



Wudinna District Council

2022-2031

ASSET MANAGEMENT PLAN



Wudinna District Council
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Update with 2021-22 budget (March 2022)

Document Control

Rev No	Date	Revision Details	Author	Reviewer	Approver
Draft 1.0	5/3/2014	Draft for comment	Administrative Services Officer	CEO	CEO
Draft 1.1	18/3/2014	For approval for release for Consultation	Administrative Services Officer	Council	Council
Draft 1.2	19/3/2014	Release for Consultation	Administrative Services Officer	CEO	CEO
Version 1.0	15/4/2014	Version 1.0 for Release	Administrative Services Officer	Council	Council
Draft 2.0	December 2015	For approval and release for Consultation	Administrative Services Officer	CEO	
Version 2.0	22/3/2016	Version 2.0 for Release	Administrative Services Officer	Council	Council
Version 3.0 Draft	14/2/2017	Update to bring in line with 2016-17 LTFP	Administrative Services Officer	CEO	CEO
Version 3.0 Draft	21/2/2017	Version 3.0 for approval	Administrative Services Officer	Council	
Version 3.1	21/2/2017	Version 3.1 approved	Administrative Services Officer	Council	Council
Version 4.0 Draft	9/2/2018	Update to bring in line with the 2017-18 LTFP	Administrative Services Officer	CEO	Council
Version 4.0	20/2/2018	Released for Public Consultation	Administrative Services Officer	Council	Council
Version 4.1	18/12/2018	Update for new FY (2018-19)	Finance Manager	Council	Council
Version 4.2	December 2019	Update for new FY (2019-20)	Finance Manager	Council	Council
Version 4.3	May 2021	Update for new FY (2020-21) and inclusion of details for each category of asset and slight rearrange.	Finance Manager	Audit Committee	Council
Version 4.4	March 2022	Update for new FY (2021-22)	Finance Manager	Audit Committee	Council

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Executive Summary

This Asset Management Plan outlines the financial implications and standards to be followed in the management of Councils assets and is intended to demonstrate.

how Council will achieve this outcome by responsible asset management and planning.

The plan includes the following asset categories:

- Plant & Equipment
- Roads
- Road Infrastructure – Other
- Property – Land & Easements, Buildings
- Stormwater
- CWMS (STEDS)

These infrastructure assets have a total replacement value of almost \$58 million.

Forecast Capital Expenditure on Assets for the Next 10 Years

The forecast total cost per asset category for the next 10 years in relation to replacing existing assets and building new or upgrading assets is:

<i>,\$000</i>	RENEWAL/ REPLACEMENT	NEW/ UPGRADED
INFRASTRUCTURE ROADS	\$13,469	\$58
BUILDINGS & STRUCTURES	\$2,605	\$1,795
RD INFRASTRUCTURE OTHER	\$0	\$1,663
STORMWATER	\$15	\$0
PLANT & EQUIPMENT	\$6,605	\$15
INFRASTRUCTURE RESERVES	\$350	\$50
CWMS	\$0	\$0
OTHER	\$60	\$900
	\$23,103	\$4,481
	\$27,584	

Reference is made to Council's Long Term Financial Plan (LTFP) in relation to projects and new asset construction that may or may not go ahead in the future.

What Council will do

Council Plans to provide Infrastructure Asset services for the operation, maintenance, renewal and upgrade of infrastructure assets to meet service levels set by council in annual budgets and its Long Term Financial Plan.

What we cannot do

Council does not have the financial capacity to fund the full replacement of Councils existing assets given the revenue streams that are presently available to provide all services at the desired service levels or provide new services.

Managing the Risks

There are risks associated with providing the service and not being able to complete all identified activities and projects.

Council will endeavour to manage these risks within available funding.

Introduction

Background

This Asset Management Plan is prepared to meet legislative and organisational requirements for sustainable service delivery and long term financial planning and reporting. Core asset management is a 'top down' approach where analysis is applied at the 'system' or network level.

The Asset Management Plan is to be read with the following associated planning documents:

- Wudinna District Council Community Plan, 2018 - 2023
- Wudinna District Council Corporate Plan, 2018-2022
- Wudinna District Council Corporate Action Plan, 2018-2022
- Wudinna District Council Asset Management and Accounting Policy
- Wudinna District Council Annual Business Plan and Budget 2021-2022
- Wudinna District Council Long Term Financial Plan 2022-2031
- Capital Expenditure Plan 2022-2031

Goals and Objectives

This Asset Management Plan has been prepared within the direction of Council's vision, mission, goals and objectives as detailed in the Council's Community Plan and Corporate Plan.

VISION

"A viable, motivated, rural community which offers an economically diverse, environmentally sustainable and rewarding lifestyle."

MISSION

As an elected level of government, the Wudinna District Council will provide leadership, representation and advocacy for its community. It will be accessible and work with the community to identify and provide for its needs efficiently and meet its aspiration.

The Council will operate with integrity and be open and accountable to the community in all its activities.

Plan Framework

Council's goal in managing infrastructure assets is to meet the required level of service in the most cost-effective manner for present and future consumers.

The key elements of infrastructure asset management are:

- Taking a life cycle approach,
- Developing cost-effective management strategies for the long term,
- Providing a defined level of service and monitoring performance,
- Understanding and meeting the demands of growth through demand management and infrastructure investment,
- Managing risks associated with asset failures,
- Sustainable use of physical resources,
- Continuous improvement in asset management practices. [1]

[1] IIMM 2011 Sec 1.1.3, p 1|6

Understanding What Council Owns

Current Replacement Cost

Council periodically revalues its assets to determine the current replacement cost of its assets. Revaluations are performed when it is considered that the carrying amount of the asset class may differ materially from the fair value of the class.

