DRAFT

Strategic Asset Management Plan 2022 - 2023

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1. Executive Summary

Shellharbour City Council manages 63,596 assets with a Current Asset Cost of $1.3B. With approximately 31,061 dwellings in the Shellharbour Local Government Area, this equates to an asset value of $43.6k per dwelling. This Strategic Asset Management Plan analyses the current state of these assets and recommends resource allocations for the next 10 years.

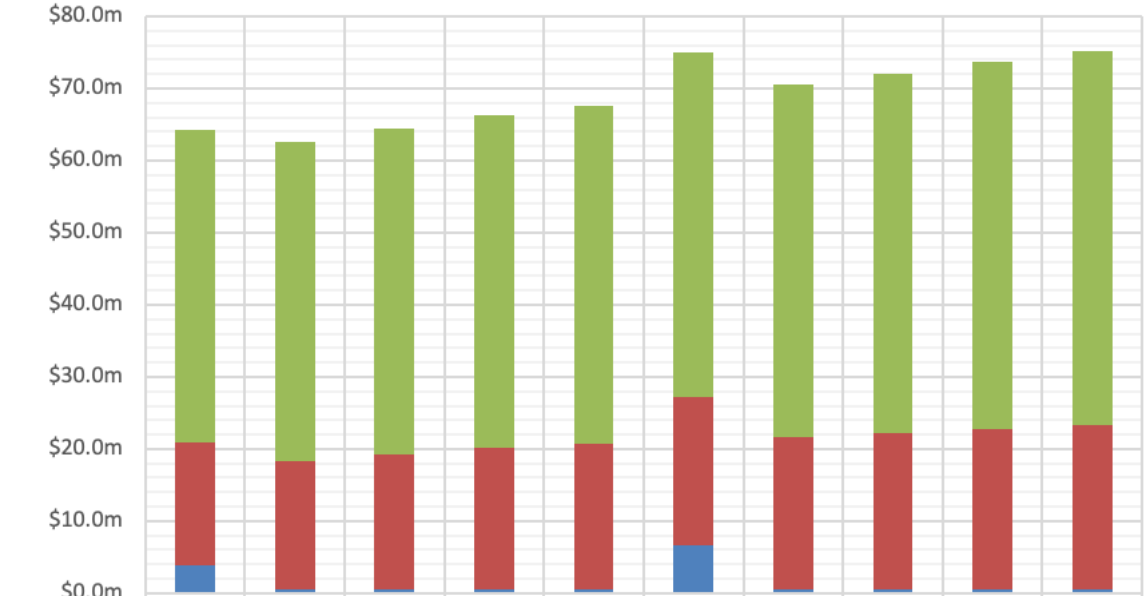
The average confidence level of the data regarding these assets is currently medium. There have been significant improvements in this data over recent years due to extensive asset inspections, which are scheduled to continue on a rolling program.

Detailed risk assessments are to be contained within the asset class-specific Portfolio Asset Management Plans. Risks associated with operating Council assets are largely acceptable, but require further consideration when risk appetite statements are finalised. The most common risk treatments required to reduce present risks are the finalisation of comprehensive inspection and maintenance schedules within Council's Asset Management Information System.

Current Levels of Service are generally appropriate when considering previous community engagement. Council's assets are in good condition on average, with an overall rating of 1.6 out of 5. Business unit assets are in the best condition with an average rating of 1.0 and Stormwater assets are in the poorest condition with an average rating of 2.0.

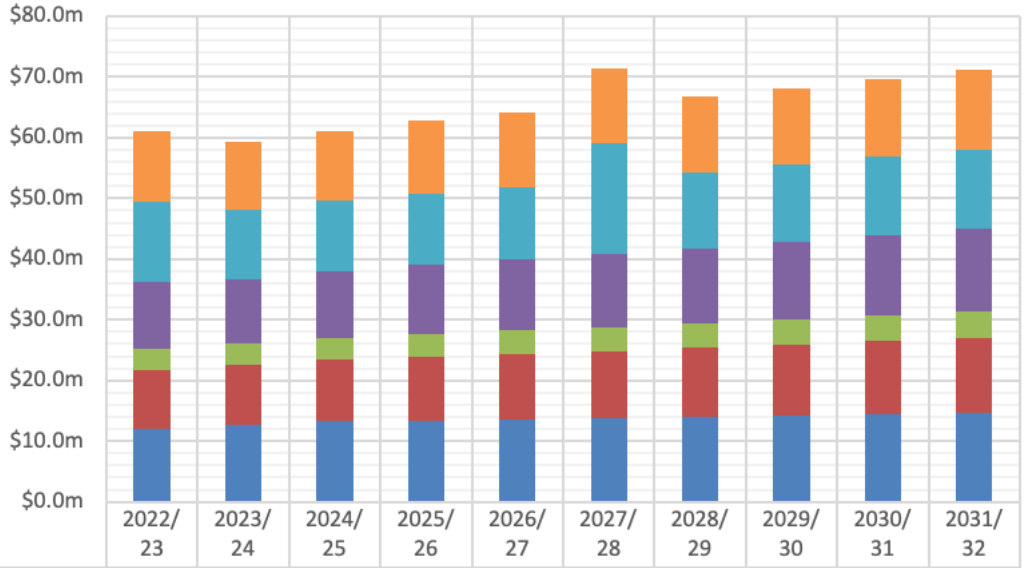
Asset base growth has been forecast using committed and expected upgrade expenditure, as well as dwelling growth forecasts, indexation and forecast efficiencies due to advances in systems, processes, tools, machinery and materials. This growth will result in an additional asset value of $528.7M over the next 10 years. It should be noted that this forecast excludes grant funding for asset upgrades. This, along with other possible major upgrade projects are contained in Appendix A for consideration and potential addition.

Growth rates for each asset class have been calculated and used to inform recommended budgets associated with the corresponding asset lifecycle costs. This enables similar Levels of Service to be sustained throughout the asset base growth over the next 10 years. These forecasts results in allocations of $14.8M for asset upgrades, $201.9M for asset renewals and $475.1M for maintenance and operations, totalling $691.8M over the next 10 years. Figure 1-1 shows these allocations while Figure 1-2 illustrates this scenario across the asset classes.



	2022/ 23	2023/ 24	2024/ 25	2025/ 26	2026/ 27	2027/ 28	2028/ 29	2029/ 30	2030/ 31	2031/ 32
Maint/Ops	$43.4m	$44.3m	$45.2m	$46.1m	$47.0m	$47.8m	$48.8m	$49.8m	$50.8m	$51.9m
Renewal	$17.1m	$17.8m	$18.7m	$19.6m	$20.2m	$20.7m	$21.2m	$21.7m	$22.2m	$22.8m
Upgrade	$3.9m	$0.5m	$0.5m	$0.5m	$0.5m	$6.6m	$0.5m	$0.5m	$0.5m	$0.5m

***Figure 1-1**: Recommended Overall Expenditure*



	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Business	$11.5m	$11.1m	$11.4m	$12.0m	$12.2m	$12.4m	$12.5m	$12.7m	$12.9m	$13.1m
Waste	$13.3m	$11.4m	$11.6m	$11.8m	$12.0m	$18.2m	$12.4m	$12.7m	$12.9m	$13.1m
Transport	$11.0m	$10.5m	$10.9m	$11.4m	$11.7m	$12.1m	$12.4m	$12.8m	$13.2m	$13.6m
Stormwater	$3.4m	$3.5m	$3.6m	$3.7m	$3.8m	$4.0m	$4.1m	$4.2m	$4.3m	$4.4m
Open Spaces	$9.7m	$9.9m	$10.2m	$10.4m	$10.7m	$11.0m	$11.3m	$11.6m	$12.0m	$12.3m
Buildings and Pools	$12.1m	$12.7m	$13.3m	$13.4m	$13.6m	$13.8m	$14.1m	$14.3m	$14.5m	$14.7m

***Figure 1-2**: Recommended Overall Expenditure by Asset Class*

2. Introduction

The Strategic Asset Management Plan (SAMP) is a consolidation of the previous Strategy Asset Management Strategy and Asset Management Plan and is supported by the Asset Management Policy.

***Figure 2-1**: Integrated Planning and Reporting (IP&R) Framework*

The key objective of asset management planning is to provide the required level of service for the community in accordance with the Community Strategic Plan and in the most cost-effective manner. The SAMP provides information about our assets, responsible asset management, compliance with regulatory requirements and summarises information with regard to funding aimed at bringing assets to a desirable level of service.

Accurate data and a robust planning process is required to ensure that assets are managed and accounted for in an efficient and sustainable way on behalf of local communities and with a service delivery focus. Levels of service are key business drivers for asset planning, along with technical requirements that ensure asset sustainability.

Council is the custodian of infrastructure assets valued at over $1.35B. These assets have been acquired by purchase, contract, construction by staff or assets constructed and donated by developers. Assets may include roads, water and sewerage systems, drains, bridges, footpaths, buildings, recreational facilities, parks and gardens.

It assumes the current number of dwellings in the Shellharbour Local Government Area is 31,061 (.id, 2022). A forecast indexation rate of 2% per annum from FY23 & FY24, then 2.3% for FY25 and then 2.5% for the remainder of the plan is utilised, which is in accordance with the Long Term Financial Plan (Shellharbour City Council, 2022).

2.1 Asset Management Framework

The Asset Management Framework is illustrated in Figure 2-2. Council's Asset Management Policy, along with this Strategic Asset Management Plan (SAMP), sets the framework for undertaking Asset Management, and includes all Council assets that are in use, except Fleet, Intangible Assets and Land Stock.

Council is committed to implementing a systematic asset methodology in order to apply appropriate Asset Management practices across all areas of Council. Asset Management practices impact directly on the core business of Council and appropriate asset management is required to achieve the strategic Objectives as outlined in the Community Strategic Plan (CSP) and Long Term Financial Plan (LTFP).

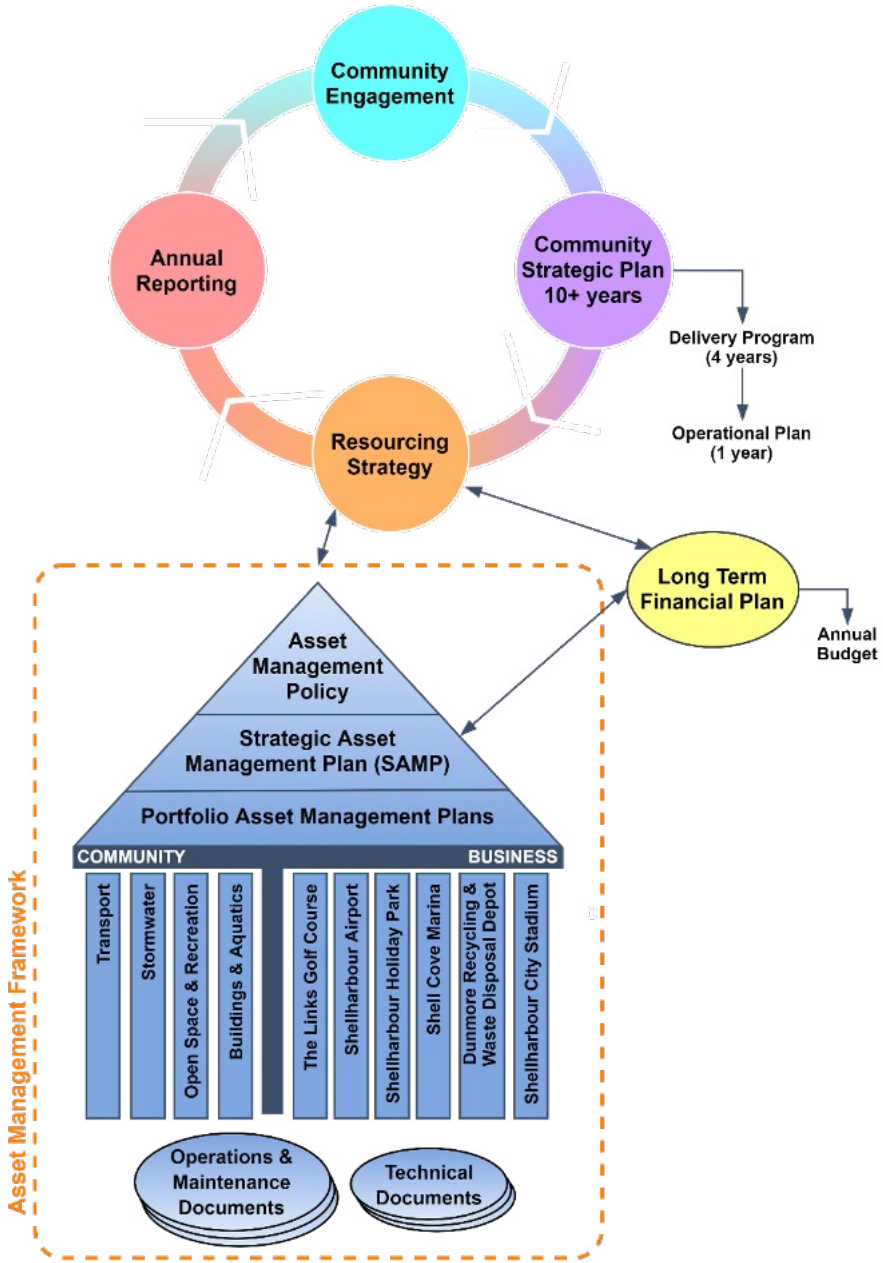


***Figure 2-2**: Asset Management Framework*

2.2 Community Engagement

The Community Satisfaction Survey (Shellharbour City Council, 2021) has been considered in the preparation of this AMP. Community satisfaction results are analysed in accordance to the community's assessment of the relative importance and their own satisfaction with a range of functions provided by Council. A selection of asset-related results are listed in Table 2-1.

Table 2-1: Community Satisfaction Survey (2021) - Quadrant Analysis

	Lower Satisfaction	High Satisfaction
Higher Importance	**KEY VULNERABILITIES** • Toilet Facilities • Street Cleaning • Other community buildings	**STRATEGIC ADVANTAGES** • Parks/Reserves/Open Spaces • Libraries • Garbage Collection
Lower Importance	**POTENTIAL VULNERABILITIES** • Condition of local roads • Shared Path Network • Stormwater/flooding • Community centres/halls	**DIFFERENTIATORS** • Playgrounds • Swimming Pools • Waste Depot Facilities • Sporting Facilities

Key Vulnerabilities are services which have an important impact on creating overall satisfaction but are performing below average. These services should be regarded as Council's foremost priorities.

Analysis of the factors that contribute to the key vulnerabilities include;

- **Street Cleaning** - scored particularly low for age group 65+, whilst scoring substantially higher for younger age demographics. This result as significantly decreased since 2019, however it appears to be consistent with results over multiple surveys since 2010. The immediate causes and factors contributing to this poor result aren't clear.
- **Toilet Facilities** - satisfaction with this service was highest in the youngest (<35) and oldest (65+) demographic, suggesting this could be a concern and pressing need of demographic more likely to be parents of children. It should be noted that Shellharbour did out-perform compared Councils on this measure. Over the period this service has been measured (2017), Council has progressively been improving satisfaction in this area from 2.8 (/5) in 2017 to 3.2 (/5) in 2021.
- **Other community buildings** - this comprised facilities other than Community Centre & Halls, Museums, Libraries and Sporting field & amenities. There are no clear demographic trends apparent. Further detailed consideration and actions relating to this measure will be addressed in the Community Facilities Needs Study and Strategy and will be incorporated in the Buildings Asset Management Plan.

Further community engagement would be required in future revisions, and become particularly relevant in the Portfolio Asset Management Plans to assist in defining the community's expectations of the agreed Levels of Service.

2.3 Strategic Context

This document is formed as a part of the Resourcing Strategy, within the context of the Integrated Planning and Reporting (IP&R) framework. The foundational strategy is the Shellharbour Community Strategic Plan (CSP) 2022-3032, which states the Community's goals and ambitions for the local area, with a vision statement of;

> "Naturally balanced, vibrant and connected community"

The CSP then seeks to enable the delivery of this vision by defining a range of key objectives and supporting strategies. In addition to the objectives listed in Council's Asset Management Policy and the Local Strategic Planning Statement (LSPS), this strategy seeks to respond to the strategic context summarised in Table 2-2.

