

29 May 2020

ASSET MANAGEMENT PLAN
OTHER ASSETS
2019/20 to 2048/49

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Executive summary

Warren Shire Council owns and manages a range of other assets that are used to support the functions of Council in the town, villages and across the Shire. These assets include the aerodrome and the levee banks in Warren, plant and equipment, office equipment, furniture and fittings, community land and operational land.

The estimated gross replacement cost of our other assets is \$25.7m. The levee banks in Warren comprise \$10.2m of this amount and plant and equipment comprises \$9.9m.

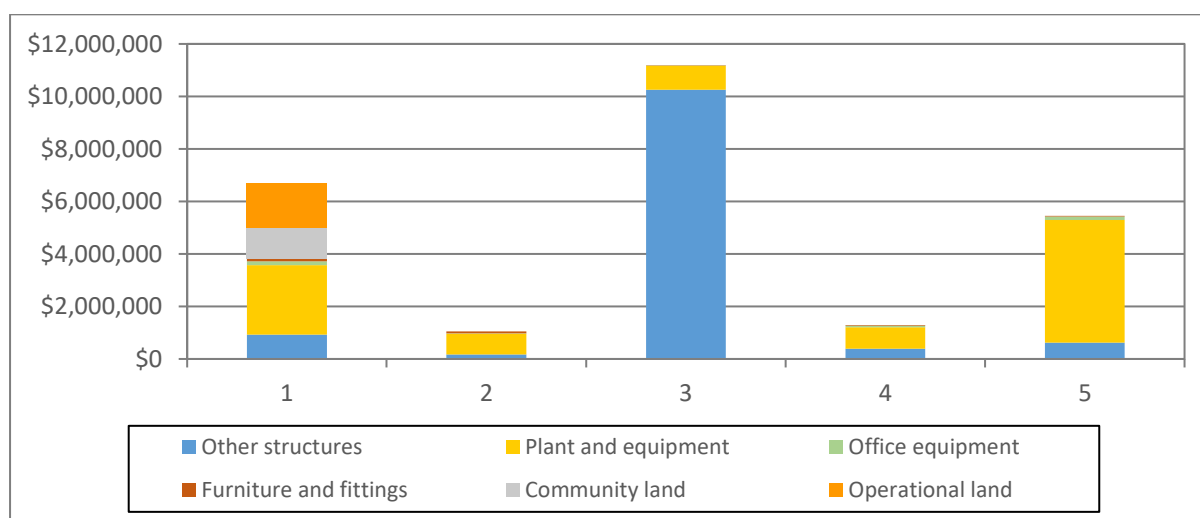
Council's strategic objectives for its other assets are to maintain and enhance the aerodrome, to make improvements in the town of Warren and to maintain services in the villages of Collie and Nevertire.

Council is not anticipating any significant change in the quantity of other assets it owns and manages.

The community has certain expectations as to the level of service it requires from our other assets. These expectations are classified under the categories of other structures, plant and equipment, office equipment, furniture and fittings, community land and operational land. This asset management plan outlines how Council delivers against these expectations and how we measure our performance.

Overall, most of our other assets are in an acceptable condition, i.e., they have a condition rating between 1 and 3 on a scale of 1 to 5. See figure ES1 below.

Figure ES1: Condition ratings, other assets (estimated gross replacement cost) as at 30 June 2019



Condition scale: 1=Excellent; 2=Good; 3=Average; 4=Poor; 5=Very poor

However, some assets are in condition 4 and 5. These are providing a poor level of service and will need to be renewed in the short- to medium-term. These assets include:

- Other structures
 - Aerodrome runway
- Plant and equipment
 - Trucks
 - Side tippers
 - A Caterpillar roller
 - Graders
 - A loader

- Office equipment
 - System servers
- Computers and monitors.

In this asset management plan, the lifecycle costs of our other assets are estimated and projected. There are four lifecycle categories. These categories are operations, maintenance, capital renewal and capital expansion.

A summary of the operational and maintenance activities which are undertaken is provided together with the frequency in which these activities are undertaken.

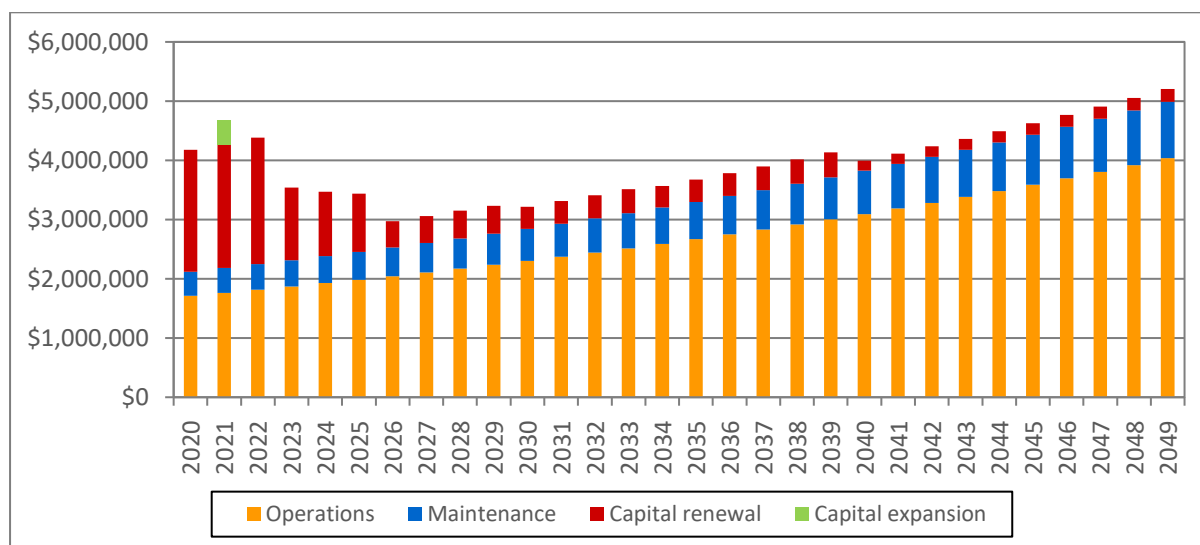
An analysis of the capital renewal funding needs over the next thirty years has been undertaken. Council will be allocating funds to an asset renewal reserve each year to ensure that it is saving money from the day it purchases an asset to allow it to replace the asset at the end of its life.

Funds also need to be allocated to the net cost of the proposed capital expansion projects that Council will be undertaking over the next thirty years (i.e. the costs over and above the grant funding that Council will receive for these projects). The capital expansion projects that are currently planned over the next thirty years include new infrastructure to be installed at Warren Airport, as part of an upgrade of the airport. This includes a new aircraft refuelling facility, a new helicopter landing area, new area navigation equipment and a new automatic weather information service.

These projects will cost approximately \$402,000. They will be funded by a grant from the NSW Government Drought Stimulus Package.

The projected lifecycle expenditure on operations, maintenance, renewal and expansion activities for our other assets over the next thirty years is shown in the following graph.

