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Hinchinbrook Shire Council

Asset Management Plan- Fleet

June 2023

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HINCHINBROOK
SHIRE COUNCIL

Hinchinbrook Shire Council

Asset Management Plan- Fleet

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DOCUMENT CONTROL

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Version Control Protocol:

1. **Primary number changes to Versions (e.g. V1.00 to V2.00) apply when the document undergoes its regular review and/or when significant changes are made.**
2. Secondary number changes to Versions (e.g. V1.00 to V1.01) apply to minor amendments that do not materially impact the documents and are intended only to clarify or update issues.

Abbreviations

AMP	Asset Management Plan
ABS	Australian Bureau of Statistics
FWP	Forward Works Plan
LCC	Life Cycle Cost
LCE	Life Cycle Expenditure
LoS	Levels of Service
LTFP	Long Term Financial Plan
HSC	Hinchinbrook Shire Council
QAO	Queensland Audit Office
QTC	Queensland Treasury Corporation
PI	Performance Indicator
RUL	Remaining Useful Life
SL	Service Level

Executive Summary

This Asset Management Plan (AMP) for Hinchinbrook Shire Council's fleet assets, was developed using data from Council's Financial Asset Register and Council's budget. Fleet assets are owned by Council to support the delivery of its services to the community. Council's plant is operated by Council staff to mow grass, sweep streets, grade road, repair watermains and a range of other activities.

The purpose of this AMP is to assist Council in:

- Documenting its current management approach of fleet assets;
- Understanding and managing significant risks;
- Developing a 10 year program;
- Identifying opportunities to improve the management of fleet assets; and
- Identifying opportunities to improve the financial sustainability of fleet assets.

The assets owned in the fleet class are generally short life and can be bought and sold in an open market with relative ease when compared to the infrastructure assets owned by Council. The management of the assets within the fleet class has similarities to other asset classes however the class is far smaller and decisions more visible due to the smaller scale and shorter lives of assets within the class.

Council's fleet assets are generally meeting the needs of the organisation and while some assets have been retained for longer than the periods specified in Council's policy in general the high resale values being achieved in the current market have limited the adverse impacts of these decisions. Financial sustainability for the class is considered to be good based on current and forecast rates of expenditure.

Council's current configuration of the Technology One system does not support reliable reporting on plant utilisation or profitability which makes management of fleet assets difficult. Improving system configuration and moving the organisation to a combined integrated asset register will yield immediate benefits and enable Council to more effectively manage and review its fleet assets.

Council would benefit from a review to improve organisational understanding and ensure it is meeting all the requirements of the new National Heavy Vehicle Laws. General prestart safety checks are being undertaken across the organisation in a variety of methods and frequencies. Ensuring completeness and consistency of this process will help Council to meet its Workplace Health and Safety Obligations and assist in early identification of maintenance issues.

1 BACKGROUND

1.1 Purpose of the Plan

The purpose of this AMP is to assist Council in:

- Documenting its current management approach of fleet assets;
- Understanding and managing significant risks;
- Developing a 10 year capital program;
- Identifying opportunities to improve the management of fleet assets; and
- Identifying opportunities to improve the financial sustainability of fleet assets.

This 'core' plan documents asset management planning information for the fleet assets for the Hinchinbrook Shire Council. This plan focuses on the identification of the high level challenges and opportunities within fleet assets.

The data available to develop this Asset Management Plan came from a number of different sources with relatively poor alignment and no consistent key to join data.

At a class level the data Council has available is adequate to identify trends and that the ongoing sustainability of this class is considered good for the next 10 years, however there are significant opportunities to improve utilisation and profitability data which will help the fleet to be more actively managed.

1.2 Council's Vision, Aims, Outcomes and Strategies

This Asset Management Plan has been prepared in accordance with the Hinchinbrook Shire Council vision, mission and values as set out in the Corporate Plan 2020-2025.

Our mission is:

"To provide leadership in making locally responsive and informed decisions, delivering quality services and facilities to the Hinchinbrook Community."

Council's five key priorities are based on the following identified community priorities:

1. Built Environment
2. Prosperity
3. Lifestyle
4. Natural Environment
5. Organisational Sustainability

Our vison for Council Fleet assets is:

To improve the safety, efficiency, productivity and management of fleet assets.

Council intends to deliver on its commitments through a commitment to strategic asset management, implementing forward programs based on sound strategic asset principles and service demands.

Contributing to our Council vision:

"To strengthen our vibrant regional lifestyle and prosperous economy by growing the population of and opportunities for the Hinchinbrook Shire."

To achieve our mission and vision we will lead by values and be deliberate about making decisions based on these values:

Our Values are:

Integrity	We will lead our community with integrity and vision. We will embrace change, foster innovation, and be honest and transparent at all times.
People Focused	We value our community, our stakeholders and our employees. We will treat all persons with fairness and respect. Council will implement services from a customer perspective.
Excellence	We will always strive to do our best, to be industry leaders and to look for opportunities in pursuit of continuous improvement.
Sustainability	We will be practical, focused, and effective in our delivery of services and programs for the community.

The key elements to meeting these strategies are:

- Ensuring adequate renewal, maintenance and operational funding is allocated to effectively operate Council's fleet assts;
- Accepting the financial reality of the community and organisation;
- Taking a life cycle approach;
- Developing cost-effective management strategies;
- Aligning the size and make up of the fleet to the organisation's needs, capability and capacity;
- Monitoring and managing performance;
- Managing risks associated with asset fleet operations;
- Sustainable use of physical resources; and
- Continuous improvement in asset management practices.

1.3 Key Stakeholders

Good asset management requires the alignment of resources with all people understanding the objectives and then playing their respective roles in the management of assets and the delivery of services to the community. Table 1.c outlines the roles and responsibilities for asset management within Hinchinbrook Shire Council.

