



Colac Otway
SHIRE

Asset Plan 2022-23 to 2031-32



V1.0
June 2022

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Mit...
1770 ft ASL
1770 ft ASL
1770 ft ASL

West...
1708 ft ASL

K...
1770 ft ASL

Wy...
1750 ft ASL

Stalker
1697 ft ASL

MacK...
1639 ft ASL

Lavers Hill
1510 ft ASL

Grow...
ASL

1.0 SUMMARY

This Asset Plan is aimed at providing a document that helps everyone understand the quantum of assets that Council owns, and the challenges in maintaining an asset base that services the community into the future in support of the 2050 Community Vision and Council Plan. This is a balancing act at the best of times, the funding bucket is only so big, there are lots of challenges, and we can't do everything. Council and the community will need to collaborate to address this dilemma and the Asset Plan will be a valuable tool for the work ahead.

The risks and cost of not having adequate resources and management practices is enormous. Assets that are poorly inspected, maintained or renewed can result in injury to life, breaching of legislative requirements, higher future costs, inter-generational inequity, loss of reputation, and assets that can't deliver on required services. There are environmental implications such as water quality management, the social implications of a built environment that is not such a great place to '*learn, live, work and play*', and financial implications that may be difficult to recover from. This makes it imperative to have a Plan.

This Asset Plan rests on the processes outlined within Council's Asset Management Policy, Asset Management Strategy, and Asset Management Plans. These documents and the processes they describe form a road map for continual improvement in the way Council manages its assets and the services delivered from them. In this balancing act there are ever changing challenges, community conversations and negotiations to be had, choices to be made, and plans to be updated and revised.

This is Council's inaugural Asset Plan and is being financially integrated with Council's inaugural Financial Plan (adopted September 2021) as part of the Integrated Strategic Planning and Reporting process. It represents what the community and Council are in agreement on, that is, it outlines expenditure in line with maintaining current (2021-22) service levels from its asset base, with expenditure in ways that supports the 2050 Community Vision and Council Plan.

In an ever changing environment, there is an increasing chance of flood, storm, and fire events that will compromise the integrity of the asset base. These events will happen, and Council's role in emergency management and the recovery afterwards is vital. It is worthy to note that Federal Government funding provides for restoration of disaster affected infrastructure assets under Disaster Recovery Funding Arrangements as administered by the State Government.

This Asset Plan's total lifecycle cost forecasts are balanced with the Financial Plan's total budget forecasts. This is a good start, but.....

What impact does it have on our assets and the services delivered from them in the coming years?

What about increasing demand on our services from population growth, demographic change, community expectations, and the impacts of climate change?

What about major shortcomings in our existing assets?

What do we do?

Table 1.0 following outlines the challenges, the plan to meet those challenges, the inevitable trade-offs, and the importance of community input and negotiation in determining 'what we do' and 'what we don't'. Action is required both now and in an on-going way to meet the challenges ahead.

Table 1.0 The Challenges and what we Do

What Challenge?	What's the Plan?	What Trade-Offs?	Further community input and/or negotiation required?
Delivering services from our existing assets into the future.	<ol style="list-style-type: none"> 1. Review and continuously improve asset data and modelled renewal demand in each asset category. 2. On-going integration of the Asset Plan and Financial Plan to reflect renewal requirements. 3. On-going service planning to define service levels and community priorities. 	<ul style="list-style-type: none"> • Some service levels may need to be lowered or services dropped to enable adequate funding of community prioritised services. • On-going asset backlog. • Potential decommissioning of some assets from service. • Potential 'user pays' services. 	Yes – on-going community input is required to define priority services and required service levels. This will inform and allow improved Service Planning. This in turn will lead to the community conversation around “Here’s the funding we have, what do we do and what don’t we do?”
Increasing services demand in the face of limited funding.	<ol style="list-style-type: none"> 1. On-going service planning to define service levels and community priorities. 2. Continually review and update asset management planning data and modelling with integration of the Asset and Financial Plans. 3. On-going service planning to define service levels and community priorities. 4. Strategic and prioritised grant funding applications targeted at community needs. 5. Include climate change resilient asset costs and costs of assets requiring higher design standards within asset planning new and renewal costs. 6. Manage asset expansion sustainably in line with Asset Plan and asset management planning. 7. Consider non-asset service solutions where workable. 	<ul style="list-style-type: none"> • Community expectations won't necessarily be met. • Some service levels may need to be lowered or services dropped to enable adequate funding of community prioritised services. • On-going asset backlog.. • Potential decommissioning of some assets from service. • Potential 'user pays' services. 	Yes – on-going community input is required to define priority services and required service levels. This will inform and allow improved Service Planning. This in turn will lead to the community conversation around “Here’s the funding we have, what do we do and what don’t we do?”
Existing Assets with significant service shortcomings.	<ol style="list-style-type: none"> 1. On-going service planning to define service levels and community priorities. 2. Long term strategic planning to define quantum of shortcomings, service levels, and long term programs to rectify. 3. Strategic and prioritised grant funding applications targeted at asset upgrade where this is a community priority. 	<ul style="list-style-type: none"> • Current service levels provided from these assets remain unchanged over time. • Other trade-off as for the challenges above. 	Yes – on-going community input is required to define priority services and required service levels. This will inform and allow improved Service Planning. This in turn will lead to the community conversation around “Here’s the funding we have, what do we do and what don’t we do?”
Continuous improvement of asset management practice.	<ol style="list-style-type: none"> 1. Establish and monitor and asset management improvement plan as part of the Asset Management Strategy. 2. On-going reporting of asset management status using an asset management steering group. 	<ul style="list-style-type: none"> • Additional staff resources may be required which will come at a cost. 	No – these processes will be established in accord with the Asset Management Strategy.

2.0 WHY AN ASSET PLAN?

2.1 Background

Colac Otway is a large rural and coastal Shire with a 2021 population of 21,662 situated within commuting distance from the major regional cities of Geelong, Warrnambool and Ballarat.

Colac Otway's landscape is made up of a unique and precious natural environment, from a rural idyll with fertile farmland and volcanic lakes and craters inland, to beautiful rainforest, National Park, waterfalls, beaches and rugged coastlines.

Much of the rural area is used for agriculture, with farming, cropping and dairying being the main agricultural pursuits. Agricultural activity is concentrated in the northern part of the Shire, although timber and fishing are prevalent in the south.

Tourism is an important industry, especially in the southern section along the Great Ocean Road.

The Shire has two main townships, with many small historic towns throughout. The largest town Colac, which serves as an administrative, retail and commercial centre, is well serviced by high quality education, health, recreation, arts and social facilities. Apollo Bay is the major tourism centre and is located along the spectacular Great Ocean Road; this coastal community experiences an annual swell of thousands of holidaymakers over the summer months, with the lure of beautiful beaches, fresh local seafood and breathtaking scenery. Colac Otway's townships include, Alvie, Beeac, Birregurra, Carlisle River, Cororooke, Cressy, Forrest, Gellibrand, Swan Marsh, Beech Forrest, Lavers Hill, Kennett River, Separation Creek and Wye River.

Colac Otway Shire Council is the custodian of an extensive range of community assets that deliver a wide range of vital services to the community. In order to deliver these services over the long term in a challenging environment, the Council must ensure that the assets supporting these services are managed in a sustainable way. This Asset Plan sits alongside Council's Financial Plan as the guiding ten year plus resource and allocation tools within the Local Government Integrated Strategic Planning and Reporting Framework (ISPRF), and together these documents guide and inform Council's decisions in a ten-year context.

2.2 Purpose of the Plan

This Asset Plan is intended as a strategic community facing document that informs the community on how Council controlled infrastructure and other assets are to be managed to achieve the Council Plan objectives and Community Vision statement. The purpose of the Asset plan is to:

- improve the transparency around asset value and performance
- better inform the community on the type of assets under council management and their financial impost
- embed responsible asset management practices into the ISPRF
- contribute to council's long term objectives, strategic intent, and finances
- improve the efficiency and effectiveness of asset management practices through a more engaged community and informed council
- better align decisions around assets to community needs, service levels and standards, and financial sustainability
- articulate and communicate the challenges on service levels, costs, risks, and the considerations for the decisions made.

