CITY OF MELTON

Building Asset Management Plan

MELTON CITY COUNCIL

DRAFT

Contents

Executive Summary **2**
Purpose of the Plan 2
Current State of Council's Assets 2
Asset Funding Levels 2
Monitoring and Improvement Program 3

Current State of Council's Assets **4**
Background 4
Key Indicators 5
Building Assets Status 6
Key Stakeholders 7

Levels of Service **8**
Customer Research and Expectation 8
Strategic and Corporate Goals Alignment 8
Legislative Requirements 9
Strategic Level of Service 9
Operational Level of Service 9

Future Demand **12**
Demand Drivers 12
Demand Forecasts 12
Changes in Technology 12
New Assets from Growth 13
Demand Management Plan 13

Risk Management Planning **16**
Risk Management Plan 16
Risks Assessment 16

Asset Funding Levels **18**
Forecast 10-Year Funding 18
Estimated Funding 18
Financial Ratios 20
Funding Strategy 21

Plan Improvement and Monitoring **22**
AM Document Register 22
Improvement Plan 22
Monitoring and Review Procedures 22
Performance Measures 23

Executive **Summary**

Purpose of the Plan

The fundamental purpose of this Building Asset Management Plan (BAMP) is to improve Council's long-term strategic management of its building assets in order to cater for the community's required levels of service in the future as detailed under Section 3. The plan defines the state of Council's infrastructure assets at the close of the past financial year, the 10-year funding required to achieve Council's adopted asset performance targets and planned asset management activities over a 10-year planning period.

Current State of Council's Assets

The value of assets covered by this BAMP is $297. 27 million, as shown in Table 1 below.

Figure 1 below provides a high level condition snapshot of MCC building assets. The Overall Score Index (OSI) is a numerical score given to an asset to represent its condition. This index takes into account all of the condition parameters and averages them to provide a score out of 5 where 5 means nearing the end of life.

Asset Funding Levels

The forecast lifecycle cost necessary to provide the services covered by this BAMP includes maintenance and capital expenditure of assets over a 10-year planning period is $56.2 million or $5.6 million on average per year.

The breakdown of this funding and the associated overall score index (OSI) is shown in Figures 1 and 2 below.

Further information as detailed on page 20, Asset Funding Levels.

Monitoring and Improvement Program

The next steps resulting from this BAMP to improve asset management practices are as follows:

- Ensure information relating to capacity, functionality and fit for purpose from Council's Community Infrastructure Plan is used to inform renewal planning for buildings;
- Develop and document maintenance service levels with regard to all building assets owned or maintained by Council;
- Review and incorporate lease and maintenance agreements into AMS;
- Review and improve building classification to better support maintenance practices and reporting requirements;
- Improve service planning by documenting the levels of service delivered on a day to day nature i.e. responding to customer requests for maintenance, audits and responding to breakdowns.

Further information as detailed on page 23, Plan Improvement and Monitoring.

Building	Asset Category
219	Quantity (number)
$297,266,589	Replacement Value
$6,715,953	Annual Depreciation
$98,901,016	Accumulated Depreciation
$198,365,573	Written Down Value

Table 1: Assets Valuations as at 30th June 2020

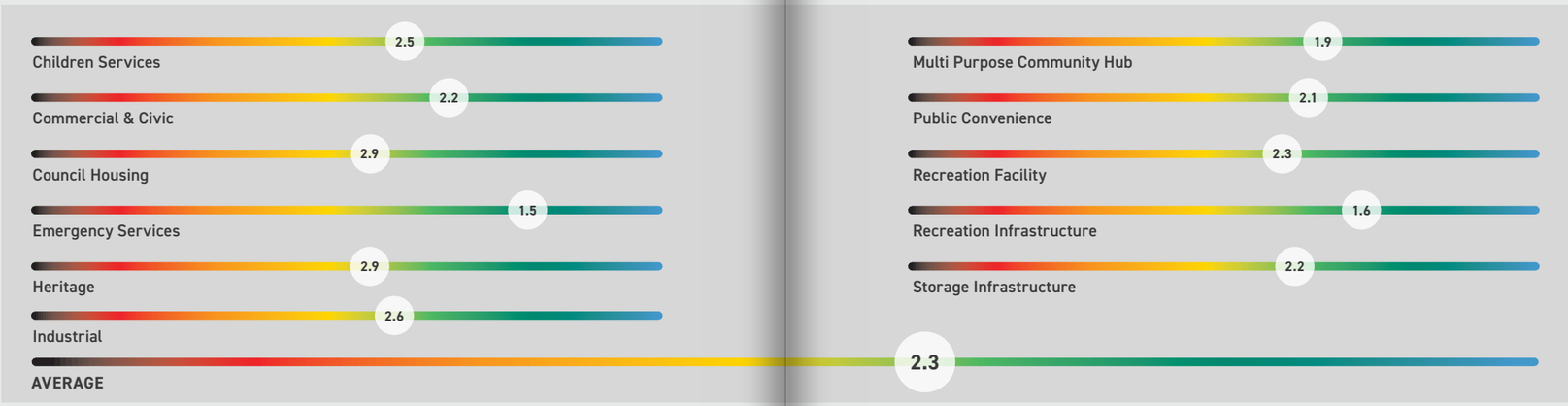


Figure 1: State of Assets Snapshot as at 30th June 2020

$22,472,000
10 Year Capital Expenditure

$33,792,000
10 Year Maintenance Cost

$56,264,000
TOTAL COST

$1,057,500
Initial Backlog at year 0

$63,200
Final Backlog at year 10

$994,300
DIFFERENCE IN BACKLOG

2.31
Initial OSI at Year 0

2.15
Final OSI at year 10

$55,269,700
NET STRATEGY COST

Figure 2: Forecast Building Lifecycle Cost over a 10-year planning period

Current State of **Council's Assets**

Background

Council has documented a detailed building condition assessment manual that has been used to assess the building network condition and this is referred to as Buildings Business Process Model (BPM). By understanding the condition of Council's assets and the various types of distresses that affect these assets, Council can utilise this data to endeavour to maintain the level of service the community wants, in the context of affordability, and to minimise the risk of asset failure.

Typically, network wide condition assessments are undertaken on three to four year cycle, and used to identify where assets are within their defined useful lives at any given point in time.

Council contracts external engineering consultants who are trained and experienced in undertaking building condition assessments. They perform visual inspections and assign a separate condition score to each building component, adhering to the National Asset Management Strategy (NAMS) Level 2 method.

The latest condition audit covering all buildings that Council is responsible for was completed in October 2018. The dataset has since been updated to reflect the changes as a result of major renewal and upgrade works delivered via Council's capital works program as well as factoring in disposals and additions during building revaluation as at 30 June 2020.

Table 2 provides an overall view with regards to the details of the condition rating scales for Council's building asset stock.