Figure ES2: Thirty-year projected lifecycle expenditure on Council’s other assets, 2020 to 2049



Our annual operations and maintenance costs are not expected to fluctuate significantly over the next thirty years as the quantity of other assets we own is not expected to change due to our relatively stable population. However, these costs have been indexed by 3.0% p.a. for inflation.

Our other assets have varying estimated useful lives. These range from our levee banks and land assets which have estimated useful lives of 100 years to our office equipment assets which have estimated useful lives ranging from 3 to 10 years. For all of these assets, the projected lifecycle expenditure includes funds to be allocated to an asset renewal reserve each year to ensure that assets can be replaced when they reach the end of their life. As with operations and maintenance costs, this asset renewal reserve allocation has been indexed by 3.0% p.a. for inflation.

Estimates for capital expansion projects for other assets have also been included in the thirty-year expenditure analysis.

Funding for our other assets is derived from various sources. These include:

- Fees generated from the assets
- Internally generated rent from plant hire
- Grants
- General funds
- Borrowings.

A relatively small amount of fees are generated from the cemeteries.

Rent is internally generated plant hire income.

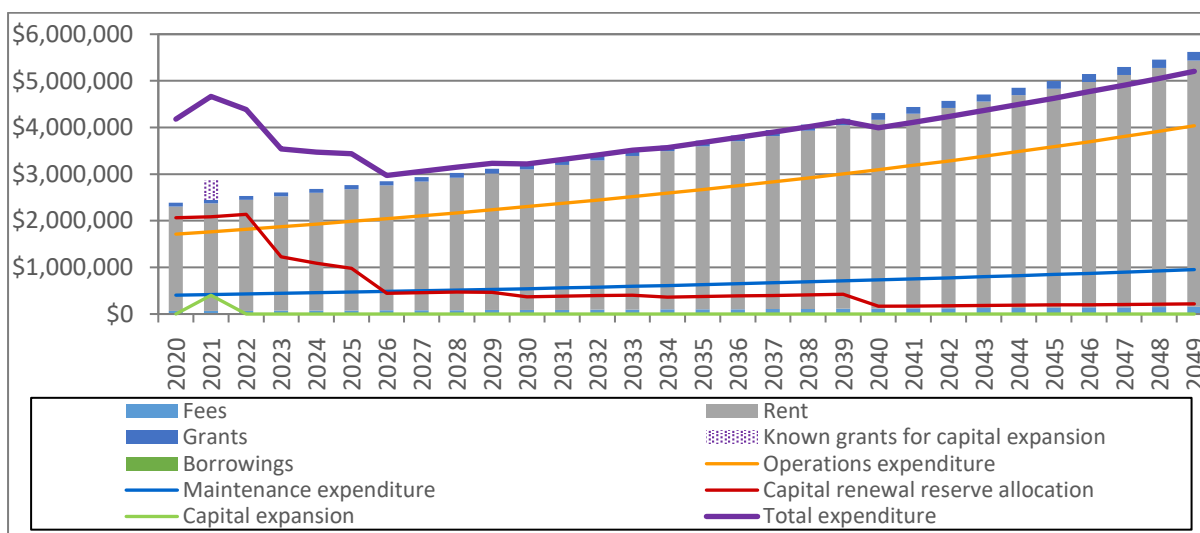
Grant funding is required when major projects need to be undertaken.

General funds are used in two ways for our other assets. Firstly, they are used to support the maintenance of our other assets. Secondly, they are used to build an asset renewal reserve each year. This will help to fund renewal projects.

Council also has the option of borrowing to support investments in our other assets.

The projected expenditure and funding picture for our other assets over the next thirty years is shown in figure ES3 below.

Figure ES3: Thirty-year financial plan for Council’s other assets, 2020 to 2049



This graph highlights the gap in the required funding for other assets in the short- to medium-term.

Between 2020 to 2033, it is anticipated that there will be a shortfall, i.e. total income will be less than our operations, maintenance and capital expenses. This is shown in figure ES3 as the gap between the purple total expenditure line and the top of the income bars. This shortfall will be carefully monitored over this period. From 2034, it is anticipated that there will be a small surplus.

Council has developed a series of performance benchmarks to help in assessing how well it is meeting the community’s expectations in relation to the condition of its assets.

Critical risks have been identified for our other assets. These include the risk that the levee banks or flood gates in Warren fail during a flood, that assets are damaged by fire or a severe storm, that assets are damaged by vandals and that assets deteriorate over time to unacceptable levels and cannot be used. Risk treatment plans have been developed to reduce the likelihood of these risks and to limit their impact.

Several initiatives have been identified to improve Council's asset management capabilities in relation to its other assets. These include:

- Implementing an integrated asset management system and associated processes to support Council's engineering and finance functions; this will also provide Council with much needed predictive capabilities to assist with decisions on where it should be allocating asset funding or if it should be seeking additional funding
- Regularly capturing accurate and complete asset condition data
- Tracking Council's performance against relevant community expectation benchmarks
- Implementing a productivity improvement program.

1 Introduction and strategic objectives

1.1 Introduction

Warren Shire is located in Central West NSW and covers an area of 10,860 square kilometres. Within the Shire is the town of Warren and the villages of Nevertire and Collie. According to the 2016 census, the total population for the Shire is 2,732 with 1,530 people living in Warren. In 2019 it is estimated that 92 people live in Nevertire and 46 people live in Collie.

The town of Warren is situated on the banks of the Macquarie River and is located 120 km from the regional centre of Dubbo and 515 km from Sydney. Nevertire is 20 km to the south west of Warren. Collie is located 51 km to the east of Warren.

Warren Shire Council owns and maintains \$247.0m (estimated gross replacement cost as at 30 June 2019) of community assets including roads, bridges, public buildings, the water supply network, the sewerage network and recreational assets. Council's other assets comprise \$25.7m of this asset base. Other assets include Council's plant and equipment, office equipment, furniture and fittings, community land, operational land and other structures (including the aerodrome and the levee banks in Warren).

The efficient management of our assets is vital to ensure that Council provides safe and reliable services for the community. To achieve this, Council has developed several integrated tools. These tools form the Integrated Planning and Reporting (IP&R) framework which includes Council's:

- Community strategic plan (CSP)
- Resourcing strategy
 - Long-term financial planning (LTFP)
 - Asset management planning
 - Asset management policy
 - Asset management strategy
 - Asset management plans (of which this is one).

Together, these tools guide Council and hold it to account with respect to delivering on its asset management strategic objectives.

Council has developed asset management plans for each class of asset under its control. This asset management plan for our other assets identifies our asset service standards and contains the long-term projected costs for the operations, maintenance, renewal and expansion of our assets.

1.2 Strategic objectives for other assets

The strategic objectives of Council in operating, maintaining and improving its other assets are as follows.

