Asset Management Strategy 2023/24 to 2032/33

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September 2022

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Document Control		*Asset Management Strategy*			
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EXECUTIVE SUMMARY

Hornsby Shire Council delivers a wide range of services to the community, many of which depend on the assets we own and maintain. Asset management is a whole of life approach – from acquiring new assets or replacing old assets, maintaining existing assets and disposing of assets at the end of their life.

This Asset Management Strategy details Council's approach to managing our asset base and our assessment of the ongoing costs to ensure that our assets remain at a standard which meets the needs of our community.

OUR CURRENT ASSET BASE

The gross carrying amount and written down value (WDV) of our assets is reported each year in our General Purpose and Special Purpose Financial Statements and Associated Special Schedules. Values reported for our depreciable infrastructure assets in our unaudited 30 June 2022 statements were:

Infrastructure asset category	Gross carrying amount (cost) $'000	Net carrying amount (WDV) $'000
Buildings	236,634	155,301
Drainage	569,489	439,619
Open Spaces	113,887	68,460
Roads and transport assets	520,852	408,681

Our two largest asset categories are:

- Drainage – this includes stormwater pits and pipes, concrete box culverts, lined and unlined open channels and outlet structures; and
- Roads and transport assets – this includes sealed and unsealed road pavements, footpaths, shared paths, cycleways, kerb, gutter, bridges and road culverts.

OUR ASSESSMENT & FUNDING REQUIREMENTS

To assess the cost of maintaining our depreciable infrastructure asset base we have separated our assets into four categories – buildings, drainage, open spaces and roads and transport assets. For each of these categories we have collated data on the assets we own and have engaged external contractors to assist in verifying the accuracy of our data. In addition, community survey results on desired levels of service and technical levels of service have been relied upon in determining an appropriate standard. Further details on this are included in Section 3 below.

Using this data, we have calculated the expected costs to maintain and renew our existing asset base to a satisfactory standard over the next 10 years and compared this to recurrent budget funding allocations. This has resulted in a funding gap across all four asset categories. We have also factored in the forecast maintenance and renewal requirements of new assets that we expect to build over the next ten years provided the funding for the construction of these assets is confirmed.

Table 4.1 in Section 4 of the report below shows that after factoring in all funding requirements and available budgets, the average annual shortfall remaining is $4.1 million per year.

In order to maintain our asset base to a sufficient standard, it is recommended that additional funding be allocated in the LTFP to cover the funding shortfalls identified**.**

The consequences of inadequate funding being allocated are:

- Deteriorating quality of existing assets (e.g. reduction in road network condition);
- Inability to renew ageing assets;
- Inability to adequately maintain newly constructed assets; and
- Increased exposure of Council to litigation relating to deteriorating assets.

1. STRATEGY OBJECTIVES

1.1. OVERVIEW

Council's Asset Management Strategy forms part of the overall Asset Management Framework:

- ***ASSET MANAGEMENT POLICY*** – Positioning statement that Council intends to manage its assets in a physical and financially sustainable manner
- ***ASSET MANAGEMENT STRATEGY*** – This document – how Council intends to develop specific Asset Management Plans (AMPs) for each Asset Class and how this aligns with our goals and values.
- ***ASSET MANAGEMENT PLAN(S) (AMP)*** – A document which details Council's physical and financial management of its assets. The Asset Management Plans for each of our asset classes have informed this Strategy.

The ***Policy*** provides the: **WHY**

The ***Strategy*** provides the: **HOW**

The ***Plans*** provide the: **WHAT**

1.2. LEGISLATIVE REQUIREMENTS

This document has been developed in accordance with the guidelines contained within the Integrated Planning & Reporting Handbook for Local Councils in NSW issued by the Office of Local Government in September 2021.

1.3. STRATEGIC & CORPORATE GOALS

The Strategy is to reinforce that each asset management document is to be prepared, reviewed and updated under the direction of Hornsby Shire Council's core set of values:

SERVICE – We provide a helpful and efficient service. We are local and know the neighbourhood.

TRUST – We are fair and reasonable. We are mindful of the best interests of all stakeholders in the decisions we make.

RESPECT –` We listen and encourage open and transparent communication. We are respectful of all views.

INNOVATION – We are resourceful and incorporate sustainable work practices. We seek to be innovative and to do things better across all facets of Council's operations.

2. LEVELS OF SERVICE

Levels of Service refer to the definition of benchmarks that Council aims to achieve for the delivery of services and the ongoing performance of assets.

2.1. COMMUNITY LEVELS OF SERVICE

Assets provided by Council are designed and funded to meet a defined level of demand and/or need of the community.

Community Levels of Service represent the prioritised needs and desires of the Community, as defined by the community itself through regular interaction and survey. Engagement of the community seeks to determine for each Asset Class/Type:

QUALITY How good is the service/asset … *what is the condition or quality of the service?*

FUNCTION Is it suitable for its intended purpose …. *Is it the right service?*

CAPACITY/USE Is the service over or under used … *do we need more or less of these assets?*

The AMP for each Asset Class is to state the Community Levels of Service for the Asset Class as a whole or each Asset Type as defined through Council's most current engagement with the community regarding the provision and maintenance of services/assets by Council to the Community.

The most recent engagement by Council with the community regarding the service provision of assets is:

- Hornsby Shire Council – Asset Management Community Insights Report (URBIS November 2020)

As part of this engagement, participants were asked to participate in a hypothetical budgeting exercise where they were given a limited budget and were required to prioritise funding for each of our asset classes according to their desired level of service.