The current replacement costs (CRC) for all assets within each category of assets listed above are as follows:

Asset Category	Details of Assets	Current Replacement Costs
Roads	117km of Sealed and 1,570km of Unsealed road network. <i>Natural surfaced and unformed roads are not valued.</i>	\$30,336,785
Buildings & Structures	Community, Council, recreational and cultural buildings and toilet blocks	\$8,545,545
Other Road Infrastructure	Footpaths and bikeways, spoon drains, car parks, kerbing and guttering.	\$3,513,904
Stormwater	Underground pipes, drainage basins, pump stations and header tanks relating to the redirection and reuse of stormwater.	\$7,420,218
Plant & Equipment	Graders, loaders, tractors, trucks, mowers and other vehicles.	\$4,787,219
Infrastructure Reserves	Aerodrome runway strips and lighting, improvements on recreational reserves, major signage, shelters, etc.	\$5,021,934
CWMS	Underground pipes, storage pond, pumps and pump sheds relating to the CWMS system servicing the Wudinna township.	2,292,868
Other (Furniture & Equipment)	Major miscellaneous equipment such as IT infrastructure and radio equipment.	\$85,902
Land	All council owned and maintained land	\$2,034,200
TOTAL		\$64,038,575

Levels Of Service

This Plan has been prepared on the assumption that current service standards are adequate to meet the expectations of the community. Further to this the LTFP indicates that Council is in a financially sustainable position. Accordingly, scenario analysis has not been undertaken at this stage to determine the relative increases or decreases in costs associated with providing increased or decreased service ranges and levels.

Council has participated in the LGA's Business Partnering Program, which was focussed on developing mechanisms to comprehensively record the range and levels of both operating services as well as asset services. This provides Council with solid decision-making data to analyse the impact of various scenarios on Council's long term financial position where services are increased or decreased.

Service levels will be defined in terms of:

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.

Technical Levels of Service

Supporting the community service levels 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 such as opening hours, cleaning frequency, mowing frequency, etc.

Maintenance – the activities necessary to retain an asset as near as practicable to its original condition (e.g. road patching, unsealed road grading, building and structure repairs).

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

Upgrade – the activities to provide a higher level of service (e.g. widening a road, sealing an unsealed road, replacing a pipeline with a larger size) or a new service that did not exist previously (e.g. Pump Track and Splash Pad).

Desired Levels of Service

At present, indications of desired levels of service are obtained from various sources including residents' feedback to Elected Members and staff, service requests and correspondence. Council has yet to quantify desired levels of service. This will be done in future revisions of this Asset Management Plan.

Future Demand Forecast

Factors affecting demand include population change, changes in demographics, seasonal factors, vehicle ownership, consumer preferences and expectations, economic factors, agricultural practices, environmental awareness, etc.

The view taken in the preparation of this Plan as well as the LTFP is that there will be minimal shifts either upwards or downwards in current population levels. Should this change, then both the AMP and LTFP will be updated.

Legislative Requirements

Council has to meet many legislative requirements including Australian and State Legislation and State Regulations. Relevant Legislation is shown in the below table.

Legislation	Requirement
Crown Land Management Act 2009	Provide administrative procedures for the efficient handling of Crown land transactions; (b) to encourage fair and transparent decision making in the allocation of un-alienated Crown land; (c) to provide a system for the management of Crown land that achieves a balance between the social, economic and environmental needs of the community.
Disability Inclusion Act 2018	Provides for disabled access to premises and public facilities within premises.
Electricity Act 1996	Provides for all electrical infrastructures to be maintained in a safe condition.
Emergency Management Act, 2004 (SA)	Requires lifeline utilities to function at the fullest possible extent during and after an emergency and to have plans for such functioning (Business Continuity Plans).
Environment Protection Act 1993	Creates offences for causing environmental nuisance or pollution. Provides for conditions on licences for infrastructure such as CWMS and waste disposal facilities.
Housing Improvement Act 2016	Sets standards for amenity and state of repair of dwellings and provides procedures for rent control, where disrepair exists, and prohibition of occupancy when dwelling unfit for human habitation.
Local Government Act 1999	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.
Native Vegetation Act 1991	Provides direction to landowners in relation to the control of clearance of native vegetation for road construction or maintenance activities.
Landscape South Australia Act 2019	Provides the legislative framework to support and enhance ecologically sustainable development by establishing an integrated scheme to promote use and management of natural resources that make up or contribute to our State's landscape.
South Australian Public Health Act 2011	Sets out sewage disposal from all types of premises (non sewerred), cooling towers and institutional warm water systems.
Retirement Villages Act 2016	Provides for planning and management of maintenance.
Roads (Opening and Closing) Act 1991	An Act to provide for the opening and closing of roads.
Road Traffic Act 1961	Sets out requirements for all road users and for all vehicle types, with regard to road rules, safety and traffic management.
Supported Residential Facilities Act 1992	Sets standards for amenities and operation of non-Commonwealth funded aged care facilities.
Valuation of Land Act 1971	An act to make provision for the annual valuation process of all properties in the state by the Valuer-General - including 'Site value' and 'capital value'.
Water Industry Act 2012	Establishes the regulatory framework covering economic regulation, technical regulation, water planning and customer complaint handling.
Work Health and Safety Act 2012 & Regulations	Sets out requirements and standards for occupational health and safety in workplaces.

Asset Categories

Asset Plans are reviewed on an annual basis as part of Councils Budget setting process and Annual Business Plan review. The final Plans are then incorporated into the LTFP.

Levels of Service as discussed in section 3, condition assessment and financial implications are taken into consideration as part of the review of the Asset Plans.