As discussed in the Long Term Financial Plan (LTFP), the underlying drivers for future years Asset Management Strategies, which inform the Asset Management Plans, have been derived from Council's key objective of financial sustainability in both the medium and longer term. The drivers identified for the 2022-2032 LTFP are centred around the Key Performance Measure indicators established by the NSW Office of Local Government. The key strategies identified in the LTFP provide the clear objectives for the Asset Management Policy, filtering through to all Asset Management planning documents. These strategies coincide with the Key Performance Measure targets and those strategies developed to achieve the performance benchmarks.

Table 2-2: Asset Management Strategic Context

Objective	Strategy	Related Plans & Strategies
1.2 We are a liveable community	**1.2.1** Inclusive, accessible and safe spaces for our entire community **1.2.2** Promote healthy living and high-quality public spaces that are well maintained and activated **1.2.3** Construct and upgrade new buildings and infrastructure that meet current and future community needs	• Open Space & Recreation Needs Study and Strategy • Community Facilities Need Study and Strategy • Building & Aquatics AMP • Open Space AMP • Various Town Centre Plans • Libraries & Museum Strategy
2.1 We are sustainable	**2.1.1** Our bushland, coast and waterways are protected to ensure safe and sustainable use for present and future generations **2.1.4** Our waste is managed as a valuable resource and the environmental impacts are minimised **2.1.5** Address, adapt, and build resilience to climate change	• Stormwater AMP • Illawarra-Shoalhaven Water Sensitive Framework • Floodplain Management Program • Lake Illawarra Coastal Management Program • Coastal Zone Management Plan • Waste AMP
2.2 We are a beautiful and connected City	**2.2.2** Provide and promote a sustainable and integrated active travel and transport network	• Transport AMP • Active Transport Strategies - Footpath & Shared-use path masterplans
3.1 We support a strong local economy	**3.1.1** Our businesses are well-connected and thrive in an environment that supports innovation and economic growth (Airport, Links, Nursery, Stadium) **3.1.4** Activate Shell Cove to provide development, tourism and community opportunities	• Various AMPs and Business Strategy documents for each Business Unit.
4.2 We have strong leadership	**4.2.2** The Council lives responsibly within its means and strengthens its financial sustainability **4.2.4** Undertake visionary, integrated, long term planning and decision making, reflective of community needs and aspiration	• Long Term Financial Plan • Asset Management Policy

2.4 Asset Management Foundational Strategies

The following section contains strategies that are common to all asset classes and outline the basis for how Council performs its Asset Management activities. These strategies expand upon the objectives contained within the Asset Management Policy and apply to all assets for which Council is responsible.

Table 2-3: Overall Asset Management Strategies

Strategy	Asset Management Policy Objective
A. Council will consider using various funding sources, including grant funding and loan funds that address the principles of intergenerational equity to: a. Strategically provide assets required by the community b. improve the condition of its asset by renewal and maintenance c. extend assets useful life	7.1d) 7.1 i)
B. Maintain a program of regular inspection of assets under its control to evaluate the condition of Council's assets so that the useful life of these assets can be more accurately estimated. This may take the form of geotechnical assessments of Council's road pavements or remote video footage of Council's drainage pipelines	7.1 e) 7.1 j)
C. Systematic and cyclic reviews will be applied to all asset classes to ensure that the assets are managed, valued at current 'Fair Value' and depreciated in accordance with appropriate best practice Australian Standards. Useful lives will be given to each of these asset with the written down value determined in accordance with the current applicable accounting regulations.	7.1 a) 7.1 g) 7.1 k) 7.1 l)
D. Council will maintain a detailed Asset Management System of all owned assets to enable it to become a 'corporate' tool supporting the Council's AMPs.	7.1 m)
E. Council will ensure financial sustainability ratios and key performance indicators will be continuously met, including; a. Renewal Ratio (>100%)	7.1 g) 7.1 l)
F. Council will develop Asset Management Plans for each asset class, establishing; a. Levels of service b. Future Demand c. Life Cycle Principles and Management Plans d. Financial Projections e. Risk Management f. Performance Monitoring and Improvement Asset Management Plans will be subject to periodic review, usually every three years and updated annually.	7.1 b) 7.1 c) 7.1 d) 7.1g) 7.1 m) 7.1 j)

G. Council receives land dedications and assets through works-in-kind, Council's Developer Contributions Plan (s7.11) and Voluntary Planning Agreements. Acceptance of such assets will consider the standards and objectives of Council as relates to community need, whole of lifecycle costing considerations.	7.1 c) 7.1 h) 7.1 i)
H. Enable the organisation to evolve from reactive to scheduled/programmed maintenance	7.1 j)

Portfolio Asset Management Plans will contain various asset-specific strategies as relevant to the asset class.

3. Asset Data

Council utilises TechnologyOne Enterprise Asset Management (EAM) as the core component of its Asset Management Information System (AMIS). Assets are recognised within an Asset Register, which contains a range of asset-specific attributes held for each asset. Each operating asset entry is then linked to a financial asset entry, which holds key financial information about the asset cost, written down replacement value and useful life for the purposes of accounting for every asset's depreciation.

3.1 Asset Inventory

Council manages 63,596 assets with a Current Asset Cost of $1354.75M. Detailed revaluations of asset classes are undertaken in accordance with Fair Value accounting standards (Australian Accounting Standards Board, 2015) on a rolling program, consistent with Table 5-4.

The current values of each asset class are shown in Figure 3-1. Infrastructure assets are assets that are included in Special Schedule 7 (SS7) reporting, such as Buildings, Roads and Stormwater Drainage. Non-Infrastructure assets are all other assets included in Note C1-8 reporting, such as Plant and Equipment, Furniture and Fittings, and Land (Office of Local Government, 2019). These two categories together comprise all depreciable assets for the purposes of this AMP.

	Transport	Open Spaces	Stormwater	Buildings and Pools	Business	Waste
Non-Infrastructure	$62.3m	$215.8m		$11.9m	$43.6m	$23.2m
Infrastructure	$442.8m	$43.2m	$206.3m	$178.2m	$110.0m	$17.3m

Figure 3-1: Asset Inventory by Current Asset Cost

Asset Management Plans are to be prepared at an asset class level and incorporated the following assets as shown in Table 3-1 below.

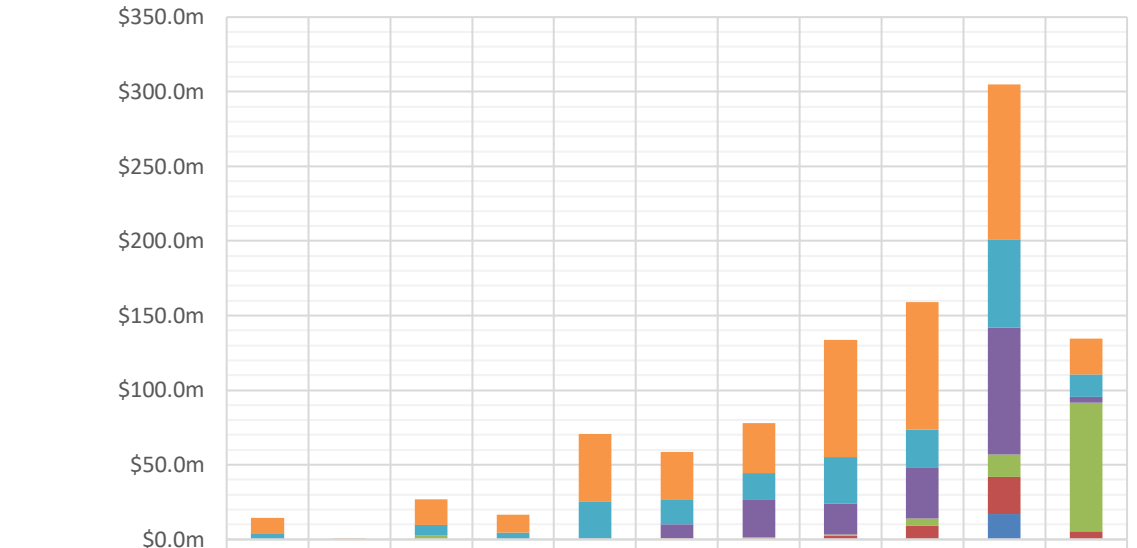
Table 3-1: Asset Class Structure

Asset Class	Council Assets (owns, manages, custodian)	Services Provided
Buildings & Aquatics	• Amenities / Toilets • Community Centres • Libraries and Museum • Council Buildings • Sport and Recreational Buildings • Swimming Pools	• Direct service provision for the general community, and including specific services to target groups such as older people, people with a disability, children, young people, people from disadvantaged socio-economic background • Provision of sporting amenities and canteen facilities to local clubs and sporting associations
Transport	• Guardrails / Barriers • Street Furniture • Bridges • Carparks • Footpaths & Cycleway • Roads	• Provide a transport network of roads and pathways for community access
Stormwater	• Culverts • Headwalls • Drainage Pits and Pipes • Kerb & Gutter • Open Drains • Gross Pollution Traps	• Control localised flooding • Improve road safety • Protect local environment from stormwater run off • Protect the environment from pollution
Open Space & Recreation	• Other Council Structures • Parks & Reserves • Sport & Recreation	• Provide sport and recreation choices • Provide passive recreational opportunities
Waste	• Land-fill • Waste Transfer Station & Community Recycling Centre • FOGO processing plant	• Processing, recycling and disposal of community and commercial waste materials
Business	• Shellharbour Airport • Shellharbour Marina • The Links Golf Course • Shellharbour Holiday Park • Shellharbour Stadium • Oak Flats Garden Nursery	• Various commercial operations according to the nature of the business

3.2 Age Profile

Construction years have not been recorded for many older assets. As a result, when comprehensive inspections and revaluations are undertaken, construction years are estimated using the asset condition and expected useful life, assuming straight-line deterioration.

As a result, the Written Down Value of the asset can be used, together with the Useful Life, to calculate an estimated construction year. The estimated decades of construction of infrastructure assets are shown in Figure 3-2.



	1920s	1930s	1940s	1950s	1960s	1970s	1980s	1990s	2000s	2010s	2020s
Transport	$10.3m	$0.4m	$17.3m	$11.8m	$45.3m	$32.3m	$33.2m	$78.6m	$85.7m	$103.9	$23.9m
Stormwater	$4.1m	$0.3m	$6.8m	$4.8m	$24.7m	$16.4m	$18.2m	$31.2m	$25.7m	$59.2m	$15.0m
Buildings and Pools					$0.6m	$9.4m	$25.0m	$20.7m	$33.6m	$85.1m	$3.9m
Business			$2.8m				$0.8m	$0.6m	$4.7m	$14.8m	$86.2m
Open Spaces						$0.6m	$0.5m	$2.3m	$9.3m	$25.0m	$5.5m
Waste							$0.1m	$0.2m	$0.2m	$16.9m	

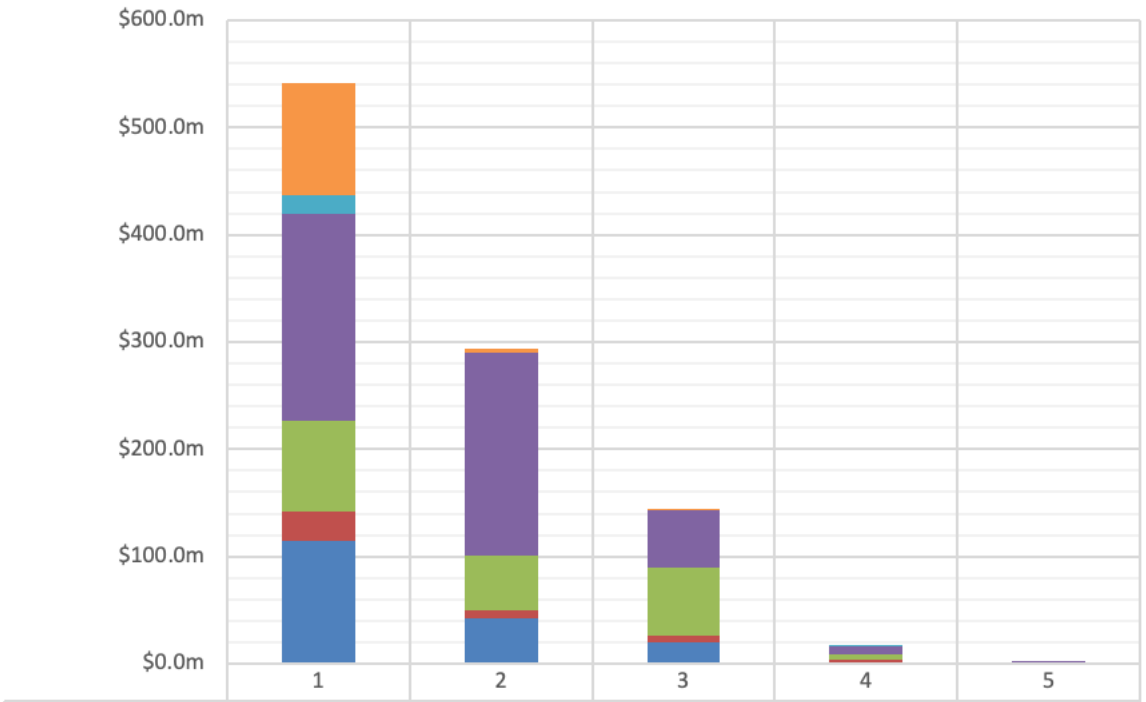
Figure 3-2: Age Profile of Infrastructure by Current Asset Cost

3.3 Asset Condition

Asset conditions are assessed as part of comprehensive network inspections, conducted per the schedule contained in Section 5.3. These assessments are undertaken in accordance with the relevant Practice Notes issued by the Institute of Public Works Engineering Australasia. The condition rating scale is 1-5:

1. As new / excellent
2. Good / satisfactory
3. Fair / tolerable
4. Poor / intolerable
5. Very poor / reconstruction required

Asset condition by Current Asset Cost is shown in Figure 3-3 and average condition by Current Asset Cost are contained in Table 3-1. The Infrastructure Backlog Ratio and Cost to Bring Assets to Agreed Service Level are reported in SS7 of Council's annual financial statements and compared to a benchmark (Office of Local Government, 2019).



	1	2	3	4	5
Business	$105.0m	$4.0m	$0.4m	$0.0m	
Waste	$16.8m	$0.2m	$0.3m	$0.0m	
Transport	$193.1m	$189.2m	$52.6m	$7.2m	$0.7m
Stormwater	$85.2m	$50.9m	$63.9m	$5.4m	$1.0m
Open Spaces	$26.5m	$7.7m	$6.7m	$1.6m	$0.2m
Buildings and Pools	$115.0m	$42.2m	$19.4m	$1.6m	

Figure 3-3: Asset Condition of Infrastructure by Current Asset Cost

Asset Class	Average Condition
Buildings and Pools	1.5
Open Spaces	1.6
Stormwater	2.0
Transport	1.7
Waste	1.0
Business	1.0
Overall	**1.7**

Table 3-2: Average Condition of Infrastructure by Current Asset Cost

Based on current 2021/22 year to date actuals, the key performance ratios are:

Infrastructure Backlog Ratio = Estimated cost to bring to satisfactory standard / Net carrying amount of infrastructure

= $8.8429M / $759.5M

= 1.16% < 2% benchmark

PASS

Cost to Bring Assets to Agreed Service Level = Estimated cost to bring assets to an agreed level of service / Gross replacement cost

= $17.686M / $996.7M

= 1.77% < 4.5% benchmark

PASS

Although the overall average condition of Council's assets is good / satisfactory this should not be cause to reduce renewal budgets, as there remains sufficient assets trending to a condition considered necessary to fully utilise available renewal budgets.

This is particularly the case as renewals entail bringing an asset to the Modern Engineering Equivalent Replacement Asset (MEERA), which generally requires more expenditure than the Current Asset Cost. This situation means that renewals often result in an increased financial burden by expanding Council's asset values.