In the scale used below, a level of service of 1 represents a high level of service where assets have no backlog and only ongoing maintenance is required. At the other end of the scale, a level of service at 4 represents a facility which is not meeting the needs of the community with regards to appearance, capacity, access or overall condition.

1	Excellent/ very good	High standard, no work required. Only ongoing maintenance.
2	Good	Meet the needs of the community with some minor maintenance.
3	Satisfactory	Requiring of some ongoing maintenance to maintain acceptable standard to the community
4	Poor	Facility generally not meeting the needs of the community with regards to appearance, capacity, access or overall utility.

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The Community were not asked to consider a level of service of 5, which is at the end of the scale used by the Office of Local Government and by Council for reporting, as assets with this rating have typically failed and it was assumed that the community would not indicate a preference for assets that cannot be used.

Participants involved in this exercise rated the desired level of service for Council's infrastructure to the following standards:

- Buildings – participants preferred a level of service of 2 for libraries and amenities buildings and a level of service of 3 for aquatic centres, community centres and indoor sporting facilities. The service provided by our libraries was valued highly by participants, especially during the COVID-19 period.
- Open Spaces – participants preferred a level of service of 2 for sporting fields, park facilities and playgrounds and a level of service of 3 for trees, gardens and mountain bike tracks. Participants felt that higher levels of condition for our sporting fields would attract visitors to Hornsby Shire which would create additional economic benefits. Safety was considered a high priority for playgrounds.
- Roads and related infrastructure – participants preferred a level of service of 2 for footpaths, bridges and roads and a level of service of 3 for carparks, shared paths, kerb and guttering. Emphasis was placed on the importance of flat, safe and unobstructed footpaths and pedestrian crossings.
- Stormwater infrastructure – participants preferred a level of service of 3 for stormwater drainage.

Additional information relied upon to assist with the definition of an expected Community level of service or service provision included further reports/documentation that provided for community consultation such as:

- "Your Vision, Your Future" Hornsby Shire Community Strategic Plan 2018-2028 (engagement: Oct/Nov 2017);
- Disability Inclusion Action Plan (DIAP) (engagement: June 2017);
- Hornsby Snapshot Findings and Future Planning for Hornsby Community Plan (engagement: June 2016);
- Active Living Hornsby Strategy (engagement: August 2015);
- Quality of Life and Asset Management Survey March 2020
- Asset Management – Community Insights Report November 2020; and
- Community Satisfaction Survey Report July 2021.

Customer levels of service are subjective and can be qualitatively monitored through structured and regular community engagement and/or measurement of less formal community contact with Council (for example CRMs, emails, social media comments, etc).

In deciding on the funding required for each asset class, careful consideration was given to the desired level of community service and technical levels of service.

2.2. TECHNICAL LEVELS OF SERVICE

Technical Levels of Service are operational or technical measures of performance and support the achievement of the customer service levels. These technical measures relate to the allocation of resources to service activities to best achieve the desired customer outcomes and demonstrate effective performance.

Technical service measures are linked to the activities and annual budgets covering:

- ***Operations*** – the regular activities to provide services (e.g. opening hours, cleansing, mowing grass, energy, inspections, etc);

- ***Maintenance*** – the activities necessary to retain an asset as near as practicable to an appropriate service condition. Maintenance activities enable an asset to provide service for its planned life (e.g. road patching, unsealed road grading, building and structure repairs);

- ***Renewal*** – the activities that return the service capability of an asset up to that which it had originally (e.g. road resurfacing and pavement reconstruction, pipeline replacement and building component replacement); and

- ***Upgrade/New ("Acquisition")*** – the activities to provide a higher level of service (e.g. widening a road, sealing an unsealed road, replacing a pipeline with a larger size) or a new service that did not exist previously (e.g. a new library).

Council Officers referred to as Service Managers and Asset Custodians are required to plan, implement and control technical service levels to influence customer service levels. Since the adoption in 2020 of an Asset Management Roles & Responsibilities Determination, there has been significant impact on responsibilities for the operation, maintenance and renewal of asset sub-types. As a result, Asset Custodians are required to collaborate with Service Managers to review the measurement and reporting of both Customer and Technical levels of service which are appropriate for differing asset sub-types.

Technical Levels of Service, where able, are to be defined in the AMP for each Asset Class however care should be taken to determine qualitative characteristics of asset/service delivery that are:

- Able to be clearly identified and measured;

- Meaningful for the measurement of asset/service performance; and

- Less susceptible to distortion from events outside Council's control.

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3. CURRENT STATE OF INFRASTRUCTURE

3.1. ASSET CLASS: BUILDINGS

3.1.1. PHYSICAL INDICATORS

At 30 June 2022, the net carrying amount of Council's buildings portfolio was $155.3 million. Council owns buildings for various purposes including:

- Aquatic centres;
- Community centres;
- Libraries;
- Council offices;
- Rural Fire Service stations/structures; and
- Commercial and residential properties leased out to tenants.

Council uses the AssetFuture system to record and track the maintenance requirements of our buildings portfolio. In early 2021, external contractors were engaged to validate the maintenance data recorded in the AssetFuture system for a selection of Councils highest value buildings. This assessment showed that our maintenance data within AssetFuture is reliable and correlated with the data collected by the external contractors.

This compares favourably to work performed in 2013 by external consultants Morrison & Low who undertook a review of Council's asset management knowledge, policies, and practices in accordance with Office of Local Government guidelines. At that time, Council achieved a rating of "C" indicating a "Core" level of overall asset planning and management. In 2015, Morrison Low again reviewed Council's progression towards developing a more mature approach to asset management, with Council achieving a "B", or "Advanced" level of overall asset management maturity.