Table 1.1: Strategic objectives for other assets

No.	Strategic objectives for other assets	Link with the CSP
1	Implement the streetscape masterplan and town improvement committee activities	Strategy 2.2.2
2	Maintain and enhance the local aerodrome and promote its use	Strategy 3.1.3
3	Maintain and service the villages of Collie and Nevertire	Strategy 3.2.5
4	Maintain a quality customer service focus by Council staff	Strategy 5.2.1

1.3 Definitions

To ensure consistency between this document and the other documents in Council's IP&R framework, the following definitions are used.

Accumulated depreciation – The total depreciation of an asset's estimated replacement cost. Depreciation of an asset will continue to be accumulated until it is replaced. At this point, the original asset will be written off and the depreciation of the new asset will commence from zero.

Asset – A physical facility, which has value, and enables services to be provided to the community. The economic life of an asset is greater than twelve months.

Asset management – The combination of management, financial, economic and engineering practices applied to a physical asset with the objective of providing the required levels of service in the most cost-effective manner.

Estimated gross replacement cost – The estimated cost of replacing an asset calculated by multiplying estimated unit rates for each component of an asset by the size of the asset. Estimated gross replacement costs are calculated every five years when Council's assets are revalued.

Expansion – Activities associated with upgrading or improving an asset or creating a new asset.

Level of service – The ability of an asset to provide services to the community. A minimum level of service is set by Council for each asset. Community levels of service are based around the minimum required condition rating of an asset. Technical levels of service refer to the frequency in which maintenance and capital works are undertaken on an asset by Council.

Lifecycle – The phases in the life of an asset from acquisition, operations, maintenance, renewal and disposal.

Maintenance – Planned or unplanned activities required to ensure that the asset can continue to deliver the services required of it by the community.

Net carrying value – Estimated gross replacement cost minus accumulated depreciation. This is the equivalent of the written down value of an asset.

Operations – Regular, planned activities to keep the asset in service.

Renewal – Activities which involve restoring, refurbishing or replacing an asset to bring it back to its original capacity and performance capability. Renewal costs are treated as capital expenditure.

Renewal backlog – The cost to renew those assets within the Shire that do not achieve the required minimum level of service.

Useful life – The period over which an asset is expected to be available for use by Council (in the context of its service to Council, not to its actual physical life). The useful life of each asset is used by Council to determine the depreciation of the asset.

2 Services provided and classification

2.1 Other assets: categories and value

The other assets in the Warren Shire are comprised of Council's plant and equipment, office equipment, furniture and fittings, community land, operational land and other structures (including the aerodrome and the levee banks in Warren). The components of the other assets are summarised in the following table.

Table 2.1: Council's other assets (and value) as at 30 June 2019

Other assets category	Net carrying value \$	Estimated gross replacement cost \$
Other structures	6,350,385	12,363,325
Plant and equipment	3,589,544	9,848,348
Office equipment	180,774	364,342
Furniture and fittings	158,634	254,651
Community land	1,149,450	1,149,450
Operational land	1,704,498	1,704,498
Crown land	-	-
Total other assets	13,133,285	25,684,614
Total all Council assets	179,662,545	247,025,077
Percent of all Council assets	7.3%	10.4%

2.2 Overview of Council's other assets

Other structures

Other structures includes fencing, lighting, street garbage bins, cemetery infrastructure, emulsion tanks, pumping equipment, the aerodrome and the levee banks in Warren.

The levee banks comprise 82% of the value of all other structures assets.

Plant and equipment

Plant and equipment includes various items of plant used to conduct the outdoor operations of Council such as trucks, excavators, rollers, graders, cranes, tippers, prime movers, trailers, forklifts, mobile traffic lights, road vehicles, tractors, sewer eels, pumps, chainsaws and gardening equipment.

Office equipment

Office equipment includes computers and monitors, system servers, copiers, printers and cabling.

Furniture and fittings

Furniture and fittings includes library shelving, office furniture and workshop fit out items.

Community land

Community land includes the land component of sporting ovals, parks, reserves, the showground, some sewerage services, cemeteries, a caravan park and community facilities.

Operational land

Operational land includes land for housing, the airport, waste disposal, some sewerage services and land on which other economic activity is undertaken.

2.3 Managing future demand for the Shire’s other assets

2.3.1 Drivers of demand for other assets

A flat or declining demographic trend

The main driver affecting the demand for our other assets would be any change in the population of Warren and the two villages of Nevertire and Collie. As is the case with the majority of rural inland local government areas, the population of the Warren Shire has been declining steadily for several years as a result of outward migration from the Shire (especially amongst young adults). Over the long-term, this flat to declining population is likely to result in little change in the demand on our other assets.

2.3.2 Factors affecting the supply of other assets

Funding uncertainties

Warren Shire Council is highly reliant on grant funding and its rates revenues are limited.

Based on the size of our communities, it is difficult to fund the provision of our other assets. We need to seek ongoing government funding, where available, to maintain and enhance our other assets.

Council’s asset renewal backlog

Assets that are below the minimum condition rating do not meet Council’s minimum levels of service. Such assets will require renewal. These assets form part of Council’s renewal backlog and Council should be ensuring that these assets are brought up to the agreed levels of service.

Council’s asset renewal backlog will need to be funded.

Staff and resource shortages

As with financial constraints on the funding of our other assets, difficulties in recruiting and retaining staff has been a challenge for Council in recent years. Council, as a western rural Council, often faces challenges in filling technical and managerial positions. When technical or managerial positions are vacant it can affect Council’s ability to provide some of the services expected by the community.

3 Levels of service

One of the basic tenets of sound asset management practice is that assets provide the levels of service that the current and future community wants, and is prepared to pay for, in the most cost-effective manner.

Council has defined a set of measurable levels of service that are used to assess its performance in meeting this objective. Levels of service are grouped into:

- **Community levels of service** – These relate to what the community wants from our other assets in terms of the minimum required condition rating for each asset
- **Technical levels of service** – These refer to how the services will be delivered to the community.

Table 3.1 outlines what the community desires from our other assets and how Council will deliver against this. Key performance benchmarks are also provided. These benchmarks will enable us to determine whether we are delivering on what the community wants.

Table 3.1: Community expectations, other assets

The community wants (Community level of service)	How Council delivers this (Technical level of service)	Key performance benchmark
<p>Other structures Levee banks always remain sound</p> <p>Fencing, lighting, street garbage bins, cemetery infrastructure, emulsion tanks, pumping equipment and the aerodrome are continuously in good order and remain fit for purpose</p>	<p>Damage to levee banks and flood gates is repaired within 90 days of notification</p> <p>Damage to these structures is repaired within 30 days of notification</p>	<p>Flooding events do not occur more than once in 50 years</p> <p>95% of repair work is completed on time</p> <p>98% of levee banks and 95% of flood gates pass regular structural integrity testing</p> <p>95% of repair work is completed on time</p>
<p>Plant and equipment Vehicles and other outdoor equipment remains operational and ready for use</p>	<p>All items of plant are serviced regularly according to set servicing schedules</p> <p>Light plant is repaired within 7 days</p> <p>Heavy plant is repaired within 21 days</p>	<p>95% of services are completed on time</p> <p>95% of repair work is completed on time</p>

The community wants (Community level of service)	How Council delivers this (Technical level of service)	Key performance benchmark
Office equipment All currently utilised office equipment remains operational and ready for use	Repairs are undertaken within 7 days	95% of repair work is completed on time
Furniture and fittings All currently utilised furniture and fittings remain operational and ready for use	Repairs are undertaken within 7 days	95% of repair work is completed on time
Community land Land is available to support the various sporting, recreational and cultural needs of the community	Land is owned and maintained by Council	n/a
Operational land Land is available to support the essential services required by the community	Land is owned and maintained by Council	n/a

4 Condition of our assets

The condition of Council's assets is currently assessed every five years. This asset condition information is then used to plan the timing of our maintenance and capital renewal activities.