2.3 Strategic Context

2.3.1 Compliance with the *Local Government Act 2020*

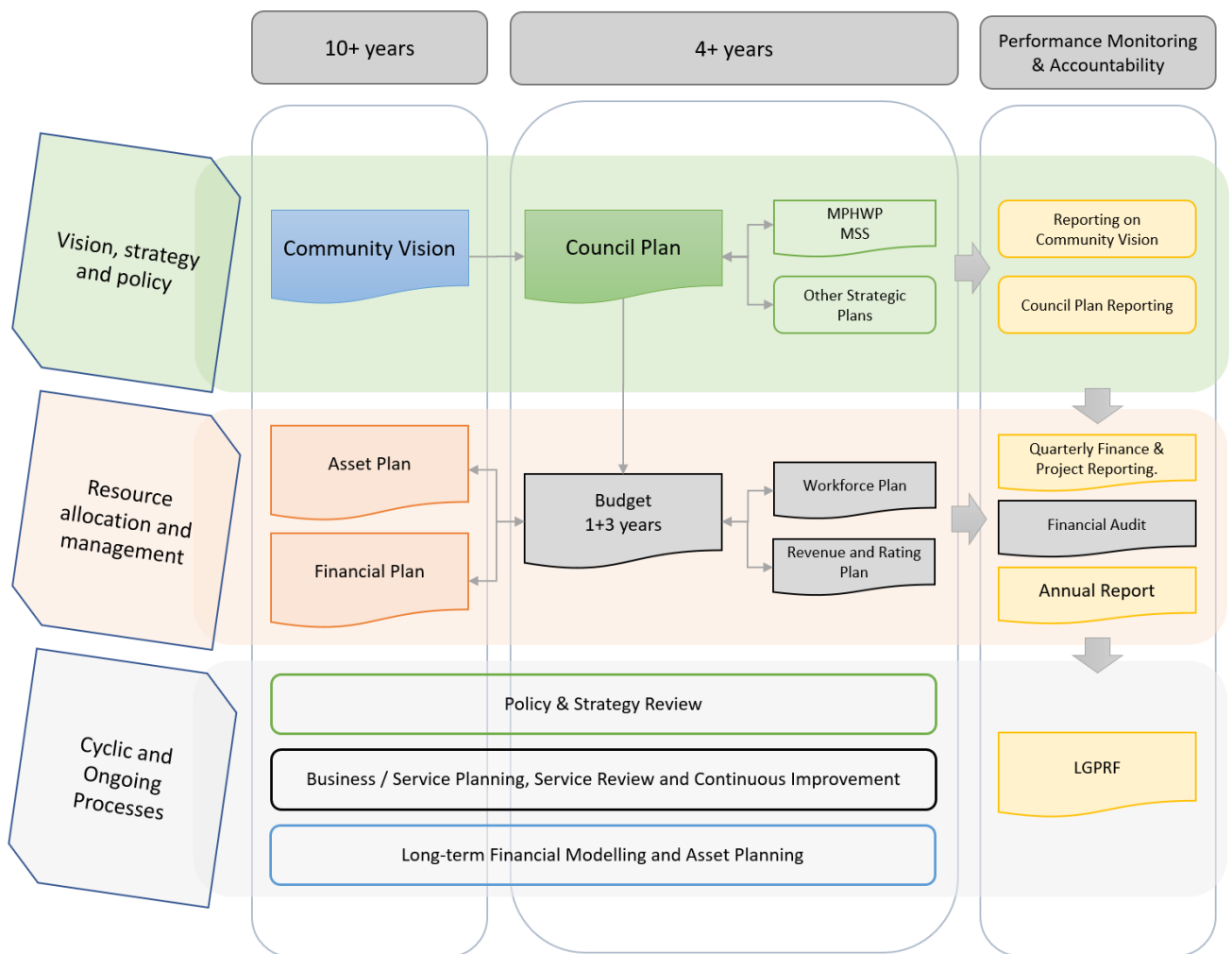
Section 92 of the Local Government 2020 (the Act) highlights the requirement for good asset management practices across the local government sector in Victoria. Under the Act, councils must adopt an initial Asset Plan by 30 June 2022 and by 31 October following each Council election thereafter.

The Local Government Act 2020 (Planning and Reporting) Regulations requires councils to record their compliance with section 92 of the Act by completing the Governance and Management Checklist annually; and to ensure that the Asset Plan aligns with the Council Plan, Council Budget, Annual Report, Community Vision and Financial Plan. These factors are in keeping with the ISPRF and are aimed at reassuring the community that their assets are being responsibly managed.

2.3.2 Integrated Strategic Planning and Reporting Framework

This Asset Plan is a vital component of the ISPRF and as such aligns with and complements other council planning and reporting documents, including the Council Plan, Council Budget, Annual Report, Financial Plan, and the 2050 Community Vision. An overview of Council’s ISPRF showing elements and planning timeframes is shown in Figure 1.

Figure 1: Integrated Strategic Planning and Reporting Framework – Overview



3. How does it Fit Together?

3.1 Community Engagement

The Local Government planning and accountability framework guides the Council in identifying community needs and aspirations, and determining how it will deliver on them.

Throughout February and March 2021 Council invited the community to share their thoughts via an online community survey, key stakeholder interviews, and drop-in sessions throughout the Shire. More than 600 people responded to what they valued most and what priorities they would like included in a future vision. The key themes emerging from this survey were:

- Our environment, and concerns about living sustainably.
- Planning for our future (which included a focus on housing availability and affordability, and supporting our local economy).
- Looking after our local community including supporting people's health and wellbeing.
- Planning for sustainable population growth.
- Maintaining Council and community infrastructure.

In May 2021, Council undertook a deliberative engagement process with a Community Panel of 24 randomly-selected people. The Community Panel's role was to review the information that was gathered via the broad Community Vision consultations and develop recommendations to inform the 2021-25 Council Plan and Community Vision. The Community Panel was provided the following remit:

"Council Plans and Community Visions set direction for Council. The reality is that we can't do everything. We want to ensure our strategic planning reflects what is most important to the future of our community. What should Council focus on in the next four years and out to 2050?"

The Community Panel were also given three specific questions to focus on, including:

Assets and services.

Q: What are the most important assets and services that Council provides?

Q: If changes have to be made to service levels, how can they be prioritised? And

Q: Are there ways Council can lower the cost of managing assets and services?

The Panel provided the following Assets and Services recommendations:

1. *Maximise community use of assets and services and if underutilised consider consolidation.*
2. *Consider assets and services decisions in line with the strategic growth plan.*
3. *Consolidate and focus the COS assets and services responsibilities by assessing:*
 - a. *What value does the asset provide to health, education, economy, connectedness?*
 - b. *Who uses it, how often and cost to maintain?*
 - c. *Identify opportunities for co-location and consolidation.*
 - d. *Identify competitive advantage and model investment, identify missed opportunities e.g. what do we want our region to be known for?*
 - e. *Develop a caretaker model to support the community management and delivery of assets and services (e.g. hall, park, tennis court, play areas, maker space).*
4. *Invest in a specialist data analyst/s to:*
 - a. *Support funding applications*
 - b. *Develop a decision matrix supported by data, which may include:*
 - i. *Usage data (prioritised based on demand)*
 - ii. *Demographic data*
 - iii. *Community input e.g. surveys*
 - iv. *Information from interest groups e.g. Chamber of Commerce*

- v. *Environmental impacts*
- vi. *Social impacts*
- vii. *Value for money/ cost benefit.*

These and other Community Panel recommendations in the areas of developing a Strategic Growth Plan and the questions around Climate Action and Housing have been foundational to the formulation of the Colac Otway Shire 2050 Community Vision and in turn the Colac Otway Shire Council Plan 2021-25.

3.2 2050 Community Vision, Council Plan and Shared Objectives

This Asset Plan has been prepared based on the 2050 Community Vision and Council Plan 2021-25 which in turn have been informed by the participatory and deliberative engagement processes outlined above.

2050 Community Vision:

“By 2050, Colac Otway Shire will be a destination where people come to appreciate our unique and diverse environment and friendly communities.

We value the wisdom of this land’s first caretakers, the Gulidjan and Gadabanud peoples, and recognise all those who have cared for the land since.

We work to preserve what makes our place special. We focus on environmental sustainability to protect our precious natural assets.

We are a proud and resilient community that values our welcoming spirit. We embrace new people, new business, new ideas. Our region is a great place to learn, live, work and play.”

Four key themes were identified:

1. Strong and Resilient Economy
2. Valuing the Natural and Built Environment
3. Healthy and Inclusive Community
4. Strong Leadership and Management.

The **Council Plan 2021-25** cascades directly from the 2050 Community Vision. The four-year Plan, developed by Council, guides the work of the organisation in making progress towards the community’s 30-year vision. The relevant Council Plan objectives and how these are incorporated into this Asset Plan are outlined below:

Council Plan Objectives:

- *Key infrastructure investment supports our economy and liveability.*
- *Colac Otway Shire is a destination to visit.*
- *We mitigate impacts to people and property arising from climate change.*
- *Provide and maintain an attractive and safe built environment.*
- *All people have the opportunity to achieve and thrive in our shire.*
- *People are active and socially connected through engaging quality spaces and places.*
- *We commit to a program of best practice and continuous improvement.*
- *We are a financially robust organisation.*

As reflected by the following Asset Plan features:

- Provides baseline maintenance and operations, renewal, and new/ upgrade works with corresponding funding requirements over the next 10 years - This framework allows informed decision making when budgeting for key infrastructure projects, prioritising grant funding opportunities, and targeted enhancement of Colac Otway Shire as a destination to visit.
- Built upon and informed by Council’s Asset Policy, Asset Strategy, and Asset Management Plans - These documents outline relevant mitigation measures for the impacts of climate change for individual asset categories.
- Provides baseline maintenance and operations, renewal, and new/ upgrade works with corresponding funding requirements over the next 10 years - These works are aimed at providing and maintaining an

attractive, engaging, active, and safe built environment, and allowing the opportunity for all to achieve and thrive as part of an active and socially connected community.

- Targeted provision of a sustainable future within Financial Plan Parameters - Committed to long-term financial sustainability and continuous improvement to achieve best asset and financial management practice.

