

Sunshine Coast Council
Asset Management Plan
2017/18 - 2022/23

Holiday Parks



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Acknowledgements

Council wishes to thank all contributors and stakeholders
involved in the development of this document.

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Version control:

Version	Date	Revision Details	Author	Reviewed By	Approved By
1	August 2010	Development of asset management plan	Gary Ehsman		
1.1	November 2010	Development and refinement of TAMP	Gary Ehsman		
1.2	September 2011	Inclusion of revised graphs and commentary	Gary Ehsman	Chris Campbell	
2	November 2012	Revised data from FAIM revaluation	Gary Ehsman	Chris Campbell	
3	October 2014	Remove Noosa Assets	Gary Ehsman		
4	January 2017	Update with 2017 data	Gary Ehsman		

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1 Executive Summary

1.1 What council provides

Council business unit Sunshine Coast Holiday Parks provides six holiday parks as a Type 3 Competitive Business Activity.

Council has a management agreement contract in place for the day to day management services of the individual holiday parks and an internal service agreement with Building and Facilities for the asset maintenance.

The business generates revenue of \$15 M through operations and represents a significant rate of return of investment on assets with an operating surplus of \$7.5M.

The six holiday parks are in prime tourist locations at:

- Dicky Beach
- Mooloolaba
- Maroochydore
- Cotton Tree
- Mudjimba
- Coolum Beach

1.2 What does it cost?

There are two key indicators of cost to provide the Holiday Parks business:

- The life cycle cost being the average cost over the life cycle of the asset, and
- The total maintenance and capital renewal expenditure required to deliver existing service levels in the next 10 years covered by council's long term financial plan.

The life cycle cost to provide the Holiday Park business is estimated at \$4.07 M per annum. Council's planned life cycle expenditure for year one of the asset management plan is \$3.61 M which gives a life cycle sustainability index of .89

The total operations, maintenance, capital renewal and upgrade expenditure required to provide the Holiday Park business in the next 10 years is estimated at \$41.565 M. This is an average of \$4.156 M per annum.

Council's maintenance and capital renewal expenditure for year one of the asset management plan of \$1.21 M with a 10 year sustainability index of 1.01

1.3 Plans for the future

Council plans to operate and maintain the Holiday Park business to achieve the following strategic objectives.

1. Ensure the Holiday Park business is maintained at a safe and functional standard as set out in this Plan.
2. Ensure that the holiday parks maintain a reliable 3 ½ star rating from the AAA Tourism star scheme.
3. Close the Mooloolaba Esplanade section of the Mooloolaba Beach Holiday Park on 30 June 2017 in accordance with the Mooloolaba Place Making Masterplan.
4. Expand the Mudjimba Beach Holiday Park with additional fully serviced sites
5. Redevelop the remnant Parkyn Parade section of Mooloolaba Beach Holiday Park to reflect design standards in the Mooloolaba Place Making plans.

1.4 Measuring our performance

1.4.1 Quality

The Holiday Park business assets will be maintained at a standard to meet the 3½ star rating and to meet customers' expectations and usability. Defects found or reported that are outside our service standard will be repaired. See our maintenance response service levels for details of defect prioritisation and response time.

1.4.2 Function

Our intent is that the Holiday Parks business continues to provide tourist accommodation options and a commercial return for council.

The Holiday Park asset attributes will be maintained at a safe level and associated signage and equipment be provided as needed to ensure public safety. We need to ensure key functional objectives are met:

- Modern and functional facilities for guests
- Well maintained and clean facilities

1.4.3 Safety

We inspect all council holiday parks regularly and prioritise and repair defects in accordance with our inspection schedule to ensure all assets are safe for use. Additional security services are contracted out to ensure all guests are safe during peak periods.

1.5 Next steps

This actions resulting from this Plan are:

- Implement the capital works program
- Complete the concept plans and detailed design for the Mooloolaba Holiday Park (Parkyn Parade) redevelopment.
- Complete annual asset condition assessment report
- Prepare plans for possible business expansion projects
- Refine asset items and real values and break down "grouped assets" which have different life patterns

2 Introduction

2.1 Background

This Plan is to demonstrate responsive management of assets (and services provided from assets), compliance with regulatory requirements, and to communicate funding required to provide the required levels of service. Modelling within this plan is completed to represent a ten year planning period, with a full revision of the plan every five years as a minimum and an update of financial elements completed annually.

- The Plan is to be read with the following associated planning documents:
- Sunshine Coast Holiday Parks Business Plan 2015/20
- Sunshine Coast Planning Scheme 2014
- SCRC Corporate Plan 2017/21
- SCRC Operational Plan 2017/21

This Plan covers the following infrastructure assets:

The six holiday parks located at Dicky Beach, Mooloolaba, Maroochydore, Cotton Tree, Mudjimba and Coolum Beach

Table 2.1 Assets covered by this Plan

Asset category	Dimension	Replacement value (\$M)
Buildings - residence and office, amenities, cabins and camp kitchens/ BBQ	6 residences and offices	\$1.17 M
	16 amenities buildings	\$8.5 M
	36 cabins and 1 beach house	\$2.15 M
	Camp Kitchens/ BBQ's	\$0.92 M
	Total	\$12.74 M
Roads and storm water drainage	Sealed roads servicing 1306 sites	\$2.8 M
	Unsealed roads servicing 65	
Reticulated services including water, sewer and electrical	All services to 1266 sites and 36 cabins Water only to some of 105 unpowered sites	\$5.26 M
Site improvements , including power heads and concrete slabs, boom gates, street lighting	Approximately 740 concrete slabs and 520 power heads	\$6.47M
TOTAL		\$27.27 M

Key stakeholders in the preparation and implementation of this Plan are:

Facilities Management Unit	Internal service provider for the maintenance of buildings and facilities at the holiday parks
Contract resident managers	Contract on site management services to deliver the day to day services, cleaning and routine maintenance inspections at the holiday park.
Corporate Asset Management team	Asset Management requirements
Sunshine Coast Holiday Parks	Asset owner of Holiday Park business assets
Asset Management Steering Committee	Overview

2.2 Goals and objectives of asset management

Council exists to provide services to its community. Some of these services are provided by infrastructure assets. Council has acquired infrastructure assets by purchase, by contract, construction by council staff and by donation of assets constructed by developers and others to meet increased levels of service.

Council's goal in managing infrastructure assets is to meet the required level of service in the most cost effective manner for present and future consumers. The key elements of infrastructure asset management are:

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

This asset management plan is prepared under the direction of council's vision, mission, goals and objectives.

Council's vision is:

“To be Australia's most sustainable region – healthy, smart, creative”.

The Sunshine Coast Holiday Parks' vision is:

To provide quality, family friendly holiday parks operated with a strong business focus that exceeds our customers' expectations while minimising the impact on the environment.

Relevant council goals and objectives and how these are addressed in this Plan are:

Table 2.2 Council goals and how these are addressed in this Plan

Goal	Outcome	How goal and objectives are addressed in AMP
A New Economy	Investment and growth in high value industries	Efficient and effective management of the Holiday Park assets to provide continued commercial business operations and an important segment of the tourist accommodation industry on the Sunshine Coast.

2.3 Plan framework

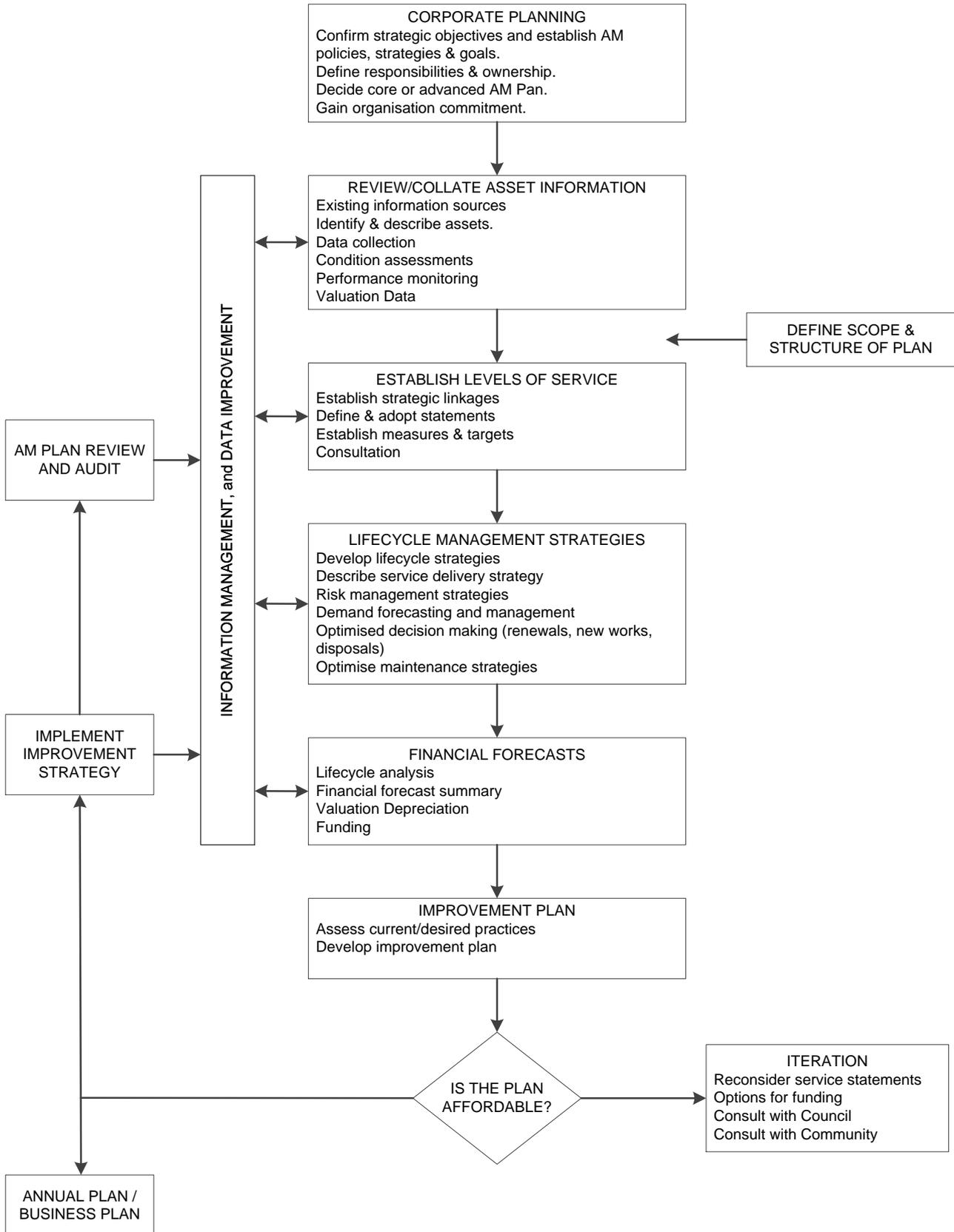
Key elements of the plan are:

- Levels of service – specifies the services and levels of service to be provided by council
- Future demand – how this will impact on future service delivery and how this is to be met
- Life cycle management – how council will manage its existing and future assets to provide the required services
- Financial summary – what funds are required to provide the required services
- Asset management practices
- Monitoring – how the plan will be monitored to ensure it is meeting council’s objectives
- Asset management improvement plan

A road map for preparing an asset management plan is shown below:

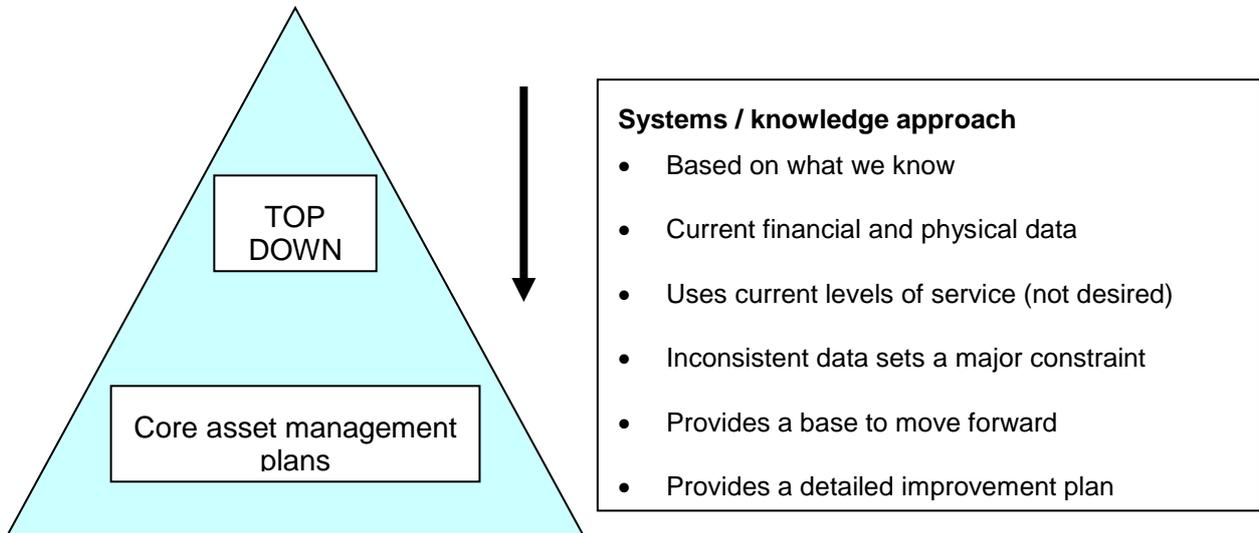
Road map for preparing an asset management plan

Source: IIMM Figure 1.5.1, p.1.11

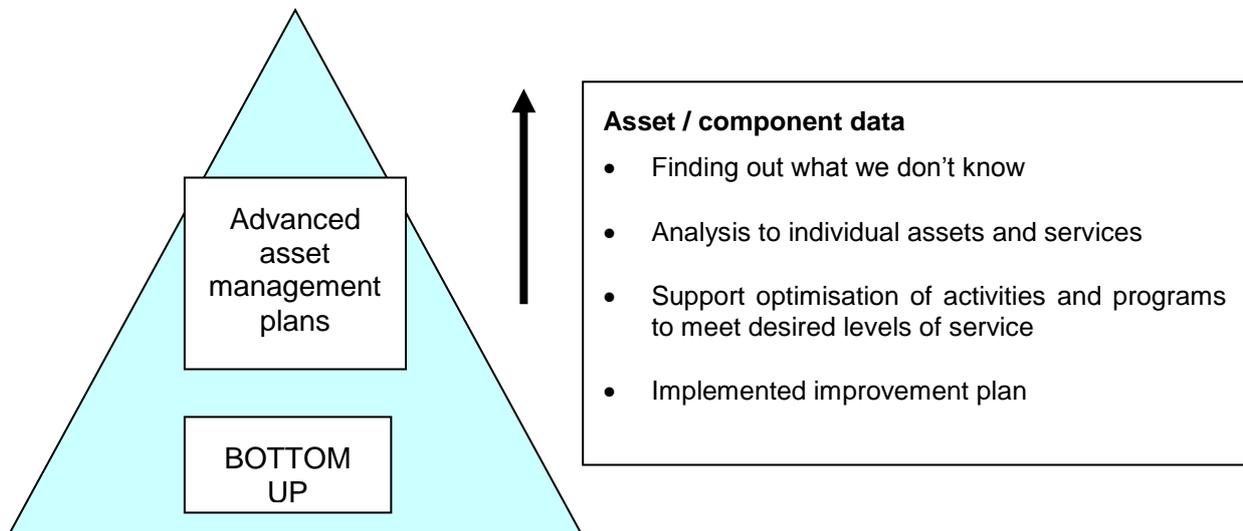


2.4 Core and advanced asset management

This Plan is prepared as a 'core' asset management plan in accordance with the International Infrastructure Management Manual. It is prepared to meet minimum legislative and organisational requirements for sustainable service delivery and long term financial planning and reporting. Core asset management is a 'top down' approach where analysis is applied at the 'system' or 'network' level.



Future revisions of this Plan will move towards 'advanced' asset management using a 'bottom up' approach for gathering asset information for individual assets to support the optimisation of activities and programs to meet agreed service levels.



3. Levels of Service

3.1 Customer research and expectations

Council conducts monthly on-line guest survey feedback to customers who have stayed at the holiday parks the previous month for feedback. The survey feedback demonstrates high levels of overall satisfaction with the holiday parks and a positive “net promoter score” for recommending the Sunshine Coast Holiday Parks to friends and family.

Table 3.1 Community satisfaction survey levels

Performance measure	Satisfaction level				
	Very satisfied	Fairly satisfied	Satisfied	Somewhat satisfied	Not satisfied
5.2.5. Community satisfaction with asset management	√				
AAA Tourism Star Rating Assessment		3 – 3½ stars			

Council uses this information in developing the strategic management plan and in allocation of resources in the budget.

3.2 Legislative requirements

Council has to meet many legislative requirements including Australian and state legislation and state regulations. These are outlined in Table 3.2.

Table 3.2 Legislative requirements

Legislation	Requirement
Local Government Act	Sets out role, purpose, responsibilities and powers of local governments including the preparation of a long term financial plan supported by asset management plans for sustainable service delivery
Local Law No.1 –Schedule 10 Accommodation Parks	Sets out requirements for operating a licensed accommodation park
Workplace Health and Safety Act	Safe working environment requirements
Residential Tenancy and Rooming Accommodation Act 2009	Conditions of tenancy of any permanent tenants
Building Act and Building Code Australia	Building standards requirements
Disability Discrimination Act	Equal access requirements

3.3 Current levels of service

Council has defined service levels in two terms.

Community levels of service relate to how the community receives the service in terms of safety, quality, quantity, reliability, responsiveness, cost/efficiency and legislative compliance.

Supporting the community service levels are operational or technical measures of performance developed to ensure that the minimum community levels of service are met. These technical measures relate to service criteria such as:

Service criteria	Technical measures may relate to:
Quality	Star rating of property
Quantity	Number of sites, cabins
Usage	Occupancy %
Safety	Number of injury accidents

Council's current service levels are detailed in Table 3.3.

