

Financial Plan & Asset Plan

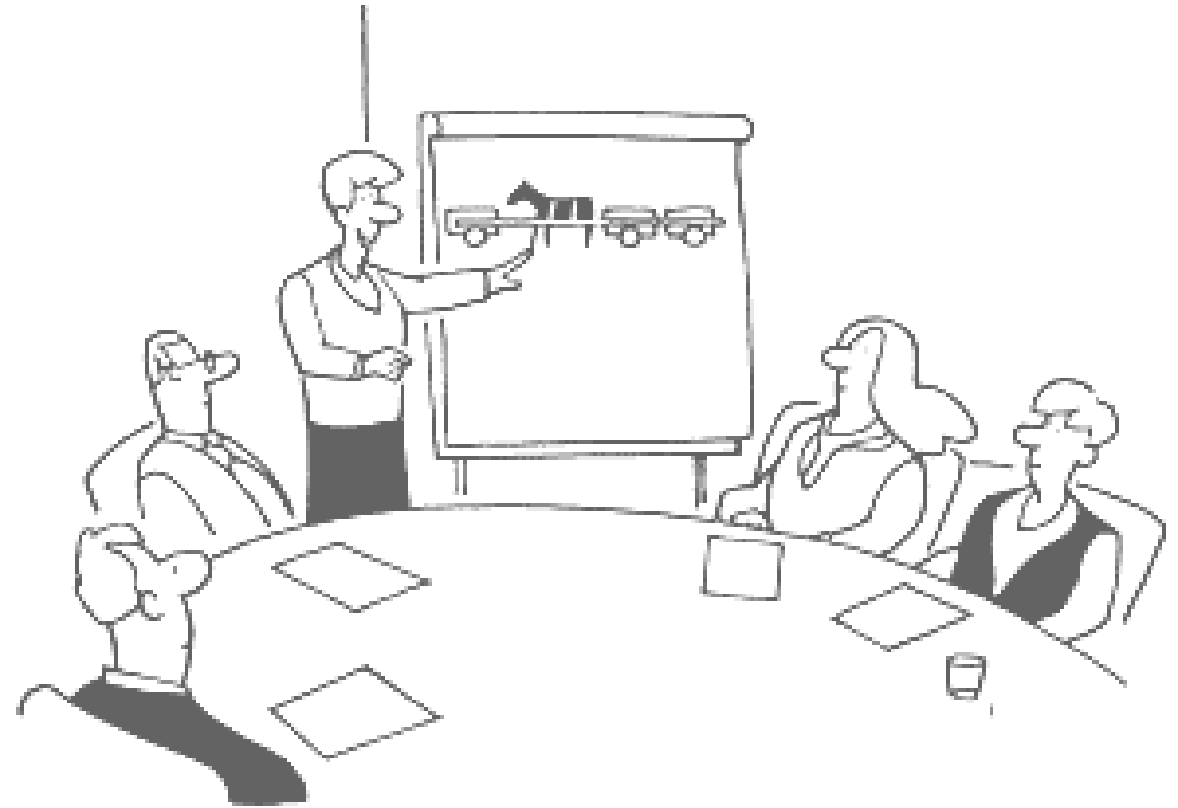
Bridging the Gap

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FinPro October 2023



"We've found that we can balance the cart before the horse with two carts behind the horse."