Excellent — RATING 0
Brand new asset or recently rehabilitated to as new condition. Only cyclical routine maintenance is required.

Very Good — RATING 1
Asset is in very good overall condition only routine maintenance is required.

Good — RATING 2
Superficial defects may be present requiring minor maintenance, in addition to cyclical routine maintenance.

Fair — RATING 3
Moderate deterioration. More frequent maintenance is required in addition to cyclical routine maintenance, in order to maintain adequate serviceability.

Poor — RATING 4
High deterioration is evident. Maintenance costs rising in order to maintain serviceability. The asset would be at the point where it can be considered for renewal.

Very Poor — RATING 5
Evidence of high level of deterioration affecting serviceability. Maintenance cost is high. The asset is now nearing the end of its useful life and should be considered for renewal.

End of Life — RATING 6
Asset is no longer serviceable and should not remain in service.

Table 2: Asset Condition Rating Description

Key Indicators

Table 3 below provides the distribution by quantity and replacement value based on building Sub Class at 30th June 2020.

Figure 3 illustrates Council's building asset stock distribution by replacement value with regards to the building Overall Score Index.

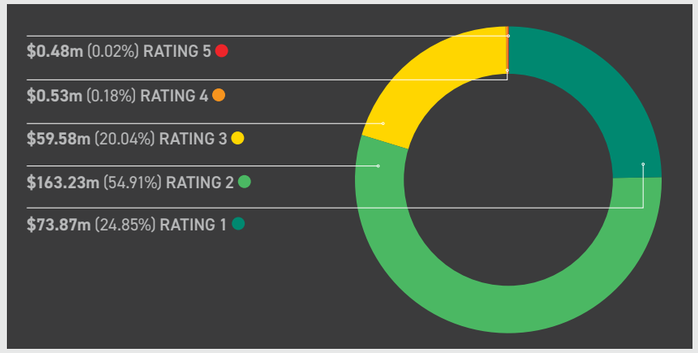


Figure 3: Building condition distribution by replacement value

BUILDING SUB CLASS	QUANTITY	REPLACEMENT VALUE
Children Services	11	$15,713,369.09
Commercial & Civic	12	$31,586,018.01
Council Housing	16	$3,561,205.00
Emergency Services	2	$875,100.00
Heritage	14	$10,221,949.50
Industrial	9	$1,902,203.25
Multi Purpose Community Hub	28	$113,025,569.01
Public Convenience	25	$3,787,353.79
Recreation Facility	51	$113,557,463.78
Recreation Infrastructure	5	$884,744.54
Storage Infrastructures	46	$2,151,613.33
Total	**219**	**$297,266,589.30**

Table 3: Building Replacement Value and Quantity by Sub Class

Building Assets Status

The breakdown of condition scores by building category and hierarchy are displayed in Figure 4.

In accordance with the International Infrastructure Management Manual, Council acknowledges that the primary purpose of an asset hierarchy is to ensure that appropriate management, engineering standards and planning practices are applied to the asset based on its function. It also ensures a more efficient use of limited resources, by allocating increased funding to those assets that are in higher demand.

Melton City Council has documented a building asset hierarchy that classifies the portfolio into four different levels based on the current function and criticality of the individual asset. Hierarchy has been established based on the following criteria:

- Required availability - (is the building used daily, weekly, etc and for how many hours at a time);
- Type of customer / user served by the asset (Operational, recreational and etc.);
- Consequence of failure (Low, Moderate or High);
- How many customers/ users affected by failure.

The breakdown of condition scores by hierarchy with Level 1 being the highest is displayed in Figure 5.