Table 3.3 Current service levels

Key performance measure	Level of service	Performance measure process	Performance target	Current performance
COMMUNITY LEVELS OF SERVICE				
Quality	Provide quality accommodation and facilities at each holiday park	<ul style="list-style-type: none"> Customer surveys Customer service requests Holiday park AAAT star rating 	<ul style="list-style-type: none"> 50 Net Promoter Score < 2 per month per park ***3 ½ stars 	<ul style="list-style-type: none"> 55 2 per month per park ***3 ½ stars
Function	Ensure facility is clean and meets user requirements and industry standards	Customer service requests relating to service, quality and convenience	<ul style="list-style-type: none"> < 2 requests per month Regular monthly inspection by council officers 	<ul style="list-style-type: none"> 2 per month Regular Inspections
Safety	Provide safe environment and meet all safety standards by eliminating or reducing all risks and hazards	Bi-annual Risk Management audit Insurance claims	All items actioned < 1 per park per year	External audit completed each two years. Two per park per year average
Sustainability	Council facilities are operated to minimise damage to the	Water Efficiency Management Plans (WEMP) has been	<ul style="list-style-type: none"> Continued reduction in water usage for the first 	<ul style="list-style-type: none"> Baseline water usage included in individual WEMP

Key performance measure	Level of service	Performance measure process	Performance target	Current performance
	environment and reduce energy and water consumption	prepared for the holiday parks. A corporate energy management plan is being developed and will be reviewed and updated annually	year of the WEMP ending November 2011. <ul style="list-style-type: none"> >80% of annual performance targets in the energy plan are met Energy efficiency principles are incorporated in the design of all new facilities. 	documents for each park.
TECHNICAL LEVELS OF SERVICE				
Condition	Carry out routine maintenance as per service level agreement	Cabin and caravan park sites (grounds) maintenance/cleaning	Daily after each customer	Daily after each customer
Occupancy	Utilisation of cabins and sites	Cabin and caravan sites demand and availability	60% occupancy of cabins 70% occupancy of sites	53.3 % cabins 70.1% sites
Cost effectiveness	Provide service in cost effective manner	Contract cost	As a percentage of turnover	Benchmark in business plan
Safety	Provide safe environment and meet all safety standards by eliminating or reducing all risks and hazards	Bi-annual Risk Management audit Insurance claims	All items actioned < 1 per park per year	<ul style="list-style-type: none"> External audit completed each two years Two per park per year average

3.4 Desired levels of service

At present indications of desired levels of service are obtained from customer feedback and the Sunshine Coast Holiday Parks Business Plan and these have been built into the above table in the current level of service targets.

4. Future Demand

4.1 Demand forecast

Factors affecting demand include population change, tourism trends, changes in demographics, seasonal and weather impacts, vehicle ownership, consumer preferences and expectations, economic factors and environmental awareness etc.

Demand factor trends and impacts on service delivery are summarised in Table 4.1.

Table 4.1 Demand factors, projections and impact on services

Demand factor	Present position	Projection	Impact on services
Population	317,000 – (2014)	508,000 (projected 2031) – in addition South East Queensland population is projected to increase at a rate of 5% over the next 10 years	The increased population of the greater South East Queensland will have a direct impact on the demand for the holiday parks as a large proportion of customers live within three hours' drive of the Sunshine Coast.
Demographics	The demographics of the whole of the Australian population has an impact on the demand on the caravan park industry – with continuing increase in the number of “Baby Boomers” generation retiring and purchasing caravans and motor homes/ campervans	Projections from Caravan and Recreational Vehicles Australia indicate a growth factor of 7% - 10% per annum over the next 15 years.	The increased retired population of Australia will have a direct impact on the demand for the holiday parks as a large proportion of customers to the Sunshine Coast are from the retired and Baby Boomer generations.
Tourism	Tourist / holiday parks are intrinsically linked to the tourism industry generally	Sunshine Coast as a preferred destination will continue to drive demand	Sunshine Coast is a tourist destination and the holiday parks play an important role in the diversification of tourist accommodation
Weather conditions	Outside peak school holidays and winter seasons the weather conditions determine demand from customers	Continued seasonality of demand	Seasonal demand results in full occupancy during peak periods and low occupancy during autumn and spring.
Accommodation type and customer expectations	Accommodation mix is predominately caravan and camp sites (97%) to cabins (3%) AAA Tourism star rating at 3 ½ to 4 stars.	Continued increased demand for a mix of accommodation types improved facilities and services. The criteria for the AAA Tourism star ratings are being reviewed and likely to be harder in the future to maintain current	New and refurbished amenities and other facilities to meet customer expectations, and tougher AAA Tourism star rating criteria including additional cabins, camp kitchens / BBQs, amenity buildings etc.

		ratings without capital improvements.	
Expansion and development threat	Some holiday parks are in threat of being reduced in capacity through development and other uses. There are opportunities to expand / replace capacity through expansion and redevelopment at Mudjimba and to maintain and increase revenue streams generated through the business		Maintain and increase revenue streams generated by the business

4.2 Changes in technology

Technology changes are forecast to affect the delivery of services covered by this Plan, as referred to in Table 4.2.

Table 4.2 Changes in technology and forecast effect on service delivery

Technology change	Effect on service delivery
Energy use and efficiency	Minimise energy use. Major focus has been on use of heat pumps in generation of hot water for showers in the 16 amenity buildings in the holiday parks.
Water re-use / WEMPs	A Water Efficiency Management Plan (WEMP) has been prepared for all holiday parks that currently use more than 10 ML of water pa. The plan requires a range actions to minimise water consumption into the future, including retrofit 3 star WELS rated shower heads, sub metering of amenity buildings, restrictors to taps, rain water harvesting (tanks) to amenities and swimming pools.
Internet bookings	Website on-line bookings and the Sunshine Coast Holiday Park brand has been in place for over 4 years and has supplemented demand for cabins and sites at the holiday parks.

4.3 Demand management plan

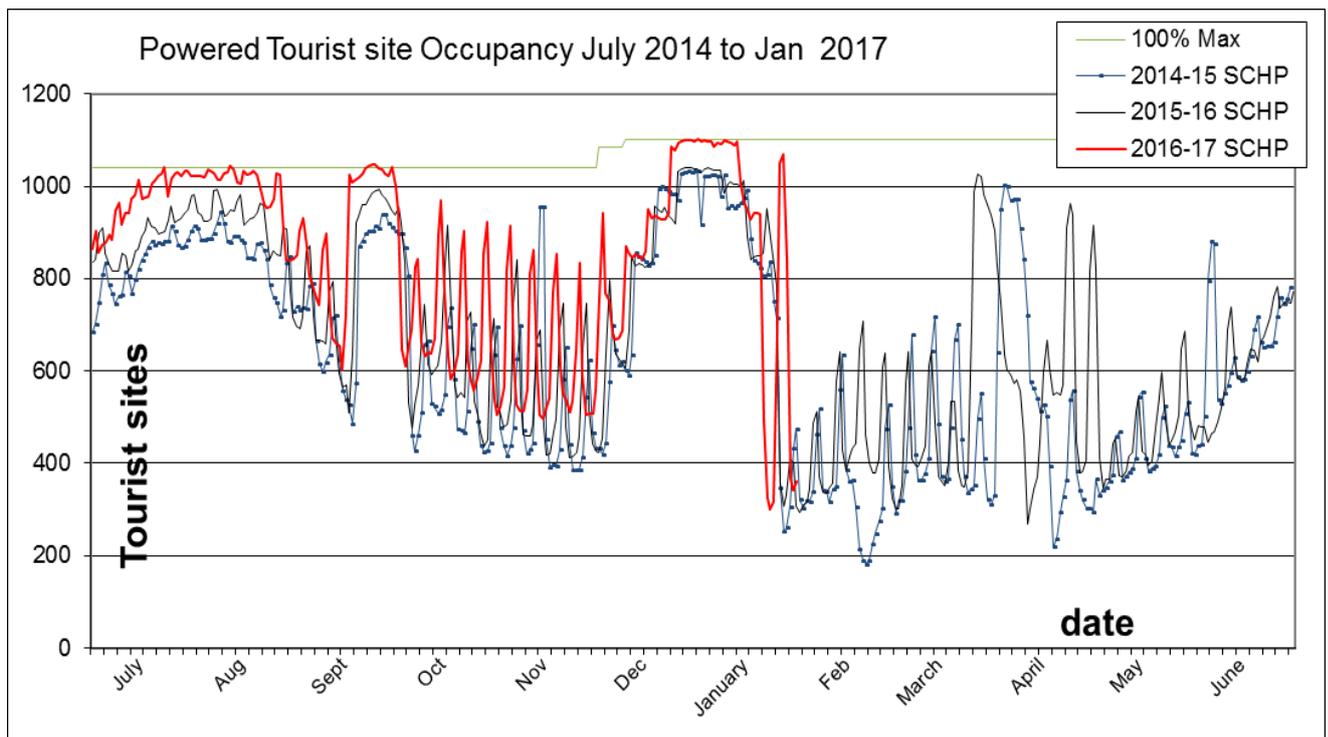
Demand for new services will be managed through a combination of managing existing assets, upgrading of existing assets and providing new assets to meet demand and demand management. Demand management practices include non-asset solutions, insuring against risks and managing failures. The holiday parks are near 100% occupied during peak times of school holidays and winter months.

Opportunities identified to date for demand management are shown in Table 4.3. Further opportunities will be developed in future revisions of this asset management plan.