As required by relevant accounting standards, Fair Value is to inform depreciation allocation (Australian Accounting Standards Board, 2019) associated with Council's assets. Fair Value has significant non-observable inputs for civil asset, where a market value is not able to be derived. In this place, Fair Value is taken to be the estimated asset replacement cost associate with the asset. Using this method of valuation, and thereby depreciation allocation poses a significant problem where actual renewal costs associated with any given asset exceeds the recognised Fair Value. As a result, renewal expenditure based on depreciation allocation runs the risk of not adequately ensuring asset sustainability over the long term. Considerations of other methods of resource allocation, such as condition-based deterioration modelling could be considered in future to better allocation renewal expenditure to actual asset renewal needs.

3.4 Data Confidence

Asset inventory reliability is a process of continuous improvement, which over time builds on the reliability of the information to support key business decisions. As outlined in Table 5-4, each asset class is revalued on a cyclical basis, with current observed condition and the nature of each asset assessed at this time. Each asset class have different strengths and current focuses for improvement which are summarised below, and will be further explored in the asset-class specific Asset Management Plans.

Buildings and Pools

Buildings are conceptualised as sub-components, being the structure, roof, internal fit-out & finishes, electrical, plumbing and other minor systems. Componentising a building is best-practice as each of these facets of a building have a variety of useful lives and therefore require renewal at different timing. Each component ensure depreciation allocation arising from the asset is accurate reflected across the asset lifecycle. Recent actions have ensured all new and renewed buildings are fully componentised. In 2022, Council is undertaking a revaluation of Building and Pool assets, which will result in the full componentisation of the entire Building and an improved understanding of the nature and condition of the assets in this class.

Open Space and Recreation

A wide-spread asset capture project was undertaken in 2018, which resulted in the establishment of a very strong understanding of the position and nature of many of the assets in this class. As a class, the spatial spread and quantity of assets will result in the primary focus over the coming years be on the systematic updating of condition by inspection. As part of these inspections, additional assets may be newly recognised and other minor assets that have been removed may be derecognised. Maintaining a reliability of the position, nature and condition of these relatively short-lived assets will be essential is ensuring confidence is maintained into the future.

Stormwater

Across the LGA, confidence in the inventory information is strongly correlated with the availability of 'as constructed' data. Over half of the network (55% by value) has been constructed since 1995, with such information being readily available. More established areas of the LGA, (i.e. Oak Flats, Warilla, Mount Warrigal, Shellharbour and Barrack Heights) a rolling program of CCTV pipe inspection will yield both attribute and condition information. Much of the network in Mount Warrigal and Shellharbour have been inspected, with the focus shifting to areas of Oak Flats and Barrack Heights.

Transport

As Council's largest value asset class, improvement in confidence will have significant benefits on the integrity of the asset system. The last comprehensive network condition inspection was completed in 2016, and it is identified as key priority for updating in the coming financial year. To support this, improvements to the asset register structure have been scoped and implemented. Future actions include the re-segmentation of the road network to better align with a systematic framework that would enable efficient and reliable condition data to be captured and stored.

Waste

Much of the asset development needs at the waste transfer station are contained within the waste business and financial model, which predicts the future cash flow and remediation requirements to sustainably operate the waste transfer and disposal site. Currently the model sits apart from Council's asset system, with basic asset information being integrating into the register. As part of developing the Waste Asset Management Plan, consideration will need to be given to how best to integrate the business and financial model with an AMP.

Business

Council operates a diversity of business operations, including The Links Golf Course, Shell Cove Marina, Shellharbour Airport, Shellharbour Holiday Park and Shellharbour Stadium. Many of these business assets are categorised according to their nature within the other asset classes. As such, data improvement and confidence building activities in those asset classes will benefit the understanding of the business assets. However, as a result of higher standards of accountability arising from operating business units there may be specific requirements to increase the level of detail captured and stored concerning a specific business unit's assets. Such requirements and detail would be further explored in the business unit specific Asset Management Plans.

4. Risk Management

Risk is the effect of uncertainty on Shellharbour City Council's ability to achieve its objectives. Risk Management is the process of systematically identifying, monitoring, treating and reporting these risks.

The risk management process starts with identifying risks in the context of Shellharbour City Council's operations. The identified risks are rated to enable appropriate prioritisation and planning for the risk treatments to be incorporated into Shellharbour City Council's operations.

Risks are rated prior to recognising applicable 'internal controls' to enable the selection of controls that will reduce either the likelihood or consequence of the risk occurring. At this stage, the risk rating is referred to as the 'inherent risk' rating. When the risk is rated after taking into account the existing or proposed controls, it is referred to as the 'residual risk' rating. The objective is to implement appropriate controls to reduce the inherent risk down to an acceptable level of residual risk.

High-level risk assessments have been conducted in accordance with the Risk Management Toolkit (Shellharbour City Council, 2018) and ISO 3100:2018 (International Organization for Standardization, 2018). As some assets that Council manage are inherently high risk, these risk assessments will require revision following completion of Council's risk appetite statements.

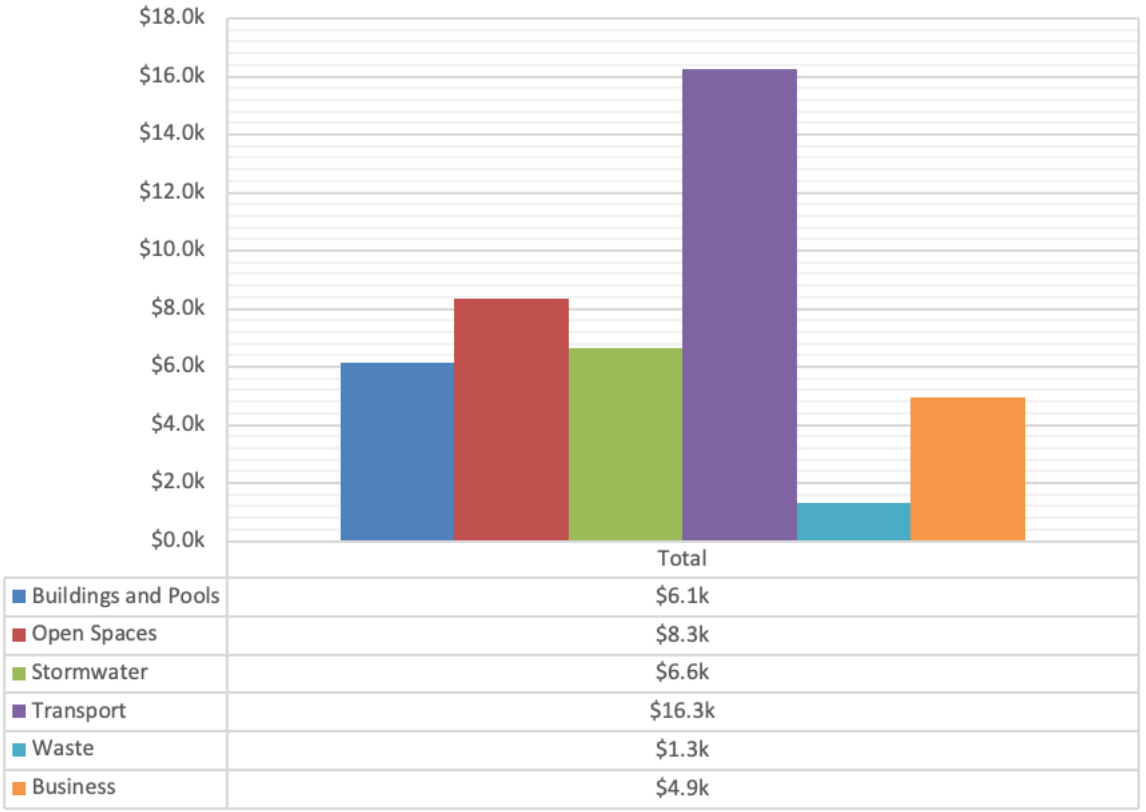
The resulting risk registers are contained in the asset class-specific AMPs. The highest priority action contained within these risk registers is the finalisation of maintenance and inspection schedules within Council's AMIS. This action, alongside further consultation on risk management with maintainers and operators, is prioritised in the Improvement Plan contained in Section 8.

5. Levels of Service

Levels of Service (LoS) are comprised of four components: provision, renewal, maintenance and operations. In this AMP, maintenance and operations are considered together, but these should be separated in future revisions. These four components are best understood in isolation, but an adjustment to one results in changes to others, so they must be considered together. More detail on these LoS are contained in the asset class-specific AMPs.

5.1 Provision Level of Service

The Provision LoS relates to what Council provides, how much and where. The assets have a Current Asset Cost of $1,354.75m. With 31,061 dwellings, this equates to an asset value of $43.6k per dwelling. This value is spread across the asset classes as shown in Figure 5-1. The asset class-specific AMPs define more details of what and how much is to be provided within these asset classes and geographic locations such as parks, sportsfields and town centres.



	Total
Buildings and Pools	$6.1k
Open Spaces	$8.3k
Stormwater	$6.6k
Transport	$16.3k
Waste	$1.3k
Business	$4.9k

Figure 5-1: Current Asset Cost per Dwelling

A spatial distribution heat map of Community Assets (except Waste) per Dwelling is well spread, as illustrated in Figure 5-2 where darker shades of red indicate a greater density of assets present (by value) in proportion to the suburb's population. Shellharbour City Centre, Croom and Dunmore appear relatively over-serviced due to a small number of dwellings currently.

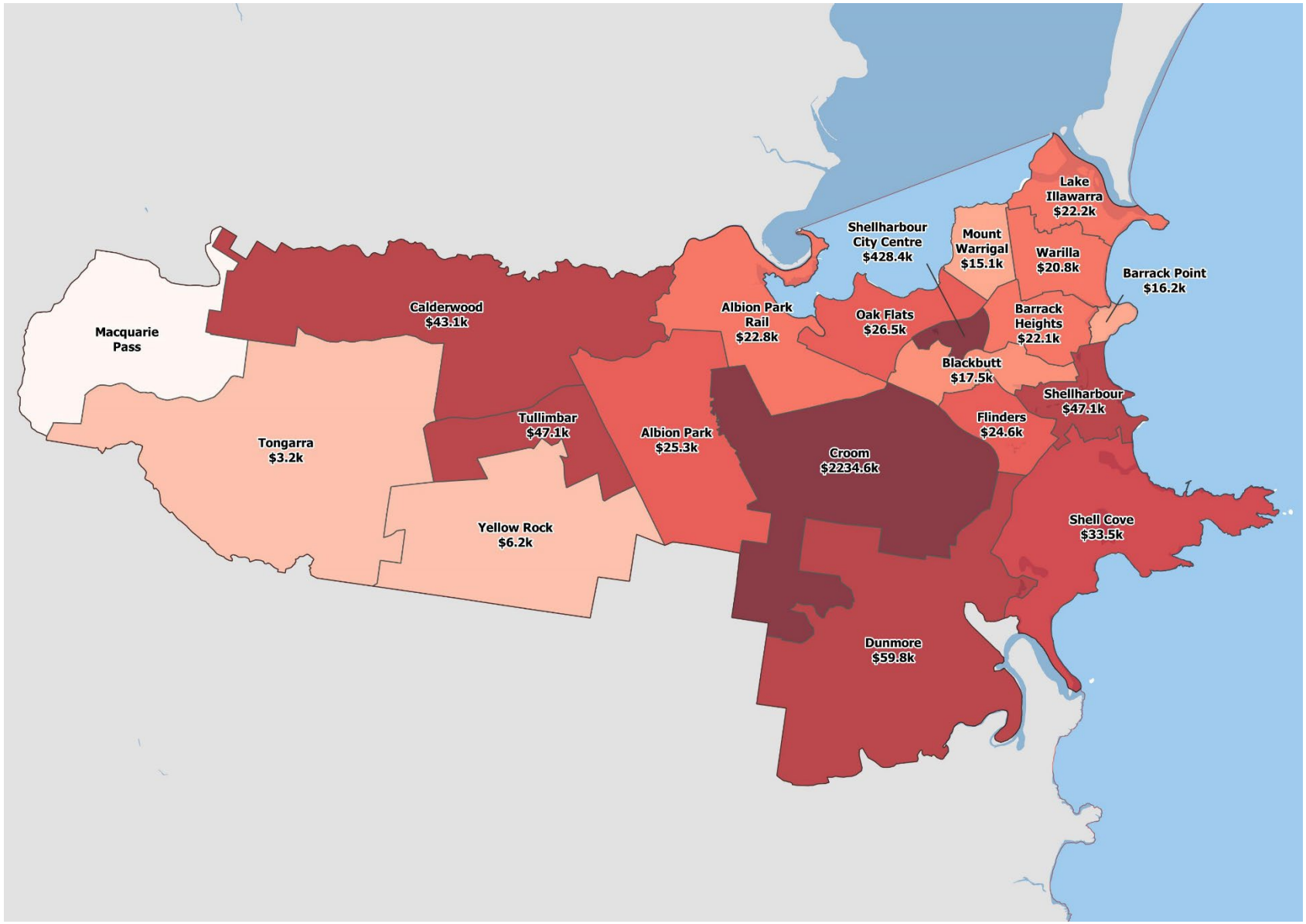


Figure 5-2: Current Asset Cost of Community Assets (except Waste) per Dwelling

5.2 Renewal Level of Service

The Renewal LoS defines how often Council intends to replace existing assets with a Modern Engineering Equivalent Replacement Asset (MEERA), including disposal of the existing asset. Adjusting this frequency has significant implications for annual depreciation, as well as required maintenance and operations expenditures. Shorter useful lives generally result in less required maintenance, all other factors being equal, and vice versa. Average useful lives for depreciable assets as defined in Section 3.1 are shown in Table 5-1 and those for Infrastructure assets as defined by SS7 and used for Infrastructure Renewal Ratio purposes are contained in Table 5-2.

Asset Class	Current Asset Cost	Recommended Annual Renewals	Average Useful Life
Buildings and Pools	$190.1m	$5.9m	32
Open Spaces	$49.9m	$1.8m	28
Stormwater	$206.1m	$1.7m	124
Transport	$385.6m	$5.8m	67
Waste	$40.5m	$1.3m	31
Business	$120.7m	$2.7m	45
Total	**$993.0m**	**$19.0m**	**52**

Table 5-1: Renewal Levels of Service for Depreciable Assets

Asset Class	Current Asset Cost	Required Annual Renewals	Average Useful Life
Buildings and Pools	$178.2m	$4.7m	38
Open Spaces	$43.2m	$1.6m	27
Stormwater	$206.3m	$1.7m	124
Transport	$442.8m	$5.8m	77
Waste	$17.3m	$0.2m	70
Business	$110.0m	$2.2m	51
Total	**$997.9m**	**$16.1m**	**62**

Table 5-2: Renewal Levels of Service for Infrastructure Assets

As previously discussed in Section 3.3, there is an issue with relying on Current Asset Cost to inform annual renewal expenditure. As engineering standards improve, the MEERA generally costs significantly more to design, construct, maintain and operate than the existing asset. This is not considered by Fair Value accounting standards (Australian Accounting Standards Board, 2015).

As this is an issue facing many local governments, at this time it is considered beyond the scope of this AMP and is raised for discussion only, but needs to be addressed in future revisions.

5.3 Maintenance and Operations Level of Service

Detailed Maintenance and Operations LoS are contained in the asset class-specific AMPs and the resulting overall ratios are shown in Table 5-3. The Community Satisfaction Survey (Shellharbour City Council, 2021) indicates these ratios are generally appropriate. Benchmarking with other local governments will be undertaken in future revisions of this AMP, which will assist with further refining these LoS.

Asset Class	Current Asset Cost	Annual Maintenance and Operations Budget	Ratio (Annual Budget / Asset Cost)
Buildings and Pools	$190.1M	$7.3M	3.8%
Open Spaces	$259.0M	$8.0M	3.1%
Stormwater	$206.3M	$1.5M	0.7%
Transport	$505.1M	$4.1M	0.8%
Waste	$40.6M	$10.9M	26.8%
Community	**$1,201.2M**	**$3.3M**	**0.3%**
Business	$165.2M	$8.4M	5.1%
Total	**$1,366.4M**	**$43.4M**	**3.2%**

Table 5-3: Maintenance and Operations Levels of Service for all Assets

In addition to these ratios, maintenance defect categories are contained in the asset class-specific AMPs. Defects will be reported in future revisions of all AMPs so that trends can be identified and maintenance efficiency can be benchmarked. Additionally, customer requests will be analysed and the results included, which will provide another indicator of community satisfaction.