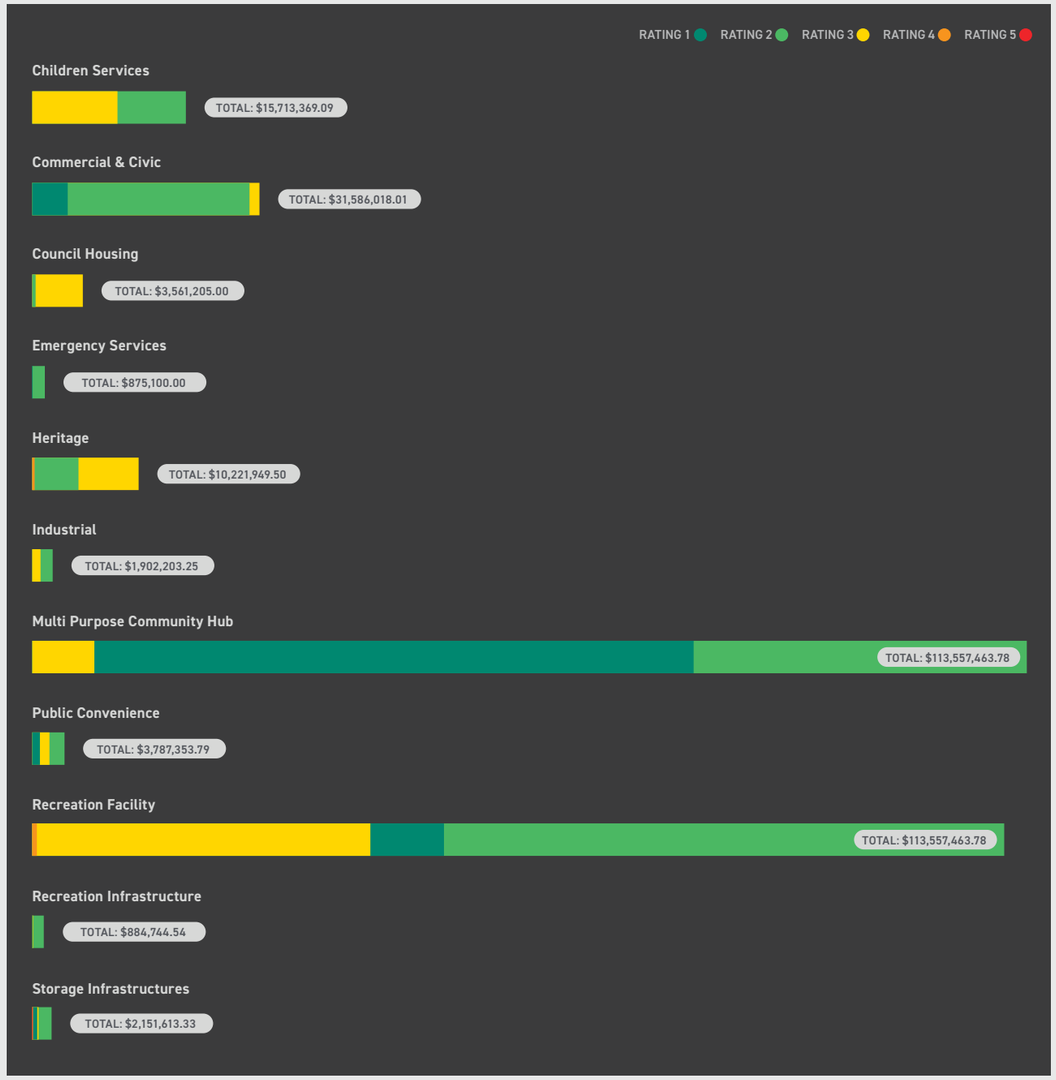


Figure 4: Building Condition Distribution by Sub Class

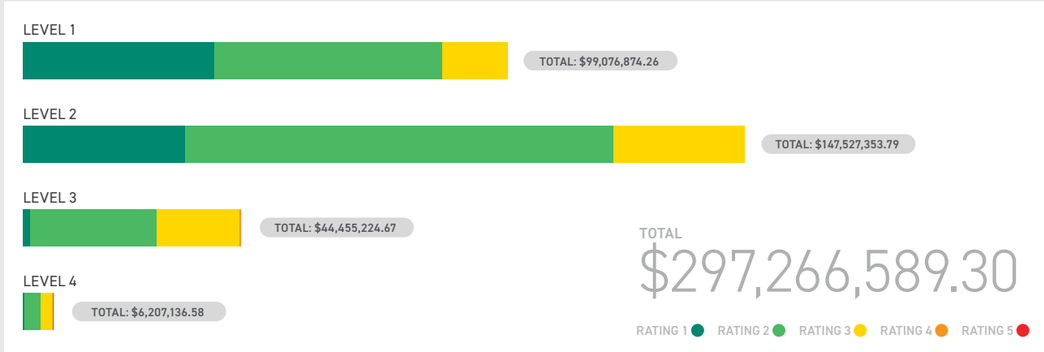


Figure 5: Condition Distribution by Hierarchy

Key Stakeholders

Assets controlled by Council are utilised by a broad cross-section of the community. It is critical that assets are maintained and renewed based on need and fit for purpose. The best judge of an asset being fit for purpose is likely to be the user of the asset. Asset users are key stakeholders of this Building Asset Management Plan.

Table 4 below identifies stakeholders where consultation is necessary when Council seeks input in relation to the determination of Levels of Service and intervention levels.

COUNCIL

Endorsement of the asset management policy, strategy and plans. Set high level direction through the development of asset management principles in the Community Strategic Plan.

SENIOR MANAGEMENT

Endorse the development of asset management plans and provide the resources required to complete this task. Set high level priorities for asset management development in Council and raise the awareness of this function among Council staff and contractors. Support the implementation of actions resulting from this plan and prepared to make changes to a better way of managing assets and delivering services. Support for asset management driven budget and Long Term Financial Plans.

ASSET MANAGEMENT & GIS DEPARTMENT

Maintaining Council's asset registers and performing strategic predictive modelling analysis works to inform Council's Long Term Financial Plans. Responsible for coordinating the development and implementation of asset management processes and frameworks within Council and for developing a 10 year renewal schedule for all asset categories based on adopted Strategic Asset Management Framework (SAMF).

FINANCE DEPARTMENT

Ensuring that the asset valuations are accurate. Development of supporting policies i.e. Asset Capitalisation Policy and Asset Valuation and Revaluation Policy. Preparation of asset sustainability and financial reports, incorporating asset depreciation in compliance with current Australian accounting standards.

CAPITAL PROJECT MANAGER

Responsible for the delivery of renewal and upgrade projects to Council's approved design standards, and for ensuring efficient handover of project information to enable accurate update of Council's official register of assets.

OPERATIONS AND MAINTENANCE MANAGERS

Business Unit Managers are responsible for understanding expectations of levels of service through effective, ongoing engagement with the community (users of the service). Planning for changes to operations and maintenance as well as undertake minor renewal works.

COUNCIL OFFICERS

Provide local knowledge level detail on all infrastructure assets. They verify the size, location and condition of assets. They can describe the maintenance standards deployed and Council's ability to meet technical and customer levels of service.

MAINTENANCE CONTRACTORS

Provide regular inspections on Council's assets and perform routine maintenance works.

Table 4: Key Stakeholders

Levels of **Service**

Customer Research and Expectation

Council is continually working to improve its community consultation practices through implementing a combination of methods to encourage stakeholder engagement, in order to gain knowledge of expectations.

The most recent customer satisfaction survey which was conducted in 2018, reported satisfaction levels on key service areas as illustrated in Table 5.

Further details on the customer satisfaction survey can be found on Council's website:

https://www.melton.vic.gov.au/files/assets/public/council/about-the-city/community-satisfaction-survey/overview-report-melton-2018-community-satisfaction-survey-overview-report-final.pdf

Strategic and Corporate Goals Alignment

This Buildings Asset Management Plan is prepared under the direction of Council's vision, mission, goals and objectives and has been aligned to deliver cost-effective, transparent, realistic and affordable service levels in accordance with community expectations.

Council's vision is

"A Thriving Community Where Everyone Belongs"

Council's mission is:

"Support The Growth, Wellbeing and Aspirations of Our Community Through Leadership, Excellence and Inclusion."

Relevant Council goals and objectives and how these are addressed in this BAMP are detailed in Table 6.

PERFORMANCE MEASURE	MEAN SCORE	SATISFACTION LEVEL: EXTREMELY POOR	VERY POOR	POOR	SOLID	GOOD	VERY GOOD	EXCELLENT
Overall Performance	7.12					●		
Services and Facilities	7.39						●	
Sports grounds and associated facilities	7.58						●	
Community centres/ neighbourhood houses	7.57						●	
Recreation and leisure centres	7.54						●	
Public toilets	6.56					●		

Table 5: Community Satisfaction Survey Levels

Legislative Requirements

There are many legislative requirements relating to the management of assets. Legislative requirements that impact the delivery of Council building services are outlined in Table 7.

Strategic Level of Service

Council's Strategic Levels of Service that have been adopted as a result of this BAMP are detailed in Table 8.

Operational Level of Service

At the time of publishing this BAMP, Council has no official documentation of the Levels of Service delivered on a day to day nature (i.e. responding to customer requests for maintenance faults and responding to breakdowns). Instead, the building maintenance team rely on condition audits and a list of noted defects in the building defect register to compile a list of three to four years proactive maintenance works which are independent of renewal works.

In addition to regular maintenance inspections, Council also inspects essential safety measure components installed in building assets as prescribed in the Building Safety Measure Legistlations. These include mandatory inspection, testing and maintenance tasks as listed in the certificate of occupancy. Council issues an annual certification report that the prescribed activities have been carried out.