Table 1.c: Key Stakeholders and Roles

Role	Who	Responsibilities
Strategic Direction	Councillors	Represent needs of the community and service level expectations Set Council's risk appetite Accountable for organisations financial sustainability Key Goals and Strategic Objectives/Priorities Corporate Plan & Policies Providing resources to achieve AM objectives Act as stewards for all Council Assets
Operational Decision Making	Executive Management Team	Allocation of resources Provision of sound organisation structure Lead the organisations culture Managing risks in accordance with adopted appetite Manage Statutory Requirements Develop and Administer Policies Provide Service Strategy Asset management objectives
Strategic Alignment	Asset Management Steering Committee	Policy development and review Overview of implementation of Strategic Asset Management Plan and Improvement Plan Championing promotion of adequate resourcing for asset management Whole of Council asset performance monitoring Asset related risks are captured in Council Risk Management System Demonstrate whole of organisation support for sustainable asset management Wider accountability for achieving and reviewing sustainable asset management practices
Organisational Alignment	Asset Management Working Group	Encourage buy-in and responsibility; Coordinate strategic planning, information technology and asset management activities Promote uniform and fit for purpose asset management practices across the organisation Information sharing across IT hardware and software Pooling of corporate expertise Championing of asset management improvement initiatives
Tactical / Operational	Asset Custodians Maintenance Managers Service Managers	Service delivery Asset data capture Operational risk management Alignment of service levels to budgets Asset Management Plan Development Development of renewal and upgrade plans Asset specific condition monitoring Asset and resource optimisation Asset Maintenance and Operations Identification of asset disposal opportunities Identification of service efficiency opportunities

1.4 Legislative Requirements

The management of assets is often driven by complex legislative arrangements. Table 1.d provides a list of Legislation that is relevant to the fleet asset class.

Table 1.d: Legislation and Requirements

Legislation	Requirement
Local Government Act	Sets out role, purpose, responsibilities and powers of local governments including the preparation of a long-term financial plan supported by asset management plans for sustainable service delivery.
Environmental Protection Act 1994	Act to protect Queensland's environment while allowing for development that improves the total quality of life, both now and in the future, in a way that maintains the ecological processes on which life depends.
Heavy Vehicle National Law (Queensland) 2021	The object of this Law is to establish a national scheme for facilitating and regulating the use of heavy vehicles on roads in a way that promotes public safety, manages the impact of heavy vehicles on the environment, road infrastructure and public amenity, promotes industry productivity and efficiency in the road transport of goods and passengers by heavy vehicles and encourages and promotes productive, efficient, innovative and safe business practices
Work Health and Safety Act & Regulation 2011	Sets out roles and responsibilities to secure the health, safety and welfare of persons at work.
The Australian Accounting Standards	The Australian Accounting Standards consisting of AASB13, AASB 16, AASB116 define the financial accounting requirements related to assets.

2 ASSET DESCRIPTION

This Asset Management Plan (AMP) is for the Council plant and fleet assets.

2.1 Physical Parameters

The assets included in this Asset Management Plan are shown in table 2.a and are based on Council's asset register as at 1 July 2022 .

Table 2.a: Extent of Assets (1 July 2022)

Asset Category	Number
Earthmoving	13
Light Commercial	2
Minor Ancillary Equip	34
Mowers	14
Passenger Vehicles	47
Trailers	35
Trucks	25

2.2 Asset Valuations

Fleet assets are not required to be revalued like other infrastructure assets owned by Council. In addition to this fleet assets can also be bought and sold in the open market meaning they can have residual values and are influenced by market trends of supply and demand. Asset valuations in table 2.b come from TechnologyOne. At 1 July 2022 35% of fleet assets had been written down to their residual values meaning that deprecation in this class will rise once these assets are replaced and this may also indicate that the asset life (and associated depreciation) requires review.

Table 2.b: Asset Valuations by Asset Type at 1 July 2022

Asset Type	Replacement Cost	Written Down Value
Earthmoving	$2,401,083	$1,493,033
Light Commercial	$111,742	$68,828
Minor Ancillary Equip	$1,338,245	$616,674
Mowers	$237,162	$132,456
Passenger Vehicles	$1,929,762	$1,201,863
Trailers	$646,271	$384,986
Trucks	$3,007,730	$1,614,996
Grand Total	**$9,671,995**	**$5,512,836**

2.3 Asset Registers

Council's asset register is maintained in TechnologyOne which is Council's primary ERP (Enterprise Resource Planning) system. This system offers advanced capabilities when it is well configured and data is regularly maintained. Council operational staff also maintain a fleet register in Microsoft Excel as the TechnologyOne register isn't currently configured in a way that supports the fleet team. Timely support and adjusted processes within finance are also required to enable the TechnologyOne register to be useful to all areas of Council.

Improving organisational understanding of data management, maintenance and reporting principles will help progressively improve the data quality in the asset register.

Opportunities within the fleet asset class include:

- Simplification and consistent use of the works order system within the fleet area.
- Undertake a stocktake of fleet assets using both TechnologyOne and Microsoft Excel asset registers and then update the TechnologyOne asset register with collected information. TechnologyOne should then be used as the single point of truth by the fleet team and finance.
- Amending processes and adequately resourcing the maintenance of the fleet register in TechnologyOne.
- Producing dashboard reporting on utilisation, maintenance costs, fuel consumption and other indicators should be undertaken to keep the organisation focused on improved data maintenance and management of the fleet by exception.
- Review and reconciliation of GPS fleet management software. This system should be developed to the point it can be used for automated management purposes. If Council lacks the resources to invest and maintain the system to the point it adds value consideration to abandoning or significantly reducing the use of GPS technology should be given.

2.4 Asset Age and Remaining Life

Asset lives for fleet assets in Council's asset register vary from 1 to 24 years. Table 2.d outlines remaining useful life data in TechnologyOne and the number and value of fleet items with the respective remaining useful life. There are $2.8m of assets that have no remaining useful life which is a representation of the lower than required replacement budgets in recent years.

Further, deferring asset replacement to this extent may well be reasonable based on the relatively low utilisation of some fleet items and the poor data available for reporting. As the current second hand fleet market is strong, resale value would not have been impacted to the same extent it once would have.

The simple fact that there are items with no remaining useful life indicates that inappropriate asset lives may been applied and will need to be rectified. Council should be regularly reviewing remaining useful lives on all assets to ensure while assets remain in service that this service potential is reflected in the asset register.