The next highest priority improvement is the finalisation of scheduled maintenance and operational activities in the Asset Management Information System (AMIS). Following this, analysis of maintenance and operations requirements with degradation of asset lifecycles will be analysed and considered. These actions are included in the Improvement Plan contained in Section 8.

Table 5-4 contains the frequency for comprehensive network inspections. Some are on a rolling program with inspections being conducted every year, such as Stormwater and Buildings. Others will be conducted all at once, for example Transport. This is in addition to routine inspections undertaken by Council. Details of more regular inspections, such as quarterly playground inspections, are contained in the asset class-specific AMPs.

Comprehensive revaluations will be undertaken on each asset class every 4 years in a rolling program, consistent with Table 5-4. In the interim years, fair value assessments will be documented annually for each asset class.

Asset Class	Comprehensive Inspection Frequency (Years)	Annualised Network Inspection Percentage	Revaluation Frequency (Years)
Buildings and Pools	4	25%	4
Open Spaces	4	25%	4
Stormwater	20	5%	4
Transport	4	25%	4
Waste	4	25%	4
Business	4	25%	4

Table 5-4: Asset Inspection and Revaluation Frequencies

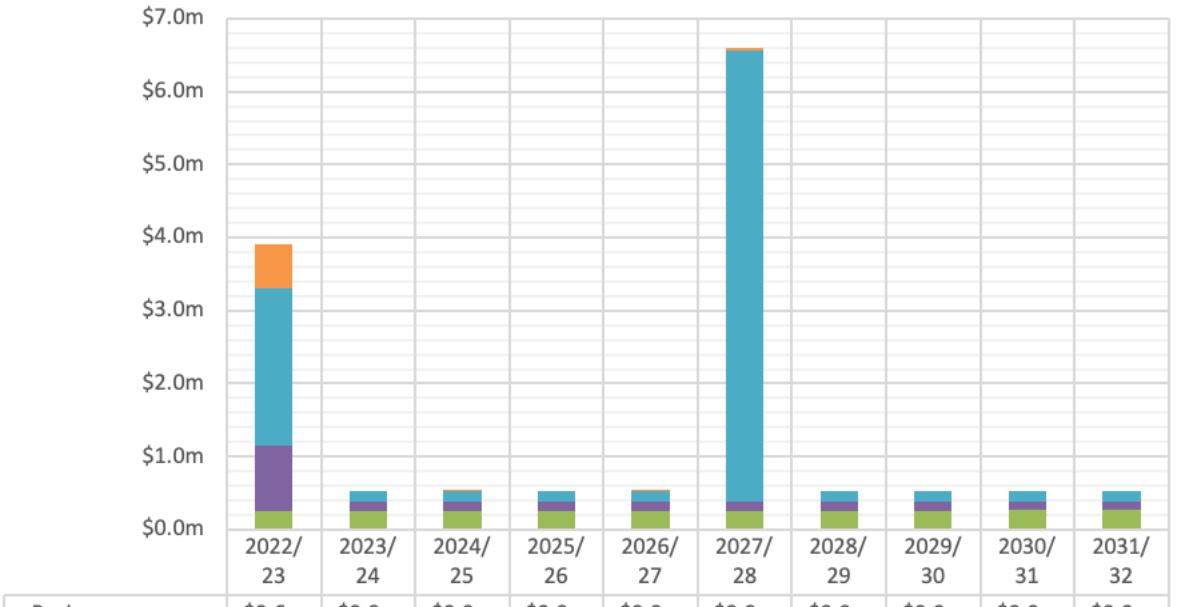
6. Asset Growth

Council's asset base will expand over the next 10 years through committed and expected upgrade expenditure, assets contributed by development through conditions of consent, and the Local Infrastructure Contributions Plan (9th Review) (Shellharbour City Council, 2019). It can be decreased through asset disposals; however, no significant disposals are currently committed. In this analysis, all future asset values, as well as planned and recommended expenditures, assume indexation rate of 2% per annum from FY23-FY24, then 2.3% for FY25 and then 2.5% for the remainder of the forecast. This is decreased by a forecast 1% efficiency factor from expected systems, processes, tools, machinery and materials improvements.

6.1 Asset Upgrades

Asset upgrades are capital projects resourced by Council or grant funding, but excluding Development Contributions, that involve existing assets being enhanced or new assets being constructed. Grant funding involving asset upgrades is not considered from 2022/23 onwards within this AMP. It, along with other potential upgrade projects and their associated lifecycle costs over the next 10 years, are presented in Appendix A for consideration.

Currently committed upgrade expenditure is included from the Capital Works Program within the Delivery Program 2022-2026 (Shellharbour City Council, 2022). Expenditure from 2022/23 onwards are forecasts and this expenditure is displayed in Figure 6-1, which totals $14.8M over 10 years.



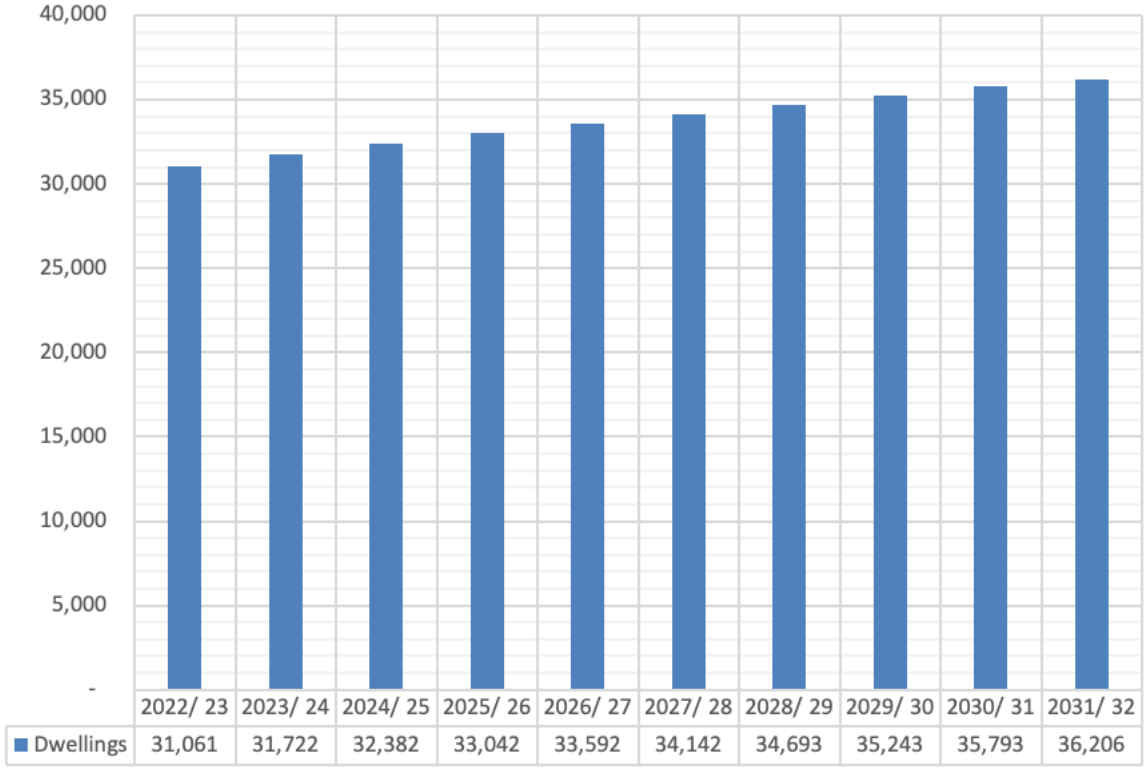
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Business	$0.6m	$0.0m	$0.0m	$0.0m	$0.0m	$0.0m	$0.0m	$0.0m	$0.0m	$0.0m
Waste	$2.2m	$0.2m	$0.2m	$0.2m	$0.2m	$6.2m	$0.2m	$0.2m	$0.2m	$0.2m
Transport	$0.9m	$0.1m	$0.1m	$0.1m	$0.1m	$0.1m	$0.1m	$0.1m	$0.1m	$0.1m
Stormwater	$0.3m	$0.3m	$0.3m	$0.3m	$0.3m	$0.3m	$0.3m	$0.3m	$0.3m	$0.3m
Open Spaces	$0.0m	$0.0m	$0.0m	$0.0m	$0.0m	$0.0m	$0.0m	$0.0m	$0.0m	$0.0m
Buildings and Pools	$0.0m	$0.0m	$0.0m	$0.0m	$0.0m	$0.0m	$0.0m	$0.0m	$0.0m	$0.0m

Figure 6-1: Asset Upgrade Expenditure

6.2 Assets Contributed by Development through Conditions of Consent

As development occurs, particularly at Shell Cove, Calderwood and Tullimbar, it is intended that infrastructure be provided at a rate consistent with the Provision LoS in existing parts of the Shellharbour Local Government Area. Data over recent years indicates that assets contributed by development through conditions of consent grow the existing asset base at a rate similar to the dwelling growth rate.

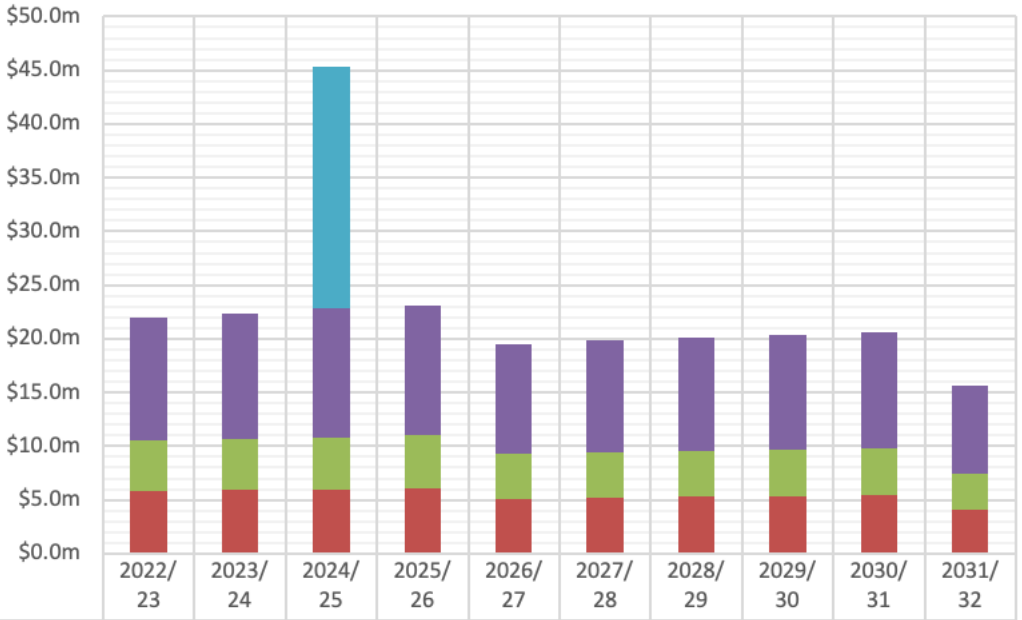
Figure 6-2 shows the forecast increase in dwellings of 5,144 over 10 years (.id, 2022). This development, together with the Local Infrastructure Contributions Plan (9th Review) (Shellharbour City Council, 2019), comprises the major component of asset base growth which is forecast over the next 10 years.



	2022/ 23	2023/ 24	2024/ 25	2025/ 26	2026/ 27	2027/ 28	2028/ 29	2029/ 30	2030/ 31	2031/ 32
Dwellings	31,061	31,722	32,382	33,042	33,592	34,142	34,693	35,243	35,793	36,206

Figure 6-2: Forecast Dwellings in Shellharbour LGA (.id, 2022)

Figure 6-3 displays the expected value of contributed assets resulting from this development of $228.8M. The Shell Cove Marina is included as the large increase in Business contributions forecast in 2024/25, which constitutes the completion of the Boat Maintenance Facility and Shell Cove Business Park developments. There is additional community assets to be delivered as part of the Shell Cove Marina development, including the Community Centre/Library and Shell Cove Sporting Complex.



	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Business			$22.5m							
Transport	$11.4m	$11.6m	$12.0m	$12.1m	$10.2m	$10.4m	$10.5m	$10.7m	$10.8m	$8.2m
Stormwater	$4.7m	$4.8m	$4.8m	$4.9m	$4.2m	$4.2m	$4.3m	$4.3m	$4.4m	$3.3m
Open Spaces	$5.8m	$5.9m	$6.0m	$6.1m	$5.1m	$5.2m	$5.3m	$5.3m	$5.4m	$4.1m

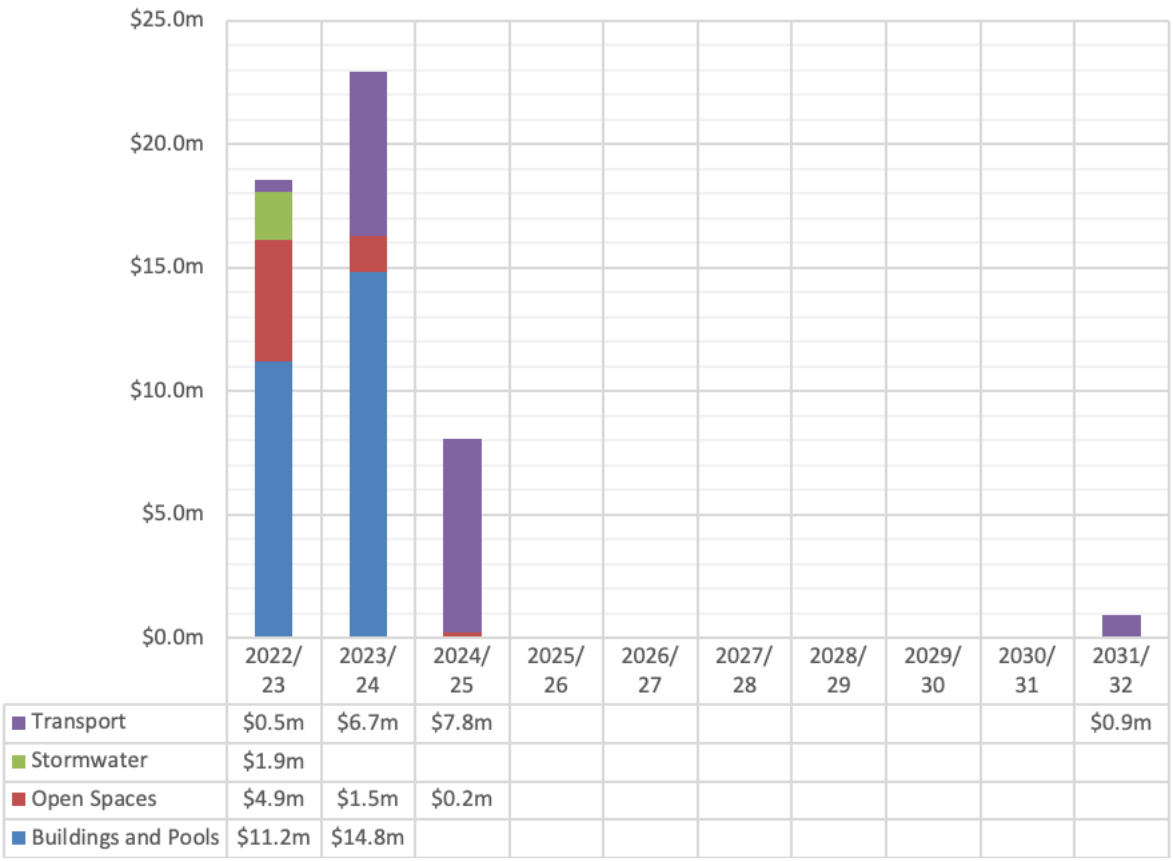
Figure 6-3: Assets Contributed by Development through Conditions of Consent

6.3 Development Contributions

An important funding source for new infrastructure are Development Contributions collected under Section 7.11 of the Environmental Planning and Assessment Act. These contributions fund a significant proportion, though not all, of the infrastructure required by new development. Under the present Contributions Plan (Shellharbour City Council, 2019), infrastructure to a total value of $50.5M is to be provided by 2025, as shown in Figure 6-4, although $13.0M of this is to be provided by Council under the apportionment requirements of the Plan.