The current condition of Council's other assets is provided in this section of this plan.

Assets are rated from condition 1 to condition 5, as shown in table 4.1 below.

Table 4.1: Condition ratings for assessing the condition of our assets

Condition rating	Condition	Description
1	Excellent	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Average	Maintenance work required
4	Poor	Renewal required
5	Very poor	Urgent renewal / upgrading required

The intent of Council is not to undertake renewal on an asset until it reaches its intervention level. The intervention level is the condition level below which renewal is required based on the community's level of service expectations.

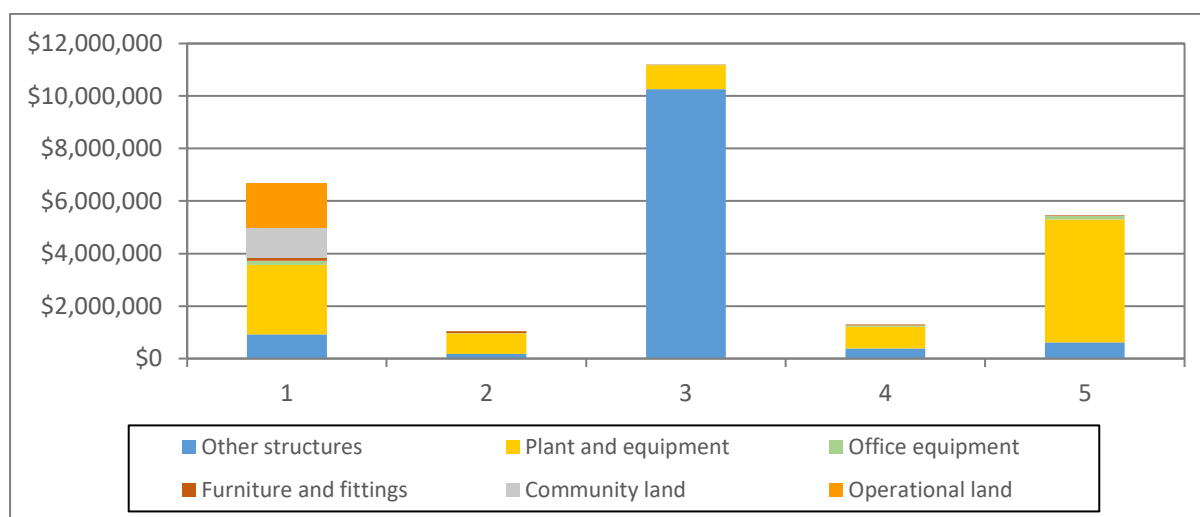
Typically, other assets in condition 4 will provide a poor level of service and will need to be renewed in the short- to medium- term. Assets in condition 5 may require urgent and immediate renewal or replacement. Funding may be needed to support the required level of renewals each year. Council will be allocating funds to an asset renewal reserve each year to help in managing these funding needs. This is discussed further in section 7 of this plan.

The condition of each asset in the other assets class has been assessed by estimating the proportion of each asset's expected useful life that has been consumed.

The estimated current condition ratings of Council's other assets are summarised in the table and graph below.

Table 4.2: Condition ratings, other assets (estimated gross replacement cost) as at 30 June 2019

Other assets category	Condition rating \$					Total \$
	1	2	3	4	5	
Other structures	922,552	174,283	10,262,302	385,967	618,221	12,363,325
Plant and equipment	2,647,450	784,738	912,401	824,124	4,679,635	9,848,348
Office equipment	151,207	16,271	11,989	53,752	131,123	364,342
Furniture and fittings	115,789	70,523	8,457	33,226	26,656	254,651
Community land	1,149,450	-	-	-	-	1,149,450
Operational land	1,704,498	-	-	-	-	1,704,498
Crown land	-	-	-	-	-	-
Total other assets	6,690,946	1,045,814	11,195,149	1,297,070	5,455,635	25,684,614

Figure 4.1: Condition ratings, other assets (estimated gross replacement cost) as at 30 June 2019

The table and graph above show that our other assets are mostly in an acceptable condition, i.e., they have a condition rating between 1 and 3. However, some assets are in condition 4 and 5. These are providing a poor level of service and will need to be renewed in the short- to medium-term. These assets include:

- Other structures
 - Aerodrome runway
- Plant and equipment
 - Trucks
 - Side tippers
 - A Caterpillar roller
 - Graders
 - A loader
- Office equipment
 - System servers
 - Computers and monitors.

5 Operations

5.1 Lifecycle costs

Council allocates the costs associated with the provision of its assets into four lifecycle categories:

Table 5.1: Lifecycle cost allocation for the provision of asset services

Activity	Description
Operations	Regular, planned activities to keep the asset in service
Maintenance	Planned or unplanned activities to ensure that the asset reaches its useful life
Renewal	The like-for-like replacement of an asset or asset component
Expansion	The upgrade or improvement of an asset The creation of a new asset

Operations and maintenance costs are current-year expenditure. Renewal and expansion costs are treated as capital expenditure.

5.2 Operational activities

Operational activities are those regular activities that are required to continuously provide the service expected of the asset. For our other assets, these activities include the following.

Table 5.2: Operational activities, other assets

Activity	Frequency
Performing regular services on plant and equipment	As per set servicing schedules
Responding to customer complaints	When received

Projected operational expenditure for the next thirty years is provided in table 10.1.

6 Maintenance

Routine maintenance is the regular ongoing work that is necessary to keep assets operating to ensure they reach their useful life. It includes work on an asset where a portion may fail and needs immediate repair to make it operational again.

Council's maintenance activities for our other assets include the following.

Table 6.1: Maintenance activities, other assets

Activity	Frequency
Inspecting and maintaining cemeteries	Weekly to fortnightly
Inspecting and maintaining the aerodrome	Weekly
Inspecting and maintaining the levee banks and flood gates in Warren	Annually
Maintaining furniture and fittings	When required
Maintaining office equipment	When required

In addition to planned maintenance, which is defined and scheduled over the medium-term, Council must also repair unforeseen damage caused by storms or accidents. This type of maintenance is referred to as either unplanned or reactive maintenance.

Council's unplanned maintenance work is often carried out because of issues identified through customer requests.

Projected maintenance expenditure for the next thirty years is provided in table 10.2.

7 Capital renewal / rehabilitation

Capital renewal activities involve restoring, refurbishing or replacing an asset to bring it back to its original capacity and performance capability.