Table 4.3 Demand management plan summary

Service activity	Demand management plan
Pricing structure	The holiday parks utilise peak and mid-season demand pricing strategies in high demand periods of school holidays, winter season and long weekends.
Multi use sites	Some sites are established to allow for multiple styles of uses from caravan, campervan, mobile home, camper-trailer or tent. This allows these sites to meet a range of demands during the year.
Internet bookings	The website provides an on-line booking function that has generated over 7,500 bookings and \$1.6M in revenue over past 12 months.

Figure 1 Current demand profile



4.4 New assets from growth

The new assets required to meet growth will be based on the opportunities to expand one of the existing holiday parks and installation of additional cabins when warranted by demand. All new assets are revenue generators for Council and surplus revenue would more than cover any asset maintenance costs.



5 Life cycle management plan

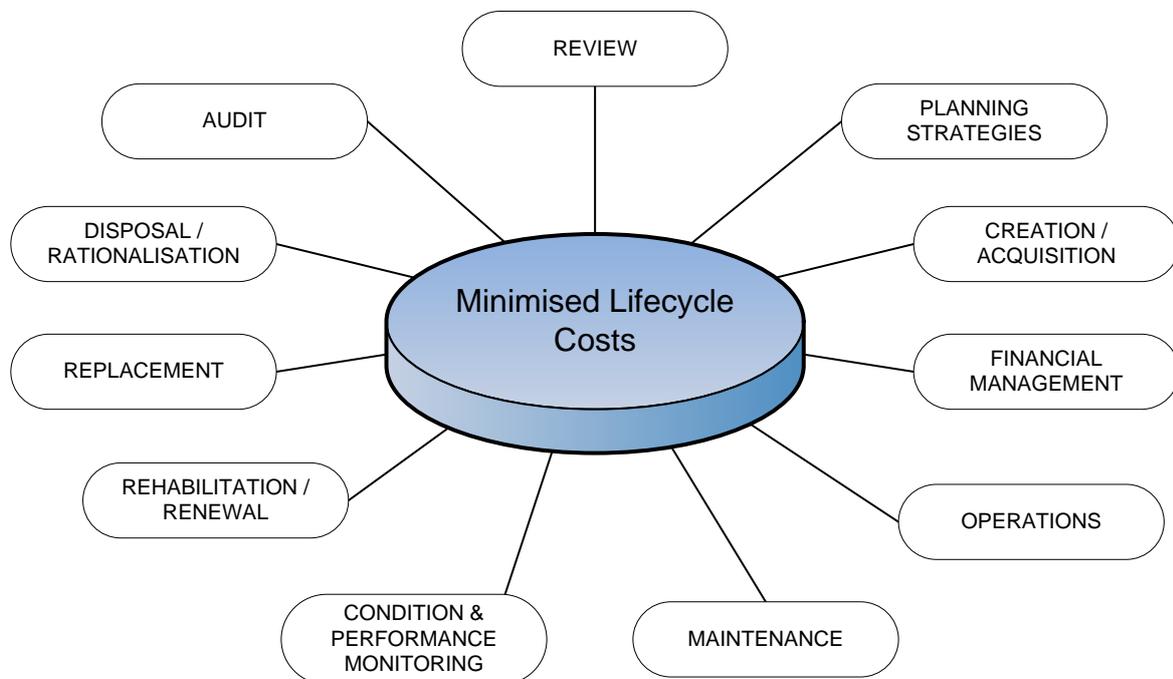
The life cycle management plan details how council plans to manage and operate the assets at the agreed levels of service (defined in Section 3) while minimising life cycle costs.

5.1 Background data

Life cycle asset management takes account of the whole-of-life implications for acquiring, operating, maintaining and disposing of Waste and Resources assets. The objectives of life cycle planning are to:

- Establish the total cost of an asset over its useful life
- Establish a sound basis on which asset management decisions are made
- Plan for the impact of refurbishment, maintenance, and renewals
- Increase the service delivery capacity for the asset

The standard asset's life cycle costs are depicted in the following diagram:



5.1.1 Physical parameters

The assets covered by this asset management plan are shown below.

Asset category	Category inventory
Buildings – residence and office, amenities and cabins	6 residences and offices 16 amenities buildings 36 cabins and 1 beach house
Roads and storm water drainage	Sealed roads servicing 1306 sites Unsealed roads servicing 65 sites
Reticulated services including water, sewer and electrical	All services to 1266 powered sites and 36 cabins Water only to some of 105 unpowered sites
Site improvements , including power heads and concrete slabs, boom gates, street lighting	Approximately 720 concrete slabs and 550 power heads

The typical asset life for each asset category is shown below:

Asset category	Typical useful life (years)
Buildings – residence and office, amenities	50
Cabins	25
Site Improvements and services	50

The age profile of council's assets is shown in Figure 2.

Sunshine Coast RC - Age Profile (HOLIDAY PARKS_S1_V4)

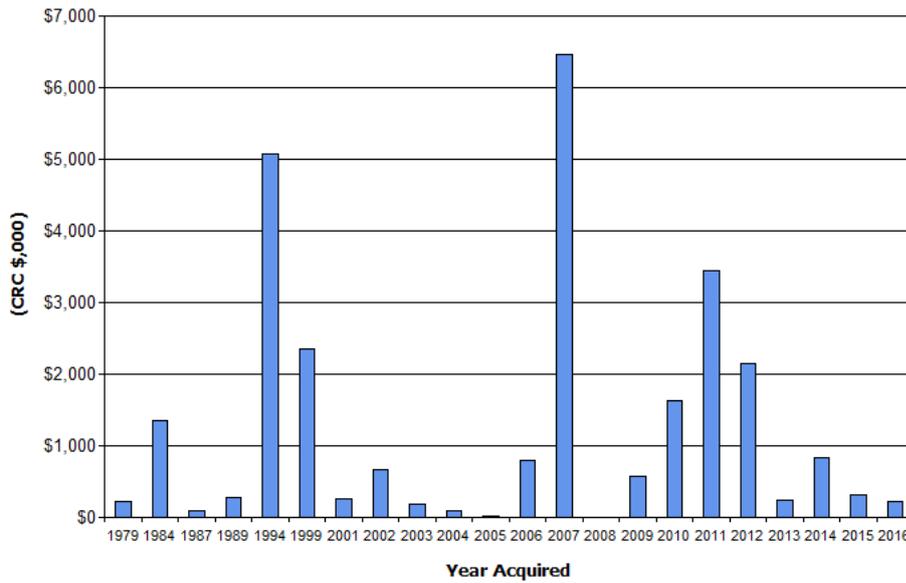


Figure 2 Asset age profile

Acquisition dates of assets and financial asset write on processes need to be reviewed as a part of the improvement plan, especially for the years 1994 and 2007. It is evident that a large quantity of existing assets were entered into the financial asset management system in this period, this appears to be based on the asset recognition date and not the date that the assets were constructed.

5.1.2 Asset capacity and performance

The Holiday Parks' assets are generally provided to meet industry standards and customers' needs. In recent years the focus has increased on replacing the older assets that are beyond economic refurbishment. Other assets that are structurally sound are planned to be refurbished to achieve the customer's expectations and prolong the life and serviceability of the asset.

Locations where deficiencies in service performance are known are detailed in Table 5.1.2.

Table 5.1.2 Known service performance deficiencies

Location	Service deficiency
Cotton Tree Holiday Park	<ul style="list-style-type: none"> • Amenity buildings No.4 and 5 are in need of upgrading. • Some of the underground electrical reticulation is at inadequate depth and requires to be replaced • The 9 cabins will require external paint and internal touch up and updating of some furniture and electrical appliances during the next 5 years. Some of the timber decks require replacement.
Mooloolaba Beach Holiday Park (Parkyn Parade)	<ul style="list-style-type: none"> • Planned demolition and redevelopment as modern holiday park with larger sites, good internal road circulation and new buildings
Mudjimba Beach Holiday Park	<ul style="list-style-type: none"> • Amenity 1 is being replaced in 2016/17. • New amenity planned to be constructed in new section park in 2017/18
Dicky Beach Holiday Park	<ul style="list-style-type: none"> • All three amenity buildings have been refurbished in last five years. • The 12 cabins have been internally refurbished in past four years. These cabins are small motel style units and require some modifications to meet user needs.

The above service deficiencies were identified from Sunshine Coast Holiday Parks Business Plan 2015-20.

5.1.3 Asset condition

The condition profile of council's assets is shown below.

Condition is measured using a 1 – 5 rating system.

Rating	Description of Condition
1	Excellent condition: only planned maintenance required
2	Very good: minor maintenance required plus planned maintenance
3	Good: significant maintenance required
4	Average: significant renewal/upgrade required
5	Poor: unserviceable

5.1.4 Asset valuations

The value of assets as at 30 June 2016 covered by this Plan is summarised below. Assets were last re-valued at 30 June 2016 by Australian Pacific Valuers. Assets are valued at brownfield rates.

Current replacement cost	\$27,274 million
Depreciable amount	\$27,274 million
Depreciated replacement cost	\$20,322 million
Annual depreciation expense	\$ 562 k

Council's sustainability reporting reports the rate of annual asset consumption and compares this to asset renewal and asset upgrade and expansion.

Asset consumption	2.10%
Asset renewal	1.20%
Annual upgrade/expansion	3.80%

5.2 Risk management plan

A risk management plan has been developed for the Holiday Parks business following an external audit of each of the facilities by WorkLaw Health and Safety. The risks identified from these bi-annual audit inspections are rated using council's risk assessment calculator to assess the likelihood and consequences from the risk identified. Extreme risks are not tolerated and are addressed immediately.