Cape Town CBD - Real Situation

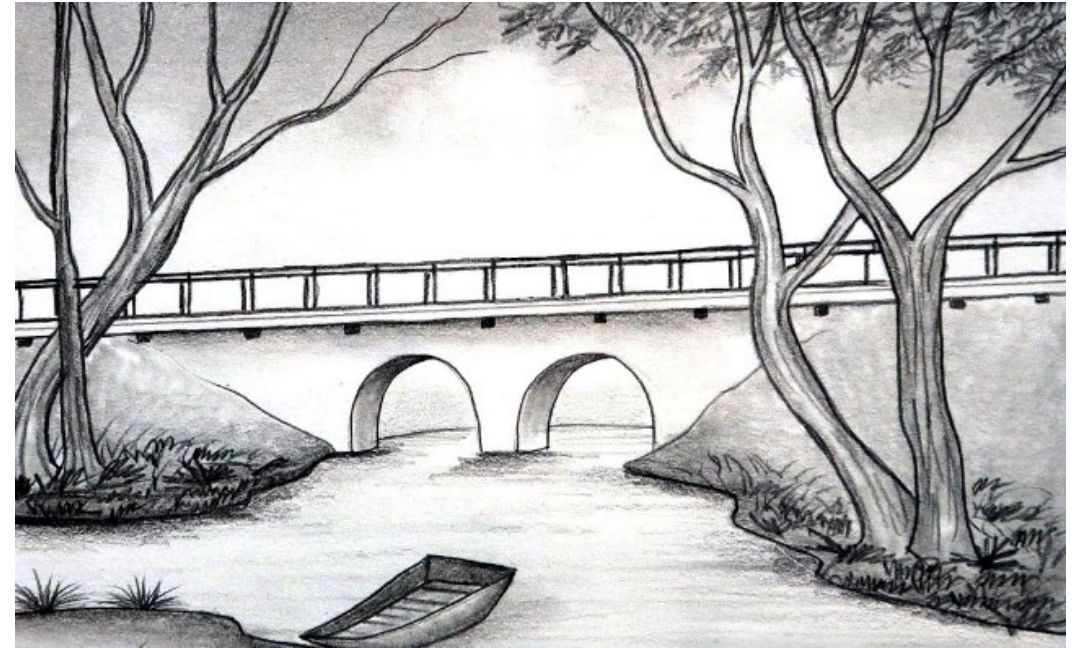




STORY OF A BRIDGE



Linda and Matt are our Rate-Payers in this Story

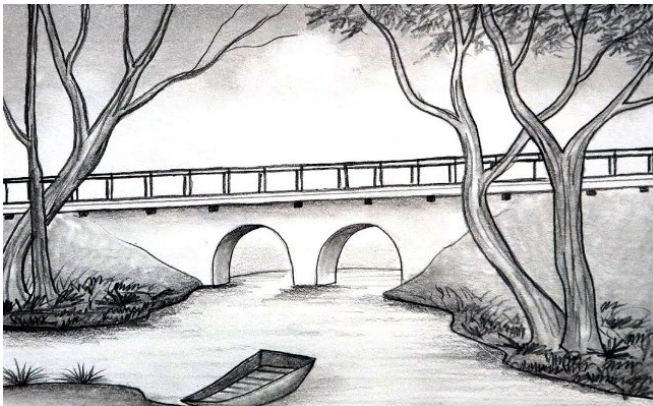


Long Term Plan for the Bridge?

Binda the CFO, Chris the Mayor and Bradley the CEO



“Great plan. Could we get some more details?”



Built 1993

Cost \$280,000

Age: 30 Years old

Useful Life 80 years

Action Plan: We have until 2073 to replace it

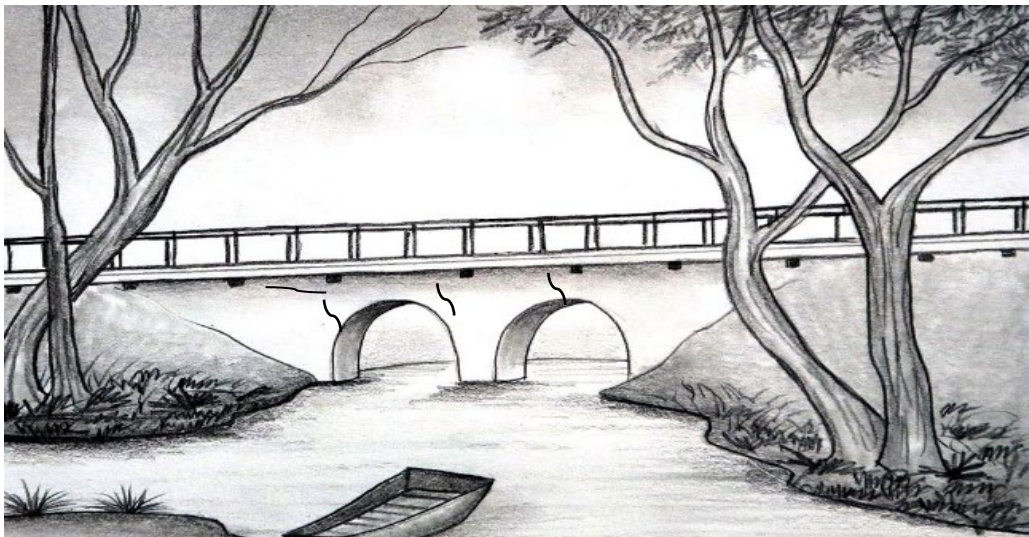
Bradley the CEO meet Naveela and Shaz the Asset Managers



Condition Grade **D+**

Today's Cost \$830,000

Life Left 10 Years

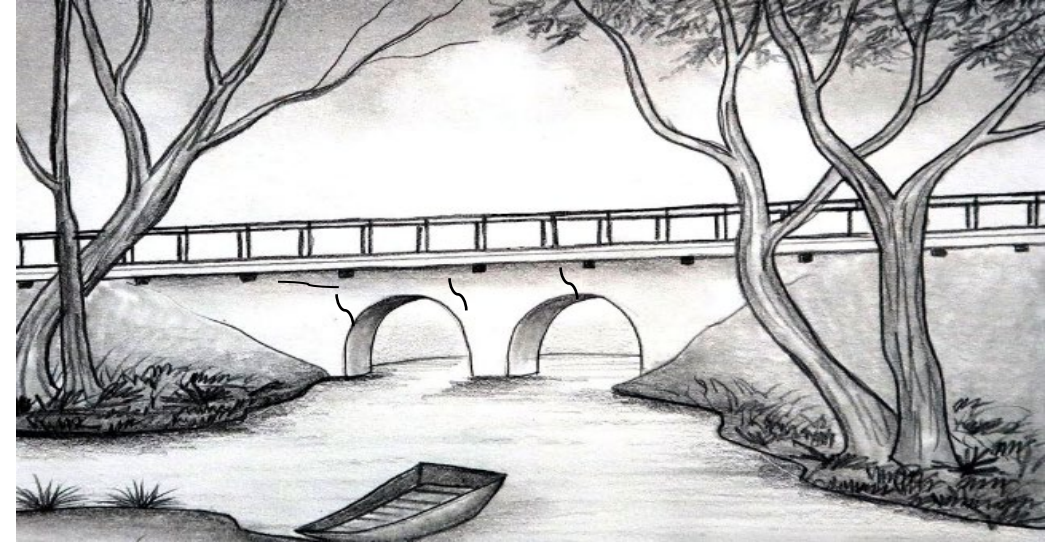


Action Plan: Monitor and Review 2030

Chris and Binda Need to Inform Council



“Great plan. Could we get some more details?”



What is Our Real Story?