3.3 Fit Between the Asset Plan and Asset Management Practice

This Asset Plan has been informed by Council's asset management practices, data, systems and processes, and forms part of a continual improvement process. Council's Asset Management System includes:

1. Asset Management Policy -
 - Establishes the goals and objectives for asset management providing a platform for service delivery.
 - Integrates long-term asset and financial management with council's strategic objectives.
 - Maximises value for money by adoption of life cycle costing, combined with disciplined performance measurement.
 - Assigns accountability and responsibility for service delivery together with asset management.
 - Promotes sustainability to protect the needs of future generations.
2. Asset Management Strategy –
 - Links and integrates council's plans and resources, indicating which services are to be delivered through which assets.
 - Forecasts future service delivery needs and the capacity of assets to meet those, on a short, medium, and long-term basis.
 - Identifies assets that are critical to the council's operations and outline risk management strategies for these assets.
 - Includes specific actions required to improve the council's asset management capability and projected resource requirements and timeframes.
 - Establishes systems for asset performance measurement.
3. Asset Management Plans –
 - Encompasses all the assets under council's control.
 - Connects the investment of community wealth in assets with service outcomes.
 - Presents at least one scenario that balances with the available funds from the Long-Term Financial Plan.
 - Identifies and communicates risks associated with affordable service levels and how these risks will be managed.
 - May allow for additional lifecycle scenarios (advanced) that manage assets to provide optimal life cycle costs to inform the asset management strategy and the Financial Plan.
 - Includes one scenario that balances the available funds from the Financial Plan with affordable service level targets, and may set out a strategy (advanced) to communicate the corresponding service levels and risks and how these will be managed to Council and the community.
 - For each scenario, presents cash flow forecasts for acquisition (upgrade/new/expansion), operating, maintenance, renewal and where relevant, disposal.

The linkage between the Asset Plan, Council's key strategic plans, and the Asset Management System is shown in Figure 2 following.

Figure 2: How the Asset Management System links to the Asset Plan and Key Strategic Plans



3.4 Financial Fit of the Asset Plan and Financial Plan

Council adopted its first Financial Plan under the Act in September 2021, and this has significantly informed the development of this first Asset Plan. The Financial Plan must be a living plan and regularly reviewed to reflect both external and internal influences on Council's financial current and future situation.

A number of matters has already been identified since the adoption of the current Financial Plan 2021-22 to 2030-31, including through the development of the budget for 2022-23, that need to be incorporated into an updated Financial Plan. Therefore, this Asset Plan has been developed in the context of both the adopted Financial Plan as well as expected changes to that document.

It is intended that this Asset Plan and an updated Financial Plan will be both presented to the community concurrently to enable them to be understood as an integrated set of documents within the ISPRF.

The Financial Plan guides the Asset Plan as outlined in Table 3.4 following.

Table 3.4 Anticipated Changes to Financial Plan

Financial Plan 2021-22 to 2030-31 as adopted in September 2021	Anticipated changes to Financial Plan 2022-23 to 2031-2032
1. Total of \$11,470,000 capital works expenditure in 2022-23 with this entirely allocated to asset renewal expenditure.	Planned allocation of new Council funding to the Capital Asset Renewal program is \$8.254 million. Planned allocation of new or upgraded assets is relatively low compared to historic budgets, with council's capacity to directly fund these projects generally in the order of \$0.5 million average annually.
2. This total amount includes \$9,152,000 Council funding, \$1,786,000 Roads to Recovery recurrent grant funding, and \$532,000 of other grant funding.	Planned funding for asset renewal includes \$1.703 million of Roads to Recovery funding in 2022-23 with the balance of funds to be directly sourced from Council's own funds.
3. Financial allocation of Buildings/ Property \$798,000; Plant and Equipment \$2,994,000; and Infrastructure \$7,678,000.	The planned allocation to Asset Renewal is approx. \$8.254 million with expenditure across the following areas: Building/property \$0.750 million; Plant and equipment \$1.327 million and Infrastructure \$6.548 million.
4. The Financial Plan maintains this quantum of forecast expenditure (in 2022-23 real dollar values) over the remainder of the plan's period.	The allocation to Asset Renewal is planned to increase annually to achieve asset renewal funding of 110% of depreciation in the 10 th year of the plan. If depreciation is maintained over the 10 years, the average annual increase in asset renewal funding is 3.9%.

The **Asset Plan** forecasts:

1. A total Asset renewal demand in the order of \$308 million over the next 10 years as assets reach a condition where Council's asset management policies indicate that intervention is desirable and assets should be renewed, reconstructed or rehabilitated.
2. That Council will continue to have an Asset Renewal Backlog each year of the 10 year planning period, representing the replacement value of assets that are ready for intervention but not able to be funded. The lowest backlog value is expected to be \$20 million in 2032 and the largest backlog is expected to be experienced in 2042 when the unfunded replacement value of assets at intervention will be \$44 million.

It should be also noted that the asset profiles shown in section 4.3 of this Plan are stated in 2021-22 dollar values and have not been adjusted by the plus 2.5% allowed in the Financial Plan for 2022-23 dollar values.

3.4 Financial Indicators

There are multiple financial indicators which can be used to define asset performance and sustainability. Council's Annual Report uses the:

- Renewal Gap Ratio – *'This compares the rate of spending on existing assets through renewing, restoring, and replacing existing assets with depreciation. Ratios higher than 100% indicate that spending on existing assets is faster than the depreciation rate. This ratio is about the renewal and upgrade of our existing assets (i.e. replacing one asset with another of the same or better quality).'*
- Capital Replacement Ratio – *'This compares the rate of spending on infrastructure, property, plant and equipment, and intangibles with its depreciation and amortisation. This is a long-term indicator, as capital expenditure can differ in the short term if there are insufficient funds available from operations or borrowings. A ratio less than 100% means the spending on capital works has not kept pace with consumption of assets. This ratio is about the overall spending on assets, both new and existing.'*

These and other ratios and their values under the next 10 years' planned expenditure are outlined below.

- A. **Asset Renewal Funding Ratio** - The key indicator for service delivery sustainability is the Asset Renewal Funding Ratio (ARFR) which is expressed as a percentage:

$$\text{Asset Renewal Funding Ratio (ARFR)} = \text{Capital Renewal Planned Budget} / \text{Capital Renewal Forecast} (\%)$$

This Asset Plan provides for a Capital Renewal Planned Budget of \$8.254 million increasing at 3.9% each year for the next 10 years (2022-23 dollar values). Based on modelling, the planned renewal expenditure will result in a decrease in overall asset condition (as expected from an ageing asset base), with an approx. 18% decrease in backlog over this time, refer section 4.3. The decrease in backlog indicates that asset renewal demand is being met over this time.

- B. **Renewal Gap Ratio / Asset Renewal Funding Ratio** – Another indicator for service delivery sustainability is known as the Renewal Gap Ratio in Council's annual reporting, and as the Asset Sustainability Ratio (ASR) in infrastructure financial management, this ratio is expressed as a percentage:

$$\text{Renewal Gap Ratio / Asset Sustainability Ratio (ASR)} = \text{Renewal Planned Budget} / \text{Asset Depreciation} (\%)$$

With a Capital Renewal Planned Budget of \$8.254 million per annum (2022-23 dollar values), a 2020-21 depreciation amount of \$11.1 million (refer section 4.1),

$$\text{Renewal Gap Ratio / Asset Sustainability Ratio (ASR)} = 74\%.$$

- C. **Capital Replacement Ratio** – As outlined above:

$$\text{Capital Replacement Ratio (CRR)} = \text{Capital Renewal, New and Upgrade Budget} / \text{Asset Depreciation} (\%)$$

With a Capital Renewal, New and Upgrade Planned Budget of \$8.9 million in 2022-23, and a depreciation amount of \$11.100 million (refer section 4.1), and allowing 2.5% appreciation of this depreciation amount over two years giving a depreciation figure of \$10,368,000, the:

$$\text{Capital Replacement Ratio (CRR)} = 80\% \quad : \text{ in 2022-23 (State risk category High)}$$

$$\text{Capital Replacement Ratio (CRR)} = 116\% \quad : \text{ in 2031-32 (State risk category Medium).}$$

The figure for 2031-32 is based on growth in renewal spending over the 10-year time frame to 110% of depreciation. Other spending is assumed to be held constant such that the Renewal, New and Upgrade budget would be \$12.85 million.



4. What Have we Got?

4.1 What Assets?

The assets covered by this Plan are those which are owned and/ or managed by Council. These assets are accounted for in reported figures with Table 4.1 below based on the 2020-21 Annual Report financial numbers. These assets have a replacement value of approx. \$555 Million as at 30 June 2021 and are used to provide a wide range of services to the community. The three largest value asset categories of Roads, Bridges, and Buildings make up approx. 76% of Council's total asset replacement cost.

Table 4.1 Assets covered by this Plan

Asset Category	Indicative Quantity/ Description	Replacement Value (\$,000)	Depreciated Value (\$,000)	Annual Depreciation (\$,000)
Land	Largely urban land associated with buildings	\$27,653	\$27,653	\$0
Buildings	162 building structures	\$89,966	\$42,045	\$1,574
Roads	566 km Sealed and 1,058km unsealed roads	\$272,963	\$203,991	\$4,598
Bridges	249 Bridges and major culvert structures	\$55,505	\$28,643	\$404
Pathways	164 km footpaths/ shared paths, 34km rail trail	\$28,987	\$19,442	\$472
Drainage (Stormwater)	5,024 Pits and 152km pipe network	\$43,417	\$33,979	\$384
Other Infrastructure	Retaining structures, playing surfaces, landscaping	\$10,267	\$6,604	\$911
Plant Machinery & Equipment	Fleet, Small Plant, Heavy Plant, Guardrail, fences, lights	\$11,692	\$4,867	\$1,154
Fixtures, Fittings & Furniture	Playgrounds, Skate Parks, street/ other Furniture	\$10,570	\$2,018	\$325
Computers & Telecommunications	CIT Equipment and networks	\$1,657	\$321	\$46
Works in Progress	Works in Progress	\$2,674	\$2,674	\$0
TOTAL		\$555,351	\$372,238	\$9,868

Council's assets as shown in Table 4.1 have been further re-grouped for the purposes of this Plan into six 'long-life' asset groups of Buildings, Roads, Bridges, Pathways, Stormwater, and Open Space and Recreation; plus a 'Plant and Equipment' category which includes fleet, small plant, heavy plant, computers and telecommunications; plus the two categories of Land and Works in Progress. This re-grouping allows for playgrounds, skate parks, street furniture, fences, lights, and playing surfaces to be re-formed as the Open Space and Recreation group, and retaining structures and guardrails to be incorporated as part of the Roads group. This re-grouping with associated values is shown as *Profile 1.0 - Summary – All Assets* in section 4.3.1 following.