The Contributions Plan is to be reviewed in the coming years to account for the dwelling increase in Section 6.2, and a new list of infrastructure matched to the projected income collected from the contributions will be an outcome of this review. Alternative development contribution funds such as Works in Kind Agreements or Planning Agreements may be negotiated which will further augment the infrastructure to be provided by Development Contributions. This alternative may be more beneficial to Council's financial sustainability.

Further review of this AMP following the preparation of the new Contributions Plan will determine the extent to which Development Contributions meet the need for new infrastructure or whether additional funding from other sources may be needed.



	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Transport	$0.5m	$6.7m	$7.8m							$0.9m
Stormwater	$1.9m									
Open Spaces	$4.9m	$1.5m	$0.2m							
Buildings and Pools	$11.2m	$14.8m								

Figure 6-4: Development Contributions

6.4 Asset Disposals

Asset disposals entail the removal of an existing asset without replacing it with a similar asset. No such disposals are considered in this AMP. This may be examined in future revisions when considering the results of community engagement.

6.5 Asset Indexation

Indexation rate of 2% p.a from FY23 & FY24, then 2.3% for FY25 with 2.5% adopted for the remainder of the plan, which is consistent with indexation utilised in the Long Term Financial Plan (Shellharbour City Council, 2022). The same rate has been adopted in this AMP to ensure that lifecycle costs and associated budgets are comparable in future financial years.

6.6 Asset Efficiency Factor

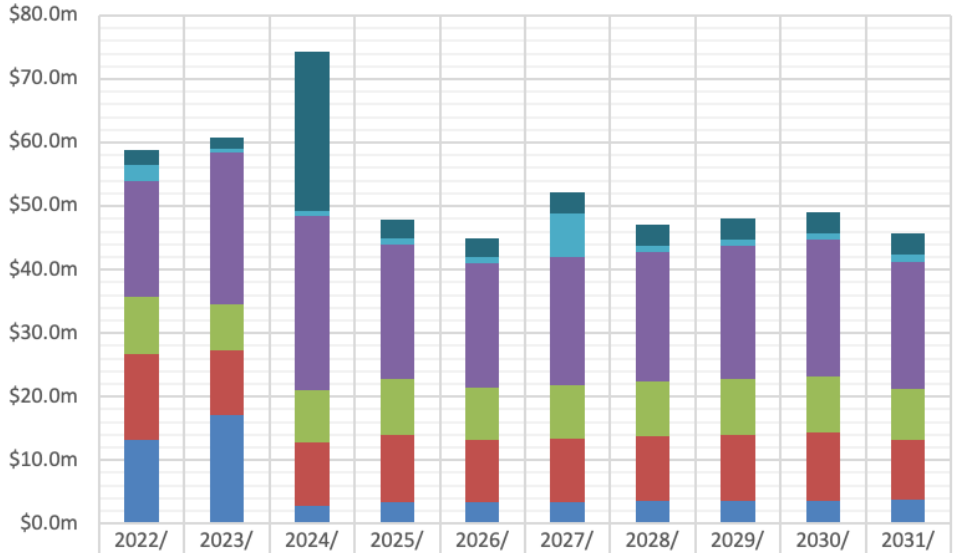
An efficiency factor of 1% is utilised in this analysis to account for advances in systems, processes, tools, machinery and materials. These improvements are expected to reduce the lifecycle costs associated with managing Council assets, so it is subtracted from total asset base growth.

6.7 Asset Base Growth

Total asset base growth is comprised these components:

- Asset upgrades – Section 6.1
- Assets contributed by development through conditions of consent – Section 6.2
- Development Contributions – Section 6.3
- Subtracting asset disposals – Section 6.4
- Indexation – Section 6.5
- Subtracting efficiency factor – Section 6.6

Figure 6-5 shows this forecast asset base growth of $528.7M over 10 years, including both indexation and efficiency factor.



	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Business	$2.3m	$1.8m	$25.2m	$3.0m	$3.1m	$3.2m	$3.2m	$3.2m	$3.3m	$3.3m
Waste	$2.6m	$0.6m	$0.7m	$0.8m	$0.9m	$7.0m	$1.0m	$1.0m	$1.0m	$1.0m
Transport	$18.1m	$24.0m	$27.4m	$21.2m	$19.6m	$20.1m	$20.5m	$21.0m	$21.4m	$20.1m
Stormwater	$9.1m	$7.3m	$8.2m	$8.8m	$8.2m	$8.4m	$8.6m	$8.8m	$8.9m	$8.0m
Open Spaces	$13.5m	$10.2m	$10.0m	$10.6m	$9.8m	$10.0m	$10.2m	$10.4m	$10.7m	$9.5m
Buildings and Pools	$13.2m	$17.0m	$2.9m	$3.4m	$3.4m	$3.5m	$3.5m	$3.6m	$3.6m	$3.7m

Figure 6-5: Asset Base Growth including Indexation and Efficiency Factor

7. Lifecycle Management

The Council assets described in Section 3, with the growth forecast in Section 6, require resourcing across their lifecycle in order to achieve the LoS contained in Section 5. The two main components are renewal expenditure, and maintenance and operations expenditure, which sum together to give the recommended overall expenditure on Council assets over the next 10 years.

7.1 Recommended Renewal Expenditure

To ensure that the overall good asset condition described in Section 3.3 is maintained and the Infrastructure Backlog Ratio benchmark is achieved, capital renewal works should be undertaken when assets reach the end of their useful lives. These capital renewal works involve disposing of the existing asset and constructing the MEERA, despite asset valuations not considering the additional costs of the MEERA.

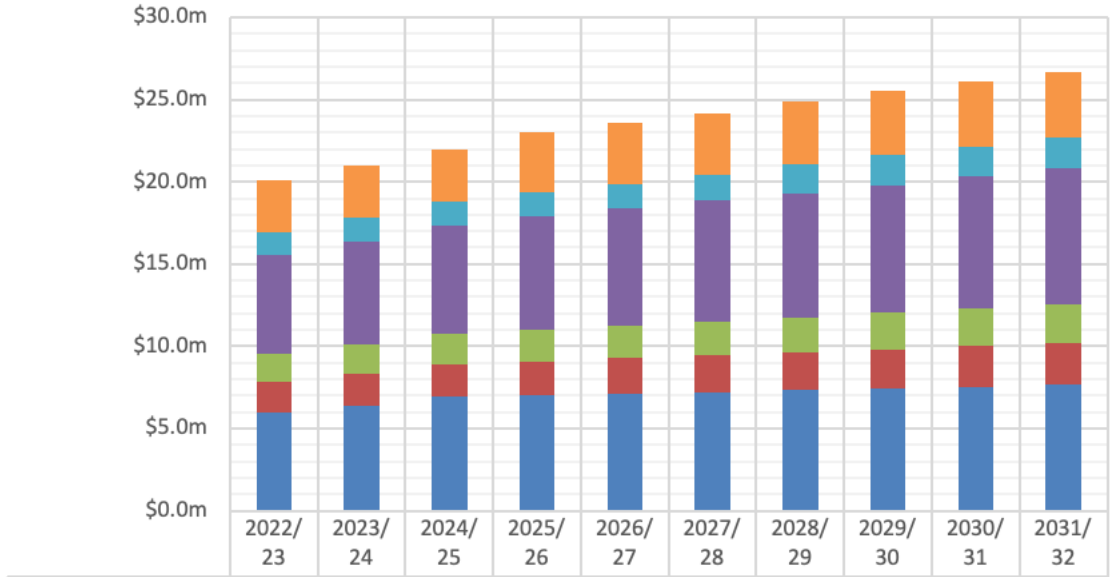
If the expiry of useful lives or asset conditions are solely relied upon to inform these recommended renewals, annual budgets fluctuate significantly, which creates difficulties from a resourcing perspective. Rather, it is better practice to average out the recommended renewal expenditure in order to reduce annual fluctuations. When future Delivery Programs are prepared, actual allocations to each asset class may vary depending upon the scale of individual projects.

As discussed in Section 3.3 and 5.2, Current Asset Costs are generally inadequate to construct the MEERA. However, this is an industry-wide issue so is not considered further in this AMP.

Figure 7-1 shows the renewal expenditure recommended for all depreciable assets, of $237.1M. This is the recommended allocation of renewal expenditure in order to provide the LoS described in Section 5.2.

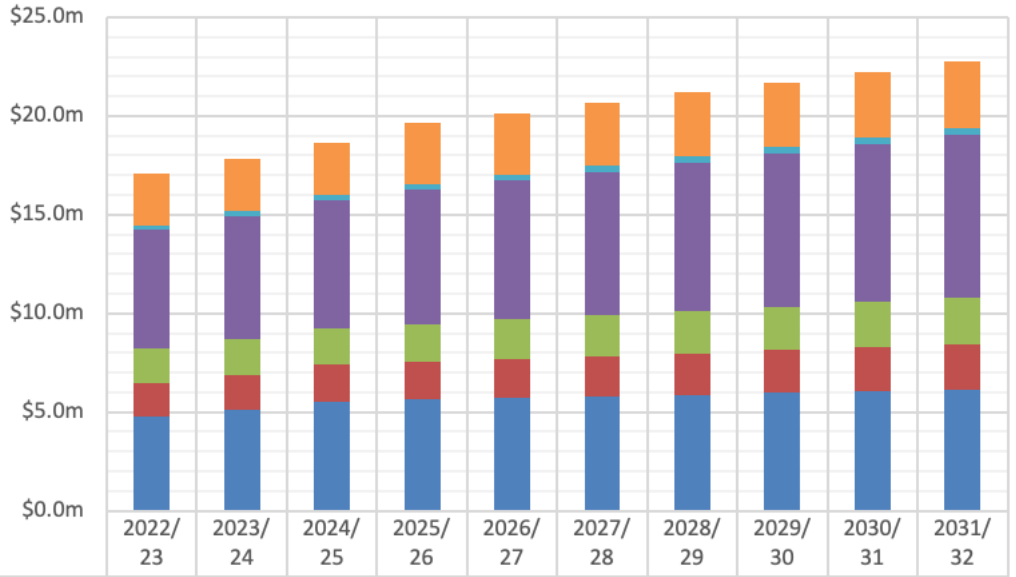
The required renewal expenditure for Infrastructure assets only is shown in Figure 7-2. $201.9M is required to renew Infrastructure assets over the next 10 years in order to meet the Infrastructure Renewal Ratio in SS7 (Office of Local Government, 2019).

Although this document outlines the required renewal expenditure required to achieve the benchmark performance of the renewal ratio, available funds are modelled in the LTFP. Any period of surplus or deficient with respect to asset renewal would be explored in that plan. When reporting on actual renewals, the ratios will fluctuate annually due to various factors such as scheduled inspections suddenly affecting reported asset conditions, periodic revaluations and unforeseen project delivery issues.



	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Business	$3.1m	$3.2m	$3.2m	$3.7m	$3.7m	$3.8m	$3.8m	$3.9m	$3.9m	$4.0m
Waste	$1.4m	$1.5m	$1.5m	$1.5m	$1.5m	$1.6m	$1.8m	$1.8m	$1.8m	$1.9m
Transport	$6.0m	$6.2m	$6.5m	$6.8m	$7.1m	$7.3m	$7.6m	$7.8m	$8.0m	$8.3m
Stormwater	$1.7m	$1.8m	$1.9m	$1.9m	$2.0m	$2.1m	$2.1m	$2.2m	$2.3m	$2.4m
Open Spaces	$1.8m	$1.9m	$2.0m	$2.1m	$2.2m	$2.2m	$2.3m	$2.4m	$2.4m	$2.5m
Buildings and Pools	$6.0m	$6.4m	$6.9m	$7.0m	$7.1m	$7.2m	$7.3m	$7.4m	$7.6m	$7.7m

Figure 7-1: Recommended Renewal Expenditure



	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Business	$2.6m	$2.6m	$2.6m	$3.1m	$3.1m	$3.2m	$3.2m	$3.3m	$3.3m	$3.4m
Waste	$0.3m	$0.3m	$0.3m	$0.3m	$0.3m	$0.3m	$0.3m	$0.3m	$0.4m	$0.4m
Transport	$6.0m	$6.2m	$6.5m	$6.8m	$7.1m	$7.3m	$7.5m	$7.7m	$8.0m	$8.2m
Stormwater	$1.7m	$1.8m	$1.9m	$1.9m	$2.0m	$2.1m	$2.1m	$2.2m	$2.3m	$2.4m
Open Spaces	$1.7m	$1.8m	$1.8m	$1.9m	$2.0m	$2.0m	$2.1m	$2.2m	$2.2m	$2.3m
Buildings and Pools	$4.8m	$5.1m	$5.6m	$5.6m	$5.7m	$5.8m	$5.9m	$6.0m	$6.1m	$6.2m

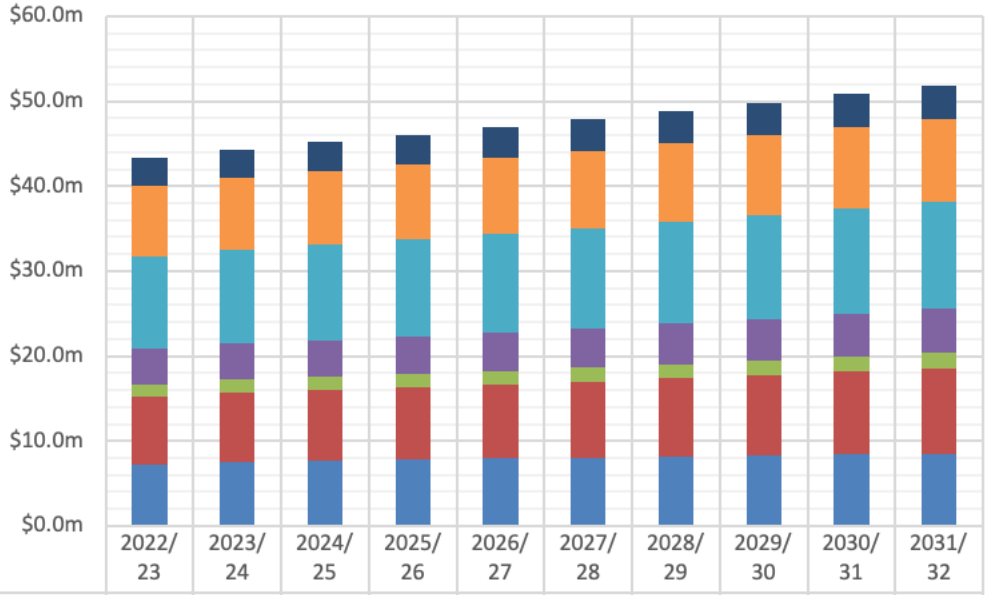
Figure 7-2: Required Infrastructure Renewal Expenditure

7.2 Recommended Maintenance and Operations Expenditure

To sustain the Maintenance and Operations LoS described in Section 5.3, Figure 7-3 shows the recommended maintenance and operations expenditure of $475.1M over 10 years. This has been calculated from the asset base growth described in Section 6.7 and funding available in the Long Term Financial Plan. Funding constraints prevent maintenance and operations expenditure from increasing in unison with full asset base growth rate and so a staggered approach is instead adopted.

