



City of
Mount Gambier



Plant and Equipment Asset Management Plan

2020/2029

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ABBREVIATIONS

AM	Asset Management
AMP	Asset Management Plan
IRMP	Infrastructure Risk Management Plan
LTFP	Council's Long Term Financial Plan

1. SUMMARY

Plant and equipment owned by Council is summarised as follows, 101 units of plant ranging from large earthmoving equipment, refuse collection vehicles, work utilities and small trucks, mowers, office vehicles, and specialised equipment such as footpath sweeping machine and paver laying machine.

What does it Cost?

Total Carrying Value of Plant and Equipment as at 30 June 2018 was \$5.133M with annual consumption approximately \$701,000 (i.e. annual depreciation expense). Council's goal is to align the consumption of plant and equipment reasonably over the life of the asset with its planned renewal so that minimal gap exists between the annual depreciation cost and the actual budget expenditure.

Plans for the Future

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

- Ensure the fleet is maintained at a safe and functional standard and is fit for purpose.
- Provide for plant and equipment renewal in accordance with Council Policy C375 (as amended from time to time).
- Project plant and equipment renewals over a 20 year period, see Appendix D (values have been included based on anticipated dollar value at the time of purchase).
- Council has historically only owned plant and equipment to satisfy 'core function' activities and has sub-contracted or contracted specialist equipment on an as needs basis (e.g. excavators, backhoes, bobcats, asphalt laying equipment).
- Identify and dispose of any surplus equipment or equipment that becomes available of a specialist nature which will help provide and/or improve efficient service delivery to the community.
- Review the most efficient and effective means of owning fleet, for e.g. lease, hire purchase, own outright, buy new, and buy second hand.
- Complete cyclical audits on its plant and equipment fleet to ensure they are stored correctly, onsite and ready for use.

Income and Expenditure

In order to ensure full cost attribution of plant and equipment to the various works, activities and functions undertaken by Council, a plant hire rate is applied and charged in line with the use of the plant and equipment.

With reference to the original budget as at 30 June 2018 it is estimated that the allocation from internal plant hire for the year will be \$1.625 million.

Operating costs for plant and equipment was estimated at \$580,000 (including mechanics labour hours), fuels and oils \$320,000 and registrations and insurances \$120,000.

Relationship to Long Term Financial Plan and Annual Budgets

Plant and equipment purchases are not uniform in value and annual budget allocations can vary significantly from year to year. This Asset Management Plan (AMP) includes, at Appendix A, the projected cost of purchase for the next ten years which will inform both the Annual Budget and the Long Term Financial Plan (LTFP). It is also important to note that yearly expenditure on plant maintenance, fuels and oils and registrations and insurances are relatively constant (typically increasing in line with inflationary costs).

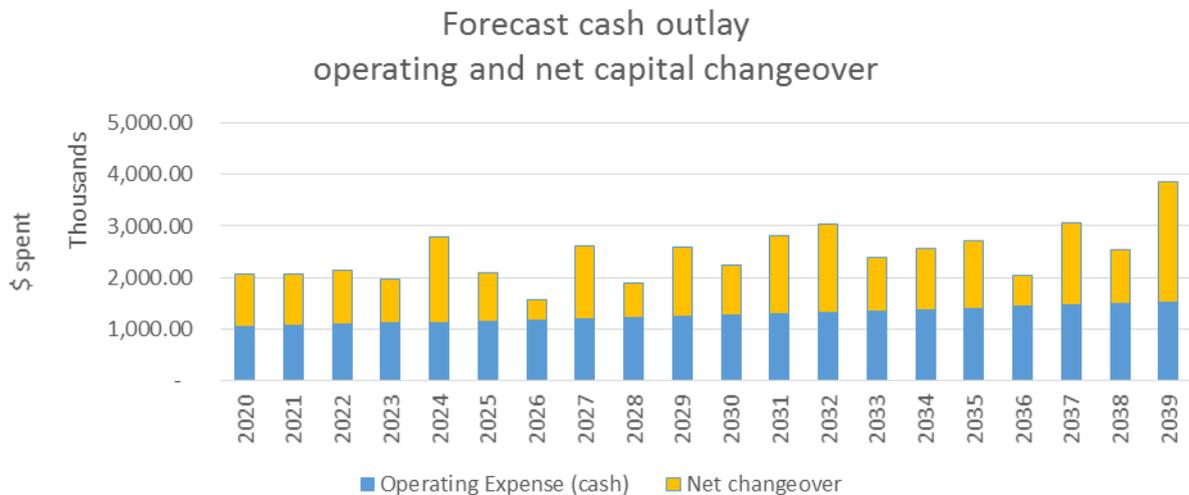
2. FINANCIAL SUMMARY

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

2.1 Financial Statements and Projections

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

Figure 1: Planned Operating and Capital Expenditure



Note that all costs are shown in nominal values.