4.2 Are they the right Assets managed in the right Way?

4.2.1 Do our Assets Support the Community Vision and Council Plan?

Colac Otway Shire's current asset portfolio provides direct support in the delivery of the 2050 Community Vision and Council Plan as outlined in section 3.2 *2050 Community Vision, Council Plan and Shared Objectives*. The services delivered through the Shire's assets are largely a legislated part of Local Government business, for instance Colac Otway Shire is responsible for managing local transport infrastructure including local Roads, Bridges, Stormwater and Pathways under the Road Management Act (2004). These transport services are vital and are delivered by assets comprising 76% of Council's total asset value. Similarly Council Buildings facilitate services such as arts and libraries,

recreation and leisure, administration, family and community services, administration, and public amenities which are vital to the community's function. Council's Open Space and Recreation assets support active transport and recreation and leisure services which are essential in supporting the 2050 Community Vision and Council Plan.

4.2.2 Do we need to Realign Asset Practices to deliver on the Council Plan?

Colac Otway Shire's current asset practices need further improvement to continue to deliver on the Council Plan as follows:

1. Adoption of a revised Asset Management Policy and an Asset Management Strategy (planned for 2022).
2. Reforming of an Asset Management Steering Group to provide a whole of organisation approach and accountability for asset management practice.
3. Further definition of asset management roles and responsibilities with resourcing as required.
4. Improved Service Planning, Capital Works planning and Asset Management planning/ review.
5. Establishing and/ or improving processes such as Asset Disposal procedures, annual Valuation Reviews, and cyclic Inventory and Condition Assessments for all asset groups.

These improvements form part of the Asset Management Strategy's improvement plan.

4.3 What Shape are our Assets in Now and in 10 Years' Time?

4.3.1 Asset Profiles and Best Use

A 'Summary – All Assets' profile and separate asset profiles for 'Buildings', 'Roads', 'Bridges', 'Pathways', 'Stormwater', and 'Open Space and Recreation' are provided as Profile 1.0 to Profile 1.6 in this section. These profiles outline:

- The type of assets within each asset category.
- The services that are supported by these assets.
- How much they cost to replace and their depreciated value.
- The average condition they are in now and projected condition they will be in 10 years' time.
- What the next 10 years looks like in terms of expenditure and backlog.

The definitions of terms used in the profiles and elsewhere in this Plan are provided below:

1. Depreciated Value – the current value of the asset based on current condition and/ or accumulated depreciation.
2. Condition – the state of asset degradation - a condition scale of 0 to 6 is used in this Plan, with 0=New, 1=Very Good, 2=Good, 3=Fair, 4=Poor, 5=Very Poor, and 6=End of Life condition.
3. Operations – the regular activities to provide services from assets e.g. playground inspections.
4. Maintenance – regular on-going work needed to keep assets operating e.g road pot-hole patching.
5. Renewal – major work that restores, rehabilitates, replaces, or renews an asset to its original service potential.
6. New – major work that creates a new asset that did not previously exist.
7. Upgrade – major work that will upgrade or improve an existing asset beyond its existing capacity.
8. Acquisition – assets that are (generally) contributed by developers at no cost to Council e.g. new roads and stormwater network contributed as part of a subdivision development.
9. Backlog – the value of assets that are in poorer condition than the intervention level set at which these assets should be renewed.



Profile 1.0 – Summary – All Assets

555.3M **\$372.2M** **2.0**

Replacement Cost Depreciated value Average Condition

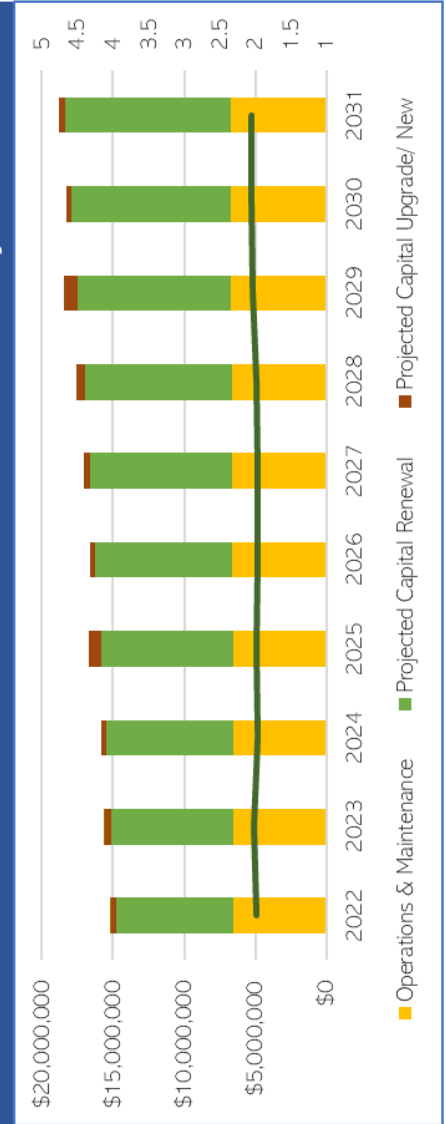
What does the next 10 years look like ?

\$66.2M	Operations and maintenance
\$98.6M	Renewal/ Replacement
\$20.4M	New/ Upgrade/ acquisition
\$22.0M - \$18.0M	Backlog/ deficit Year 1 - Year 10
2.0 – 2.1	Average Condition Year 1 - Year 10

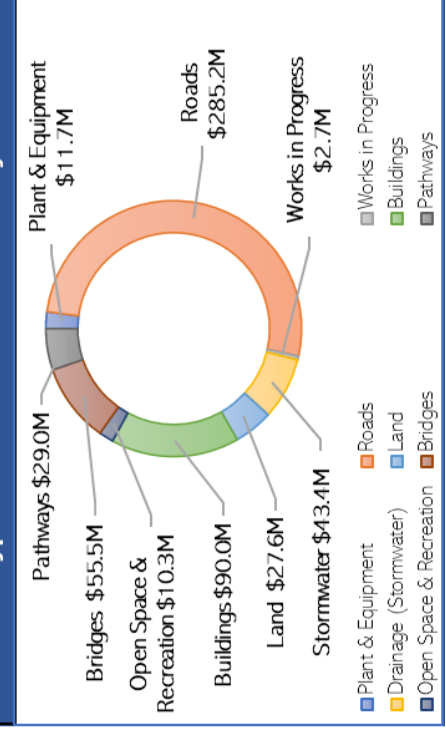
What services are supported by these assets?

Art and Libraries	Community services & meeting	Recreation & Leisure	Administration	Public Amenities	Animal Care	Transport	Emergency Management	Freight Vehicle Usage	Accessibility	Stormwater Management	Safe Accessibility	Environment Conservation
Tourism	Sale Yards	Customer Service	Waste Management	Airfields	Family and Community Services	Flood Protection	Stormwater Conveyance	Stormwater Treatment	Passive Surveillance	Recreation	Seating and Lighting	Tree Management

Council's investment and asset condition over next 10 years ?



What type of assets and what do they cost ?



Profile 1.1 - Buildings

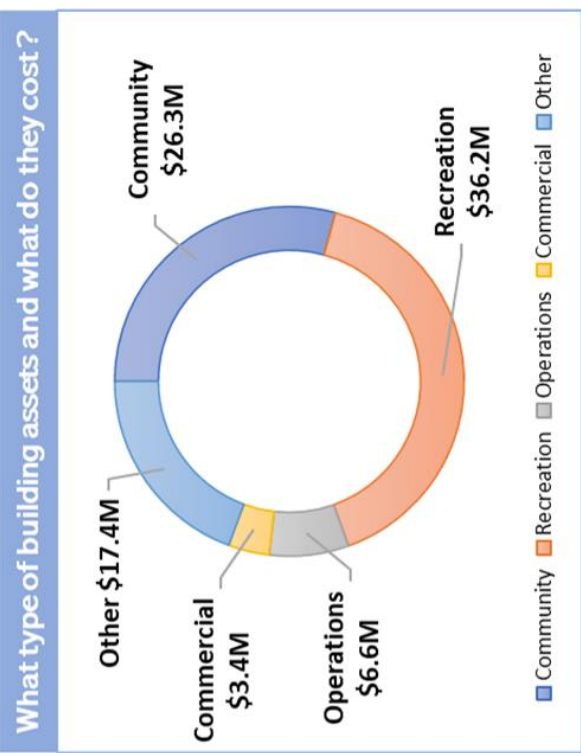


162 Number of Buildings
 \$90.0M Replacement Cost
 \$42.0M Depreciated value
 1.98 Average Condition

What services are supported by buildings?

What does the next 10 years look like ?