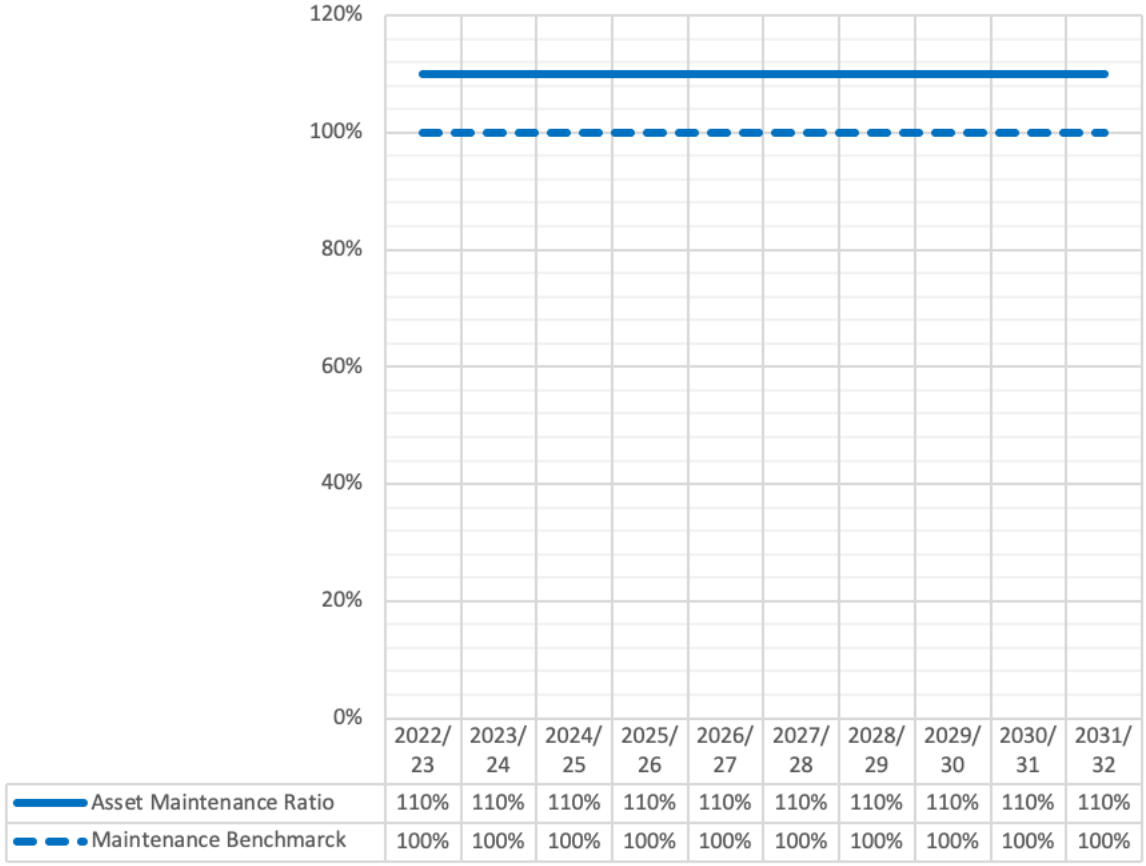
Across all years, maintenance & operations expenditure increases in accordance with Asset Indexation and the Efficiency Factor as a minimum. However, asset base growth from Asset Upgrades, Assets Contributed by Subdivision Development and Development Contributions is only considered to the extent that funding allows. Over the life of the AMP these components of asset base growth influence maintenance and operations expenditure in increasing fashion, with their considered discount rate reducing from 60% in 2022/23 to only 10% in 2030/31.

This recommended maintenance and operations expenditure, which is desired by the community, is 10% greater than the required maintenance and operations described in SS7, which is the bare minimum expected by the community. This is shown in the long-term average Asset Maintenance Ratio forecast in Figure 7-4. When reporting on actuals, this ratio will fluctuate due to unforeseen delivery issues.



	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Community Overheads	$3.3m	$3.4m	$3.4m	$3.5m	$3.6m	$3.7m	$3.7m	$3.8m	$3.9m	$4.0m
Business	$8.4m	$8.4m	$8.7m	$8.9m	$9.0m	$9.1m	$9.3m	$9.4m	$9.6m	$9.7m
Waste	$10.9m	$11.0m	$11.2m	$11.4m	$11.6m	$11.7m	$12.0m	$12.2m	$12.4m	$12.6m
Transport	$4.1m	$4.2m	$4.3m	$4.4m	$4.5m	$4.7m	$4.8m	$4.9m	$5.1m	$5.2m
Stormwater	$1.5m	$1.5m	$1.5m	$1.5m	$1.6m	$1.6m	$1.7m	$1.7m	$1.8m	$1.8m
Open Spaces	$8.0m	$8.2m	$8.3m	$8.5m	$8.7m	$9.0m	$9.2m	$9.5m	$9.7m	$10.0m
Buildings and Pools	$7.3m	$7.6m	$7.7m	$7.8m	$7.9m	$8.1m	$8.2m	$8.3m	$8.4m	$8.5m

Figure 7-3: Recommended Maintenance and Operations Expenditure

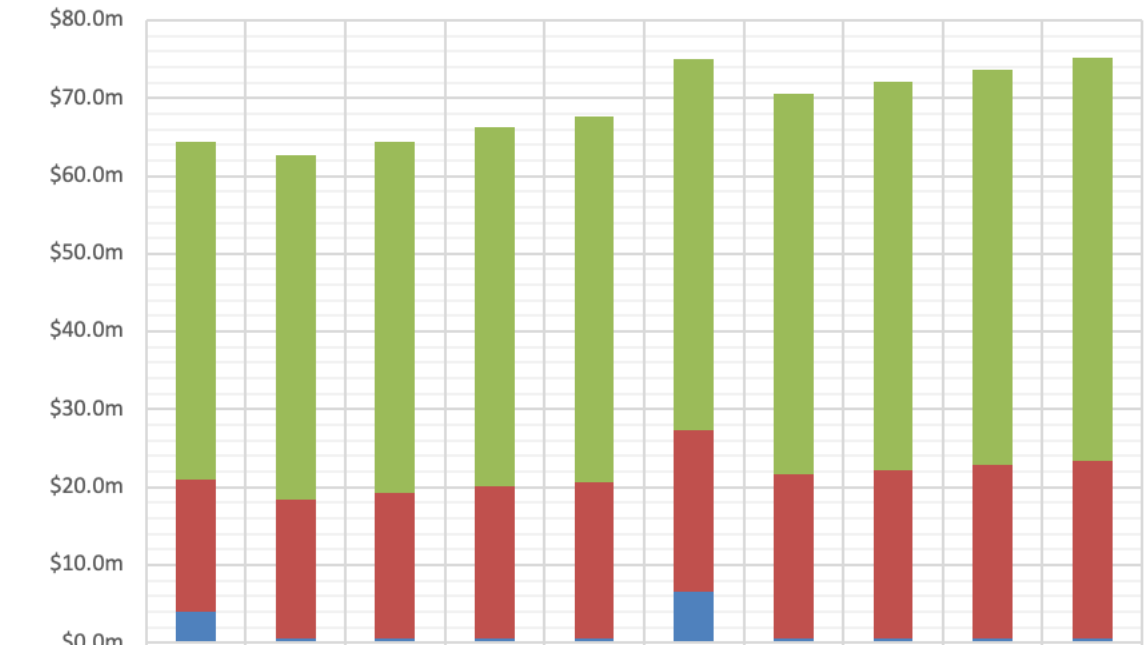


	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Asset Maintenance Ratio	110%	110%	110%	110%	110%	110%	110%	110%	110%	110%
Maintenance Benchmarck	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Figure 7-4: Special Schedule 7 Asset Maintenance Ratio Forecast

7.3 Recommended Overall Expenditure

The recommended overall expenditure is a combination of the asset upgrades from Section 6.1, the renewals from Section 7.1, and the maintenance and operations from Section 7.2, resulting in a total of $691.8m over 10 years. Figure 7-5 shows this recommended expenditure, while Figure 7-6 illustrates the spread across the asset classes.



	2022/ 23	2023/ 24	2024/ 25	2025/ 26	2026/ 27	2027/ 28	2028/ 29	2029/ 30	2030/ 31	2031/ 32
Maint/Ops	$43.4m	$44.3m	$45.2m	$46.1m	$47.0m	$47.8m	$48.8m	$49.8m	$50.8m	$51.9m
Renewal	$17.1m	$17.8m	$18.7m	$19.6m	$20.2m	$20.7m	$21.2m	$21.7m	$22.2m	$22.8m
Upgrade	$3.9m	$0.5m	$0.5m	$0.5m	$0.5m	$6.6m	$0.5m	$0.5m	$0.5m	$0.5m

Figure 7-5: Recommended Overall Expenditure

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Business	$11.5m	$11.1m	$11.4m	$12.0m	$12.2m	$12.4m	$12.5m	$12.7m	$12.9m	$13.1m
Waste	$13.3m	$11.4m	$11.6m	$11.8m	$12.0m	$18.2m	$12.4m	$12.7m	$12.9m	$13.1m
Transport	$11.0m	$10.5m	$10.9m	$11.4m	$11.7m	$12.1m	$12.4m	$12.8m	$13.2m	$13.6m
Stormwater	$3.4m	$3.5m	$3.6m	$3.7m	$3.8m	$4.0m	$4.1m	$4.2m	$4.3m	$4.4m
Open Spaces	$9.7m	$9.9m	$10.2m	$10.4m	$10.7m	$11.0m	$11.3m	$11.6m	$12.0m	$12.3m
Buildings and Pools	$12.1m	$12.7m	$13.3m	$13.4m	$13.6m	$13.8m	$14.1m	$14.3m	$14.5m	$14.7m

Figure 7-6: Recommended Overall Expenditure by Asset Class

8. Improvement Plan

Proposed improvements to this AMP are recorded in Table 81, ranked according to priority and the resources required for each task.

Rank	Improvement	Completed by	IP&R Action
1	Finalise Community asset class-specific AMPs	Dec 2022	4.2.4.04
2	Finalise Business asset class-specific AMPs	Dec 2023	4.2.4.04
3	AchieveAustralian Standard ISO 55001 accreditation for Council's AMS	Dec 2024	4.2.4.14

Table 81: Improvement Plan

9. Monitoring and Reporting

Council is required to monitor and report on the implementation of this Strategic Asset Management Plan (SAMP). We will undertake this to ensure that the improvement actions are being achieved. Council will use the existing IP&R framework for the purposes of monitoring implementation of the SAMP.

Council will review the SAMP in line with the review of Council's Community Strategic Plan. In addition, if necessary, more regular updates can be made to the SAMP to reflect major changes and to ensure it is aligned to the latest trends and information available.

We will monitor and report on the progress of the SAMP through the IP&R Framework through:

- The Quarterly Reports of the Delivery Program/Operational Plan, at the end of each quarter report on Council's progress on delivering the improvement actions of the SAMP.

- An Annual Report, at the end of each financial year to report on Council's progress on delivering on the improvement actions of the SAMP.

Glossary

Asset Class	Categories of similar assets, brought together for the purposes of management and reporting
Asset Management Plan (AMP)	Long-term plan that outlines Levels of Service and the resources required to achieve these targets
Asset Management System (AMS)	Interacting elements of an organisation which achieve asset management objectives
Asset Management Information System (AMIS)	Processes, data, software and hardware applied to provide the essential outputs for effective asset management
Condition	The physical state of assets, recorded on a 1-5 scale
Current Asset Cost (CAC)	The amount that would be currently required to replace the service capacity of an asset
Defect	An imperfection which affects the amenity, service capacity or safety of an asset
Depreciation	The systematic allocation of Current Asset Cost over the Useful Life of an asset; all depreciation in this AMP is straight-line
Fair Value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
Infrastructure Backlog Ratio	Estimated cost to bring to satisfactory standard / Net carrying amount of infrastructure (benchmark < 2%)
Infrastructure Renewal Ratio	Asset renewal expenditure / Depreciation, amortisation and impairment (benchmark > 100%)
Level of Service (LoS)	Definitions of the outputs and objectives that Council intends to deliver to the community
Modern Engineering Equivalent Replacement Asset (MEERA)	An asset, constructed to relevant standards of the time, that provides similar community benefit
Written Down Value	Current Asset Cost less depreciation incurred to-date

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Appendix A | Possible Additions

Major projects included in these appendices can be added in part or in full, if proportionate asset lifecycle funding can be allocated. These possible additions will be prioritised in future revisions, considering community engagement.

Item	Description	Upgrade	Renewal	Maintenance and Operations	Total
A-1	Lake Illawarra Coastal Management Program	$1.1M	$3.9M	$1.8M	**$6.7M**
A-2	$1.0m Annual Upgrade Grants	$0.0M[1]	$1.3M	$1.2M	**$2.5M**
A-3	Parks Master Plans	$9.7M	$1.4M	$1.3M	**$12.4M**
A-4	Tripoli Way Extension	$13.1M	$1.0M	$0.7M	**$14.8M**
A-5	Yellow Rock Road Upgrade	$4.7M	$0.6M	$0.6M	**$6.0M**
A-6	Shellharbour Boardwalk	$3.8M	$0.7M	$0.7M	**$5.2M**
A-7	Cemeteries Master Plans	$4.4M	$0.5M	$0.2M	**$5.1M**
Total		**$36.8M**	**$9.4M**	**$6.5M**	**$52.7M**

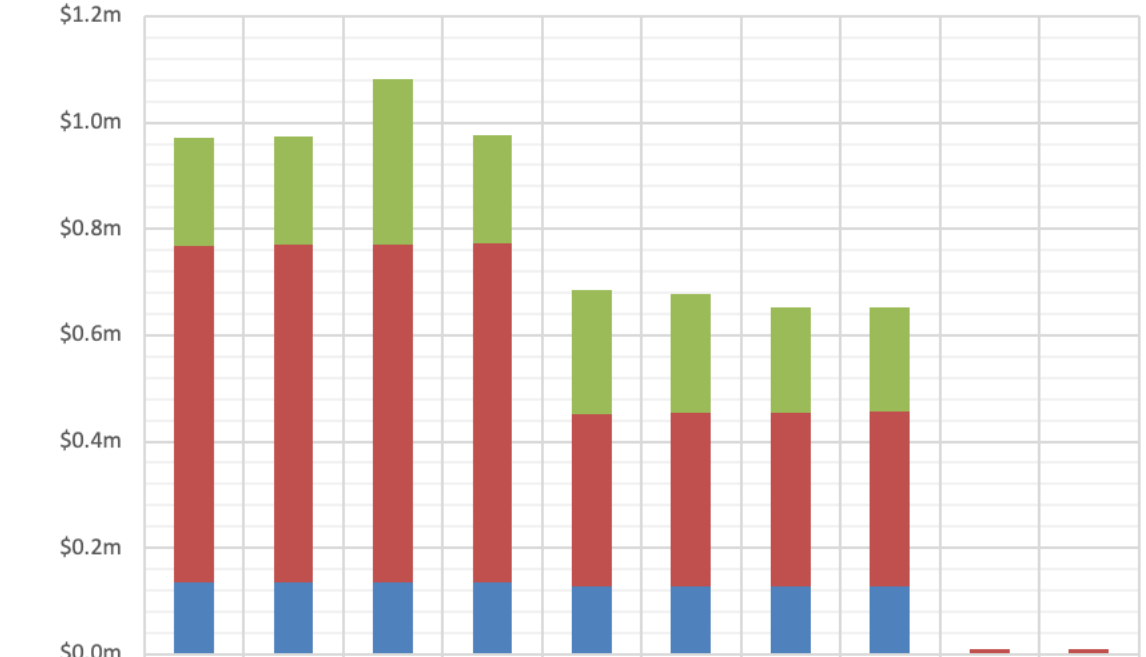
1 The $1.0m of annual upgrade grant funding is not considered Council upgrade expenditure

Appendix A-1. Lake Illawarra Coastal Management Program

Lake Illawarra Coastal Management Program (CMP) has been developed between Shellharbour City Council, Wollongong City Council and the Lake Illawarra Estuary Management Committee and was certified by NSW Government in November 2020.

Actions arising from this plan are modelled with actions that are due to occur in the first year, with actions scheduled over multi-year phases over the 10 year span of the program.