Table 5.2 Critical risks and treatment plans

Asset at risk	What can happen	Risk rating (VH, H)	Risk treatment plan
All holiday parks	Flood inundation	M52	Staff Preparedness and advanced warnings for evacuations
Electrical reticulation	Electrocution, fire and property damage	H68	RCD testing, electrical upgrades
Buildings	Gas and chemical storage – fire and person/ property damage	M52	Correct storage and handling procedures

5.3 Routine maintenance plan

Routine maintenance is the regular on-going work that is necessary to keep assets operating, including instances where portions of the asset fail and need immediate repair to make the asset operational again.

5.3.1 Maintenance plan

Maintenance includes reactive, planned and cyclic maintenance work activities.

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

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

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

Maintenance expenditure trends are shown in Table 5.3.1.

Table 5.3.1 Maintenance expenditure trends

Year	Maintenance expenditure (hard & soft assets)		
	Reactive	Planned	Cyclic
2015/16	\$473k	\$200k	\$200k
2016/17	\$473k	\$200k	\$200k
2017/18	\$473k	\$200k	\$200k

Maintenance expenditure levels are considered to be adequate to meet required service levels. Future revision of this asset management plan will include linking required maintenance expenditures with required service levels.

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

5.3.2 Standards and specifications

Maintenance work is carried out in accordance with the following standards and specifications:

- Building Code Australia.
- 3 ½ star requirements AAAT Star Rating Guidelines and reports.

5.3.3 Summary of future maintenance expenditures

Future maintenance expenditure is forecast to trend in line with the value of the asset stock as shown in Figure 3. Note that all costs are shown in current 2017 dollar values.

Sunshine Coast RC - Projected Operations & Maintenance Expenditure (HOLIDAY PARKS_S1_V4)

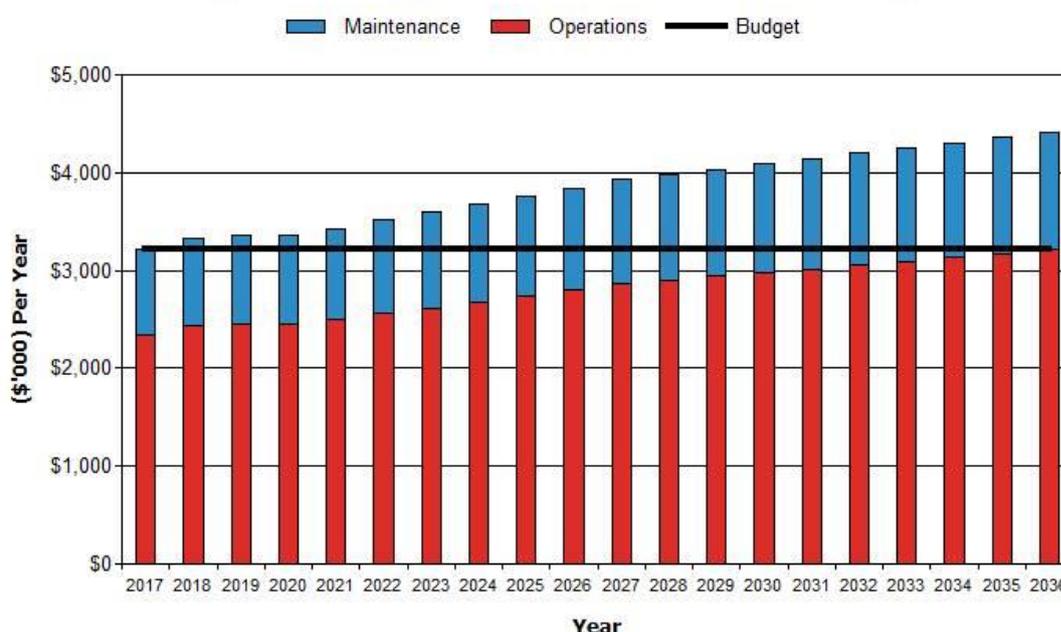


Figure 3 Planned maintenance expenditure

Deferred maintenance, i.e. works that are identified for maintenance and unable to be funded are to be included in the risk assessment process in the infrastructure risk management plan.

Maintenance is funded from the Holiday Park business operating revenues. This is further discussed in Section 6.2.

5.4 Renewal / replacement plan

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

5.4.1 Renewal plan

Assets requiring renewal are identified from estimates of remaining life obtained from the asset register worksheets on the planned expenditure template. Candidate proposals are inspected to verify accuracy of remaining life estimate and to develop a preliminary renewal estimate. Verified proposals are ranked

by priority and available funds and scheduled in future works programmes. The priority ranking criteria is detailed in Table 5.4.1.

Table 5.4.1 Renewal priority ranking criteria

Criteria	Weighting
AAAT star rating	30%
Customer feedback and expectations	20%
Age and condition	50%
Total	100%

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

Examples of low cost renewal include mid-life renewal of amenity buildings by replacing all internal fit out i.e. tiling & fittings etc.

5.4.2 Renewal standards

Renewal work is carried out in accordance with the following standards and specifications:

- Building Code Australia.
- AAAT Star Rating Guidelines.

5.4.3 Summary of future renewal expenditure

Projected future renewal expenditures are forecast to increase over time as the asset stock ages. The costs are summarised in Figure 4.

The projected capital renewal program is shown in Appendix B.

Sunshine Coast RC - Projected Capital Renewal Expenditure (HOLIDAY PARKS_S1_V4)

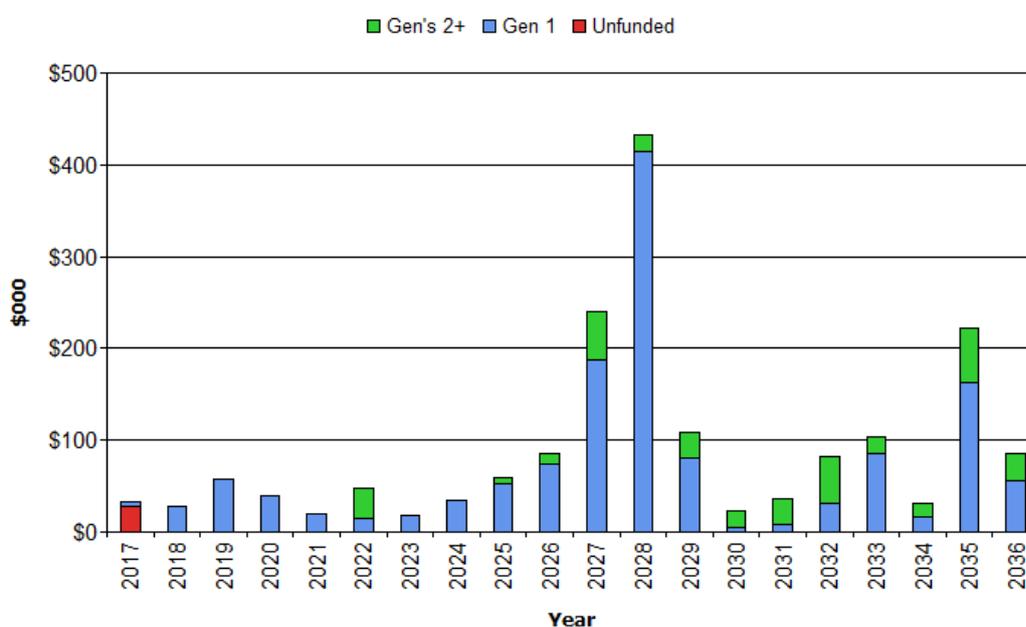


Figure 4 Projected capital renewal expenditure

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

Renewals are to be funded from council's Capital Works Program and grants where available. This is further discussed in Section 6.2.

The projected renewal dates, particularly the years 2027 and 2028, need to be confirmed as it appears the age of assets are based on when they were entered into the financial asset management system and does not correlate to their actual ages and due date for renewal.

5.5 Creation / acquisition / upgrade plan

New works are those works that create a new asset that did not previously exist, or works which upgrade or improve an existing asset beyond its existing capacity. They may result from growth, social or environmental needs. Assets may also be acquired at no cost to council from land development. These assets from growth are considered in Section 4.4.

5.5.1 Selection criteria

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

Table 5.5.1 New assets priority ranking criteria

Criteria	Weighting
AAAT star rating	30%
Customer feedback and expectations	20%
Age and condition	50%
Total	100%

5.5.2 Standards and specifications

Standards and specifications for new assets and for upgrade / expansion of existing assets are the same as those for renewal shown in Section 5.4.2.

5.5.3 Summary of future upgrade / new assets expenditure

Planned upgrade / new asset expenditures are summarised in Figure 5. The planned upgrade / new capital works program is shown in Appendix C. All costs are shown in current 2017 dollar values.