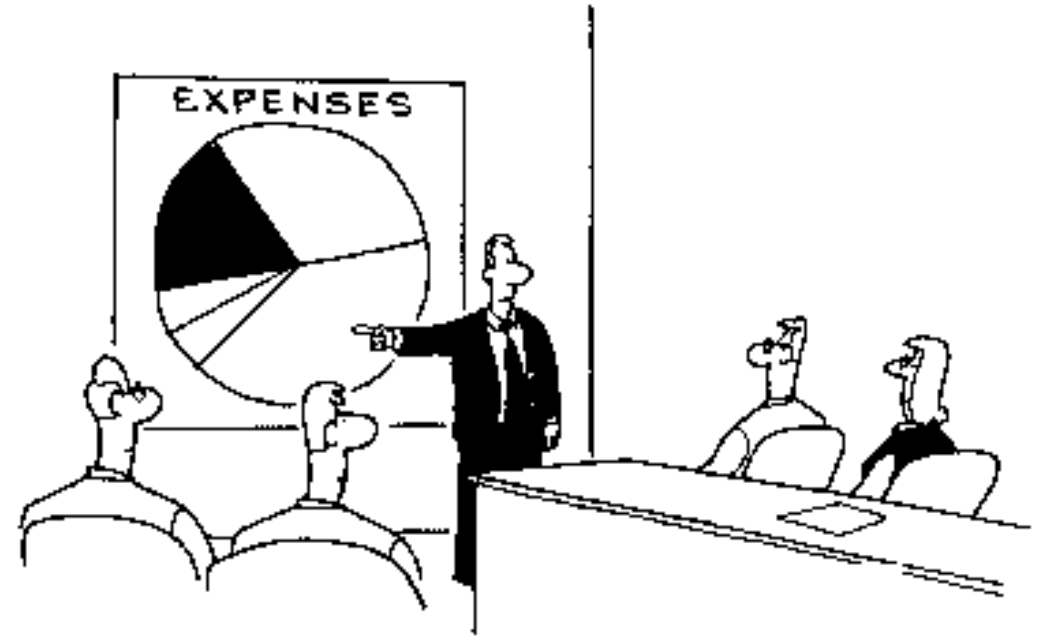
Are we in Control?

Is Binda's LTFP informed by Nav and Shaz's AMP?

Naveela and Shazi – Explain The SAM Context : The Real Story



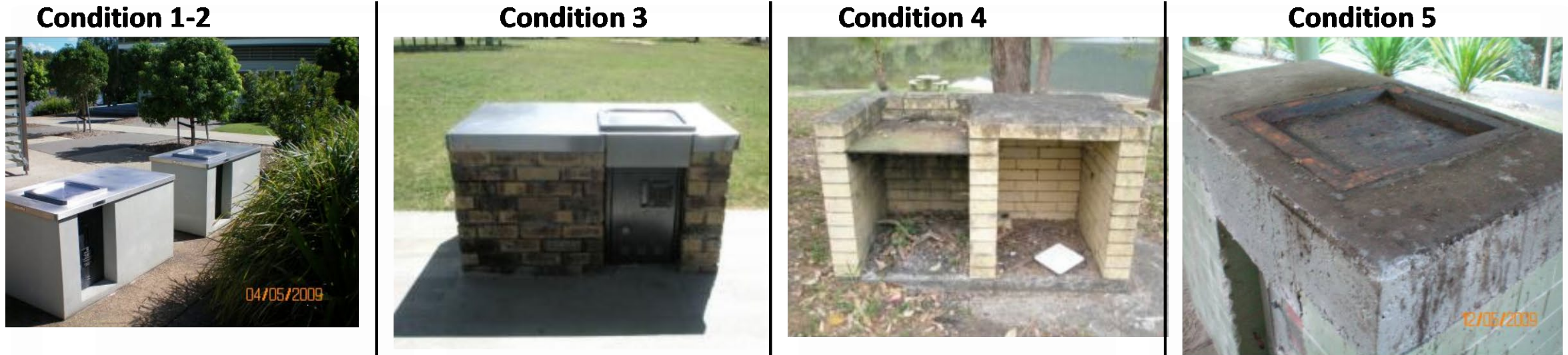
“A Real Evidence Based Asset Plan”



"This is the portion of the expenses we like to call 'unknown.'"