Plant and Equipment

To maintain Councils existing service levels, Council needs to maintain its existing fleet of Plant & Equipment. A replacement program has been developed in order to get a balance of optimum use and trade-in value of each item.

A list of Plant and Equipment is maintained along with their proposed year of replacement and approximate cost is included in Councils Capex plan. These cost projections are included in Councils Long Term Financial Plan.

Roads

1. Classes of Roads

Council has used the following classes to classify its roads within its Roads Asset Register:

1	Sealed	Rural (SNBU)
2	Formed	Rural (FNBU)
3	Sealed	Township (SBU)
4	Formed	Township (FBU)

Refer to Appendix 2, Wudinna District Council Road Network.

In order to assist in assigning service levels to roads the following hierarchy is used to establish useful life, condition at end of life to suit usage of the road:

Arterial Roads are those that are major connectors from other districts to the Eyre Highway and to townships within the district. They are all either major freight movement routes, school bus routes or primary routes to major tourist attractions and are deemed to have high traffic counts.

Core Roads are generally local movement routes for residents of the district, but all are gazetted for Restricted Access Vehicle traffic as they constitute main corridors for seasonal freight movements. They may also constitute school bus routes or secondary routes to major tourist attractions and are deemed to have medium traffic counts.

Local access roads accommodate access to residential properties and are generally low traffic volume roads, although it is considered that these should be maintained as “all-weather” roads, where appropriate.

Refer to Appendix 3, Arterial and Core Road Network.

The Eyre Highway runs east/west through the district for 112 kilometres and at Kyancutta intersects the Tod Highway which runs south for 23 kilometres. Both of these roads are maintained by Department of Infrastructure and Transport.

2. Roads Strategy

A 10 Year Road Construction Program has been set based on condition assessment and road hierarchy and Levels of Service as discussed in section 4. This is reviewed on an annual basis.

Road Infrastructure – Other

A Footpath Priority Plan has been developed according to Councils strategy to have all the Wudinna township centre to have a footpath on both sides of the streets and at least one side of every other township street.

Refer to Appendix 4, Footpath Priority Plan.

Buildings & Structures

Council owns a raft of buildings and structures. A full listing is included in Councils Asset Register. Based on usage levels, needs and risk assessments, priorities are determined on a yearly basis.

CWMS

Council has a Community Wastewater Management System for the township of Wudinna. Each year an inspection undertaken by specialists and priorities for maintenance and upgrades are determined from the outcome of the inspection.

Stormwater

Councils' stormwater system is predominately in good working order. Thought is given to future needs during budgeting.

Infrastructure Reserves

Council owns and manages a number of reserves with a variety of improvements (playgrounds, etc). A full list is detailed in Councils Asset Register. Maintenance and safety checks are conducted regularly to determine future needs.

Life Cycle Management Plan

Maintenance Plan

Maintenance includes reactive, planned and specific maintenance work activities.

Reactive maintenance is unplanned repair work carried out in response to service requests and management/supervisory directions.

Planned maintenance is repair work that is identified and managed through a maintenance management system (MMS). MMS activities include inspection, 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.

Specific maintenance is replacement of higher value components/sub-components of assets that is undertaken on a regular cycle including repainting, building roof replacement, etc. This work generally falls below the capital/maintenance threshold but may require a specific budget allocation.

Projected asset maintenance expenditure is included in the LTFP and is contained within the relevant Appendices for each asset category.

Future revision of this Infrastructure and Asset Management Plan will include linking required maintenance expenditures with required service levels.

Assessment and prioritisation of reactive maintenance is undertaken by operational staff using experience and judgement.

Renewal / Replacement Plan

Renewal expenditure is major work which does not increase the asset's design capacity but restores, rehabilitates, replaces or renews an existing asset to its original service potential. Work over and above restoring an asset to original service potential is upgrade/expansion or new works expenditure.

Renewal will be undertaken using 'low-cost' renewal methods where practical. The aim of 'low-cost' renewals is to restore the service potential or future economic benefits of the asset by renewing the assets at a cost less than replacement cost.

Where it is proposed that an asset is to be renewed after the expiration of its useful life, it is inspected to verify the accuracy of remaining life estimate and to confirm that the asset can continue to provide adequate service prior to a decision being made on renewal.

Asset life expectancy is based on known performance of assets and is benchmarked against other local governments.

Deferred renewal, i.e. those assets identified for renewal and not scheduled for renewal in capital works programs are to be included in the risk assessment process in the Risk Management Plan.

Creation / Acquisition / Upgrade Plan

New works are those works that create a new asset that did not previously exist, or works which upgrade or improve an existing asset beyond its existing capacity. They may result from growth, social or environmental needs. Assets may also be acquired at no cost to the Council from land development.

New assets and upgrade/expansion of existing assets are identified from various sources such as councillor or community requests, proposals identified by Strategic Plans or partnerships with other organisations. Candidate proposals are inspected to verify need and to develop a preliminary estimate. Verified proposals are ranked by priority and available funds and scheduled in future works programmes.

New assets and services are to be funded from capital works program and grants where available.

Disposal Plan

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

Assets identified for possible decommissioning and disposal, together with estimated annual savings from not having to fund operations and maintenance of the assets will be reinvestigated to determine the required levels of service and see what options are available for alternate service delivery, if any.

Financial Summary

Medium term – 10-year financial planning period

This Infrastructure Asset Management Plan identifies the projected expenditures required to provide an agreed level of service to the community over a 10-year period. This provides input into 10 year financial and funding plans aimed at providing the required services in a sustainable manner.

These projected expenditures may be compared to budgeted expenditures in the 10-year period to identify any funding shortfall. A gap is generally due to increasing asset renewals for ageing assets.

Funding Strategy

Projected expenditure is to be funded from future operating and capital budgets. The funding strategy is detailed in the organisation's 10-year Long Term Financial Plan.

Valuation Forecasts

Asset values are forecast to increase as additional assets are added to the asset stock from construction and acquisition by Council and from assets constructed by land developers and others and donated to Council.

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

Asset Management Practices

Standards and Guidelines

Asset Management practices and processes are driven by a number of legislative requirements and assisted by developed guidelines.

Local Government Act 1999 (sets out Councils Asset Management responsibility and the requirement to develop Asset Management Plans).

Australian Accounting Standard 27, Financial Reporting by Local Governments 1996 (sets out the asset accounting requirements).

International Infrastructure Management Manual, NAMS (provides guidance and direction on Asset Management Policy and Plan Development).

Information Flow Requirements and Processes

The key information flows *into* this Infrastructure Asset Management Plan are:

- Council strategic and operational plans,
- Service requests from the community,
- Network assets information,
- The unit rates for categories of work/materials,
- Current levels of service, expenditures, service deficiencies and service risks,
- Projections of various factors affecting future demand for services and new assets acquired by Council,
- Future capital works programs,
- Financial asset values.

The key information flows *from* this asset management plan are:

- The projected Works Program and trends,
- The resulting budget and Long Term Financial Plan expenditure projections,
- Financial sustainability indicators.

These will impact the Long Term Financial Plan, Strategic Longer-Term Plan, annual budget and business plans.

Financial projections in this plan are developed in consultation with functional area Manager's and the Chief Executive Officer for incorporation into the Long Term Financial Plan.

New assets are added to the Council's Asset Register and are aligned with Council's financial reporting system.

Plan Improvement And Monitoring

Performance Measures

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

- The degree to which the required cash flows are incorporated into the organisation's Long Term Financial Plan and Community/Strategic Planning processes and documents,
- The degree to which 1-5 year detailed works programs, budgets, business plans and organisational structures take into account the 'global' works program trends provided by the asset management plan.

Monitoring and Review Procedures

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

References

Long Term Financial Plan 2022-2031

Asset Register

Community Plan, 2018 - 2023

Corporate Plan, 2018-2022

Corporate Action Plan, 2018-2022

Annual Business Plan and Budget 2021-22

Council Property and Infrastructure Management Policy

Asset Management and Accounting Policy

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

IPWEA, 2011, *International Infrastructure Management Manual*, Institute of Public Works Engineering Australia, Sydney, www.ipwea.org.au.

IPWEA, 2011, *NAMS.PLUS 3 Asset Management*, Institute of Public Works Engineering Australia, Sydney, www.ipwea.org.au/namsplus.

IPWEA, 2009, *Australian Infrastructure Financial Management Manual*, Institute of Public Works Engineering Australia, Sydney, www.ipwea.org.au/AIFMM.

Appendices

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| Appendix 1: | Capital Expenditure Summary |
| Appendix 2: | Wudinna District Council Road Network |
| Appendix 3: | Arterial and Core Road Network |
| Appendix 4: | Footpath Priority Plan |
| Appendix 5: | Abbreviations |
| Appendix 6: | Glossary |

Appendix 1 – Capital Expenditure Summary

Renewals (\$,000)

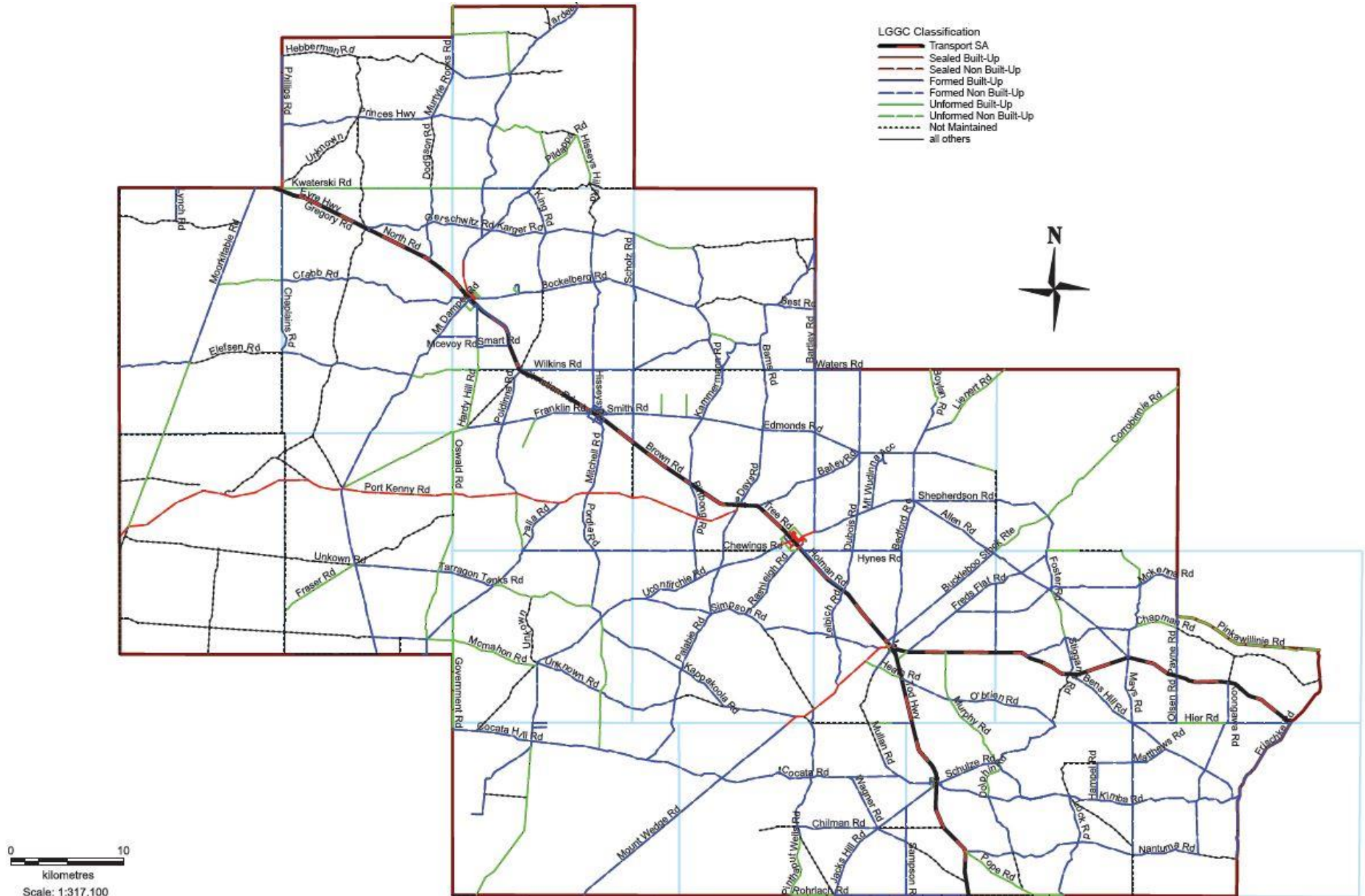
Category	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Buildings	\$200	\$750	\$900	\$290	\$100	\$50	\$105	\$60	\$70	\$80
Roads	\$1,271	\$1,258	\$1,227	\$1,361	\$1,305	\$1,148	\$1,301	\$1,426	\$1,446	\$1,725
Rd Infrastructure – Other (Footpaths, carparks, etc)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Stormwater	\$15	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CWMS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Plant & Equipment	\$804	\$1,070	\$879	\$991	\$408	\$428	\$705	\$559	\$205	\$555
Infrastructure Reserves	\$0	\$20	\$55	\$40	\$30	\$20	\$25	\$100	\$20	\$40
Other	\$60	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$2,350	\$3,098	\$3,061	\$2,682	\$1,843	\$1,646	\$2,136	\$2,145	\$1,741	\$2,400

New / Upgraded (\$,000)

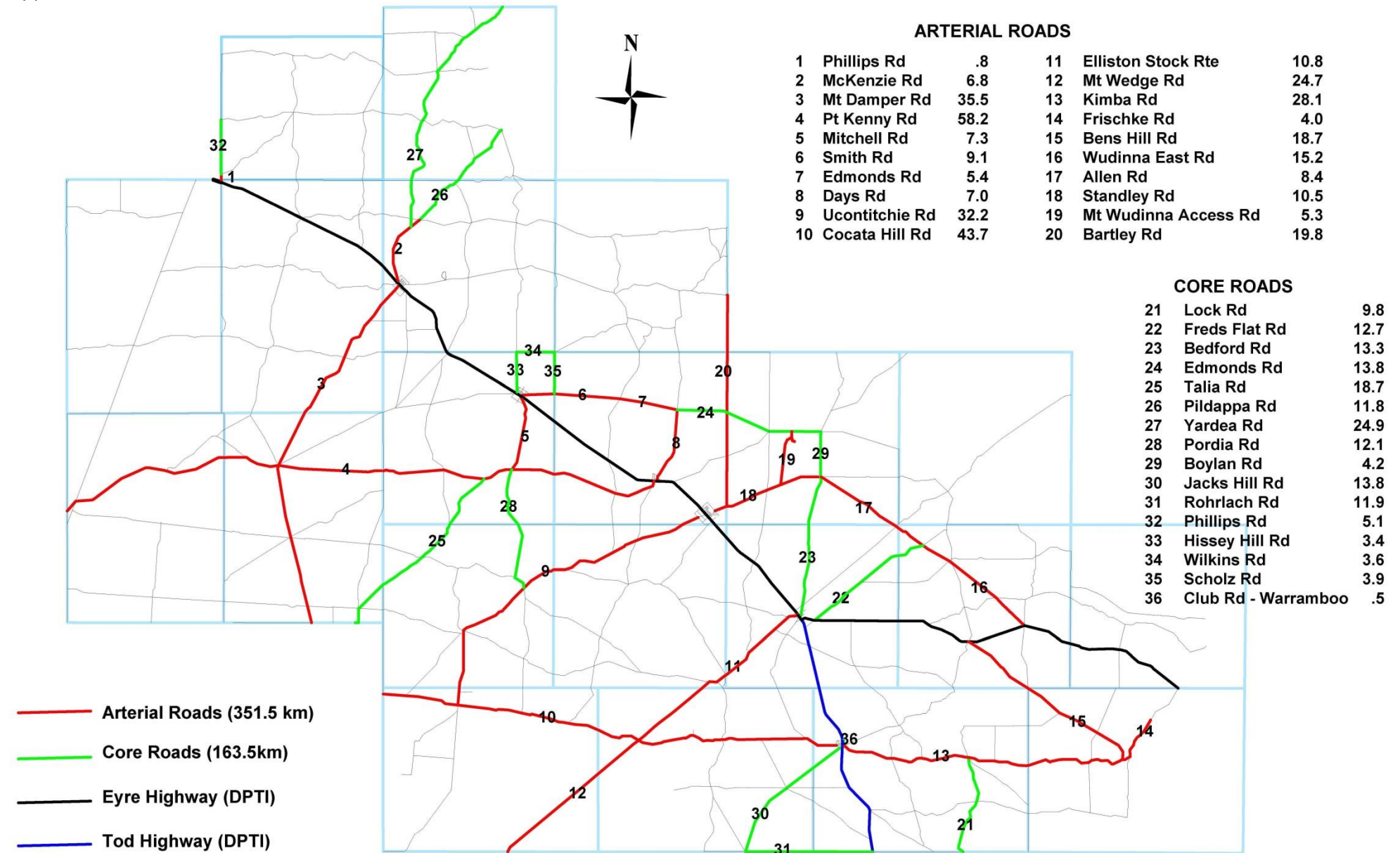
Category	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Buildings	\$35	\$560	\$650	\$550	\$0	\$0	\$0	\$0	\$0	\$0
Roads	\$58	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Rd Infrastructure – Other (Footpaths, carparks, etc)	\$15	\$22	\$15	\$15	\$22	\$11	\$15	\$1,017	\$515	\$17
Stormwater	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CWMS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Plant & Equipment	\$15	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Infrastructure Reserves	\$0	\$0	\$0	\$0	\$50	\$0	\$0	\$0	\$0	\$0
Other	\$900	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$1,023	\$582	\$665	\$565	\$72	\$11	\$15	\$1,017	\$515	\$17

Total All	\$3,358	\$3,680	\$3,726	\$3,247	\$1,915	\$1,658	\$2,151	\$3,162	\$2,256	\$2,417
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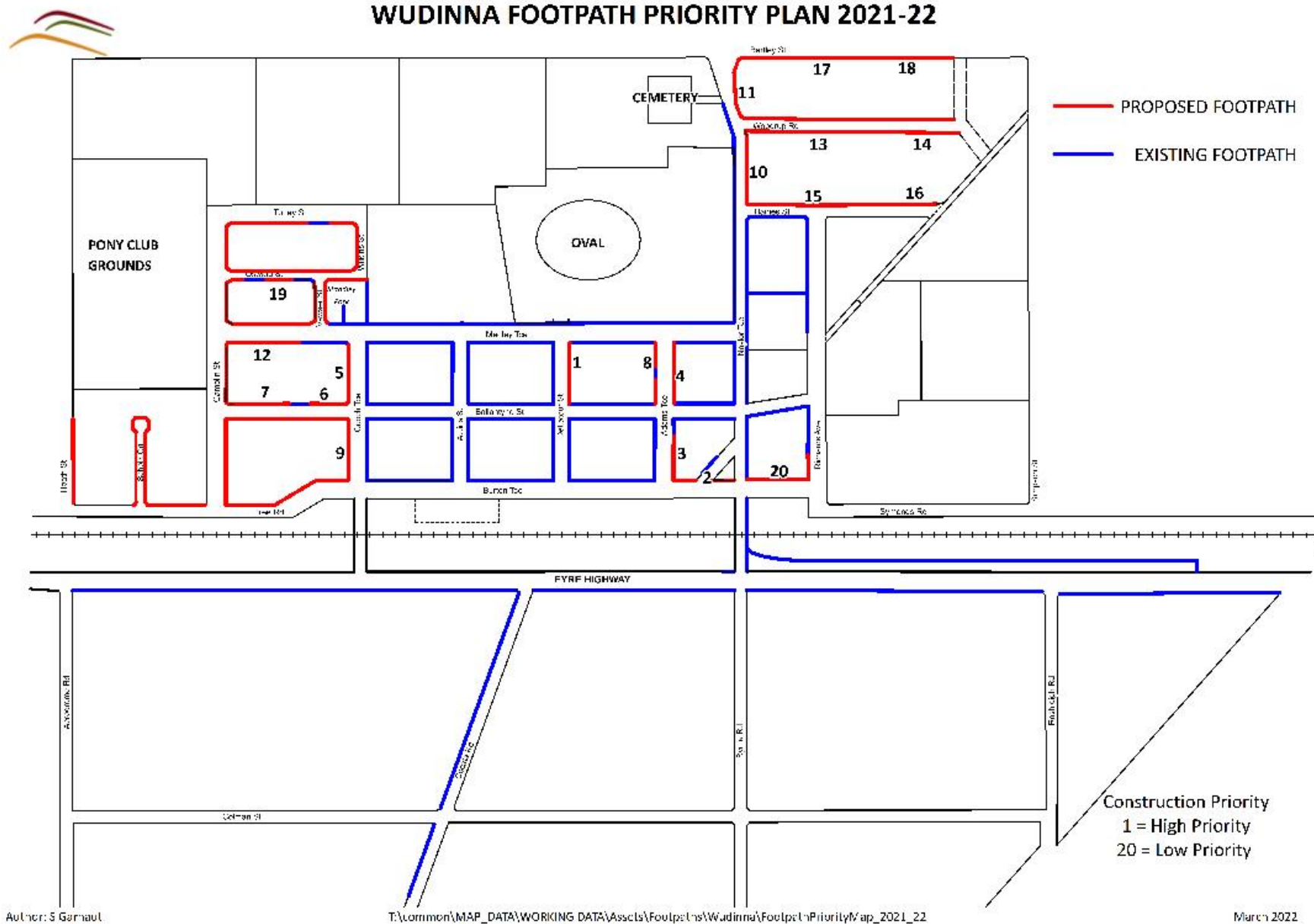
Appendix 2 – Wudinna District Council Road Network



Appendix 3 Arterial and Core Road Network



Appendix 4 Footpath Priority Plan (Road Infrastructure – Other)



Appendix 5 Abbreviations

AAAC	Average annual asset consumption	LCC	Life Cycle Cost
AMP	Asset Management Plan	LCE	Life Cycle Expenditure
CAR	Client Action Request	LGA	Local Government Association
CRC	Current replacement cost	LGAMLS	Local Government Association Mutual Liability Scheme
CWMS	Community Wastewater Management Systems (previously STEDS)	LGGC	Local Government Grants Commission
DA	Depreciable amount	LTFP	Long Term Financial Plan
DPTI	Department of Planning Transport & Infrastructure	MMS	Maintenance Management System
EPA	Environmental Protection Authority	p.a	Per annum
GIS	Geographical Information System	RV	Residual Value
IIMM	International Infrastructure Management Manual	WDC	Wudinna District Council
IRMP	Infrastructure Risk Management Plan		

Local Government Grants Commission Road Categorisation

SNBU	Sealed Non Built Up	SBU	Sealed Built Up
FNBU	Formed Non Built Up	FBU	Formed Built Up

Appendix 6 Glossary

Annual service cost (ASC)

1) Reporting actual cost

The annual (accrual) cost of providing a service including operations, maintenance, depreciation, finance/opportunity and disposal costs less revenue.