Sunshine Coast RC - Projected Capital Upgrade/New Expenditure (HOLIDAY PARKS_S1_V4)

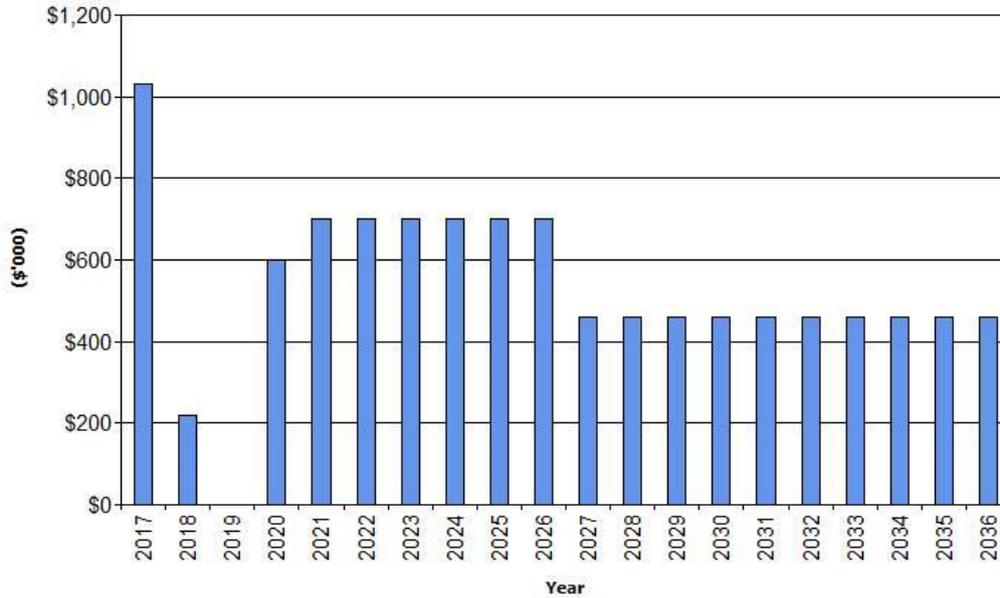


Figure 5 Planned capital upgrade/new asset expenditure

New assets and services are to be funded from council's Capital Works Program and grants where available. This is further discussed in Section 6.2.

5.6 Disposal plan

Disposal includes any activity associated with disposal of a decommissioned asset including sale, demolition or relocation. Assets identified for possible decommissioning and disposal are shown in Table 5.6. These assets will be further reinvestigated to determine the required levels of service and see what options are available for alternate service delivery, if any.

Table 5.6 Assets identified for disposal

Asset	Reason for disposal	Timing	Cash flow from disposal
Amenity building No 1 Mudjimba Beach Holiday Park	Amenity building is below standard and does not meet customer expectations of 3.5 star holiday park.	2016/17	Nil
Mooloolaba Beach Holiday Park –(Parkyn Parade)	This park is proposed to be fully redeveloped including all sites and buildings in 2019/20	2019/20	Nil
Amenity building No 2 Mudjimba Beach Holiday Park	Amenity building is below standard and does not meet customer expectations of 3.5 star holiday park.	2018/19	Nil
Amenity building No 4 Cotton Tree Holiday Park	Amenity building is below standard and does not meet customer expectations of 3.5 star holiday park.	2019/20	Nil

Where cash flow projections from asset disposals are not available, these will be developed in future revisions of this asset management plan.



6. Financial Summary

This section contains the financial requirements resulting from all the information presented in the previous sections of this asset management plan. The financial projections will be improved as further information becomes available on desired levels of service and current and projected future asset performance.

6.1 Financial statements and projections

The financial projections are shown in Figure 6 for planned operating (operations and maintenance) and capital expenditure (renewal and upgrade/expansion/new assets).

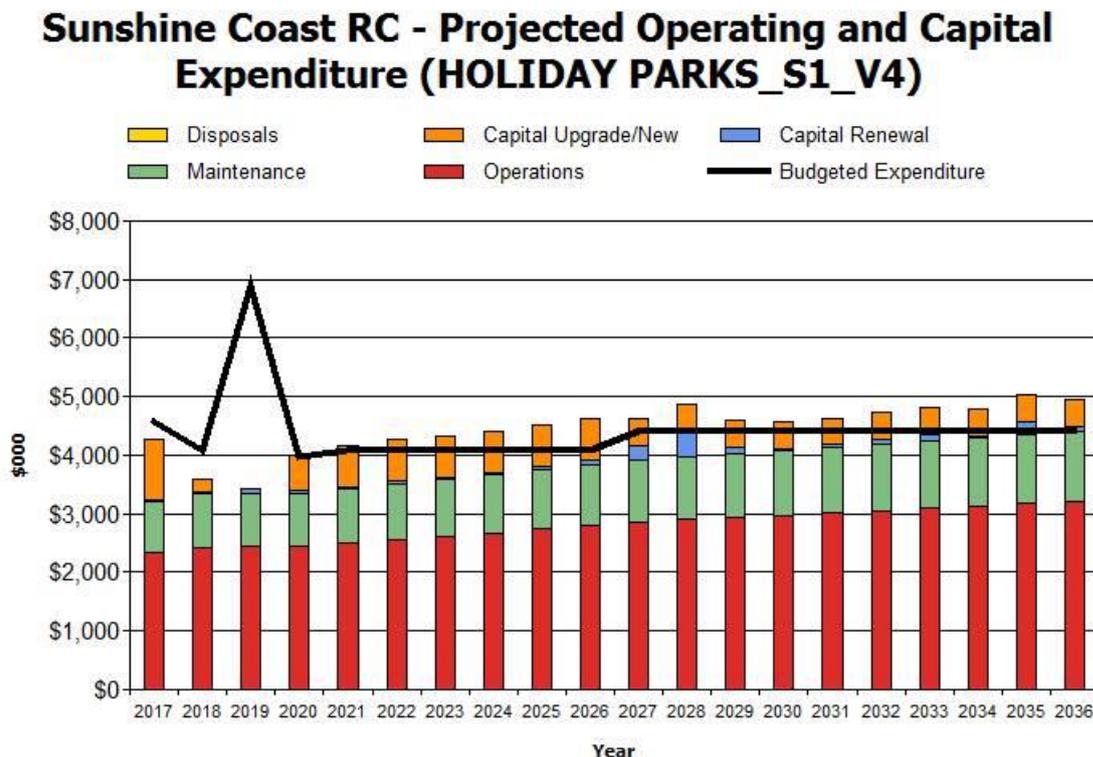


Figure 6 Planned operating and capital expenditure

Note that all costs are shown in current 2017 dollar values.

6.1.1 Sustainability of service delivery

There are two key indicators for financial sustainability that have been considered in the analysis of the services provided by this asset category, these being long term life cycle costs and medium term costs over the 10 year financial planning period.

Long term - life cycle cost

Life cycle costs (or whole of life costs) are the average costs that are required to sustain the service levels over the longest asset life. Life cycle costs include maintenance and asset consumption (depreciation expense). The annual average life cycle cost for the services covered in this Plan is \$1.42 million.

Life cycle costs can be compared to life cycle expenditure to give an indicator of sustainability in service provision. Life cycle expenditure includes maintenance plus capital renewal expenditure. Life cycle expenditure will vary depending on the timing of asset renewals. The life cycle expenditure at the start of the plan is \$1.56 million.

A gap between life cycle costs and life cycle expenditure gives an indication as to whether present consumers are paying their share of the assets they are consuming each year. The purpose of this Plan is to identify levels of service that the community needs and can afford and develop the necessary long term financial plans to provide the service in a sustainable manner.

The life cycle sustainability index is 1.01

Medium term – 10 year financial planning period

This Plan identifies the estimated maintenance and capital expenditures required to provide an agreed level of service to the community over a 20 year period for input into a 10 year financial plan and funding plan to provide the service in a sustainable manner.

This may be compared to existing or planned expenditures in the 20 year period to identify any gap. In a core asset management plan, a gap is generally due to increasing asset renewals.

Figure 8 shows the projected asset renewals in the 20 year planning period from the asset register. The projected asset renewals are compared to planned renewal expenditure in the capital works program and capital renewal expenditure in year one of the planning period as shown in Figure 7. Table 6.1.1 shows the annual and cumulative funding gap between projected and planned renewals.



Sunshine Coast RC - Projected & LTFP Budgeted Renewal Expenditure (HOLIDAY PARKS_S1_V4)

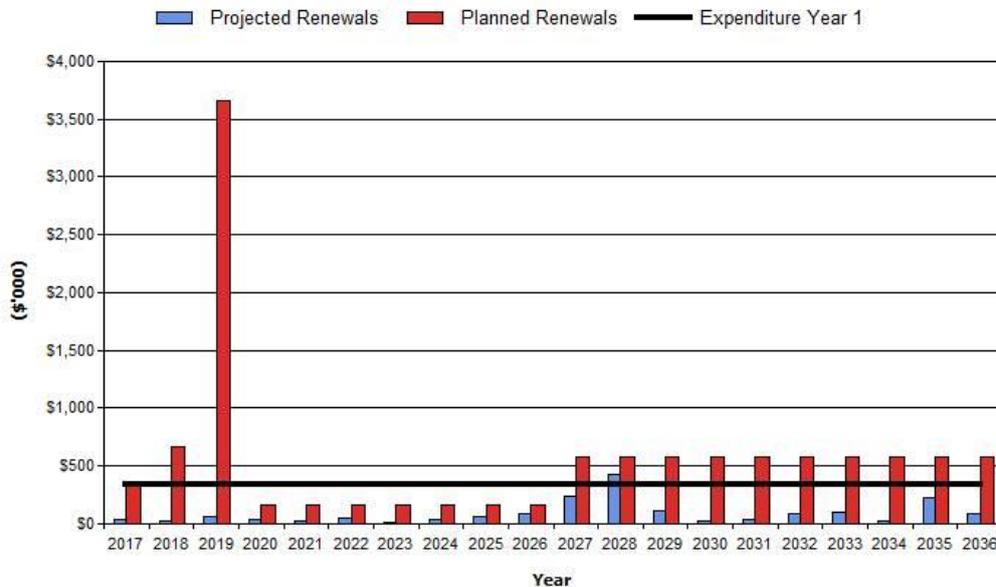


Figure 7 Projected and planned renewals and current renewal expenditure

Providing services in a sustainable manner will require matching of projected asset renewals to meet agreed service levels with planned capital works programs and available revenue.