2.1.1 Sustainability of Service Delivery

There are two key indicators for financial sustainability that have been considered in the analysis of the services provided by this asset category, these being long term life cycle costs and medium term costs over the 10 year financial planning period.

Long term - Life Cycle Cost

Life cycle costs (or whole of life costs) are the average costs that are required to sustain the service levels over the longest asset life. Life cycle costs include maintenance and asset consumption (depreciation expense).

Life cycle costs can be compared to life cycle expenditure to give an indicator of sustainability in service provision. Life cycle expenditure includes maintenance plus capital renewal expenditure. Life cycle expenditure will vary depending on the timing of asset renewals, refer Figure 1.

A gap between life cycle costs and life cycle expenditure gives an indication as to whether present consumers are paying their share of the assets they are consuming each year. The purpose of this AMP is to identify levels of service that the community needs and can afford and develop the necessary long term financial plans to provide the service in a sustainable manner.

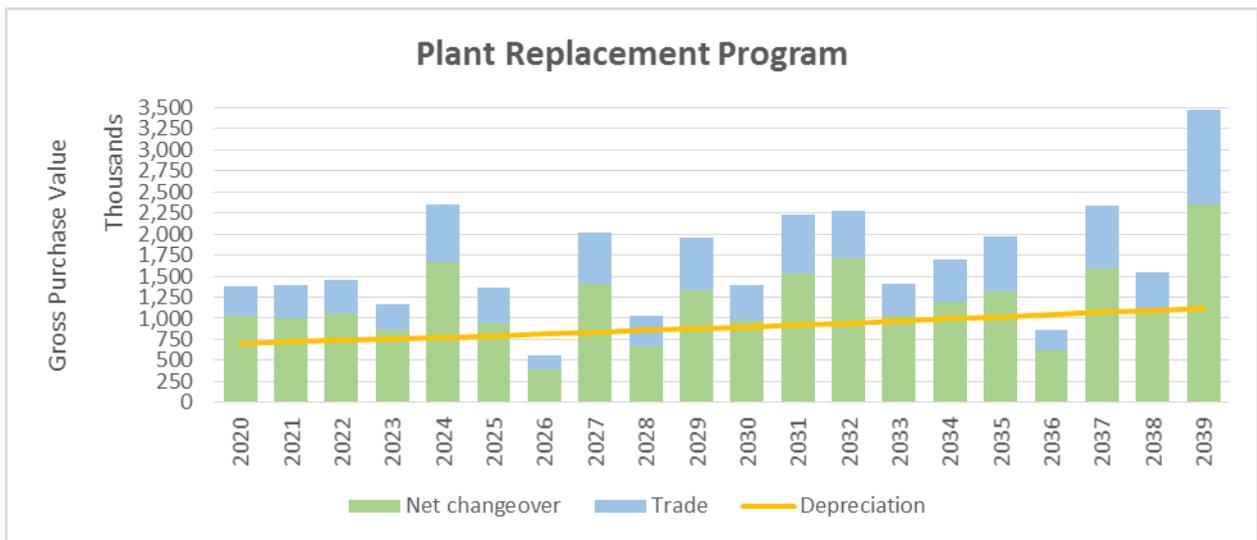
Medium term – 10 Year Financial Planning Period

This AMP identifies the estimated maintenance and capital expenditures required to provide an agreed level of service to the community over a 20 year period for input into a 10 year financial plan and funding plan to provide the service in a sustainable manner.

This may be compared to existing or planned expenditures in the 10 year period to identify any gap. In a core AMP, a gap is generally due to increasing asset renewals or underfunding of capital renewal programs.

Figure 2 shows the projected asset renewals in the 20 year planning period from the asset register. The projected asset renewals are compared to planned renewal expenditure in the capital works program.

Figure 2: Projected and Planned Renewals and Expenditure Gap



This chart shows the difference between projected funding (funding required to maintain assets to agreed service levels) and planned funding (actual funding from council budget and forward works programs). Over the life of the asset there should be minimal funding gap between projected renewal (depreciation) and planned renewal. Due to the significant disposal values obtained for plant and equipment and reflection of these values in residual values, which directly affects depreciation, the net changeover value is the key comparison with plant and equipment renewal programming.

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

Table 1: Projected and Planned Renewals and Expenditure Gap

Year	Projected Renewals \$'000	Planned Renewals \$'000	Renewal Funding Gap/Excess \$'000	Cumulative Gap \$'000
2020	702	1,028	326	326
2021	720	995	275	601
2022	738	1,060	322	924
2023	756	869	113	1,036
2024	775	1,672	897	1,933
2025	794	932	138	2,071
2026	814	399	-415	1,656
2027	835	1,413	578	2,234
2028	855	662	-193	2,041
2029	877	1,334	457	2,498

Providing services in a sustainable manner will require matching of projected asset renewals to meet agreed service levels with planned capital works programs and available revenue.