During the service planning workshops that were held in 2019, one of the key goals was to put together a more structured approach to ongoing operational activities detailing the following services:

- The task or work expected to be undertaken, e.g. replace broken window;
- The quantity of work expected to be undertaken (workload indicators), e.g. 1 air-conditioning unit;
- The schedule of inspections to be undertaken of specified matters at specified intervals;
- The circumstances under which intervention action is to be taken with respect to repair or maintenance needs for defects reported or found on inspection;
- The priority to be given to the intervention level;
- The type of priority intervention actions that will be carried out;
- Provision, as far as practicable, for the unpredictable, i.e. emergencies, natural disasters;
- Assessment of resources required delivering the specified maintenance services.

How we engaged with our community

In February 2021, through the establishment of Council's first Community Panel people from a broad, representative range of social, economic, age, religious, and cultural backgrounds, shared what they loved about the City of Melton; what they felt needed improvement; and what their hopes for the future of our community were.

The result is a unique vision that captures the aspirations of our residents for what our municipality will become in the next 20 years, along with the principles to guide the development of the Asset Plan 2021-2031 (see *Asset Management Strategy* page 14).

The Community Panel ensured the community's voice was at the heart of Council's strategic planning and formed part of Council's deliberative engagement requirements under the *Local Government Act 2020*.

STRATEGIC OBJECTIVE	OUTCOME	HOW GOAL AND OBJECTIVES ARE ADDRESSED IN BAMP
A proud, inclusive and safe community	A City of people leading happy and healthy lives.	Continued investment in infrastructure assets which include buildings. Provision of leisure and aquatic centres, sports infrastructure, reserves, youth support services and youth programs through Melton and Taylors Hill Youth Centres.
A thriving and resilient natural environment	A City that preserves and Enhances its natural environment for future generations.	Facilitating the provision of waste management and cleaning services that include kerbside waste, recycling and organics collection, street and footpath sweeping services, litter collection, graffiti removal and the operation of the Melton Recycling Facility. Maintenance of our parks, open spaces, trees, property, drainage and roads.
A well planned and built City	A City with a clear vision to manage growth in a sustainable and accessible way.	Provision of design for capital works, traffic management planning, built assets management, civil and landscape infrastructure planning, and geographic information systems. Provision of facilities that are accessible, safe and well maintained. Ensure facilities are designed and built to accommodate growth, diverse needs and future flexibility. Provision of spaces and places for the community to meet, reflect and 'just be'.

Table 6: Council's Goals and how these are addressed in this Plan

KEY PERFORMANCE MEASURE	LEVEL OF SERVICE	PERFORMANCE MEASURE
COMMUNITY LEVELS OF SERVICE		
Availability	Building assets will be available at the times required. This will exclude planned shutdown.	Number of unplanned shutdown.
Customer Satisfaction	Building assets meet community needs.	Customer survey satisfaction.
Environment	A commitment to continually improve environmental efficiencies.	Demonstrated compliance with ESD for new build.
Legislative Compliance	Compliance with all legislation and regulations.	Level of compliance.
Responsiveness	Response time to customer requests.	Measure of response time to customer requests.
Safety	Buildings are routinely inspected for hazards and risk.	No injuries due to building defects or condition.
Utilisation	Buildings used to their full potential.	Annual assessment of usage levels and buildings used within capacity.
TECHNICAL LEVELS OF SERVICE		
Affordability	Recognising and managing asset backlog.	Asset backlog value.
Condition	All buildings will meet minimum standards as defined by category.	Regular condition audits to monitor progress.
Condition	Condition assessment of building assets every 3 years.	Overall Condition Index to be in condition 3 (out of 5) or better.

Table 8: Strategic Levels of Service - MCC Building Assets

LEGISLATION	REQUIREMENT
Building Act 1993 & Building Regulations 2006	Regulates building work and standards and provides for the accreditation of building products, construction methods, building components and building systems. It also provides an efficient and effective system for the issue of building and occupancy permits, administration and enforcement building and safety related matters and dispute resolution. In addition, this legislation regulates building practitioners and plumbers. The Act limits periods within which building and plumbing actions may be brought.
Building Code of Australia (BCA)	The goal of BCA is to enable the achievement of nationally consistent, minimum necessary standards of relevant, health, safety (including structural safety and safety from fire), amenity and sustainability objectives efficiently.
Disability Act (Vic) 2006	The Disability Act establishes a framework for providing support and services to people with disabilities throughout Victoria.
Environment Protection Act 1970	The purpose of this Act is to create a legislative framework for the protection of the environment in Victoria having regard to the principles of environmental protection.
Essential Safety Measures Legislation	Life & fire safety systems required in commercial, industrial & public buildings to ensure the safety of occupants in the event of a fire or emergency.
Graffiti Prevention Act 2007	The purpose of this Act is to reduce the incidence of graffiti.
Heritage Act 1995	The main purposes of this Act are (a) to provide for the protection and conservation of places and objects of cultural heritage significance and the registration of such places and objects; and (b) to establish a Heritage Council; and (c) to establish a Victorian Heritage Register.
Housing Act 1983	An Act to modernise housing law, to improve housing administration in Victoria.
Independent Contractors Act 2006	The principal objectives of this Act are: (a) to protect the freedom of independent contractors to enter into services contracts; and (b) to recognise independent contracting as a legitimate form of work arrangement that is primarily commercial; and (c) to prevent interference with the terms of genuine independent contracting arrangements.
Landlord and Tenant Act 1958	This legislation defines roles, responsibilities and obligations of landlords and tenants with respect to lease and hire of buildings.
Local Government Act 1989 Local Government Finance and reporting Regulations 2004	Sets out role, purpose, responsibilities and powers of local governments including the preparation of a long term financial plan supported by buildings asset management plans for sustainable service delivery.
National Asset Management Framework Legislation 2010	Focuses on long term financial sustainability and provides a mandate to have long term strategy, financial statements and annual reporting mechanisms. AM plans are likely to be audited.
Occupational Health and Safety Act (Vic) 2004 Occupational Health and Safety Regulations 2007	The Act sets out the key principles, duties and rights in relation to occupational health and safety. The general nature of the duties imposed by the Act means that they cover a very wide variety of circumstances, do not readily date and provide considerable flexibility for a duty holder to determine what needs to be done to comply.
Planning and Environment Act 1987	To establish a framework for planning the use, development and protection of land in Victoria in the present and long-term interests of all Victorians.

Table 7: Legislative and Strategic Requirements

The fundamental purpose of a strategic asset management plan is to ensure the delivery of community required services in the most efficient way and in a sustainable manner.

Future **Demand**

Demand Drivers

Drivers affecting demand include things such as population change, changes in demographics, technological changes, environmental awareness and new assets.

Demand Forecasts

The present position and projection for demand drivers due to population growth that may impact future service delivery can be found in the link below:

https://forecast.id.com.au/melton

Demand factor trends and impacts on service delivery are summarised in Table 9.