Renewal costs are treated as capital expenditure.

The annual required renewal costs reflect the amount needed to be spent on assets that have deteriorated to a point at which renewal is required based on the community's level of service expectations.

Typically, other assets in condition 4 will provide a poor level of service and will need to be renewed in the short-to medium-term and assets in condition 5 may require urgent and immediate renewal or replacement.

Assessing the condition of our assets is not easy and is based on broad assumptions and the quality of the currently available data. Work will continue to improve the quality of our asset registers and systems to increase the accuracy of our condition data.

The process of assessing the condition of our assets starts by estimating the expected remaining useful life of each asset. This is done using long-term averages and the age of the asset. Useful lives are based on industry standards and are then adjusted, where relevant, to align with local conditions (e.g. ground movements, dry and hot summers). The range of expected useful lives for our other asset components is shown below.

Table 7.1: Expected useful life of other asset components (years)

Other assets category	Expected useful life (years) of asset components
Other structures	10-100
Plant and equipment	3-30
Office equipment	3-10
Furniture and fittings	5-15
Land	100

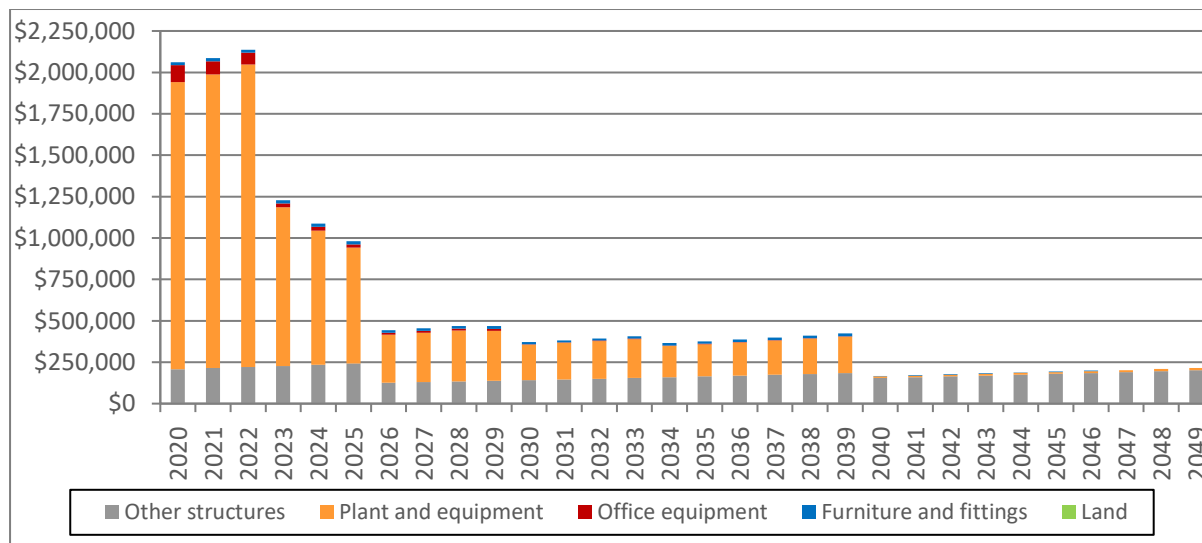
We supplement remaining useful life data with an assessment of each asset's actual condition. This is done through visible inspections and analysing whether there has been a history of failure or breakdown.

To manage the funding needs for renewing or replacing assets that are in condition 4 or 5 each year, Council will be allocating funds to an asset renewal reserve each year. This will ensure that we are saving money from the day we purchase an asset to allow us to replace the asset at the end of its life. The allocation will be made against each asset on a sliding scale basis. Assets that are in condition 1 will have a small asset renewal allocation and assets that are in condition 5 will have the highest asset renewal allocation as these assets need urgent renewal or replacement. The sliding scale for the allocation of funds to the asset renewal reserve is shown below.

Table 7.2: Allocation of funds to the asset renewal reserve each year, other assets

Useful life	Condition rating \$				
	1	2	3	4	5
100	0.500%	0.556%	0.667%	5.000%	16.667%
60	0.833%	0.926%	1.111%	5.000%	16.667%
50	1.000%	1.111%	1.333%	5.000%	16.667%
40	1.250%	1.389%	1.667%	5.000%	16.667%
35	1.429%	1.5873%	1.9048%	5.000%	16.667%
30	1.667%	1.852%	2.222%	5.000%	16.667%
25	2.000%	2.222%	2.667%	5.000%	16.667%
20	2.500%	2.778%	3.333%	5.000%	16.667%
15	3.333%	3.704%	4.444%	6.667%	16.667%
10	5.000%	5.000%	5.000%	10.000%	16.667%
7	7.143%	7.936%	20.000%	25.000%	33.333%
5	10.000%	11.111%	20.000%	25.000%	33.333%
4	12.500%	13.889%	25.000%	33.333%	50.000%
3	16.667%	18.518%	33.333%	50.000%	100.000%

Using this analysis, Council has identified an asset renewal allocation for each year over the next thirty years. This is summarised in the graph below. Detailed numbers are provided in table 10.3. The asset renewal reserve allocations are indexed by 3.0% p.a. for inflation.

Figure 7.1: Estimated annual required asset renewal reserve allocation for Council's other assets, 2020 to 2049

Some of the specific capital renewal projects that will be undertaken include the following.

Table 7.3: Specific future capital renewal projects, other assets

No.	Asset	Category	Estimated cost* \$
1	Refurbishment of main sealed runway 09/27	Other structures	672,000 ⁽¹⁾
2	Refurbishment of red clay runway 03/21 and taxiway	Other structures	600,000 ⁽¹⁾
3	Upgrade of runway lighting on runway 09/27 with LED lights	Other structures	192,000 ⁽¹⁾
4	Resurfacing airport aprons and parking areas	Other structures	96,000 ⁽¹⁾
5	Development of the airport subdivision Stage 2	Operational land	108,000 ⁽¹⁾
	Total		1,668,000 ⁽¹⁾

* Estimates need to be confirmed

- (1) This is part of the Warren Airport Upgrade Project. It will be funded by the \$2.37m grant from the NSW Government Drought Stimulus Package.

These projects will be undertaken during the 2021 financial year.

8 Capital expansion – upgrades and new assets

Capital expansion can refer to either the upgrade of existing assets or the acquisition of new assets.

Upgrades are improvements of existing assets to provide a higher level of service.

New assets are assets that have been built to support growth, new social or environmental needs or to create additional service level capacity.

Council is not anticipating any significant changes in the populations of Warren, Nevertire or Collie. Therefore, there will be little change in the demand for our other assets.

However, as part of the Warren Airport upgrade, Council will be installing a new infrastructure. This includes a new aircraft refuelling facility, a new helicopter landing area, new area navigation equipment and a new automatic weather information service.

The estimated gross and net costs (i.e. costs net of grant funding) of these projects are summarised below.

Table 8.1: Future capital expansion projects, other assets

No.	Asset	Estimated gross cost * \$	Estimated grant funding \$	Council contribution \$
1	Installation of aircraft refuelling facility (part of other structures)	234,000	234,000 ⁽¹⁾	-
2	Construction of helicopter landing area complete with LED lighting (part of other structures)	114,000	114,000 ⁽¹⁾	-
3	Installation of Area Navigation equipment and Automatic Weather Information Service (part of other structures)	54,000	54,000 ⁽¹⁾	-
	Total	402,000	402,000 ⁽¹⁾	-

* Estimates need to be confirmed

(1) This is part of the Warren Airport Upgrade Project. It will be funded by the \$2.37m grant from the NSW Government Drought Stimulus Package.

These projects will be undertaken during the 2021 financial year.

The timing of this planned capital expansion expenditure is provided in table 10.4.

9 Disposal plan

Disposal includes any activity associated with the disposal of a decommissioned asset including sale, demolition or relocation.

As can be seen in table 7.1, many of Council's other assets have relatively short expected useful lives. As assets such as plant and equipment, office equipment and furniture and fittings reach the end of their useful lives, they are disposed of and, where necessary, replaced.

Assets that have a market value at the time of disposal, for example, items of plant, are sold at auction.

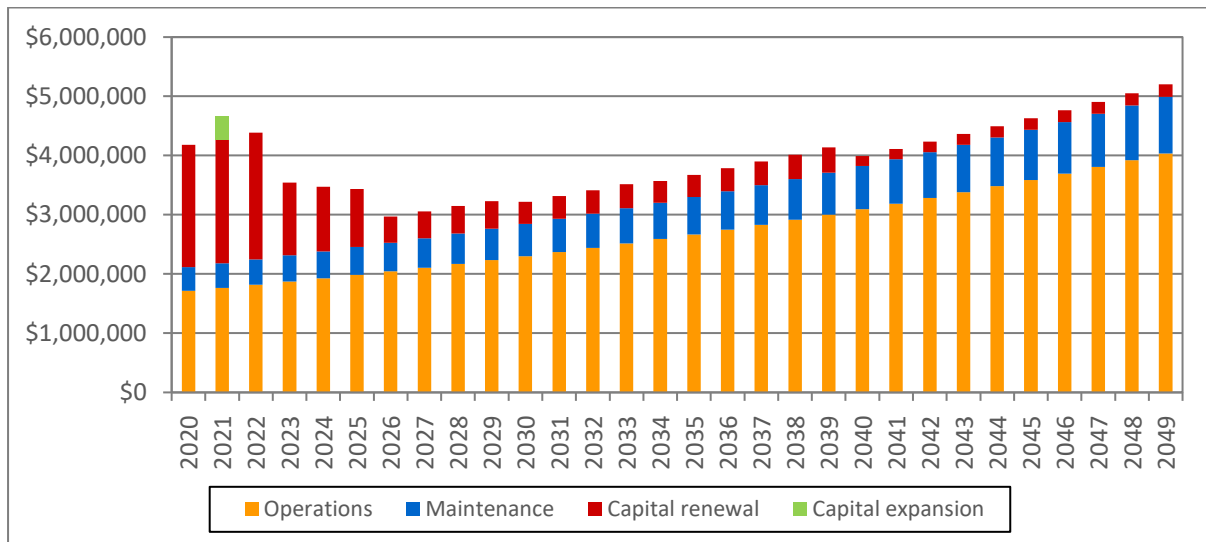
10 Financial plan

The financial plan for our other assets projects the lifecycle expenditure for these assets over the next thirty years and considers a funding plan to support these costs.

10.1 Other assets asset lifecycle expenditure

The projected lifecycle expenditure on operations, maintenance, renewal and expansion activities for our other assets over the next thirty years is shown in the following graph.

Figure 10.1: Thirty-year projected lifecycle expenditure on Council’s other assets, 2020 to 2049



This graph shows where our funds will be allocated to our other assets over the next thirty years.

Our annual operations and maintenance costs are not expected to fluctuate significantly over the next thirty years as the quantity of other assets we own is not expected to change due to our relatively stable population. However, these costs have been indexed by 3.0% p.a. for inflation.

Our other assets have varying estimated useful lives. These range from our levee banks and land assets which have estimated useful lives of 100 years to our office equipment assets which have estimated useful lives ranging from 3 to 10 years. For all of these assets, the projected lifecycle expenditure includes funds to be allocated to an asset renewal reserve each year to ensure that assets can be replaced when they reach the end of their life. As with operations and maintenance costs, this asset renewal reserve allocation has been indexed by 3.0% p.a. for inflation.

The capital expansion projects that are currently planned over the next thirty years include new infrastructure to be installed at Warren Airport, as part of an upgrade of the airport. This includes a new aircraft refuelling facility, a new helicopter landing area, new area navigation equipment and a new automatic weather information service

The detailed projected lifecycle costs for our other assets over the next thirty years are shown in the following tables.

Table 10.1: Operations costs for Council's other assets, 2020 to 2049 (\$000)

Description	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049
Operations (1)																														
Other structures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant and equipment	1,429	1,472	1,516	1,562	1,609	1,657	1,707	1,758	1,811	1,865	1,921	1,978	2,038	2,099	2,162	2,227	2,294	2,362	2,433	2,506	2,581	2,659	2,739	2,821	2,905	2,993	3,082	3,175	3,270	3,368
Office equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture and fittings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land	284	292	301	310	319	329	339	349	360	370	381	393	405	417	429	442	456	469	483	498	513	528	544	560	577	594	612	631	649	669
Total operations	1,713	1,765	1,817	1,872	1,928	1,986	2,046	2,107	2,170	2,235	2,302	2,371	2,443	2,516	2,591	2,669	2,749	2,832	2,916	3,004	3,094	3,187	3,283	3,381	3,482	3,587	3,695	3,805	3,920	4,037

(1) Operations costs are indexed by 3.0% p.a. for inflation

Table 10.2: Maintenance costs for Council's other assets, 2020 to 2049 (\$000)

Description	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049
Maintenance (1)																														
Other structures	189	195	200	206	213	219	226	232	239	247	254	262	269	277	286	294	303	312	322	331	341	351	362	373	384	396	407	420	432	445
Plant and equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office equipment	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Furniture and fittings	6	6	6	6	6	7	7	7	7	7	8	8	8	8	8	9	9	9	10	10	10	10	11	11	11	12	12	12	13	13
Land	209	215	222	228	235	242	249	257	265	272	281	289	298	307	316	325	335	345	355	366	377	388	400	412	424	437	450	464	478	492
Total maintenance	404	416	429	442	455	469	483	497	512	528	543	560	576	594	612	630	649	668	688	709	730	752	775	798	822	847	872	898	925	953

(1) Maintenance costs are indexed by 3.0% p.a. for inflation

Table 10.3: List of capital renewal reserve allocations for Council's other assets, 2020 to 2049 (\$000)