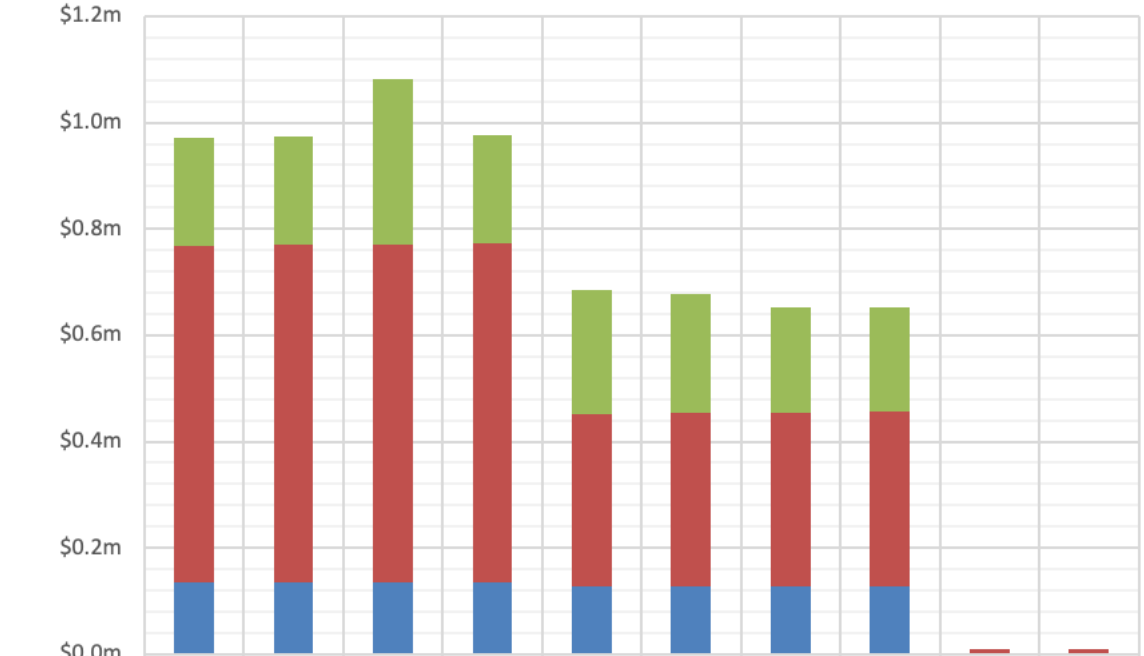
The 10-year lifecycle cost as it relates to this AMP would be approximately $7.4M.



	2022/ 23	2023/ 24	2024/ 25	2025/ 26	2026/ 27	2027/ 28	2028/ 29	2029/ 30	2030/ 31	2031/ 32
Maint/Ops	$0.2m	$0.2m	$0.3m	$0.2m	$0.2m	$0.2m	$0.2m	$0.2m	$0.0m	$0.0m
Renewal	$0.6m	$0.6m	$0.6m	$0.6m	$0.3m	$0.3m	$0.3m	$0.3m	$0.0m	$0.0m
Upgrade	$0.1m	$0.1m	$0.1m	$0.1m	$0.1m	$0.1m	$0.1m	$0.1m	$0.0m	$0.0m

Appendix A-2. $1.0M Annual Upgrade Grants

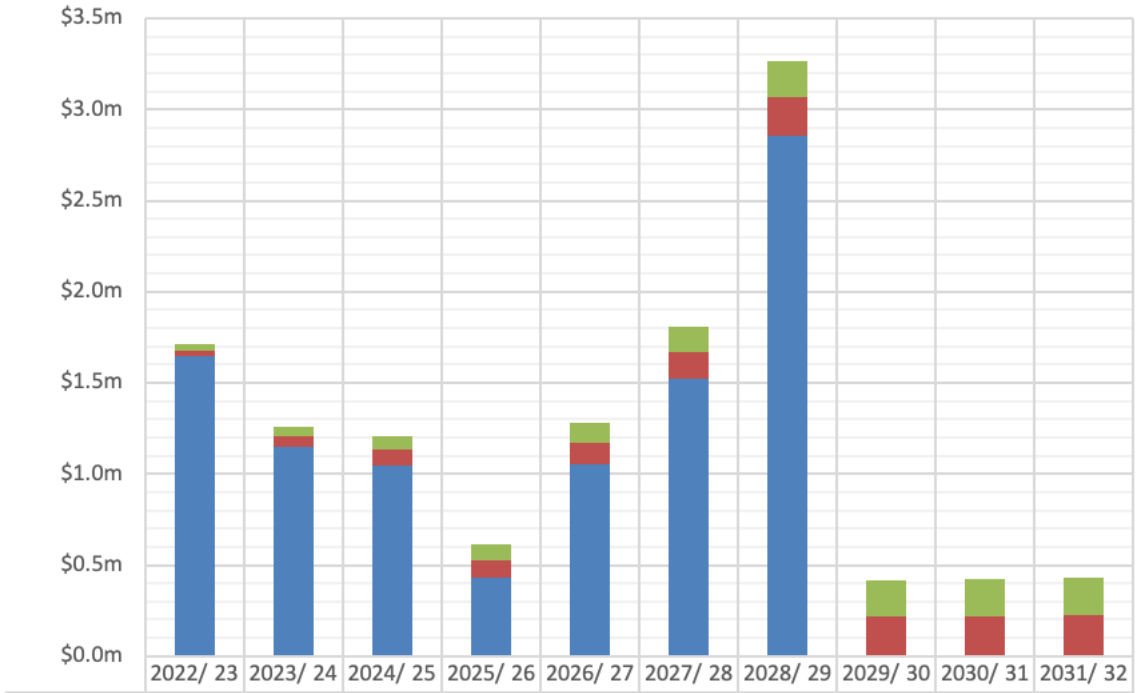
No grant funding for capital upgrade purposes have been included in any of the options within this AMP outside of the 2022-2026 Delivery Program. In this appendix, an estimate of the additional lifecycle costs resulting from an annual $1.0M of annual upgrade grant funding has been calculated based on typical asset costs. Whilst this analysis returns additional lifecycle costs of $2.5M over 10 years, this could vary significantly depending upon the particular type of assets that ultimately receive funding. Similarly, the $1.0M annual figure for these grants can be adjusted. The 10-year lifecycle cost as it relates to this AMP would be approximately $2.5M.



	2022/ 23	2023/ 24	2024/ 25	2025/ 26	2026/ 27	2027/ 28	2028/ 29	2029/ 30	2030/ 31	2031/ 32
Maint/Ops	$0.2m	$0.2m	$0.3m	$0.2m	$0.2m	$0.2m	$0.2m	$0.2m	$0.0m	$0.0m
Renewal	$0.6m	$0.6m	$0.6m	$0.6m	$0.3m	$0.3m	$0.3m	$0.3m	$0.0m	$0.0m
Upgrade	$0.1m	$0.1m	$0.1m	$0.1m	$0.1m	$0.1m	$0.1m	$0.1m	$0.0m	$0.0m

Appendix A-3.
Parks Master Plans

Lifecycle costings on the recently completed Reddall Reserve and McDonald Park Master Plans have been prepared based on the cost estimates. Several actions arising from these plans have been completed or scheduled and as such aren't included in the analysis below. Further consideration will be given to them in the Open Spaces AMP. The 10-year lifecycle cost as it relates to this AMP would be approximately $12.4M.



	2022/ 23	2023/ 24	2024/ 25	2025/ 26	2026/ 27	2027/ 28	2028/ 29	2029/ 30	2030/ 31	2031/ 32
Maint/Ops	$0.0m	$0.1m	$0.1m	$0.1m	$0.1m	$0.1m	$0.2m	$0.2m	$0.2m	$0.2m
Renewal	$0.0m	$0.1m	$0.1m	$0.1m	$0.1m	$0.1m	$0.2m	$0.2m	$0.2m	$0.2m
Upgrade	$1.6m	$1.1m	$1.0m	$0.4m	$1.1m	$1.5m	$2.9m	$0.0m	$0.0m	$0.0m

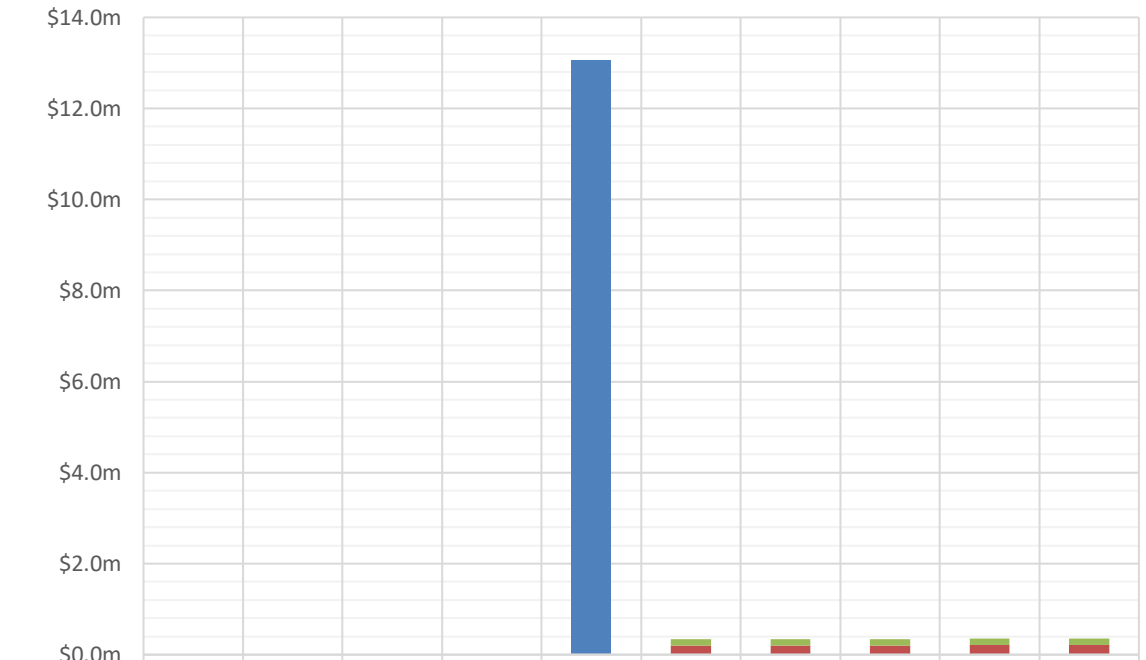
Appendix A-4.
Tripoli Way Extension

The Tripoli Way extension project has featured within the Development Contributions Plan since 1993. This allocation is already considered within the AMP, however, that allocation was only intended as a partial funding source for the project.

The total current project cost is $28.5M, with various funding sources considered;

- $4.2M from State VPA which had been applied to finalising project approvals and land acquisition processes.
- $11.2M from Development Contributions Plan (9th Review) and other local VPAs (final allocation dependent on collection patterns)
- $13.1M from funding sources not yet identified but being actively pursued

The 10-year lifecycle cost as it relates to this AMP would be approximately $14.8M.



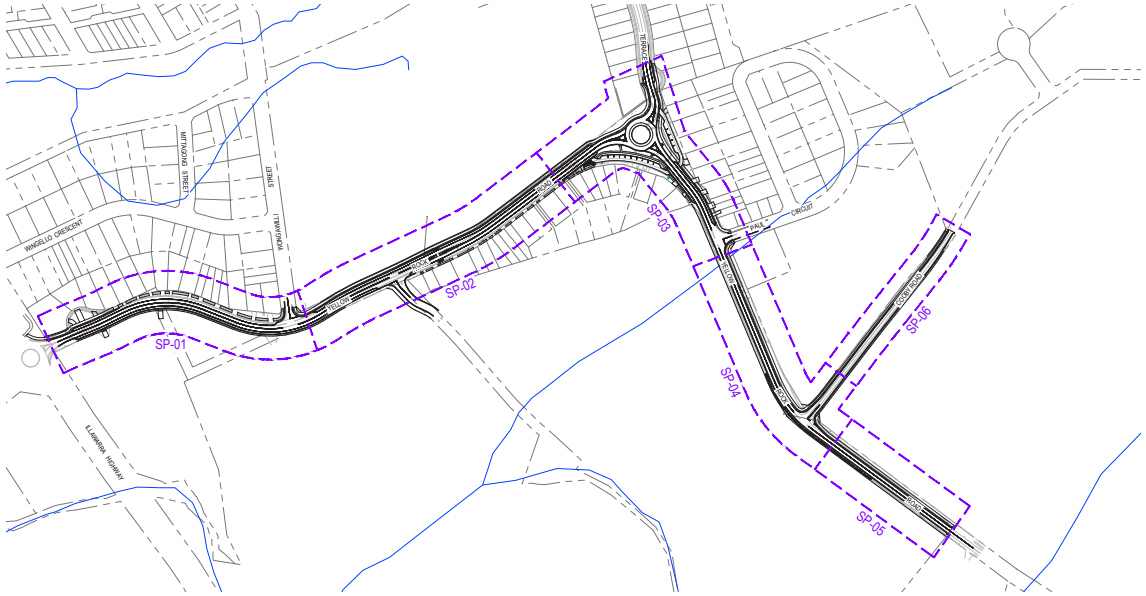
	2022/ 23	2023/ 24	2024/ 25	2025/ 26	2026/ 27	2027/ 28	2028/ 29	2029/ 30	2030/ 31	2031/ 32
Maint/Ops						$0.1m	$0.1m	$0.1m	$0.1m	$0.1m
Renewal						$0.2m	$0.2m	$0.2m	$0.2m	$0.2m
Upgrade					$13.1m					

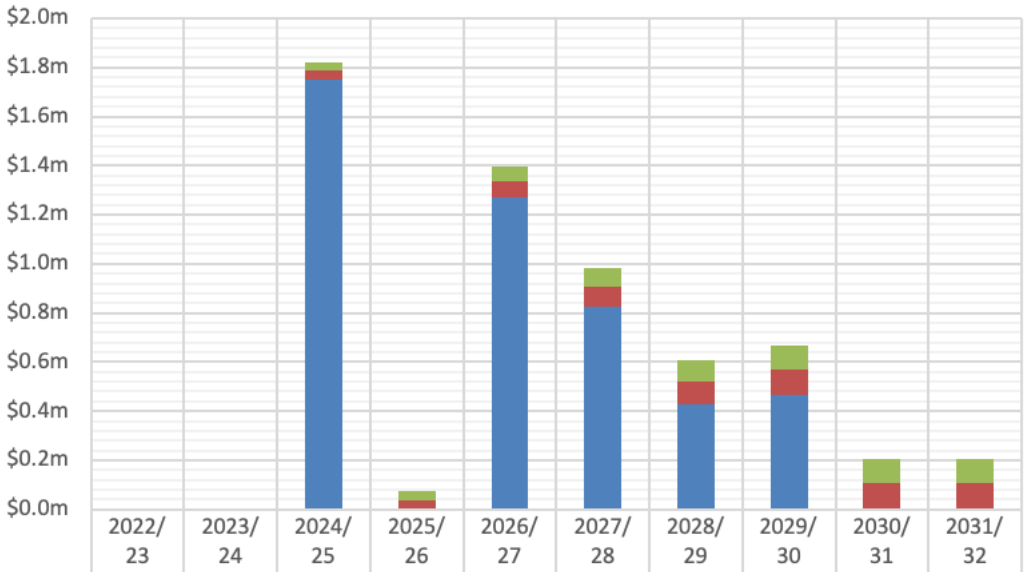
Appendix A-5. Yellow Rock Road Upgrade

As a result of urban expansion to the south-west of Tullimbar, the future suitability of Yellow Rock Road for local vehicle access has been identified as deficient. Council has completed preliminary designs for upgrades from the intersection with the Illawarra Highway, through to Cooby Road and the sections immediately beyond.

SP-01 and SP-02 feature in the 2022-26 Delivery Program, with grant funding to be pursued to contribute towards the upgrade components of these sections. Further sections may be including in future revisions of the Developer Contributions Plan.

The 10-year lifecycle cost as it relates to this AMP would be approximately $6.0M.