\$12.2M	Operations and maintenance
\$8.3M	Renewal/ Replacement
\$4.8M	New/ Upgrade/ acquisition
\$0.9M - \$4.2M	Backlog/ deficit Year 1 - Year 10
1.98 – 2.09	Average Condition Year 1 - Year 10



Profile 1.2 - Roads



566km

Sealed Road

1058km

Unsealed Road

\$285.2M

Replacement Cost

\$210.1M

Depreciated value

1.95

Average Condition

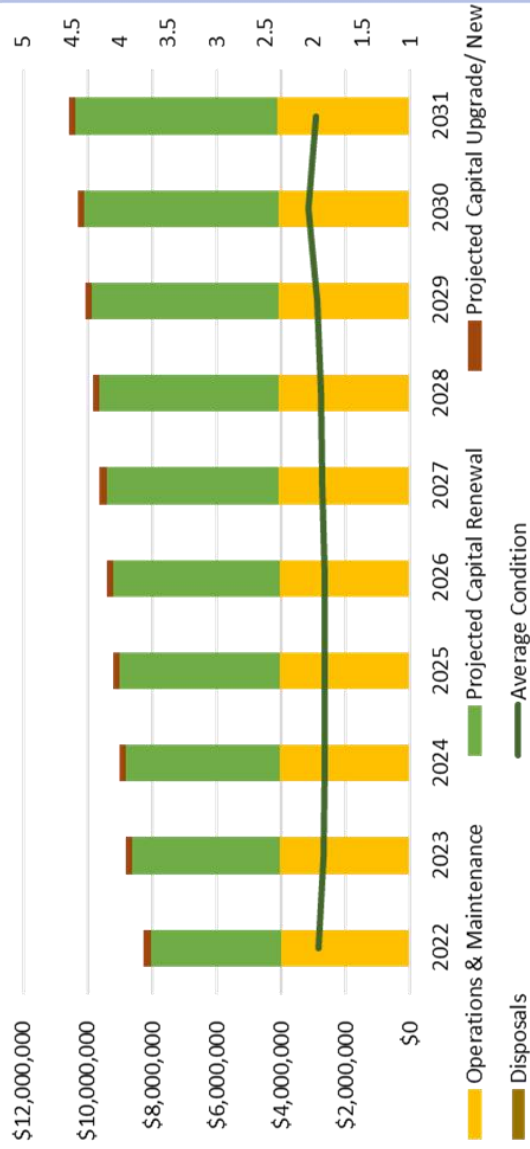
What services are supported by road assets?

	Transportation		Freight Vehicle Usage		Parking And Traffic Management		Stormwater Management		Tourism
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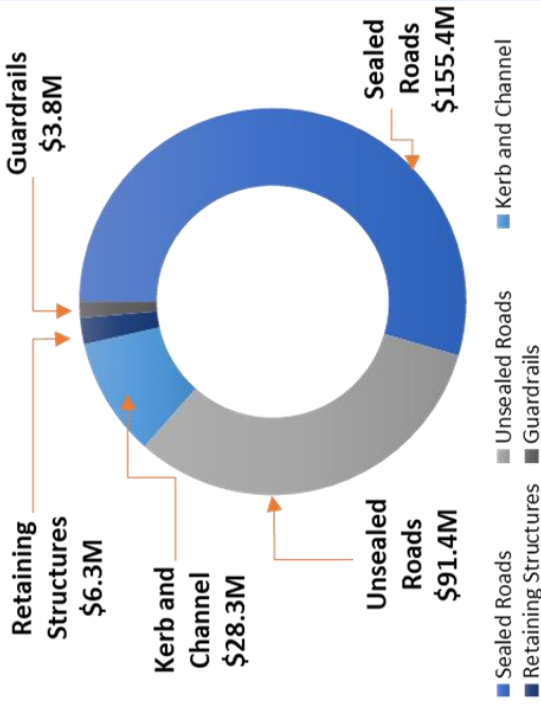
What does the next 10 years look like?

\$40.7M	Operations and maintenance
\$52.5M	Renewal/Replacement
\$7.0M	New/Upgrade/ acquisition
\$19.3M - \$12.9M	Backlog/ deficit Year 1 - Year 10
1.95 - 1.98	Average Condition Year 1 - Year 10

Council's investment and asset condition over next 10 years?



What type of road assets and what do they cost?



Profile 1.3 - Bridges



249

\$56.2M

\$28.2M

2.3

Bridges and Major Culverts

Replacement Cost

Depreciated value

Average Condition

What services are supported by bridges and major culverts ?

	Transportation		Freight Vehicle Usage		Tourism
	Safe Accessibility		Emergency Management		

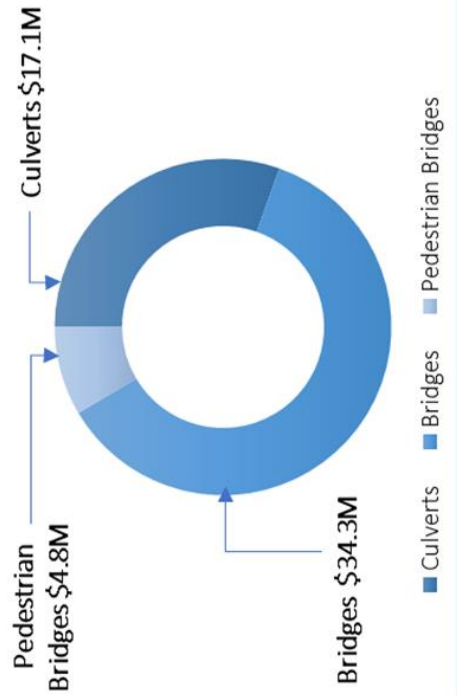
What does the next 10 years look like ?

\$2.0M	Operations and maintenance
\$7.2M	Renewal/ Replacement
\$1.4M	New/ Upgrade/ acquisition
\$0.1M - \$0.3M	Backlog/ deficit Year 1 - Year 10
2.3 - 2.3	Average Condition Year 1 - Year 10

Council's investment and asset condition over next 10 years?



What type of bridge assets and what do they cost ?



Profile 1.4 - Pathways



163.4km

Footpath and Shared Paths

33.8km

Rail Trails

\$29.0M

Replacement Cost

\$19.4M

Depreciated value

2.1

Average Condition

What services are supported by pathways ?



Active Transport



Recreation and Leisure



Mobility

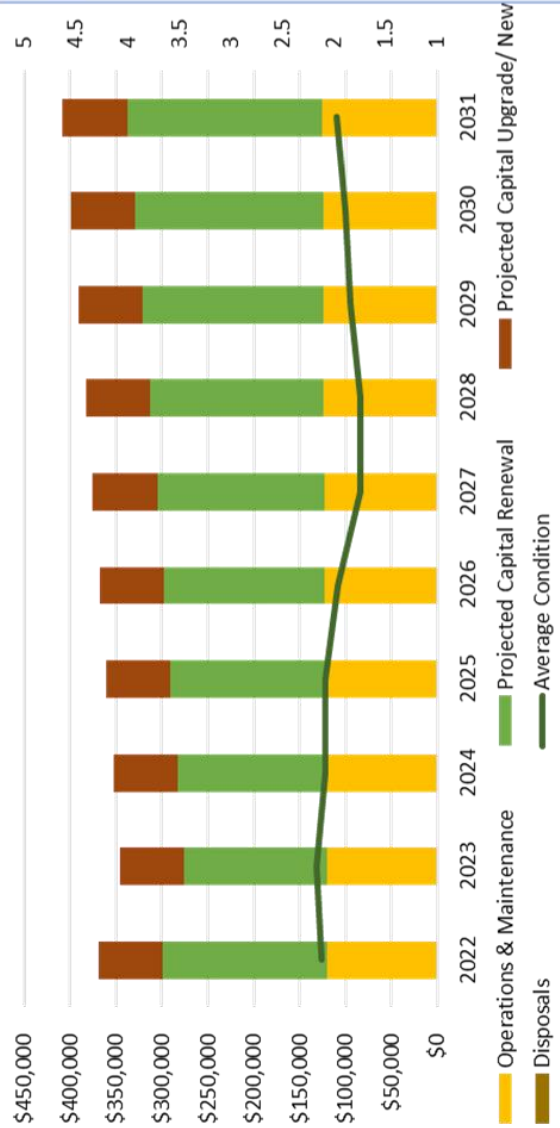


Accessibility



Tourism

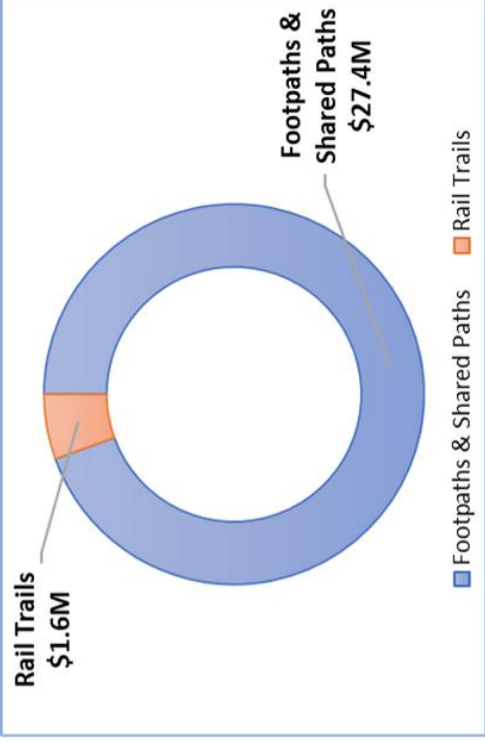
Council's investment and asset condition over next 10 years?



What does the next 10 years look like ?

\$1.2M	Operations and maintenance
\$1.8M	Renewal/ Replacement
\$1.5M	New/ Upgrade/ acquisition
\$0.2M - \$0.1M	Backlog/ deficit Year 1 - Year 10
2.1 - 2.0	Average Condition Year 1 - Year 10

What type of pathway assets and what do they cost ?



Profile 1.5 - Stormwater



151.6km

Pipes

5,041

Pits

\$43.4M

Replacement Cost

\$34.0M

Depreciated value

2.0

Average Condition

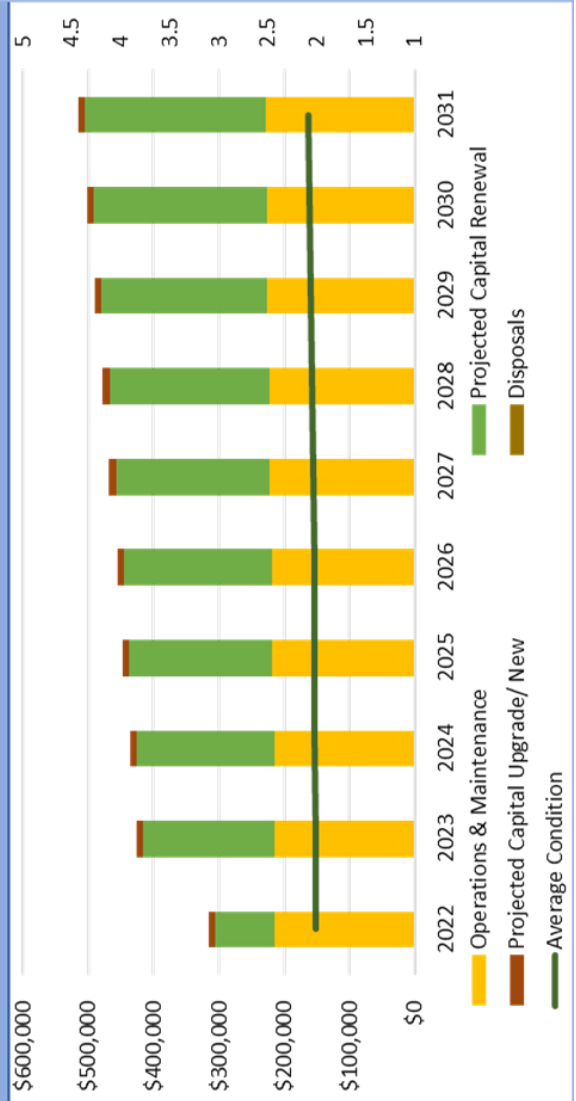
What services are supported by stormwater assets?

	Flood Protection
	Transportation
	Stormwater Conveyance
	Stormwater Treatment
	Stormwater Management
	Waterway Conveyance

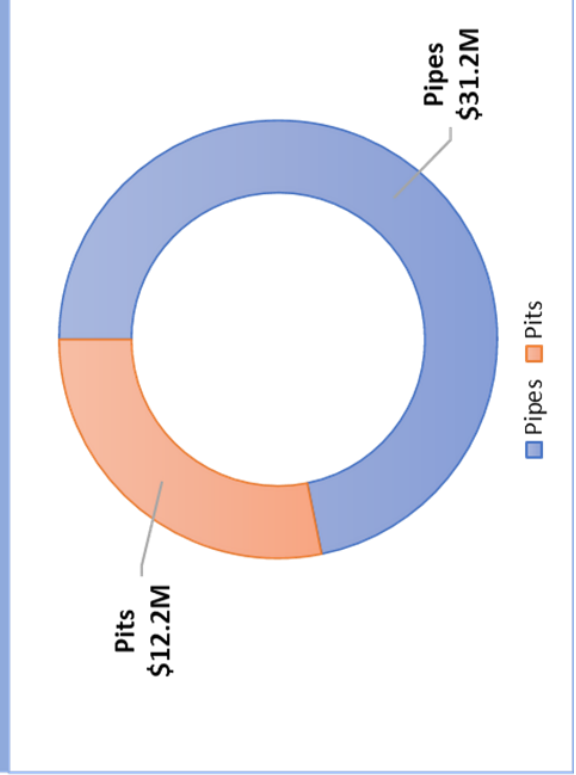
What does the next 10 years look like?

\$2.2M	Operations and maintenance
\$2.2M	Renewal/ Replacement
\$0.5M	New/ Upgrade/ acquisition
\$0.3M - \$0.3M	Backlog/ deficit Year 1 - Year 10
2.0 - 2.1	Average Condition Year 1 - Year 10

Council's investment and asset condition over next 10 years?



What type of stormwater assets and what do they cost ?



Profile 1.6 - Open Space and Recreation



36 Ha

30

\$10.3M

\$4.1M

2.3

Playing Surfaces

Playgrounds

Replacement Cost

Depreciated value

Average Condition

What services are supported by these assets?



Environment Conservation



Passive Surveillance



Recreation



Sealing and Lighting

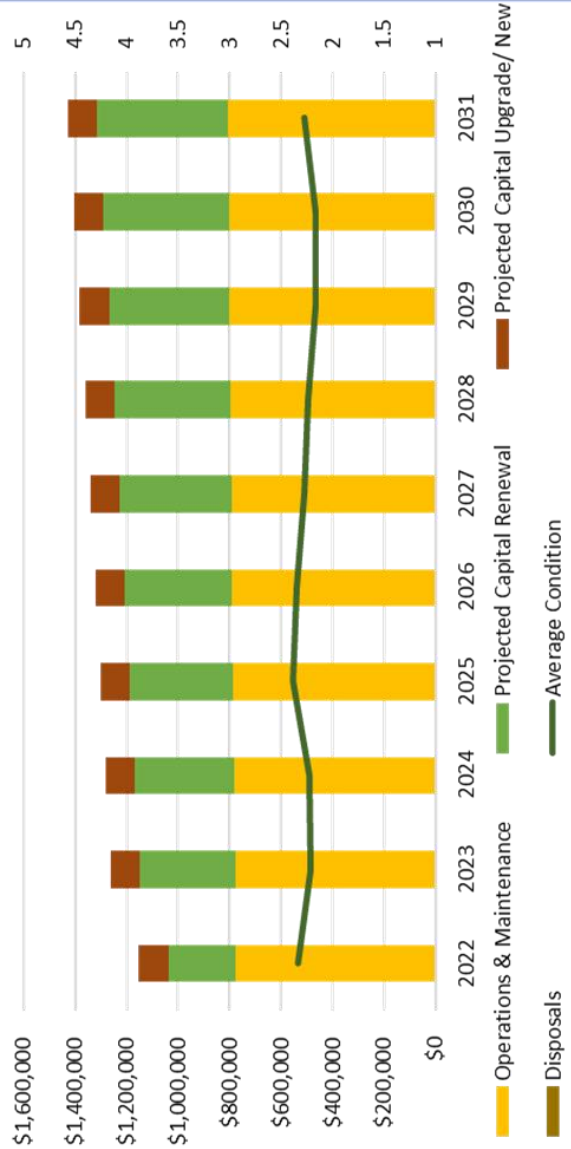


Tree Management



Tourism

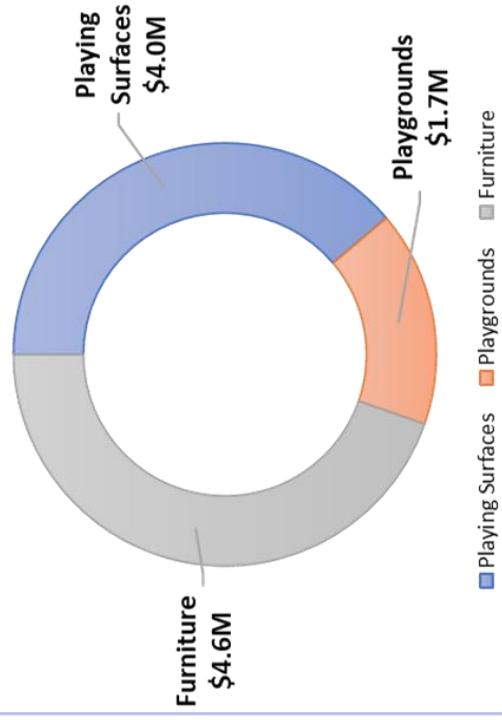
Council's investment and asset condition over next 10 years?



What does the next 10 years look like?

\$7.9M	Operations and maintenance
\$4.2M	Renewal/Replacement
\$5.2M	New/Upgrade/ acquisition
\$0.5M - \$1.7M	Backlog/ deficit Year 1 - Year 10
2.3 - 2.3	Average Condition Year 1 - Year 10

What type of assets and what do they cost?



4.3.2 State of the Assets

The asset Profiles 1.0 to 1.6 as provided in section 4.3.1 (above) detail the Shire's 'state of the Assets' for key asset categories.

The future state of the assets is based on asset modelling using the planned asset expenditure and asset management plan scenarios, and in an overall sense result in -

- a small decrease in the overall average asset condition over Years 1-10 from 2.0 to 2.1
- a relatively static backlog, with a backlog of \$22M in Year 1 and \$18M at the end of Year 10.

These results indicate that (in an overall sense) current service levels can be maintained from Council's assets over the coming 10 years with the planned expenditure levels as noted in the Plan. The 'State of the Assets' are further summarised for long-life asset categories in Tables 4.3.2.1 to 4.3.2.6 below. The State of the Assets is based upon the planned expenditure in Year 11 continuing to Year 20.