Table 2.d: Remaining Useful Life based on Asset Register at 1 July 2022.

Remaining Useful Life	Number of Fleet times	Replacement cost of fleet items $
94	1	$143,408.80
19	1	$23,420.95
16	4	$84,561.18
12	1	$6,618.15
11	1	$60,700.00
10	2	$53,250.00
7	9	$1,043,735.44
6	14	$914,362.95
5	32	$1,759,978.78
4	17	$1,069,597.41
3	9	$1,042,090.39
2	9	$479,297.17
1	5	$143,181.57
0	65	$2,847,792.40

3 LEVELS OF SERVICE

3.1 Background

Within the asset management industry its common practice to describe service levels in two terms, *Community Levels of Service* and *Technical Levels of Service*.

Community Levels of Service relate to the service outcomes that the community wants in terms of safety, quality, quantity, reliability, responsiveness, cost effectiveness and legislative compliance.

Community levels of service measures commonly used in asset management planning are:

- Quality How good is the service?
- Function Does it meet users' needs?
- Safety Is the service safe?

Technical Levels of Service support the community service levels and are operational or technical measures of performance. These technical measures relate to the allocation of resources to service activities that the Council undertakes to best achieve the desired

community outcomes.

Technical service measures are linked to annual budgets covering:

- Operations – the regular activities to provide services;
- Maintenance – the activities necessary to retain an asset as near as practicable to its original condition;
- Renewal – the activities that return the service capability of an asset up to that which it had originally;

- Upgrade – the activities to provide a higher level of service.

3.2 Sustainable Asset Base

The sustainability of the fleet class requires regular and ongoing review. Unlike infrastructure assets fleet assets have significantly shorter lives and an active market to acquire and dispose of assets. A sustainable asset base in the fleet class in more related to the utilisation and profitability of the individual items of fleet and having adequate budgets and qualified and experienced operators to keep the fleet item utilised and profitable each year.

Options to available to Council to generate ongoing savings include:

- Disposal of items of fleet that have very low utilisation. While consideration needs to be given to emergency response requirements review of local wet and dry hire arrangements may be adequate to meet these needs.
- Review of service levels in areas such as mowing and slashing and reduce fleet to suit dry season operations with extra demand covered on an as required basis though service contracts.
- Reduce the number of pool vehicles to align with demand in booking system.

3.3 Risk Management

Council's Risk Appetite Statement confirms Council's commitment to its community to responsibly manage its assets. Key commitments include:

- There is no acceptance for decisions/actions that adversely impact the ongoing viability/efficiency of strategically critical and/or essential infrastructure, assets or services;
- There is considerable acceptance for decisions/actions/initiatives that promote, secure or improve the ongoing viability/efficiency of strategically critical and/or essential infrastructure, assets or services;
- There is considerable acceptance for decisions/actions/initiatives that promote, secure or improve the ongoing viability/efficiency of strategically critical and/or essential infrastructure, assets or services;
- Financial viability over the short, medium and long term must be highly certain and supported by an established finance framework and long-term financial sustainability strategy that drives the region's strategic direction on behalf of the community through effective and responsible policy, planning and decision making; and
- There will be no acceptance of decisions that have a significant negative impact on

Council's long term financial sustainability.

Increased focus on risk management is required within the fleet area to ensure fleet operations are aligned with Council's risk appetite statement. Reduced administration resources has contributed to some practices no longer occurring however improving system configuration to more easily manage the fleet is considered more advantageous and sustainable than adding or utilising administrative resources to populate more data into a poorly configured system.

Strategic level risks for Council to consider in the fleet asset class include:

- National Heavy Vehicle Legislation including Chain of Responsibility requirements are not clearly understood within the fleet management team;
- Complexity of current TechnologyOne configuration currently makes reliable and useful management reporting difficult;
- Investment in GPS technology may not be cost beneficial given limited reporting capabilities and resources to interpret and use data to improve service efficiency;
- Duplicated asset registers means there is no single pint of truth for management purposes;
- 35% of assets are fully depreciated which has artificially reduced the depreciation expense for this class in recent years. This is indicative of inappropriate asset lives being assigned to items of plant and fleet. Replacing the fully depreciated items will reinitiate depreciation expense which will create further pressure on Council's operational budget;
- Safety Prestart checks are not consistently recorded with multiple systems being used across Council;
- Ability to attract and retain qualified and skilled operators:

The Improvement Plan outlines opportunities for Council to improve its risk management practices to align with its risk appetite.

4 FUTURE DEMANDS

The Hinchinbrook Shire population was 10,990 in 2016, declining to 10,920 in 2021 and estimated 10,184 in 2026. The current growth rate is flat and predicted to continue as such or decline further in future years. It is estimated the (medium) projected population will reach approximately 9,253 by year 2036. Table 4.1 provides forecast population projects based on Census data.

Table 4.1 Population Projection

Projected Population				**Average Annual Change** (Medium Series)	
	Low Series	Medium Series	High Series	Number	Per Cent
2016	10,990	10,990	10,990		
2021	10,920	10,920	10,920	-80	-0.7%
2026	10,002	10,184	10,378	-736	-7.2%
2031	9,411	9,732	10,077	-451	-4.44%
2036	8,776	9,253	9,768	-478	-4.92%
2041	8,175	8,780	9,768	-473	-5.12%

Demand in the fleet class is more dependent on the scale of Council's operational and capital budgets and the capability and capacity of Council's workforce to undertake the work to meet service and project requirements. This requires Council to have an adequate number of trained and experienced supervisors and operators to efficiently utilise the fleet Council owns.

In recent times Council has found it difficult to attract and retain a skilled workforce which has meant some of Council's equipment has not been utilised to its full extent. Council's financial position has also meant that there are limited projects to keep the full fleet utilised which has further reduced utilisation. These two factors work together to create a greater challenge as skilled and experienced operators generally want to be working on their chosen item of plant on major projects. When Council can't offer full plant utilisation due to limited budgets the attractiveness of operator roles further reduces.

With lease and hire options available Council should be regularly reviewing its forward works plans, staffing, budgets and fleet register to align these factors as best as possible.

5 WHOLE OF LIFECYCLE MANAGEMENT PLAN

5.1 Operations and Maintenance Expenditure (Opex)

5.1.1 Historical

Three years of historical maintenance and operations expenditure figures have been taken from Council's financial system and averaged for the purposes of financial modelling. Based on available data which has been reviewed by Councill staff the figures in table 5.a represent the best available data for historical maintenance costs.

Table 5.a: Historical Operations and Maintenance Costs (2019-2022)

Expenditure Type	$
Operations	$0.56M
Maintenance	$1.02M
Total OPEX (O & M)	**$1.58M**

5.1.2 Future

For the purposing of this asset management plan the historical average has been used with a 1.5% annual increase being applied.

5.2 Capital Expenditure (Capex)

5.2.1 Historical

Council's fleet has remained relatively consistent over recent years. Within the broader financial position of Council over recent years renewal programs have been lower than required resulting in a financial backlog.

5.2.2 Forward Program

Council's current budget process has a year to year focus and no forward program was available when the development of this Asset Management Plan commenced. Council does have a Fleet Renewal Policy which defines replacement intervals for various items of plant. Due to Council's financial position Council has struggled to meet its policy objectives and replacement intervals.

Council's limited budget and a change in approach to the delivery natural disaster restoration works has meant that utilisation rates of some major items of plant have been well below expected levels.

The forward renewals plan has been developed based on the asset data, input from staff and applying policy and industry benchmarks. In addition the forward program also

considers:

- Council will review asset utilisation data, maintenance history and condition for each item of fleet prior to replacement.

- Renewal Program allocations have been made to represent the estimated renewal demand across the asset class (with the abovementioned assumptions applied). Council should be developing lists of renewals within each of these programs 2-3 years in advance with prioritisation within the programs occurring annually. As condition inspection processes improve Council should also be reviewing the program allocations in future years. By working at least 2-3 years in advance Council should be able to develop funding strategies that can deal with any changes that emerge.
- The vacuum excavator is a critical piece of equipment utilised by the water and sewerage team. Recent maintenance costs have become significant as this item ages and replacement should be a high priority.

5.2.3 Future Capital Funding

Planned renewals total $10.5M for the 10 year period based on the forward program shown in Table 5a. Projected renewals total $10.3M for the next 10-years to 2033 derived from financial asset register data. This close alignment is due to the smaller scale and shorter lives of assets within the fleet class.

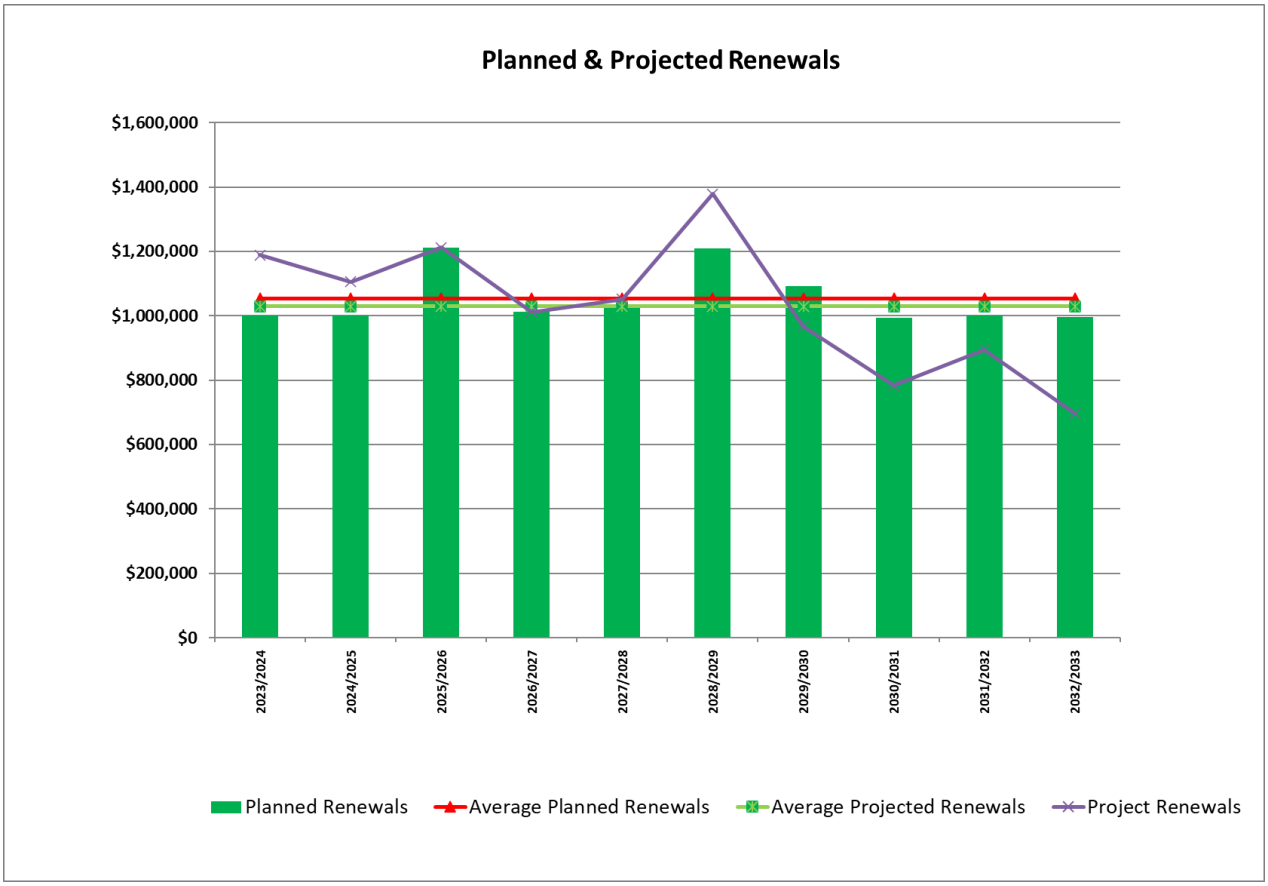
Figure 5.b shows projected and planned renewals. As mentioned previously 35% of Council's fleet assets have been depreciated to their residual values. While a review of asset lives will need to be undertaken, replacing these assets will require the replaced assets to be depreciated once more. Planning for this extra depreciation should be undertaken following a stocktake and review of residual values and remaining useful lives (as recommended in section 7). Depending on the outcomes of this process and the priorities for renewal in the coming years depreciation in fleet will increase and will need to be accounted for in the Long Term Financial Plan.