Changes in Technology

Council is continuously monitoring new asset treatments that may be available to increase the life of its assets. Table 10 details technology changes that are forecasted to affect the delivery of services covered by this plan.

These technological factors need to be assessed in determining the scoping requirements for maintenance works, renewal, upgrade and new building projects. There will be changes to asset management technology, in particular, the monitoring and data collection roles. These upgrades in technology may require consideration of modifications to service levels as and when appropriate.

New technology may also allow for non-asset solutions (e.g. the ability to work from anywhere or deliver a service in an electronic format) thereby lessening the need for new buildings or potentially the possibility to reduce the existing building stock or transforming existing building function into something more beneficial for the community.

[1] City of Melton – .idCommunity

[2] Source: Community Profile .idCommunity

DEMAND FACTOR	PRESENT POSITION	PROJECTION	IMPACT ON SERVICES
Population	172,017[1] in 2019 which is an increase of 8,095 from the previous year	485,061 by 2051, a 194.79% increase.	Population growth will be mostly supported by green-field development meaning a greater number of gifted assets to Council. Many community recreation and leisure Buildings will be built as per PSPs. Increased service ratios will need to be considered as part of Councils ongoing service planning ratios.
DEMOGRAPHIC Age group 0-4 years	12,396 in 2016	The largest 5 year age group in 2031 is 0 to 4 years, with a total of 24,340 persons.	Increased demand for community recreation and leisure facilities.
DEMOGRAPHIC Age group 80+ years	2003 in 2016	Population in the age group above 80 will increase to 7672 in 2031.	Increased demand for aged care facilities.

Table 9: Demand Factors, Projections and Impact on Services[2]

New Assets from Growth

Since the publication of the last BAMP in 2014 Council building assets value increased from $140.8 million in June 2014 to $297.3 million in June 2020, therefore increasing the replacement value of the Buildings portfolio in the vicinity of $156.4 million (allowing for CPI increases). This equates to a total annual increase in the order of $26 million over the past 6 years.

It is envisaged that over the next 10 years, there will be major development and growth in the precinct structure plan areas of: Plumpton, Rockbank, Rockbank North, Toolern, Mt Atkinson and Kororoit, which will directly add new assets into Council's building asset portfolio.

Demand Management Plan

The demand for building assets at MCC will increase proportionally with the predicted population growth and predicted demographic changes. This is also in line with the community expectation where provisions of recreational facilities have scored high as a priority for increased services by Council.

Demand for new services will be managed through a combination of managing existing assets, upgrading 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.

Opportunities identified to date for demand management are shown in Table 11. Further opportunities will be developed in future revisions of this BAMP.

TECHNOLOGY CHANGE	EFFECT ON SERVICE DELIVERY
An increasing number of smart homes	Changes in efficiency and economic viability of solar electricity, solar hot water services and water saving methods or water storage methods therefore buildings can increasingly incorporate sustainable energy and water saving measures in new and replacement projects.
Improvement in building techniques and materials.	Changes in building methodology and longer life building materials and building rehabilitation techniques therefore buildings can be maintained and managed more cost effectively, with a potentially longer useful life.
Low energy building design	Increased efficiencies of low energy building design therefore new building designs can incorporate energy efficient and sustainable practices.
Internet speed	Increasing high-speed Internet therefore increasing demand for e-Commerce solutions resulting in larger and more complex technology systems for Council.

Table 10: Changes in Technology and Forecast effect on Service Delivery

SERVICE ACTIVITY	DEMAND MANAGEMENT PLAN
Increase in demand for all services	Encourage sharing existing buildings to maximise the utilisation allows planning for optimum use of all buildings.
Improved access to services required	Upgrade existing building access over time and ensure new or upgraded buildings are Disability Discrimination Act compliant.
Increased need for maintenance and renewal costs	Review and document levels of services after consultation with the Service Managers and the community.
Increase in demand for public amenity buildings	Review building amenity and improve by priority over time.

Table 11: Demand Management Plan Summary

Drivers affecting change in asset management practices include technological advances. These will influence the way we interact with our buildings and how we monitor their performance over time.

Risk Management **Planning**

Risk Management Plan

Council's Risk Management Policy sets the overall framework for addressing risk within the framework of ISO31000-2009. The elements of this framework are described in Figure 6:

- **Risk Management Context:** Establishes the objectives, stakeholders, key issues and criteria against which risks will be evaluated;
- **Identify the Risk:** Identifies what risk events are likely to impact on assets and services;
- **Analyse the Risk**: Reviews the existing controls and then analyses the likelihood of an event occurring and the consequence of the event to determine the level of risk;
- **Assess the Risk:** Assesses and ranks the identified risks in a Risk Register;
- **Treat the Risks:** Identifies actions to reduce/control the risk.

Risks Assessment

Council has developed an asset hierarchy, giving higher importance to risk assessment and the appropriate levels of inspection and maintenance for each classification. A robust risk identification and management approach has the following anticipated benefits:

- A reduction in risk related events;
- Improved building asset knowledge;
- Managers better understand and manage risk. That is, risk is articulated and the relationship of risk and an individual's accountabilities and responsibilities are more clearly understood;
- Improved building performance such that services are not unexpectedly impacted by component failure resulting in uncontrolled reactive maintenance works;
- Buildings remain in a fair condition for a longer period of time extending their economic life;
- Improved compliance levels;
- Improved financial and environmental sustainability via more strategic investment in building asset management.

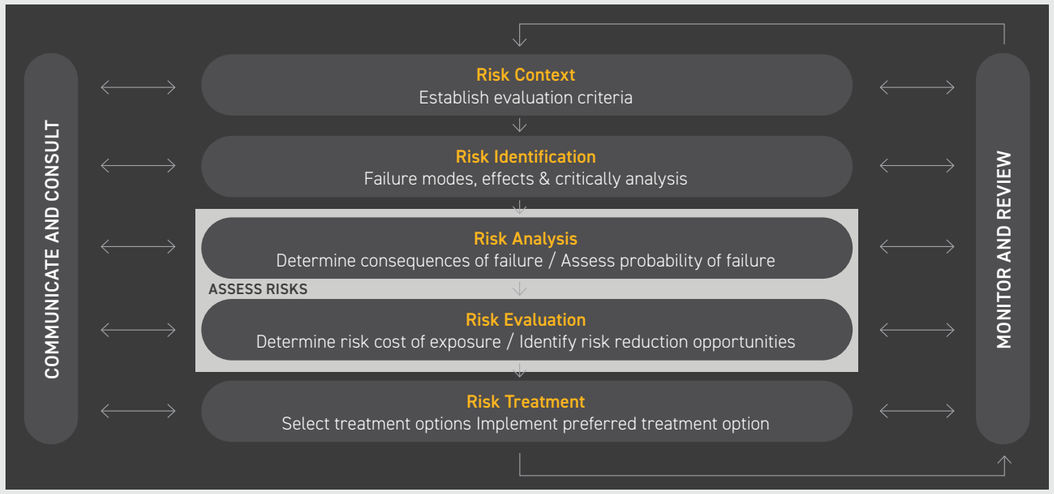


Figure 6: Risk Management Process, Source: ISO31000:2018, p9

The risk assessment process identifies credible risks, the likelihood of the risk event occurring and the consequences should the risk event occur. Council's risk register is a high level document that covers all the key risks that Council is exposed to which can be found in the link below:

https://www.melton.vic.gov.au/Services/Building-Planning-Transport/Engineering/Asset-management

Table 12 below summarises the identified key building risks.

Climate change and resource sustainability are environmental factors that will be considered as part of the risk assessment process. Risks associated with climate change and strategy are detailed under City of Melton Environmental Plan 2017-2027 which can be found in the link below:

https://www.melton.vic.gov.au/files/assets/public/services/environment-and-sustainability/environment-plan/environment-plan-2017-2027.pdf

PRIMARY CONSEQUENCE	CAUSE	CURRENT CONTROLS
Provision of community infrastructure does not meet current day needs or operates as originally designed or intended	Failure to provide an appropriate amount of funding to renew Council assets in a sustainable manner to maintain the desired Level of Service and support service provision Deferral of asset renewal projects due to changing priorities Surplus assets yet to be disposed of or retired.	Capital Works Program/ Long Term Financial Plan. Asset Management Policy & Strategy.
Facilities do not meet user or community expectations	Poor design or design is inconsistent with current guidelines, including disability access, energy and water efficiency, etc.	Project Implementation Plan (PIPs). Standard Drawings for Infrastructure / Access Design Guidelines / ESD Standards.
Failure to execute renewal works in a timely manner thereby creating a personal safety risk or premature loss of an asset	Lack of planning to develop and deliver the renewal program and delaying decisions to dispose of a building or undertake renewal works.	Implementation of an ongoing condition audit program and subsequent preparation of renewal programs.

Table 12: Council Building Risks

Asset
Funding Levels

Forecast 10-Year Funding

The building strategic modelling analysis predicts the deterioration of Council's building asset stock by calculating the results of different funding options. The snapshot of the building dataset utilised for modelling is as at 31st March 2020. The length of time predicted for each option is for a period of 10 years. Figure 7 displays the proposed budget spending and predicted average building conditions over the following ten years.

Estimated Funding

Council had considered multiple scenarios in the process of deriving a 10-year budget to be adopted in the Long Term Financial Plan (LTFP). The estimated expenditure of $22.5 million on renewal of building asset portfolio over the next 10 years is forecasted with Net Present Value (NPV) analysis detailed in Table 13.

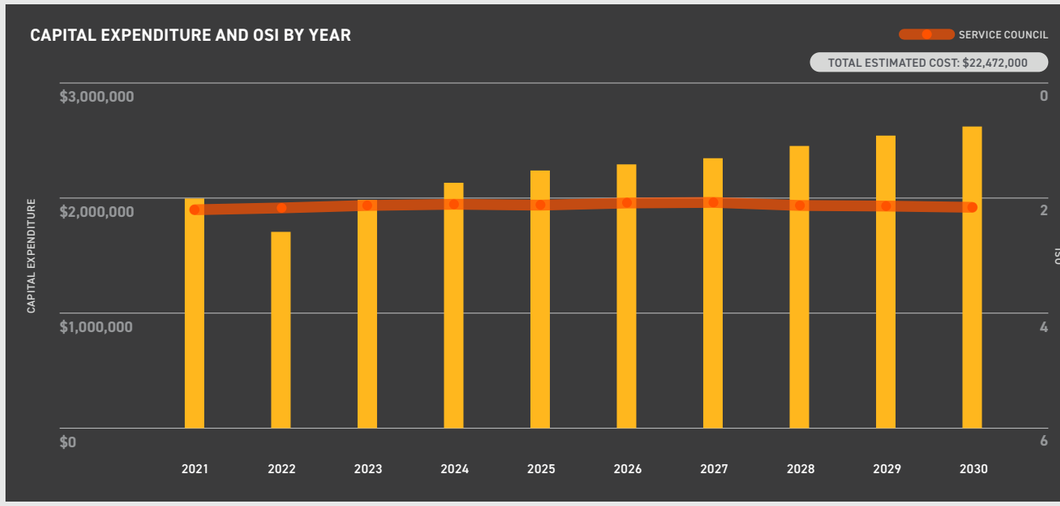
The LTFP shown above is based on a series of internal consultations on a range of budget vs service level scenarios. These scenarios include and are not limited to the following:

- Funding constraints
- Service level interventions
- Criticality based level of service
- Political influences
- Community aspirations

The adopted scenario is the committed funding agreed by Council Executive Leadership Team (ELT) as the most affordable and equitable from the community perspective and based on comparatives with other asset groups. This is also in line with the LTFP required by Victorian regulation as well as the principles of Victorian Asset Management Accountability Framework (AMAF) New building assets and upgrade or expansion of existing assets are identified from various sources such as Councillor or community requests, proposals identified by strategic plans or partnerships with other neighbouring municipalities or organisations. Candidate proposals are governed by the Community Infrastructure Plan (CIP). These drivers will require annual review and the CIP outputs are progressively updated by Council's Community Infrastructure Planner. Further information on CIP can be found in the link below:

https://www.melton.vic.gov.au/Services/Building-Planning-Transport/Engineering/Asset-management

It must be recognised and clearly understood that new assets add to Council's total life-cycle expenditure and thus the whole of life costs including operations, maintenance and renewal must be accurately forecasted and included in the asset register for strategic modelling.



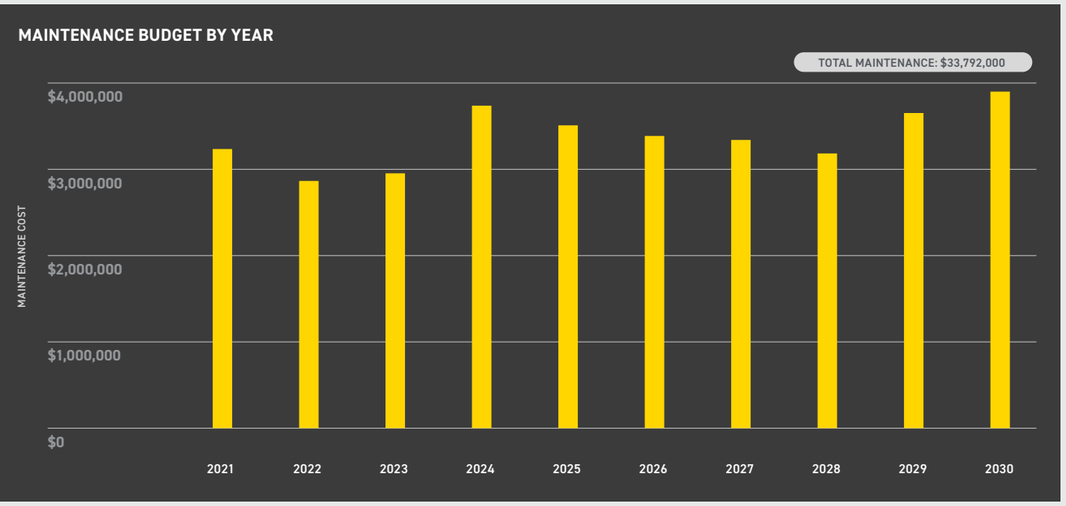


Figure 7: Forecast 10-Year Funding Analysis

Financial Ratios

Asset management ratios provide insight into an organisation's performance and success in managing its assets. Council's asset management ratios for its asset portfolio calculated as at 30 June 2020 are shown in Table 14.

The definition and calculation of the ratios above are as follows:

Asset Sustainability

Definition: This ratio is an approximation of the extent to which assets managed by a local government are being replaced as these reach the end of their useful lives.

Calculation: Capital Renewal Expenditure divided by Depreciation Expense.

Remaining Service Potential

Definition: This ratio seeks to highlight the aged condition of a local government's stock of physical assets. If a local government is responsibly maintaining and renewing/replacing its assets in accordance with a well prepared asset management plan, then the fact that the Asset Consumption Ratio may be relatively low and/or declining should not be cause for concern - providing it is operating sustainably.

Calculation: Written Down Value divided by Current Replacement Value.

Asset Renewal Funding

Definition: This ratio indicates whether the local government has the financial capacity to fund asset renewal as required, and can continue to provide existing levels of services in future, without additional operating income; or reductions in operating expenses.

Calculation: Net Present Value (NPV) of planned capital Renewal expenditure divided by the Net present value of desired capital renewal expenditure.

Average Annual Asset Consumption

Definition: This ratio indicates whether the local government has the financial capacity to fund asset renewal as required, and can continue to provide existing levels of services in future, without additional operating income; or reductions in operating expenses.

Calculation: Annual Depreciation divided by Depreciable Amount.

ASSET CATEGORY	TOTAL CAPITAL RENEWAL	TOTAL MAINTENANCE	TOTAL COST	% IN CONDITION 4 & 5 YEAR 0	% IN CONDITION 4 & 5 YEAR 10	RENEWAL GAP / BACKLOG MOVEMENT	NET COST OF STRATEGY
Buildings	$22,472,000	$33,792,000	$56,264,000	0.45%	0.03%	$994,300	$55,269,700

Table 13: Estimated Budget NPV Analysis

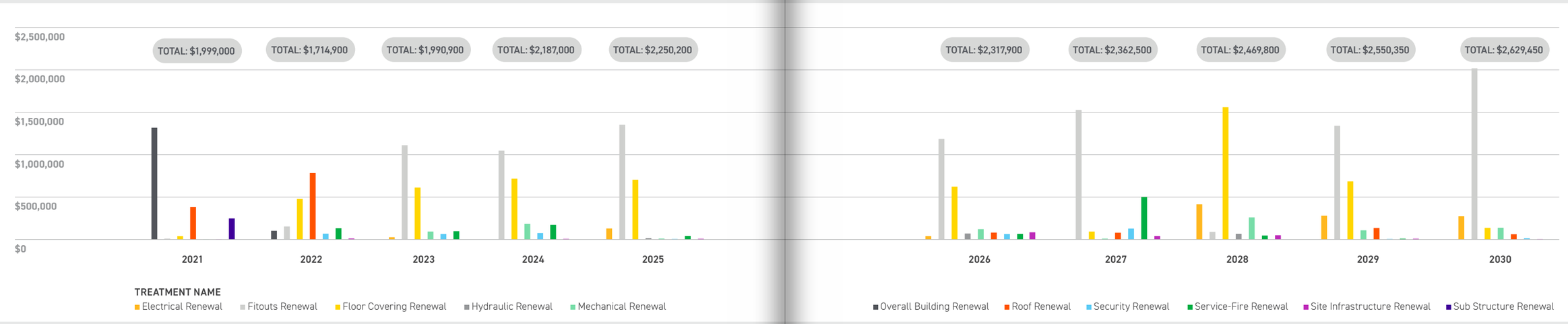


Figure 8: Predicted Treatment Cost by Treatment Type

Funding Strategy

Projected expenditure identified in Table 13 is to be funded from Council's operating and capital budgets, loans and reserves and Federal and State Government grants. The funding strategy is detailed in Council's 10-year long term financial plan. The 10 Year LTFP is a dynamic document in that it is reviewed and refined on a continual basis, to reflect as accurately as possible changes in financial circumstances.

The key assumptions made in presenting the information contained in this BAMP and in preparing forecasts of required 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 BAMP are:

- The current levels of service will remain constant over the life of this BAMP;
- The treatment and maintenance costs are based on Council's current schedule of rates and may not directly compare to Councils internal service provision actual costs;
- All predicted financial figures are based on current rates and are not adjusted by the inflation rate for the particular year of works;
- Continued use of current construction techniques and materials in alignment with current standards;
- Current maintenance funding levels are meeting service level requirements;
- Capital renewal is generally 'like for like' however mandated improvements are factored into replacement costs;
- Depreciation is in accordance with Council Policy;
- The proposed capital renewal program will be funded as per the scenario recommended.

[2] Whilst sustainability ratio is below industry target across all building assets this is to be expected because the rate of depreciation is higher due to the fact that it is measured using straight line. The renewal expenditure on the other hand is projected based on levels of service and deemed as most affordable and equitable from the community perspective. Therefore the misalignment between these two where one is a finance driven measure and the other a community and lifecycle costing driven measure will result in this indicator being a somewhat less accurate sustainability indicator.

	Industry Target	Council Score
ASSET SUSTAINABILITY[2]	90%	33%
REMAINING SERVICE POTENTIAL	>70%	58%
ASSET RENEWAL FUNDING	>75%	100%
AVERAGE ANNUAL ASSET CONSUMPTION	0–3%	3%

Table 14: Asset Management Ratios

Plan Improvement **and Monitoring**

This section outlines how Council can measure its asset management performance. The identified action items in Table 15 will enable Council to improve our asset management capability, to enhance asset value and deliver more for stakeholders while balancing cost, risk and performance.

AM Document Register

Refer to Table 15.

Improvement Plan

In the course of preparing this BAMP, it has been identified that there is a need to further develop Council's asset management processes and practices in relation to its building assets. The Asset Management Improvement Plan which is set out in Table 16 below details the key improvement tasks. Completion of these tasks will improve Council's asset management capabilities for the building asset portfolio.

Monitoring and Review Procedures

This BAMP 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 BAMP is a 10 year plan, due for revision every 4 years. The revision is to revisit changing priorities, emerging trends and new initiatives in asset management.

An asset management plan is a dynamic document, reflecting and responding to change over time. Monitoring of this building asset management plan is required to:

- Ensure compliance with the proposed improvement program milestones;
- Ensure compliance with adopted standards and procedures for condition and performance.

A monitoring plan is necessary for achieving desired service outcomes .

DOCUMENTS	DOCUMENT LINK	ADOPTED DATE	PLANNED REVISION
AM Policy	https://www.melton.vic.gov.au/Services/Building-Planning-Transport/Engineering/Asset-management	Jul-2018	Jul-2022
AM Strategy	https://www.melton.vic.gov.au/Services/Building-Planning-Transport/Engineering/Asset-management	Feb-2020	Jul-2022

Table 15: AM Document Register

Performance Measures

The effectiveness of this BAMP will be measured and monitored on the basis of annual strategic Council indicators as follows:

- The degree to which the required cash flows identified in this asset management plan are incorporated into Council's long-term financial planning process and works planning;
- The performance of Council against the Strategic Levels of Service documented in this BAMP. Measuring the target levels and actual achievement levels;
- The degree to which detailed works programs, budgets, business plans and organisational structures take into account the trends provided by the BAMP;
- Performance against the Asset Management Ratios;
- The level of execution of the identified actions in the plan.

TASK NO	IMPROVEMENT TYPE	IMPROVEMENT ITEMS	RESPONSIBLE SERVICE UNIT	TIMELINE
1	Business Process	Review and formally document the Levels of Service delivered on a day to day nature i.e. responding to customer requests, maintenance audits and responding to breakdowns.	Operations	Dec-23
2	Data Management	Review and improve building classification to better support maintenance practices and reporting requirements.	Engineering Services Legal & Governance Recreation and Youth Community Planning Operations	Jun-21
3	Data Management	Acquire a full compliment of MCC digital buildings' plans.	Engineering Services Operations	Jun-21
4	Data Management	Review and incorporate lease and maintenance agreements into AMS.	Engineering Services Legal & Governance Recreation & Youth Community Planning	Dec-21
5	Data Management	Ensure information relating to capacity, functionality and fit for purpose from Council's Community Infrastructure Plan is used to inform renewal planning for buildings.	Engineering Services Community Planning Operations	Dec-21

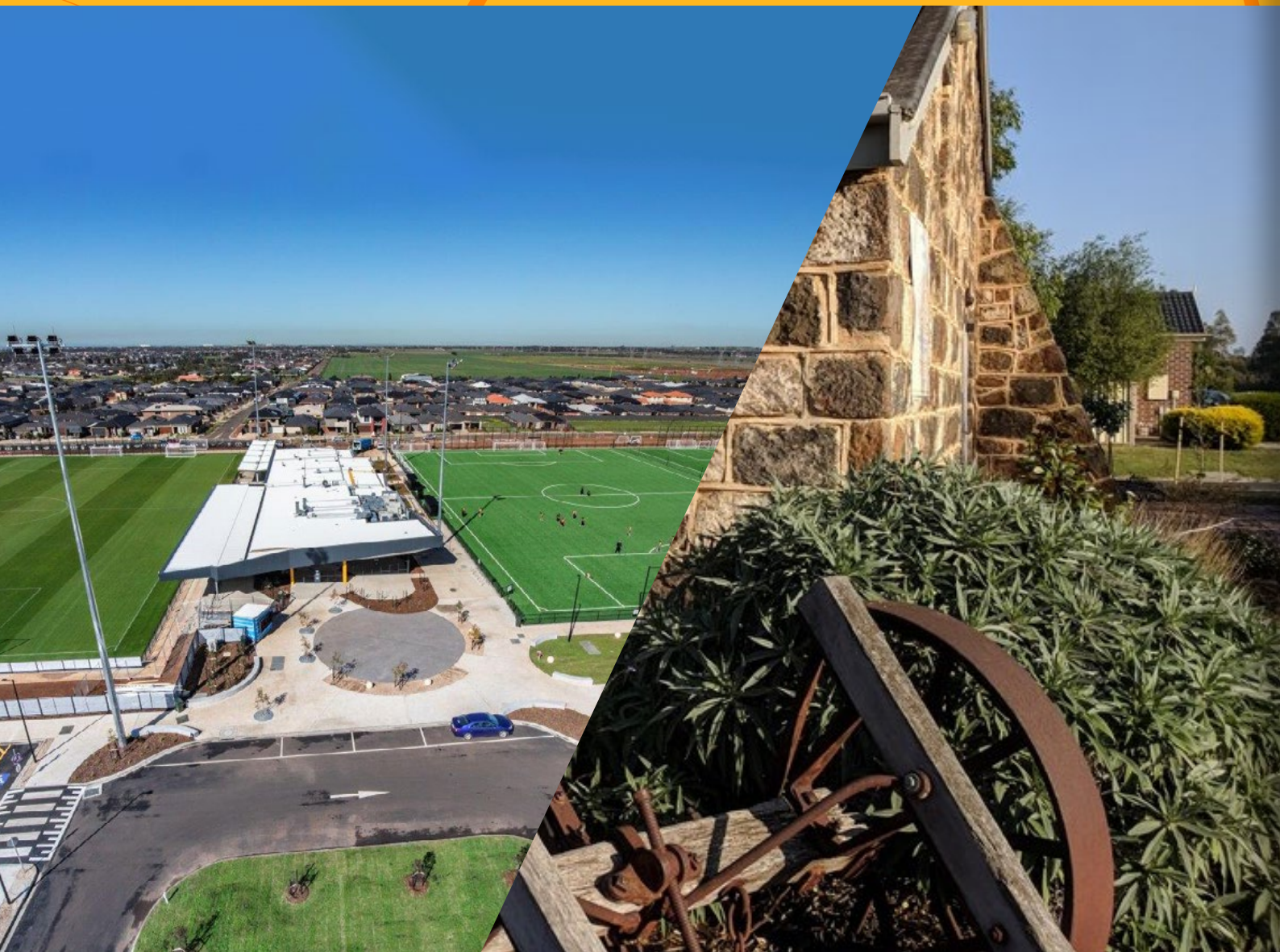
Table 16: Improvement Actions

MELTON
LIBRARY &
LEARNING
HUB
MELTON
LIBRARY &
LEARNING
HUB

CITY OF MELTON

Melton Civic Centre
232 High Street, Melton
T 9747 7200

Melton Library and Learning Hub
31 McKenzie Street, Melton
T 9747 7200

Caroline Springs Library and Learning Hub
193 Caroline Springs Boulevard
Caroline Springs
T 9747 7200

melton.vic.gov.au