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

Future iterations of this Plan will refine the assumptions used to project plant and equipment renewals with the objective of better aligning net changeover values to depreciation over the life of the asset.

2.2 Funding Strategy

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

2.3 Valuation Forecasts

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

The depreciated replacement cost (current replacement cost less accumulated depreciation) will vary over the forecast period depending on the rates of addition of new assets, disposal of old assets and consumption and renewal of existing assets.

3. ASSET MANAGEMENT PRACTICES

3.1. Accounting / Financial Systems

- Local Government authorities in South Australia are established under the provisions of the Local Government Act, 1999.
- Financial and Accounting practices and procedures are required to be in accordance with the Local Government Act 1999, Local Government (Financial Management) Regulations and the Australian Accounting Standard.
- Council's financial and accounting function is subject to a comprehensive Internal Control Policy and has reporting responsibilities to Council's Audit Committee whose membership is derived from persons both internal and external of the organisation.
- Council's audit regime includes the required annual statutory audit required by legislation and also a periodic 'procedural' audit. This process is also completed on an annual basis.
- Council's accounting and financial systems utilise the Civica local government enterprise software solution entitled 'AUTHORITY'.
- The 'AUTHORITY' software solution enables integration of all Council operations including the Accounting and Asset Management functions.

4. Asset Management Systems

Council uses the Civica software "AIM" program as its core asset management program. Council are in the process of developing this program to record all asset classes owned by Council together with all the relevant information on each asset (at present it is only used for Land, Buildings and Structures and Transport Infrastructure). It allows assets to be linked to inspection and condition assessments as well as the historical information about the asset.

The AIM program allows the linking of Capital Value Records (CVR) for all assets and for the posting of actual costs for either planned work or maintenance work on assets through the work order system. The system also allows for the general ledger information to be directly linked and reported from within the AIM program

5. Information Flow Requirements and Processes

The key information that flows into this AMP are:

- The asset register data on size, age, value, remaining life of the network
- The adopted service levels
- Projections of various factors affecting future demand for services
- Correlations between maintenance and renewal, including decay models
- Data on new assets acquired by Council.

The key information flows *from* this AMP are:

- The assumed Works Program and trends
- The resulting budget, valuation and depreciation projections

- The useful life analysis
- Funding gap/excess considerations
- Improvements for AM planning.

These will impact on the LTFFP, Community Plan, Annual Budget and business unit plans and budgets.

PLAN IMPROVEMENT AND MONITORING

6. Performance Measures

The effectiveness of the AMP can be measured in the following ways:

- The degree to which the required cash flows identified in this AMP are incorporated into Council's LTFFP.
- The degree to which 1-5 year detailed works programs, budgets, business plans and organisational structures take into account the 'global' works program trends provided by the AMP.

7. Improvement Plan

Improvements identified in the lifecycle of plant and equipment as an asset class of Council are listed in Table 2.

Table 2 Improvement Plan

Task No	Task	Responsibility	Resources Required	Timeline
1	Development of 20 year forward works program	Management Accountant	Time	Achieved
2	Develop Assets Officer to be both financial and technically sound	Management Accountant	Time	Achieved
3	Audit of Plant & Equipment	Assets Officer	Time	Ongoing
4	Review of ownership models eg buy versus lease	Management Accountant & General Manager City Infrastructure	Time	TBA
5	Improved long term financial planning and forecasting	Council	Time	Ongoing
6	Review of forward programming against actuals and adjust accordingly	Management Accountant	Time	Annual
7	Investment in Fleet Management Module of Authority & subsequent reporting module in BIS to assist with regular plant usage reporting and estimates without the need for onerous spreadsheets	Management Accountant & Engineering Manager	\$ Budget allocation	Ongoing licence fees
8	Expanding the use of AIM in authority to list all asset classes including plant and equipment with the objective of having one register for all assets.	Assets Officer	Time	TBA
9	Review Policy C375	Executives	Time	Sept 2019

8. Monitoring and Review Procedures

This AMP will be reviewed during annual budget preparation and amended to recognise any changes in service levels and/or resources available to provide those services as a result of the budget decision process.

The Plan has a life of 4 years and is due for revision and updating within 2 years of each Council election in accordance with the Local Government Act.

REFERENCES

City of Mount Gambier Community Plan – The Futures Paper 2016-2020

City of Mount Gambier Annual Report and Budget

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

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

APPENDICES

Appendix A Plant and Equipment Planned Renewal Program AR19/10110

Alias	Description	Capital Expense	Sales Revenue	Useful Life	2020			2021			2022			2023			2024			2025			2026			2027			2028			2029				
					Purchase	Trade	Net changeover																													
1	No 1 Utility	7320.4021.0094	4280.1802.0194	10																																
2	No 2 Tipper Truck	7320.4022.0094	4280.1802.0194	10																																
3	No 3 Canter Tipper	7320.4023.0094	4280.1802.0194	10	74,000	-	26,000	48,000																												
4	No 4 Tip Truck	7320.4024.0094	4280.1802.0194	15																																
5	No 5 Tip Truck	7320.4025.0094	4280.1802.0194	10																																
6	No 6 Water Truck	7320.4026.0094	4280.1802.0194	20	100,000	-	5,000	95,000																												
7	No 7 Tipper	7320.4027.0094	4280.1802.0194	10	138,000	-	59,000	79,000																												
8	No 8 Tipper with Crane	7320.4028.0094	4280.1802.0194	10																																
9	No 9 Utility	7320.4029.0094	4280.1802.0194	10																																
10	No 10 Utility	7320.4030.0094	4280.1802.0194	10																																
11	No 11 Canter Tray	7320.4031.0094	4280.1802.0194	10	76,000	-	28,000	48,000																												
12	No 12 Utility	7320.4032.0094	4280.1802.0194	10																																
13	No 13 Tip Truck	7320.4033.0094	4280.1802.0194	10																																
14	No 14 Tipper Truck	7320.4034.0094	4280.1802.0194	10																																
15	No 15 Road	7320.4035.0094	4280.1802.0194	10																																
16	No 16 Utility	7320.4036.0094	4280.1802.0194	7																																
17	No 17 Tipper Utility	7320.4037.0094	4280.1802.0194	10																																
18	No 18 Garbage	7320.4038.0094	4280.1802.0194	5																																
19	No 19 Water Truck	7320.4039.0094	4280.1802.0194	25																																
20	No 20 Trapping Utility	7320.4040.0094	4280.1802.0194	10																																
21	No 21 Tipper	7320.4041.0094	4280.1802.0194	10	138,000	-	40,000	98,000																												
22	No 22 Tipper Truck	7320.4042.0094	4280.1802.0194	10																																
23	No 23 Utility	7320.4043.0094	4280.1802.0194	10																																
24	No 24 Canter Tipper	7320.4044.0094	4280.1802.0194	10																																
25	No 25 (Trucks)	7320.4045.0094	4280.1802.0194	10																																
26	No 26 Elevated Platform	7320.4046.0094	4280.1802.0194	5																																
27	No 27 Tipper	7320.4047.0094	4280.1802.0194	10																																
28	No 28 Tip Truck	7320.4048.0094	4280.1802.0194	10																																
29	No 29 Tip Truck	7320.4049.0094	4280.1802.0194	10																																
30	No 30 Garbage Compactor(Trucks)	7320.4050.0094	4280.1802.0194	5																																
31	No 31 Garbage Compactor (Trucks)	7320.4051.0094	4280.1802.0194	5																																
32	No 32 Garbage Compactor	7320.4052.0094	4280.1802.0194	5	358,000	-	70,000	288,000																												
33	No 33 (Rollers)	7360.4063.0094	4280.1803.0194	17																																
34	No 34 (Rollers)	7360.4064.0094	4280.1803.0194	17																																
35	No 35 (Rollers)	7360.4065.0094	4280.1803.0194	18																																
36	No 36 (Rollers)	7360.4066.0094	4280.1803.0194	15																																
37	No 37 Drum Roler	7360.4067.0094	4280.1803.0194	20																																
39	No 39 Garbage Compactor	7320.4053.0094	4280.1802.0194	5																																
40	No 40 Wheel Loader	7370.4070.0094	4280.1804.0194	10																																
41	No 41 Landfill Compactor (Loaders)	7370.4071.0094	4280.1804.0194	8																																
42	No 42 Blue Lake Golf Course Loader	7370.4072.0094	4280.1804.0194	15																																
43	No 43 Loader	7370.4073.0094	4280.1804.0194	10																																
44	No 44 Wheel Loader	7370.4074.0094	4280.1804.0194	10																																
45	No 45 Loader	7370.4075.0094	4280.1804.0194	25	170,000	-	30,000	140,000																												
47	No 47 Loader	7370.4077.0094	4280.1804.0194	10																																
48	No 48 (Graders)	7390.4088.0094	4280.1805.0194	15																																
52	No 52 (Tractors)	7390.4092.0094	4280.1806.0194	10																																
54	No 54 (Tractors)	7390.4094.0094	4280.1806.0194	20																																
56	No 56 (Tractors)	7390.4098.0094	4280.1806.0194	10																																
57	No 57 (Tractors)	7390.4097.0094	4280.1806.0194	10																																
61	No 61 Footpath Sweeper	7400.4101.0094	4280.1807.0194	5																																
62	No 62 Street Sweeper																																			

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