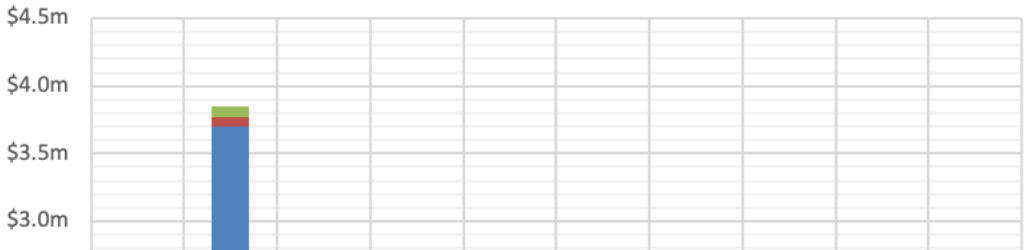




	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Maint/Ops	$0.0m	$0.0m	$0.0m	$0.0m	$0.1m	$0.1m	$0.1m	$0.1m	$0.1m	$0.1m
Renewal	$0.0m	$0.0m	$0.0m	$0.0m	$0.1m	$0.1m	$0.1m	$0.1m	$0.1m	$0.1m
Upgrade	$0.0m	$0.0m	$1.7m	$0.0m	$1.3m	$0.8m	$0.4m	$0.5m	$0.0m	$0.0m

Appendix A-6.
Shellharbour Boardwalk

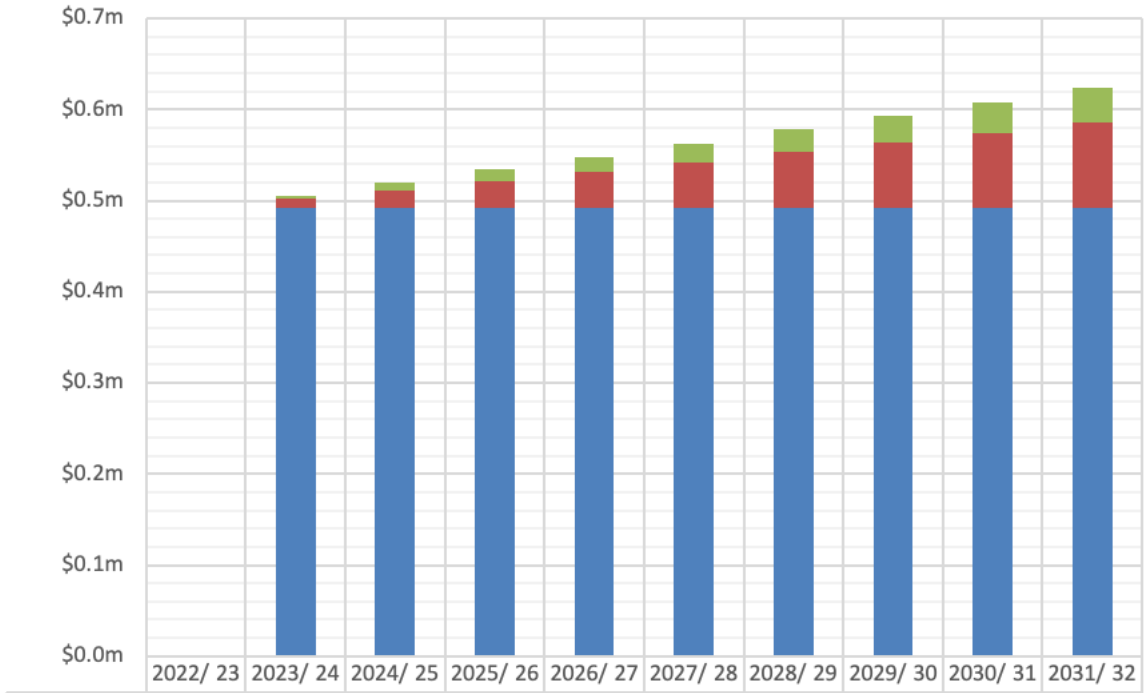
Shellharbour Boardwalk was identified in the 2010 Shared Use Path Master Plan. Concept designs have been prepared and lifecycle costs estimated accordingly. The 10-year lifecycle cost as it relates to this AMP would be approximately $5.2M.



	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Maint/Ops		$0.1m	$0.1m	$0.1m	$0.1m	$0.1m	$0.1m	$0.1m	$0.1m	$0.1m
Renewal		$0.1m	$0.1m	$0.1m	$0.1m	$0.1m	$0.1m	$0.1m	$0.1m	$0.1m
Upgrade	$0.1m	$3.7m								

Appendix A-7.
Cemeteries Master Plans

Council has drafted Master Plans for Albion Park and Shellharbour Cemeteries. Additional lifecycle costs have been projected based on the associated cost estimates. It is assumed that 100% of the Shellharbour and 80% of the Albion Park Master Plans could be completed over 10 years. The 10-year lifecycle cost as it relates to this AMP would be approximately $5.1M.



	2022/ 23	2023/ 24	2024/ 25	2025/ 26	2026/ 27	2027/ 28	2028/ 29	2029/ 30	2030/ 31	2031/ 32
Maint/Ops	$0.0m	$0.0m	$0.0m	$0.0m	$0.0m	$0.0m	$0.0m	$0.0m	$0.0m	$0.0m
Renewal	$0.0m	$0.0m	$0.0m	$0.0m	$0.0m	$0.1m	$0.1m	$0.1m	$0.1m	$0.1m
Upgrade		$0.5m	$0.5m	$0.5m	$0.5m	$0.5m	$0.5m	$0.5m	$0.5m	$0.5m

Shellharbour CITY COUNCIL

Policy

Asset Management

Policy Name: Asset Management	**Policy Number: POL-0037-V06**
Date of Last Amendment: 13 October 2021	**Review Date: 18 October 2024**
Policy Owner: Group Manager Asset Strategy	

1. Policy Statement/Objective(s)

Shellharbour City Council is committed to sustainably managing Council's infrastructure assets for present and future generations whilst complying with all legislative and regulatory requirements. This policy provides the interface between the organisation's strategic objectives, as detailed in the Community Strategic Plan, and other components of the Asset Management Framework.

This policy outlines the core objectives and principles that will guide Council in planning, coordinating, controlling, executing, monitoring and improving the activities associated with managing its assets. It also will outline of the core components of the Asset Management Framework that, combined, give effect to these objectives.

2. Scope

This policy applies to all infrastructure and assets under the care and control of Shellharbour City Council.

3. References

Local Government Act 1993 (NSW) & Regulation
Civil Liabilities Act 2002 (NSW)
Work Health and Safety Act 2011 (NSW) & Regulation
International Infrastructure Management Manual
Australian Accounting Standards
Shellharbour City Council Procurement Policy
ISO 55000: Asset Management – Overview, principles and terminology
ISO 55001: Asset Management – Management Systems - Requirements
ISO 55002: Asset Management – Management Systems – Guidelines for the Application of ISO 55001

4. External/Internal Consultations

Director Amenity and Assets
Group Manager Asset Strategy
Manager Asset Planning

5. Definitions

Asset Management Framework	A collection of policy, procedures and management plans which together document the processes that lead to Council achieving its asset management objectives
Integrated Planning and Reporting (IP&R)	A statutorily mandated framework where Council records the Community's long-term strategic objectives, and the associated plans aimed at achieving these objectives, along mechanisms for monitoring and reporting on the resulting progress towards these objectives
Resourcing Strategy	A suite of documents that outline how Council will provide the necessary resources to enact the plans arising from the Community's objectives. The Asset Management Framework is a component of this strategy

6. VARIATION AND REVIEW

This policy will be reviewed every three years by relevant employees.

Review History

Date Policy first adopted - Version 1	1 July 2008
Date amended adopted - Version 2	14 June 2011
Date amended - Version 3	10 June 2013
Date amended - Version 4	16 November 2016
Date amended - Version 5	12 June 2018
Date amended - Version 6	18 October 2021

7. Policy

Council recognises its obligation to act as custodian of public assets and infrastructure in accordance with Section 8 of the Local Government Act 1993. This includes ensuring that assets are planned, created, operated, maintained, renewed and disposed of in accordance with Council's service delivery. It also recognises all relevant legislative requirements together with political, social, economic and environmental requirements that are to be taken into account in the management of assets.

Asset management practices impact directly on the core business of Council and on achievement of our strategic delivery objectives. An annually reviewed Strategic Asset Management Plan (SAMP) will maintain alignment with Council's Community Strategic Plan and Long Term Financial Plan.

A strategic approach to asset management ensures that Council delivers the optimal level of service through its assets. This provides a positive impact on the operations of Council, the Customers we serve and the Councillors, as representatives of the Community to which we are accountable.

7.1 Asset Management Objectives

Shellharbour City Council commits to;

a) Ensuring Asset management is an integral element of Council's planning, budgeting and reporting frameworks.
b) Utilise an asset management framework to enable the development and application of appropriate asset management practices for the different infrastructure asset classes.
c) Community engagement and needs will form part of all significant decisions affecting infrastructure.
d) Develop service levels based on responding to community needs, including expansion of the existing infrastructure networks to support the growing population, while ensuring that necessary funding is allocated to renewing existing assets in a timely manner, for ongoing provision of acceptable levels of service.
e) Ensure compliance with all statutory requirements applying to physical assets and asset management
f) Ensure that all Asset Management decisions and activities comply with Council's policies relating to Work, Health & Safety and Environment
g) Decision making for service delivery will be focused on asset renewal, rationalising under-utilised assets and non-asset solutions as far as practicable, in order to achieve a cost-effective asset base and deliver financial sustainability.
h) Formally assess both risk and economic outcomes when making decisions relating to the management of physical assets
i) Ensure that asset acquisition, renewal, upgrade and disposal decisions are made based on an assessment of expected future demand, life cycle costs and risks
j) Maintain assets in such a manner that they continue to meet operational requirements for the duration of their expected life
k) Ensure that adequate resources are provided to permit the achievement of agreed Asset Management objectives
l) Continually meet and sustainably exceed the benchmark performance indicators relating to Asset Management, particularly the asset renewal ratio.
m) Continually improve Asset Management processes and performance
n) Asset management performance and progress will be reported regularly to the community in the context of the Integrated Planning & Reporting framework.

7.2 Asset Management Framework

The Asset Management Framework, as summarised in Figure 1, integrates into the wider IP&R Framework and ensures Council performs the Asset Management functions of planning, coordinating, controlling, executing, monitoring and improving the activities associated with managing its assets.

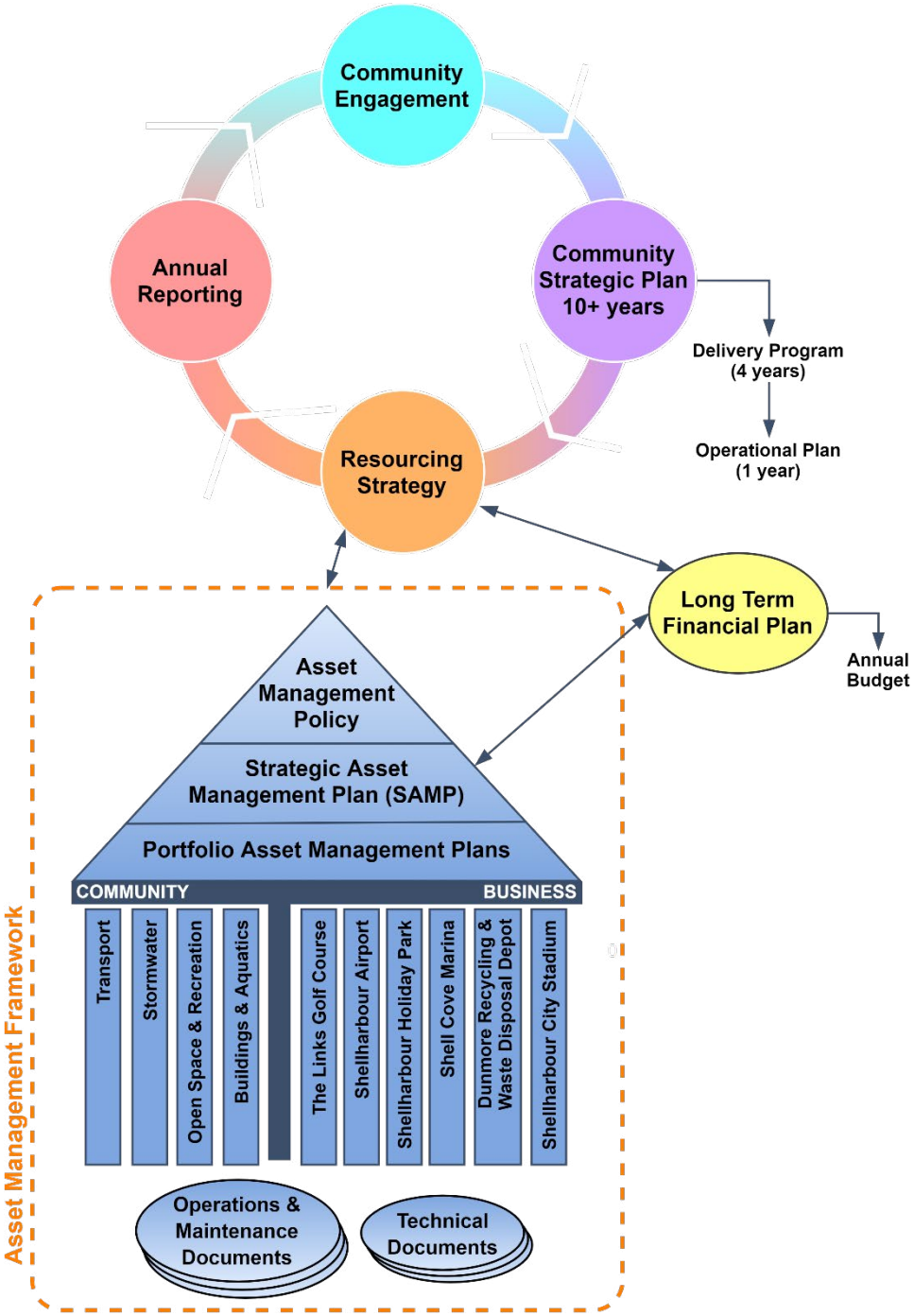


Figure 1 - The Asset Management Framework

Council's Asset Management Framework includes the following key elements;

- **Asset Management Policy**: (this document) set's out Council's Asset Management objectives.
- **Strategic Asset Management Plan (SAMP)**: shows how Council will go about achieving the objectives of the Asset Management Policy. It is a road map for the delivery of these asset management objectives in accordance with the principles set forth in this Policy. It is to be continually monitored and regularly reviewed, in alignment with the formulation of the Long Term Financial Plan (LTFP) and the Delivery Program & Operational Plans adopted annually by Council.
- **Portfolio Asset Management Plans (AMP)**: are developed to further explore the high level summary contained in the SAMP, with a detailed analysis of inventory, risk, levels of service and sustainability undertaken. AMPs are developed for all major infrastructure asset classes, grouped by the type of function the assets serve;
    - Community assets
        - Transport
        - Stormwater
        - Buildings & Aquatics
        - Open Space & Recreation
    - Business units
        - The Links Golf Course
        - Shellharbour Holiday Park
        - Shellharbour Airport
        - Shell Cove Marina
        - Dunmore Recycling & Waste Disposal Depot
        - Shellharbour City Stadium

Many of the business units listed are a combination of both business & community. Through the development of their respective AMP, the ratio of business:community will be quantified and then utilised to set the expected cost recovery of the business unit - ie full cost recovery will be expected for the business component. It is acknowledged that the determination of the business:community ratio will be a complex process, however its completion is of critical importance in ensuring the sustainability of these business ventures.

The AMPs are continually reviewed, to ensure long-term sustainability of the Council services they support. They are informed by community consultation and will be used as core inputs into the development of Council's Long Term Financial Plan.

A range of standard operating procedures and appropriate risk management practices that support this policy will be implemented. Operational plans incorporating effective and affordable preventative maintenance programs will be implemented to minimise lifecycle costs and maximise service potential of assets.

7.3 Responsibilities

7.3.1 Councillors

Councillors are responsible for adopting the policy and in ensuring that sufficient resources are applied to manage the assets.

7.3.2 Chief Executive Officer

The CEO has the overall responsibility for developing an asset management strategy, plans and procedures and reporting on the status and effectiveness of asset management within Council.

7.3.3 Directors and Group Managers

- Are responsible for the implementation of the Asset Manager
- Must fulfil responsibilities under the Civil Liabilities Act Standards
- Must ensure consultation occurs within the various Council Management
- Are required to set appropriate levels of service and manage
- Are to provide linkage between the community, key stakehol management of Council's assets
- Must monitor the performance of staff in relation to implemer

7.3.4 Manager Asset Planning

Is to manage the asset management functions identified i framework, and to achieve optimum outcomes and fulfil Council

8. Related Forms

Nil

9. Attachments

Nil

Policy Authorised by:

Name:

Date: