

Asset Plan 2022-2032

Draft Report

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Council

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Distribution List

Asset Management Steering Committee

ELT, Council Forum, Council

Executive Summary

The Yarra Ranges is located in Melbourne's outer east. It covers an area of 2,500 square kilometres which includes 52 townships, making it the largest metropolitan council area in Victoria.

Unlike many neighbouring metropolitan councils, the Yarra Ranges comprises a mix of rural and urban areas. In fact, the urban areas of Yarra Ranges make up just three per cent of the municipality's total size.

Around 160,000 people call Yarra Ranges home, and more than 14,000 small businesses have established themselves in our region. As a major tourist destination, around 7 million visitors flock to our region each year to enjoy our beautiful parks, wineries, trails, playgrounds and open spaces.

It costs around \$196 million each year for Council to run its services and provide for the many needs of our community. Much of that cost involves the management of our assets.

So what are assets?

Assets are all of the things that enable council to deliver services to the community, and help residents to stay connected, healthy and active.

In fact, many of the things you see as you step outside your home are assets that Council manages: the footpath you walk along to exercise; the majority of roads you drive on to get from A to B; the lights that keep you safe and help you see when the sun goes down; the buildings where you participate in community group activities; the parks and open spaces that keep you healthy and active, and the playgrounds that provide children with endless fun

The list of assets Yarra Ranges Council manages is significant. This includes:

- 1,764 km of roads, including 728 km of unsealed roads
- 654 km of footpaths
- More than 500 buildings, including community centres, sporting pavilions and public toilet
- 8 swimming pool facilities and 3 splash parks
- 196 kms of trails
- 201 reserves and parks
- 177 play spaces
- 305 bridges
- 44 trucks and tractors
- 826 kms of drainage pipes

To list them all could have you reading for days! But in a nutshell, management of these assets requires lots of money and planning ahead.

While most assets are managed by Council, there are significant networks managed by state government agencies including more than 530 km of Department of Transport roads and 45 km of drains that are owned and managed by Melbourne Water.

Our assets help Council achieve its objectives as outlined in the four-year Council Plan:

- Connected and Healthy Communities
- Quality Infrastructure and Liveable Places
- Protected and Enhanced Natural Environment
- Vibrant Economy, Agriculture and Tourism
- High Performing Organisation

How does Council manage its assets?

Yarra Ranges Council manages around \$1.5 billion worth of assets to support the delivery of services to our community. It needs to look after those assets, while also planning for the assets the community will need in the future and ensuring this can be achieved within a set budget.

Rates are paid by all property owners to help cover the costs of managing those assets. To help ensure we get the most out of those assets and that they are kept in good condition for a long period of time, it's important that we manage them accordingly.

This means Council needs to set aside funds each year for asset maintenance and upgrades, as well as funds to enable us to create new assets.

Managing a large area like the Yarra Ranges is challenging. To help us do this effectively, we take an approach that's known as 'Lifecycle Asset Management'.

Lifecycle Asset Management involves maintaining assets to keep them in good shape for years to come, replacing assets that are no longer useful to the community or have reached the end of their life, and upgrading or providing new assets that are different or bigger to meet changing community needs.

Many of our assets today reflect what we needed up to 50 years ago or more. But community needs have changed.

There's been a significant increase in women and girls playing football, which has influenced extra investment in pavilion upgrades. The Covid-19 pandemic has changed the way we spend our recreation and leisure time, as well as where we work, and more people are moving from the city to the Yarra Ranges for a tree change. More tourists are visiting our region, placing extra stress on the roads our agribusinesses rely on to transport their quality produce.

What hasn't changed is the way our community values the natural environment Yarra Ranges has to offer, and the community connection our townships provide.

For Council, this provides a challenge in terms of providing assets that meet the changing needs of our community, while also protecting what our community values in a way that is financially sustainable.

Consultation with the community through community engagement activities assists Council in better understanding community needs and priorities, helping inform Council decisions around assets.

This Asset Plan outlines the way we will manage our assets now and into the future. It complements Council's Asset Management Policy and Strategic Asset Management Plan.

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1. INTRODUCTION

1.1 Council Assets

By providing physical assets, Council supports healthy, connected communities. Assets support Council services by providing transport links, protecting biodiversity and natural environments, and providing spaces for community health, connection and sport and recreation.

1.2 Purpose of the Asset Plan

This plan sets out how Council proposes to manage the assets it owns, to help achieve the objectives defined in the Community Vision and Council Plan. The Asset Plan integrates with Council's Financial Plan, which identifies the resources available to Council over ten years, enabling Council to manage its assets so that services can continue to support the needs of our community in the long-term.

The Asset Plan states:

- **which assets we have.** It describes the main asset portfolios (eg. Roads, footpaths, etc) and the total value (ie.current replacement cost) of assets in those categories.
- **the condition of our assets.** Regular monitoring of our asset condition helps us to budget for maintenance, repair and renewal expenses required to keep them at an acceptable standard.
- **the funding available in the long term to provide and look after our assets.** The long-term cost of the assets we provide must be within the limited funding available as stated in Council's Financial Plan.
- **how much we'll spend on different asset management activities.** Over a ten-year period, the Asset Plan provides a break-down of planned expenditure on asset management activities including operation & maintenance, renewal, upgrades, creation of new or expanded assets, and disposal of assets.
- **the difficult decisions we're facing in the next ten years for some assets.** Some assets are no longer supporting services to a reasonable standard. Council, in consultation with the community, needs to set a new direction on how to support our services with new assets, in a way that is affordable and represents value for money for ratepayers.
- **the approach Council will take when deciding how to change asset spending to meet future needs within the available funding.** Deciding what to keep, what do add, and what to take away are important decisions that need to be made so that Council can meet the future needs of the community. The Asset Management Policy and community feedback are used to help guide those decisions.
- **improvement plans.** Council is continually reviewing and planning for improvements in the way assets are managed.

1.3 Asset Management Policy

The Asset Management Policy outlines Council's vision, guiding principles and responsibilities for asset management in line with the Council Plan, relevant legislation and guidelines. Making decisions guided by the Asset Management Policy will ensure that Council weighs up what is important to the community. This includes fairness and equity, environmental and financial sustainability, cultural and social values, and making decisions based on the best available evidence.

1.4 Lifecycle Asset Management

To ensure we can continue providing and looking after our assets to a standard that is acceptable to the community, Council takes a 'lifecycle asset management' approach. This means that Council considers the cost of an asset not just when it's constructed, but also through the ongoing use of that asset until it is no longer required.

The ongoing costs for operating and maintaining an asset can be much higher than the initial cost of building that asset when considered over the many years that the asset is used. For example, a barbeque might only cost around \$10,000 to supply and install, but the ongoing costs of cleaning and servicing the barbeque exceed \$100,000 over the life of the asset.

Council must take a lifecycle cost view to ensure asset management is affordable and sustainable. The phases of an asset's life are shown in Figure 1.

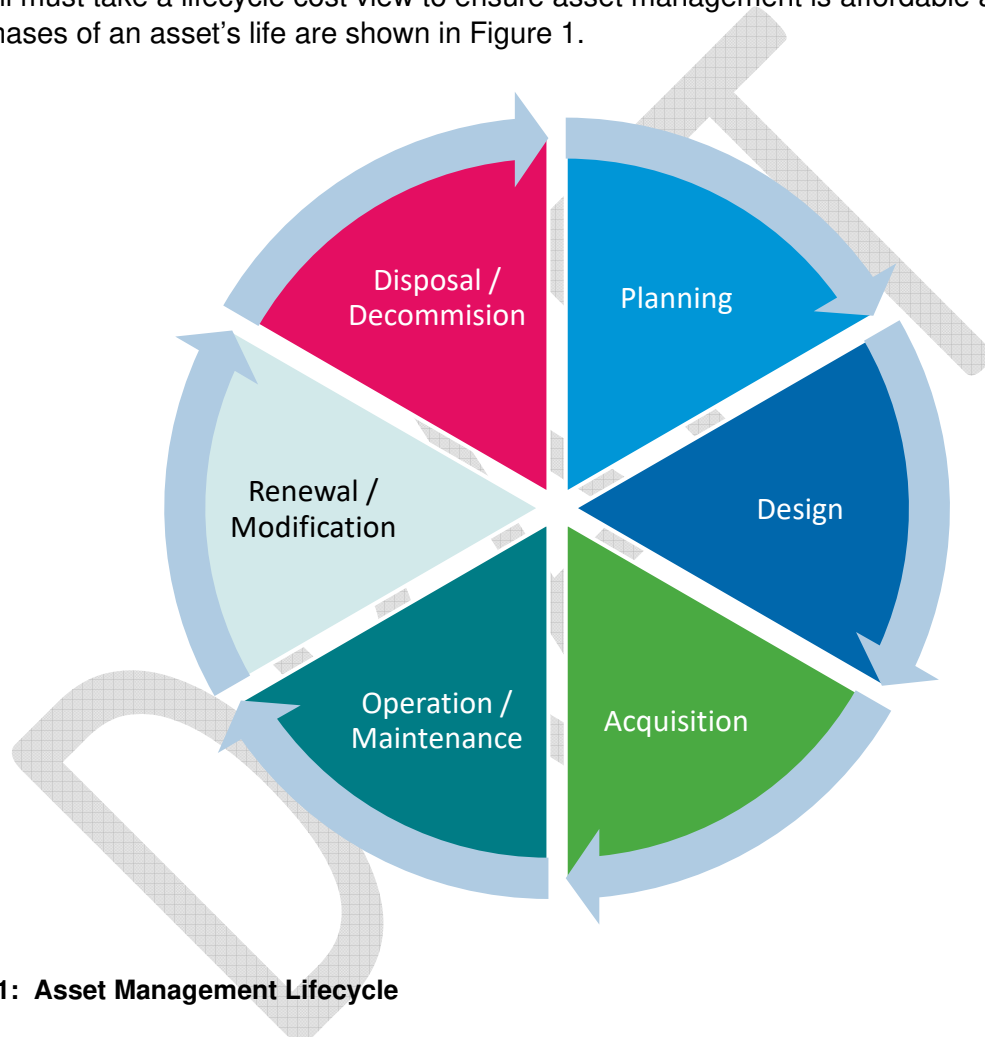


Figure 1: Asset Management Lifecycle

Planning for spending across the lifecycle of an asset is essential for providing assets in the most cost-efficient way. Timely maintenance or renewal spending saves us money in the long term, and manages risk of service failure, making sure the asset's condition doesn't decline to a point that is unacceptable to the community.

The asset management lifecycle phases comprise the following activities:

- **Planning:** Identify the need for an asset to support delivery of a service to the community
- **Design:** ensure the asset will meet the requirements of the service and ongoing sustainability
- **Creation/Acquisition:** construction or acquisition of asset, including asset expansion.
- **Maintenance and Operation:** day-to-day running and maintenance of assets
- **Renewal / Modification:** where an asset is no longer able to provide the required level of service and needs to be:
 - replaced with a modern equivalent, or
 - upgraded to a higher level of service, or
 - extended to provide the existing service to a larger group of people.
- **Disposal / Decommissioning:** if the asset is no longer suitable or required to support the sustainable delivery of Council services then it is considered for disposal or sale if applicable.

Council prepares asset management plans for each of the major asset portfolios and reviews them on a routine basis. These asset management plans consider each aspect of lifecycle asset management for an asset type over a ten to fifteen year period, to help assess changes in demand, asset performance, the remaining useful life of the asset, and plan for and prioritise the funding required over that time period.

Where funding requirements are above the available budget set in the Council Financial Plan, adjustments or trade-offs need to be made to spending plans by:

- Changing the level of service provided. Level of service refers to the standard that the community experience when using that asset. It includes physical assets like the number of BBQs, seats and toilets in a park, or service features such as mowing or cleaning frequency and opening hours.
- Finding new, more efficient ways of providing a service. For example, providing multi-purpose buildings that can be accessed by a range of community groups for a variety of purposes.
- Providing a different amount or mix of assets. To allow for increases in one type of asset to meet a change in demand, assets could be reduced elsewhere to keep the ongoing costs within the available budget.

Why is council fixing my road when it looks good?

Council collects road condition data and models the best time to replace the road seal to ensure the road base doesn't wear out too soon. It's much cheaper to replace the seal on the road than to pay to rebuild the whole road structure. So to look after our assets in the most cost effective way, you may see us fixing up roads that don't look to be the worst!

2. ABOUT OUR ASSETS

2.1 What do we manage?

Council manages a vast network of assets worth approximately \$1.5 billion to support the delivery of services to the community. The range and number of infrastructure assets and the services offered by these assets are summarised in Table 1 along with the approximate values (represented by the current replacement cost).

The management of Council's Assets is strongly supported by the community in many ways. The need for improvement and maintenance of assets is often raised through engagement with the community and receiving of customer requests. The community is often active in shaping the future of asset needs through groups including Township Groups, Environmental Volunteers, Committees of Management, Sporting Clubs, users of facilities who have lease, licence, tenancy or hire agreements and committees such as Preschool Committees who have responsibility for facilities they are associated with. Council would not be able to look after the vast array of assets without the strong support of community groups across the municipality.

Table 1: Council Asset Inventory and Estimated Replacement Cost at 30 June 2021

Asset Class	Asset Descriptions and Quantities	Services Provided	Current Replacement Cost (\$ million)
Bridges	305 Bridges, major culverts and associated structures (including boardwalks)	Vital components of road and pathway transport networks	\$35.1
Buildings and minor structures	119 Halls, Community Centres, Senior citizens and Scout Halls 43 Community Houses 32 Community Sports Pavilions 63 public toilets 7 aquatic facilities 236 recreational and utility shelter structures larger than 10 m ²	Facilities and accommodation for community services and community activities	\$185.4
Off-street Car parks	243 off-street car parks	Vehicle parking facilities	\$28.5
Drainage	826 km of pipes 32,250 pits flood mitigation assets	Stormwater drainage, water quality and flood mitigation	\$235.7
Fleet, plant & equipment	156 Passenger Vehicles, 122 Heavy plant 288 Field Equipment /Small plant	Support delivery of Council services	\$15.8
Parks, Bushland and Recreation	141 Sports Courts, 13 BMX/ Skate Parks 12 Bowling Greens 177 Play spaces 201 Reserves and Parks field-based sporting and lighting, fences, walls, park furniture, street furniture, hard surfaces, irrigation and living assets.	Social and club-based recreational activities, open space, tree management and recreation support.	\$121.9

Asset Class	Asset Descriptions and Quantities	Services Provided	Current Replacement Cost (\$ million)
Pathways	654 km footpaths 196 km trails	Access and transport of pedestrians and cyclists	\$94.4
Roads and Kerbs	1,036 km sealed roads 728 km unsealed roads Road shoulders, kerb and channel, and other road related assets	Community transportation	\$389.3
Information and Communication Technology	Computers and telecommunications	Support delivery of Council services and activities	\$3.3
Land	Council owned land	Land for asset provision	\$394
TOTAL			\$1,503.4

Roads represent the largest group of assets that Council manages in terms of total value, as shown in Figure 2, followed by drainage.

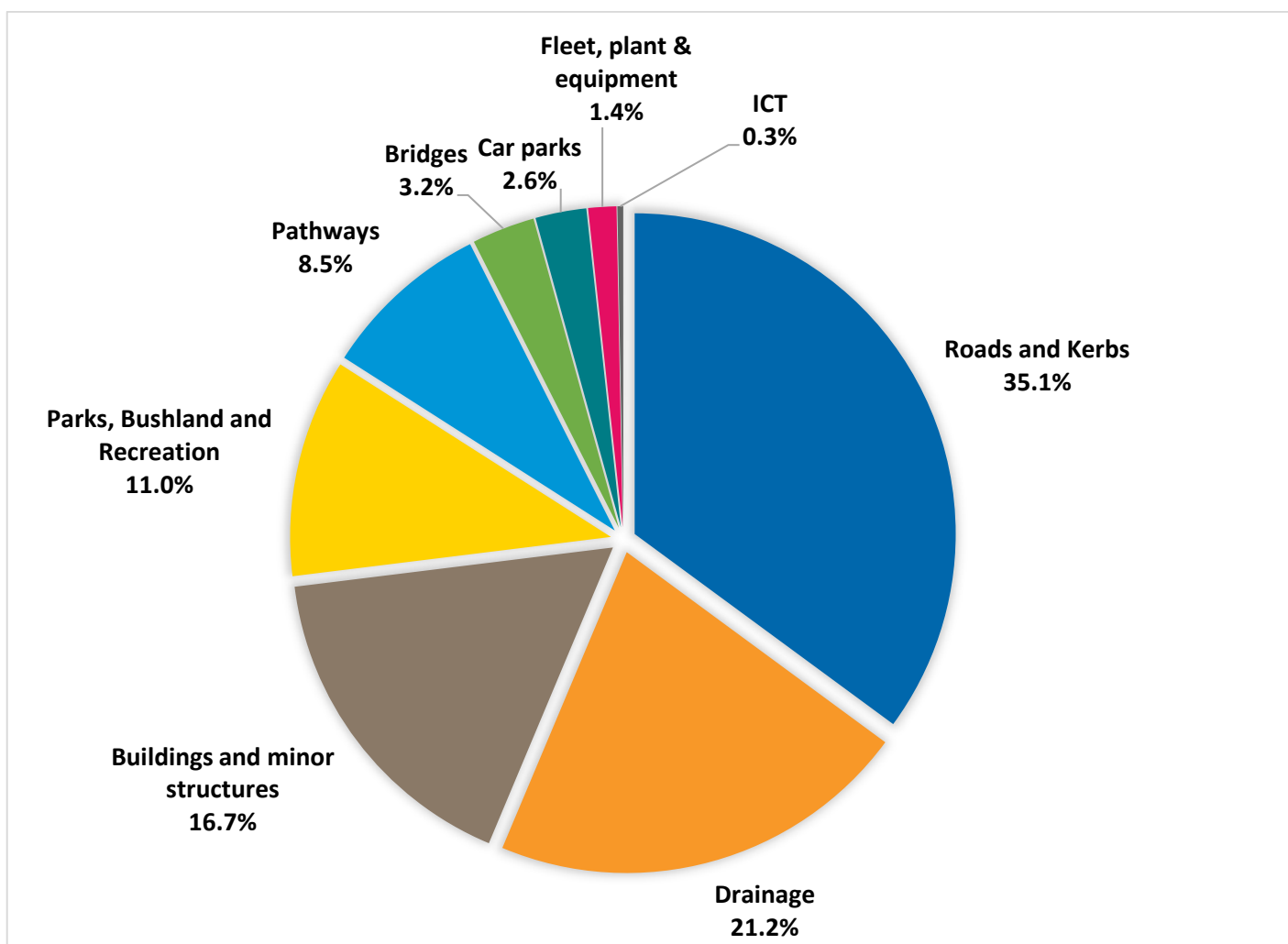


Figure 2: Asset Replacement Cost by Asset Type, excluding Land

2.2 Condition of the Assets

Assets cost more to look after as they age. As assets age, deteriorate and otherwise fail to meet service requirements, additional investment in maintenance and renewal is required. Condition inspections are a good indication of physical performance and help identify if an asset requires renewal. Council inspects, measures and models asset condition to assist with forecasting future funding requirements.

The inspected condition of Council's infrastructure assets is shown in Figure 3. Ideally, the majority of assets need to be kept in good to fair condition to ensure they're working well in supporting services. Asset management plans for each asset type consider the risks presented by poor condition, and plan to either repair or replace the asset at the right time to ensure the service remains safe and functional to an acceptable level. The extent to which service is impacted by the asset condition varies between asset types.

It is noted that the condition of an asset isn't the same as whether the asset is still suitable or functional for the current community needs. For example, the condition of much of our play space equipment is good, but the type and range of equipment on offer may not be meeting our current expectations for a good play experience, such as providing loose materials and natural planting for nature play, and a range of movement opportunities for different ages. The use and functionality of assets are criteria that are also assessed in asset management plans to help guide future investment in service improvements.

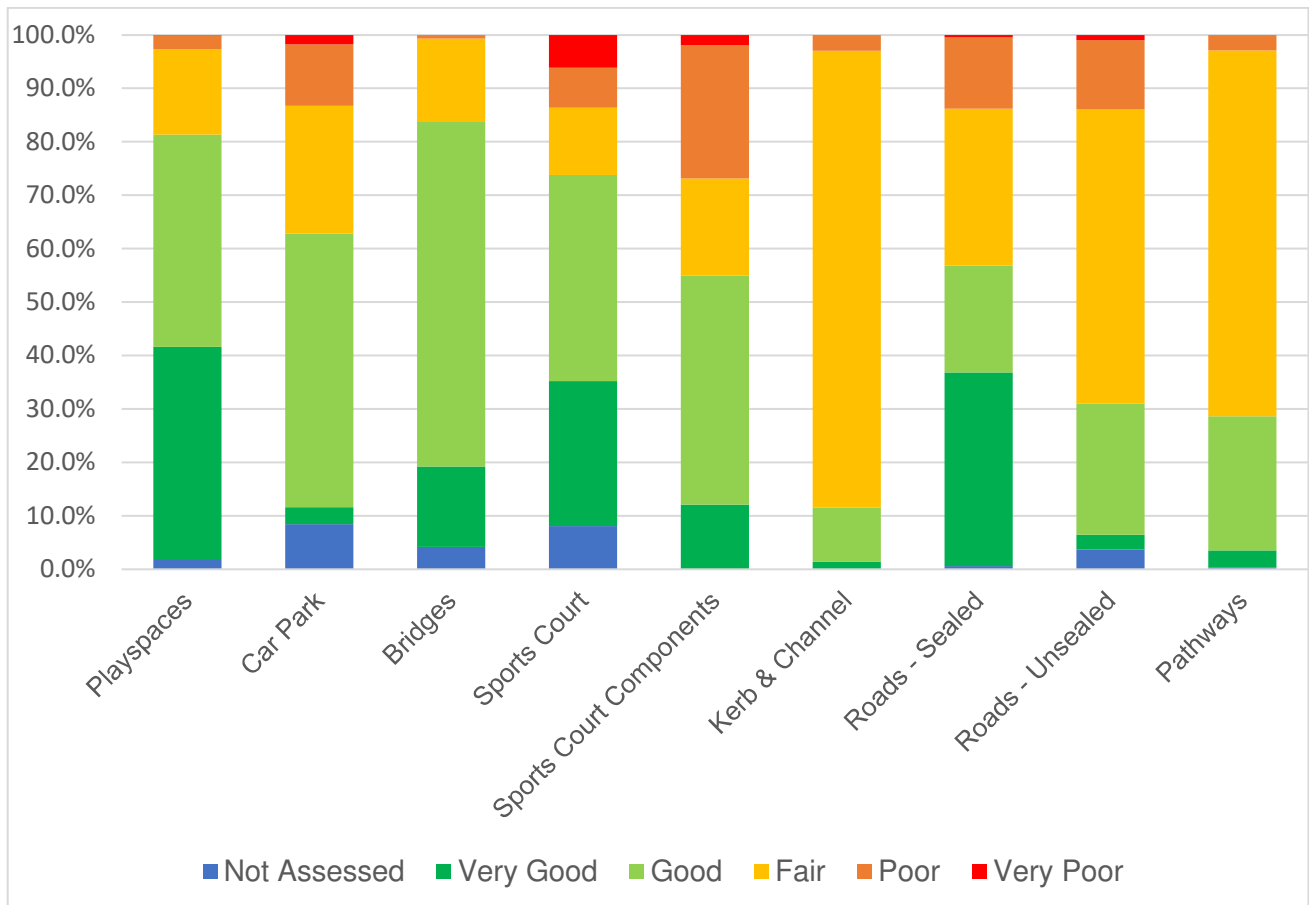


Figure 3: Asset Condition Ratings (% of asset group in each category)

Buildings are assessed by the condition of their components, which is shown below in Figure 4. Current condition inspections are primarily structural condition and safety. Council asset inspections indicate that the majority of council assets are maintained in a safe condition.

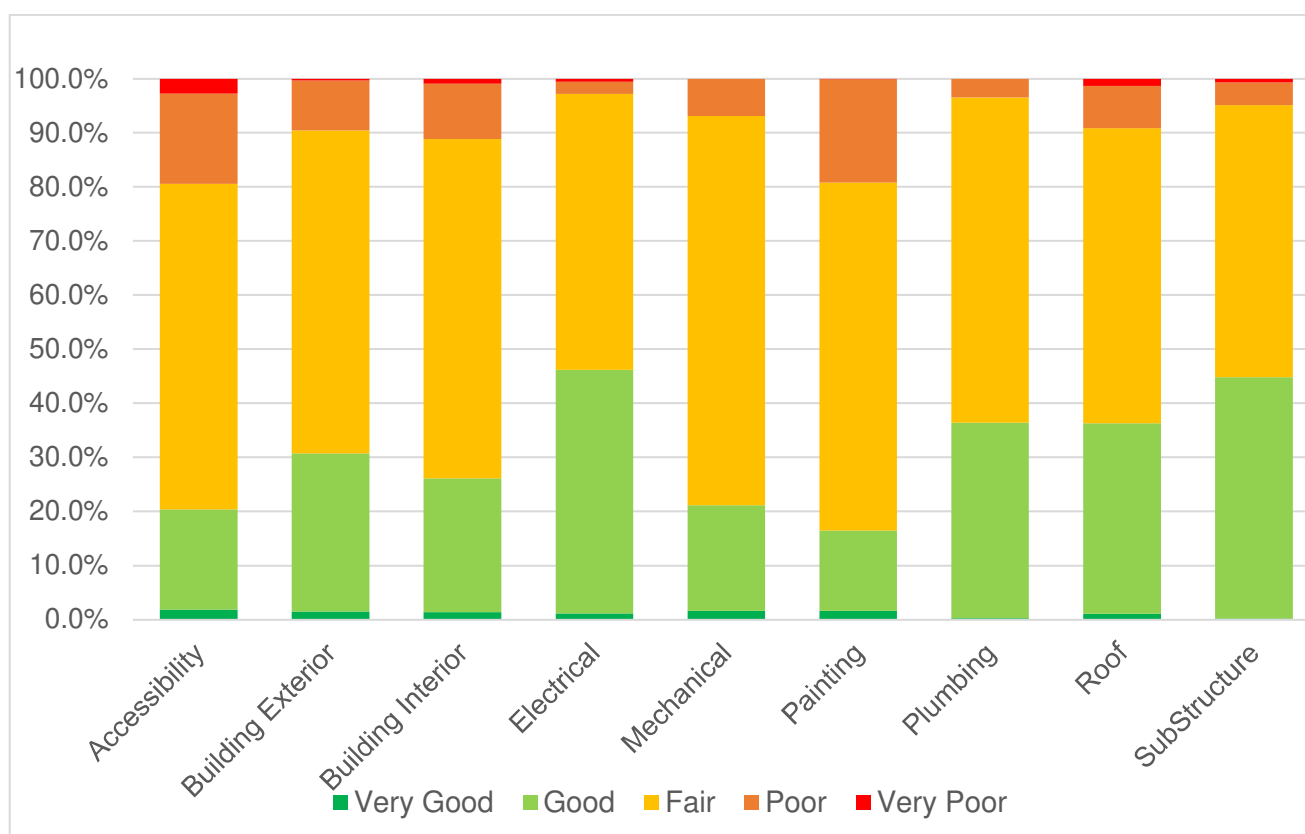


Figure 4: Building Component Condition

3. FUTURE DEMAND FOR ASSETS: CHALLENGES AND OPPORTUNITIES

We need to plan for the replacement of assets that are no longer useful in supporting services to the community. We also need to provide new, different or bigger assets to meet changing needs for the future. An overview of the challenges facing asset provision and management at Yarra Ranges Council is presented in Table 2.

Table 2: Asset Management Challenges

Challenge	Impact
Ageing Infrastructure	Asset groups such as Aquatic facilities and Public Halls have a significant number of assets approaching the end of their life.
Population Growth	The Council population is expected to grow by 13,000 over the next 10 years. This will carry with it an associated growth in demand for Council services.
Demographic changes	Over the next 10-20 years the Council is forecast to experience a significant growth in the number of residents that are of retirement age or older.
Climate change impacts	The increased frequency and severity of extreme weather events such as storms, floods, drought and fire and the need for additional emergency management prevention and preparedness.
Growing Costs	Price increases due to market impacts of materials and services, including supply impacts as a result of the pandemic and overseas events.
Restricted revenue	Very constrained options to raise revenue due the introduction of rate capping by the State Government. Council reliance on external grants for operating and capital expenditure, which currently makes up 27% of total annual income. A reduction in this funding would directly affect the level of service that Council can provide.
Changing community service requirements	Growing need for services catering to older adults.

Challenge	Impact
	Introduction of funded 3 year-old pre-school increases demand for services/facilities supported by Council
Changes in legislation	Increasing needs relating to legislative compliance and reporting. For example the recent Gender Equality Act 2020.

A representative panel of 40 community members met with Council asset experts over five sessions in early 2022 and were given time and information to consider how Council should spend its limited budget on meeting the changing needs of the community. The panel considered which principles were important when making decisions on asset management and these have been incorporated into the Asset Management Policy. The panel were also given examples of asset types that have low utilisation and may no longer be providing an appropriate level of service for the community. The panel were asked would it be acceptable to dispose of some smaller or poorly utilised assets to provide funding for larger, multi-use, modern assets. There was general support for this approach to re-allocating Council's limited resources to meet the changing needs of the community, so long as it is undertaken in line with the principles in the Asset Management Policy and with community involvement.

More parkland space is needed for our growing population in the urban areas. With strong support from the local community, Council is acting on an opportunity to purchase a large area of open space and funding this purchase by the proposed sale of some smaller parks in the area. This is an example of a trade-off within an asset group which helps keep the cost of the purchase within the limited budget while meeting the changing needs of the community. Small parks have their value too, and any trade-offs like this need careful assessment against the principles given in the Asset Management Policy as well as community involvement.

4. MAKING SURE OUR ASSET SPENDING IS SUSTAINABLE

4.1 Renewal Strategy

When an asset reaches the end of its useful life, investment is required to renew that asset. By forecasting these investment requirements, we can then plan the renewal of our assets in a way that spreads the cost out over a number of years, in line with Council's Financial Plan.

Council has analysed and modelled the current and future performance of its asset portfolio to identify and quantify future asset capital investment requirements over a 15 year period, as shown in Figure 5 and Table 3. The forecast shows that the desired asset renewal peaks in 2022/23. This is the level of investment needed to ensure our assets provide the level of service our community desires. This peak is largely due to a number of pools reaching the end of their life, needing a significant amount of funding to renew or replace these assets if the service is to continue. To stay within the available budget, this renewal investment has been pushed out over time to flatten the investment curve. The delay in renewal of these assets results in lower levels of service and a higher risk of failure over the short to medium term due to the age and condition of the pools. Council manages this risk through regular monitoring and remedial works.

Many of our pools are at the end of their life. They are due to be replaced. But expectations have changed – the community enjoys an outdoor pool to gather at on a hot day, but people also want a warm water indoor pool to swim at. Council needs to look at what the right mix of pools will be for the future of Yarra Ranges, and what we can afford to build, and we need to do it soon.

Under this renewal strategy, the cumulative renewal demand is anticipated to reach approximately \$471 million over the next 15 years (in current dollars). Over the 10-year period of the Financial Plan (2021/22 – 2030/31) the residual renewal will be reduced by 66%, from \$61 million to \$21 million.

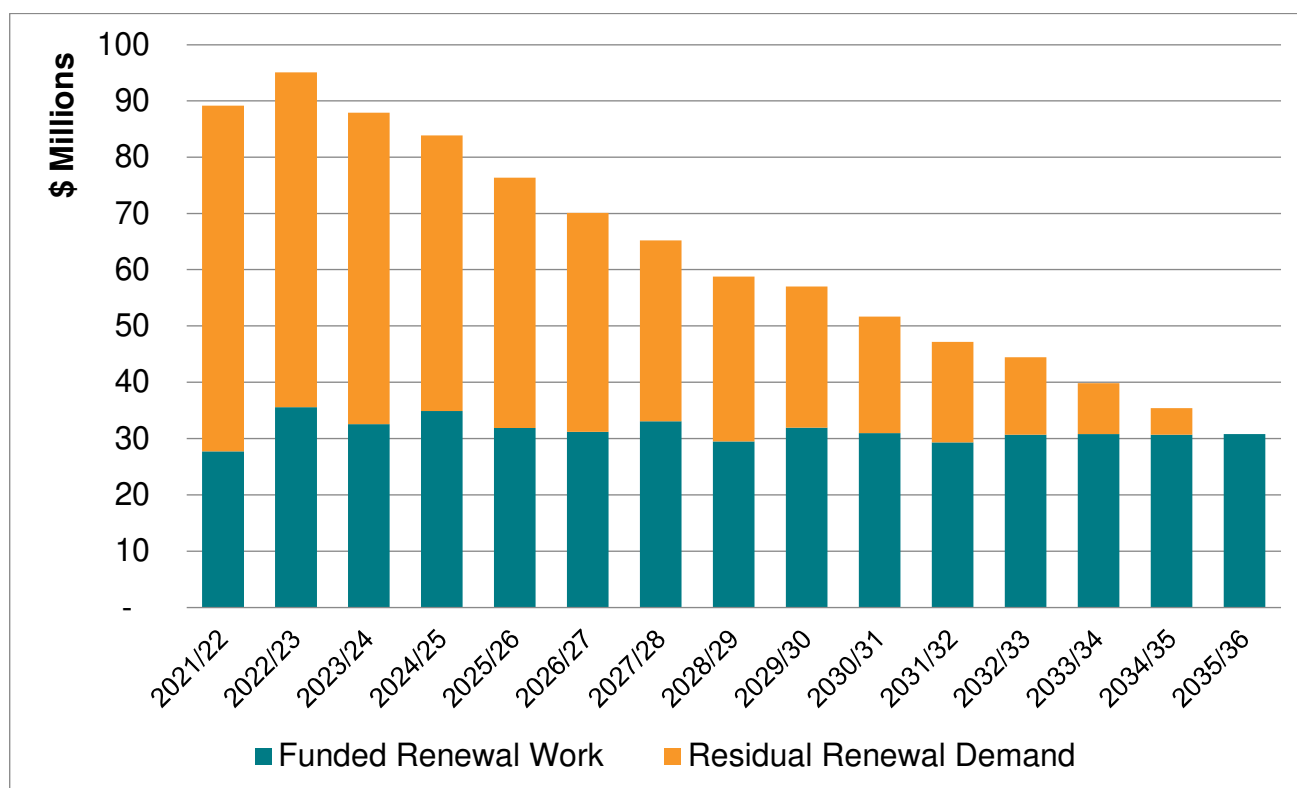


Figure 5: 15 year renewal strategy to reduce residual demand

Table 3: Asset Renewal Demand (based on 2021 \$ values)

Financial Year	Annual Renewal Demand (\$'000)	Annual Renewal Funding (\$'000)	Residual Renewal Demand (\$'000)
2021/22	41,370	27,752	61,361
2022/23	33,665	35,555	59,472
2023/24	28,390	32,565	55,298
2024/25	28,558	34,906	48,950
2025/26	27,416	31,901	44,465
2026/27	25,605	31,175	38,895
2027/28	26,309	33,100	32,103
2028/29	26,698	29,507	29,294
2029/30	27,693	31,950	25,038
2030/31	26,652	30,976	20,714

Financial Year	Annual Renewal Demand (\$'000)	Annual Renewal Funding (\$'000)	Residual Renewal Demand (\$'000)
2031/32	26,433	29,307	17,840

4.2 Asset Funding Categories

Funding for planned capital works on an asset may fit across a number of funding categories as described in Table 4. For example, a sporting reserve may have an existing pavilion that no longer meets the needs of the community. The most efficient way to meet the modern standard required is to demolish the existing building and replace it with a new one. Council sets aside a renewal budget for the old building, but the new building may also include new spaces, such as community meeting rooms, or be larger to cater for an increased number of participants. The project will therefore need funding from several categories: renewal, expansion and new.

Multi-purpose community buildings

are replacing our sporting pavilions. Pavilions are being upgraded to suit a wider range of purposes to get a higher benefit for more of the community from the funding invested.

Council monitors and plans for spending across these categories to ensure it can afford to continue to look after its assets to the right standard. Each asset requires ongoing operating and maintenance expenditure, and funding of new assets needs to consider the long term costs, and whether Council can afford them in the long term even if the initial construction costs are funded externally through a grant.

Table 4: Asset Lifecycle Funding Categories

Maintenance and Operations	Capital Expenditure	
	Refurbishment and Renewal	Upgrade, Expansion and New
Ongoing work to ensure an asset is meeting its desired level of service.	Extending the life of an existing asset.	Delivery of new services or increasing existing service levels. Increases total ongoing Maintenance and Operation expenditure required.
<ul style="list-style-type: none"> Pothole repair, grading of roads Footpath repairs Parks maintenance Building maintenance, servicing and utility costs 	<ul style="list-style-type: none"> Road reconstruction Kerb and channel/footpath replacement Sports field resurfacing Building renovation (not upgrade) 	<p>Upgrades</p> <ul style="list-style-type: none"> New asphalt surface on a gravel road <p>Expansion</p> <ul style="list-style-type: none"> Widening of footpath Building extension <p>New Assets</p> <ul style="list-style-type: none"> Additional assets not previously provided New trail

4.3 Asset Funding Requirements

The asset funding requirements shown for the ten year period in Table 3 highlight the breakdown of the lifecycle funding categories annually. Almost half of the annual funding is required for operation & maintenance. This is important to note when considering the question of how Council can continue to look after assets, as well as create new assets to meet changing demand, within a constrained budget. Where significant investment in new assets is required to meet changes in community needs, the ongoing costs of managing these may need to be balanced by reducing the assets or levels of service provided elsewhere.

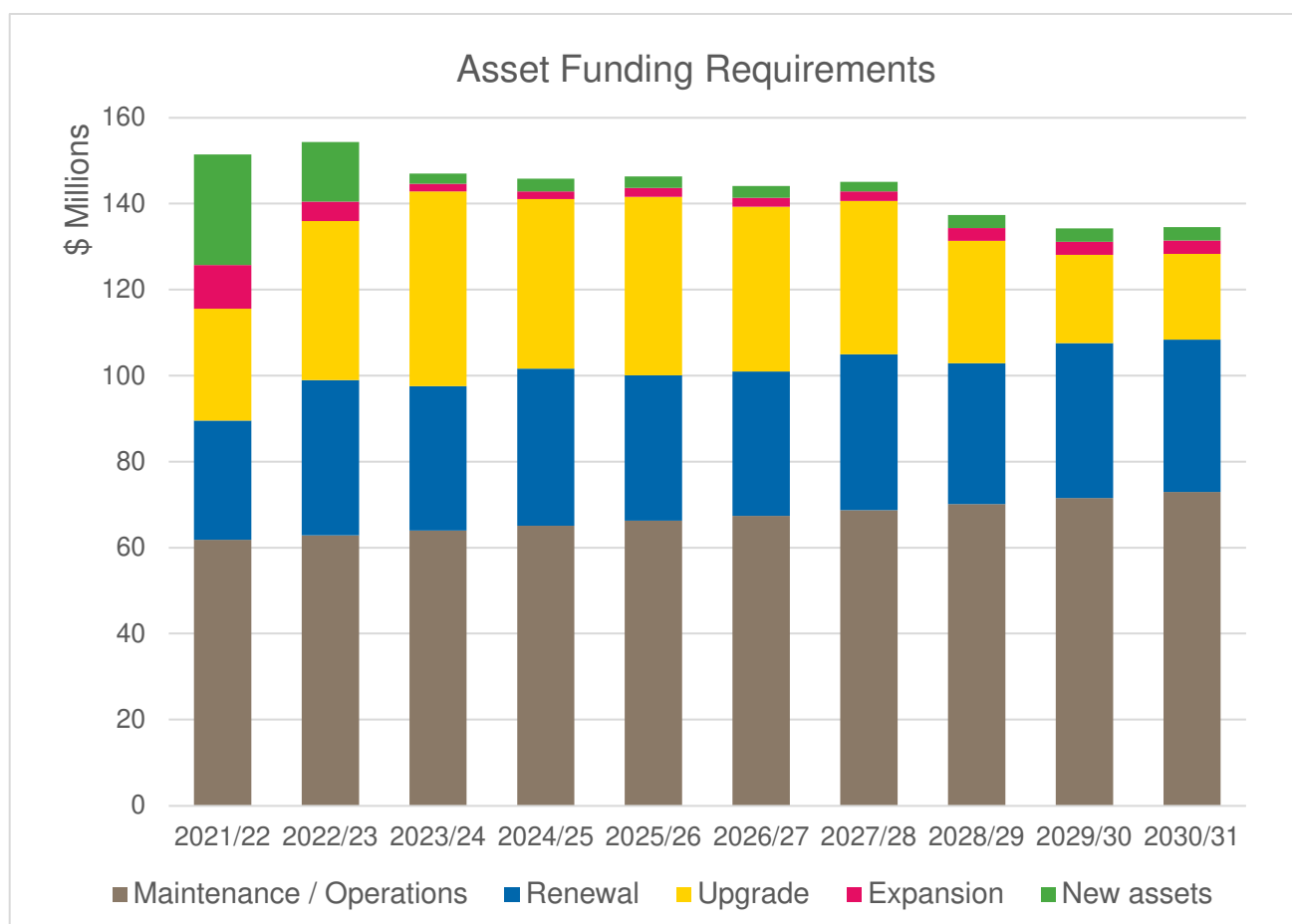


Figure 6: Forecast Asset Funding Requirements

Table 5: Forecast Asset Funding Requirements (sourced from 2021/22 to 2030/31 Financial Plan)

Financial Year	Maintenance / Operations Funding (\$'000)	Renewal Funding (\$'000)	Upgrade Funding (\$'000)	Expansion Funding (\$'000)	New Funding (\$'000)
2021/22	61,795	27,752	26,032	10,127	25,728
2022/23	62,876	36,088	36,964	4,514	13,861
2023/24	63,976	33,549	45,296	1,789	2,387
2024/25	65,096	36,500	39,409	1,838	2,957
2025/26	66,235	33,859	41,463	2,093	2,648

Financial Year	Maintenance / Operations Funding (\$'000)	Renewal Funding (\$'000)	Upgrade Funding (\$'000)	Expansion Funding (\$'000)	New Funding (\$'000)
2026/27	67,394	33,584	38,262	2,093	2,723
2027/28	68,742	36,193	35,676	2,202	2,225
2028/29	70,117	32,748	28,480	2,973	2,997
2029/30	71,519	35,991	20,549	3,053	3,077
2030/31	72,950	35,418	19,953	3,074	3,100

4.4 Continuous Improvement

To ensure Council's asset management approach is effective, improvement plans are prepared during asset management planning. Council is also currently implementing a new asset information management system to improve the way asset data is managed.

Continuous improvement in asset management processes and systems will also improve our ability to plan for future funding accurately. For example, Council's estimates of renewal demand may change over time as asset data and modelling improve, meaning Council is better positioned to plan and address renewal with more confidence through an increased understanding of asset value and performance. This will be achieved through a combination of activities, including asset data capture, inspections, validation, condition surveys, and consolidation of assets into a single asset register. Project and renewal planning will also be improved using detailed Asset Management Plans with defined service levels.

This Asset Plan will be reviewed every four years by 31 October in the year following a Council election.