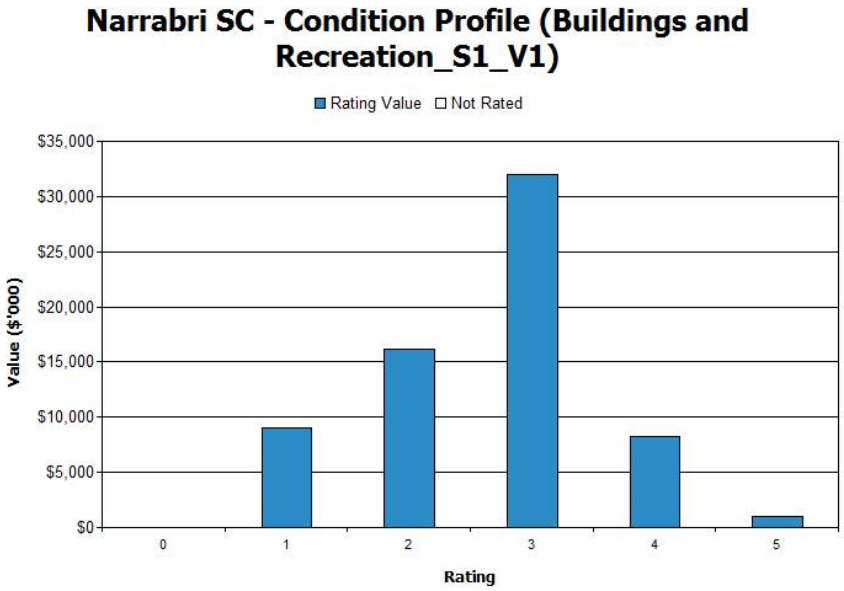
Physical parameters

The age profile of the assets included in this AM Plan is shown in the following graph and is based on data in Council's 'Buildings, OS & Recreation' asset register. The year of construction/acquisition for the infrastructure is only indicative, being considered through the anticipated remaining life and the current condition on the lifecycle deterioration curve for each individual structure.



Asset condition

Condition is monitored and managed at an operational level, and the information used to prepare the condition profile is based on technical knowledge of infrastructure. The condition profile for 'Buildings, Other Structures & Recreation' infrastructure assets is shown in the following chart.



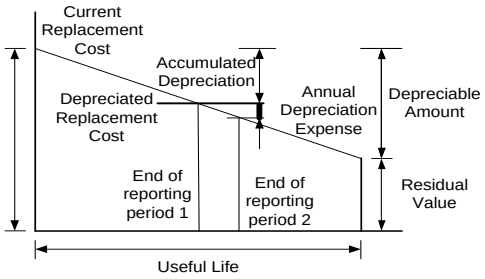
Condition is measured using a 1 – 5 grading system as detailed in *"Section 3 Levels of Service"*. Planned frequency of assessment: Every 4 years.

Asset valuations

The value of buildings & Other Structures infrastructure recorded in the technical asset register as at 30 June 2016, and covered by this AM Plan is shown below.

Assets are valued at replacement cost:

Current Replacement Cost (CRC)	$67,195,000
Depreciable Amount	$67,195,000
Depreciated Replacement Cost (DV)	$45,493,000
Annual Depreciation Expense	$1,202,000



Various ratios of asset consumption and expenditure have been prepared to help guide and gauge asset management performance and trends over time.

Rate of Annual Asset Consumption	1.8% (Depreciation/Depreciable Amount)
Rate of Annual Asset Renewal (Year 1)	2.5% (Capital Renewal Expenditure/Depreciable Amount)
Rate of Annual Asset Upgrade/New (Year 1)	0.7% (Capital Upgrade Expenditure/Depreciable Amount)
Rate of Annual Asset Upgrade/New (Year 1)	0.7% (Including Contributed Assets)

In 2017/18 the organisation plans to renew assets at 139.5% of the rate they are being consumed and will be increasing its asset stock by 0.7% during the year.

To provide services in a financially sustainable manner, Council will need to ensure that it is renewing assets at the rate they are being consumed over the medium-long term, and funding the life cycle costs for all new assets and services in its long term financial plan.

The above figures show that Council is currently funding the renewal of its assets at the rate of consumption for the 2017/18. Council must continue to refine the LTFP to ensure that assets are fully funded over the long term.

5.2 Infrastructure Risk Management Plan

An assessment of risk associated with service delivery from infrastructure assets has identified critical risk that will result in loss or reduction in service from infrastructure assets or a 'financial shock' to the organisation. The risk assessment process identifies credibility of risk (the likelihood of the risk event occurring), the consequences should the event occur, development of a risk rating, evaluates the risk and develops a treatment plan for non-acceptable risk.

Critical risk, being those assessed as 'Very High' (requiring immediate corrective action) and 'High' (requiring prioritised corrective action) identified in the Infrastructure Risk Management Plan, together with the estimated residual risk after treatment, are summarised in the following table with these risks reported to management and Council.

Service or Assets Risk	What can Happen	Risk Rating	Risk Treatment Plan	Residual Risk *	Treatment Costs
Buildings	Damage from extreme weather events	VH	Assistance from natural disaster declarations, maintain insurance.	Medium	Insurance Excess, anything under excess
Buildings	Building Failure from condition deteriorating to 5	H	Direct funding to high risk areas to prevent assets reaching condition 5.	Low	Replacement cost of buildings
Playground Assets	Non-compliance with relevant standards	H	Develop park hierarchy to determine renewal, upgrade and disposal plan	Low	Replacement Cost of parks
Swimming Pool	Failure of assets	H	Develop maintenance plan and renewal program	Low	Replacement cost of Assets
Irrigation	Failure of assets	H	Develop maintenance plan and renewal program	Low	Replacement cost of Assets
Lighting	Failure of Assets	H	Develop maintenance plan and renewal program	Low	Replacement cost of Assets

Note * Residual Risk is the risk remaining after the selected treatment plan is operational.

5.3 Routine Maintenance Plan

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

Maintenance includes all actions necessary for retaining an asset as near as practicable to an appropriate service condition including regular ongoing day-to-day work necessary to keep assets operating, e.g. structural repairs but excluding rehabilitation or renewal. Routine Maintenance includes 'Reactive', 'Planned' and 'Specific' maintenance 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 activities including inspection, condition assessment, prioritised scheduling, actioning the work and reporting what was done to develop a maintenance history and improve service delivery performance.

Specific Maintenance is replacement of higher value components/sub-components and undertaken on a regular cycle (repainting/replacing air conditioning/etc.) This work falls below the capital maintenance threshold but may require specific budget allocation.

Planned maintenance work as a % of total maintenance expenditure is not identified in this plan. Information on this should be developed for the next revision of this asset management plan, as higher proportions of planned maintenance expenditure should provide better value than reactive maintenance.

Maintenance expenditure levels are seen to be steady and this has little impact on Councils ability to meet current service levels. Where maintenance expenditure levels are such that will result in a lower level of service, the consequences have been identified and highlighted in this AM Plan with service risk considered in the Infrastructure Risk Management Plan. Assessment and prioritisation of reactive maintenance is undertaken by Council staff using experience and judgement.

Operations and Maintenance Strategies

Council will operate and maintain assets to provide the defined level of service to approved budgets, in the most cost-efficient manner with activities including;

- Undertaking a cost-benefit analysis to determine the most effective split between scheduled and unplanned maintenance activities,
- Maintain a current risk register and present risk associated with providing services from infrastructure assets while reporting Very High/High risk and any Residual risk to management and Council,
- Review current and required skills base and implement workforce training and development to meet required operations and maintenance needs,
- Identify demand management options for under-utilised/over-utilised assets, and
- Maintain a current hierarchy of critical assets and required operation and maintenance activities.

5.4 Renewal/Replacement Plan

Renewal and replacement 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 considered upgrade, expansion or new works expenditure.

Assets requiring renewal are identified from estimation of remaining life obtained from the asset register; or through nomination by staff, the public or other sources. Candidate proposals are inspected to verify accuracy of remaining life estimates and to develop a preliminary renewal strategy. Verified proposals are ranked by priority and available funds, to then be scheduled into the works program.

Renewal/Replacement Priority Ranking Criteria

Criteria	Weighting
Quality (Risk of Failure)	30%
Condition	30%
Operating/Maintenance/Lifecycle Costs	20%
Functionality	20%
Total	**100%**

Renewal will be undertaken using 'low cost' renewal methods where practical. The aim of low-cost renewal is to restore the service potential, or future economic benefits of the asset, by renewing at a cost less than replacement cost. Renewal work is carried out in accordance with relevant technical standards and specifications.

Renewal and Replacement Strategies

It is clear that this Council needs to be more proactive in asset renewal than it has in recent years. Priority for funding needs to go to asset renewals in order to attain a satisfactory level of sustainability.

In budgeting, an enterprise approach is required to assess community needs and prioritise the allocation of available funds. Council needs to plan future levels of service to match affordable organisational needs and maximise the benefit to the community.

Priority for funding needs to go to the structures that achieve higher risk classification against performance measures (Condition/Function/Utilisation). In order to minimise Council's risk, those renewals that Council cannot afford to fund at the appropriate time will still require regular inspections and intervention when the condition falls below a certain threshold and new appropriate levels of service applied.

The following strategies can be applied for the effective renewal/replacement of Building & Other structures infrastructure.

- Planning/scheduling renewal projects to deliver defined service levels in the most efficient manner;
- Undertaking project scoping for all capital renewal and replacement projects to identify -
  1. The service deficiency, present risk and optimum time for renewal/replacement;
  2. The project scope and objectives to rectify the deficiency;
  3. The estimated capital and life cycle costs for each option to address service deficiencies;
  4. To evaluate the options against criteria adopted by Council; and
  5. To select the best option to be included in capital renewal programs;
- Using low cost methods (cost of renewal is less than upgrade/new) where practicable;
- Fully funding depreciation to allow for a budget to be available as assets reach the end of their useful life;
- Maintaining a current infrastructure risk register for assets and the risks associated with providing services from those assets and reporting Very High/High risks, and residual risks (risk leftover after treatment), to management and Council;
- Maintaining a current hierarchy of critical assets and capital renewal treatments/timings; and
- Reviewing management of capital renewal/ replacement activities to ensure Council is obtaining best value for resources consumed.

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 and may be acquired at no cost to the organisation from land development.

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 with available funds and scheduled in future works programmes. This is done by following Councils Infrastructure & service level investment policy.

Creation/Acquisition/Upgrade/New Priority Ranking Criteria

Criteria	Weighting
Safety	35%
Lifecycle Cost	30%
Community Benefit	20%
Community Expectation	15%
Total	**100%**

5.6 Disposal Plan

This includes activity associated with disposal of decommissioned assets including sale, demolition or relocation. Assets identified for possible decommissioning and disposal deliver annual savings from not having to fund operations and maintenance of the assets. Any revenue gained from asset disposal will be accumulated into Councils long term financial plan.

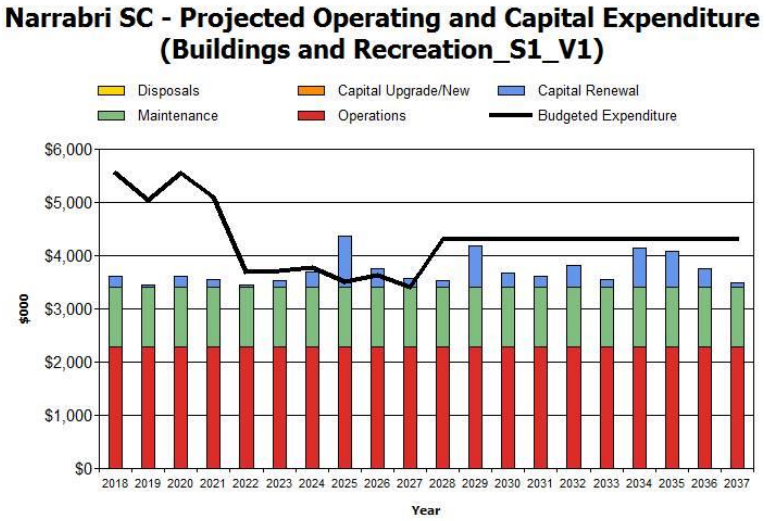
Council has in place a Disposal of Assets policy that provides the guidelines when Disposing of assets, It is currently in the process of determining surplus buildings and structures that it can possibly dispose of.

6. FINANCIAL ANALYSIS

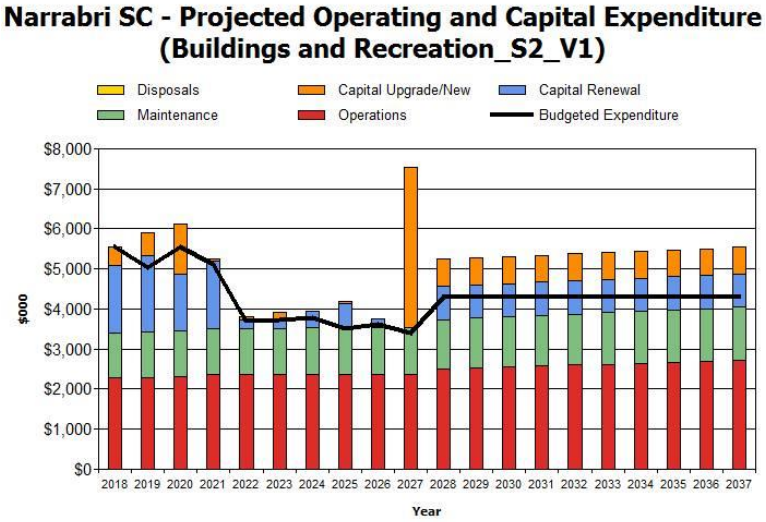
6.1 Financial Statements and Projections

The financial projections for operating (operations and maintenance) and capital expenditure (renewal/upgrade/expansion/new) are provided in the following graphs. All costs shown in real values.

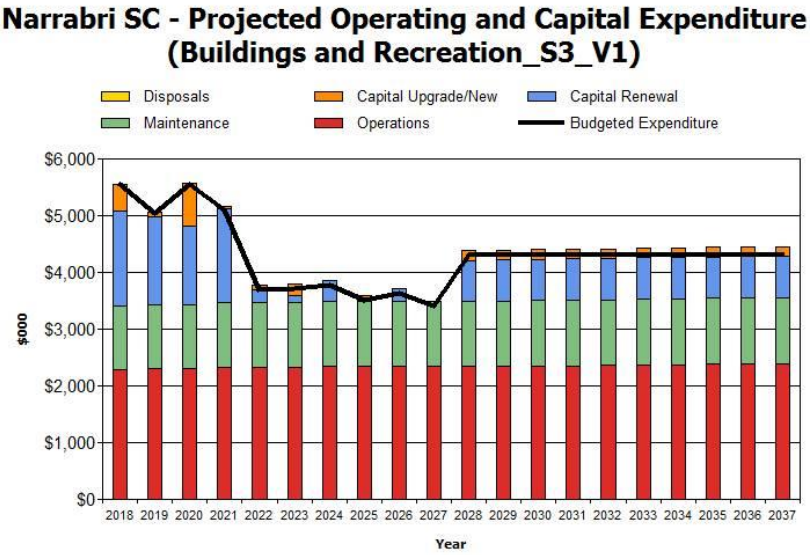
As discussed previously, the expenditure projection in Scenario 1 uses the asset register and shows a necessity to redistribute the required works program across the 10-year long term financial plan period to more accurately reflect the budget.



The Scenario 2 renewals are based on technical judgement made by staff as to the works required to be completed to maintain current service levels. As shown in the diagram below there are several years of a funding deficit.



The below graph shows scenario 3 with a much more balanced graph with the expenditure figures balanced out to match the available budget in order to achieve this there is a number of renewals that have been deferred or cancelled all together with a reduction in service levels likely to result from this.



Sustainability of service delivery

There are four key indicators for service delivery sustainability that have been considered in the analysis of the services provided by this asset category, these being the asset renewal funding ratio, long term life cycle costs/expenditures and medium term projected/budgeted expenditures over 5 and 10 years of the planning period. (Based on Scenario 2)

Asset Renewal Funding Ratio

Asset Renewal Funding Ratio 88%

The Asset Renewal Funding Ratio is the most important indicator and reveals that over the next 10 years, the organisation is forecasting that it will only have 88% of the funds required for the optimal renewal and replacement of its assets.

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 asset life cycle. Life cycle costs include operations and maintenance expenditure and asset consumption (depreciation expense). The life cycle cost for the services covered in this asset management plan is $4.698M per year (average operations/maintenance plus depreciation projected over 10 years).

Life cycle costs can be compared to life cycle expenditure to give an initial indicator of affordability of projected service levels when considered with age profiles. Life cycle expenditure includes operations, maintenance and capital renewal expenditure. Life cycle expenditure will vary depending on the timing of asset renewals. The life cycle expenditure over the AM planning period is $4.127M per year (average operations and maintenance plus capital renewal budgeted expenditure in LTFP over 10 years).

The shortfall between life cycle cost and life cycle expenditure is the life cycle gap. The life cycle gap for services covered by this asset management plan is $-571K per year (-ve = gap, +ve = surplus).

Life cycle expenditure is 88% of life cycle costs.

The life cycle costs and life cycle expenditure comparison highlights any difference between present outlays and the average cost of providing the service over the long term. If the life cycle expenditure is less than that life cycle cost, it is most likely that outlays will need to be increased or cuts in services made in the future.

Knowing the extent and timing of any required increase in outlays and the service consequences if funding is not available will assist organisations in providing services to their communities in a financially sustainable manner. This is the purpose of the asset management plans and long term financial plan.

Medium term – 10 year financial planning period

This asset management plan identifies the projected operations, maintenance and capital renewal expenditures required to provide an agreed level of service to the community over a 10 year period. This provides input into 10 year financial and funding plans aimed at providing the required services in a sustainable manner.

These projected expenditures may be compared to budgeted expenditures in the 10 year period to identify any funding shortfall. In a core asset management plan, a gap is generally due to increasing asset renewals for ageing assets.

The projected operations, maintenance and capital renewal expenditure required over the 10 year planning period is $4.329M on average per year.

Estimated (budget) operations, maintenance and capital renewal funding is $4.127M on average per year giving a 10 year funding shortfall of $203K per year. This indicates that Council expects to have 95% of the projected expenditures needed to provide the services documented in the asset management plan.

The projected operations, maintenance and capital renewal expenditure required over the first 5 years of the planning period is $4.842M on average per year.

Estimated (budget) operations, maintenance and capital renewal funding is $4.700M on average per year giving a 5 year financing result of $-142K. This indicates that Council expects to have 97% of projected expenditures required to provide the services shown in this asset management plan over the short-term.

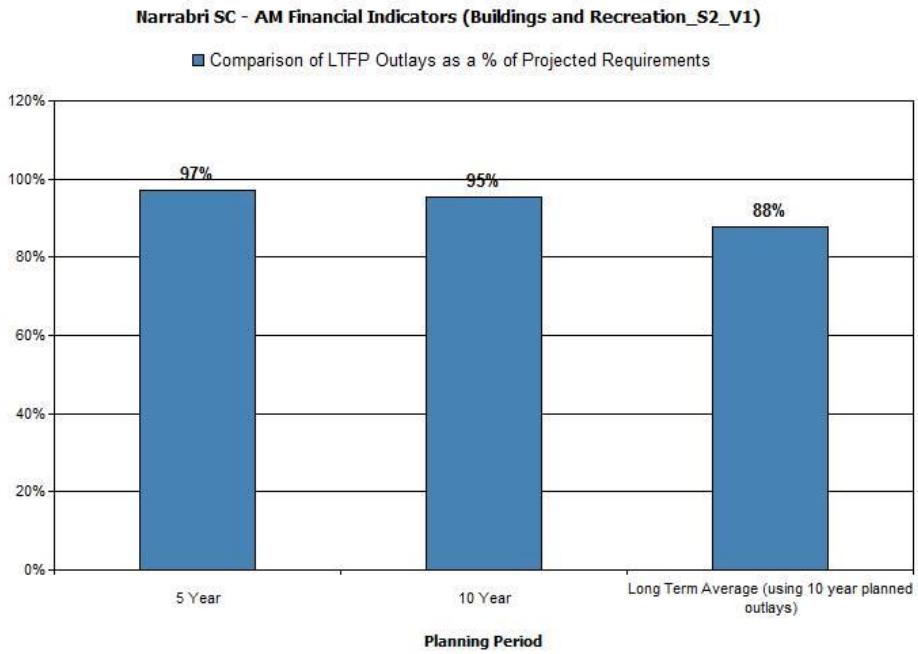
Summary of Service Sustainability Ratios (Scenarios 1/2/3)

Asset Renewal Funding Ratio	**1**	**2**	**3**
Asset Renewal Funding Ratio	316%	88%	100%
Life Cycle Cost (long term) Sustainability	**($000's)**	**($000's)**	**($000's)**
Cost (Depreciation + Operations + Maintenance Expenditure 10 year average)	$4,600	$4,698	$4,660
Expenditure (Capital Renew + Operations + Maintenance Expenditure 10 year av)	$4,127	$4,127	$4,127
Life Cycle Gap (Expenditure - Cost)	**$-473**	**$-571**	**$-533**
Life Cycle Sustainability Indicator (Expenditure ÷ Cost)	90%	88%	89%
Medium Term (10 year) Sustainability			
10 year Operations, Maintenance & Renewal Projected Expenditure	$3,661	$4,329	$4,187
10 year Operations, Maintenance & Renewal Budgeted Expenditure	$4,127	$4,127	$4,127
10 year Funding Budget (10 year Projected Exp – Planned Exp)	**$465**	**$-203**	**$-60**
10 year Sustainability Indicator (10 year Planned Exp ÷ Projected Exp)	113%	95%	99%
Short Term (5 years) Sustainability			
5 year Operations, Maintenance & Renewal Projected Expenditure	$3,536	$4,842	$4,738
5 year Operations, Maintenance & Renewal Budgeted Expenditure	$4,700	$4,700	$4,700
5 year Funding Shortfall (5 year Projected Exp – Planned Exp)	**$1,164**	**$-142**	**$-38**
5 year Sustainability Indicator (5 year Planned Exp ÷ Projected Exp)	133%	97%	99%

Asset management financial indicators

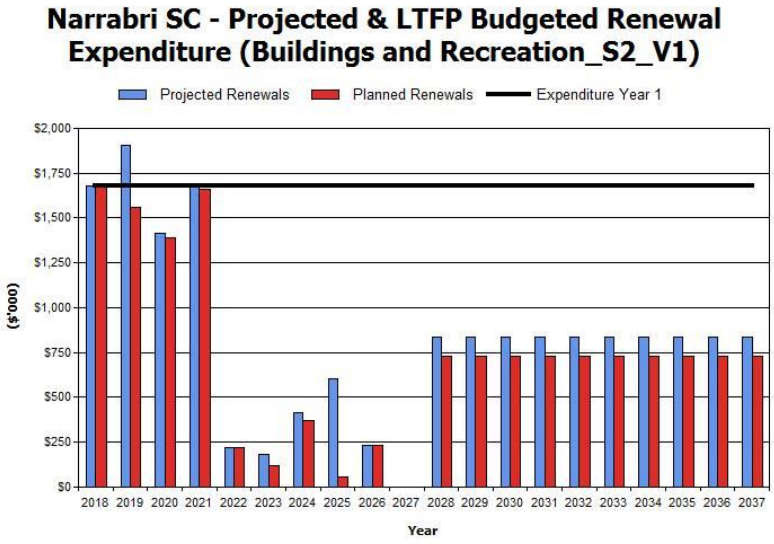
The following graphs show the asset management financial indicators over the 5 and 10 year planning period and for the long term life cycle. Providing services from infrastructure in a sustainable manner requires the matching and managing of service levels, risks, projected expenditures and financing to achieve a financial indicator of approximately 1.0 for the interim years of the asset management plan and ideally over the 10 year life of the Long Term Financial Plan.

Scenario 2 Average network renewals



Projected & LTFP Budgeted Renewals and Financing

Projected renewal and replacement expenditure is compared to that type of expenditure in the capital works program committed to in the long term financial plan. Providing services in a sustainable manner will require matching this expenditure to meet agreed service provision **on a corresponding level** with the works program in the long term financial plan.



A gap between projected asset renewal/replacement expenditure and amounts accommodated in the LTFP indicate that further work is required on reviewing service levels in the AM Plan, or possibly revising the LTFP. This work forms part of the ongoing improvement of the asset management plan. In this AM Plan the extent of the 'gap' is shown as the difference between Scenario 2 and Scenario 3.

Council will manage the 'gap' by developing this asset management plan to provide guidance on future service levels, the resources required to provide these services, and review future services/service levels/costs with the community.

6.2 Funding Strategy

Comprehensive review of service levels will provide appropriate projected expenditure levels to ensure ongoing financial sustainability is accommodated within the 10 year Long Term Financial Plan. Council will use the Infrastructure and Service Level Investment policy and the Fiscal Responsibility Guidelines to guide its decision making.

6.3 Valuation Forecasts

Asset values are forecast to remain relatively constant in line with Councils Fiscal Responsibility Principles. Depreciation expense values are forecast in line with asset values while the Depreciated Value will vary over the forecast period dependent on the rate of addition of new assets, disposal of old assets and the consumption/renewal of existing assets.

6.4 Key Assumptions made in Financial Forecasts

Key assumptions made in presenting this asset management plan and in preparing forecasts of required operating/capital expenditure and asset values, depreciation expense and carrying amount estimates are presented to enable readers to gain an understanding of the levels of confidence in the data behind the financial forecasts.

Key Assumptions	Risks of Change to Assumptions
Councils records of assets are accurate	Slight change is likely and will have minor effect on AM Plan
Estimated values for the replacement costs of assets are accurate	Change is likely and will have minor effect on AM Plan
Condition of assets stated is accurate	Change is likely and will have minor effect on AM Plan

6.5 Forecast Reliability and Confidence

The expenditure and valuation projections in this AM Plan are based on best available data. Currency and accuracy of data is critical to effective asset and financial management.

Data Confidence Grading System

Confidence	Description
Very Reliable	Data based on sound records/procedures/analysis, documented properly and recognised as the best method of assessment. Dataset is complete and estimated to be accurate at ± 2%
Reliable	Data based on sound records/procedures/analysis, documented properly, minor shortcomings, e.g. some data is old, and some documentation missing and/or reliance placed on unconfirmed reports/extrapolation. Dataset is complete and estimated to be accurate at ± 10%
Uncertain	Data based on records/procedures/analysis which is incomplete, unsupported, or extrapolated from limited sample data. Dataset is reasonably complete but up to 50% is extrapolated data and accuracy is estimated at ± 25%
Very Uncertain	Data is based on unconfirmed verbal reports and/or cursory inspections/analysis. Dataset may not be fully complete and most data is estimated or extrapolated. Accuracy ± 40%
Unknown	None or very little data held.

Data Confidence Assessment

Data	Confidence	Comment
Demand Drivers	Reliable	Estimated, however further substantiation required for next revision
Growth Projections	Reliable	Estimated growth mainly to cater for the aged
Operational Expenditure	Reliable	Direct from budget, breakdown into operations/maintenance/renewal
Maintenance Expenditure	Reliable	Direct from budget, breakdown into operations/maintenance/renewal
Projected Renewal Expenditure; Asset Value	Reliable	Direct from budget, breakdown into operations/maintenance/renewal Asset values determined from revaluation process
Residual Value	Reliable	Asset residual value used for disposal purposes
Asset useful lives	Reliable	Updated following revaluation process
Condition Modelling	Uncertain	Desk top audit with field sampling analysis
Renewal	Uncertain	Based on 10 year program aligned to the LTFP, refinement required
Upgrade/New Expenditure	Uncertain	Based on 10 year program aligned to the LTFP, refinement required

Overall source data confidence is assessed as medium level for information used in the preparation of this AM Plan, with confidence to increase with asset management system implementation and ongoing Asset Management maturity.

7. PLAN IMPROVEMENT AND MONITORING

7.1 Asset Management Practices

Accounting and financial systems

Council's Financial System is the CIVICA Practical Financial Database. The financial system is managed by Council's Corporate Services department. Financial reporting is prepared in accordance with the requirements of the Local Government Act 1993 and Australian Accounting Standards.

Accountability for Council financial systems is with the Financial Services Section. The Finance Section reports in accordance with the relevant accounting standards and regulations:

- Local Government Act (NSW) 1993;
- Local Government Amendment (Planning and Reporting) Act 2009;
- Local Government (Finance Plans and Reporting) Regulation 2010;
- NSW Code of Accounting Practice; and
- AASB116.

Asset management system

- Council currently does not have an Asset Management system the asset register is held in the Practical Asset Register database, which only captures descriptions and financial attributes of the assets;
- An Asset Management system will be acquired once Council has identified an enterprise system which it will implement.

Accountabilities for asset management system and data maintenance

- Financial Services
- Property & Assets
- Information Services
- Service Managers

Changes to asset management protocol arising from this AM Plan

- Continual review of accuracy and currency of asset data;
- New Asset Management system which will enable all asset attributes to be stored and updated in the one database.
- New enterprise system which will enable costings to be recorded against individual assets including operational, maintenance and capital.
- Development of a works costing and maintenance management system to improve planning and cost recording, in particular to identify expenditure type (operations, maintenance, capital renewal and capital new/upgrade); and
- Improved project cost accounting to record costs against the asset component and develop valuation unit rates.

7.2 Improvement Program

The asset management system Improvement Plan generated from this AM Plan is as follows:

	Task	Responsibility	Resources Required	Timeline
1	Review the accuracy and currency of infrastructure data.	Relevant staff	Staff	31/05/18
2	Improve project cost accounting protocol to record against asset components.	CIS team, finance	Staff, New database	31/05/19
3	Link the customer service system to corporate asset register to align requests with asset records.	P&A & P&G/ IS Staff	Staff, New database	31/12/18
4	Review determination of remaining lives and detail assessment of assets requiring renewal in the medium/long term (next 10-20 years).	P&A/ P&G Staff	Staff, external valuers	31/05/18
5	Document & adopt maintenance service levels.	P&A/ P&G Staff	Staff	31/05/19
6	Developing procedures for maintaining the Asset Register and integrating with Financial database.	Finance Staff	Register/database	31/05/18

7.3 Monitor and Review Procedures

This asset management plan will be reviewed during annual budget planning processes and amended to recognise any material changes in service levels, and/or resources, available to provide those services as a result of budget decisions.

The AM Plan will be updated annually to ensure it represents the current service level, asset values, projected operations, maintenance, capital renewal/replacement and capital upgrade/new operations, along with any asset disposal expenses and have all projected expenditure values incorporated into Council's long term financial plan. The AM Plan has a lifespan of 4 years (election cycle) and is due for complete revision and updating within 1 year of each Council election.

7.4 Performance Measures

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

- The degree to which the required projected expenditures identified in this asset management plan are incorporated into the Councils long term financial plan;
- The degree to which a 1-4 year detailed work program, budgets, business plans and organisational structures take into account the works program trends provided by the asset management plan;
- The degree to which the existing/projected service levels, consequences (what we cannot do), risks and residual risks are incorporated into Councils Strategic and associated plans; and
- Achieving a consistent target nearing 100% for the Asset Renewal Funding Ratio.

8. REFERENCES

- Narrabri Shire Community Strategic Plan;
- Narrabri Shire Council Delivery Plan;
- Narrabri Shire Council Operational Plan;
- IPWEA, 2008, 'NAMS.PLUS Asset Management', Institute of Public Works Engineering Australia, Sydney, www.ipwea.org.au/namsplus
- IPWEA, 2009, 'Australian Infrastructure Financial Management Guidelines', Institute of Public Works Engineering Australia, Sydney, www.ipwea.org.au/AIFMG
- IPWEA, 2011, 'International Infrastructure Management Manual', Institute of Public Works Engineering Australia, Sydney, www.ipwea.org.au/IIMM

- Narrabri Shire Council disposal of assets policy;

- Narrabri Shire Council Infrastructure & Service Level Investment policy;

- Narrabri Shire Council Asset Management policy.

9. APPENDICES

Appendix A **Glossary**

Appendix A Glossary

Annual Service Cost (ASC) - This includes operations/maintenance/depreciation/finance/opportunity and disposal costs, less the revenue acquired.

1) Reporting Actual Cost; Annual/accrual cost of providing a service.
2) Investment Analysis and Budgeting; Estimate of the cost per annum, if tenders were called for the supply of a service to a performance specification for a fixed term.

Asset - A resource controlled by an entity from which future economic benefit is expected to flow.

Asset Category - Sub-group within a class hierarchy for financial reporting and management purposes.

Asset Class - A group of assets having similar nature or function in the operations of an entity and which, for purposes of disclosure, are shown as a single item without supplementary disclosure.

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 and determine the need for preventative/remedial action.

Asset Hierarchy - Framework for segmenting an asset base into appropriate classifications (function/type).

Asset Management (AM) - The combination of managerial, financial, economic, operational and other practices applied to physical assets with the objective of providing the required level of service in the most cost effective manner.

Asset Renewal Funding Ratio - The ratio of the net present value of asset renewal funding accommodated over a 10 year period in a financial plan, relative to the net present value of projected capital renewal expenditures identified in an asset management plan for the same period (AIFMG Financial Sustainability Indicator No 8).

Average Annual Asset Consumption (AAAC) - The amount of an organisation's asset base consumed during a reporting period. Calculated by dividing the depreciable amount by the useful life (or future economic benefit/potential) and totalled for each asset; OR by dividing the carrying amount (Depreciated Replacement Cost) by the remaining useful life (or remaining future economic benefit/potential) and totalled for each asset in an asset category/class.

Borrowings (Loans) - A contractual obligation of the borrower to deliver cash or another financial asset to the lending entity over a specified period of time, covering both initial capital and interest incurred. A borrowing/loan provides the means for the entity to finance outlays when it has insufficient funds to do so, and for the lending entity to make financial return, normally interest revenue, on the funding provided.

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

Capital Expenditure (Expansion) - Expenditure that extends the capacity of an existing asset to provide benefits at the same standard as currently enjoyed by beneficiaries, to a new group of users. Discretionary expenditure increases future operations/maintenance cost because it increases the asset base, but may be associated with additional revenue from the new user group.

Capital Expenditure (New) - Expenditure which creates a new asset providing a new service/output that did not exist beforehand. As it increases service potential it may impact revenue and will increase future operations and maintenance expenditure.

Capital Expenditure (Renewal) - Expenditure on an existing asset, or on replacing an existing asset, which returns the service capability 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 generally has no impact on revenue, but may reduce future operations and maintenance expenditure if completed at the optimum time.

Capital Expenditure (Upgrade) - Discretionary expenditure which enhances an existing asset to provide a higher level of service or increase the life of the asset beyond that originally identified, but may not result in additional revenue unless direct user charges apply. It will increase operations and maintenance expenditure in the future because of the increase in the organisation's asset base.

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.

Capitalisation Threshold - The value of expenditure on non-current assets above which the expenditure is recognised as capital expenditure and below which the expenditure is charged as an expense in the year of acquisition.

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

Component - Specific parts of an asset having independent physical or functional identity, and having specific attributes such as different life expectancy, maintenance regimes, risk or criticality.

Core Asset Management - Asset management which relies primarily on the use of an asset register, maintenance management systems, job resource management, inventory control, condition assessment, simple risk assessment and defined levels of service, in order to establish alternative treatment options and long-term cashflow predictions. Priorities are usually established on the basis of financial return gained by carrying out the work (rather than detailed risk analysis and optimised decision making).

Cost of an Asset - The amount of cash (or equivalent) paid, or the fair value of an asset at the time of acquisition/construction, including costs (design/project management) necessary to bring into service.

Critical Assets - Assets for which the financial, business or service level consequences of failure are sufficiently severe to justify proactive inspection and rehabilitation. Critical assets have a lower threshold for action.

Current Replacement Cost (CRC) - The cost the entity would incur to acquire the asset on the reporting date. The cost 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 cost to replace the existing asset with a technologically modern equivalent new asset (not second hand) with the same economic benefit (gross service potential) allowing for any differences in the quantity and quality of output and operating costs.

Deferred Maintenance - The shortfall in rehabilitation undertaken, relative that required to maintain the service potential of assets.

Depreciable Amount - The cost of an asset, or other amount substituted for its cost, less its residual value.

Depreciated Replacement Cost (DRC) - The Current Replacement Cost (CRC) of an asset, less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefit of the asset.

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

Expenditure - The spending of money on goods and services, including recurrent and capital outlays.

Fair Value - The amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in a regular transaction.

Financing Gap - Insufficient capacity to finance renewal and other expenditure necessary to appropriately maintain the range and level of service for which the existing asset stock was designed and intended. A current financing gap means service levels have already or are currently, falling. A projected financing gap if not addressed, will result in a future decrease of existing service levels.

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.

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

Infrastructure Assets - Physical assets that contribute to meeting the needs of organisations for access to major economic and social facilities and services (e.g. roads, buildings, footpaths, parks). 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.

Investment Property - Property held to earn rentals, or capital appreciation, or both.

Key Performance Indicator - A qualitative or quantitative measure of a service or activity used to compare actual performance against a standard or other target. Performance indicators commonly relate to statutory limits, safety, responsiveness, cost, comfort, asset performance, reliability, efficiency, environmental protection and customer satisfaction.

Level of Service - The defined level of quality for a particular service/activity, against which performance may be measured. Service levels usually relate to quality, quantity, reliability, responsiveness, environmental impact, acceptability and cost.

Life Cycle Cost (LCC) - The total cost of an asset throughout its life including planning, design, construction, acquisition, operation, maintenance, rehabilitation and disposal.

Life Cycle Expenditure (LCE) - The LCE is the average operations, maintenance and capital renewal expenditure accommodated in the long term financial plan over 10 years.

Maintenance - All actions necessary for retaining an asset as near as practicable to an appropriate service condition, including the regular repairs necessary to keep assets operating. It is operating expenditure required to ensure the best chance for the asset to reach its expected useful life.

Planned Maintenance - Repair work identified for action including inspection, conditional assessment, prioritisation, actioning and reporting to develop a maintenance history and improve service delivery performance.

Reactive/Unplanned Maintenance – Unplanned/corrective repair work that is carried out in response to service requests and management/supervisory directions to restore an asset to working condition so it can continue to deliver the required service or to maintain its level of security and integrity.

Specific Maintenance - Maintenance work to repair components, or replace sub-components, that need to be identified as a specific maintenance item in the maintenance budget.

Maintenance Expenditure - Recurrent expenditure, periodically or regularly required as part of the anticipated schedule of works to ensure the asset achieves its useful life and provides the required level of service.

Materiality - The notion of materiality guides the margin of error acceptable, the degree of precision required and the extent of the disclosure required when preparing general purpose financial reports. Information is material if its omission, misstatement or non-disclosure has the potential (individually or collectively) to influence the economic decisions of users taken on the basis of that financial report, or affect the discharge of accountability by the management or governing body of the entity.

Modern Equivalent Asset - The most cost efficient, currently available asset which will provide the same stream of services as the existing asset is capable of producing. It allows for technology changes, improvements and efficiencies in production, and installation techniques.

Net Present Value (NPV) - The value to the organisation of the cash flows associated with an asset/liability/activity/event and calculated using a discount rate to reflect the time value of money. It is the net amount of discounted total cash inflow after deducting the value of the discounted total cash outflow arising from the continued use and subsequent disposal of the asset, after deducting the value of the discounted total cash outflow.

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

Operations - Regular activities to provide services such as public health, safety and amenity.

Operating Expenditure - Recurrent expenditure which is continuously required to provide a service. In common use the term typically includes, e.g. power, fuel, staff, plant, on-costs and overheads, but excludes maintenance and depreciation. Maintenance and depreciation is, however, included in operating expense.

Operating Expense - The gross outflow of economic benefit, being cash and non-cash items, during the period arising in the course of ordinary activities of an entity, when those outflows result in decreases in equity other than decreases relating to distribution to equity participants.

Operating Expenses - Recurrent expenses continuously required to provide a service, including power, fuel, staff, plant, maintenance, depreciation, on-costs and overheads.

Operations, Maintenance and Renewal Financing Ratio - Ratio of estimated budget to projected expenditure for operations, maintenance and renewal of assets over a defined period (e.g. 5/10/15 years).

Operations, Maintenance and Renewal Gap - Difference between budgeted expenditure in a long term financial plan and projected expenditure for operations, maintenance and renewal of assets to achieve/maintain specified service levels, totalled over a defined period (e.g. 5/10/15 years).

Rate of Annual Asset Consumption - The ratio of annual asset consumption, relative to the depreciable amount of the assets. It measures the amount of the consumable parts of assets that are consumed in a period (Depreciation) expressed as a percentage of the depreciable amount.

Rate of Annual Asset Renewal - The ratio of asset renewal and replacement expenditure, relative to the depreciable amount for a period. It measures whether assets are being replaced at the rate they are wearing out with Capital Renewal Expenditure expressed as a percentage of Depreciable Amount (CRE/DA).

Rate of Annual Asset Upgrade/New - The rate at which assets are being upgraded and expanded per annum with Capital Upgrade/New expenditure expressed as a percentage of Depreciable Amount.

Recoverable Amount - The amount 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 operations and maintenance expenditure.

Recurrent Funding - Funding to pay for Recurrent Expenditure.

Rehabilitation - See Capital Renewal Expenditure definition.

Remaining Useful Life - The time remaining until an asset ceases to provide the required service level or economic usefulness. Useful Life minus Age equals Remaining Useful Life.

Residual Value - The estimated amount that an entity would currently obtain from disposal of an asset, after deducting the estimated cost of disposal, if the asset were of the age/condition expected at the end of its useful life.

Revenue Generating Investments - Investments for the provision of goods and services to sustain, or improve, services to the community expected to generate savings/revenue to offset operating costs; e.g. public halls, theatres, 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 risk, to determine resultant ranges of outcomes and probability of occurrence.

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

Service Potential - The total future service capacity of an asset which is normally determined by reference to the operating capacity and economic life. A measure of service potential is used in the not-for-profit sector/public sector to value assets, particularly those not producing a cash flow.

Service Potential Remaining - A measure of future economic benefits remaining in assets. It may be expressed in dollar values (Fair Value) or as a percentage of total anticipated future economic benefit. It is also a measure of the percentage of the asset's potential to provide services that are still available for use (DRC/DA).

Specific Maintenance - Replacement of higher value components/sub-components of assets undertaken on a regular cycle including repainting, 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.

Strategic Plan - A plan covering the term of office for councillors, reflecting the needs of the community for the foreseeable future and bringing together the detailed requirements in the Council's Asset Management Plans and the Long-Term Financial Plan. The plan is prepared in consultation with the community and details Council position at that point in time, where it wants to go, how it is going to get there, mechanisms for monitoring the achievement of the outcomes and how the plan will be resourced.

Sub-Component - Smaller individual parts that make up a component.

Useful Life - Either:

1) The estimated/expected time between placing an asset into service and removing it from service; or
2) The estimated period of time over which the future economic benefits embodied in a depreciable asset are expected to be consumed by the Council.

Value in Use - The present value of future cash flow expected to be derived from an asset or cash generating unit. It is deemed to be Depreciated Replacement Cost (DRC) for assets whose future economic benefits are not primarily dependent on the ability to generate net cash inflow where the entity would, if deprived of the asset, replace its remaining future economic benefits.

APPENDIX B

Transport

Asset Management Plan

Narrabri Shire Council

TABLE OF CONTENTS

1. EXECUTIVE SUMMARY 3
1.1 The Asset Management Plan Methodology 3
1.2 What does it Cost? 4
1.3 What Council Can & Cannot Do 4
1.4 Managing the Risk 4
1.5 The Next Steps 5
2. **INTRODUCTION** **6**
2.1 Background 6
2.2 Goals and Objectives of Asset Management 6
2.3 Plan Framework 7
2.4 Community Consultation 7
3. LEVELS OF SERVICE **8**
4. FUTURE DEMAND **11**
4.1 Demand Drivers 11
4.2 Demand Management Plan 11
4.3 Asset Program to meet Demand 11
5. LIFECYCLE MANAGEMENT PLAN **12**
5.1 Background Data 12
5.2 Infrastructure Risk Management Plan 14
5.3 Routine Maintenance Plan 14
5.4 Renewal/Replacement Plan 15
5.5 Creation/Acquisition/Upgrade Plan 16
5.6 Disposal Plan 16
6. FINANCIAL ANALYSIS **17**
6.1 Financial Statements and Projections 17
6.4 Key Assumptions made in Financial Forecasts 21
6.5 Forecast Reliability and Confidence 21
7. PLAN IMPROVEMENT AND MONITORING **23**
7.1 Asset Management Practices 23
7.2 Improvement Program 24
7.3 Monitor and Review Procedures 24
7.4 Performance Measures 24
8. REFERENCES **25**
9. APPENDICES **25**
Appendix A Glossary 26

1. EXECUTIVE SUMMARY

Narrabri Shire is home to approximately 14,000 people spanning an area of over 13,000 square kilometres. Most of the population is centred around three main towns being Boggabri, Narrabri and Wee Waa as well as a number of villages in Pilliga, Gwabegar, Bellata, Edgeroi and Baan Baa.

The 'Transport' Asset Management (AM) Plan covers a portfolio of Sealed Roads, Unsealed Roads, Kerb & Gutter, Bridges, Footpaths and Storm water situated in various locations around the Shire. These infrastructure assets have a current replacement cost, as at 30 June 2016, of $362.522M.

Asset Management plans define the services and service levels to be provided, how the services are to be provided and what funds are required to provide those services. They are an essential tool for organisations that provide services from long life infrastructure assets. Council can't produce effective budgets and long term financial plans without good quality Asset Management Plans.

This AM Plan is structured along the lines recommended in the International Infrastructure Management Manual (IIMM - 2011). The plan borrows format, context and material from various other Council plans as well as the IPWEA NAMS.PLUS AM Plan template. Asset management planning is a comprehensive process to ensure services from infrastructure are delivered in a safe and financially sustainable manner.

IPWEA (Institute of Public Works Engineering Australia) – NAMS (National Asset Management System)

The aim of this AM Plan is to provide a framework to detail and examine existing management practices for Transport infrastructure, and to form the basis of an improvement program to progressively resolve identified deficiencies.

1.1 The Asset Management Plan Methodology

One of the most important aspects of the asset management plan is the forecast of existing asset renewal requirements. For the Narrabri Shire Council 'Transport' Asset Management Plan, three scenarios have been considered when developing the forecast.

Scenario 1 uses Councils' asset register Valuation Data to project the renewal costs. In this scenario the useful life of the asset is added to the acquisition year of an asset, to estimate the timeframe when renewal is due. Scenario 1 indicates whether or not the funds to meet the forecast renewal requirements are aligned with funding in the Long Term Financial Plan (LTFP).

Unless the 'Useful Life', 'Acquisition Year' and 'Condition' data is considered of high integrity, this Scenario is only useful as an overview for modelling purposes.

Scenario 2 uses Capital Renewal Expenditure projections, assessed by technical staff, to sustain current service levels. This assessment uses a combination of detailed technical analysis and an estimate of the average network renewals required.

Scenario 3 is the actual reality of the situation where the Capital Renewal Expenditure that can be achieved is within available funds in the Long Term Financial Plan (LTFP).

The actual funding that is available to Council for renewal of its road assets is better reflected in Scenario 3. The difference between Scenario 2 and Scenario 3 represents "what we can't do". The discussion about this "funding gap" will lead us into a much better informed community discussion about what are the achievable and acceptable service levels, as well as giving a focus on the risks to be managed in not affording all of the renewals required.

1.2 What does it Cost?

There are two key indicators of cost to providing services through Transport infrastructure;

1. The necessary funding for the Life Cycle of the asset, and
2. The Total Maintenance and the Capital Renewal Expenditure required in delivering existing service levels across the 10-year period encompassed by Council's Long Term Financial Plan.

The forecast of the projected outlay necessary to provide services covered by this Asset Management Plan over the 10 year planning period will amount to $127.656M or $12.766M on average per year. This is based on the Scenario 3 methodology providing the estimated funding available through the Long Term Financial Plan.

Projected available funding for this period is $127.307M, or $12.731M on average per year, which is a funding deficit of $-35K on average per year, against the expenditure required to provide the current level of service, compared with planned expenditure currently included in the LTFP.

If Council can find alternative sources to cover the deficit (gap in funding), this will then provide confidence in its ability to sustain operations, maintenance and renewal of existing Transport infrastructure to meet service levels, as well as deliver identified upgrade/new additions (that are fully funded) within the 10 year planning period.

1.3 What Council Can & Cannot Do

Council must aim to provide levels of service to the community that are appropriate, affordable and most importantly attainable. Council will be guided in achieving this by following the Fiscal Responsibility Principles which will provide direction and context for decision making in the allocation, management and use of Councils financial resources and the Infrastructure & Service Level Investment policy.

Council must schedule a comprehensive maintenance program whereby asset planning is informed of the areas in need of attention and may then target renewal/upgrade, as opposed to the historically reactive maintenance regime previously engaged. Planning, knowing and forecasting maintenance across the asset portfolio allows financial planning and acquittal of maintenance expenditure to the most essential assets.

It is apparent from data modelling that Councils current level of expenditure is insufficient to ensure the sustainability of Councils infrastructure assets. Council can endeavour to *increase* funding (LTFP/Grants/Contributions/etc.) or *decrease* service levels to maintain fiscal responsibility.

1.4 Managing the Risk

There is risk associated with providing services and not being able to complete all identified activities and projects.

We have identified major risks as;

- Rising cost of providing and managing infrastructure,
- Meeting Community expectations for services,
- Damage to Transport network from unforeseen events,
- Variable and unpredictable weather events, such as flooding, and the impact this will have on all infrastructure assets (what seemingly is a manageable position can change very quickly), and
- The dependence on grants from other sources to fund major projects.

Council will endeavour to manage these risks within available funding in Council's Long Term Financial Plan through maintenance of existing infrastructure, managing expansion of infrastructure based on the priorities established in the Community Strategic Plan and seeking additional funding in the form of grants wherever possible.

Function & Quality Assurance

Council's intent is to maintain its Transport Infrastructure in partnership with all stakeholders to meet the community needs in providing efficient, quality infrastructure. Council will inspect all Transport Infrastructure regularly and prioritise repairs in accordance with inspection schedules to ensure safety and utility.

The successful implementation of these functional objectives will be measured by;

- Community satisfaction indicators,
- Operational and Delivery Plan targets being achieved, and
- Usage of Infrastructure at a premium.

1.5 The Next Steps

The actions resulting from this asset management plan are;

- Continue to assess and maintain the Transport asset base in a safe condition,
- Define maintenance standards and levels of service that can be delivered at various funding levels,
- Improve the analysis of options so that an informed discussion can be had with the community about priorities and fully-funding the delivery of future levels of service,
- Prioritise renewal and upgrade works based on risk assessment,
- Continue to collect asset information and knowledge including fair value calculations,
- Collate Asset register into new Financial and Asset Management system, and
- Monitor the provision of infrastructure assets in line with community expectations as expressed in the Narrabri Shire Council "Community Strategic Plan (CSP)".

2. INTRODUCTION

2.1 Background

Narrabri Shire Council owns a portfolio of Transport Infrastructure to support its operations and delivery of services to the community. These infrastructure assets range in age, quality and function. The Transport Infrastructure vary from Roads, Bridges, Footpaths to Storm Water. The management of Councils Transport infrastructure requires the coordination of Councils technical and operational resources.

Councils Finance section coordinates the asset data entry into the asset register, whilst administering planned and reactive maintenance processes, determining strategic outcomes and developing operational work programs falls with the Infrastructure Delivery staff.

The types of assets covered by this AM Plan are used to support a broad range of services to the community.

Assets covered by this Plan

Asset Category	Current Replacement Cost (CRC)	Depreciated Value (DV)
Roads	**$230,092,054**	**$142,983,570**
Bridges	**$25,760,034**	**$15,898,365**
Footpaths	**$5,251,958**	**$3,481,041**
Bulk Earthworks	**$91,740,272**	**$91,740,272**
Storm Water	**$9,678,265**	**$5,209,247**

Asset Values as at the 30 June 2016.

Key stakeholders in the preparation and implementation of this AM plan are shown in the following table:

Key Stakeholders

Key Stakeholder	Associated role in Transport Asset Management Plan
Elected Members	Endorse the asset management policy, strategy and plans. Set high level direction through the development of asset management principles.
Senior Management	Prioritise actions resulting from this plan and improve the way Council manages assets and delivers services.
Finance & Assets Staff	Consolidate 'Transport' asset register and ensure accurate valuation. Monitor Council's ability to meet 'Technical' and 'Customer' Levels of Service. Provide administration and services to support sustainability and financial reporting.
Operational Staff	Provide base level detail on infrastructure assets and monitor the maintenance standards deployed.
External Parties	Community Residents/Businesses; Tourists/Visitors (occasional users); Emergency Services; Developers/Utility Companies; Government Authorities.

2.2 Goals and Objectives of Asset Management

The organisation exists to provide services to its community, some of which are provided by infrastructure assets. We have acquired infrastructure assets by purchase, by contract, by construction and by donation of assets created by developers and others, to meet increased levels of service demands.

Our goal in managing infrastructure assets is to meet the defined levels of service (as amended from time to time) in the most cost effective manner for present and future constituents. The key elements of infrastructure asset management are;

- Providing a defined level of service and monitoring performance,
- Controlling the impact of growth through demand management and infrastructure investment,

- Taking a lifecycle approach to developing long-term cost-effective management strategies that meet the defined levels of service,
- Identifying, assessing and appropriately controlling risk, and
- Long-term financial planning identifying the required expenditure, along with how it will be financed.

Council must endeavour to fully-fund all projected asset renewals and upgrade/new construction as a matter of course within normal budgeting protocol.

2.3 Plan Framework

Key elements of the plan are;

- Levels of Service – specific levels of service to be provided by Council,
- Future Demand – factors that may impact on future service delivery,
- Life Cycle Management – processes for managing existing and future assets,
- Financial Analysis – funding required to provide the defined services,
- Monitoring – procedures ensuring the plan meets organisational objectives,
- Asset Management Practices, and
- Improvement Plan.

2.4 Community Consultation

This 'core' asset management plan is prepared to facilitate community consultation, initially through feedback on public display of the Draft Asset Management Plan, prior to adoption by the Council. Future revisions of the AM Plan will incorporate community consultation on service levels and costs of providing the service. This will assist the Council and the community in matching the levels of service needed, and the risks and consequences associated, with the community's ability and willingness to pay for that level of service.

3. LEVELS OF SERVICE

Levels of Service acceptable to the community are a core component of asset management planning. Levels of Service are determined to match community expectations with the service levels that can actually be afforded through Council's Operational Plan. Council may need to review Levels of Service in the future in accordance with changing customer needs, industry trends and affordability.

The Asset Management Plans, in conjunction with the Long Term Financial Plan and the Community Strategic Plan, are the tools which Council will use to assess the long term sustainability of infrastructure assets and identify the appropriate level of resourcing to maintain agreed service levels.

Accurate, up-to-date and easily accessible records are important factors in enabling Council to meet its statutory governance requirements. Compliance with regulations is a principle theme of the asset planning process, and is considered in the context of Quality, Function and Risk.

Council will use Asset Management Planning to provide a way in which the community can become engaged in the setting of priorities and the allocation of resources. The AM Plans help to categorise some of the risk associated to Council infrastructure and enables identification and implementation of work programs linked to achieving corporate objectives and service level targets.

Service levels are defined in respect of two categories:

A) Community Levels of Service - Measures how the community receives the service and whether the organisation is providing value to the community.

'Community Levels of Service' measures used in the asset management plans are:

- *Quality* - How good/safe is the service?
- *Function* - Does it meet users' needs?
- *Capacity/Utilisation* - Is the service over or under-utilised?

B) Technical Levels of Service - These technical measures relate to the allocation of resources against the service activities that the organisation undertakes to best achieve the desired community outcomes and demonstrate effective organisational performance.

'Technical Levels of Service' measures are linked to annual budgets covering:

- *Operations* – regular activities to provide services (opening hours/cleaning frequency/pest control/etc.),
- *Maintenance* – activities necessary to retain an asset as near as practicable to an appropriate service condition (structural repairs/painting/etc.),
- *Renewal* – activities that return the service capability of an asset up to the original intent (component repairs/replacement/etc.), and
- *Upgrade/New* – activities to provide a higher level of service such as; replacing components with a larger size *or* a completely new element that did not exist previously.

Asset managers plan, implement and control 'technical' service levels to influence 'customer' service levels.

The asset management planning process includes the development of 3 Scenarios, to develop levels of service that are financially sustainable.

Condition is measured using a 1 – 5 grading system and summarised into very good/good, fair and poor/very poor, as detailed in following table.

Condition Grading Model

Grading	Description of Condition
1	**Very Good**: Planned maintenance schedule only.
2	**Good**: Minor maintenance required, planned maintenance schedule.
3	**Fair**: Significant maintenance required.
4	**Poor**: Significant renewal/rehabilitation required.
5	**Very Poor**: Physically unsound and/or beyond rehabilitation.

Community Levels of Service				
Performance Measure	**Service Objective**	**Performance Measure Process**	**Current Level of Service**	**Optimal Scenario to Sustain Current Service Levels Scenario 2**
Quality	Sealed roads. Roads are smooth, users able to travel safely, quickly and in reasonable comfort. For unsealed and formed roads. Roads are smooth, users able to travel safely and in reasonable comfort.	Customer service requests relating to roughness and tyre damage. Routine and periodic grading treatments with adequate cross fall and drainage. % coverage of the road network.	Complaints inspected, repairs effected. Records collated. Condition relates to allocated budget. Unsealed/formed roads - Grading generally routine only. Minimal drainage. Slippery, soft or impassable when wet. Closed to heavy vehicles if heavy rain.	Minimal service requests from the community. Travel safely and in comfort at - 100km/hr. Unsealed roads are trafficable at all times.
Function	Access available at all times for passenger vehicles and heavy transport.	Customer requests relating to non-access. Number of load limitations imposed.	Dependent upon weather conditions and available funding– some unsealed roads not all weather accessible.	Access available at all times.
Capacity/ Utilisation	Roads are safe and all weather accessible. Low risk to users from road conditions. Minimum serious injuries and loss of life attributable to road conditions. Roads forgive driver errors, e.g. provide clear zones.	Customer complaints of inaccessible roads. Number of serious injury/fatality motor vehicle accidents (MVAs).	To be collated. Insufficient funds to ensure all roads are all weather accessible. Some unsealed roads slippery, boggy or easily damaged when very wet. Informal process, inspect & attend to high risk quickly if accessible.	Roads are safe with no motor vehicle accidents. No fatalities and minimal serious injuries attributable to road conditions.

Technical Levels of Service				
Service Attribute	**Service Objective**	**Performance Measure Process**	**Current Performance ***	**Desired Level of Service ****
Operations	Provide a smooth, uninterrupted ride.	Road condition surveys - 3-4 yrs. Programmed inspections. Planned maintenance.	Condition assessments Overdue. Inspections ad-hoc. Progressing toward programmed routine inspections.	Regular inspections and condition assessments to be undertaken and reduction of backlog for defects.
Maintenance	Regular grading of unsealed roads at affordable levels.	Maintain maintenance grading frequency.	Periodic maintenance (grader/roller/water). Regional Roads – 4/yr Collector Roads – 3/yr Bus Routes 2.5/yr Local Access 2/yr Natural Surface – as resources permit.	Periodic maintenance (grader/roller/water). Regional Roads – 4/yr Collector Roads – 3/yr Bus Routes 2.5/yr Local Access 2/yr Natural Surface – as resources permit.
	Minor Heavy Patching and Pot Hole repairs to fix hazards & defects	Square metres of minor Heavy Patching and Pot Hole repairs.	Reactive 20% estimated Planned 80%	Reactive 10% estimated Planned 90%
Renewal	Resheeting of gravel roads	% of length resheeted per year in order to maintain life cycle programmed replacement.	Funding approx. 1% instead of desired 3.33%. Cumulative effects of several years of low resheeting allocations were partly masked by flood restoration.	Regional Roads 3.33% Collector Roads 3.33% Local Access Roads 3.33%
	Resealing of sealed roads.	% of length resealed per year	Regional Roads 6.66% Collector Roads 5.55% Local Access Roads 5.00% Lack of funding created a backlog of reseals which could degenerate to failures.	Regional Roads 6.66% Collector Roads 5.55% Local Access Roads 5.00%
Upgrade/New	Upgrade/New Construction	Length (km) of new seal construct	New projects undertaken with VPA and development contributions	Construction of assets as funding permits.

Note: * *Current activities and costs (currently funded).*
** *Desired activities and costs to sustain current service levels and achieve minimum life cycle costs (not currently funded).*

4. FUTURE DEMAND

4.1 Demand Drivers

Drivers affecting demand can include population change, changes in demographics, seasonal factors, tenancy rates, consumer preferences and expectations, technological changes, economic factors, environmental awareness, etc.

The present position and projections for demand were identified and the impact of how that demand may affect future service delivery and utilisation of assets is shown in the table following.

Drivers	Present position	Projection	Impact on services
Community Expectation.	Desire for high standards.	Expectations will continue increasing.	Existing infrastructure may not be suitable for purpose over the longer term.
Increasing Cost.	Costs' greater than revenue.	Costs anticipated to continue increasing.	Need to target and plan infrastructure increase within funding limitations.
Environmental impact.	Environment & climate changing.	Extreme conditions to impact services.	Direct impact from extreme weather (flood damage).
Increased heavy freight	Trend toward larger truck configurations to minimise overheads	More road trains including Multi-configuration	More trucks will mean shorter life for pavement and seal.
Mining.	Expanding.	Expected to increase.	Increased traffic on roads causing more wear and tear.

4.2 Demand Management Plan

Demand will be managed through a combination of upgrading existing assets and providing new assets to meet any increased demand. Technological advancement, such as improved construction techniques and increased use of prefabricated components, has the potential to reduce costs. Field data capture and non-invasive inspection methodology will improve the collection of information without adversely affecting the asset.

Non-asset solutions focus on providing the required service without the need for the organisation to own the assets and management actions include reducing demand for the service or reducing the level of service. Opportunities identified to date for demand management are shown in the table following.

Driver	Impact on Service	Demand Management Plan
Increasing infrastructure needs.	Pressure to expand/upgrade council's transport infrastructure network.	Analyse the effect of larger freight vehicles on roads. Monitor expectations and communicate service levels against funding capacity to balance priorities for infrastructure with what is affordable to the community.
Increasing community expectations.	Pressure to expand/upgrade and improve levels of service.	Continue to seek grant funding for priority projects identified in the Community Strategic and Asset Management Plans. Continue to analyse the cost of providing services and the capacity to fund at current levels.

4.3 Asset Program to meet Demand

Any new assets will be constructed/acquired by Council to meet growth and increased demand in a sustainable manner. Acquiring new, or upgrading existing assets, will commit the organisation to fund ongoing operations, maintenance and renewal costs for the entire lifecycle period of required service provided from those assets.

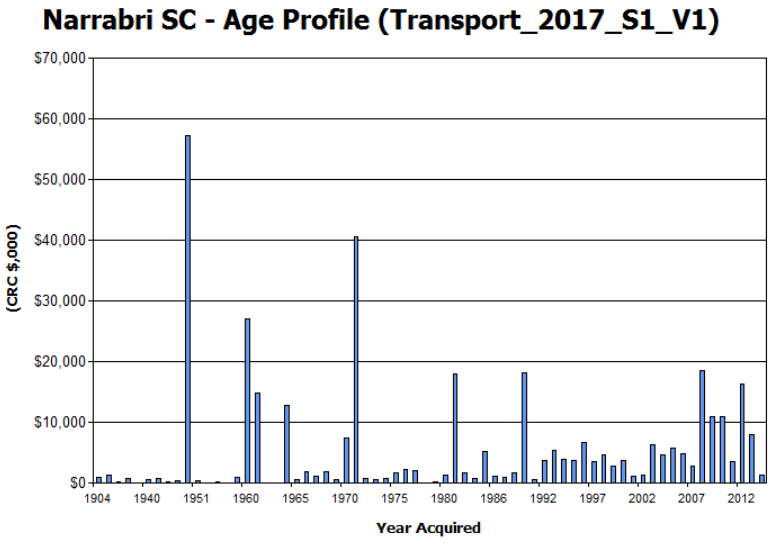
5. LIFECYCLE MANAGEMENT PLAN

The lifecycle management plan details how the organisation plans to manage and operate the assets at the agreed levels of service while optimising life cycle costs.

5.1 Background Data

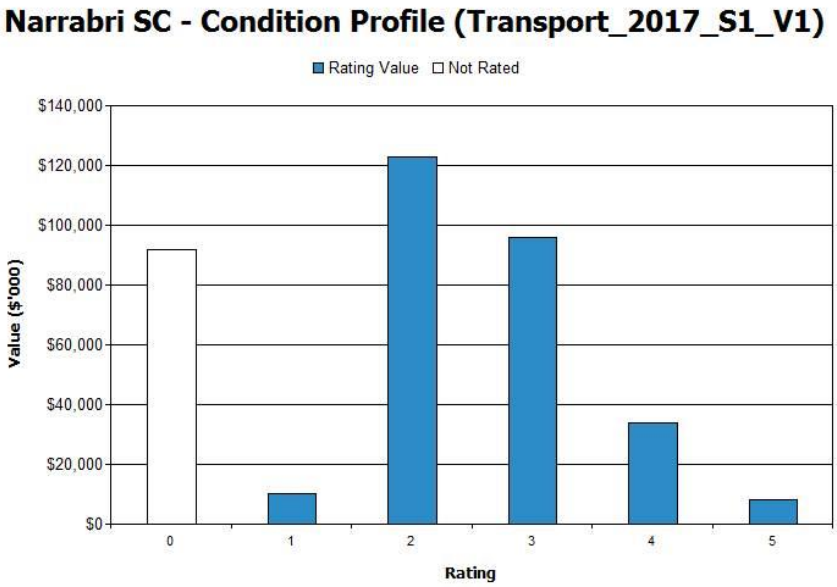
Physical parameters

The age profile of the assets included in this AM Plan is shown in the following graph and is based on data in Council's 'Transport' asset register. The year of construction/acquisition for Transport infrastructure is only indicative, being considered through the anticipated remaining life and the current condition on the lifecycle deterioration curve for each individual structure.



Asset condition

Condition is monitored and managed at an operational level, and the information used to prepare the condition profile is based on technical knowledge of Transport infrastructure. The condition profile for 'Transport' infrastructure assets is shown in the following chart. The assets with 0 condition rating are formation assets that do not depreciate.



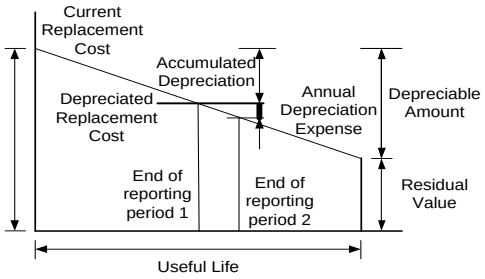
Condition is measured using a 1 – 5 grading system as detailed in *"Section 3 Levels of Service"*. Planned frequency of assessment: Every 4 years.

Asset valuations

The value of Transport infrastructure recorded in the technical asset register as at 30 June 2016, and covered by this AM Plan is shown below.

Assets are valued at replacement cost:

Current Replacement Cost (CRC)	$362,522,000
Depreciable Amount	$362,522,000
Depreciated Replacement Cost (DV)	$259,312,000
Annual Depreciation Expense	$4,934,000



Various ratios of asset consumption and expenditure have been prepared to help guide and gauge asset management performance and trends over time.

Rate of Annual Asset Consumption	1.4% (Depreciation/Depreciable Amount)
Rate of Annual Asset Renewal (Year 1)	1.9% (Capital Renewal Expenditure/Depreciable Amount)
Rate of Annual Asset Upgrade/New (Year 1)	0.1% (Capital Upgrade Expenditure/Depreciable Amount)
Rate of Annual Asset Upgrade/New (Year 1)	0.1% (Including Contributed Assets)

In 2017/18 the organisation plans to renew assets at 142.6% of the rate they are being consumed and will be increasing its asset stock by 0.1% during the year.

To provide services in a financially sustainable manner, Council will need to ensure that it is renewing assets at the rate they are being consumed over the medium-long term, and funding the life cycle costs for all new assets and services in its long term financial plan. The figures show that in the short term Council is achieving this and with increased focus on Renewals Council will be able to renew assets at the rate that they are being consumed.

5.2 Infrastructure Risk Management Plan

An assessment of risk associated with service delivery from infrastructure assets has identified critical risk that will result in loss or reduction in service from infrastructure assets or a 'financial shock' to the organisation. The risk assessment process identifies credibility of risk (the likelihood of the risk event occurring), the consequences should the event occur, development of a risk rating, evaluates the risk and develops a treatment plan for non-acceptable risk.

Critical risk, being those assessed as 'Very High' (requiring immediate corrective action) and 'High' (requiring prioritised corrective action) identified in the Infrastructure Risk Management Plan, together with the estimated residual risk after treatment, are summarised in the following table with these risks reported to management and Council.

Service Risk	What can Happen	Risk Rating	Risk Treatment Plan	Residual Risk*	Treatment Costs
Unforeseen events.	Damage to Transport Network (Floods).	Very High.	Assistance from natural disaster declarations, maintain insurance.	Medium.	Insurance Excess, anything under excess
Injury to users.	Conditions deteriorate to higher risk situation.	High.	Identify risk rating & prioritise future mitigation, maintain insurance.	Low.	Replacement of high risk assets
Lower service level.	Decreased frequency of maintenance.	High.	Document required renewal of Network	Low.	Cost to bring assets back to satisfactory standard.

Note * Residual Risk is the risk remaining after the selected treatment plan is operational.

5.3 Routine Maintenance Plan

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

Maintenance includes all actions necessary for retaining an asset as near as practicable to an appropriate service condition including regular ongoing day-to-day work necessary to keep assets operating, e.g. structural repairs but excluding rehabilitation or renewal. Routine Maintenance includes 'Reactive', 'Planned' and 'Specific' maintenance 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 activities including inspection, condition assessment, prioritised scheduling, actioning the work and reporting what was done to develop a maintenance history and improve service delivery performance.

Specific Maintenance is replacement of higher value components/sub-components and undertaken on a regular cycle (repainting/replacing air conditioning/etc.) This work falls below the capital maintenance threshold but may require specific budget allocation.

Planned maintenance work as a % of total maintenance expenditure is not identified in this plan. Information on this should be developed for the next revision of this asset management plan, as higher proportions of planned maintenance expenditure should provide better value than reactive maintenance.

Maintenance expenditure levels are seen to be steady and this has little impact on Councils ability to meet current service levels. Where maintenance expenditure levels are such that will result in a lower level of service, the consequences have been identified and highlighted in this AM Plan with service risk considered in the Infrastructure Risk Management Plan. Assessment and prioritisation of reactive maintenance is undertaken by Council staff using experience and judgement.

Operations and Maintenance Strategies

Council will operate and maintain assets to provide the defined level of service to approved budgets, in the most cost-efficient manner with activities including;

- Undertaking a cost-benefit analysis to determine the most effective split between scheduled and unplanned maintenance activities,
- Maintain a current risk register and present risk associated with providing services from infrastructure assets while reporting Very High/High risk and any Residual risk to management and Council,
- Review current and required skills base and implement workforce training and development to meet required operations and maintenance needs, and
- Maintain a current hierarchy of critical assets and required operation and maintenance activities.

5.4 Renewal/Replacement Plan

Renewal and replacement 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 considered upgrade, expansion or new works expenditure.

Assets requiring renewal are identified from estimation of remaining life obtained from the asset register; or through nomination by staff, the public or other sources. Candidate proposals are inspected to verify accuracy of remaining life estimates and to develop a preliminary renewal strategy. Verified proposals are ranked by priority and available funds, to then be scheduled into the works program.

Renewal/Replacement Priority Ranking Criteria

Criteria	Weighting
Quality (Risk of Failure)	30%
Condition	30%
Operating/Maintenance/Lifecycle Costs	20%
Functionality	20%
Total	**100%**

Renewal will be undertaken using 'low cost' renewal methods where practical. The aim of low-cost renewal is to restore the service potential, or future economic benefits of the asset, by renewing at a cost less than replacement cost. Renewal work is carried out in accordance with relevant technical standards and specifications.

Renewal and Replacement Strategies

It is clear that this Council needs to be more proactive in asset renewal than it has in recent years. Priority for funding needs to go to asset renewals in order to attain a satisfactory level of sustainability.

In budgeting, an enterprise approach is required to assess community needs and prioritise the allocation of available funds. Council needs to plan future levels of service to match affordable organisational needs and maximise the benefit to the community.

Priority for Transport funding needs to go to the higher classification roads that carry higher traffic volumes, freight routes and school bus routes. In order to minimise Council's risk, those renewals that Council cannot afford to fund at the appropriate time will still require regular inspections and intervention when the condition falls below a certain threshold and new appropriate levels of service applied.

The following strategies can be applied for the effective renewal/replacement of building infrastructure.

- Planning/scheduling renewal projects to deliver defined service levels in the most efficient manner;
- Undertaking project scoping for all capital renewal and replacement projects to identify -
    1. Any service deficiency, present risk and optimum time for renewal/replacement;
    2. The project scope and objectives to rectify the deficiency;

3. The estimated capital and life cycle costs for each option to address service deficiencies;
4. To evaluate the options against criteria adopted by Council; and
5. To select the best option to be included in capital renewal programs;

- Using low cost methods (cost of renewal is less than upgrade/new) where practicable;
- Fully funding depreciation to allow for Assets to be renewed as they reach the end of their useful life;
- Maintaining a current infrastructure risk register for assets and the risks associated with providing services from those assets and reporting Very High/High risks, and residual risks (risk leftover after treatment), to management and Council;
- Maintaining a current hierarchy of critical assets and capital renewal treatments/ timings; and
- Reviewing management of capital renewal/ replacement activities to ensure Council is obtaining best value for resources consumed.

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 and may be acquired at no cost to the organisation from land development.

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 with available funds and scheduled in future works programmes. This is done by following Councils Infrastructure & service level investment policy.

5.6 Disposal Plan

This includes activity associated with disposal of decommissioned assets including sale, demolition or relocation. Assets identified for possible decommissioning and disposal deliver annual savings from not having to fund operations and maintenance of the assets. Any revenue gained from asset disposal will be accumulated into Councils long term financial plan.

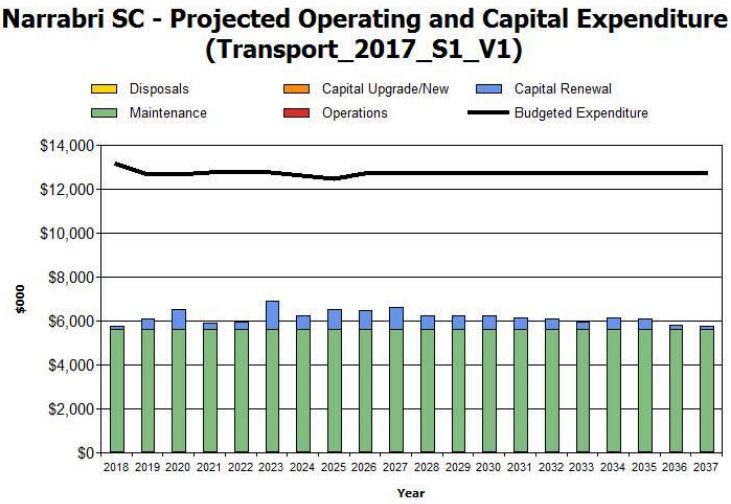
With 257 kilometres of natural surface roads that currently receive minimal maintenance there are a number of minor roads that could be considered for disposal. These assets need to be further investigated to determine the required levels of service and what options are available for alternate service delivery.

6. FINANCIAL ANALYSIS

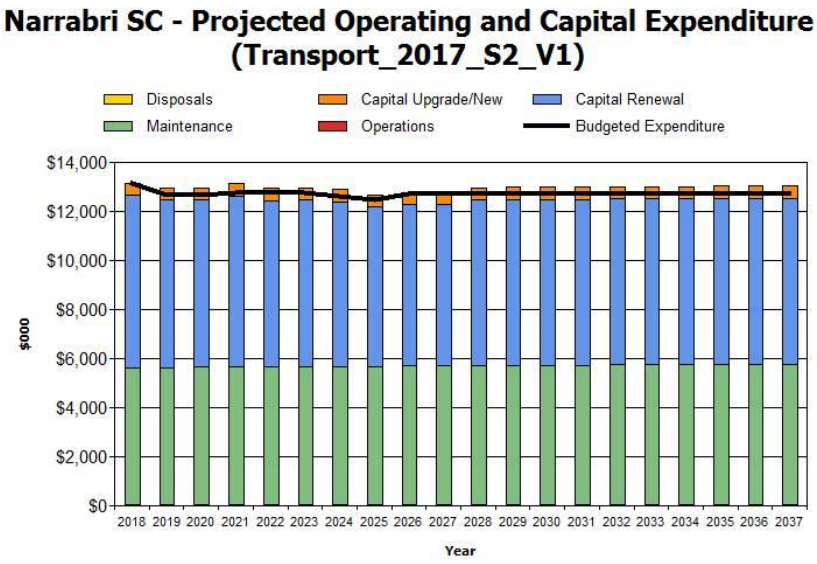
6.1 Financial Statements and Projections

The financial projections for operating (operations and maintenance) and capital expenditure (renewal/upgrade/expansion/new) are provided in the following graphs. All costs shown in real values.

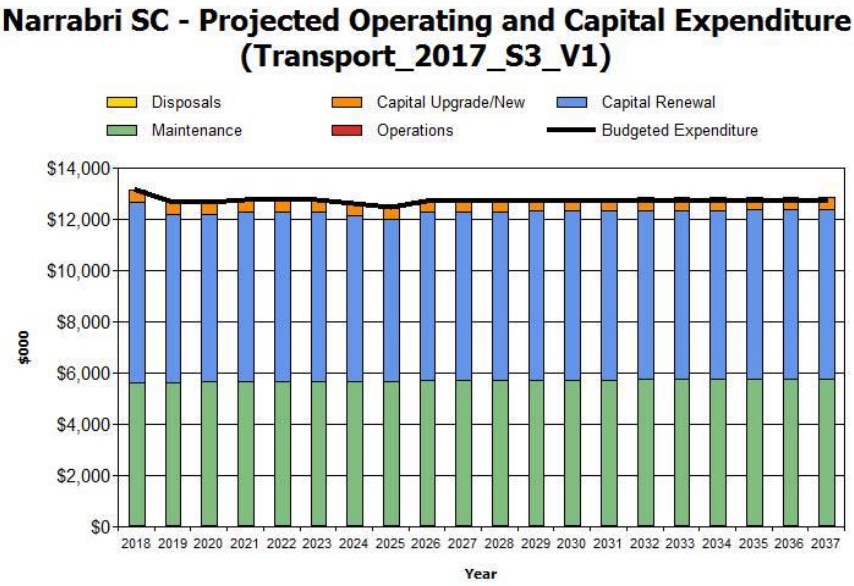
As discussed previously, the expenditure projection in Scenario 1 uses the asset register and shows a necessity to redistribute the required works program across the 10-year long term financial plan period to more accurately reflect the budget. It shows that the data may not be an accurate representation of what is actually happening as the budget is in surplus every year.



The Scenario 2 renewals are based on technical judgement made by staff as to the works required to be completed to maintain current service levels. As shown in the diagram below there are several years of a minor funding deficit that will need to be funded or service levels will decrease.



The below graph shows scenario 3 with a much more balanced graph with the expenditure figures balanced out to match the available budget in order to achieve this there is a number of renewals that have been deferred or cancelled all together with a reduction in service levels likely to result from this.



Sustainability of service delivery

There are four key indicators for service delivery sustainability that have been considered in the analysis of the services provided by this asset category, these being the asset renewal funding ratio, long term life cycle costs/expenditures and medium term projected/budgeted expenditures over 5 and 10 years of the planning period. (Based on Scenario 2)

Asset Renewal Funding Ratio

Asset Renewal Funding Ratio 98%

The Asset Renewal Funding Ratio is the most important indicator and reveals that over the next 10 years, the organisation is forecasting that it will only have 98% of the funds required for the optimal renewal and replacement of its assets.

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 asset life cycle. Life cycle costs include operations and maintenance expenditure and asset consumption (depreciation expense). The life cycle cost for the services covered in this asset management plan is $10.599M per year (average operations/maintenance plus depreciation projected over 10 years).

Life cycle costs can be compared to life cycle expenditure to give an initial indicator of affordability of projected service levels when considered with age profiles. Life cycle expenditure includes operations, maintenance and capital renewal expenditure. Life cycle expenditure will vary depending on the timing of asset renewals. The life cycle expenditure over the AM planning period is $12.231M per year (average operations and maintenance plus capital renewal budgeted expenditure in LTFP over 10 years).

The difference between life cycle cost and life cycle expenditure is the life cycle surplus. The life cycle surplus for services covered by this asset management plan is $1.632M per year (-ve = gap, +ve = surplus).

Life cycle expenditure is 115% of life cycle costs.

The life cycle costs and life cycle expenditure comparison highlights any difference between present outlays and the average cost of providing the service over the long term. If the life cycle expenditure is less than that life cycle cost, it is most likely that outlays will need to be increased or cuts in services made in the future.

Knowing the extent and timing of any required increase in outlays and the service consequences if funding is not available will assist organisations in providing services to their communities in a financially sustainable manner. This is the purpose of the asset management plans and long term financial plan.

Medium term – 10 year financial planning period

This asset management plan identifies the projected operations, maintenance and capital renewal expenditures required to provide an agreed level of service to the community over a 10 year period. This provides input into 10 year financial and funding plans aimed at providing the required services in a sustainable manner.

These projected expenditures may be compared to budgeted expenditures in the 10 year period to identify any funding shortfall. In a core asset management plan, a gap is generally due to increasing asset renewals for ageing assets.

The projected operations, maintenance and capital renewal expenditure required over the 10 year planning period is $112.428M on average per year.

Estimated (budget) operations, maintenance and capital renewal funding is $12.231M on average per year giving a 10 year funding shortfall of $198K per year. This indicates that Council expects to have 98% of the projected expenditures needed to provide the services documented in the asset management plan.

The projected operations, maintenance and capital renewal expenditure required over the first 5 years of the planning period is $12.534M on average per year.

Estimated (budget) operations, maintenance and capital renewal funding is $12.308M on average per year giving a 5 year financing result of $-226K. This indicates that Council expects to have 98% of projected expenditures required to provide the services shown in this asset management plan over the short-term.

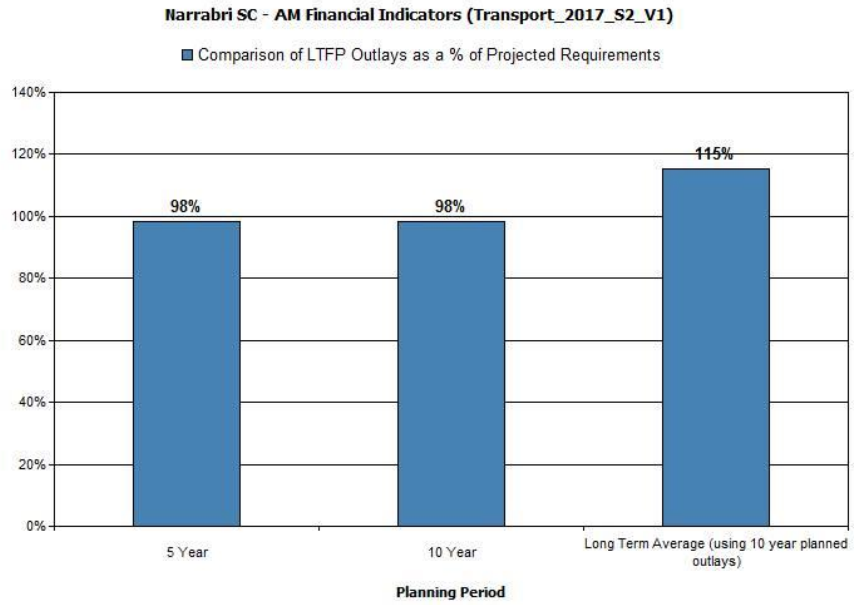
Summary of Service Sustainability Ratios (Scenarios 1/2/3)

Asset Renewal Funding Ratio	**1**	**2**	**3**
Asset Renewal Funding Ratio	1011%	98%	100%
Life Cycle Cost (long term) Sustainability	**($000's)**	**($000's)**	**($000's)**
Cost (Depreciation + Operations + Maintenance Expenditure 10 year average)	$10,564	$10,599	$10,599
Expenditure (Capital Renew + Operations + Maintenance Expenditure 10 year ave)	$12,231	$12,231	$12,231
Life Cycle Gap (Expenditure - Cost)	**$1,667**	**$1,632**	**$1,632**
Life Cycle Sustainability Indicator (Expenditure ÷ Cost)	116%	115%	115%
Medium Term (10 year) Sustainability			
10 year Operations, Maintenance & Renewal Projected Expenditure	$6,308	$12,248	$12,266
10 year Operations, Maintenance & Renewal Budgeted Expenditure	$12,231	$12,231	$12,231
10 year Funding Budget (10 year Projected Exp – Planned Exp)	**$5,922**	**$-198**	**$-35**
10 year Sustainability Indicator (10 year Planned Exp ÷ Projected Exp)	194%	98%	100%
Short Term (5 years) Sustainability			
5 year Operations, Maintenance & Renewal Projected Expenditure	$6,051	$12,534	$12,324
5 year Operations, Maintenance & Renewal Budgeted Expenditure	$12,308	$12,308	$12,308
5 year Funding Shortfall (5 year Projected Exp – Planned Exp)	**$6,257**	**$-226**	**$-16**
5 year Sustainability Indicator (5 year Planned Exp ÷ Projected Exp)	203%	98%	100%

Asset management financial indicators

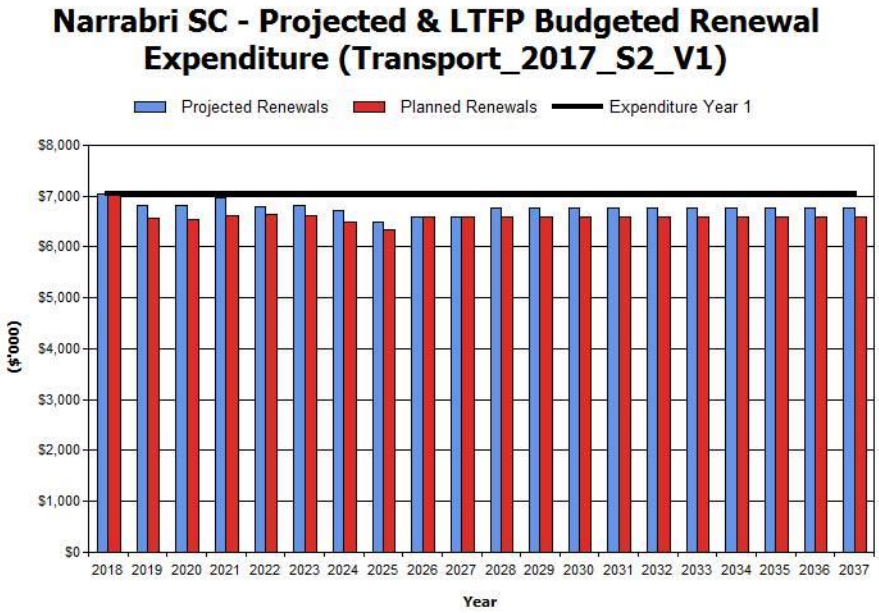
The following graphs show the asset management financial indicators over the 5 and 10 year planning period and for the long term life cycle. Providing services from infrastructure in a sustainable manner requires the matching and managing of service levels, risks, projected expenditures and financing to achieve a financial indicator of approximately 1.0 for the interim years of the asset management plan and ideally over the 10 year life of the Long Term Financial Plan.

Scenario 2 Average network renewal estimates



Projected & LTFP Budgeted Renewals and Financing

Projected renewal and replacement expenditure is compared to that type of expenditure in the capital works program committed to in the long term financial plan. Providing services in a sustainable manner will require matching this expenditure to meet agreed service provision **on a corresponding level** with the works program in the long term financial plan.



A gap between projected asset renewal/replacement expenditure and amounts accommodated in the LTFP indicate that further work is required on reviewing service levels in the AM Plan, or possibly revising the LTFP. This work forms part of the ongoing improvement of the asset management plan. In this AM Plan the extent of the 'gap' is shown as the difference between Scenario 2 and Scenario 3.

Council will manage the 'gap' by developing this asset management plan to provide guidance on future service levels, the resources required to provide these services, and review future services/service levels/costs with the community.

6.2 Funding Strategy

Comprehensive review of service levels will provide appropriate projected expenditure levels to ensure ongoing financial sustainability is accommodated within the 10 year Long Term Financial Plan. Council will use the Infrastructure and Service Level Investment policy and the Fiscal Responsibility Guidelines to guide its decision making.

6.3 Valuation Forecasts

Asset values are forecast to remain relatively constant in line with Councils Fiscal Responsibility Principles. Depreciation expense values are forecast in line with asset values while the Depreciated Value will vary over the forecast period dependent on the rate of addition of new assets, disposal of old assets and the consumption/renewal of existing assets.

6.4 Key Assumptions made in Financial Forecasts

Key assumptions made in presenting this asset management plan and in preparing forecasts of required operating/capital expenditure and asset values, depreciation expense and carrying amount estimates are presented to enable readers to gain an understanding of the levels of confidence in the data behind the financial forecasts.

Key Assumptions	Risk of Change
Register data (Scenario 1) includes depreciation and used for sustainability assessments	Low Risk
Use of technical judgement for Renewal requirements (Scenario 2)	Low Risk
Use of Valuation/Useful Life/Remaining Life determined from age/condition rating	Medium Risk
Use of Current Expenditure information as best as can be determined	Low Risk
Maintenance to take place in accordance with relevant guidelines/standards	Low Risk

6.5 Forecast Reliability and Confidence

The expenditure and valuation projections in this AM Plan are based on best available data. Currency and accuracy of data is critical to effective asset and financial management.

Data Confidence Grading System

Confidence	Description
Very Reliable	Data based on sound records/procedures/analysis, documented properly and recognised as the best method of assessment. Dataset is complete and estimated to be accurate at ± 2%
Reliable	Data based on sound records/procedures/analysis, documented properly, minor shortcomings, e.g. some data is old, and some documentation missing and/or reliance placed on unconfirmed reports/extrapolation. Dataset is complete and estimated to be accurate at ± 10%
Uncertain	Data based on records/procedures/analysis which is incomplete, unsupported, or extrapolated from limited sample data. Dataset is reasonably complete but up to 50% is extrapolated data and accuracy is estimated at ± 25%
Very Uncertain	Data is based on unconfirmed verbal reports and/or cursory inspections/analysis. Dataset may not be fully complete and most data is estimated or extrapolated. Accuracy ± 40%
Unknown	None or very little data held.

Data Confidence Assessment

Data	Confidence	Comment
Demand Drivers	Reliable	Estimated, however further substantiation required for next revision
Growth Projections	Reliable	Estimated growth mainly based on population increases.
Operational Expenditure	Reliable	Direct from budget, breakdown into operations/maintenance/renewal
Maintenance Expenditure	Reliable	Direct from budget, breakdown into operations/maintenance/renewal
Projected Renewal Expenditure; Asset Value	Reliable	Direct from budget, breakdown into operations/maintenance/renewal Asset values determined from revaluation process
Residual Value	Reliable	Asset residual value used for disposal purposes
Asset useful lives	Uncertain	Updated following revaluation process
Condition Modelling	Uncertain	Based on 'useful life' in lieu of current asset condition assessment
Renewal	Reliable	Based on 10 year program aligned to the LTFP
Upgrade/New Expenditure	Reliable	Based on 10 year program aligned to the LTFP

Overall source data confidence is assessed as medium level for information used in the preparation of this AM Plan, with confidence to increase with completion of current asset condition survey and asset management system implementation. Comprehensive review of service levels will provide appropriate projected expenditure levels to ensure ongoing financial sustainability is accommodated within the 10 year Long Term Financial Plan.

7. PLAN IMPROVEMENT AND MONITORING

7.1 Asset Management Practices

Accounting and financial systems

Council's Financial System is the CIVICA Practical Financial Database. The financial system is managed by Council's Corporate Services department. Financial reporting is prepared in accordance with the requirements of the Local Government Act 1993 and Australian Accounting Standards.

Accountability for Council financial systems is with the Financial Services Section. The Finance Section reports in accordance with the relevant accounting standards and regulations:

- Local Government Act (NSW) 1993;
- Local Government Amendment (Planning and Reporting) Act 2009;
- Local Government (Finance Plans and Reporting) Regulation 2010;
- NSW Code of Accounting Practice; and
- AASB116.

Asset management system

- Council currently does not have an Asset Management system the asset register is held in the Practical Asset Register database, which only captures descriptions and financial attributes of the assets;
- An Asset Management system will be acquired once Council has identified an enterprise system which it will implement.

Accountabilities for asset management system and data maintenance

- Financial Services
- Property & Assets
- Information Services
- Service Managers

Changes to asset management protocol arising from this AM Plan

- Continual review of accuracy and currency of asset data;
- New Asset Management system which will enable all asset attributes to be stored and updated in the one database.
- New enterprise system which will enable costings to be recorded against individual assets including operational, maintenance and capital.
- Development of a works costing and maintenance management system to improve planning and cost recording, in particular to identify expenditure type (operations, maintenance, capital renewal and capital new/upgrade); and
- Improved project cost accounting to record costs against the asset component and develop valuation unit rates.

7.2 Improvement Program

The asset management system Improvement Plan generated from this AM Plan is as follows:

	Task	Responsibility	Resources Required	Timeline
1	Commissioning of a current Asset condition survey	ID Staff	Staff, Outside resources	31/05/18
2	Improve project cost accounting protocol to record against asset components.	CIS team, finance, ID Staff	Staff, New database	31/05/19
3	Link the customer service system to corporate asset register to align requests with asset records.	IS and ID Staff	Staff, New database	31/12/18
4	Review determination of remaining lives and detail assessment of assets requiring renewal in the medium/long term (next 10-20 years).	ID Staff	Staff, external valuers	31/05/18
5	Document & adopt levels of service.	ID Staff	Staff	31/05/19
6	Developing procedures for maintaining the Asset Register and integrating with Financial database.	ID / Finance Staff	Register/database	31/05/18

7.3 Monitor and Review Procedures

This asset management plan will be reviewed during annual budget planning processes and amended to recognise any material changes in service levels, and/or resources, available to provide those services as a result of budget decisions.

The AM Plan will be updated annually to ensure it represents the current service level, asset values, projected operations, maintenance, capital renewal/replacement and capital upgrade/new operations, along with any asset disposal expenses and have all projected expenditure values incorporated into Council's long term financial plan. The AM Plan has a lifespan of 4 years (election cycle) and is due for complete revision and updating within 1 year of each Council election.

7.4 Performance Measures

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

- The degree to which a 1-4 year detailed work program, budgets, business plans and organisational structures take into account the works program trends provided by the asset management plan;
- The degree to which the existing/projected service levels, consequences (what we cannot do), risks and residual risks are incorporated into Councils Strategic and associated plans; and
- Achieving a consistent target nearing 100% for the Asset Renewal Funding Ratio.

8. REFERENCES

- Narrabri Shire Community Strategic Plan;
- Narrabri Shire Council Delivery Plan;
- Narrabri Shire Council Operational Plan;
- IPWEA, 2008, 'NAMS.PLUS Asset Management', Institute of Public Works Engineering Australia, Sydney, www.ipwea.org.au/namsplus
- IPWEA, 2009, 'Australian Infrastructure Financial Management Guidelines', Institute of Public Works Engineering Australia, Sydney, www.ipwea.org.au/AIFMG
- IPWEA, 2011, 'International Infrastructure Management Manual', Institute of Public Works Engineering Australia, Sydney, www.ipwea.org.au/IIMM

- Narrabri Shire Council disposal of assets policy;

- Narrabri Shire Council Infrastructure & Service Level Investment policy;

- Narrabri Shire Council Asset Management policy.

9. APPENDICES

Appendix A **Glossary**

Appendix A Glossary

Annual Service Cost (ASC) - This includes operations/maintenance/depreciation/finance/opportunity and disposal costs, less the revenue acquired.

1) Reporting Actual Cost; Annual/accrual cost of providing a service.
2) Investment Analysis and Budgeting; Estimate of the cost per annum, if tenders were called for the supply of a service to a performance specification for a fixed term.

Asset - A resource controlled by an entity from which future economic benefit is expected to flow.

Asset Category - Sub-group within a class hierarchy for financial reporting and management purposes.

Asset Class - A group of assets having similar nature or function in the operations of an entity and which, for purposes of disclosure, are shown as a single item without supplementary disclosure.

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 and determine the need for preventative/remedial action.

Asset Hierarchy - Framework for segmenting an asset base into appropriate classifications (function/type).

Asset Management (AM) - The combination of managerial, financial, economic, operational and other practices applied to physical assets with the objective of providing the required level of service in the most cost effective manner.

Asset Renewal Funding Ratio - The ratio of the net present value of asset renewal funding accommodated over a 10 year period in a financial plan, relative to the net present value of projected capital renewal expenditures identified in an asset management plan for the same period (AIFMG Financial Sustainability Indicator No 8).

Average Annual Asset Consumption (AAAC) - The amount of an organisation's asset base consumed during a reporting period. Calculated by dividing the depreciable amount by the useful life (or future economic benefit/potential) and totalled for each asset; OR by dividing the carrying amount (Depreciated Replacement Cost) by the remaining useful life (or remaining future economic benefit/potential) and totalled for each asset in an asset category/class.

Borrowings (Loans) - A contractual obligation of the borrower to deliver cash or another financial asset to the lending entity over a specified period of time, covering both initial capital and interest incurred. A borrowing/loan provides the means for the entity to finance outlays when it has insufficient funds to do so, and for the lending entity to make financial return, normally interest revenue, on the funding provided.

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

Capital Expenditure (Expansion) - Expenditure that extends the capacity of an existing asset to provide benefits at the same standard as currently enjoyed by beneficiaries, to a new group of users. Discretionary expenditure increases future operations/maintenance cost because it increases the asset base, but may be associated with additional revenue from the new user group.

Capital Expenditure (New) - Expenditure which creates a new asset providing a new service/output that did not exist beforehand. As it increases service potential it may impact revenue and will increase future operations and maintenance expenditure.

Capital Expenditure (Renewal) - Expenditure on an existing asset, or on replacing an existing asset, which returns the service capability 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 generally has no impact on revenue, but may reduce future operations and maintenance expenditure if completed at the optimum time.

Capital Expenditure (Upgrade) - Discretionary expenditure which enhances an existing asset to provide a higher level of service or increase the life of the asset beyond that originally identified, but may not result in additional revenue unless direct user charges apply. It will increase operations and maintenance expenditure in the future because of the increase in the organisation's asset base.

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.

Capitalisation Threshold - The value of expenditure on non-current assets above which the expenditure is recognised as capital expenditure and below which the expenditure is charged as an expense in the year of acquisition.

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

Component - Specific parts of an asset having independent physical or functional identity, and having specific attributes such as different life expectancy, maintenance regimes, risk or criticality.

Core Asset Management - Asset management which relies primarily on the use of an asset register, maintenance management systems, job resource management, inventory control, condition assessment, simple risk assessment and defined levels of service, in order to establish alternative treatment options and long-term cashflow predictions. Priorities are usually established on the basis of financial return gained by carrying out the work (rather than detailed risk analysis and optimised decision making).

Cost of an Asset - The amount of cash (or equivalent) paid, or the fair value of an asset at the time of acquisition/construction, including costs (design/project management) necessary to bring into service.

Critical Assets - Assets for which the financial, business or service level consequences of failure are sufficiently severe to justify proactive inspection and rehabilitation. Critical assets have a lower threshold for action.

Current Replacement Cost (CRC) - The cost the entity would incur to acquire the asset on the reporting date. The cost 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 cost to replace the existing asset with a technologically modern equivalent new asset (not second hand) with the same economic benefit (gross service potential) allowing for any differences in the quantity and quality of output and operating costs.

Deferred Maintenance - The shortfall in rehabilitation undertaken, relative that required to maintain the service potential of assets.

Depreciable Amount - The cost of an asset, or other amount substituted for its cost, less its residual value.

Depreciated Replacement Cost (DRC) - The Current Replacement Cost (CRC) of an asset, less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefit of the asset.

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

Expenditure - The spending of money on goods and services, including recurrent and capital outlays.

Fair Value - The amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in a regular transaction.

Financing Gap - Insufficient capacity to finance renewal and other expenditure necessary to appropriately maintain the range and level of service for which the existing asset stock was designed and intended. A current financing gap means service levels have already or are currently, falling. A projected financing gap if not addressed, will result in a future decrease of existing service levels.

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.

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

Infrastructure Assets - Physical assets that contribute to meeting the needs of organisations for access to major economic and social facilities and services (e.g. roads, buildings, footpaths, parks). 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.

Investment Property - Property held to earn rentals, or capital appreciation, or both.

Key Performance Indicator - A qualitative or quantitative measure of a service or activity used to compare actual performance against a standard or other target. Performance indicators commonly relate to statutory limits, safety, responsiveness, cost, comfort, asset performance, reliability, efficiency, environmental protection and customer satisfaction.

Level of Service - The defined level of quality for a particular service/activity, against which performance may be measured. Service levels usually relate to quality, quantity, reliability, responsiveness, environmental impact, acceptability and cost.

Life Cycle Cost (LCC) - The total cost of an asset throughout its life including planning, design, construction, acquisition, operation, maintenance, rehabilitation and disposal.

Life Cycle Expenditure (LCE) - The LCE is the average operations, maintenance and capital renewal expenditure accommodated in the long term financial plan over 10 years.

Maintenance - All actions necessary for retaining an asset as near as practicable to an appropriate service condition, including the regular repairs necessary to keep assets operating. It is operating expenditure required to ensure the best chance for the asset to reach its expected useful life.

Planned Maintenance - Repair work identified for action including inspection, conditional assessment, prioritisation, actioning and reporting to develop a maintenance history and improve service delivery performance.

Reactive/Unplanned Maintenance – Unplanned/corrective repair work that is carried out in response to service requests and management/supervisory directions to restore an asset to working condition so it can continue to deliver the required service or to maintain its level of security and integrity.

Specific Maintenance - Maintenance work to repair components, or replace sub-components, that need to be identified as a specific maintenance item in the maintenance budget.

Maintenance Expenditure - Recurrent expenditure, periodically or regularly required as part of the anticipated schedule of works to ensure the asset achieves its useful life and provides the required level of service.

Materiality - The notion of materiality guides the margin of error acceptable, the degree of precision required and the extent of the disclosure required when preparing general purpose financial reports. Information is material if its omission, misstatement or non-disclosure has the potential (individually or collectively) to influence the economic decisions of users taken on the basis of that financial report, or affect the discharge of accountability by the management or governing body of the entity.

Modern Equivalent Asset - The most cost efficient, currently available asset which will provide the same stream of services as the existing asset is capable of producing. It allows for technology changes, improvements and efficiencies in production, and installation techniques.

Net Present Value (NPV) - The value to the organisation of the cash flows associated with an asset/liability/activity/event and calculated using a discount rate to reflect the time value of money. It is the net amount of discounted total cash inflow after deducting the value of the discounted total cash outflow arising from the continued use and subsequent disposal of the asset, after deducting the value of the discounted total cash outflow.

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

Operations - Regular activities to provide services such as public health, safety and amenity.

Operating Expenditure - Recurrent expenditure which is continuously required to provide a service. In common use the term typically includes, e.g. power, fuel, staff, plant, on-costs and overheads, but excludes maintenance and depreciation. Maintenance and depreciation is, however, included in operating expense.

Operating Expense - The gross outflow of economic benefit, being cash and non-cash items, during the period arising in the course of ordinary activities of an entity, when those outflows result in decreases in equity other than decreases relating to distribution to equity participants.

Operating Expenses - Recurrent expenses continuously required to provide a service, including power, fuel, staff, plant, maintenance, depreciation, on-costs and overheads.

Operations, Maintenance and Renewal Financing Ratio - Ratio of estimated budget to projected expenditure for operations, maintenance and renewal of assets over a defined period (e.g. 5/10/15 years).

Operations, Maintenance and Renewal Gap - Difference between budgeted expenditure in a long term financial plan and projected expenditure for operations, maintenance and renewal of assets to achieve/maintain specified service levels, totalled over a defined period (e.g. 5/10/15 years).

Rate of Annual Asset Consumption - The ratio of annual asset consumption, relative to the depreciable amount of the assets. It measures the amount of the consumable parts of assets that are consumed in a period (Depreciation) expressed as a percentage of the depreciable amount.

Rate of Annual Asset Renewal - The ratio of asset renewal and replacement expenditure, relative to the depreciable amount for a period. It measures whether assets are being replaced at the rate they are wearing out with Capital Renewal Expenditure expressed as a percentage of Depreciable Amount (CRE/DA).

Rate of Annual Asset Upgrade/New - The rate at which assets are being upgraded and expanded per annum with Capital Upgrade/New expenditure expressed as a percentage of Depreciable Amount.

Recoverable Amount - The amount 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 operations and maintenance expenditure.

Recurrent Funding - Funding to pay for Recurrent Expenditure.

Rehabilitation - See Capital Renewal Expenditure definition.

Remaining Useful Life - The time remaining until an asset ceases to provide the required service level or economic usefulness. Useful Life minus Age equals Remaining Useful Life.

Residual Value - The estimated amount that an entity would currently obtain from disposal of an asset, after deducting the estimated cost of disposal, if the asset were of the age/condition expected at the end of its useful life.

Revenue Generating Investments - Investments for the provision of goods and services to sustain, or improve, services to the community expected to generate savings/revenue to offset operating costs; e.g. public halls, theatres, 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 risk, to determine resultant ranges of outcomes and probability of occurrence.

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

Service Potential - The total future service capacity of an asset which is normally determined by reference to the operating capacity and economic life. A measure of service potential is used in the not-for-profit sector/public sector to value assets, particularly those not producing a cash flow.

Service Potential Remaining - A measure of future economic benefits remaining in assets. It may be expressed in dollar values (Fair Value) or as a percentage of total anticipated future economic benefit. It is also a measure of the percentage of the asset's potential to provide services that are still available for use (DRC/DA).

Specific Maintenance - Replacement of higher value components/sub-components of assets undertaken on a regular cycle including repainting, 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.

Strategic Plan - A plan covering the term of office for councillors, reflecting the needs of the community for the foreseeable future and bringing together the detailed requirements in the Council's Asset Management Plans and the Long-Term Financial Plan. The plan is prepared in consultation with the community and details Council position at that point in time, where it wants to go, how it is going to get there, mechanisms for monitoring the achievement of the outcomes and how the plan will be resourced.

Sub-Component - Smaller individual parts that make up a component.

Useful Life - Either:

1) The estimated/expected time between placing an asset into service and removing it from service; or
2) The estimated period of time over which the future economic benefits embodied in a depreciable asset are expected to be consumed by the Council.

Value in Use - The present value of future cash flow expected to be derived from an asset or cash generating unit. It is deemed to be Depreciated Replacement Cost (DRC) for assets whose future economic benefits are not primarily dependent on the ability to generate net cash inflow where the entity would, if deprived of the asset, replace its remaining future economic benefits.

APPENDIX C

Water

Asset Management Plan

Narrabri Shire Council

TABLE OF CONTENTS

1. EXECUTIVE SUMMARY **3**
1.1 The Asset Management Plan Methodology **3**
1.2 What does it Cost? **3**
1.3 What Council Can & Cannot Do **4**
1.4 Managing the Risk **4**
1.5 The Next Steps **5**
2. INTRODUCTION **6**
2.1 Background **6**
2.2 Goals and Objectives of Asset Management **6**
2.3 Plan Framework **7**
2.4 Community Consultation **7**
3. LEVELS OF SERVICE **8**
4. FUTURE DEMAND **10**
4.1 Demand Drivers **10**
4.2 Demand Management Plan **10**
4.3 Asset Program to meet Demand **10**
5. LIFECYCLE MANAGEMENT PLAN **11**
5.1 Background Data **11**
5.2 Infrastructure Risk Management Plan **13**
5.3 Routine Maintenance Plan **13**
5.4 Renewal/Replacement Plan **14**
5.5 Creation/Acquisition/Upgrade Plan **15**
5.6 Disposal Plan **15**
6. FINANCIAL ANALYSIS **16**
6.1 Financial Statements and Projections **16**
6.4 Key Assumptions made in Financial Forecasts **20**
6.5 Forecast Reliability and Confidence **20**
7. PLAN IMPROVEMENT AND MONITORING **22**
7.1 Asset Management Practices **22**
7.2 Improvement Program **23**
7.3 Monitor and Review Procedures **23**
7.4 Performance Measures **23**
8. REFERENCES **24**
9. APPENDICES **24**
Appendix A Glossary **25**

1. EXECUTIVE SUMMARY

Narrabri Shire is home to approximately 14,000 people spanning an area of over 13,000 square kilometres. Most of the population is centred around three main towns being Boggabri, Narrabri and Wee Waa as well as a number of villages in Pilliga, Gwabegar, Bellata, Edgeroi and Baan Baa.

The 'Water' Asset Management (AM) Plan covers a portfolio of Bores, reservoirs, Pump Stations and Mains situated throughout the Shire. These infrastructure assets have a current replacement cost, as at 30 June 2016, of $54.706M.

Asset Management plans define the services and service levels to be provided, how the services are to be provided and what funds are required to provide those services. They are an essential tool for organisations that provide services from long life infrastructure assets. Council can't produce effective budgets and long term financial plans without good quality Asset Management Plans.

This AM Plan is structured along the lines recommended in the International Infrastructure Management Manual (IIMM - 2011). The plan borrows format, context and material from various other Council plans as well as the IPWEA NAMS.PLUS AM Plan template. Asset management planning is a comprehensive process to ensure services from infrastructure are delivered in a safe and financially sustainable manner.

IPWEA (Institute of Public Works Engineering Australia) – NAMS (National Asset Management System)

The aim of this AM Plan is to provide a framework to detail and examine existing management practices for Water infrastructure, and to form the basis of an improvement program to progressively resolve identified deficiencies.

1.1 The Asset Management Plan Methodology

One of the most important aspects of the asset management plan is the forecast of existing asset renewal requirements. For the Narrabri Shire Council 'Water' Asset Management Plan, three scenarios have been considered when developing the forecast.

Scenario 1 uses Councils' asset register Valuation Data to project the renewal costs. In this scenario the useful life of the asset is added to the acquisition year of an asset, to estimate the timeframe when renewal is due. Scenario 1 indicates whether or not the funds to meet the forecast renewal requirements are aligned with funding in the Long Term Financial Plan (LTFP).

Unless the 'Useful Life', 'Acquisition Year' and 'Condition' data is considered of high integrity, this Scenario is only useful as an overview for modelling purposes.

Scenario 2 uses Capital Renewal Expenditure projections, assessed by technical staff, to sustain current service levels. This assessment uses a combination of detailed technical analysis and an estimate of the average network renewals required.

Scenario 3 is the actual reality of the situation where the Capital Renewal Expenditure that can be achieved is within available funds in the Long Term Financial Plan (LTFP).

Scenario 1, when compared to Scenario 3, provides an estimate of confidence in the accuracy and currency of the data register used for asset valuation purposes, while the difference between Scenario 2 and Scenario 3 represents the gap in funding. Consultation forums will lead to much better informed discussion on 'achievable and acceptable' service levels, as well as giving a focus for managing risk.

1.2 What does it Cost?

There are two key indicators of cost to providing services through Water infrastructure;

1. The necessary funding for the Life Cycle of the asset, and
2. The Total Maintenance and the Capital Renewal Expenditure required in delivering existing service levels across the 10-year period encompassed by Council's Long Term Financial Plan.

The forecast of the projected outlay necessary to provide services covered by this Asset Management Plan over the 10 year planning period will amount to $24,043M or $2.404M on average per year. This is based on the Scenario 3 methodology providing the estimated funding to maintain current service levels.

Projected available funding for this period is $23.948M, or $2.395M on average per year, which is a funding deficit of $-9K on average per year, against the expenditure required to provide the current level of service, compared with planned expenditure currently included in the LTFP.

If Council can find alternative sources to cover the deficit (gap in funding), this will then provide confidence in its ability to sustain operations, maintenance and renewal of existing Assets to meet service levels, as well as deliver identified upgrade/new additions (that are fully funded) within the 10 year planning period.

1.3 What Council Can & Cannot Do

Council must aim to provide levels of service to the community that are appropriate, affordable and most importantly attainable. Council will be guided in achieving this by following the Fiscal Responsibility Principles which will provide direction and context for decision making in the allocation, management and use of Councils financial resources and the Infrastructure & Service Level Investment policy.

Council must schedule a comprehensive maintenance program whereby asset planning is informed of the areas in need of attention and may then target renewal/upgrade, as opposed to the historically reactive maintenance regime previously engaged. Planning, knowing and forecasting maintenance across the asset portfolio allows financial planning and acquittal of maintenance expenditure to the most essential assets.

It is apparent from data modelling that Councils current level of expenditure is insufficient to ensure the sustainability of Councils infrastructure assets. Council can endeavour to *increase* funding (LTFP/Grants/Contributions/etc.) or *decrease* service levels to maintain fiscal responsibility.

1.4 Managing the Risk

There is risk associated with providing services and not being able to complete all identified activities and projects.

We have identified major risks as;

- Rising cost of providing and managing infrastructure,
- Poor water quality from contamination,
- Asset failure,
- Variable and unpredictable weather events, such as flooding, and the impact this will have on all infrastructure assets (what seemingly is a manageable position can change very quickly), and
- The dependence on grants from other sources to fund major projects.

Council will endeavour to manage these risks within available funding in Council's Long Term Financial Plan through maintenance of existing infrastructure, managing expansion of infrastructure based on the priorities established in the Community Strategic Plan and seeking additional funding in the form of grants wherever possible.

Function & Quality Assurance

Council's intent is to maintain its Water Assets in partnership with all stakeholders to meet the community needs in providing efficient, quality infrastructure. Council inspects all Water infrastructure regularly and prioritises and repairs defects in accordance with their inspection schedule to ensure public and employee safety.

The successful implementation of these functional objectives will be measured by;

- Community satisfaction indicators,
- Operational and Delivery Plan targets being achieved, and
- Usage of network at a premium.

1.5 The Next Steps

The actions resulting from this asset management plan are;

- Prioritise renewal and upgrade works based on risk assessment.
- Improve levels of service measures and targets. This will allow for improved comparative monitoring against other non- metropolitan NSW water utilities and interstate utilities and monitoring of trends.
- Continue to collect asset information and knowledge including fair value calculations.
- Collate Asset register into new Financial and Asset Management system.

2. INTRODUCTION

2.1 Background

Narrabri Shire Council provides a water supply scheme to the towns and villages of the shire to support its operations and delivery of services to the community. These infrastructure assets include Water Mains, Reservoirs, Water Meters, Bores and Pump Stations.

Councils Infrastructure Delivery section coordinates the asset data entry into the asset register, whilst administering planned and reactive maintenance processes, determining strategic outcomes and developing operational work programs.

The types of assets covered by this AM Plan are used to support a broad range of services to the community.

Assets covered by this Plan

Asset Category	Current Replacement Cost (CRC)	Depreciated Value (DV)
Bores and Pump Stations	**$4,976,805**	**$1,738,910**
Reservoirs	**$13,547,674**	**$4,529,955**
Water Mains	**$35,196,703**	**$15,520,477**
Water Meters	**$984,616**	**$39,125**

Asset Values as at the 30 June 2016.

Key stakeholders in the preparation and implementation of this AM plan are shown in the following table:

Key Stakeholders

Key Stakeholder	Associated role in Water Asset Management Plan
Elected Members	Endorse the asset management policy, strategy and plans. Set high level direction through the development of asset management principles.
Senior Management	Prioritise actions resulting from this plan and improve the way Council manages assets and delivers services.
Council Staff	Direct Management and Operational responsibility of Assets.
External Parties	Community members providing information on asset performance through CSR's.

2.2 Goals and Objectives of Asset Management

The organisation exists to provide services to its community, some of which are provided by infrastructure assets. Council has acquired infrastructure assets by purchase, by contract, by construction and by donation of assets created by developers and others, to meet increased levels of service demands.

Our goal in managing infrastructure assets is to meet the defined levels of service (as amended from time to time) in the most cost effective manner for present and future constituents. The key elements of infrastructure asset management are;

- Providing a defined level of service and monitoring performance,
- Controlling the impact of growth through demand management and infrastructure investment,
- Taking a lifecycle approach to developing long-term cost-effective management strategies that meet the defined levels of service,
- Managing risks associated with asset failures, and
- Long-term financial planning identifying the required expenditure, along with how it will be financed.

Council must endeavour to fully-fund all projected asset renewals and upgrade/new construction as a matter of course within normal budgeting protocol.

2.3 Plan Framework

Key elements of the plan are;

- Levels of Service – specific levels of service to be provided by Council,
- Future Demand – factors that may impact on future service delivery,
- Life Cycle Management – processes for managing existing and future assets,
- Financial Analysis – funding required to provide the defined services,
- Monitoring – procedures ensuring the plan meets organisational objectives,
- Asset Management Practices, and
- Improvement Plan.

2.4 Community Consultation

This 'core' asset management plan is prepared to facilitate community consultation, initially through feedback on public display of the Draft Asset Management Plan, prior to adoption by the Council. Future revisions of the AM Plan will incorporate community consultation on service levels and costs of providing the service. This will assist the Council and the community in matching the levels of service needed, and the risks and consequences associated, with the community's ability and willingness to pay for that level of service.

3. LEVELS OF SERVICE

Levels of Service acceptable to the community are a core component of asset management planning. Levels of Service are determined to match community expectations with the service levels that can actually be afforded through Council's Operational Plan. Council may need to review Levels of Service in the future in accordance with changing customer needs, industry trends and affordability.

The Asset Management Plans, in conjunction with the Long Term Financial Plan and the Community Strategic Plan, are the tools which Council will use to assess the long term sustainability of infrastructure assets and identify the appropriate level of resourcing to maintain agreed service levels.

Accurate, up-to-date and easily accessible records are important factors in enabling Council to meet its statutory governance requirements. Compliance with regulations is a principle theme of the asset planning process, and is considered in the context of Quality, Function and Risk.

Council will use Asset Management Planning to provide a way in which the community can become engaged in the setting of priorities and the allocation of resources. The AM Plans help to categorise some of the risk associated to Council infrastructure and enables identification and implementation of work programs linked to achieving corporate objectives and service level targets.

Service levels are defined in respect of two categories:

A) Community Levels of Service - Measures how the community receives the service and whether the organisation is providing value to the community.

'Community Levels of Service' measures used in the asset management plans are:

- *Quality* - How good/safe is the service?
- *Function* - Does it meet users' needs?
- *Capacity/Utilisation* - Is the service over or under-utilised?

B) Technical Levels of Service - These technical measures relate to the allocation of resources against the service activities that the organisation undertakes to best achieve the desired community outcomes and demonstrate effective organisational performance.

'Technical Levels of Service' measures are linked to annual budgets covering:

- *Operations* – regular activities to provide services (opening hours/cleaning frequency/pest control/etc.),
- *Maintenance* – activities necessary to retain an asset as near as practicable to an appropriate service condition (structural repairs/painting/etc.),
- *Renewal* – activities that return the service capability of an asset up to the original intent (component repairs/replacement/etc.), and
- *Upgrade/New* – activities to provide a higher level of service such as; replacing components with a larger size *or* a completely new element that did not exist previously.

Asset managers plan, implement and control 'technical' service levels to influence 'customer' service levels.

The asset management planning process includes the development of 3 Scenarios, to develop levels of service that are financially sustainable.

Condition is measured using a 1 – 5 grading system and summarised into very good/good, fair and poor/very poor, as detailed in following table.

Condition Grading Model

Grading	Description of Condition
1	**Very Good**: Planned maintenance schedule only.
2	**Good**: Minor maintenance required, planned maintenance schedule.
3	**Fair**: Significant maintenance required.
4	**Poor**: Significant renewal/rehabilitation required.
5	**Very Poor**: Physically unsound and/or beyond rehabilitation.

Levels of Service				
Service Criteria		**Current Level of Service**	**Target level of service**	**Compliance measure**
Availability of service		Service available for all allotments within defined service areas.	Service area expanded to include all villages within LGA.	Availability of point of connection for all allotments.
Pressure		95% Compliance for all full flow connections.	12m minimum (100% of time) 20m (95% of time)	95% compliance for all full flow connections
Reaction Times – Supply Failure		95% compliance	Inspection within 2hrs of notification	95% Compliance
Reaction times – minor problems & General Enquiries		95% Compliance	Inspection within 5 working days	95% Compliance
Water Quality		Water Quality complaints: 18 per 1000 properties 100% Water Treatment works E-col zones compliant 2	Microbiological Water Quality Compliance: Target treated water to 2012 NHMRC/ ARMCANZ Australian Drinking Water Guidelines	98% compliance (excluding iron and TDS due to nature of groundwater)

4. FUTURE DEMAND

4.1 Demand Drivers

Drivers affecting demand can include population change, changes in demographics, seasonal factors, tenancy rates, consumer preferences and expectations, technological changes, economic factors, environmental awareness, etc.

The present position and projections for demand were identified and the impact of how that demand may affect future service delivery and utilisation of assets is shown in the table following.

Drivers	Present position	Projection	Impact on services
Community Expectation.	Desire for high standards.	Expectations will continue increasing.	Higher levels of service expected.
Increasing Cost.	Costs' greater than revenue.	Costs anticipated to continue increasing.	Need to target and plan infrastructure increase within funding limitations.
Change in Technology	Technology constantly changing	Technology to advance	Improved technology to allow for new and cheaper ways to replace assets.
Environmental impact.	Environment & climate changing.	Extreme conditions to impact services.	Direct impact from extreme weather. Additional cost to fund enviro-initiatives.
Mining.	Expanding.	Expected to increase.	Increased demand for facilities.

4.2 Demand Management Plan

Demand will be managed through a combination of upgrading existing assets and providing new assets to meet any increased demand. Technological advancement, such as improved construction techniques and increased use of prefabricated components, has the potential to reduce costs. Field data capture and non-invasive inspection methodology will improve the collection of information without adversely affecting the asset.

Non-asset solutions focus on providing the required service without the need for the organisation to own the assets and management actions include reducing demand for the service or reducing the level of service. Opportunities identified to date for demand management are shown in the table following.

Demand Driver	Impact on Services	Demand Management Plan
Community Expectation	Existing infrastructure may not be suited to future community expectations	Consult with the community about what they want and are willing to pay for.
Change in technology	Improved technology to allow cheaper replacement costs	Explore new technology options to allow reduced renewal and maintenance costs.

4.3 Asset Program to meet Demand

Any new assets will be constructed/acquired by Council to meet growth and increased demand in a sustainable manner. Acquiring new, or upgrading existing assets, will commit the organisation to fund ongoing operations, maintenance and renewal costs for the entire lifecycle period of required service provided from those assets.

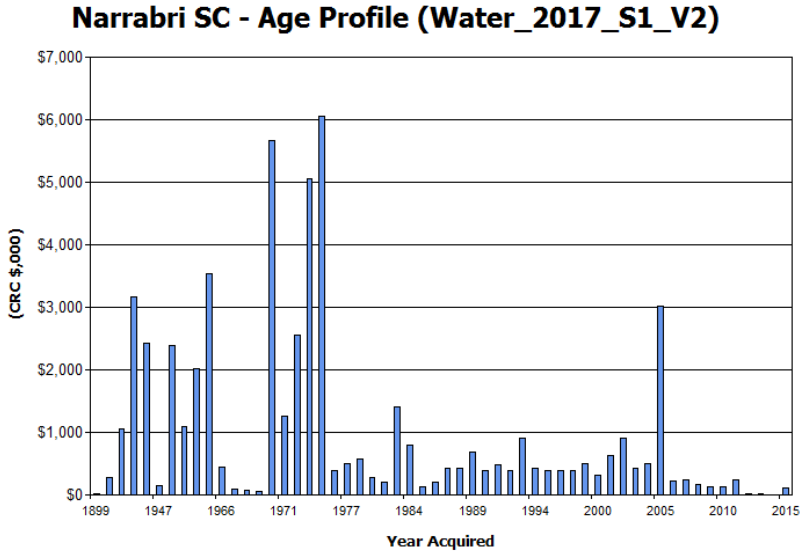
5. LIFECYCLE MANAGEMENT PLAN

The lifecycle management plan details how the organisation plans to manage and operate the assets at the agreed levels of service while optimising life cycle costs.

5.1 Background Data

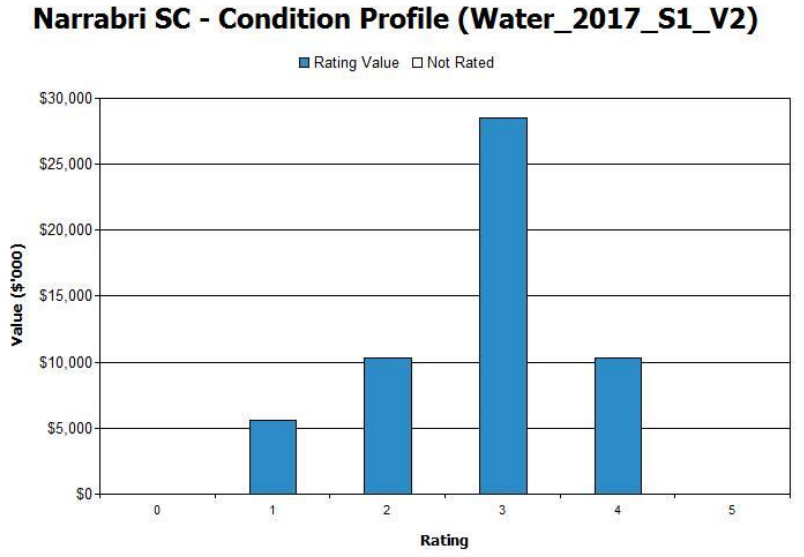
Physical parameters

The age profile of the assets included in this AM Plan is shown in the following graph and is based on data in Council's 'Water' asset register. The year of construction/acquisition for building infrastructure is only indicative, being considered through the anticipated remaining life and the current condition on the lifecycle deterioration curve for each individual structure.



Asset condition

Condition is monitored and managed at an operational level, and the information used to prepare the condition profile is based on technical knowledge of Water infrastructure. The condition profile for 'Water' infrastructure assets is shown in the following chart.



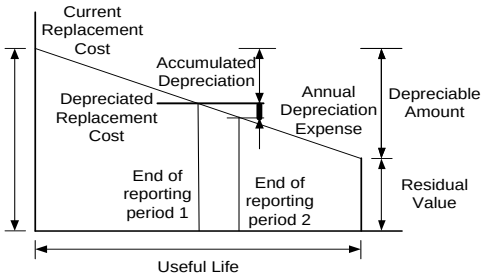
Condition is measured using a 1 – 5 grading system as detailed in "*Section 3 Levels of Service*". Planned frequency of assessment: Every 4 years.

Asset valuations

The value of Water infrastructure recorded in the technical asset register as at 30 June 2016, and covered by this AM Plan is shown below.

Assets are valued at replacement cost:

Current Replacement Cost (CRC)	$54,706,000
Depreciable Amount	$54,706,000
Depreciated Replacement Cost (DV)	$21,828,000
Annual Depreciation Expense	$806,000



Various ratios of asset consumption and expenditure have been prepared to help guide and gauge asset management performance and trends over time.

Rate of Annual Asset Consumption	1.5% (Depreciation/Depreciable Amount)
Rate of Annual Asset Renewal (Year 1)	12% (Capital Renewal Expenditure/Depreciable Amount)
Rate of Annual Asset Upgrade/New (Year 1)	0% (Capital Upgrade Expenditure/Depreciable Amount)
Rate of Annual Asset Upgrade/New (Year 1)	0% (Including Contributed Assets)

In 2017/18 the organisation plans to renew assets at 813.6% of the rate they are being consumed and will be increasing its asset stock by 0% during the year.

To provide services in a financially sustainable manner, Council will need to ensure that it is renewing assets at the rate they are being consumed over the medium-long term, and funding the life cycle costs for all new assets and services in its long term financial plan.

The above figures show that Council is in a favourable position for the 2017/18 financial year however it will need to continue to develop its long term financial plan and 10yr capital works for the replacement of the Water Supply Network to allow for all assets to be funded in the long term.

5.2 Infrastructure Risk Management Plan

An assessment of risk associated with service delivery from infrastructure assets has identified critical risk that will result in loss or reduction in service from infrastructure assets or a 'financial shock' to the organisation. The risk assessment process identifies credibility of risk (the likelihood of the risk event occurring), the consequences should the event occur, development of a risk rating, evaluates the risk and develops a treatment plan for non-acceptable risk.

Critical risk, being those assessed as 'Very High' (requiring immediate corrective action) and 'High' (requiring prioritised corrective action) identified in the Infrastructure Risk Management Plan, together with the estimated residual risk after treatment, are summarised in the following table with these risks reported to management and Council.

Service or Assets Risk	What can Happen	Risk Rating	Risk Treatment Plan	Residual Risk *	Treatment Costs
Bores	Poor water quality from contamination	H	Monitor water quality. If problems are identified provide a level of water treatment to ensure a potable standard of water.	Low	Specialist services to monitor water quality (Council staff or contractors)
Booster Pump	Pump failure and loss of pressure at consumer access points	H	Maintain telemetry. Ensure adequate staff available to respond to reports.	Low	Staff Resources
Water Mains	Invasion of debris causing blockage of water mains and leakage.	VH	Continue CCTV surveys to assess pipe condition, and prioritise repair and replacement works.	Medium	Specialist services for CCTV. Staff for repairs and data entry.

Note * Residual Risk is the risk remaining after the selected treatment plan is operational.

5.3 Routine Maintenance Plan

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

Maintenance includes all actions necessary for retaining an asset as near as practicable to an appropriate service condition including regular ongoing day-to-day work necessary to keep assets operating, e.g. structural repairs but excluding rehabilitation or renewal. Routine Maintenance includes 'Reactive', 'Planned' and 'Specific' maintenance 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 activities including inspection, condition assessment, prioritised scheduling, actioning the work and reporting what was done to develop a maintenance history and improve service delivery performance.

Specific Maintenance is replacement of higher value components/sub-components and undertaken on a regular cycle (repainting/replacing air conditioning/etc.) This work falls below the capital maintenance threshold but may require specific budget allocation.

Planned maintenance work as a % of total maintenance expenditure is not identified in this plan. Information on this should be developed for the next revision of this asset management plan, as higher proportions of planned maintenance expenditure should provide better value than reactive maintenance.

Maintenance expenditure levels are seen to be steady and this has little impact on Councils ability to meet current service levels. Where maintenance expenditure levels are such that will result in a lower level of

service, the consequences have been identified and highlighted in this AM Plan with service risk considered in the Infrastructure Risk Management Plan. Assessment and prioritisation of reactive maintenance is undertaken by Council staff using experience and judgement.

Operations and Maintenance Strategies

Council will operate and maintain assets to provide the defined level of service to approved budgets, in the most cost-efficient manner with activities including;

- Undertaking a cost-benefit analysis to determine the most effective split between scheduled and unplanned maintenance activities,
- Maintain a current risk register and present risk associated with providing services from infrastructure assets while reporting Very High/High risk and any Residual risk to management and Council,
- Review current and required skills base and implement workforce training and development to meet required operations and maintenance needs,
- Identify demand management options for under-utilised/over-utilised assets, and
- Maintain a current hierarchy of critical assets and required operation and maintenance activities.

5.4 Renewal/Replacement Plan

Renewal and replacement 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 considered upgrade, expansion or new works expenditure.

Assets requiring renewal are identified from estimation of remaining life obtained from the asset register; or through nomination by staff, the public or other sources. Candidate proposals are inspected to verify accuracy of remaining life estimates and to develop a preliminary renewal strategy. Verified proposals are ranked by priority and available funds, to then be scheduled into the works program.

Renewal/Replacement Priority Ranking Criteria

Criteria	Weighting
Quality (Risk of Failure)	30%
Condition	30%
Operating/Maintenance/Lifecycle Costs	20%
Functionality	20%
Total	**100%**

Renewal will be undertaken using 'low cost' renewal methods where practical. The aim of low-cost renewal is to restore the service potential, or future economic benefits of the asset, by renewing at a cost less than replacement cost. Renewal work is carried out in accordance with relevant technical standards and specifications.

Renewal and Replacement Strategies

It is clear that this Council needs to be more proactive in asset renewal than it has in recent years. Priority for funding needs to go to asset renewals in order to attain a satisfactory level of sustainability.

In budgeting, an enterprise approach is required to assess community needs and prioritise the allocation of available funds. Council needs to plan future levels of service to match affordable organisational needs and maximise the benefit to the community.

Priority for funding needs to go to the structures that achieve higher risk classification against performance measures (Condition/Function/Utilisation). In order to minimise Council's risk, those renewals that Council cannot afford to fund at the appropriate time will still require regular inspections and intervention when the condition falls below a certain threshold and new appropriate levels of service applied.

The following strategies can be applied for the effective renewal/replacement of Water infrastructure.

- Planning/scheduling renewal projects to deliver defined service levels in the most efficient manner;
- Undertaking project scoping for all capital renewal and replacement projects to identify -
  1. The service deficiency, present risk and optimum time for renewal/replacement;
  2. The project scope and objectives to rectify the deficiency;
  3. The estimated capital and life cycle costs for each option to address service deficiencies;
  4. To evaluate the options against criteria adopted by Council; and
  5. To select the best option to be included in capital renewal programs;
- Using low cost methods (cost of renewal is less than upgrade/new) where practicable;
- Fully funding depreciation to allow for a budget to be available as assets reach the end of their useful life;
- Maintaining a current infrastructure risk register for assets and the risks associated with providing services from those assets and reporting Very High/High risks, and residual risks (risk leftover after treatment), to management and Council;
- Maintaining a current hierarchy of critical assets and capital renewal treatments/timings; and
- Reviewing management of capital renewal/ replacement activities to ensure Council is obtaining best value for resources consumed.

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 and may be acquired at no cost to the organisation from land development.

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 with available funds and scheduled in future works programmes. This is done by following Councils Infrastructure & service level investment policy.

Creation/Acquisition/Upgrade/New Priority Ranking Criteria

Criteria	Weighting
Safety	35%
Lifecycle Cost	30%
Community Benefit	20%
Community Expectation	15%
Total	**100%**

5.6 Disposal Plan

This includes activity associated with disposal of decommissioned assets including sale, demolition or relocation. Assets identified for possible decommissioning and disposal deliver annual savings from not having to fund operations and maintenance of the assets. Any revenue gained from asset disposal will be accumulated into Councils long term financial plan.

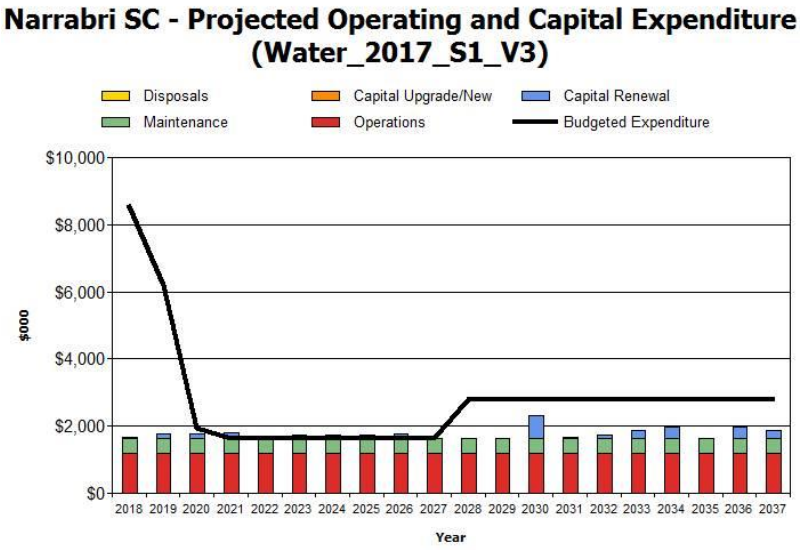
Council has in place a Disposal of Assets policy that provides the guidelines when Disposing of assets, It is currently reviewing the assets register to determine if any assets can be disposed of.

6. FINANCIAL ANALYSIS

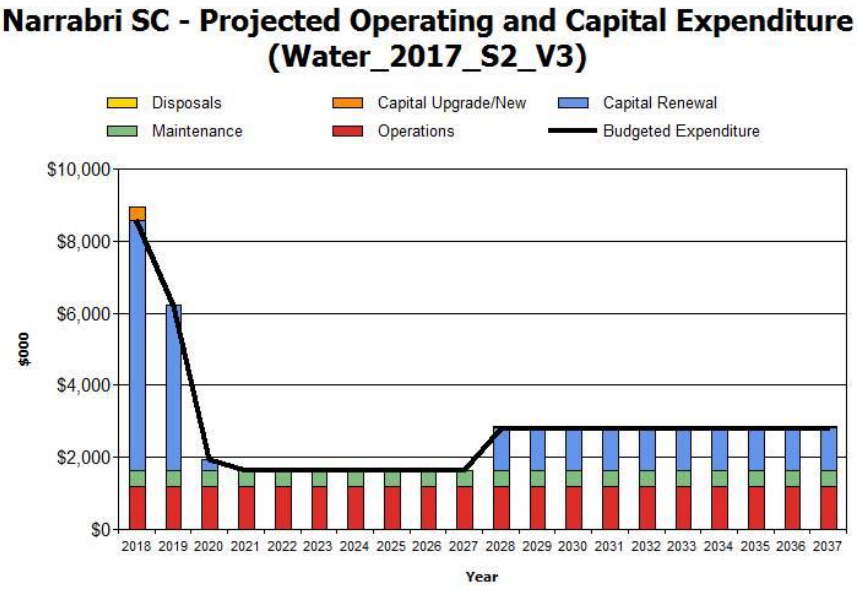
6.1 Financial Statements and Projections

The financial projections for operating (operations and maintenance) and capital expenditure (renewal/upgrade/expansion/new) are provided in the following graphs. All costs shown in real values.

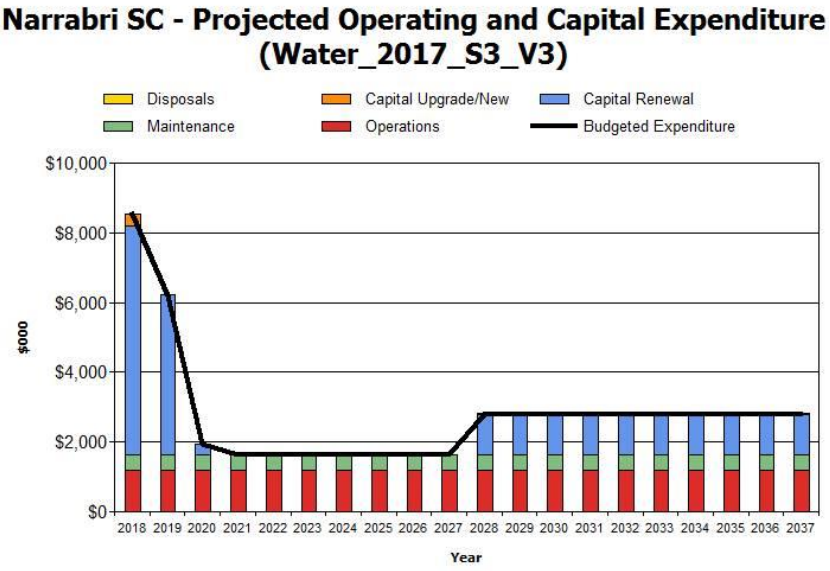
As discussed previously, the expenditure projection in Scenario 1 uses the asset register and shows a major difference between budgeted and expected costs in years 1 and 2 this is due to a number of massive grant funded projects being undertaken.



The Scenario 2 renewals are based on technical judgement made by staff as to the works required to be completed to maintain current service levels. As shown in the diagram below the capital budget has only been completed for the first three years, as this is refined more we can expect the costs to rise above budget expenditure in some years.



The below graph shows scenario 3 with a balanced graph with the expenditure figures balanced out to match the available budget. The capital budget has only been developed for the first three years as it is further developed it will be included in this plan.



Sustainability of service delivery

There are four key indicators for service delivery sustainability that have been considered in the analysis of the services provided by this asset category, these being the asset renewal funding ratio, long term life cycle costs/expenditures and medium term projected/budgeted expenditures over 5 and 10 years of the planning period. (Based on Scenario 2)

Asset Renewal Funding Ratio

Asset Renewal Funding Ratio 97%

The Asset Renewal Funding Ratio is the most important indicator and reveals that over the next 10 years, the organisation is forecasting that it will only have 97% of the funds required for the optimal renewal and replacement of its assets.

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 asset life cycle. Life cycle costs include operations and maintenance expenditure and asset consumption (depreciation expense). The life cycle cost for the services covered in this asset management plan is $2.441M per year (average operations/maintenance plus depreciation projected over 10 years).

Life cycle costs can be compared to life cycle expenditure to give an initial indicator of affordability of projected service levels when considered with age profiles. Life cycle expenditure includes operations, maintenance and capital renewal expenditure. Life cycle expenditure will vary depending on the timing of asset renewals. The life cycle expenditure over the AM planning period is $2.769M per year (average operations and maintenance plus capital renewal budgeted expenditure in LTFP over 10 years).

The additional funding between life cycle cost and life cycle expenditure is the life cycle surplus. The life cycle surplus for services covered by this asset management plan is $328K per year (-ve = gap, +ve = surplus).

Life cycle expenditure is 113% of life cycle costs.

The life cycle costs and life cycle expenditure comparison highlights any difference between present outlays and the average cost of providing the service over the long term. If the life cycle expenditure is less than that life cycle cost, it is most likely that outlays will need to be increased or cuts in services made in the future.

Knowing the extent and timing of any required increase in outlays and the service consequences if funding is not available will assist organisations in providing services to their communities in a financially sustainable manner. This is the purpose of the asset management plans and long term financial plan.

Medium term – 10 year financial planning period

This asset management plan identifies the projected operations, maintenance and capital renewal expenditures required to provide an agreed level of service to the community over a 10 year period. This provides input into 10 year financial and funding plans aimed at providing the required services in a sustainable manner.

These projected expenditures may be compared to budgeted expenditures in the 10 year period to identify any funding shortfall. In a core asset management plan, a gap is generally due to increasing asset renewals for ageing assets.

The projected operations, maintenance and capital renewal expenditure required over the 10 year planning period is $2.819M on average per year.

Estimated (budget) operations, maintenance and capital renewal funding is $2.769M on average per year giving a 10 year funding shortfall of $49K per year. This indicates that Council expects to have 98% of the projected expenditures needed to provide the services documented in the asset management plan.

The projected operations, maintenance and capital renewal expenditure required over the first 5 years of the planning period is $4.001M on average per year.

Estimated (budget) operations, maintenance and capital renewal funding is $3.913M on average per year giving a 5 year financing result of $-88K. This indicates that Council expects to have 98% of projected expenditures required to provide the services shown in this asset management plan over the short-term.

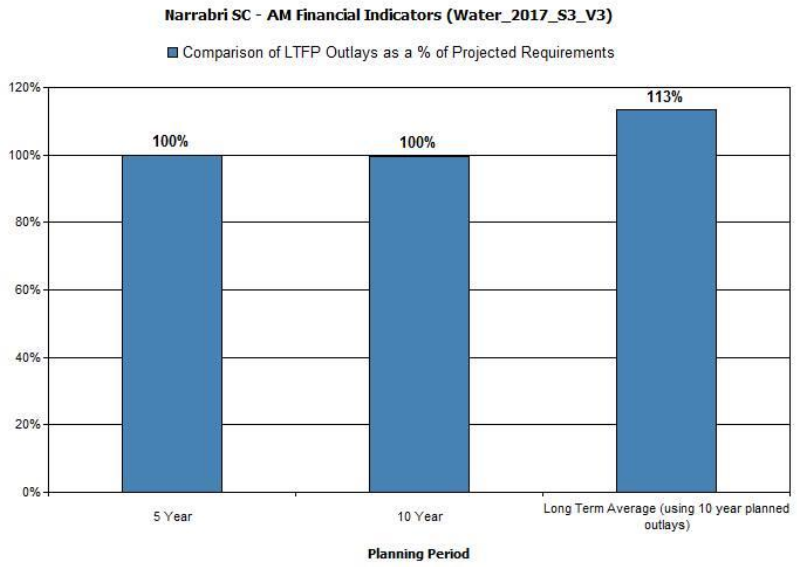
Summary of Service Sustainability Ratios (Scenarios 1/2/3)

Asset Renewal Funding Ratio	**1**	**2**	**3**
Asset Renewal Funding Ratio	1311%	97%	100%
Life Cycle Cost (long term) Sustainability	**($000's)**	**($000's)**	**($000's)**
Cost (Depreciation + Operations + Maintenance Expenditure 10 year average)	$2,432	$2,441	$2,441
Expenditure (Capital Renew + Operations + Maintenance Expenditure 10 year av)	$2,769	$2,769	$2,769
Life Cycle Gap (Expenditure - Cost)	**$337**	**$328**	**$328**
Life Cycle Sustainability Indicator (Expenditure ÷ Cost)	114%	113%	113%
Medium Term (10 year) Sustainability			
10 year Operations, Maintenance & Renewal Projected Expenditure	$1,727	$2,819	$2,779
10 year Operations, Maintenance & Renewal Budgeted Expenditure	$2,769	$2,769	$2,769
10 year Funding Budget (10 year Projected Exp – Planned Exp)	**$1,042**	**$-49**	**$-9**
10 year Sustainability Indicator (10 year Planned Exp ÷ Projected Exp)	160%	98%	100%
Short Term (5 years) Sustainability			
5 year Operations, Maintenance & Renewal Projected Expenditure	$1,732	$4,001	$3,921
5 year Operations, Maintenance & Renewal Budgeted Expenditure	$3,913	$3,913	$3,913
5 year Funding Shortfall (5 year Projected Exp – Planned Exp)	**$2,181**	**$-88**	**$-8**
5 year Sustainability Indicator (5 year Planned Exp ÷ Projected Exp)	226%	98%	100%

Asset management financial indicators

The following graphs show the asset management financial indicators over the 5 and 10 year planning period and for the long term life cycle. Providing services from infrastructure in a sustainable manner requires the matching and managing of service levels, risks, projected expenditures and financing to achieve a financial indicator of approximately 1.0 for the interim years of the asset management plan and ideally over the 10 year life of the Long Term Financial Plan.

Scenario 3 Balanced with Long Term Financial Plan



Projected & LTFP Budgeted Renewals and Financing

Projected renewal and replacement expenditure is compared to that type of expenditure in the capital works program committed to in the long term financial plan. As the water services section has only been budgeted for three years upon further development will see a more comprehensive and realistic renewal program. Providing services in a sustainable manner will require matching this expenditure to meet agreed service provision **on a corresponding level** with the works program in the long term financial plan.

A gap between projected asset renewal/replacement expenditure and amounts accommodated in the LTFP indicate that further work is required on reviewing service levels in the AM Plan, or possibly revising the LTFP. This work forms part of the ongoing improvement of the asset management plan. In this AM Plan the extent of the 'gap' is shown as the difference between Scenario 2 and Scenario 3.

Council will manage the 'gap' by developing this asset management plan to provide guidance on future service levels, the resources required to provide these services, and review future services/service levels/costs with the community.

6.2 Funding Strategy

Comprehensive review of service levels will provide appropriate projected expenditure levels to ensure ongoing financial sustainability is accommodated within the 10 year Long Term Financial Plan. Council will use the Infrastructure and Service Level Investment policy and the Fiscal Responsibility Guidelines to guide its decision making.

6.3 Valuation Forecasts

Asset values are forecast to remain relatively constant in line with Councils Fiscal Responsibility Principles. Depreciation expense values are forecast in line with asset values while the Depreciated Value will vary over the forecast period dependent on the rate of addition of new assets, disposal of old assets and the consumption/renewal of existing assets.

6.4 Key Assumptions made in Financial Forecasts

Key assumptions made in presenting this asset management plan and in preparing forecasts of required operating/capital expenditure and asset values, depreciation expense and carrying amount estimates are presented to enable readers to gain an understanding of the levels of confidence in the data behind the financial forecasts.

Key Assumptions	Risks of Change to Assumptions
Councils records of assets are accurate	Likely change to register details regarding remaining life. Will
Estimated values for the replacement costs of assets are accurate	Change is likely and will have minor effect on AM Plan
Condition of assets stated is accurate	Change is likely and will have minor effect on AM Plan

6.5 Forecast Reliability and Confidence

The expenditure and valuation projections in this AM Plan are based on best available data. Currency and accuracy of data is critical to effective asset and financial management.

Data Confidence Grading System

Confidence	Description
Very Reliable	Data based on sound records/procedures/analysis, documented properly and recognised as the best method of assessment. Dataset is complete and estimated to be accurate at ± 2%
Reliable	Data based on sound records/procedures/analysis, documented properly, minor shortcomings, e.g. some data is old, and some documentation missing and/or reliance placed on unconfirmed reports/extrapolation. Dataset is complete and estimated to be accurate at ± 10%
Uncertain	Data based on records/procedures/analysis which is incomplete, unsupported, or extrapolated from limited sample data. Dataset is reasonably complete but up to 50% is extrapolated data and accuracy is estimated at ± 25%
Very Uncertain	Data is based on unconfirmed verbal reports and/or cursory inspections/analysis. Dataset may not be fully complete and most data is estimated or extrapolated. Accuracy ± 40%
Unknown	None or very little data held.

Data Confidence Assessment

Data	Confidence	Comment
Demand Drivers	Reliable	Estimated, however further substantiation required for next revision
Growth Projections	Reliable	Estimated growth, in steady state
Operational Expenditure	Reliable	Direct from budget, breakdown into operations/maintenance/renewal
Maintenance Expenditure	Reliable	Direct from budget, breakdown into operations/maintenance/renewal
Projected Renewal Expenditure; Asset Value	Reliable	Direct from budget, breakdown into operations/maintenance/renewal Asset values determined from revaluation process
Residual Value	Reliable	Asset residual value used for disposal purposes
Asset useful lives	Reliable	Updated following revaluation process
Condition Modelling	Uncertain	Desk top audit with field sampling analysis
Renewal	Very Uncertain	Based on LTFP however only 3yrs of data, refinement required
Upgrade/New Expenditure	Very Uncertain	Based on LTFP however only 3yrs of data, refinement required.

Overall source data confidence is assessed as medium level for information used in the preparation of this AM Plan, with confidence to increase with asset management system implementation and ongoing Asset Management maturity, as well as improved long term budgeting.

7. PLAN IMPROVEMENT AND MONITORING

7.1 Asset Management Practices

Accounting and financial systems

Council's Financial System is the CIVICA Practical Financial Database. The financial system is managed by Council's Corporate Services department. Financial reporting is prepared in accordance with the requirements of the Local Government Act 1993 and Australian Accounting Standards.

Accountability for Council financial systems is with the Financial Services Section. The Finance Section reports in accordance with the relevant accounting standards and regulations:

- Local Government Act (NSW) 1993;
- Local Government Amendment (Planning and Reporting) Act 2009;
- Local Government (Finance Plans and Reporting) Regulation 2010;
- NSW Code of Accounting Practice; and
- AASB116.

Asset management system

- Council currently does not have an Asset Management system the asset register is held in the Practical Asset Register database, which only captures descriptions and financial attributes of the assets;
- An Asset Management system will be acquired once Council has identified an enterprise system which it will implement.

Accountabilities for asset management system and data maintenance

- Financial Services
- Information Services
- Service Managers

Changes to asset management protocol arising from this AM Plan

- Continual review of accuracy and currency of asset data;
- New Asset Management system which will enable all asset attributes to be stored and updated in the one database.
- New enterprise system which will enable costings to be recorded against individual assets including operational, maintenance and capital.
- Development of a works costing and maintenance management system to improve planning and cost recording, in particular to identify expenditure type (operations, maintenance, capital renewal and capital new/upgrade); and
- Improved project cost accounting to record costs against the asset component and develop valuation unit rates.

7.2 Improvement Program

The asset management system Improvement Plan generated from this AM Plan is as follows:

	Task	Responsibility	Resources Required	Timeline
1	Review the accuracy and currency of infrastructure data.	ID staff	Staff	31/05/18
2	Improve project cost accounting protocol to record against asset components.	CIS team, finance	Staff, New database	31/05/19
3	Link the customer service system to corporate asset register to align requests with asset records.	ID and IS Staff	Staff, New database	31/12/18
4	Review determination of remaining lives and detail assessment of assets requiring renewal in the medium/long term (next 10-20 years).	ID Staff	Staff, external valuers	31/05/18
5	Document & adopt Levels of service	ID Staff	Staff	31/05/19
6	Developing procedures for maintaining the Asset Register and integrating with Financial database.	Finance/ ID Staff	Register/database	31/05/18

7.3 Monitor and Review Procedures

This asset management plan will be reviewed during annual budget planning processes and amended to recognise any material changes in service levels, and/or resources, available to provide those services as a result of budget decisions.

The AM Plan will be updated annually to ensure it represents the current service level, asset values, projected operations, maintenance, capital renewal/replacement and capital upgrade/new operations, along with any asset disposal expenses and have all projected expenditure values incorporated into Council's long term financial plan. The AM Plan has a lifespan of 4 years (election cycle) and is due for complete revision and updating within 1 year of each Council election.

7.4 Performance Measures

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

- The degree to which the required projected expenditures identified in this asset management plan are incorporated into the Councils long term financial plan;
- The degree to which a 1-4 year detailed work program, budgets, business plans and organisational structures take into account the works program trends provided by the asset management plan;
- The degree to which the existing/projected service levels, consequences (what we cannot do), risks and residual risks are incorporated into Councils Strategic and associated plans; and
- Achieving a consistent target nearing 100% for the Asset Renewal Funding Ratio.

8. REFERENCES

- Narrabri Shire Community Strategic Plan;
- Narrabri Shire Council Delivery Plan;
- Narrabri Shire Council Operational Plan;
- IPWEA, 2008, 'NAMS.PLUS Asset Management', Institute of Public Works Engineering Australia, Sydney, www.ipwea.org.au/namsplus
- IPWEA, 2009, 'Australian Infrastructure Financial Management Guidelines', Institute of Public Works Engineering Australia, Sydney, www.ipwea.org.au/AIFMG
- IPWEA, 2011, 'International Infrastructure Management Manual', Institute of Public Works Engineering Australia, Sydney, www.ipwea.org.au/IIMM

- Narrabri Shire Council disposal of assets policy;

- Narrabri Shire Council Infrastructure & Service Level Investment policy;

- Narrabri Shire Council Asset Management policy.

9. APPENDICES

Appendix A **Glossary**

Appendix A Glossary

Annual Service Cost (ASC) - This includes operations/maintenance/depreciation/finance/opportunity and disposal costs, less the revenue acquired.

1) Reporting Actual Cost; Annual/accrual cost of providing a service.
2) Investment Analysis and Budgeting; Estimate of the cost per annum, if tenders were called for the supply of a service to a performance specification for a fixed term.

Asset - A resource controlled by an entity from which future economic benefit is expected to flow.

Asset Category - Sub-group within a class hierarchy for financial reporting and management purposes.

Asset Class - A group of assets having similar nature or function in the operations of an entity and which, for purposes of disclosure, are shown as a single item without supplementary disclosure.

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 and determine the need for preventative/remedial action.

Asset Hierarchy - Framework for segmenting an asset base into appropriate classifications (function/type).

Asset Management (AM) - The combination of managerial, financial, economic, operational and other practices applied to physical assets with the objective of providing the required level of service in the most cost effective manner.

Asset Renewal Funding Ratio - The ratio of the net present value of asset renewal funding accommodated over a 10 year period in a financial plan, relative to the net present value of projected capital renewal expenditures identified in an asset management plan for the same period (AIFMG Financial Sustainability Indicator No 8).

Average Annual Asset Consumption (AAAC) - The amount of an organisation's asset base consumed during a reporting period. Calculated by dividing the depreciable amount by the useful life (or future economic benefit/potential) and totalled for each asset; OR by dividing the carrying amount (Depreciated Replacement Cost) by the remaining useful life (or remaining future economic benefit/potential) and totalled for each asset in an asset category/class.

Borrowings (Loans) - A contractual obligation of the borrower to deliver cash or another financial asset to the lending entity over a specified period of time, covering both initial capital and interest incurred. A borrowing/loan provides the means for the entity to finance outlays when it has insufficient funds to do so, and for the lending entity to make financial return, normally interest revenue, on the funding provided.

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

Capital Expenditure (Expansion) - Expenditure that extends the capacity of an existing asset to provide benefits at the same standard as currently enjoyed by beneficiaries, to a new group of users. Discretionary expenditure increases future operations/maintenance cost because it increases the asset base, but may be associated with additional revenue from the new user group.

Capital Expenditure (New) - Expenditure which creates a new asset providing a new service/output that did not exist beforehand. As it increases service potential it may impact revenue and will increase future operations and maintenance expenditure.

Capital Expenditure (Renewal) - Expenditure on an existing asset, or on replacing an existing asset, which returns the service capability 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 generally has no impact on revenue, but may reduce future operations and maintenance expenditure if completed at the optimum time.

Capital Expenditure (Upgrade) - Discretionary expenditure which enhances an existing asset to provide a higher level of service or increase the life of the asset beyond that originally identified, but may not result in additional revenue unless direct user charges apply. It will increase operations and maintenance expenditure in the future because of the increase in the organisation's asset base.

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.

Capitalisation Threshold - The value of expenditure on non-current assets above which the expenditure is recognised as capital expenditure and below which the expenditure is charged as an expense in the year of acquisition.

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

Component - Specific parts of an asset having independent physical or functional identity, and having specific attributes such as different life expectancy, maintenance regimes, risk or criticality.

Core Asset Management - Asset management which relies primarily on the use of an asset register, maintenance management systems, job resource management, inventory control, condition assessment, simple risk assessment and defined levels of service, in order to establish alternative treatment options and long-term cashflow predictions. Priorities are usually established on the basis of financial return gained by carrying out the work (rather than detailed risk analysis and optimised decision making).

Cost of an Asset - The amount of cash (or equivalent) paid, or the fair value of an asset at the time of acquisition/construction, including costs (design/project management) necessary to bring into service.

Critical Assets - Assets for which the financial, business or service level consequences of failure are sufficiently severe to justify proactive inspection and rehabilitation. Critical assets have a lower threshold for action.

Current Replacement Cost (CRC) - The cost the entity would incur to acquire the asset on the reporting date. The cost 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 cost to replace the existing asset with a technologically modern equivalent new asset (not second hand) with the same economic benefit (gross service potential) allowing for any differences in the quantity and quality of output and operating costs.

Deferred Maintenance - The shortfall in rehabilitation undertaken, relative that required to maintain the service potential of assets.

Depreciable Amount - The cost of an asset, or other amount substituted for its cost, less its residual value.

Depreciated Replacement Cost (DRC) - The Current Replacement Cost (CRC) of an asset, less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefit of the asset.

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

Expenditure - The spending of money on goods and services, including recurrent and capital outlays.

Fair Value - The amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in a regular transaction.

Financing Gap - Insufficient capacity to finance renewal and other expenditure necessary to appropriately maintain the range and level of service for which the existing asset stock was designed and intended. A current financing gap means service levels have already or are currently, falling. A projected financing gap if not addressed, will result in a future decrease of existing service levels.

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.

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

Infrastructure Assets - Physical assets that contribute to meeting the needs of organisations for access to major economic and social facilities and services (e.g. roads, buildings, footpaths, parks). 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.

Investment Property - Property held to earn rentals, or capital appreciation, or both.

Key Performance Indicator - A qualitative or quantitative measure of a service or activity used to compare actual performance against a standard or other target. Performance indicators commonly relate to statutory limits, safety, responsiveness, cost, comfort, asset performance, reliability, efficiency, environmental protection and customer satisfaction.

Level of Service - The defined level of quality for a particular service/activity, against which performance may be measured. Service levels usually relate to quality, quantity, reliability, responsiveness, environmental impact, acceptability and cost.

Life Cycle Cost (LCC) - The total cost of an asset throughout its life including planning, design, construction, acquisition, operation, maintenance, rehabilitation and disposal.

Life Cycle Expenditure (LCE) - The LCE is the average operations, maintenance and capital renewal expenditure accommodated in the long term financial plan over 10 years.

Maintenance - All actions necessary for retaining an asset as near as practicable to an appropriate service condition, including the regular repairs necessary to keep assets operating. It is operating expenditure required to ensure the best chance for the asset to reach its expected useful life.

Planned Maintenance - Repair work identified for action including inspection, conditional assessment, prioritisation, actioning and reporting to develop a maintenance history and improve service delivery performance.

Reactive/Unplanned Maintenance – Unplanned/corrective repair work that is carried out in response to service requests and management/supervisory directions to restore an asset to working condition so it can continue to deliver the required service or to maintain its level of security and integrity.

Specific Maintenance - Maintenance work to repair components, or replace sub-components, that need to be identified as a specific maintenance item in the maintenance budget.

Maintenance Expenditure - Recurrent expenditure, periodically or regularly required as part of the anticipated schedule of works to ensure the asset achieves its useful life and provides the required level of service.

Materiality - The notion of materiality guides the margin of error acceptable, the degree of precision required and the extent of the disclosure required when preparing general purpose financial reports. Information is material if its omission, misstatement or non-disclosure has the potential (individually or collectively) to influence the economic decisions of users taken on the basis of that financial report, or affect the discharge of accountability by the management or governing body of the entity.

Modern Equivalent Asset - The most cost efficient, currently available asset which will provide the same stream of services as the existing asset is capable of producing. It allows for technology changes, improvements and efficiencies in production, and installation techniques.

Net Present Value (NPV) - The value to the organisation of the cash flows associated with an asset/liability/activity/event and calculated using a discount rate to reflect the time value of money. It is the net amount of discounted total cash inflow after deducting the value of the discounted total cash outflow arising from the continued use and subsequent disposal of the asset, after deducting the value of the discounted total cash outflow.

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

Operations - Regular activities to provide services such as public health, safety and amenity.

Operating Expenditure - Recurrent expenditure which is continuously required to provide a service. In common use the term typically includes, e.g. power, fuel, staff, plant, on-costs and overheads, but excludes maintenance and depreciation. Maintenance and depreciation is, however, included in operating expense.

Operating Expense - The gross outflow of economic benefit, being cash and non-cash items, during the period arising in the course of ordinary activities of an entity, when those outflows result in decreases in equity other than decreases relating to distribution to equity participants.

Operating Expenses - Recurrent expenses continuously required to provide a service, including power, fuel, staff, plant, maintenance, depreciation, on-costs and overheads.

Operations, Maintenance and Renewal Financing Ratio - Ratio of estimated budget to projected expenditure for operations, maintenance and renewal of assets over a defined period (e.g. 5/10/15 years).

Operations, Maintenance and Renewal Gap - Difference between budgeted expenditure in a long term financial plan and projected expenditure for operations, maintenance and renewal of assets to achieve/maintain specified service levels, totalled over a defined period (e.g. 5/10/15 years).

Rate of Annual Asset Consumption - The ratio of annual asset consumption, relative to the depreciable amount of the assets. It measures the amount of the consumable parts of assets that are consumed in a period (Depreciation) expressed as a percentage of the depreciable amount.

Rate of Annual Asset Renewal - The ratio of asset renewal and replacement expenditure, relative to the depreciable amount for a period. It measures whether assets are being replaced at the rate they are wearing out with Capital Renewal Expenditure expressed as a percentage of Depreciable Amount (CRE/DA).

Rate of Annual Asset Upgrade/New - The rate at which assets are being upgraded and expanded per annum with Capital Upgrade/New expenditure expressed as a percentage of Depreciable Amount.

Recoverable Amount - The amount 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 operations and maintenance expenditure.

Recurrent Funding - Funding to pay for Recurrent Expenditure.

Rehabilitation - See Capital Renewal Expenditure definition.

Remaining Useful Life - The time remaining until an asset ceases to provide the required service level or economic usefulness. Useful Life minus Age equals Remaining Useful Life.

Residual Value - The estimated amount that an entity would currently obtain from disposal of an asset, after deducting the estimated cost of disposal, if the asset were of the age/condition expected at the end of its useful life.

Revenue Generating Investments - Investments for the provision of goods and services to sustain, or improve, services to the community expected to generate savings/revenue to offset operating costs; e.g. public halls, theatres, 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 risk, to determine resultant ranges of outcomes and probability of occurrence.

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

Service Potential - The total future service capacity of an asset which is normally determined by reference to the operating capacity and economic life. A measure of service potential is used in the not-for-profit sector/public sector to value assets, particularly those not producing a cash flow.

Service Potential Remaining - A measure of future economic benefits remaining in assets. It may be expressed in dollar values (Fair Value) or as a percentage of total anticipated future economic benefit. It is also a measure of the percentage of the asset's potential to provide services that are still available for use (DRC/DA).

Specific Maintenance - Replacement of higher value components/sub-components of assets undertaken on a regular cycle including repainting, 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.

Strategic Plan - A plan covering the term of office for councillors, reflecting the needs of the community for the foreseeable future and bringing together the detailed requirements in the Council's Asset Management Plans and the Long-Term Financial Plan. The plan is prepared in consultation with the community and details Council position at that point in time, where it wants to go, how it is going to get there, mechanisms for monitoring the achievement of the outcomes and how the plan will be resourced.

Sub-Component - Smaller individual parts that make up a component.

Useful Life - Either:

1) The estimated/expected time between placing an asset into service and removing it from service; or
2) The estimated period of time over which the future economic benefits embodied in a depreciable asset are expected to be consumed by the Council.

Value in Use - The present value of future cash flow expected to be derived from an asset or cash generating unit. It is deemed to be Depreciated Replacement Cost (DRC) for assets whose future economic benefits are not primarily dependent on the ability to generate net cash inflow where the entity would, if deprived of the asset, replace its remaining future economic benefits.

APPENDIX D

Sewer

Asset Management Plan

Narrabri Shire Council

TABLE OF CONTENTS

1. EXECUTIVE SUMMARY 3
1.1 The Asset Management Plan Methodology 3
1.2 What does it Cost? 3
1.3 What Council Can & Cannot Do 4
1.4 Managing the Risk 4
1.5 The Next Steps 5
2. INTRODUCTION **6**
2.1 Background 6
2.2 Goals and Objectives of Asset Management 6
2.3 Plan Framework 7
2.4 Community Consultation 7
3. LEVELS OF SERVICE **8**
4. FUTURE DEMAND **10**
4.1 Demand Drivers 10
4.2 Demand Management Plan 10
4.3 Asset Program to meet Demand 10
5. LIFECYCLE MANAGEMENT PLAN **11**
5.1 Background Data 11
5.2 Infrastructure Risk Management Plan 13
5.3 Routine Maintenance Plan 13
5.4 Renewal/Replacement Plan 14
5.5 Creation/Acquisition/Upgrade Plan 15
5.6 Disposal Plan 15
6. FINANCIAL ANALYSIS **16**
6.1 Financial Statements and Projections 16
6.4 Key Assumptions made in Financial Forecasts 20
6.5 Forecast Reliability and Confidence 20
7. PLAN IMPROVEMENT AND MONITORING **22**
7.1 Asset Management Practices 22
7.2 Improvement Program 23
7.3 Monitor and Review Procedures 23
7.4 Performance Measures 23
8. REFERENCES **24**
9. APPENDICES **24**
Appendix A Glossary 25

1. EXECUTIVE SUMMARY

Narrabri Shire is home to approximately 14,000 people spanning an area of over 13,000 square kilometres. Most of the population is centred around three main towns being Boggabri, Narrabri and Wee Waa as well as a number of villages in Pilliga, Gwabegar, Bellata, Edgeroi and Baan Baa.

The 'Sewer' Asset Management (AM) Plan covers a portfolio of Treatment Plants, Pump Stations and Mains situated throughout in the three main towns in the shire Boggabri, Narrabri and Wee Waa. These infrastructure assets have a current replacement cost, as at 30 June 2016, of $90.980M.

Asset Management plans define the services and service levels to be provided, how the services are to be provided and what funds are required to provide those services. They are an essential tool for organisations that provide services from long life infrastructure assets. Council can't produce effective budgets and long term financial plans without good quality Asset Management Plans.

This AM Plan is structured along the lines recommended in the International Infrastructure Management Manual (IIMM - 2011). The plan borrows format, context and material from various other Council plans as well as the IPWEA NAMS.PLUS AM Plan template. Asset management planning is a comprehensive process to ensure services from infrastructure are delivered in a safe and financially sustainable manner.

IPWEA (Institute of Public Works Engineering Australia) – NAMS (National Asset Management System)

The aim of this AM Plan is to provide a framework to detail and examine existing management practices for Sewer infrastructure, and to form the basis of an improvement program to progressively resolve identified deficiencies.

1.1 The Asset Management Plan Methodology

One of the most important aspects of the asset management plan is the forecast of existing asset renewal requirements. For the Narrabri Shire Council 'Sewer' Asset Management Plan, three scenarios have been considered when developing the forecast.

Scenario 1 uses Councils' asset register Valuation Data to project the renewal costs. In this scenario the useful life of the asset is added to the acquisition year of an asset, to estimate the timeframe when renewal is due. Scenario 1 indicates whether or not the funds to meet the forecast renewal requirements are aligned with funding in the Long Term Financial Plan (LTFP).

Unless the 'Useful Life', 'Acquisition Year' and 'Condition' data is considered of high integrity, this Scenario is only useful as an overview for modelling purposes.

Scenario 2 uses Capital Renewal Expenditure projections, assessed by technical staff, to sustain current service levels. This assessment uses a combination of detailed technical analysis and an estimate of the average network renewals required.

Scenario 3 is the actual reality of the situation where the Capital Renewal Expenditure that can be achieved is within available funds in the Long Term Financial Plan (LTFP).

Scenario 1, when compared to Scenario 3, provides an estimate of confidence in the accuracy and currency of the data register used for asset valuation purposes, while the difference between Scenario 2 and Scenario 3 represents the gap in funding. Consultation forums will lead to much better informed discussion on 'achievable and acceptable' service levels, as well as giving a focus for managing risk.

1.2 What does it Cost?

There are two key indicators of cost to providing services through Sewer infrastructure;

1. The necessary funding for the Life Cycle of the asset, and
2. The Total Maintenance and the Capital Renewal Expenditure required in delivering existing service levels across the 10-year period encompassed by Council's Long Term Financial Plan.

The forecast of the projected outlay necessary to provide services covered by this Asset Management Plan over the 10 year planning period will amount to $26.011M or $2.601M on average per year. This is based on the Scenario 3 methodology providing the estimated funding to maintain current service levels.

Projected available funding for this period is $26.011M, or $2.601M on average per year, which leaves the funding completely balanced, against the expenditure available, compared with planned expenditure currently included in the LTFP.

As there is no funding gap Council has the ability to sustain operations, maintenance and renewal of existing Assets to meet service levels, as well as deliver identified upgrade/new additions (that are fully funded) within the 10 year planning period. However, the LTFP and 10yr capital plan need to be further developed as they have only been comprehensively developed for the first 3yrs. A funding gap is likely to develop when the LTFP is developed further.

1.3 What Council Can & Cannot Do

Council must aim to provide levels of service to the community that are appropriate, affordable and most importantly attainable. Council will be guided in achieving this by following the Fiscal Responsibility Principles which will provide direction and context for decision making in the allocation, management and use of Councils financial resources and the Infrastructure & Service Level Investment policy.

Council must schedule a comprehensive maintenance program whereby asset planning is informed of the areas in need of attention and may then target renewal/upgrade, as opposed to the historically reactive maintenance regime previously engaged. Planning, knowing and forecasting maintenance across the asset portfolio allows financial planning and acquittal of maintenance expenditure to the most essential assets.

It is apparent from data modelling that Councils current level of expenditure is insufficient to ensure the sustainability of Councils infrastructure assets. Council can endeavour to *increase* funding (LTFP/Grants/Contributions/etc.) or *decrease* service levels to maintain fiscal responsibility.

1.4 Managing the Risk

There is risk associated with providing services and not being able to complete all identified activities and projects.

We have identified major risks as;

- Overflows of Effluent to the environment,
- Failure of Infrastructure,
- Variable and unpredictable weather events, such as flooding, and the impact this will have on all infrastructure assets (what seemingly is a manageable position can change very quickly), and
- The dependence on grants from other sources to fund major projects.

Council will endeavour to manage these risks within available funding in Council's Long Term Financial Plan through maintenance of existing infrastructure, managing expansion of infrastructure based on the priorities established in the Community Strategic Plan and seeking additional funding in the form of grants wherever possible.

Function & Quality Assurance

Council's intent is to maintain its Sewer Assets in partnership with all stakeholders to meet the community needs in providing efficient, quality infrastructure. Council inspects all Sewer infrastructure regularly and prioritises and repairs defects in accordance with their inspection schedule to ensure public and employee safety.

The successful implementation of these functional objectives will be measured by;

- Community satisfaction indicators,
- Operational and Delivery Plan targets being achieved, and
- Usage of network at a premium.

1.5 The Next Steps

The actions resulting from this asset management plan are;

- Prioritise renewal and upgrade works based on risk assessment,
- Improve levels of service measures and targets.
- Update GIS network with corrected sewer attributes, work through backlog of maintenance register to document location and details of breakages.
- Collate Asset register into new Financial and Asset Management system.

2. INTRODUCTION

2.1 Background

Narrabri Shire Council provides a Sewer network to the towns and villages of the shire to support its operations and delivery of services to the community. These infrastructure assets include Sewer Mains, Treatment Plants and Pump Stations.

Councils Infrastructure Delivery section coordinates the asset data entry into the asset register, whilst administering planned and reactive maintenance processes, determining strategic outcomes and developing operational work programs.

The types of assets covered by this AM Plan are used to support a broad range of services to the community.

Assets covered by this Plan

Asset Category	Current Replacement Cost (CRC)	Depreciated Value (DV)
Treatment Plants	**$14,643,973**	**$7,348,807**
Pump Stations	**$13,153,752**	**$4,468,450**
Sewer Mains	**$63,181,810**	**$23,325,127**

Asset Values as at the 30 June 2016.

Key stakeholders in the preparation and implementation of this AM plan are shown in the following table:

Key Stakeholders

Key Stakeholder	Associated role in Sewer Asset Management Plan
Elected Members	Endorse the asset management policy, strategy and plans. Set high level direction through the development of asset management principles.
Senior Management	Prioritise actions resulting from this plan and improve the way Council manages assets and delivers services.
Council Staff	Direct Management and Operational responsibility of Assets.
External Parties	Community members providing information on asset performance through CSR's.

2.2 Goals and Objectives of Asset Management

The organisation exists to provide services to its community, some of which are provided by infrastructure assets. Council has acquired infrastructure assets by purchase, by contract, by construction and by donation of assets created by developers and others, to meet increased levels of service demands.

Our goal in managing infrastructure assets is to meet the defined levels of service (as amended from time to time) in the most cost effective manner for present and future constituents. The key elements of infrastructure asset management are;

- Providing a defined level of service and monitoring performance,
- Controlling the impact of growth through demand management and infrastructure investment,
- Taking a lifecycle approach to developing long-term cost-effective management strategies that meet the defined levels of service,
- Managing risks associated with asset failures, and
- Long-term financial planning identifying the required expenditure, along with how it will be financed.

Council must endeavour to fully-fund all projected asset renewals and upgrade/new construction as a matter of course within normal budgeting protocol.

2.3 Plan Framework

Key elements of the plan are;

- Levels of Service – specific levels of service to be provided by Council,
- Future Demand – factors that may impact on future service delivery,
- Life Cycle Management – processes for managing existing and future assets,
- Financial Analysis – funding required to provide the defined services,
- Monitoring – procedures ensuring the plan meets organisational objectives,
- Asset Management Practices, and
- Improvement Plan.

2.4 Community Consultation

This 'core' asset management plan is prepared to facilitate community consultation, initially through feedback on public display of the Draft Asset Management Plan, prior to adoption by the Council. Future revisions of the AM Plan will incorporate community consultation on service levels and costs of providing the service. This will assist the Council and the community in matching the levels of service needed, and the risks and consequences associated, with the community's ability and willingness to pay for that level of service.

3. LEVELS OF SERVICE

Levels of Service acceptable to the community are a core component of asset management planning. Levels of Service are determined to match community expectations with the service levels that can actually be afforded through Council's Operational Plan. Council may need to review Levels of Service in the future in accordance with changing customer needs, industry trends and affordability.

The Asset Management Plans, in conjunction with the Long Term Financial Plan and the Community Strategic Plan, are the tools which Council will use to assess the long term sustainability of infrastructure assets and identify the appropriate level of resourcing to maintain agreed service levels.

Accurate, up-to-date and easily accessible records are important factors in enabling Council to meet its statutory governance requirements. Compliance with regulations is a principle theme of the asset planning process, and is considered in the context of Quality, Function and Risk.

Council will use Asset Management Planning to provide a way in which the community can become engaged in the setting of priorities and the allocation of resources. The AM Plans help to categorise some of the risk associated to Council infrastructure and enables identification and implementation of work programs linked to achieving corporate objectives and service level targets.

Service levels are defined in respect of two categories:

A) Community Levels of Service - Measures how the community receives the service and whether the organisation is providing value to the community.

'Community Levels of Service' measures used in the asset management plans are:

- *Quality* - How good/safe is the service?
- *Function* - Does it meet users' needs?
- *Capacity/Utilisation* - Is the service over or under-utilised?

B) Technical Levels of Service - These technical measures relate to the allocation of resources against the service activities that the organisation undertakes to best achieve the desired community outcomes and demonstrate effective organisational performance.

'Technical Levels of Service' measures are linked to annual budgets covering:

- *Operations* – regular activities to provide services (opening hours/cleaning frequency/pest control/etc.),
- *Maintenance* – activities necessary to retain an asset as near as practicable to an appropriate service condition (structural repairs/painting/etc.),
- *Renewal* – activities that return the service capability of an asset up to the original intent (component repairs/replacement/etc.), and
- *Upgrade/New* – activities to provide a higher level of service such as; replacing components with a larger size *or* a completely new element that did not exist previously.

Asset managers plan, implement and control 'technical' service levels to influence 'customer' service levels.

The asset management planning process includes the development of 3 Scenarios, to develop levels of service that are financially sustainable.

Condition is measured using a 1 – 5 grading system and summarised into very good/good, fair and poor/very poor, as detailed in following table.

Condition Grading Model

Grading	Description of Condition
1	**Very Good**: Planned maintenance schedule only.
2	**Good**: Minor maintenance required, planned maintenance schedule.
3	**Fair**: Significant maintenance required.
4	**Poor**: Significant renewal/rehabilitation required.
5	**Very Poor**: Physically unsound and/or beyond rehabilitation.

Levels of Service				
Service Criteria		**Current Level of Service**	**Target level of service**	**Compliance measure**
Availability of service		Service available for all allotments within defined service areas.	Service available for all allotments within defined service areas.	Availability of point of connection for all allotments.
Overflow of sewerage to the environment		Currently satisfying compliance measure	No more than 3 per year	99% compliance across system as measured from records from each event
Response times to system failures – Major Spill		Currently satisfying compliance measure	30minutes or 1 hour when out of hours	90% compliance as measured from records
Number of incidences causing complaints		50 written, oral and telephone complaints (CSR Report)	Less than 50 per year	Less than 50 per year
Effluent Quality		Five minor incidents in last 12 months no EPA action required.	Meet EPL conditions for all sewage treatment plants	95% compliance as measured from records

4. FUTURE DEMAND

4.1 Demand Drivers

Drivers affecting demand can include population change, changes in demographics, Increasing costs, tenancy rates, consumer preferences and expectations, technological changes, economic factors, environmental awareness, etc.

The present position and projections for demand were identified and the impact of how that demand may affect future service delivery and utilisation of assets is shown in the table following.

Drivers	Present position	Projection	Impact on services
Community Expectation.	Desire for high standards.	Expectations will continue increasing.	Higher levels of service expected.
Increasing Cost.	Costs' greater than revenue.	Costs anticipated to continue increasing.	Need to target and plan infrastructure increase within funding limitations.
Change in Technology	Technology constantly changing	Technology to advance	Improved technology to allow for new and cheaper ways to replace assets.
Environmental impact.	Environment & climate changing.	Extreme conditions to impact services.	Direct impact from extreme weather. Additional cost to fund enviro-initiatives.

4.2 Demand Management Plan

Demand will be managed through a combination of upgrading existing assets and providing new assets to meet any increased demand. Technological advancement, such as improved construction techniques and increased use of prefabricated components, has the potential to reduce costs. Field data capture and non-invasive inspection methodology will improve the collection of information without adversely affecting the asset.

Non-asset solutions focus on providing the required service without the need for the organisation to own the assets and management actions include reducing demand for the service or reducing the level of service. Opportunities identified to date for demand management are shown in the table following.

Demand Driver	Impact on Services	Demand Management Plan
Community Expectation	Existing infrastructure may not be suited to future community expectations	Consult with the community about what they want and are willing to pay for.
Change in technology	Improved technology to allow cheaper replacement costs	Explore new technology options to allow reduced renewal and maintenance costs.

4.3 Asset Program to meet Demand

Any new assets will be constructed/acquired by Council to meet growth and increased demand in a sustainable manner. Acquiring new, or upgrading existing assets, will commit the organisation to fund ongoing operations, maintenance and renewal costs for the entire lifecycle period of required service provided from those assets.

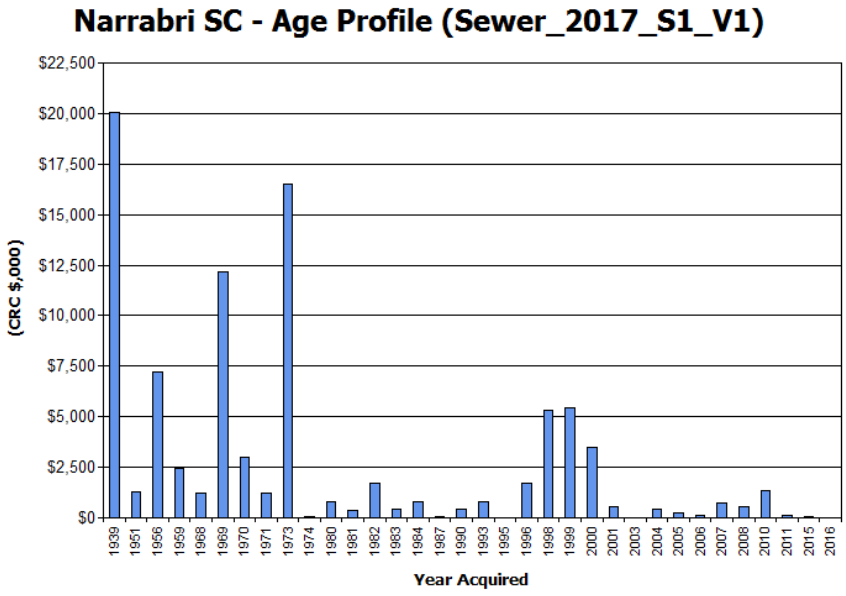
5. LIFECYCLE MANAGEMENT PLAN

The lifecycle management plan details how the organisation plans to manage and operate the assets at the agreed levels of service while optimising life cycle costs.

5.1 Background Data

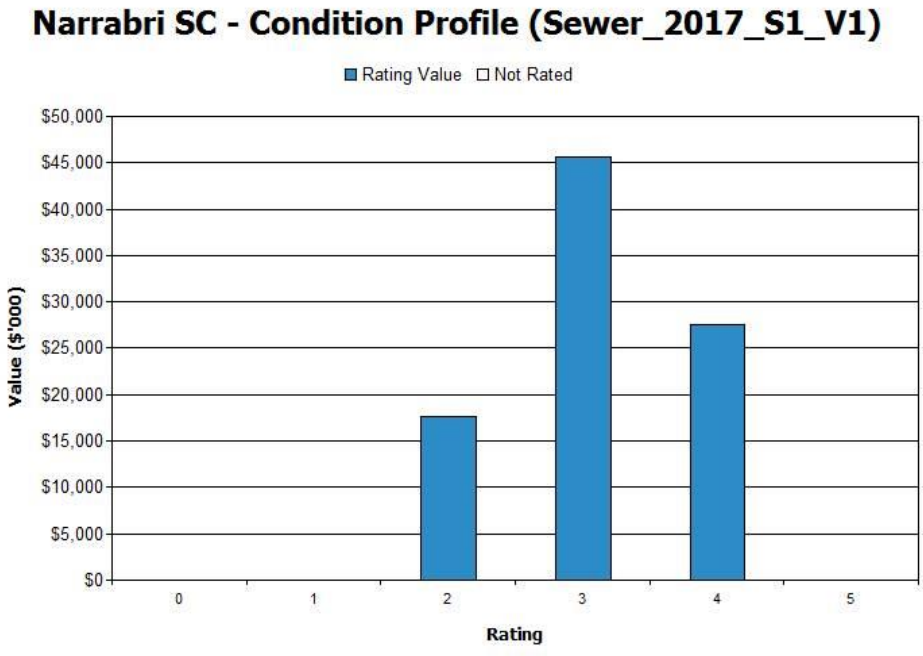
Physical parameters

The age profile of the assets included in this AM Plan is shown in the following graph and is based on data in Council's 'Sewer' asset register. The year of construction/acquisition for building infrastructure is only indicative, being considered through the anticipated remaining life and the current condition on the lifecycle deterioration curve for each individual structure.



Asset condition

Condition is monitored and managed at an operational level, and the information used to prepare the condition profile is based on technical knowledge of Sewer infrastructure. The condition profile for 'Sewer' infrastructure assets is shown in the following chart.



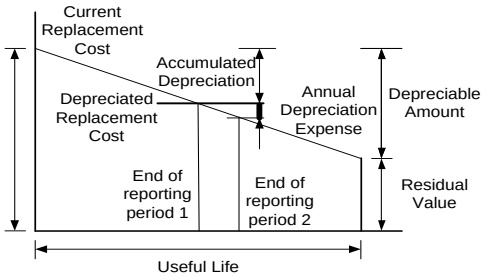
Condition is measured using a 1 – 5 grading system as detailed in *"Section 3 Levels of Service"*. Planned frequency of assessment: Every 4 years.

Asset valuations

The value of Sewer infrastructure recorded in the technical asset register as at 30 June 2016, and covered by this AM Plan is shown below.

Assets are valued at replacement cost:

Current Replacement Cost (CRC)	$90,980,000
Depreciable Amount	$90,980,000
Depreciated Replacement Cost (DV)	$35,143,000
Annual Depreciation Expense	$1,379,000



Various ratios of asset consumption and expenditure have been prepared to help guide and gauge asset management performance and trends over time.

Rate of Annual Asset Consumption	1.5% (Depreciation/Depreciable Amount)
Rate of Annual Asset Renewal (Year 1)	10.5% (Capital Renewal Expenditure/Depreciable Amount)
Rate of Annual Asset Upgrade/New (Year 1)	0% (Capital Upgrade Expenditure/Depreciable Amount)
Rate of Annual Asset Upgrade/New (Year 1)	0% (Including Contributed Assets)

In 2017/18 the organisation plans to renew assets at 692.2% of the rate they are being consumed and will be increasing its asset stock by 0% during the year.

To provide services in a financially sustainable manner, Council will need to ensure that it is renewing assets at the rate they are being consumed over the medium-long term, and funding the life cycle costs for all new assets and services in its long term financial plan.

The above figures show that Council is in a favourable position based on its consumption of assets for the 2017/18 financial year, however it needs to develop its LTFP to program a full 10 years of required works.

5.2 Infrastructure Risk Management Plan

An assessment of risk associated with service delivery from infrastructure assets has identified critical risk that will result in loss or reduction in service from infrastructure assets or a 'financial shock' to the organisation. The risk assessment process identifies credibility of risk (the likelihood of the risk event occurring), the consequences should the event occur, development of a risk rating, evaluates the risk and develops a treatment plan for non-acceptable risk.

Critical risk, being those assessed as 'Very High' (requiring immediate corrective action) and 'High' (requiring prioritised corrective action) identified in the Infrastructure Risk Management Plan, together with the estimated residual risk after treatment, are summarised in the following table with these risks reported to management and Council.

Service or Assets Risk	What can Happen	Risk Rating	Risk Treatment Plan	Residual Risk *	Treatment Costs
Treatment Plant	Overflows of untreated effluent (particularly during storm events)	H	Install flood management measures at STPs. Monitor illegal connections and reduce ingress of stormwater into sewage works.	Low	Council to source funds.
Pump Stations	Pump failure and overflows	H	Maintain telemetry. Ensure adequate staff available to respond to reports.	Low	Staff Resources
Sewer mains	Invasion of debris causing blockage of sewer mains and leakage.	VH	Continue CCTV surveys to assess pipe condition, and prioritise repair and replacement works.	Medium	Specialist services for CCTV. Staff for repairs and data entry.

Note * Residual Risk is the risk remaining after the selected treatment plan is operational.

5.3 Routine Maintenance Plan

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

Maintenance includes all actions necessary for retaining an asset as near as practicable to an appropriate service condition including regular ongoing day-to-day work necessary to keep assets operating, e.g. structural repairs but excluding rehabilitation or renewal. Routine Maintenance includes 'Reactive', 'Planned' and 'Specific' maintenance 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 activities including inspection, condition assessment, prioritised scheduling, actioning the work and reporting what was done to develop a maintenance history and improve service delivery performance.

Specific Maintenance is replacement of higher value components/sub-components and undertaken on a regular cycle. This work falls below the capital maintenance threshold but may require specific budget allocation.

Planned maintenance work as a % of total maintenance expenditure is not identified in this plan. Information on this should be developed for the next revision of this asset management plan, as higher proportions of planned maintenance expenditure should provide better value than reactive maintenance.

Maintenance expenditure levels are seen to be steady and this has little impact on Councils ability to meet current service levels. Where maintenance expenditure levels are such that will result in a lower level of service, the consequences have been identified and highlighted in this AM Plan with service risk considered in the Infrastructure Risk Management Plan. Assessment and prioritisation of reactive maintenance is undertaken by Council staff using experience and judgement.

Operations and Maintenance Strategies

Council will operate and maintain assets to provide the defined level of service to approved budgets, in the most cost-efficient manner with activities including;

- Undertaking a cost-benefit analysis to determine the most effective split between scheduled and unplanned maintenance activities,
- Maintain a current risk register and present risk associated with providing services from infrastructure assets while reporting Very High/High risk and any Residual risk to management and Council,
- Review current and required skills base and implement workforce training and development to meet required operations and maintenance needs,
- Identify demand management options for under-utilised/over-utilised assets, and
- Maintain a current hierarchy of critical assets and required operation and maintenance activities.

5.4 Renewal/Replacement Plan

Renewal and replacement 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 considered upgrade, expansion or new works expenditure.

Assets requiring renewal are identified from estimation of remaining life obtained from the asset register; or through nomination by staff, the public or other sources. Candidate proposals are inspected to verify accuracy of remaining life estimates and to develop a preliminary renewal strategy. Verified proposals are ranked by priority and available funds, to then be scheduled into the works program.

Renewal/Replacement Priority Ranking Criteria

Criteria	Weighting
Quality (Risk of Failure)	30%
Condition	30%
Operating/Maintenance/Lifecycle Costs	20%
Functionality	20%
Total	**100%**

Renewal will be undertaken using 'low cost' renewal methods where practical. The aim of low-cost renewal is to restore the service potential, or future economic benefits of the asset, by renewing at a cost less than replacement cost. Renewal work is carried out in accordance with relevant technical standards and specifications.

Renewal and Replacement Strategies

It is clear that this Council needs to be more proactive in asset renewal than it has in recent years. Priority for funding needs to go to asset renewals in order to attain a satisfactory level of sustainability.

In budgeting, an enterprise approach is required to assess community needs and prioritise the allocation of available funds. Council needs to plan future levels of service to match affordable organisational needs and maximise the benefit to the community.

Priority for funding needs to go to the structures that achieve higher risk classification against performance measures (Condition/Function/Utilisation). In order to minimise Council's risk, those renewals that Council cannot afford to fund at the appropriate time will still require regular inspections and intervention when the condition falls below a certain threshold and new appropriate levels of service applied.

The following strategies can be applied for the effective renewal/replacement of Sewer infrastructure.

- Planning/scheduling renewal projects to deliver defined service levels in the most efficient manner;
- Undertaking project scoping for all capital renewal and replacement projects to identify -
  1. The service deficiency, present risk and optimum time for renewal/replacement;
  2. The project scope and objectives to rectify the deficiency;
  3. The estimated capital and life cycle costs for each option to address service deficiencies;
  4. To evaluate the options against criteria adopted by Council; and
  5. To select the best option to be included in capital renewal programs;
- Using low cost methods (cost of renewal is less than upgrade/new) where practicable;
- Fully funding depreciation to allow for a budget to be available as assets reach the end of their useful life;
- Maintaining a current infrastructure risk register for assets and the risks associated with providing services from those assets and reporting Very High/High risks, and residual risks (risk leftover after treatment), to management and Council;
- Maintaining a current hierarchy of critical assets and capital renewal treatments/timings; and
- Reviewing management of capital renewal/ replacement activities to ensure Council is obtaining best value for resources consumed.

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 and may be acquired at no cost to the organisation from land development.

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 with available funds and scheduled in future works programmes. This is done by following Councils Infrastructure & service level investment policy.

Creation/Acquisition/Upgrade/New Priority Ranking Criteria

Criteria	Weighting
Safety	35%
Lifecycle Cost	30%
Community Benefit	20%
Community Expectation	15%
Total	**100%**

5.6 Disposal Plan

This includes activity associated with disposal of decommissioned assets including sale, demolition or relocation. Assets identified for possible decommissioning and disposal deliver annual savings from not having to fund operations and maintenance of the assets. Any revenue gained from asset disposal will be accumulated into Councils long term financial plan.

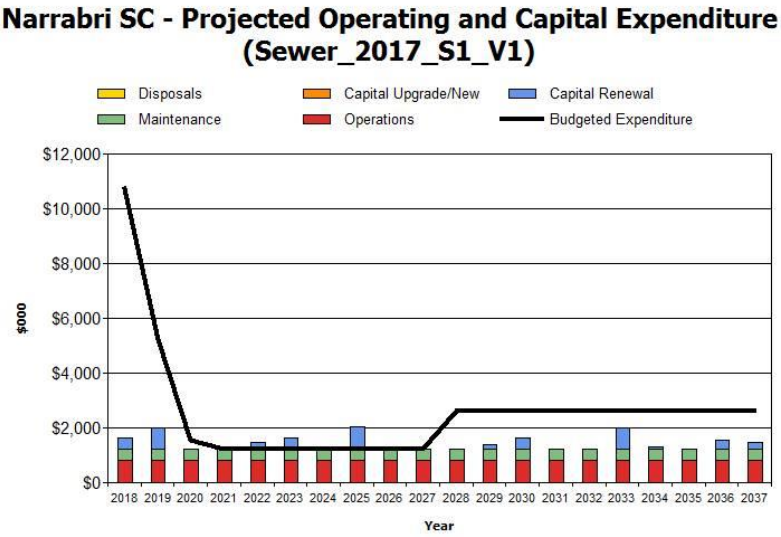
Council has in place a Disposal of Assets policy that provides the guidelines when Disposing of assets, it is currently reviewing the assets register to determine if any assets can be disposed of.

6. FINANCIAL ANALYSIS

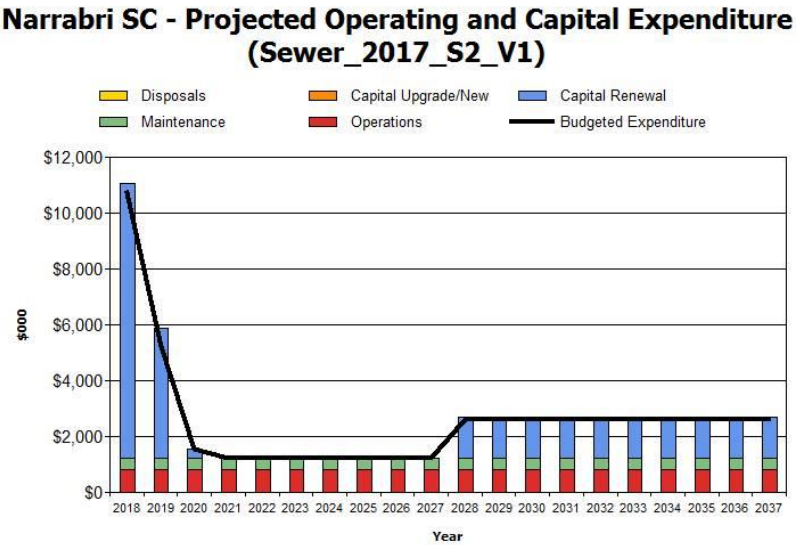
6.1 Financial Statements and Projections

The financial projections for operating (operations and maintenance) and capital expenditure (renewal/upgrade/expansion/new) are provided in the following graphs. All costs shown in real values.