The validation of maintenance data recorded within AssetFuture demonstrates our progress in advancing our asset management maturity through improved maintenance management and data reconciliation.

Figure 3.1.1 below shows the condition of Council's building portfolio. A condition rating of 1 equates to a building in excellent condition with no repairs or maintenance required, while a condition rating of 5 equates to a building in very poor condition where replacement is required. The table shows that most of our buildings are current rated a 3 or better with a very small number of buildings rated below this. A score of 3 equates to a building in fair condition with some repairs required.

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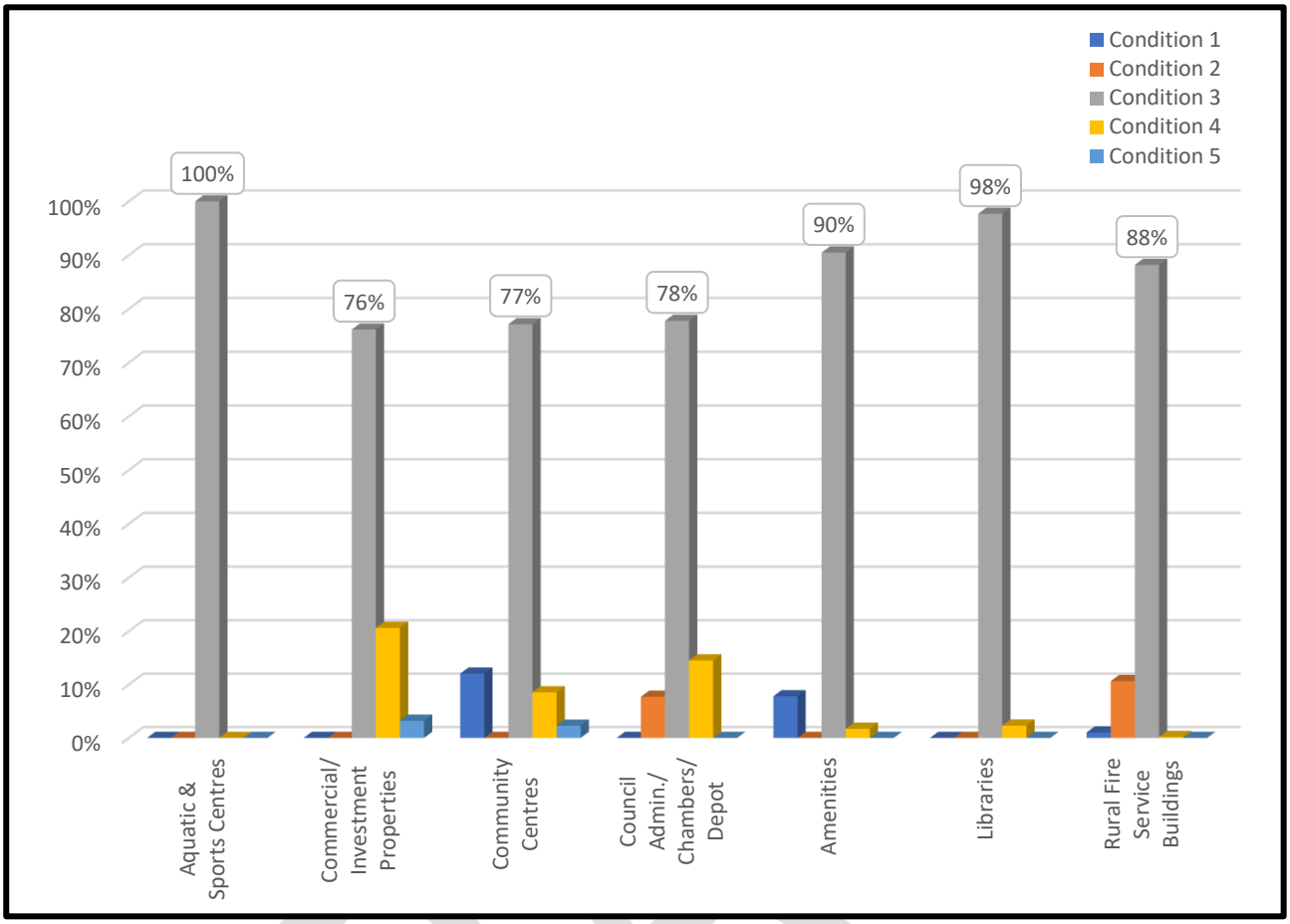
FIGURE 3.1.1: BUILDINGS- CONDITION PROFILE



It has been noted in community surveys that a key area of interest to the community is our amenity buildings located in parks and other outdoor locations. It is recommended that going forward a strategy be developed for amenity buildings to formulate the level of funding required to upgrade key facilities across the Shire.

3.1.2. FINANCIAL POSITION

Table 3.1 below shows our assessment of the costs required to maintain our existing building portfolio as well as the amount of funds available to cover these costs in our budget. Due to the nature of the projected maintenance, renewal and replacement process in the buildings AssetFuture system; the expenditure profile exhibits troughs and peaks, however current funding levels in Council's Long Term Financial Plan (LTFP) are not sufficient to maintain required service levels.