Table 4.3.2.1 Buildings – State of the Assets

<i>Current condition?</i>	From 'Fair', with many individual township and village buildings being older and dated in service provision, to 'Good', with major facilities like Colac's Bluewater Leisure Centre and Library of modern construction.
<i>Is Planned Expenditure adequate?</i>	Not really, there is a modelled expansion of backlog from \$0.9M to \$4.2M in the next 10 years.
<i>Are the assets fit for future Years 1-10?</i>	Yes, backlog expands from \$0.9M to \$4.2M in the next 10 years. This represents a backlog of about 5% which is within the generally accepted backlog range of 4 to 8%.
<i>Are the assets fit for future Years 11-20?</i>	Barely, backlog is modelled to expand from \$4.2M in Year 10 to \$7.0M in Year 20. This represents a backlog of about 8% which is the upper limit of the accepted backlog range of 4 to 8%. This represents a backlog of about 10% which is outside the generally accepted backlog range of 4 to 8%.
<i>Major Shortcomings?</i>	Older Buildings - Poor or non-existent disability access and/ or amenities, and Poor functionality, particularly in terms of kitchen amenity and services provided.
<i>What Risks?</i>	Buildings unsafe for use, not accessible, or out of service. Building facilities provision is mismatched to community need.
<i>What Challenges?</i>	Funding of asset costs with demand/ costs increasing because of increasing population, changing demographics and population distribution, and customer expectations. Prioritising building renewal and new/ upgrade projects that best match community need, followed by planned, prioritised and successful grant funding applications. Disposing of low use facilities, including those resulting from declining populations in rural areas. Service Planning/ services provision and 'access for all' from older building facilities.

Table 4.3.2.2 Roads – State of the Assets

<i>Current condition?</i>	Roads are in an overall Good condition.
<i>Is Planned Expenditure adequate?</i>	Yes, there is a modelled decrease in backlog from \$19.3M in Year 1 to \$12.9M backlog in Year 10.
<i>Are the assets fit for future Years 1-10?</i>	Yes, backlog decreases from \$19.3M to \$12.9M in the next 10 years.
<i>Are the assets fit for future Years 11-20?</i>	No, backlog is modelled to expand from \$12.9M in Year 10 to \$27.2M in Year 20. This represents a backlog of about 10% which is outside the generally accepted backlog range of 4 to 8%.
<i>Major Shortcomings?</i>	Seasonal road closures for heavy vehicles on some unsealed roads. Poor access for higher mass limit vehicles on some minor roads. Old bluestone kerb and channel does not effectively drain and is difficult to maintain.
<i>What Risks?</i>	Road network Unsafe for use. Council does not meet its Road Management Plan obligations. New and upgraded roads don't meet required standards and/ or offer poor climate change resilience.
<i>What Challenges?</i>	Funding of asset costs with demand/ costs increasing because of increasing population, climate change impacts, customer expectations, and the increasing use of higher mass limit vehicles. Prioritising road renewal and new/ upgrade projects that best match community need, followed by planned, prioritised and successful grant funding applications.

Table 4.3.2.3 Bridges – State of the Assets

<i>Current condition?</i>	Bridges are in an overall Fair to Good condition.
<i>Is Planned Expenditure adequate?</i>	Yes, there is a marginal modelled decrease in backlog from \$0.3M in Year 1 to \$0.1M backlog in Year 10.
<i>Are the assets fit for future Years 1-10?</i>	Yes, backlog decreases marginally from \$0.3M to \$0.1M in the next 10 years. This represents a backlog less than 1% which is lower and hence better than the generally accepted backlog range of 4 to 8%.
<i>Are the assets fit for future Years 11-20?</i>	Yes. Backlog is modelled to expand from \$0.1M in Year 10 to \$2.3M in Year 20. This represents a backlog of about 4% which is within the generally accepted backlog range of 4 to 8%.
<i>Major Shortcomings?</i>	Poor flood resilience at one bridge location. Load limiting of approx. 15 bridges.
<i>What Risks?</i>	Bridge network Unsafe for use. Council does not meet its Road Management Plan obligations. New and upgraded bridges don't meet required standards and/ or offer poor climate change resilience.
<i>What Challenges?</i>	Funding of asset costs with demand/ costs increasing because of increasing population, climate change impacts, customer expectations, and the increasing use of higher mass limit vehicles. Prioritising bridge renewal and upgrade projects that best match community need, followed by planned, prioritised and successful grant funding applications.

Table 4.3.2.4 Pathways – State of the Assets

<i>Current condition?</i>	Pathways are in an overall Good condition.
<i>Is Planned Expenditure adequate?</i>	Yes, there is a marginal modelled decrease in backlog from \$0.2M in Year 1 to \$0.1M backlog in Year 10.
<i>Are the assets fit for future Years 1-10?</i>	Yes, backlog decreases marginally from \$0.2M to \$0.1M in the next 10 years. This represents a backlog of about 0.3% which is lower and hence better than the generally accepted backlog range of 4 to 8%.
<i>Are the assets fit for future Years 11-20?</i>	Yes, backlog is modelled to expand from \$0.1M in Year 10 to \$1.0M in Year 20. This represents a backlog of about 3.5% which is below the generally accepted backlog range of 4 to 8%.
<i>Major Shortcomings?</i>	Old Beechy Rail Trail discontinuous along length due to land management issues. Some medium use township and community pathways require construction and/ or upgrade. Barongarook Creek Trail subject to flooding below 20% Annual Exceedance Probability, with large sections in asphalt requiring renewal, insufficient width to meet shared path standards, and missing connections.
<i>What Risks?</i>	Pathway network Unsafe for use. Pathway network closures during bushfire or flood events not clearly communicated. Council does not meet its Road Management Plan obligations. New and upgraded pathways don't meet required standards and/ or offer poor climate change resilience.
<i>What Challenges?</i>	Funding of asset costs with demand/ costs increasing because of increasing population, climate change impacts, and customer expectations. Prioritising pathway renewal and new/ upgrade projects that best match community need, followed by planned, prioritised and successful grant funding applications, often in conjunction with larger Open Space and Recreation projects. The strategic future and priority of Old Beechy Rail Trail.

Table 4.3.2.5 Stormwater – State of the Assets

<i>Current condition?</i>	Stormwater assets are in an overall Good condition.
<i>Is Planned Expenditure adequate?</i>	Yes, there is no modelled increase in backlog from \$0.3M in Year 1 to \$0.3M backlog in Year 10.
<i>Are the assets fit for future Years 1-10?</i>	Yes, backlog does not increase in the next 10 years. The \$0.3M backlog represents a backlog of about 0.8% which is lower and hence better than the generally accepted backlog range of 4 to 8%.
<i>Are the assets fit for future Years 11-20?</i>	Yes, backlog is modelled to expand from \$0.3M in Year 10 to \$3.1M in Year 20. This represents a backlog of about 7% which is within the generally accepted backlog range of 4 to 8%.
<i>Major Shortcomings?</i>	<p>The need for a Shire wide strategic long term prioritised plan to deal with flooding issues, including:</p> <p><i>Apollo Bay</i> - Five drainage lines require upgrade to treat known deficiencies where the network cannot handle 1 in 10 year flows in residential areas, and 1 in 20 year flows in commercial areas.</p> <p><i>Colac</i> - Five flooding hotspots have been identified within Colac where properties will be flooded in 1 in 100 year flood events.</p> <p><i>Birregurra</i> - Five projects have been identified to prevent above floor level flooding in 26 dwellings and 47 properties in a 1 in 100 year storm.</p> <p><i>Kennett/Grey River</i> - Five projects have been identified to mitigate the risk of landslips and flood paths across private properties.</p> <p><i>Skenes Creek</i> - Five projects have been identified to reduce uncontrolled flows and reduce landslip risk.</p> <p><i>Wye River</i> - Underground drainage and associated stormwater discharge points not installed in some areas.</p> <p>The condition of stormwater assets is based on age, in field down-pipe camera assessments are required to verify stormwater renewal demand.</p> <p>Poor inventory and life-cycle cost data for Water Sensitive Urban Design (WSUD) elements such as rain gardens and wetlands.</p>
<i>What Risks?</i>	<p>Flooding of homes, properties, and access routes, with potential injury and risk to life.</p> <p>Internal capability gaps in the management of WSUD assets.</p>
<i>What Challenges?</i>	<p>Formulating a Shire wide strategic long term prioritised plan to deal with stormwater flooding issues.</p> <p>Funding of stormwater drainage projects identified from the Shire wide strategic long term prioritised stormwater drainage plan.</p> <p>Funding costs increasing because of increasing population, climate change impacts, and customer expectations.</p>

Table 4.3.2.6 Open Space and Recreation – State of the Assets

<i>Current condition?</i>	Open Space and Recreation assets are in an overall Fair-Good condition.
<i>Is Planned Expenditure adequate?</i>	Difficult to say, but 'No' anecdotally - Open Space and Recreation assets have poor asset inventory and condition data, with this 'poor' data indicating a modelled increase in backlog from \$0.5M in Year 1 to \$1.6M backlog in Year 10.
<i>Are the assets fit for future Years 1-10?</i>	'No' anecdotally - Open Space and Recreation's 'poor' asset data indicates a significant modelled increase in backlog from \$0.5M in Year 1 to \$1.6M in Year 10. This represents a backlog of about 16% which is significantly outside the generally accepted backlog range of 4 to 8%.
<i>Are the assets fit for future Years 11-20?</i>	'Yes' anecdotally - Open Space and Recreation's 'poor' asset data indicates a modelled decrease in backlog from \$1.6M in Year 10 to \$1.1M in Year 20. However, this still represents a backlog of about 11% which is significantly outside the generally accepted backlog range of 4 to 8%.
<i>Major Shortcomings?</i>	The existing open space and recreation facilities were not designed to meet modern expectations and will require major upgrade when renewed. Poor open space and recreation asset inventory and condition data limits renewal and other capital works planning. Network deficiencies in terms of asset capacity and performance are detailed in the Public Open Space Strategy 2011, G21 regional sport specific strategies and the upcoming Play Space Strategy. Masterplans, where available, detail the Shire's plans for resolving service deficiencies at the reserve scale.
<i>What Risks?</i>	Open Space and Recreation assets Unsafe for use. Open space asset provision is mismatched to community need.
<i>What Challenges?</i>	Prioritising open space and recreation renewal and upgrade projects that best match community need, followed by planned, prioritised and successful grant funding applications, including Masterplan implementation and Playground Renewal and Upgrades Funding of asset costs with demand/ costs increasing because of increasing population, and customer expectations.