2) For investment analysis and budgeting

An estimate of the cost that would be tendered, per annum, if tenders were called for the supply of a service to a performance specification for a fixed term. The Annual Service Cost includes operations, maintenance, depreciation, finance/ opportunity and disposal costs, less revenue.

Asset

A resource controlled by an entity as a result of past events and from which future economic benefits are expected to flow to the entity. Infrastructure assets are a sub-class of property, plant and equipment which are non-current assets with a life greater than 12 months and enable services to be provided.

Asset class

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

Asset condition assessment

The process of continuous or periodic inspection, assessment, measurement and interpretation of the resultant data to indicate the condition of a specific asset so as to determine the need for some preventative or remedial action.

Asset management (AM)

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.

Average annual asset consumption (AAAC)*

The amount of an organisation's asset base consumed during a reporting period (generally a year). This may be calculated by dividing the depreciable amount by the useful life (or total future economic benefits/service potential) and totalled for each and every asset OR by dividing the carrying amount (depreciated replacement cost) by the remaining useful life (or remaining future economic benefits/service potential) and totalled for each and every asset in an asset category or class.

Borrowings

A borrowing or loan is a contractual obligation of the borrowing entity to deliver cash or another financial asset to the lending entity over a specified period of time or at a specified point in time, to cover both the initial capital provided and the cost of the interest incurred for providing this capital. A borrowing or loan provides the means for the borrowing entity to finance outlays (typically physical assets) when it has insufficient funds of its own to do so, and for the lending entity to make a financial return, normally in the form of interest revenue, on the funding provided.

Capital expenditure

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

Capital expenditure - expansion

Expenditure that extends the capacity of an existing asset to provide benefits, at the same standard as is currently enjoyed by existing beneficiaries, to a new group of users. It is discretionary expenditure, which increases future operations and maintenance costs, because it increases the organisation's asset base, but may be associated with additional revenue from the new user group, e.g. extending a drainage or road network, the provision of an oval or park in a new suburb for new residents.

Capital expenditure - new

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

Capital expenditure - renewal

Expenditure on an existing asset or on replacing an existing asset, which returns the service capability of the asset up to that which it had originally. It is periodically required expenditure, relatively large (material) in value compared with the value of the components or sub-components of the asset being renewed. As it reinstates existing service potential, it generally has no impact on revenue, but may reduce future operations and maintenance expenditure if completed at the optimum time, e.g. resurfacing or re sheeting a material part of a road network, replacing a material section of a drainage network with pipes of the same capacity, resurfacing an oval.

Capital expenditure - upgrade

Expenditure, which enhances an existing asset to provide a higher level of service or expenditure that will increase the life of the asset beyond that which it had originally. Upgrade expenditure is discretionary and often does not result in additional revenue unless direct user charges apply. It will increase operations and maintenance expenditure in the future because of the increase in the organisation's asset base, e.g. widening the sealed area of an existing road, replacing drainage pipes with pipes of a greater capacity, enlarging a grandstand at a sporting facility.

Capital funding

Funding to pay for capital expenditure.

Capital grants

Monies received generally tied to the specific projects for which they are granted, which are often upgrade and/or expansion or new investment proposals.

Capital investment expenditure

See capital expenditure definition

Capitalisation threshold

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

Carrying amount

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

Class of assets

See asset class definition

Component

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

Cost of an asset

The amount of cash or cash equivalents paid or the fair value of the consideration given to acquire an asset at the time of its acquisition or construction, including any costs necessary to place the asset into service. This includes one-off design and project management costs.

Current replacement cost (CRC)

The cost the entity would incur to acquire the asset on the reporting date. The cost is measured by reference to the lowest cost at which the gross future economic benefits could be obtained in the normal course of business or the minimum it would cost, to replace the existing asset with a technologically modern equivalent new asset (not a second hand one) with the same economic benefits (gross service potential) allowing for any differences in the quantity and quality of output and in operating costs.

Depreciable amount

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

Depreciated replacement cost (DRC)

The current replacement cost (CRC) of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset.

Depreciation / amortisation

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

Economic life

See useful life definition.

Expenditure

The spending of money on goods and services. Expenditure includes recurrent and capital.

Fair value

The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties, in an arm's length transaction.

Funding gap

A funding gap exists whenever an entity has insufficient capacity to fund asset renewal and other expenditure necessary to be able to appropriately maintain the range and level of services its existing asset stock was originally designed and intended to deliver. The service capability of the existing asset stock should be determined assuming no additional operating revenue, productivity improvements, or net financial liabilities above levels currently planned or projected. A current funding gap means service levels have already or are currently falling. A projected funding gap if not addressed will result in a future diminution of existing service levels.

Heritage asset

An asset with historic, artistic, scientific, technological, geographical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture and this purpose is central to the objectives of the entity holding it.

Impairment Loss

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

Infrastructure assets

Physical assets that contribute to meeting the needs of organisations or the need for access to major economic and social facilities and services, e.g. roads, drainage, footpaths and cycleways. 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 separate market value.

Investment property

Property held to earn rentals or for capital appreciation or both, rather than for:

- (a) use in the production or supply of goods or services or for administrative purposes; or
- (b) sale in the ordinary course of business.

Key performance indicator

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

Level of service

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

Life Cycle Cost

1. **Total LCC:** The total cost of an asset throughout its life including planning, design, construction, acquisition, operation, maintenance, rehabilitation and disposal costs.
2. **Average LCC:** The life cycle cost (LCC) is average cost to provide the service over the longest asset life cycle. It comprises annual operations, 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 operations, maintenance and capital renewal expenditure incurred in providing the service in a particular year. Life Cycle Expenditure may be compared to average Life Cycle Cost to give an initial indicator of life cycle sustainability.

Loans / borrowings

See borrowings.

Maintenance

All actions necessary for retaining an asset as near as practicable to its original condition, including regular ongoing day-to-day work necessary to keep assets operating, e.g. road patching but excluding rehabilitation or renewal. It is operating expenditure required to ensure that the asset reaches its expected useful life.

- **Planned maintenance**

Repair work that is identified and managed through a maintenance management system (MMS). MMS activities include inspection, assessing the condition against failure/breakdown criteria/experience, prioritising scheduling, actioning the work and reporting what was done to develop a maintenance history and improve maintenance and service delivery performance.

- **Reactive maintenance**

Unplanned repair work that is carried out in response to service requests and management/supervisory directions.

- **Significant maintenance**

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

- **Unplanned maintenance**

Corrective work required in the short-term to restore an asset to working condition so it can continue to deliver the required service or to maintain its level of security and integrity.

Maintenance and renewal gap

Difference between estimated budgets and projected required expenditures for maintenance and renewal of assets to achieve/maintain specified service levels, totalled over a defined time (e.g. 5, 10 and 15 years).

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).

Maintenance expenditure

Recurrent expenditure, which is periodically or regularly required as part of the anticipated schedule of works required to ensure that the asset achieves its useful life and provides the required level of service. It is expenditure, which was anticipated in determining the asset's useful life.

Materiality

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

Modern equivalent asset

Assets that replicate what is in existence with the most cost-effective asset performing the same level of service. It is the most cost efficient, currently available asset which will provide the same stream of services as the existing asset is capable of producing. It allows for technology changes and, improvements and efficiencies in production and installation techniques

Net present value (NPV)

The value to the organisation of the cash flows associated with an asset, liability, activity or event calculated using a discount rate to reflect the time value of money. It is the net amount of discounted total cash inflows after deducting the value of the discounted total cash outflows arising from eg the continued use and subsequent disposal of the asset after deducting the value of the discounted total cash outflows.

Non-revenue generating investments

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

Operations expenditure

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

Operating expense

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

Pavement management system

A systematic process for measuring and predicting the condition of road pavements and wearing surfaces over time and recommending corrective actions.

PMS Score

A measure of condition of a road segment determined from a Pavement Management System.

Rate of annual asset consumption

A measure of average annual consumption of assets (AAAC) expressed as a percentage of the depreciable amount (AAAC/DA). Depreciation may be used for AAAC.

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/DA).

Rate of annual asset upgrade

A measure of the rate at which assets are being upgraded and expanded per annum expressed as a percentage of depreciable amount (capital upgrade/expansion expenditure/DA).

Recoverable amount

The higher of an asset's fair value, less costs to sell and its value in use.

Recurrent expenditure

Relatively small (immaterial) expenditure or that which has benefits expected to last less than 12 months. Recurrent expenditure includes operations and maintenance expenditure.

Recurrent funding

Funding to pay for recurrent expenditure.

Rehabilitation

See capital renewal expenditure definition above.

Remaining useful life

The time remaining until an asset ceases to provide the required service level or economic usefulness. Age plus remaining useful life is useful life.

Renewal

See capital renewal expenditure definition above.

Residual value

The estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Revenue generating investments

Investments for the provision of goods and services to sustain or improve services to the community that are expected to generate some savings or revenue to offset operating costs, e.g. public halls and theatres, childcare centres, sporting and recreation facilities, tourist information centres, etc.

Risk management

The application of a formal process to the range of possible values relating to key factors associated with a risk in order to determine the resultant ranges of outcomes and their probability of occurrence.

Section or segment

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

Service potential

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

Service potential remaining

A measure of the future economic benefits remaining in assets. It may be expressed in dollar values (Fair Value) or as a percentage of total anticipated future economic benefits. It is also a measure of the percentage of the asset's potential to provide services that is still available for use in providing services (Depreciated Replacement Cost/Depreciable Amount).

Strategic Longer-Term Plan

A plan covering the term of office of councillors (4 years minimum) reflecting the needs of the community for the foreseeable future. It brings together the detailed requirements in the council's longer-term plans such as the asset management plan and the long-term financial plan. The plan is prepared in consultation with the community and details where the council is at that point in time, where it wants to go, how it is going to get there, mechanisms for monitoring the achievement of the outcomes and how the plan will be resourced.

Specific Maintenance

Replacement of higher value components/sub-components of assets that is undertaken on a regular cycle including repainting, building roof replacement, cycle, replacement of air conditioning equipment, etc. This work generally falls below the capital/maintenance threshold and needs to be identified in a specific maintenance budget allocation.

Sub-component

Smaller individual parts that make up a component part.

Useful 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.

Value in Use

The present value of future cash flows expected to be derived from an asset or cash generating unit. It is deemed to be depreciated replacement cost (DRC) for those assets whose future economic benefits are not primarily dependent on the asset's ability to generate net cash inflows, where the entity would, if deprived of the asset, replace its remaining future economic benefits.

Source: IPWEA, 2009, Glossary