TABLE 3.1: BUILDINGS ASSET CLASS – 23/24 TO 32/33 PROJECTIONS

Year	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
Budget ($'000)	**$3,271**	**$3,440**	**$3,635**	**$3,823**	**$4,018**	**$4,232**	**$4,454**	**$4,672**	**$4,915**	**$5,167**
Operations & Maintenance	*$3,064*	*$2,886*	*$3,263*	*$3,936*	*$5,224*	*$5,325*	*$4,202*	*$4,338*	*$4,460*	*$4,584*
Capital Renewal	*$693*	*$639*	*$580*	*$762*	*$1,102*	*$1,117*	*$794*	*$814*	*$834*	*$855*
Acquisition	*$52*	*$43*	*$44*	*$56*	*$80*	*$82*	*$60*	*$62*	*$63*	*$65*
Forecast Exp. ($'000)	**$3,809**	**$3,568**	**$3,887**	**$4,754**	**$6,406**	**$6,524**	**$5,056**	**$5,214**	**$5,357**	**$5,504**
Surplus/Shortfall ($'000):	**-$538**	**-$128**	**-$252**	**-$931**	**-$2,388**	**-$2,292**	**-$602**	**-$542**	**-$442**	**-$337**
								Average Annual Funding Shortfall of ('000):	**-$845**	

While difficult to quantify, we also expect extreme weather events to increase the ongoing maintenance cost of our building assets to cover the costs of remediating damaged assets. These type of weather events may also shift community expectations and result in the expectation of increased service standards.

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3.2. ASSET CLASS: OPEN SPACES

3.2.1. PHYSICAL INDICATORS

At 30 June 2022, the net carrying amount of Council's Open Spaces asset category was $68.5 million. Hornsby operates over 180 different open-space locations across the Shire for use by residents and visitors for both formal and informal recreational pursuits. These sites range from small pocket parks with play equipment to specialist sporting precincts. Of the approximately 8000 assets, this includes:

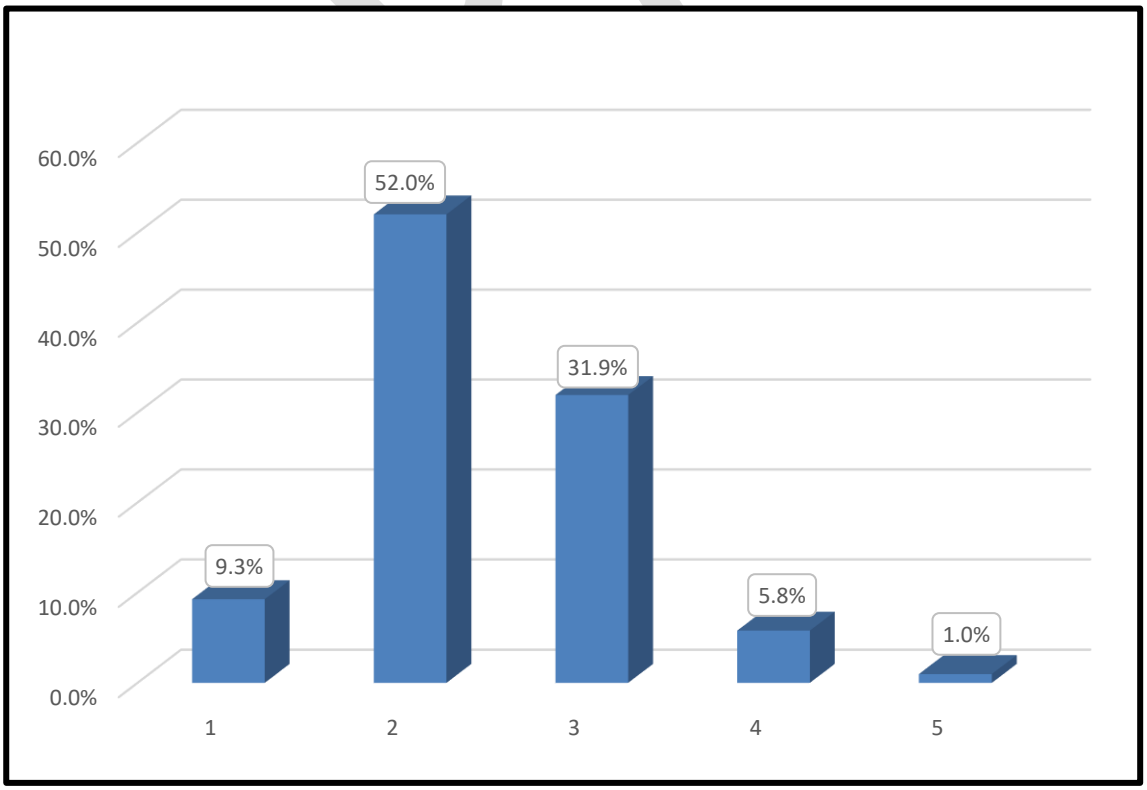
- More than 700 park benches/seats;
- Over 50 BBQs with or without enclosures;
- More than 300 pieces of playground equipment; and
- 7 flagpoles.

Council's Parks and Recreation database of Open Space assets were assessed by external contractors in 2021 by way of a physical asset inspection. The resultant data was processed in conjunction with prior datasets (collected in 2010 and 2015) and showed an improvement in overall average asset condition across all types of parks/open space.

Figure 3.2.1 shows that over 80% of our assets were assessed as either a condition 2 or 3, with less than 10% considered to be in a poor or failed condition.

Future maintenance costs are expected to increase as new assets are created and as the cost of materials and labour rise.

FIGURE 3.2.1: OPEN SPACE ASSETS - CONDITION PROFILE



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3.2.2. FINANCIAL POSITION

Table 3.2 below highlights that due to a significant number of open space assets being created as part of the Section 7.11 projects, there is a significantly increasing maintenance cost associated with these new assets. Current funding levels in Council's LTFP are not sufficient to maintain required service levels.

TABLE 3.2: OPEN SPACE ASSET CLASS – 23/24 TO 32/33 PROJECTIONS

Year	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
Budget ($'000)	**$6,903**	**$7,104**	**$7,335**	**$7,511**	**$7,772**	**$7,959**	**$8,150**	**$8,370**	**$8,592**	**$8,807**
Operations & Maintenance	$6,354	$6,454	$6,853	$6,950	$7,048	$7,383	$7,536	$7,864	$8,099	$8,406
Capital Renewal	$942	$1,140	$1,653	$1,256	$3,777	$1,340	$1,276	$1,344	$1,706	$1,800
Acquisition	$228	$234	$241	$247	$253	$259	$265	$271	$278	$285
Forecast Exp. ($'000)	**$7,524**	**$7,828**	**$8,747**	**$8,453**	**$11,078**	**$8,982**	**$9,077**	**$9,479**	**$10,083**	**$10,491**
Surplus/Shortfall ($'000):	**-$621**	**-$724**	**-$1,412**	**-$942**	**-$3,306**	**-$1,023**	**-$927**	**-$1,109**	**-$1,491**	**-$1,684**
								Average Annual Funding Shortfall of ('000):	**-$1,324**	

While difficult to quantify, we also expect extreme weather events to increase the ongoing maintenance cost of our open space assets to cover the costs of remediating damaged assets. These type of weather events may also shift community expectations and result in the expectation of increased service standards.

3.2.3. HORNSBY PARK

Council has commenced its largest ever capital project being the construction of Hornsby Park. This project involves the redevelopment of the abandoned Hornsby Quarry and adjacent Old Mans Valley on the western side of Hornsby into open space for recreation purposes. The total estimated cost of the facilities canvassed in the Master Plan for the park is $130 million funded from the NSW Government's Stronger Communities Fund, Section 7.11 development contributions and capital contributions from commercial arrangements.

Due to the size and scale of this capital project, a review of forecasted costs was undertaken by a specialist external consulting firm – Capital Insight. Their review concluded that the average asset life cycle costs were forecast at $3.1 million per year upon completion of the project.

Further due diligence was exercised through a peer review of the capital and recurrent costs by specialist consulting firm, WT Australia. Their review validated the forecasts used in the Plan to be appropriate. Accordingly, Council's LTFP includes forecast recurrent costs of $3.1 million per year which have been allocated in line with the most recent construction cash flow for the project. A $1.4 million recurrent allocation is provided in 2026 and 2027, which increases to $3.1 million from 2028 reflecting the timeline for the completion of key components at the park. These costs have not been included in Table 3.2 above however are included in the LTFP.

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3.3. ASSET CLASS: ROADS & ROAD INFRASTRUCTURE

3.3.1. PHYSICAL INDICATORS

At 30 June 2022, the net carrying amount of Council's road and road infrastructure assets was $408.7 million. Based on data held in Council's asset register, the assets covered in this category include:

- 575km of sealed road pavement;
- 28km of unsealed road;
- 3km of dedicated cycleway;
- 390km of footpaths;
- Over 760km of constructed kerb & gutter;
- Over 15,000m2 of public car parks; and
- 44 separate road bridge structures (including multi-cell road culverts).

Sealed roads represent the largest of the above asset categories by value. The condition of sealed roads is determined within the SMEC Pavement Management System via the production of a Pavement Condition Index (PCI) per segment of road. The PCI is calculated using physical parameters of the road surface as measured via independent contractors on a four-year rolling inspection program. Council is targeting an average PCI across the network of 8.2 as this corresponds to a condition 2 on Council's 1 to 5 scale, which is the desired level of service preferred by the community as discussed on page 5. Based on the most recent condition data held in the SMEC system, the network average PCI is shown in Figure 3.3.1 below:

FIGURE 3.3.1: SEALED ROADS - CONDITION PROFILE

Road Classification	Length (km)	Average PCI	Length-Weighted Average Network PCI
Sub-arterial	39.83	7.65	**8.17** *(8.2)*
Collector	49.03	8.05	
Principal Local	108.29	7.84	
Local	377.92	8.34	

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3.3.2. FINANCIAL POSITION

Table 3.3 below shows our assessment of the costs required to maintain all assets within our roads category, as well as the amount of funds available to cover these costs in our budget. Current funding levels in Council's LTFP are not sufficient to maintain required service levels.

TABLE 3.3: ROADS ASSET CLASS – 23/24 TO 32/33 PROJECTIONS

Year	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
Budget ($'000)	**$10,215**	**$10,554**	**$10,883**	**$11,177**	**$11,480**	**$11,779**	**$12,098**	**$12,425**	**$12,774**	**$13,119**
Operations & Maintenance	$2,091	$2,183	$2,748	$2,847	$2,938	$3,045	$3,154	$3,254	$3,387	$3,496
Capital Renewal	$6,742	$6,938	$7,143	$7,314	$7,490	$7,669	$7,853	$8,042	$8,243	$8,449
Acquisition	$1,486	$1,529	$1,572	$1,610	$1,649	$1,688	$1,729	$1,770	$1,814	$1,860
Forecast Exp. ($'000)	**$10,319**	**$10,650**	**$11,463**	**$11,771**	**$12,077**	**$12,402**	**$12,736**	**$13,066**	**$13,444**	**$13,805**
Surplus/Shortfall ($'000):	**-$104**	**-$96**	**-$580**	**-$594**	**-$597**	**-$623**	**-$638**	**-$641**	**-$670**	**-$686**
								Average Annual Funding Shortfall of ('000):		**-$523**

It is noted that the PCI rating shown in Figure 3.3.1 shows that our road assets are currently meeting our target rating of 8.2. Whilst this target is being met, a funding shortfall into the future has been identified due to the creation of new assets and future costs increases.

Whilst difficult to quantify we also expect extreme weather events to increase the ongoing maintenance cost of our road assets to cover the costs of remediating damaged assets. These type of weather events may also shift community expectations and result in the expectation of increased service standards.

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3.4. ASSET CLASS: STORMWATER DRAINAGE

3.4.1. PHYSICAL INDICATORS

At 30 June 2022, the net carrying amount of Council's stormwater drainage assets was $439.6 million. The Drainage infrastructure asset class comprises a significant proportion of Council's overall asset portfolio by value. Drainage assets are generally underground in stable environments and as such are generally long-life assets, ranging from 50 to 150 years. Assets within the class include:

- Over 300km of concrete pipes and box culverts;
- Over 15km of open channels (earthen/concrete lined); and
- Over 18,500 individual pits and outlet structures (headwalls)

Drainage infrastructure is constructed to manage the flow of stormwater through both public and private property, usually discharging to natural creek lines and receiving waters. It is constructed within discrete "catchments" that are defined by topography, with water flowing from crests towards the outlet, or lowest point, of the catchment. These may then be divided further into sub-catchments which aggregate to form the overall catchment. Flows do not naturally pass between sub-catchments except to add flows to the "downstream catchment" at the outlet.

The pipe/culvert network are buried assets and similarly pits are often accessible through only a small opening and may be located in a hazardous environment for inspection access (e.g. roadside). All the constructed network, with the exception of open channels, are considered "confined spaces", with special requirements for access and inspections.

A large-scale identification of stormwater drainage infrastructure assets was undertaken by Council in the mid- to late-1990s. This included the identification of attributes such as pit/pipe size, material type, connections, condition and depth to invert (base of pit or internal base of pipe/culvert). Since the completion of this initial data collection project, Council has attempted, as funds are available, to continue a rolling program of re-survey and condition inspection of stormwater assets across the 12 major catchments/40 sub-catchments in the Shire. To increase the level of asset maturity in determining future drainage requirements. it is recommended that that additional funding is allocated for a regular rolling CCTV inspection program of the network.

Figure 3.4.1 below shows the current condition data from the PipePak system. A rating of 1 indicates excellent or very good condition whilst a rating of 5 indicates very poor condition. It is noted that work is being undertaken in the development of an Overland Flood Risk Management Strategy that may seek additional funding in respect to increasing drainage capacity. The outcomes from this strategy will need to be considered in a future revision of the Asset Management Strategy.

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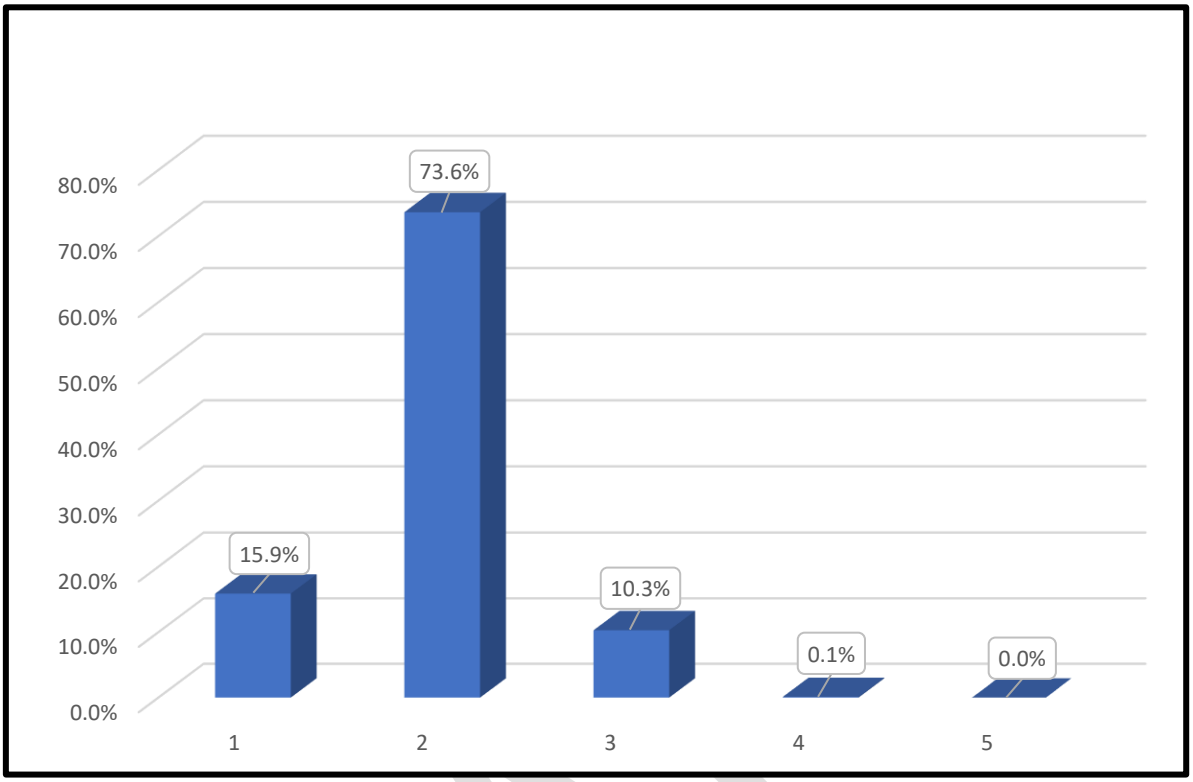
FIGURE 3.4.1: STORMWATER DRAINAGE ASSETS - CONDITION PROFILE



3.4.2. FINANCIAL POSITION

Figures 3.4.2 and 3.4.3 below show a shortfall in funding across each of the forecast years. Included within the required funding amount is an average of $1.1m per year for capital works. Drainage projects are generally large-scale costly projects and as such the expectation is that this annual amount of $1.1m will accrue each year so enough funding is available when large projects arise. Current funding levels in Council's LTFP are not sufficient to maintain required service levels.

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FIGURE 3.4.2: STORMWATER DRAINAGE - ALL ASSETS -EXPENDITURE PROFILE

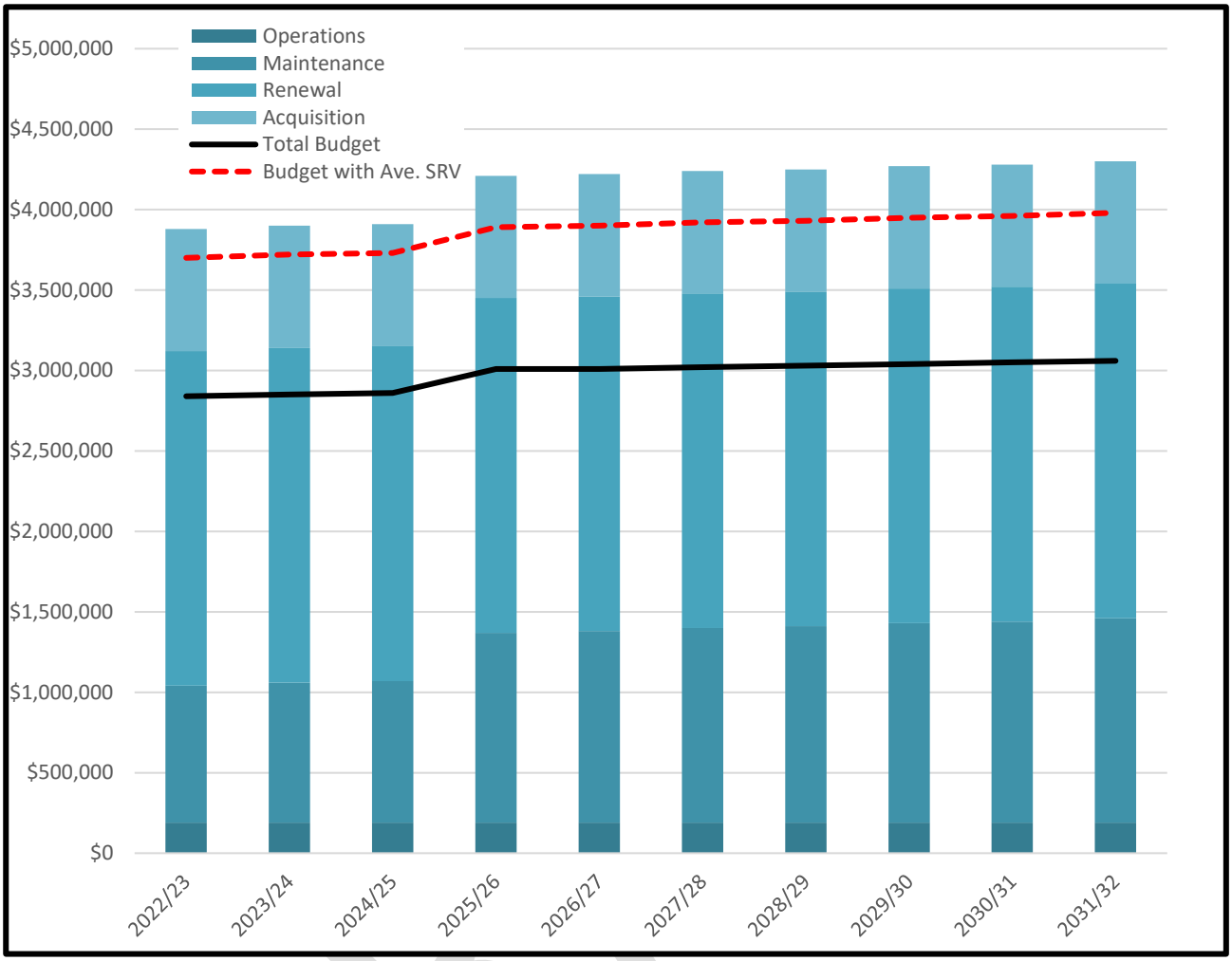

TABLE 3.4.3: STORMWATER DRAINAGE – 23/24 TO 32/33 PROJECTIONS

Year	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
Budget ($'000)	**$2,950**	**$3,046**	**$3,142**	**$3,218**	**$3,306**	**$3,397**	**$3,491**	**$3,587**	**$3,689**	**$3,795**
Operations & Maintenance	$1,087	$1,129	$1,336	$1,380	$1,436	$1,481	$1,541	$1,590	$1,655	$1,710
Capital Renewal	$2,163	$2,226	$2,288	$2,343	$2,399	$2,457	$2,516	$2,576	$2,641	$2,707
Acquisition	$787	$809	$832	$852	$872	$893	$915	$937	$960	$984
Forecast Exp. ($'000)	**$4,037**	**$4,164**	**$4,456**	**$4,575**	**$4,707**	**$4,831**	**$4,972**	**$5,103**	**$5,256**	**$5,401**
Surplus/Shortfall ($'000):	**-$1,087**	**-$1,118**	**-$1,314**	**-$1,357**	**-$1,401**	**-$1,434**	**-$1,481**	**-$1,516**	**-$1,567**	**-$1,606**
								Average Annual Funding Shortfall of ('000):	**-$1,388**	

While difficult to quantify, we also expect extreme weather events to increase the ongoing maintenance cost of our drainage assets to cover the costs of remediating damaged assets. These type of weather events may also shift community expectations and result in the expectation of increased service standards.

4. FUNDING THROUGH THE LONG-TERM FINANCIAL PLAN

4.1. FORECAST METHODOLOGY

The four major asset management plans are to take a “bottom-up” approach to their development and forecasting relies on community surveys that provide information in respect to desired levels of community service and technical levels of service. That is, the physical datasets are to be interrogated and, where able, given to external contractors for verification in the field. Based on the current condition, the needs of each asset class/type are to be estimated over the 10-year LTFP timeframe.

As discussed in section 3 above, we have improved our processes around asset data collection as well as maintenance and condition reporting. A selection of this data has been validation by external contractors, which increases our confidence in the long-term prediction of funding requirements to achieve and maintain the required levels of service for our asset classes.

Changes due to the adoption of the Asset Management – Roles & Responsibilities Determination have had an impact on the completeness of the data set held with SMEC. Meaningful forward works programs will not be able to be undertaken until a full reconciliation and additional survey for full confirmation of Council’s full asset base has occurred.

Total asset values are forecast to increase as additional assets are added into service.

Additional assets will generally add to the operations and maintenance needs in the longer term, as well as the need for future renewal. Additional assets will also add to future depreciation forecasts.

4.2. CONSOLIDATED OUTLOOK

Table 4.1 below shows the forecast shortfall in funding as identified across the four major Asset Classes in **Section 3**, and the average shortfall across the forecast period:

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TABLE 4.1: AVALIABLE ASSET FUNDING VS FUNDING NEEDS – 23/24 TO 32/33

Year	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
Surplus/Shortfall ('000)										
Buildings	-$538	-$128	-$252	-$931	-$2,388	-$2,292	-$602	-$542	-$442	-$337
Roads & Road Infrastructure	-$104	-$96	-$580	-$594	-$597	-$623	-$638	-$641	-$670	-$686
Stormwater Drainage	-$1,087	-$1,118	-$1,314	-$1,357	-$1,401	-$1,434	-$1,481	-$1,516	-$1,567	-$1,606
Open Space & Land Improvements	-$621	-$724	-$1,412	-$942	-$3,306	-$1,023	-$927	-$1,109	-$1,491	-$1,684
Shortfall	**-$2,350**	**-$2,066**	**-$3,558**	**-$3,824**	**-$7,692**	**-$5,372**	**-$3,648**	**-$3,808**	**-$4,170**	**-$4,313**
								Average Annual Funding Shortfall of ('000):		**-$4,080**

Table 4.1 highlights that to achieve community desired service levels and technical service levels, there exists a deficit (shortfall) of **$4.1m** per year on average over the LTFP between FY23/24 and FY32/33. This represents approximately just over **0.2%** of the gross replacement cost of Council's asset base of approximately **$2b**.

4.3. RECOMMENDED FUNDING APPROACH

Section 3 above highlights increasing maintenance costs from an expanding asset base, while Section 4 above identifies funding shortfalls over the next 10 years. Given this, prudence is recommended in the decision to either:

- Increase the current asset base beyond that currently predicted, and/or
- Increase Levels of Service for current assets, incurring additional maintenance/operational/renewal financial requirements.

In order to maintain our asset base to a sufficient standard, it is recommended that additional funding be allocated in the LTFP to cover the funding shortfalls identified. To meet this funding shortfall, it would be appropriate for Council to consider a special rate variation as recommended in the LTFP.

4.4. CONSEQUENCES

Our present funding levels are insufficient to continue to provide growth in services at current levels of service over the long term. The main consequences of inadequate funding beyond the current planning horizon are:

- Deteriorating quality of existing assets (e.g. reduction in road network condition);
- Inability to renew ageing assets;
- Inability to adequately maintain newly constructed assets; and
- Increased exposure of Council to litigation relating to deteriorating assets.

As noted in 4.3 above, in order to maintain our asset base to a sufficient standard it is recommended that additional funding be allocated in the Long Term Financial Plan to cover the identified funding shortfalls through a special rate variation.

Council's infrastructure asset ratios over the next ten years have been forecast below. Each ratio will fall below acceptable levels if the funding gap identified in this strategy is not addressed:

Indicator	Benchmark	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33
Asset Maintenance Ratio	>100%	73.21%	72.02%	74.43%	76.46%	77.74%	77.87%	76.46%	77.74%	77.74%	77.74%
Asset Renewals Ratio	>100%	86.24%	84.85%	83.49%	82.15%	80.84%	79.54%	78.27%	77.01%	75.78%	75.78%
Infrastructure Backlog Ratio	<2%	1.75%	1.95%	2.22%	2.71%	3.11%	3.50%	3.76%	4.14%	4.52%	4.52%

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