4.3.3 Asset Fit and Maintenance

The State of the Assets outlined in section 4.3.2 above are based on the six asset management plans completed for these asset categories in 2021. These asset management plans and the State of the Assets indicate that Council's assets have been assigned to their best use and will be maintained at an appropriate condition over the ten year life of the Asset Plan. However, if planned funding levels in Year 11 of the Plan (110% of depreciation) are continued to Year 20, modelling indicates that asset condition will deteriorate with backlog increasing from \$18.0M to \$41.7M over this time.

While assets have been assigned to their best use both now and historically, with ever changing design standards and services provision, and increasing customer expectations and technology driven requirements, many assets are now found to have significant shortcomings in the levels of service they provide. These shortcomings are detailed in section 4.3.2 above.



5. What Challenges and Choices?

5.1 The Plan

This Asset Plan is aimed at providing a document that helps everyone understand the quantum of assets that Council owns, and the challenges in maintaining an asset base that services the community into the future in support of the 2050 Community Vision and Council Plan. This is a balancing act at the best of times, the funding bucket is only so big, there are lots of challenges, and we can't do everything.

The risks and cost of not having adequate resources and management practices is enormous. Assets that are poorly inspected, maintained or renewed can result in injury to life, breaching of legislative requirements, higher future costs, inter-generational inequity, loss of reputation, and assets that can't deliver on required services. There are environmental implications such as water quality management, the social implications of a built environment that is not such a great place to *'learn, live, work and play'*, and financial implications that may be difficult to recover from. This makes it imperative to have a Plan.

This Asset Plan rests on the processes outlined within Council's Asset Management Policy, Asset Management Strategy, and Asset Management Plans. These documents and the processes they describe form a road map for continual improvement in the way Council manages its assets and the services delivered from them. In this balancing act there are ever changing challenges, community conversations and negotiations to be had, choices to be made, and plans to be updated and revised.

This Asset Plan represents the first iteration Asset Plan, with this plan to be financially integrated with Council's Financial Plan 2022-23 to 2031-32 as part of the Integrated Strategic Planning and Reporting process. It represents what the community and Council are in agreement on, that is, it outlines expenditure in line with maintaining current (2021-22) service levels from its asset base, with expenditure in ways that supports the 2050 Community Vision and Council Plan.

In an ever changing environment, there is an increasing chance of flood, storm, and fire events that will compromise the integrity of the asset base. These events will happen, and Council's role in emergency management and the recovery afterwards is vital. It is worthy to note that Federal Government funding provides for restoration of disaster affected infrastructure assets under Disaster Recovery Funding Arrangements as administered by the State Government.

5.2 The Challenges and what we Do

This Asset Plan 2022-23 to 2031-32 is consistent with the Financial Plan 2022-23 to 2031-32 with Asset Plan total lifecycle cost forecasts being balanced with the Financial Plan total budget forecasts. **This is a good start, but.....**

What impact does it have on our assets and the services delivered from them in the coming years?

What about increasing demand on our services from population growth, demographic change, community expectations, and the impacts of climate change?

What about major shortcomings in our existing assets?

What do we do?

This section builds upon section 4.3 *What Shape are our Assets in Now and in 10 Years' Time?* and brings together a response to the questions raised above in Table 5.2 following. Table 5.2 outlines the challenges, the plan to meet those challenges, the inevitable trade-offs, and the importance of community input and negotiation in determining 'what we do' and 'what we don't'. Action is required both now and in an on-going way to meet the challenges ahead.

Table 5.2 The Challenges and what we Do

What Challenge?	What's the Plan?	What Trade-Offs?	Further community input and/or negotiation required?
Delivering services from our existing assets into the future.	<ol style="list-style-type: none"> 1. Review and continuously improve asset data and modelled renewal demand in each asset category. 2. On-going integration of the Asset Plan and Financial Plan to reflect renewal requirements. 3. On-going service planning to define service levels and community priorities. 	<ul style="list-style-type: none"> • Some service levels may need to be lowered or services dropped to enable adequate funding of community prioritised services. • On-going asset backlog. • Potential decommissioning of some assets from service. • Potential 'user pays' services. 	Yes – on-going community input is required to define priority services and required service levels. This will inform and allow improved Service Planning. This in turn will lead to the community conversation around “Here’s the funding we have, what do we do and what don’t we do?”
Increasing services demand in the face of limited funding.	<ol style="list-style-type: none"> 1. On-going service planning to define service levels and community priorities. 2. Continually review and update asset management planning data and modelling with integration of the Asset and Financial Plans. 3. On-going service planning to define service levels and community priorities. 4. Strategic and prioritised grant funding applications targeted at community needs. 5. Include climate change resilient asset costs and costs of assets requiring higher design standards within asset planning new and renewal costs. 6. Manage increases to the asset portfolio within Council’s expected financial capacity. 7. Consider non-asset service solutions where workable. 	<ul style="list-style-type: none"> • Community expectations won’t necessarily be met. • Some service levels may need to be lowered or services dropped to enable adequate funding of community prioritised services. • On-going asset backlog. • Potential decommissioning of some assets from service. • Potential 'user pays' services. 	Yes – on-going community input is required to define priority services and required service levels. This will inform and allow improved Service Planning. This in turn will lead to the community conversation around “Here’s the funding we have, what do we do and what don’t we do?”
Existing Assets with significant service shortcomings.	<ol style="list-style-type: none"> 1. On-going service planning to define service levels and community priorities. 2. Long term strategic planning to define quantum of shortcomings, service levels, and long term programs to rectify. 3. Strategic and prioritised grant funding applications targeted at asset upgrade where this is a community priority. 	<ul style="list-style-type: none"> • Current service levels provided from these assets remain unchanged over time. • Other trade-offs as for the challenges above. 	Yes – on-going community input is required to define priority services and required service levels. This will inform and allow improved Service Planning. This in turn will lead to the community conversation around “Here’s the funding we have, what do we do and what don’t we do?”
Continuous improvement of asset management practice.	<ol style="list-style-type: none"> 1. Establish and monitor an asset management improvement plan as part of the Asset Management Strategy. 2. On-going reporting of asset management status using an asset management steering group. 	<ul style="list-style-type: none"> • Additional staff resources may be required which will come at a cost. 	No – because these processes are technical and internal to Council’s operations they will be established in accord with the Asset Management Strategy and community input will be more appropriate to focus on service planning and funding discussions.

5.3 Funding of Capital Renewal

The draft 2022-23 budget contains investment on asset renewal of \$8.254 million. With asset depreciation of \$11.1 million we are currently funding renewal at 74% of depreciation. If assets are wearing out faster than we are replacing them then in the long term this will obviously result in a situation where an increasing number of assets are not fit for the purpose.

We propose that depreciation is a very good measuring stick for the amount that should be invested into asset renewal.

It is proposed to increase asset renewal funding over the next 10 years to 110% of depreciation.

Hence the asset renewal funding would increase over the next 10 years from \$8.254 million to \$12.21 million. This could be achieved by an annual increase of 3.9%. The renewal funding in year 2 would be \$8.576 million, an increase of \$322,000.

The following should be noted:

1. We have chosen 110% because every renewal project can have elements that are technically not classed as renewal. An example would be the replacement of sports lighting with more powerful lights. Most of the project would be renewal, for instance the poles, but the lighting itself would be classed as upgrade.
2. We propose that depreciation be measured as a rolling 5-year average amount, to avoid the sudden shocks that can sometimes occur with measuring depreciation. An example might be the inclusion of new data on assets showing that the condition was worse than previously thought or the construction cost for an asset type had risen sharply.
3. We would move to a position where the renewal funding is an annual allocation, rather than being driven by a list of projects.
4. The renewal projects to be funded from the allocation would be driven by service, risk and condition considerations.
5. We would recalculate the allocation each year based on condition asset data, depreciation and asset decisions made during the year by Council.
6. We would establish an Asset Renewal Reserve.
7. It may be that in a particular year there are savings on individual renewal projects or that choices are made to not expend the full allocation because we are driving some assets to last longer. In that event the unexpended renewal funds would be returned to the Asset Renewal Reserve.

6.0 REFERENCES

- 'Colac Otway Shire 2050 Community Vision', Colac Otway Shire Council
- 'Council Plan 2021-25', Colac Otway Shire Council (2021)
- 'Financial Plan 2021-22 to 2030-31', Colac Otway Shire Council
- 'Colac Otway Shire Council 2020-2021 Annual Report', Colac Otway Shire Council
- 'Colac Otway Shire Community Profile', IDcommunity - Demographic Resources
- 'Draft Asset Management Plans – Building/ Road/ Bridge/ Pathway/ Stormwater/ Open Space and Recreation', Colac Otway Shire Council
- 'Draft Asset Management Strategy', Colac Otway Shire Council
- Local Government Act 2020 (Victoria)
- 'Asset Plan Guidance 2022', Local Government Victoria
- 'Integrated Strategic Planning and Reporting Framework Guidance', State Government
- 'Asset Management Better Practice Guide', State Government
- 'International Infrastructure Management Manual', IPWEA, 2020
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