Description	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049
Capital renewal (1)																														
Other structures	208	215	221	228	235	242	126	130	134	138	142	146	150	155	159	164	169	174	179	185	155	160	165	169	175	180	185	191	196	202
Plant and equipment	1,732	1,773	1,827	958	811	700	290	298	307	302	215	221	228	235	189	195	201	207	213	219	10	10	10	11	11	11	12	12	12	13
Office equipment	104	80	71	23	23	20	11	12	12	12	2	2	3	3	3	3	3	3	3	3	-	-	-	-	-	-	-	-	-	-
Furniture and fittings	17	18	18	18	19	19	15	15	16	16	12	13	13	13	14	14	15	15	16	16	3	3	3	3	3	4	4	-	-	-
Land	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total capital renewal	2,062	2,086	2,137	1,227	1,087	981	443	455	468	468	371	382	394	406	365	376	387	399	411	423	168	173	178	183	189	195	200	203	209	215

(1) Capital renewal reserve allocations are indexed by 3.0% p.a. for inflation

Table 10.4: List of capital expansion projects for Council's other assets, 2020 to 2049 (\$000)

Description	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049
Capital expansion																														
Aircraft refuelling facility	-	234	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Helicopter landing area	-	114	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Area navigation and automatic weather information	-	54	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total capital expansion	-	402	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

10.2 Funding plan for other assets

Funding for our other assets is derived from various sources. These include:

- Fees generated from the assets
- Internally generated rent from plant hire
- Grants
- General funds
- Borrowings.

A relatively small amount of fees are generated from the cemeteries.

Rent is internally generated plant hire income.

Grant funding is required when major projects need to be undertaken.

General funds are used in two ways for our other assets. Firstly, they are used to support the maintenance of our other assets. Secondly, they are used to build an asset renewal reserve each year. This will help to fund renewal projects.

Council also has the option of borrowing to support investments in our other assets. This option requires careful monitoring of Council's debt service ratio.

10.3 Summary of expenditure and funding sources

Table 10.5 is the financial plan for other assets for the next thirty years. It summarises the projected asset lifecycle expenditure and projected funding.

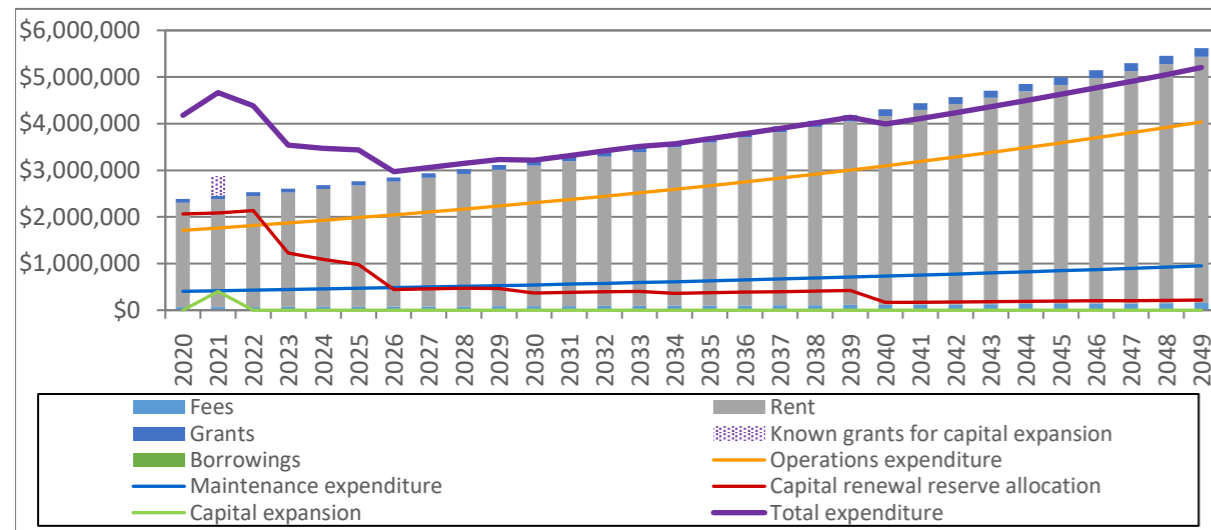
Table 10.5: Thirty-year financial plan for Council’s other assets, 2020 to 2049 (\$000)

Description	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049
Income																														
Fees (1)	65	67	69	71	73	75	77	80	82	85	87	90	92	95	98	101	104	107	110	114	117	121	124	128	132	136	140	144	148	153
Rent (1)	2,243	2,310	2,379	2,451	2,524	2,600	2,678	2,758	2,841	2,926	3,014	3,104	3,197	3,293	3,392	3,494	3,599	3,707	3,818	3,932	4,050	4,172	4,297	4,426	4,559	4,695	4,836	4,981	5,131	5,285
Grants (1)	78	81	83	85	88	91	93	96	99	102	105	108	111	115	118	122	125	129	133	137	141	145	150	154	159	164	169	174	179	184
Known grants for capital expansion	-	402	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total income	2,386	2,859	2,531	2,607	2,685	2,766	2,848	2,934	3,022	3,113	3,206	3,302	3,401	3,503	3,608	3,717	3,828	3,943	4,061	4,183	4,309	4,438	4,571	4,708	4,849	4,995	5,145	5,299	5,458	5,622
Expenditure																														
Operations (2)	1,713	1,765	1,817	1,872	1,928	1,986	2,046	2,107	2,170	2,235	2,302	2,371	2,443	2,516	2,591	2,669	2,749	2,832	2,916	3,004	3,094	3,187	3,283	3,381	3,482	3,587	3,695	3,805	3,920	4,037
Maintenance (3)	404	416	429	442	455	469	483	497	512	528	543	560	576	594	612	630	649	668	688	709	730	752	775	798	822	847	872	898	925	953
Capital renewal (4)	2,062	2,086	2,137	2,227	1,087	981	443	455	468	468	371	382	394	406	365	376	387	399	411	423	168	173	178	183	189	195	200	203	209	215
Capital expansion (5)	-	402	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditure	4,179	4,668	4,384	3,541	3,471	3,436	2,971	3,059	3,151	3,231	3,217	3,313	3,413	3,515	3,568	3,675	3,785	3,899	4,016	4,136	3,992	4,112	4,235	4,362	4,493	4,628	4,767	4,906	5,053	5,205
Surplus / (shortfall)	(1,793)	(1,809)	(1,853)	(934)	(786)	(670)	(123)	(125)	(129)	(118)	(11)	(11)	(12)	(12)	40	42	43	44	45	47	317	326	336	346	356	367	378	393	405	417

- (1) Income is indexed at 3.0% p.a. for inflation
- (2) Details of operations costs are provided in table 10.1 above
- (3) Details of maintenance costs are provided in table 10.2 above
- (4) Details of specific capital renewal reserve allocations are provided in table 10.3 above
- (5) Details of specific capital expansion projects are provided in table 10.4 above

Figure 10.2 summaries the projected expenditure and funding picture for other assets over the next thirty years.

Figure 10.2: Thirty-year financial plan for Council’s other assets, 2020 to 2049



The table and graph above highlight the gap in the required funding for other assets in the short- to medium-term.

Between 2020 to 2033, it is anticipated that there will be a shortfall, i.e. total income will be less than our operations, maintenance and capital expenses. This is shown in the last line of table 10.5 and in figure 10.2 as the gap between the purple total expenditure line and the top of the income bars. This shortfall will be carefully monitored over this period. From 2034, it is anticipated that there will be a small surplus. The known grant in this table and graph is funding from the NSW Government Drought Stimulus Package. This grant will fund the new infrastructure at Warren Airport in the 2021 financial year.

11 Key performance benchmarks

Council monitors and assesses its performance with respect to maintaining and renewing its assets using key performance benchmarks. These benchmarks are used to measure how well Council is meeting the community's expectations in relation to the condition of its assets.

Council recognises the importance of working with the local community when managing the Shire's assets on behalf of the community. Council works with the community in two important ways. Firstly, it creates community service expectations. These summarise what the community wants. Secondly, it measures its progress in meeting these community service expectations against key performance benchmarks.

By using community-focussed performance benchmarks, Council can ensure that everything it does in maintaining and improving its other assets is directly relevant to the community.

The key performance benchmarks that have been established for the other assets are outlined in table 3.1.

Council will be incorporating these benchmarks into its Customer Relationship Management (CRM) system so that performance against these benchmarks can be tracked, measured and improved.

12 Risk management plan

12.1 Critical risks

Council is committed to the identification and elimination or reduction of risks associated with hazards that arise throughout Council's operations as far as reasonably practicable. Our risk assessment process:

- Identifies credible risks
- Analyses the likelihood of the risk event occurring
- Assesses the consequences should the event occur
- Develops a risk rating ('likelihood' times 'consequences')
- Evaluates the risk
- Details a risk treatment plan for non-acceptable risks.

The critical risks identified for our other assets are summarised in the following table. The table includes the risk treatment plans that have been developed to reduce the likelihood of these risks and to limit their impact.

Table 12.1: Critical risks for our other assets

No.	Description	Likelihood / frequency	Consequence	Risk rating	Risk treatment plan
1	Levee banks in Warren fail during a flood	Unlikely / 75 years	<ul style="list-style-type: none"> • The town of Warren floods 	High	<ul style="list-style-type: none"> • Conduct regular inspections of levee banks and repair where required
2	Flood gates fail during a flood	Unlikely / 75 years	<ul style="list-style-type: none"> • The town of Warren floods 	High	<ul style="list-style-type: none"> • Conduct regular inspections of flood gates and repair where required
3	Other structures including the aerodrome, lighting, fencing and pumping equipment are damaged by fire or a severe storm	Unlikely / 75 years	<ul style="list-style-type: none"> • Other structures become fully or partially unusable • Aerodrome cannot be used for emergencies 	High	<ul style="list-style-type: none"> • Check adequacy of insurance • Develop business continuity plans
4	Other structures are damaged by vandals	Possible / 5 years	<ul style="list-style-type: none"> • Operational effectiveness is impacted 	Moderate	<ul style="list-style-type: none"> • Install security systems • Check adequacy of insurance
5	Vehicles and outdoor equipment deteriorate over time and cannot be used	Likely / 5 years for light vehicles 10 years for heavy plant and equipment	<ul style="list-style-type: none"> • Operational effectiveness is disrupted 	Moderate	<ul style="list-style-type: none"> • Conduct routine maintenance • Allocate funds to an asset renewal reserve

No.	Description	Likelihood / frequency	Consequence	Risk rating	Risk treatment plan
6	Office equipment deteriorates over time and cannot be used	Possible / 3 years	<ul style="list-style-type: none"> Operational effectiveness is disrupted 	Moderate	<ul style="list-style-type: none"> Conduct routine maintenance Allocate funds to an asset renewal reserve
7	Furniture and fittings deteriorate over time and cannot be used	Possible / 5 years	<ul style="list-style-type: none"> Operational effectiveness is disrupted 	Moderate	<ul style="list-style-type: none"> Conduct routine maintenance Allocate funds to an asset renewal reserve

12.2 Critical assets

Critical assets are specific assets which have a high consequence of failure. For example, failure would cause a financial loss within the community or a marked reduction of service. Generally, critical assets do not necessarily have a high likelihood of failure.

By identifying critical assets and critical failure modes, Council can appropriately target and refine inspection regimes, maintenance plans and capital expenditure plans.

Operations and maintenances activities may also be targeted to mitigate critical assets failure and maintain service levels. These activities may include increased inspection frequency and higher maintenance intervention levels.

Council has determined that our critical other assets include the following:

Table 12.2: Critical other assets

No.	Critical asset	Why critical
1	Levee banks and flood gates	Needed to protect the town of Warren during a flood
2	Aerodrome	Needed for emergencies
3	Outdoor heavy plant and equipment	Needed to ensure that Council can provide outdoor services to the community
4	Office equipment	Needed to ensure that Council can provide administrative services to the community
5	Furniture and fittings	Needed to ensure that Council can provide administrative services to the community

13 Asset management improvement program

Council has identified several initiatives to improve its asset management capabilities in relation to its other assets. These are outlined below.

Table 13.1: Asset management improvement program, other assets

Area	Task	Who	When
1. Systems and processes	<p>Implement an integrated asset management system and associated processes. This will enable Council to:</p> <ul style="list-style-type: none"> • Integrate its engineering and finance functions • Store and access all asset management data from a single source • Manage, upload and retrieve asset condition ratings more regularly and in a consistent format • Track patterns of asset deterioration • Produce timely and accurate reports including: <ul style="list-style-type: none"> • The annual financial reports • Detailed asset costing and valuation reports • Asset component reports • Financial and sustainability benchmark reports • Reports supporting the LTFP • Simplify all asset management decision making • Enhance Council's predictive capabilities (using up-to-date condition data and unit rates) to assist with decisions on where it should be allocating its asset funding or if it should be seeking additional funding • Support the engineering services division by producing and tracking work orders and then transferring the costs of this work to the general ledger in real time 	Divisional Manager Finance and Administration Services / Divisional Manager Engineering Services	December 2021
2. Accuracy and completeness of asset condition data	<p>Capture accurate and complete asset condition data regularly. This will allow Council to:</p> <ul style="list-style-type: none"> • Improve its understanding of asset deterioration patterns over time • Allocate capital renewal funding according to the actual condition of Council's assets 	Divisional Manager Engineering Services	May 2021
3. Community expectation benchmarks	<p>Track Council's performance against its community expectation benchmarks. This will ensure that it will:</p> <ul style="list-style-type: none"> • Maintain its assets at the level that is required by the community 	Divisional Manager Engineering Services	May 2021
4. Productivity improvements	<p>Implement a productivity improvement program to:</p> <ul style="list-style-type: none"> • Reduce Council's unit rate costs for asset renewal • Increase the time between rehabilitation work • Ensure that Council is only renewing assets that need renewing 	Divisional Manager Engineering Services	December 2021