A gap between projected asset renewals, planned asset renewals and funding indicates that further work is required to manage required service levels and funding to eliminate any funding gap.

Council will manage the gap by developing this Plan to provide guidance on future service levels and resources required to provide these services, and assist in developing capital budgets.

Council's long term financial plan covers the first 10 years of the 20 year planning period. The total maintenance and capital renewal expenditure required over the 10 years is \$15.58 million.

This is an average expenditure of \$1.56 million. Estimated maintenance and capital renewal expenditure in year one is \$1.56 million. The 10 year sustainability index is 1.00.

6.2 Funding strategy

Projected expenditure identified in Section 6.1 is to be funded from council's operating and capital budgets. The funding strategy is detailed in the council's 10 year long term financial plan. The Holiday Parks business generates a healthy operating surplus each year and it is expected that with the implementation of the Sunshine Coast Holiday Parks Business Plan, 10 year capital budget and the Holiday Parks Asset Management Plan that the revenue generated from the assets will increase over time.

Achieving the financial strategy will require continuation of existing council commitment to a separate capital works program budget for holiday parks and re-injecting enough of the operating surpluses of the business back into the assets of the business.

6.3 Valuation forecasts

Asset values are forecast to increase as additional assets are added to the asset stock from construction and acquisition by council. Figure 8 shows the projected replacement cost asset values over the planning period in current 2010 dollar values.

Sunshine Coast RC - Projected Asset Values (HOLIDAY PARKS_S1_V4)

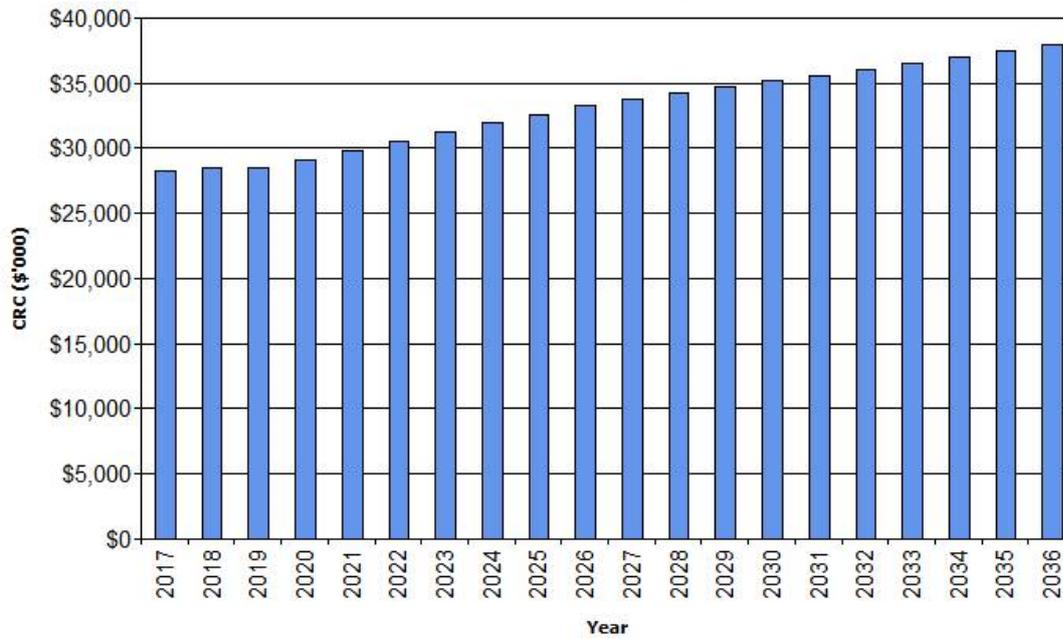


Figure 8 Projected asset values

Depreciation expense values are forecast in line with asset values as shown in Figure 9.

Sunshine Coast RC - Projected Depreciation Expense (HOLIDAY PARKS_S1_V4)

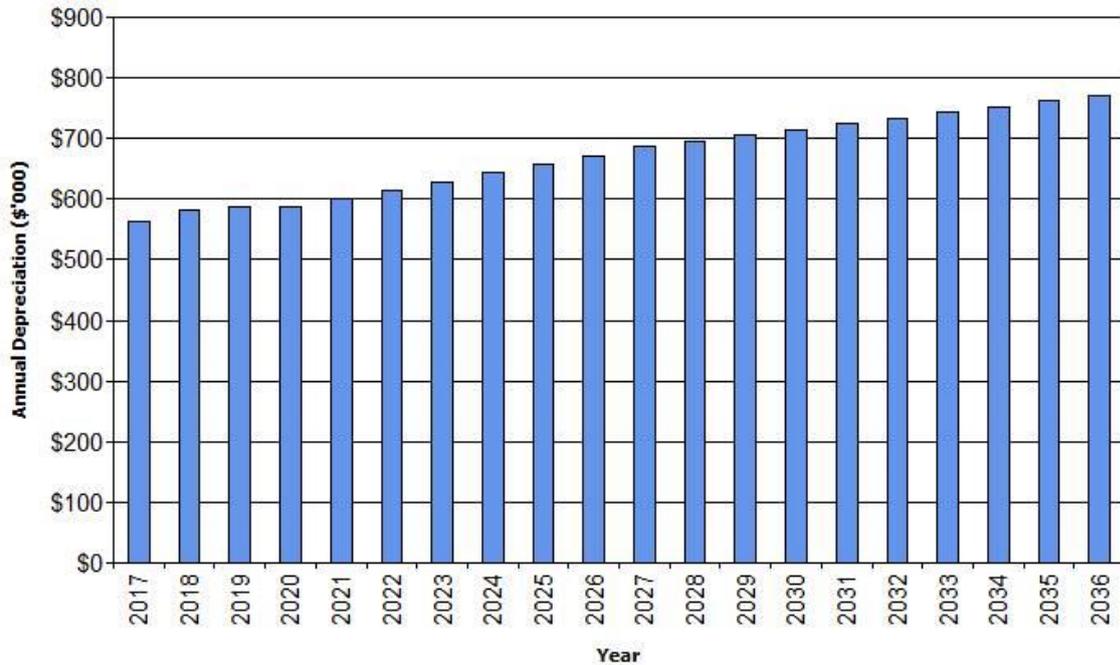


Figure 9 Projected depreciation expenses

The depreciated replacement cost (current replacement cost less accumulated depreciation) will vary over the forecast period depending on the rates of addition of new assets, disposal of old assets and consumption and renewal of existing assets. Forecast of the assets' depreciated replacement cost is shown in Figure 10.



Sunshine Coast RC - Projected Depreciated Replacement Cost (Holiday Parks_S1_V2)



Figure 10 Projected depreciated replacement cost

6.4 Key assumptions made in financial forecasts

This section details the key assumptions made in presenting the information contained in this Plan and in preparing forecasts of required operating and capital expenditure and asset values, depreciation expense and carrying amount estimates. It is presented to enable readers to gain an understanding of the levels of confidence in the data behind the financial forecasts.

Key assumptions made in this asset management plan are:

- Asset replacement costs from FAIM.
- Asset acquisition dates and estimated asset life have been provided by Holiday Parks management.

Accuracy of future financial forecasts may be improved in future revisions of this Plan by the following actions:

- Complete asset condition assessment report.

7. Asset management practices

7.1 Accounting / financial systems

Sunshine Coast Council operates the Technology One system for management of financial information.

This system is managed by the Finance Branch of Council. Technology One is interfaced with the Maximo asset management system (see below) to enable the transfer of financial asset information between the two systems.

7.2 Asset management systems

Sunshine Coast Council operates the Maximo asset management system for the management of asset information. The asset management system is linked to the finance system via a software interface.

Asset managers are responsible for maintaining data pertaining to their asset area.

Geographical data is held on all assets within ArcGIS to display and edit geographical data

7.3 Information flow requirements and processes

The key information flows into this Plan are:

- The asset register data on size, age, value, remaining life of the network
- The unit rates for categories of work/material
- The adopted service levels
- Projections of various factors affecting future demand for services
- Correlations between maintenance and renewal, including decay models
- Data on new assets acquired by council.

The key information flows from this Plan are:

- The assumed works program and trends
- The resulting budget, valuation and depreciation projections
- The useful life analysis
- The revenue generated from these assets

These will impact the long-term financial plan, strategic business plan, annual budget and departmental business plans and budgets.



8. Plan improvement and monitoring

8.1 Performance measures

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

- The degree to which the required cash flows identified in this Plan are incorporated into council's long term financial plan and strategic management plan
- The degree to which 1-5 year detailed works programs, budgets, business plans and organisational structures take into account the 'global' works program trends provided by this Plan.

8.2 Improvement plan

The asset management improvement plan generated from this asset management plan is shown in Table 8.2.