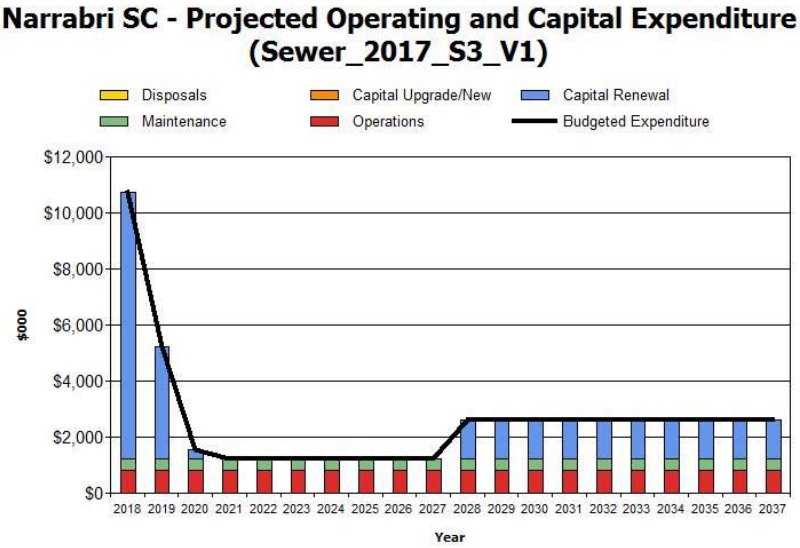
As discussed previously, the expenditure projection in Scenario 1 uses the asset register and shows a major difference between budgeted and expected costs in years 1 and 2 this is due to a number of massive grant funded projects being undertaken.



The Scenario 2 renewals are based on technical judgement made by staff as to the works required to be completed to maintain current service levels. As shown in the diagram below the capital budget has only been completed for the first three years, as this is refined more we can expect the costs to rise above the budget line in some years.



The below graph shows scenario 3 with a balanced graph with the expenditure figures balanced out to match the available budget. The capital budget has only been developed for the first three years as it is further developed it will be included in this plan.



Sustainability of service delivery

There are four key indicators for service delivery sustainability that have been considered in the analysis of the services provided by this asset category, these being the asset renewal funding ratio, long term life cycle costs/expenditures and medium term projected/budgeted expenditures over 5 and 10 years of the planning period. (Based on Scenario 2)

Asset Renewal Funding Ratio

Asset Renewal Funding Ratio 94%

The Asset Renewal Funding Ratio is the most important indicator and reveals that over the next 10 years, the organisation is forecasting that it will only have 94% of the funds required for the optimal renewal and replacement of its assets.

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 asset life cycle. Life cycle costs include operations and maintenance expenditure and asset consumption (depreciation expense). The life cycle cost for the services covered in this asset management plan is $2.587M per year (average operations/maintenance plus depreciation projected over 10 years).

Life cycle costs can be compared to life cycle expenditure to give an initial indicator of affordability of projected service levels when considered with age profiles. Life cycle expenditure includes operations, maintenance and capital renewal expenditure. Life cycle expenditure will vary depending on the timing of asset renewals. The life cycle expenditure over the AM planning period is $2.601M per year (average operations and maintenance plus capital renewal budgeted expenditure in LTFP over 10 years).

The additional funds between life cycle cost and life cycle expenditure is the life cycle surplus. The life cycle surplus for services covered by this asset management plan is $14K per year (-ve = gap, +ve = surplus).

Life cycle expenditure is 100% of life cycle costs.

The life cycle costs and life cycle expenditure comparison highlights any difference between present outlays and the average cost of providing the service over the long term. If the life cycle expenditure is less than that life cycle cost, it is most likely that outlays will need to be increased or cuts in services made in the future.

Knowing the extent and timing of any required increase in outlays and the service consequences if funding is not available will assist organisations in providing services to their communities in a financially sustainable manner. This is the purpose of the asset management plans and long term financial plan.

Medium term – 10 year financial planning period

This asset management plan identifies the projected operations, maintenance and capital renewal expenditures required to provide an agreed level of service to the community over a 10 year period. This provides input into 10 year financial and funding plans aimed at providing the required services in a sustainable manner.

These projected expenditures may be compared to budgeted expenditures in the 10 year period to identify any funding shortfall. In a core asset management plan, a gap is generally due to increasing asset renewals for ageing assets.

The projected operations, maintenance and capital renewal expenditure required over the 10 year planning period is $2.699M on average per year.

Estimated (budget) operations, maintenance and capital renewal funding is $2.601M on average per year giving a 10 year funding shortfall of $97K per year. This indicates that Council expects to have 96% of the projected expenditures needed to provide the services documented in the asset management plan.

The projected operations, maintenance and capital renewal expenditure required over the first 5 years of the planning period is $4.189M on average per year.

Estimated (budget) operations, maintenance and capital renewal funding is $3.994M on average per year giving a 5 year financing result of $-195K. This indicates that Council expects to have 95% of projected expenditures required to provide the services shown in this asset management plan over the short-term.

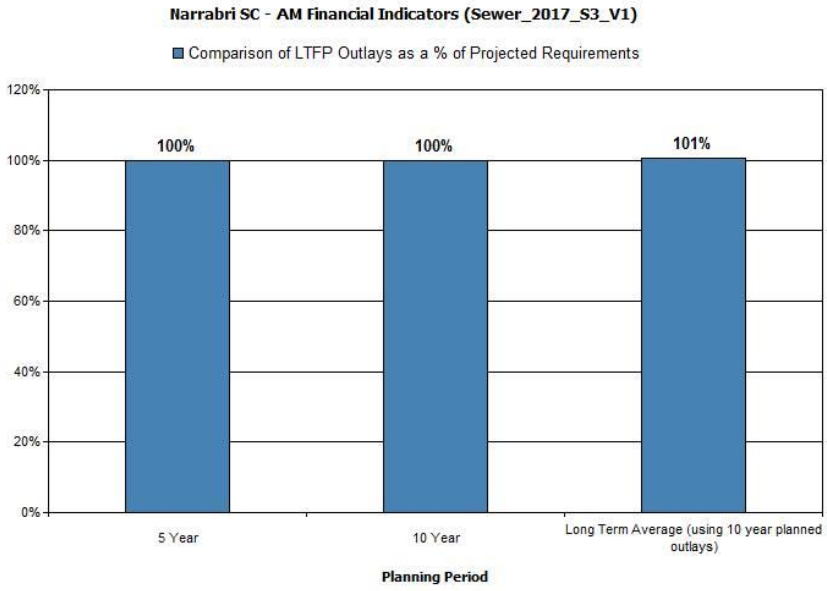
Summary of Service Sustainability Ratios (Scenarios 1/2/3)

Asset Renewal Funding Ratio	**1**	**2**	**3**
Asset Renewal Funding Ratio	540%	94%	100%
Life Cycle Cost (long term) Sustainability	**($000's)**	**($000's)**	**($000's)**
Cost (Depreciation + Operations + Maintenance Expenditure 10 year average)	$2,587	$2,587	$2,587
Expenditure (Capital Renew + Operations + Maintenance Expenditure 10 year av)	$2,601	$2,601	$2,601
Life Cycle Gap (Expenditure - Cost)	**$14**	**$14**	**$14**
Life Cycle Sustainability Indicator (Expenditure ÷ Cost)	100%	100%	100%
Medium Term (10 year) Sustainability			
10 year Operations, Maintenance & Renewal Projected Expenditure	$1,500	$2,699	$2,601
10 year Operations, Maintenance & Renewal Budgeted Expenditure	$2,601	$2,601	$2,601
10 year Funding Budget (10 year Projected Exp – Planned Exp)	**$1,101**	**$-97**	**$0**
10 year Sustainability Indicator (10 year Planned Exp ÷ Projected Exp)	173%	96%	100%
Short Term (5 years) Sustainability			
5 year Operations, Maintenance & Renewal Projected Expenditure	$1,518	$4,189	$3,994
5 year Operations, Maintenance & Renewal Budgeted Expenditure	$3,994	$3,994	$3,994
5 year Funding Shortfall (5 year Projected Exp – Planned Exp)	**$2,476**	**$-195**	**$0**
5 year Sustainability Indicator (5 year Planned Exp ÷ Projected Exp)	263%	95%	100%

Asset management financial indicators

The following graphs show the asset management financial indicators over the 5 and 10 year planning period and for the long term life cycle. Providing services from infrastructure in a sustainable manner requires the matching and managing of service levels, risks, projected expenditures and financing to achieve a financial indicator of approximately 1.0 for the interim years of the asset management plan and ideally over the 10 year life of the Long Term Financial Plan.

Scenario 3 Balanced with LTFP



Projected & LTFP Budgeted Renewals and Financing

Projected renewal and replacement expenditure is compared to that type of expenditure in the capital works program committed to in the long term financial plan. As the Sewer section has only been budgeted for three years upon further development will see a more comprehensive and realistic renewal program. Providing services in a sustainable manner will require matching this expenditure to meet agreed service provision **on a corresponding level** with the works program in the long term financial plan.

A gap between projected asset renewal/replacement expenditure and amounts accommodated in the LTFP indicate that further work is required on reviewing service levels in the AM Plan, or possibly revising the LTFP. This work forms part of the ongoing improvement of the asset management plan. In this AM Plan the extent of the 'gap' is shown as the difference between Scenario 2 and Scenario 3.

Council will manage the 'gap' by developing this asset management plan to provide guidance on future service levels, the resources required to provide these services, and review future services/service levels/costs with the community.

6.2 Funding Strategy

Comprehensive review of service levels will provide appropriate projected expenditure levels to ensure ongoing financial sustainability is accommodated within the 10 year Long Term Financial Plan. Council will use the Infrastructure and Service Level Investment policy and the Fiscal Responsibility Guidelines to guide its decision making.

6.3 Valuation Forecasts

Asset values are forecast to remain relatively constant in line with Councils Fiscal Responsibility Principles. Depreciation expense values are forecast in line with asset values while the Depreciated Value will vary over the forecast period dependent on the rate of addition of new assets, disposal of old assets and the consumption/renewal of existing assets.

6.4 Key Assumptions made in Financial Forecasts

Key assumptions made in presenting this asset management plan and in preparing forecasts of required operating/capital expenditure and asset values, depreciation expense and carrying amount estimates are presented to enable readers to gain an understanding of the levels of confidence in the data behind the financial forecasts.

Key Assumptions	Risks of Change to Assumptions
Councils records of assets are accurate	Likely change to register details regarding remaining life. Will have minor effect on AM plan.
Estimated values for the replacement costs of assets are accurate	Change is likely and will have minor effect on AM Plan
Condition of assets stated is accurate	Change is likely and will have minor effect on AM Plan

6.5 Forecast Reliability and Confidence

The expenditure and valuation projections in this AM Plan are based on best available data. Currency and accuracy of data is critical to effective asset and financial management.

Data Confidence Grading System

Confidence	Description
Very Reliable	Data based on sound records/procedures/analysis, documented properly and recognised as the best method of assessment. Dataset is complete and estimated to be accurate at ± 2%
Reliable	Data based on sound records/procedures/analysis, documented properly, minor shortcomings, e.g. some data is old, and some documentation missing and/or reliance placed on unconfirmed reports/extrapolation. Dataset is complete and estimated to be accurate at ± 10%
Uncertain	Data based on records/procedures/analysis which is incomplete, unsupported, or extrapolated from limited sample data. Dataset is reasonably complete but up to 50% is extrapolated data and accuracy is estimated at ± 25%
Very Uncertain	Data is based on unconfirmed verbal reports and/or cursory inspections/analysis. Dataset may not be fully complete and most data is estimated or extrapolated. Accuracy ± 40%
Unknown	None or very little data held.

Data Confidence Assessment

Data	Confidence	Comment
Demand Drivers	Reliable	Estimated, however further substantiation required for next revision
Growth Projections	Reliable	Estimated growth, in steady state
Operational Expenditure	Reliable	Direct from budget, breakdown into operations/maintenance/renewal
Maintenance Expenditure	Reliable	Direct from budget, breakdown into operations/maintenance/renewal
Projected Renewal Expenditure; Asset Value	Reliable	Direct from budget, breakdown into operations/maintenance/renewal Asset values determined from revaluation process
Residual Value	Reliable	Asset residual value used for disposal purposes
Asset useful lives	Reliable	Updated following revaluation process
Condition Modelling	Uncertain	Desk top audit with field sampling analysis
Renewal	Very Uncertain	Based on LTFP however only 3yrs of data, refinement required
Upgrade/New Expenditure	Very Uncertain	Based on LTFP however only 3yrs of data, refinement required.

Overall source data confidence is assessed as medium level for information used in the preparation of this AM Plan, with confidence to increase with asset management system implementation and ongoing Asset Management maturity, as well as improved long term budgeting.

7. PLAN IMPROVEMENT AND MONITORING

7.1 Asset Management Practices

Accounting and financial systems

Council's Financial System is the CIVICA Practical Financial Database. The financial system is managed by Council's Corporate Services department. Financial reporting is prepared in accordance with the requirements of the Local Government Act 1993 and Australian Accounting Standards.

Accountability for Council financial systems is with the Financial Services Section. The Finance Section reports in accordance with the relevant accounting standards and regulations:

- Local Government Act (NSW) 1993;
- Local Government Amendment (Planning and Reporting) Act 2009;
- Local Government (Finance Plans and Reporting) Regulation 2010;
- NSW Code of Accounting Practice; and
- AASB116.

Asset management system

- Council currently does not have an Asset Management system the asset register is held in the Practical Asset Register database, which only captures descriptions and financial attributes of the assets;
- An Asset Management system will be acquired once Council has identified an enterprise system which it will implement.

Accountabilities for asset management system and data maintenance

- Financial Services
- Information Services
- Service Managers

Changes to asset management protocol arising from this AM Plan

- Continual review of accuracy and currency of asset data;
- New Asset Management system which will enable all asset attributes to be stored and updated in the one database.
- New enterprise system which will enable costings to be recorded against individual assets including operational, maintenance and capital.
- Development of a works costing and maintenance management system to improve planning and cost recording, in particular to identify expenditure type (operations, maintenance, capital renewal and capital new/upgrade); and
- Improved project cost accounting to record costs against the asset component and develop valuation unit rates.

7.2 Improvement Program

The asset management system Improvement Plan generated from this AM Plan is as follows:

	Task	Responsibility	Resources Required	Timeline
1	Review the accuracy and currency of infrastructure data.	ID staff	Staff	31/05/18
2	Improve project cost accounting protocol to record against asset components.	CIS team, finance	Staff, New database	31/05/19
3	Link the customer service system to corporate asset register to align requests with asset records.	ID and IS Staff	Staff, New database	31/12/18
4	Review determination of remaining lives and detail assessment of assets requiring renewal in the medium/long term (next 10-20 years).	ID Staff	Staff, external valuers	31/05/18
5	Document & adopt Levels of service	ID Staff	Staff	31/05/19
6	Developing procedures for maintaining the Asset Register and integrating with Financial database.	Finance/ ID Staff	Register/database	31/05/18

7.3 Monitor and Review Procedures

This asset management plan will be reviewed during annual budget planning processes and amended to recognise any material changes in service levels, and/or resources, available to provide those services as a result of budget decisions.

The AM Plan will be updated annually to ensure it represents the current service level, asset values, projected operations, maintenance, capital renewal/replacement and capital upgrade/new operations, along with any asset disposal expenses and have all projected expenditure values incorporated into Council's long term financial plan. The AM Plan has a lifespan of 4 years (election cycle) and is due for complete revision and updating within 1 year of each Council election.

7.4 Performance Measures

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

- The degree to which the required projected expenditures identified in this asset management plan are incorporated into the Councils long term financial plan;
- The degree to which a 1-4 year detailed work program, budgets, business plans and organisational structures take into account the works program trends provided by the asset management plan;
- The degree to which the existing/projected service levels, consequences (what we cannot do), risks and residual risks are incorporated into Councils Strategic and associated plans; and
- Achieving a consistent target nearing 100% for the Asset Renewal Funding Ratio.

8. REFERENCES

- Narrabri Shire Community Strategic Plan;
- Narrabri Shire Council Delivery Plan;
- Narrabri Shire Council Operational Plan;
- IPWEA, 2008, 'NAMS.PLUS Asset Management', Institute of Public Works Engineering Australia, Sydney, www.ipwea.org.au/namsplus
- IPWEA, 2009, 'Australian Infrastructure Financial Management Guidelines', Institute of Public Works Engineering Australia, Sydney, www.ipwea.org.au/AIFMG
- IPWEA, 2011, 'International Infrastructure Management Manual', Institute of Public Works Engineering Australia, Sydney, www.ipwea.org.au/IIMM
- Narrabri Shire Council disposal of assets policy;
- Narrabri Shire Council Infrastructure & Service Level Investment policy;
- Narrabri Shire Council Asset Management policy.

9. APPENDICES

Appendix A **Glossary**

Appendix A Glossary

Annual Service Cost (ASC) - This includes operations/maintenance/depreciation/finance/opportunity and disposal costs, less the revenue acquired.

1) Reporting Actual Cost; Annual/accrual cost of providing a service.
2) Investment Analysis and Budgeting; Estimate of the cost per annum, if tenders were called for the supply of a service to a performance specification for a fixed term.

Asset - A resource controlled by an entity from which future economic benefit is expected to flow.

Asset Category - Sub-group within a class hierarchy for financial reporting and management purposes.

Asset Class - A group of assets having similar nature or function in the operations of an entity and which, for purposes of disclosure, are shown as a single item without supplementary disclosure.

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 and determine the need for preventative/remedial action.

Asset Hierarchy - Framework for segmenting an asset base into appropriate classifications (function/type).

Asset Management (AM) - The combination of managerial, financial, economic, operational and other practices applied to physical assets with the objective of providing the required level of service in the most cost effective manner.

Asset Renewal Funding Ratio - The ratio of the net present value of asset renewal funding accommodated over a 10 year period in a financial plan, relative to the net present value of projected capital renewal expenditures identified in an asset management plan for the same period (AIFMG Financial Sustainability Indicator No 8).

Average Annual Asset Consumption (AAAC) - The amount of an organisation's asset base consumed during a reporting period. Calculated by dividing the depreciable amount by the useful life (or future economic benefit/potential) and totalled for each asset; OR by dividing the carrying amount (Depreciated Replacement Cost) by the remaining useful life (or remaining future economic benefit/potential) and totalled for each asset in an asset category/class.

Borrowings (Loans) - A contractual obligation of the borrower to deliver cash or another financial asset to the lending entity over a specified period of time, covering both initial capital and interest incurred. A borrowing/loan provides the means for the entity to finance outlays when it has insufficient funds to do so, and for the lending entity to make financial return, normally interest revenue, on the funding provided.

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

Capital Expenditure (Expansion) - Expenditure that extends the capacity of an existing asset to provide benefits at the same standard as currently enjoyed by beneficiaries, to a new group of users. Discretionary expenditure increases future operations/maintenance cost because it increases the asset base, but may be associated with additional revenue from the new user group.

Capital Expenditure (New) - Expenditure which creates a new asset providing a new service/output that did not exist beforehand. As it increases service potential it may impact revenue and will increase future operations and maintenance expenditure.

Capital Expenditure (Renewal) - Expenditure on an existing asset, or on replacing an existing asset, which returns the service capability 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 generally has no impact on revenue, but may reduce future operations and maintenance expenditure if completed at the optimum time.

Capital Expenditure (Upgrade) - Discretionary expenditure which enhances an existing asset to provide a higher level of service or increase the life of the asset beyond that originally identified, but may not result in additional revenue unless direct user charges apply. It will increase operations and maintenance expenditure in the future because of the increase in the organisation's asset base.

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.

Capitalisation Threshold - The value of expenditure on non-current assets above which the expenditure is recognised as capital expenditure and below which the expenditure is charged as an expense in the year of acquisition.

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

Component - Specific parts of an asset having independent physical or functional identity, and having specific attributes such as different life expectancy, maintenance regimes, risk or criticality.

Core Asset Management - Asset management which relies primarily on the use of an asset register, maintenance management systems, job resource management, inventory control, condition assessment, simple risk assessment and defined levels of service, in order to establish alternative treatment options and long-term cashflow predictions. Priorities are usually established on the basis of financial return gained by carrying out the work (rather than detailed risk analysis and optimised decision making).

Cost of an Asset - The amount of cash (or equivalent) paid, or the fair value of an asset at the time of acquisition/construction, including costs (design/project management) necessary to bring into service.

Critical Assets - Assets for which the financial, business or service level consequences of failure are sufficiently severe to justify proactive inspection and rehabilitation. Critical assets have a lower threshold for action.

Current Replacement Cost (CRC) - The cost the entity would incur to acquire the asset on the reporting date. The cost 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 cost to replace the existing asset with a technologically modern equivalent new asset (not second hand) with the same economic benefit (gross service potential) allowing for any differences in the quantity and quality of output and operating costs.

Deferred Maintenance - The shortfall in rehabilitation undertaken, relative that required to maintain the service potential of assets.

Depreciable Amount - The cost of an asset, or other amount substituted for its cost, less its residual value.

Depreciated Replacement Cost (DRC) - The Current Replacement Cost (CRC) of an asset, less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefit of the asset.

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

Expenditure - The spending of money on goods and services, including recurrent and capital outlays.

Fair Value - The amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in a regular transaction.

Financing Gap - Insufficient capacity to finance renewal and other expenditure necessary to appropriately maintain the range and level of service for which the existing asset stock was designed and intended. A current financing gap means service levels have already or are currently, falling. A projected financing gap if not addressed, will result in a future decrease of existing service levels.

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.

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

Infrastructure Assets - Physical assets that contribute to meeting the needs of organisations for access to major economic and social facilities and services (e.g. roads, buildings, footpaths, parks). 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.

Investment Property - Property held to earn rentals, or capital appreciation, or both.

Key Performance Indicator - A qualitative or quantitative measure of a service or activity used to compare actual performance against a standard or other target. Performance indicators commonly relate to statutory limits, safety, responsiveness, cost, comfort, asset performance, reliability, efficiency, environmental protection and customer satisfaction.

Level of Service - The defined level of quality for a particular service/activity, against which performance may be measured. Service levels usually relate to quality, quantity, reliability, responsiveness, environmental impact, acceptability and cost.

Life Cycle Cost (LCC) - The total cost of an asset throughout its life including planning, design, construction, acquisition, operation, maintenance, rehabilitation and disposal.

Life Cycle Expenditure (LCE) - The LCE is the average operations, maintenance and capital renewal expenditure accommodated in the long term financial plan over 10 years.

Maintenance - All actions necessary for retaining an asset as near as practicable to an appropriate service condition, including the regular repairs necessary to keep assets operating. It is operating expenditure required to ensure the best chance for the asset to reach its expected useful life.

Planned Maintenance - Repair work identified for action including inspection, conditional assessment, prioritisation, actioning and reporting to develop a maintenance history and improve service delivery performance.

Reactive/Unplanned Maintenance – Unplanned/corrective repair work that is carried out in response to service requests and management/supervisory directions to restore an asset to working condition so it can continue to deliver the required service or to maintain its level of security and integrity.

Specific Maintenance - Maintenance work to repair components, or replace sub-components, that need to be identified as a specific maintenance item in the maintenance budget.

Maintenance Expenditure - Recurrent expenditure, periodically or regularly required as part of the anticipated schedule of works to ensure the asset achieves its useful life and provides the required level of service.

Materiality - The notion of materiality guides the margin of error acceptable, the degree of precision required and the extent of the disclosure required when preparing general purpose financial reports. Information is material if its omission, misstatement or non-disclosure has the potential (individually or collectively) to influence the economic decisions of users taken on the basis of that financial report, or affect the discharge of accountability by the management or governing body of the entity.

Modern Equivalent Asset - The most cost efficient, currently available asset which will provide the same stream of services as the existing asset is capable of producing. It allows for technology changes, improvements and efficiencies in production, and installation techniques.

Net Present Value (NPV) - The value to the organisation of the cash flows associated with an asset/liability/activity/event and calculated using a discount rate to reflect the time value of money. It is the net amount of discounted total cash inflow after deducting the value of the discounted total cash outflow arising from the continued use and subsequent disposal of the asset, after deducting the value of the discounted total cash outflow.

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

Operations - Regular activities to provide services such as public health, safety and amenity.

Operating Expenditure - Recurrent expenditure which is continuously required to provide a service. In common use the term typically includes, e.g. power, fuel, staff, plant, on-costs and overheads, but excludes maintenance and depreciation. Maintenance and depreciation is, however, included in operating expense.

Operating Expense - The gross outflow of economic benefit, being cash and non-cash items, during the period arising in the course of ordinary activities of an entity, when those outflows result in decreases in equity other than decreases relating to distribution to equity participants.

Operating Expenses - Recurrent expenses continuously required to provide a service, including power, fuel, staff, plant, maintenance, depreciation, on-costs and overheads.

Operations, Maintenance and Renewal Financing Ratio - Ratio of estimated budget to projected expenditure for operations, maintenance and renewal of assets over a defined period (e.g. 5/10/15 years).

Operations, Maintenance and Renewal Gap - Difference between budgeted expenditure in a long term financial plan and projected expenditure for operations, maintenance and renewal of assets to achieve/maintain specified service levels, totalled over a defined period (e.g. 5/10/15 years).

Rate of Annual Asset Consumption - The ratio of annual asset consumption, relative to the depreciable amount of the assets. It measures the amount of the consumable parts of assets that are consumed in a period (Depreciation) expressed as a percentage of the depreciable amount.

Rate of Annual Asset Renewal - The ratio of asset renewal and replacement expenditure, relative to the depreciable amount for a period. It measures whether assets are being replaced at the rate they are wearing out with Capital Renewal Expenditure expressed as a percentage of Depreciable Amount (CRE/DA).

Rate of Annual Asset Upgrade/New - The rate at which assets are being upgraded and expanded per annum with Capital Upgrade/New expenditure expressed as a percentage of Depreciable Amount.

Recoverable Amount - The amount 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 operations and maintenance expenditure.

Recurrent Funding - Funding to pay for Recurrent Expenditure.

Rehabilitation - See Capital Renewal Expenditure definition.

Remaining Useful Life - The time remaining until an asset ceases to provide the required service level or economic usefulness. Useful Life minus Age equals Remaining Useful Life.

Residual Value - The estimated amount that an entity would currently obtain from disposal of an asset, after deducting the estimated cost of disposal, if the asset were of the age/condition expected at the end of its useful life.

Revenue Generating Investments - Investments for the provision of goods and services to sustain, or improve, services to the community expected to generate savings/revenue to offset operating costs; e.g. public halls, theatres, 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 risk, to determine resultant ranges of outcomes and probability of occurrence.

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

Service Potential - The total future service capacity of an asset which is normally determined by reference to the operating capacity and economic life. A measure of service potential is used in the not-for-profit sector/public sector to value assets, particularly those not producing a cash flow.

Service Potential Remaining - A measure of future economic benefits remaining in assets. It may be expressed in dollar values (Fair Value) or as a percentage of total anticipated future economic benefit. It is also a measure of the percentage of the asset's potential to provide services that are still available for use (DRC/DA).

Specific Maintenance - Replacement of higher value components/sub-components of assets undertaken on a regular cycle including repainting, 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.

Strategic Plan - A plan covering the term of office for councillors, reflecting the needs of the community for the foreseeable future and bringing together the detailed requirements in the Council's Asset Management Plans and the Long-Term Financial Plan. The plan is prepared in consultation with the community and details Council position at that point in time, where it wants to go, how it is going to get there, mechanisms for monitoring the achievement of the outcomes and how the plan will be resourced.

Sub-Component - Smaller individual parts that make up a component.

Useful Life - Either:

1) The estimated/expected time between placing an asset into service and removing it from service; or
2) The estimated period of time over which the future economic benefits embodied in a depreciable asset are expected to be consumed by the Council.

Value in Use - The present value of future cash flow expected to be derived from an asset or cash generating unit. It is deemed to be Depreciated Replacement Cost (DRC) for assets whose future economic benefits are not primarily dependent on the ability to generate net cash inflow where the entity would, if deprived of the asset, replace its remaining future economic benefits.

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Narrabri SHIRE
Heart of the North West