No allocation for upgrade or new fleet has been made however feedback from staff suggests that Council's street sweeper is under capacity for the work being undertaken. If Council intends to continue to provide widespread street sweeping services using its own plant and labour it may be necessary to upgrade the street sweeper.

Table 5.a: Planned 10 years Renewals

Program/Project	Cost Type	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	10 Year Total
Fleet Replacement Program	renewal	$1,000,000	$1,000,000	$1,212,809	$1,011,436	$1,029,350	$1,209,393	$1,091,713	$993,250	$1,000,700	$996,618	**$10,545,269**

Figure 5.b: Planned and Projected Renewals



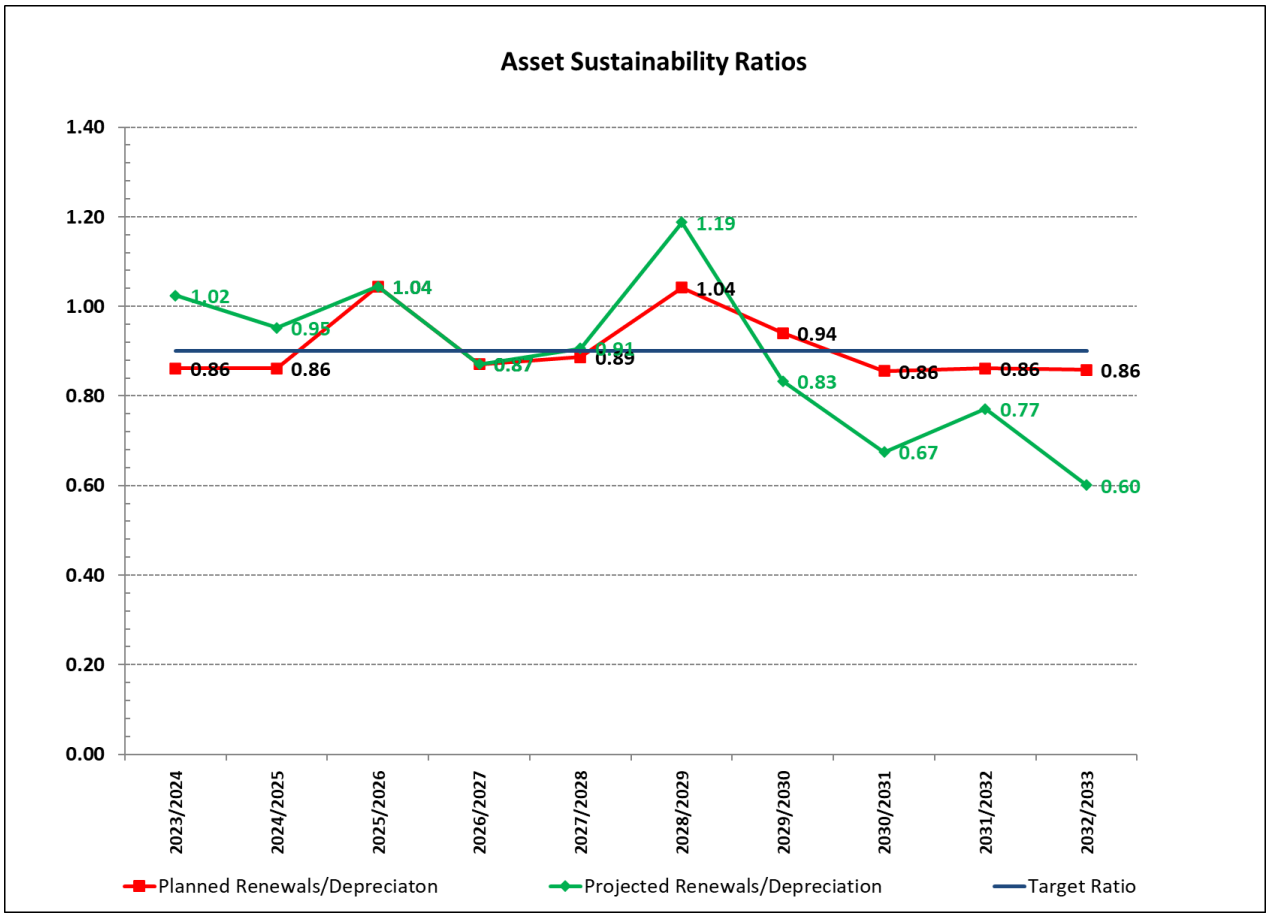
5.3 Asset Sustainability Ratio

A financial measure of satisfactory levels of expenditure on asset replacements is the Asset Sustainability Ratio - the net capital expenditure on replacements as a percentage of the depreciation. It indicates whether the amount of replacement exceeds or is less than the amount of depreciation, that is, whether assets are being replaced at the rate they are wearing out. Although not a true reflection of the required long-term funding, depreciation does indicate the rate of consumption of assets. The Queensland Audit Office sets a target for renewals for infrastructure assets that is equal to or greater than 90% of depreciation. While the target is not a requirement for plant and fleet assets the principles behind the target still has relevance.

The current total annual depreciation is $0.73M per annum which is relatively low due to 35% of Council's fleet being depreciated to their residual values. By comparison taking the replacement cost less residual value and dividing by the useful life gives a theoretical depreciation expense of $1.16M p.a. For the purpose of the this asset management plan the $1.16M figure has been adopted as it better supports the intent of the renewal ratio.

A 90% target for equates to $1.04M per annum. Projected renewals over the next 10 years average $1.03M per year (99%) and planned renewals average $1.05M per year (101%). If Council can fund renewals at the projected levels the fleet class will be financially sustainable for the planning period of this asset management plan.

Figure 5.c: Asset Sustainability Ratios



5.4 Asset Consumption Ratio

This ratio seeks to highlight the aged condition of a local government's stock of physical assets. If a local government is responsibly maintaining and renewing/replacing its assets in accordance with a well prepared asset management plan, then the fact that its' Asset Consumption Ratio may be relatively low and/or declining should not be cause for concern – providing it is operating sustainably.

The Asset Consumption Ratio is calculated by dividing the written down value of the assets by the current replacement cost of the assets. A ratio of 50% or greater means that Council is maintaining the standard of its assets, if the ratio is between 60% and 75%

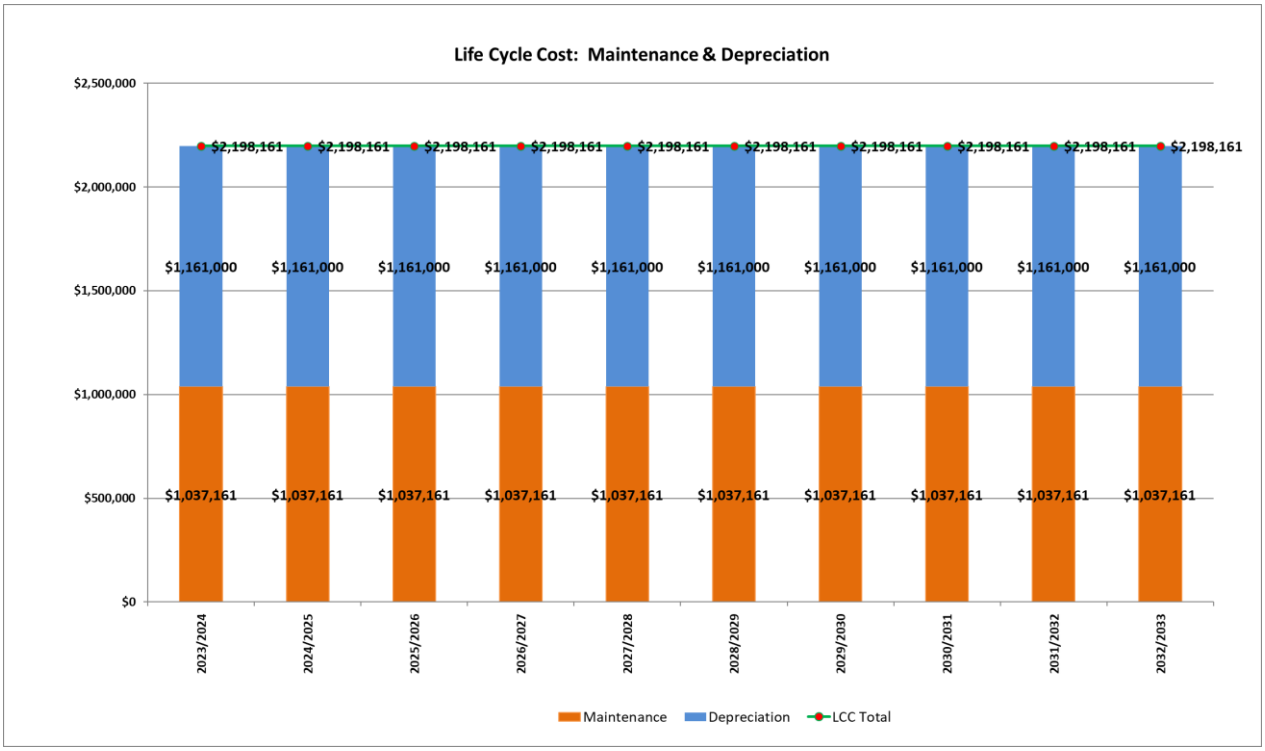
The Asset Consumption Ratio for Fleet is 57% based on Councils 2021-2022 financial statements.

6 FINANCIAL SUMMARY

6.1 Summary Financial Projections

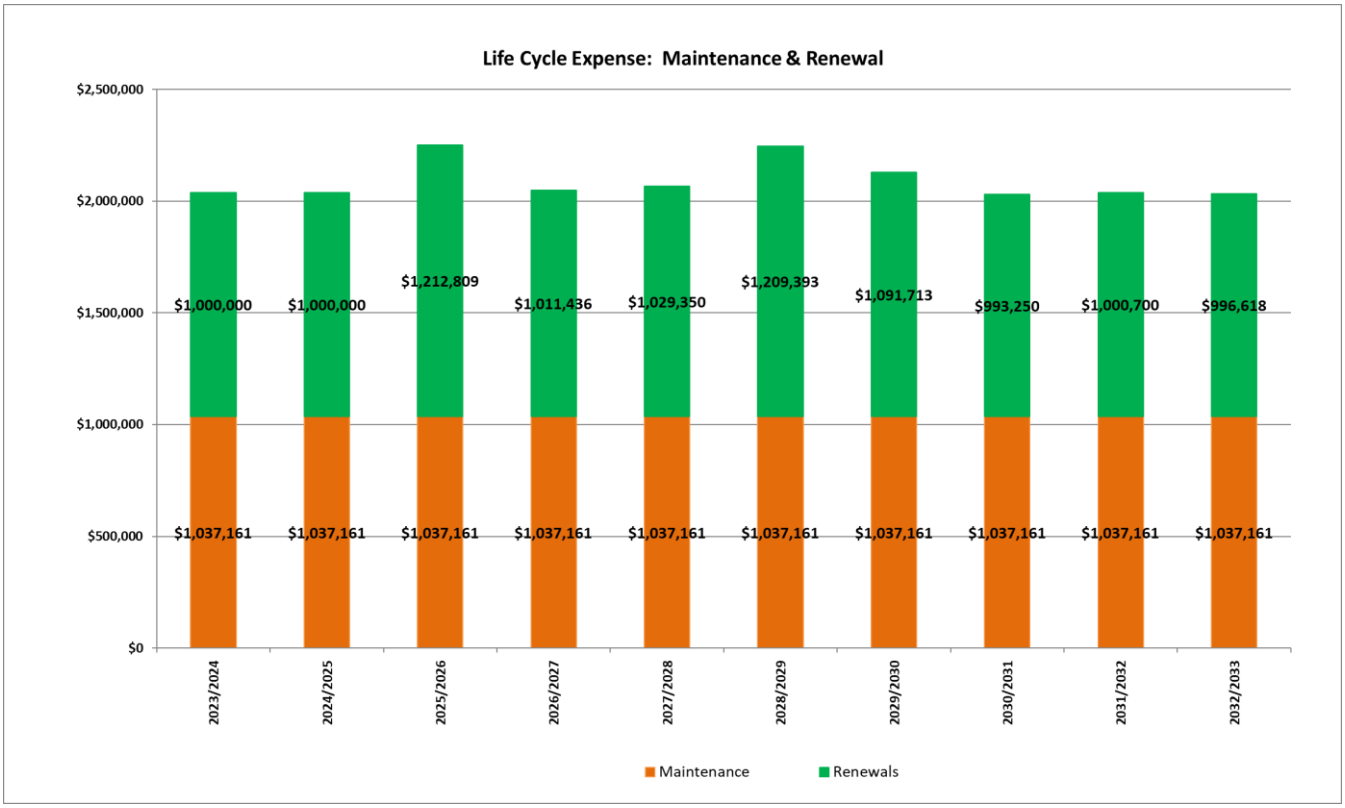
The Life Cycle Cost (LCC) shown in Figure 6.a is the average projected cost to provide the service over the longest asset life cycle. It comprises required annual maintenance based on historic maintenance expenditure and asset consumption expense, represented by depreciation expense. The average LCC over the forward 10 years to provide the fleet service is estimated at approximately $2.19M million per annum.

Figure 6.a: Life Cycle Cost



Life Cycle Expenditure (LCE) shown in Figure 6.b may be compared to LCC to give an initial indicator of life cycle sustainability. LCE is Council's actual or planned annual maintenance and capital renewal expenditure incurred in providing the service in a particular year. The average LCE over the forward 10 years to provide the fleet service is estimated at approximately $2.09M per annum. Thus the ratio LCE:LCC is 1.04. If Council maintains its current rate of expenditure in the fleet class it will maintain service levels for the next 10 years.

Figure 6.b: Life Cycle Expenditure



6.2 Future Valuations

Fleet assets are not subject to asset revaluations and are valued on a cost basis. Current demand for vehicles and plant has increased both purchase price and resale values meaning that movement in asset values are relative so long as fleet items are of reputable branding and being sold while still in good condition and operational.

Given the relatively small value of Council's fleet in terms of its total asset base and the fact that there is an open an active market to acquire and dispose of assets when required the financial management of fleet should be guided by utilisation and profitability rather than overall class valuations.

6.3 Key Assumptions made in Financial Forecasts

This section details the key assumptions made in presenting the information contained in this asset management plan and in preparing forecasts of required operating and capital expenditure and asset values, depreciation expense and carrying amount estimates. It is presented to enable readers to gain an understanding of the levels of confidence in the data behind the financial forecasts.

Key assumptions made in this asset management plan are:

- Information within the fleet register and values are based on current knowledge only;
- Maintenance and operations allocations are largely based on maintaining current budget levels; and

Other assumptions as detailed in section 5.2.2

Accuracy of future financial forecasts may be improved in future revisions of this asset management plan by the following actions:

- Full Implementation of a single Asset Register based on a stocktake, review of useful lives and residual values;
- Review of Fleet Policy with Council's financial position factored into retention periods;
- Improvements to TechnologyOne configuration and reporting capabilities; and
- Provision of a detailed 1-3 year forward plan (Council should then consider extending the plan to 5-10 years however shifting from year to year budgeting to 1-3 year budgeting will take significant focus but is achievable);

7 IMPROVEMENT PROGRAM AND MONITORING

7.1 Improvement Program

Focus areas for fleet assets are related to a combined and reliable asset register with simplified but reliable financial reporting data. This will allow more informed review and management of the fleet operated by Council.

Figure 7.a provides a list of improvements that Council should pursue in the fleet asset class.

Figure 7.a: Improvement Program

Improvement Task	Timeframe
Undertake a review of all requirements under National Heavy Vehicle Laws and Regulations including chain of responsibility and implement required practices and processes to ensure compliance.	2023
Undertake stocktake and reconciliation of Technology One and Microsoft Excel Asset Registers. Update TechnologyOne to be single point of truth. Review residual value and remaining useful life information.	2023
Develop simple procedure and conduct training across the workforce (including Operators, Supervisors, Payroll) on plant charge out requirements to ensure consistency and improve asset utilisation data.	2023
Review and update process for Prestart Safety Checks to ensure compliance, consistency and efficiency across the business.	2023
Review works order system and simplify system to improve data consistency. Develop reports/dashboards for asset utilisation and profitability and regularly review to ensure fleet is suitable to support Council operations and projects.	2024

7.2 Performance Measures

To ensure ongoing improvement in Asset Management Council should undertake regular reviews of its performance. No data on asset management performance measures was available at the time of preparation of this Asset Management Plan. Council should develop performance measures which can include:

Adoption of the Asset Management Plan by Council:

- Degree to which recommended cashflows are incorporated into long term financial plans and funding strategies;
- Degree to which works recommended by the asset management plan are incorporated into adopted budgets and capital works programs; and
- Achievement of tasks recommended in Improvement Program.

Review of the performance measures should be provided to the Asset Management Steering Committee on a routine basis.

8 REFERENCES

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APPENDICES

APPENDIX A

Definitions

Appendix A: Definitions

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 so as to determine the need for some preventative or remedial action.
Asset Management	The combination of management, financial, economic, engineering and other practices applied to physical assets with the objective of providing the required level of service in the most cost effective manner.
Asset Management Plan	A plan developed for the management of one or more groups of assets that combines multi-disciplinary management techniques (including technical and financial) over the lifecycle of the asset in the most cost effective manner to provide specified level of service. A significant component of the plan is a long term cash flow projection for the activities.
Asset Renewal	Replacement or rehabilitation to the original service potential of an asset or the component of the asset. Renewals are "capitalised", so that the cost can be depreciated over the future life of the asset.
Core Asset Management	Asset management which relies primarily on the use of an asset register, maintenance management systems, job/resource management, condition assessment and defined levels of service, in order to establish alternate treatment options and long term cash flow predictions. Priorities are usually established on the basis of financial return gained by carrying out the work (rather than risk analysis and optimised renewal decision making).
Infrastructure Assets	Physical assets of the entity or of another entity that contribute to meeting the public's need for access to major economic and social facilities and services, e.g. roads, drainage, footpaths and cycle ways. These are typically large, interconnected networks or portfolios of composite assets. 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. Generally, the components and hence the assets have long lives. They are fixed in place and are often have no market value.
Level of Service	The defined service quality for a particular service against which service performance may be measured. Service levels usually relate to quality, quantity, reliability, responsiveness, environmental, acceptability and cost).
Life Cycle Cost	The life cycle cost (LCC) is average cost to provide the service over the longest asset life cycle. It comprises annual maintenance and

	asset consumption expense, represented by depreciation expense. The Life Cycle Cost does not indicate the funds required to provide the service in a particular year.
Life Cycle Expenditure	The Life Cycle Expenditure (LCE) is the actual or planned annual maintenance and capital renewal expenditure incurred in providing the service in a particular year. Life Cycle Expenditure may be compared to Life Cycle Cost to give an initial indicator of life cycle sustainability.
Maintenance and Renewal Sustainability Index	Ratio of estimated budget to projected expenditure for maintenance and renewal of assets over a defined time (e.g. 5, 10 and 15-years).
Performance Measure	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.
Reactive Maintenance	Unplanned repair work carried out in response to service requests and management/supervisory directions.
Scheduled Maintenance	Maintenance carried out in accordance with a routine maintenance schedule e.g. scheduled maintenance grading.
Planned Maintenance	Repair work that is identified and managed through the customer requests system (TechnologyOne Customer Requests). These activities include inspections, assessing the condition against failure/breakdown experience, prioritising, scheduling, actioning the work and reporting what was done to develop a maintenance history and improve maintenance and service delivery performance.
Rate of Annual Asset Renewal	A measure of the rate at which assets are being renewed per annum expressed as a percentage of depreciable amount (capital renewal expenditure/ depreciable amount).
Reactive Maintenance	Unplanned repair work carried out in response to service requests & management / supervisory directions.
Recurrent Expenditure	Relatively small (immaterial) expenditure or that which has benefits expected to last less than 12 months. Recurrent expenditure includes operating and maintenance expenditure.
Remaining Life	The time remaining until an asset ceases to provide the required service level or economic usefulness. Age plus remaining life is economic life (also useful life).
Renewal Expenditure	Major works which do not increase the asset's design capacity but restores, rehabilitates, replaces or renews an existing asset to its original service potential.
Upgrade/Expansion Expenditure	Work over and above restoring an asset to original service potential.

Useful Life (also economic life)	Either:(a) the period over which an asset is expected to be available for use by an entity, or (b) the number of production or similar units expected to be obtained from the asset by the entity. It is estimated or expected time between placing the asset into service and removing it from service, or the estimated period of time over which the future economic benefits embodied in a depreciable asset, are expected to be consumed by the Council.
New Assets	Activities that create an asset that did not exist previously or extend an asset beyond its original size or capacity. New assets are also "capitalised", but they increase the asset base rather than restore its capacity to perform.

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APPENDIX B

Summary of Forecast Lifecycle Costings for 10-Years

Appendix B: Summary of Forecast Lifecycle Costings for 10-Years

	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029	2029/2030	2030/2031	2031/2032
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Renewal Capex (FWP) Existing assets only	$1,000,000	$1,000,000	$1,212,809	$1,011,436	$1,029,350	$1,209,393	$1,091,713	$993,250	$1,000,700	$996,618
Renewal Demand	$288,261	$125,034	$0	$384,300	$119,173	$951,837	$24,333	$0	$315,079	$0
Accumulative Gap (FWP-SL) Positive is a short fall in funding. Negative is overspend (before condition or service requires).	$711,739	$1,586,705	$2,799,514	$3,426,650	$4,336,827	$4,594,383	$5,661,763	$6,655,013	$7,340,633	$8,337,252
Maintenance (FWP)	$1,037,161	$1,052,718	$1,068,509	$1,084,536	$1,100,804	$1,117,317	$1,134,076	$1,151,087	$1,168,354	$1,185,879
Maintenance (SL)	$1,037,161	$1,052,718	$1,068,509	$1,084,536	$1,100,804	$1,117,317	$1,134,076	$1,151,087	$1,168,354	$1,185,879
New Capex (FWP)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Maintenance (New Capex)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0

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APPENDIX C

Projected Renewals from Valuations

Appendix C: Projected Renewals from Valuations

Assets with 10 Years or Less RUL –

Sum of Replacement Cost (Current Cost-RV)	Column Labels									
Row Labels	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**
Earthmoving	$ 288,261	$ 125,034		$ 384,300	$ 119,173	$ 951,837	$ 24,333		$ 315,079	
Light Commercial			$ 41,668		$ 28,074			$ 41,668		$ 28,074
Minor Ancillary Equip	$ 43,742	$ 326,559	$ 364,623	$ 187,434	$ 11,890	$ 92,750	$ 363,952	$ 162,776	$ 36,942	$ 150,245
Mowers		$ 94,185		$ 25,476	$ 11,894	$ 35,530	$ 94,630	$ 12,403	$ 16,486	$ 33,434
Passenger Vehicles	$ 93,259	$ 85,328	$ 494,464	$ 154,620	$ 387,445	$ 150,366	$ 281,311	$ 263,946	$ 52,729	$ 360,033
Trailers			$ 150,243	$ 43,787	$ 133,851	$ 18,237	$ 83,774	$ 14,418	$ 43,250	
Trucks	$ 763,636	$ 474,039	$ 161,811	$ 215,818	$ 337,022	$ 129,915	$ 119,640	$ 288,460	$ 430,745	$ 102,760
Grand Total	**$ 1,188,898**	**$ 1,105,144**	**$ 1,212,809**	**$ 1,011,436**	**$ 1,029,350**	**$ 1,378,634**	**$ 967,640**	**$ 783,671**	**$ 895,232**	**$ 674,546**

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