Table 8.2 Improvement plan

Task No	Task	Responsibility	Resources Required	Timeline
1.	Review data integrity – particularly the date of acquisition of existing assets and remaining useful life on FAIM system	Sunshine Coast Holiday Parks / Finance	In-house	December 2017
2.	Review current condition assessments of main asset classes	Sunshine Coast Holiday Parks/ Facilities Management Unit	In-house	June 2017

8.3 Monitoring and review procedures

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

The Plan has a life of four years and is due for revision and updating within two years of each council election.

Abbreviations

AAAC

Average annual asset consumption

AMP

Asset management plan

ARI

Average recurrence interval

BOD

Biochemical (biological) oxygen demand

CRC

Current replacement cost

CWMS

Community wastewater management systems

DA

Depreciable amount

DoH

Department of Health

EF

Earthworks/formation

IRMP

Infrastructure risk management plan

LCC

Life cycle cost

LCE

Life cycle expenditure

MMS

Maintenance management system

PCI

Pavement condition index

RV

Residual value

SS

Suspended solids

vph

Vehicles per hour

Glossary

Annual service cost (ASC)

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

Asset class

Grouping of assets of a similar nature and use in an entity's operations (AASB 166.37).

Asset condition assessment

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

Asset management

The combination of management, financial, economic, engineering and other practices applied to physical assets with the objective of providing the required level of service in the most cost effective manner.

Assets

Future economic benefits controlled by the entity as a result of past transactions or other past events (AAS27.12).

Property, plant and equipment including infrastructure and other assets (such as furniture and fittings) with benefits expected to last more than 12 months.

Average annual asset consumption (AAAC)*

The amount of a local government's asset base consumed during a year. This may be calculated by dividing the Depreciable Amount (DA) by the Useful Life and totalled for each and every asset OR by dividing the Fair Value (Depreciated Replacement Cost) by the Remaining Life and totalled for each and every asset in an asset category or class.

Brownfield asset values**

Asset (re)valuation values based on the cost to replace the asset including demolition and restoration costs.

Capital expansion expenditure

Expenditure that extends an existing asset, at the same standard as is currently enjoyed by residents, to a new group of users. It is discretionary expenditure, which increases future operating, and

maintenance costs, because it increases council's asset base, but may be associated with additional revenue from the new user group, e.g. extending a drainage or road network, the provision of an oval or park in a new suburb for new residents.

Capital expenditure

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

Capital funding

Funding to pay for capital expenditure.

Capital grants

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

Capital investment expenditure

See capital expenditure definition.

Capital new expenditure

Expenditure which creates a new asset providing a new service to the community that did not exist beforehand. As it increases service potential it may impact revenue and will increase future operating and maintenance expenditure.

Capital renewal expenditure

Expenditure on an existing asset, which returns the service potential or the life of the asset up to that which it had originally. It is periodically required expenditure, relatively large (material) in value compared with the value of the components or sub-components of the asset being renewed. As it reinstates existing service potential, it has no impact on revenue, but may reduce future operating and maintenance expenditure if completed at the optimum time, e.g. resurfacing or resheeting a material part of a road network, replacing a material section of a drainage network with pipes of the same capacity, resurfacing an oval. Where capital projects involve a combination of renewal, expansion and/or upgrade expenditures, the total project cost needs to be allocated accordingly.

Capital upgrade expenditure

Expenditure, which enhances an existing asset to provide a higher level of service or expenditure that will increase the life of the asset beyond that which it had originally. Upgrade expenditure is discretionary and often does not result in additional revenue unless direct user charges apply. It will increase

operating and maintenance expenditure in the future because of the increase in the council's asset base, e.g. widening the sealed area of an existing road, replacing drainage pipes with pipes of a greater capacity, enlarging a grandstand at a sporting facility. Where capital projects involve a combination of renewal, expansion and/or upgrade expenditures, the total project cost needs to be allocated accordingly.

Carrying amount

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

Class of assets

See asset class definition.

Component

An individual part of an asset which contributes to the composition of the whole and can be separated from or attached to an asset or a system.

Cost of an asset

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

Current replacement cost (CRC)

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

Current replacement cost 'as new' (CRC)

The current cost of replacing the original service potential of an existing asset, with a similar modern equivalent asset, i.e. the total cost of replacing an existing asset with an 'as new' or similar asset expressed in current dollar values.

Cyclic maintenance**

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

identified in a specific maintenance budget allocation.

Depreciable amount

The cost of an asset, or other amount substituted for its cost, less its residual value (AASB 116.6)

Depreciated replacement cost (DRC)

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

Depreciation / amortisation

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

Economic life

See useful life definition.

Expenditure

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

Fair value

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

Greenfield asset values **

Asset (re)valuation values based on the cost to initially acquire the asset.

Heritage asset

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

Impairment loss

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

Infrastructure assets

Physical assets of the entity or of another entity that contribute to meeting the public's need for access to major economic and social facilities and services, e.g. roads, drainage, footpaths and cycleways. These are typically large, interconnected networks or portfolios of composite assets. The components of these assets may be separately maintained, renewed or replaced individually so that the required level and standard of service from the network of assets is continuously sustained. Generally the components and hence the assets have long lives.

They are fixed in place and are often have no market value.

Investment property

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

- (a) use in the production or supply of goods or services or for administrative purposes; or
- (b) sale in the ordinary course of business (AASB 140.5)

Level of service

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

Life cycle cost **

The life cycle cost (LCC) is average cost to provide the service over the longest asset life cycle. It comprises annual maintenance and asset consumption expense, represented by depreciation expense. The Life Cycle Cost does not indicate the funds required to provide the service in a particular year.

Life cycle expenditure **

The life cycle expenditure (LCE) is the actual or planned annual maintenance and capital renewal expenditure incurred in providing the service in a particular year.

Loans / borrowings

Loans result in funds being received which are then repaid over a period of time with interest (an additional cost). Their primary benefit is in 'spreading the burden' of capital expenditure over time. Although loans enable works to be completed sooner, they are only ultimately cost effective where the capital works funded (generally renewals) result in operating and maintenance cost savings, which are greater than the cost of the loan (interest and charges).

Maintenance and renewal gap

Difference between estimated budgets and projected expenditures for maintenance and renewal of assets, totalled over a defined time (e.g. 5, 10 and 15 years).

Maintenance and renewal sustainability index

Ratio of estimated budget to projected expenditure for maintenance and renewal of assets over a defined time (e.g. 5, 10 and 15 years).

Maintenance expenditure

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

Materiality

An item is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial report. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances.

Modern equivalent asset

A structure similar to an existing structure and having the equivalent productive capacity, which could be built using modern materials, techniques and design. Replacement cost is the basis used to estimate the cost of constructing a modern equivalent asset.

Non-revenue generating investments

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

Operating expenditure

Recurrent expenditure, which is continuously required excluding maintenance and depreciation, e.g. power, fuel, staff, plant equipment, on-costs and overheads.

Pavement management system

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

Planned maintenance**

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

PMS score

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

Rate of annual asset consumption*

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

Rate of annual asset renewal*

A measure of the rate at which assets are being renewed per annum expressed as a percentage of depreciable amount (capital renewal expenditure/DA).

Rate of annual asset upgrade*

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

Reactive maintenance

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

Recoverable amount

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

Recurrent expenditure

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

Recurrent funding

Funding to pay for recurrent expenditure.

Rehabilitation

See capital renewal expenditure definition above.

Remaining life

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

Renewal

See capital renewal expenditure definition above.

Residual value

The net amount which an entity expects to obtain for an asset at the end of its useful life after deducting the expected costs of disposal.

Revenue generating investments

Investments for the provision of goods and services to sustain or improve services to the community that are expected to generate some savings or revenue to offset operating costs, e.g. public halls and

theatres, childcare centres, sporting and recreation facilities, tourist information centres, etc.

Risk management

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

Section or segment

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

Service potential

The capacity to provide goods and services in accordance with the entity's objectives, whether those objectives are the generation of net cash inflows or the provision of goods and services of a particular volume and quantity to the beneficiaries thereof.

Service potential remaining*

A measure of the remaining life of assets expressed as a percentage of economic life. It is also a measure of the percentage of the asset's potential to provide services that is still available for use in providing services (DRC/DA).

Strategic Management Plan (SMA)**

Documents council objectives for a specified period (3-5 yrs), the principle activities to achieve the objectives, the means by which that will be carried out, estimated income and expenditure, measures to assess performance and how rating policy relates to council's objectives and activities.

Sub-component

Smaller individual parts that make up a component part.

Sustainability

Meeting the needs of the present without compromising the ability of future generations to meet their own needs.

Useful life

Either:

(a) the period over which an asset is expected to be available for use by an entity, or

(b) the number of production or similar units expected to be obtained from the asset by the entity.

It is estimated or expected time between placing the asset into service and removing it from service, or the estimated period of time over which the future economic benefits embodied in a depreciable asset, are expected to be consumed by the council. It is the same as the economic life.

Value in use

The present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. It is deemed to be depreciated replacement cost (DRC) for those assets whose future economic benefits are not primarily dependent on the asset's ability to generate new cash flows, where if deprived of the asset its future economic benefits would be replaced.

Source: DVC 2006, Glossary

Note: Items shown * modified to use DA instead of CRC

Additional glossary items shown **

References

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