NOT

Naveela & Shazi Explain Strategic Asset Management



A

1



B

2



C

3



D

4



E

5



F

6

← PVP state →

Unplanned Maintenance

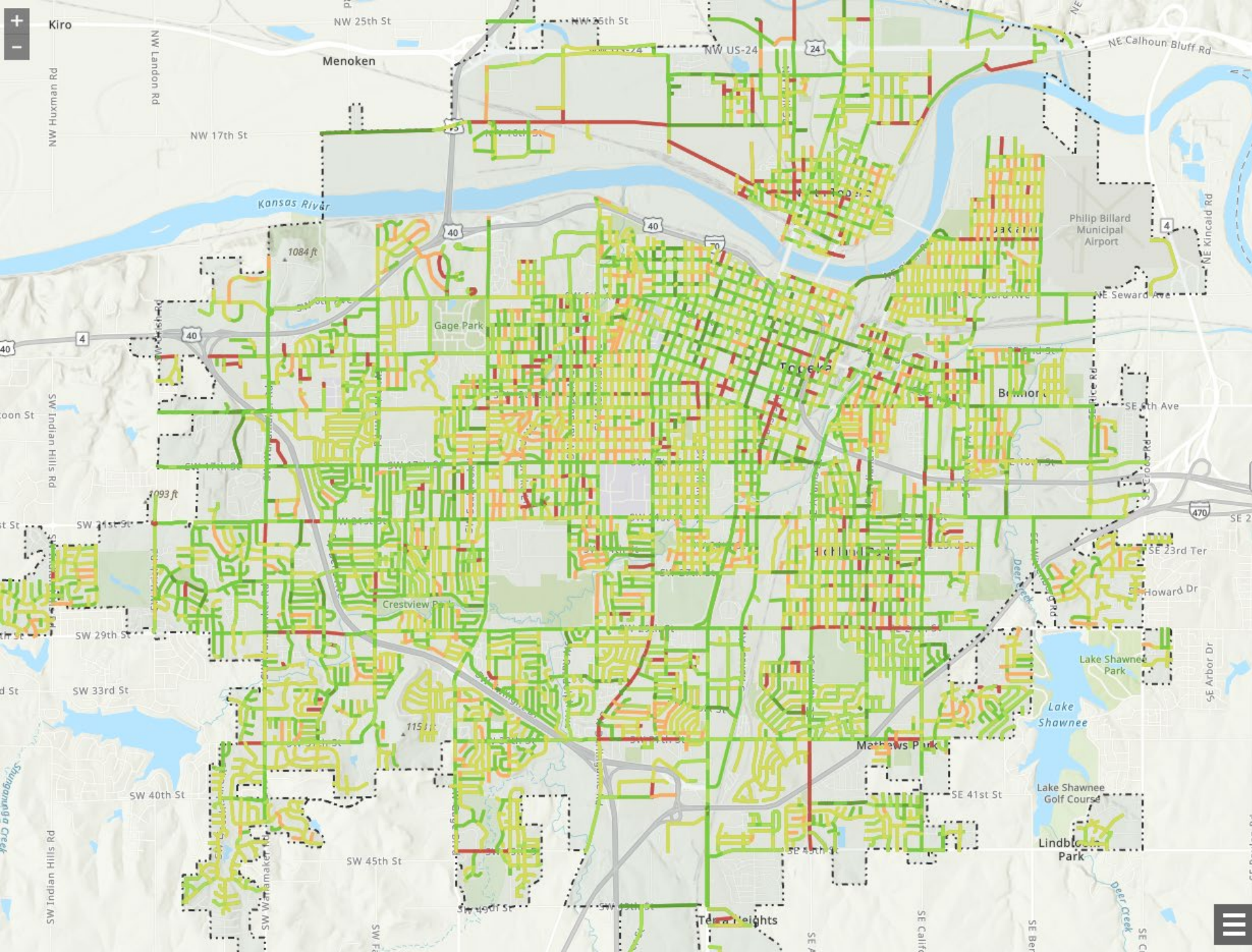
Critical Assets



Roof (condition 3)

Structure (condition 1.5)

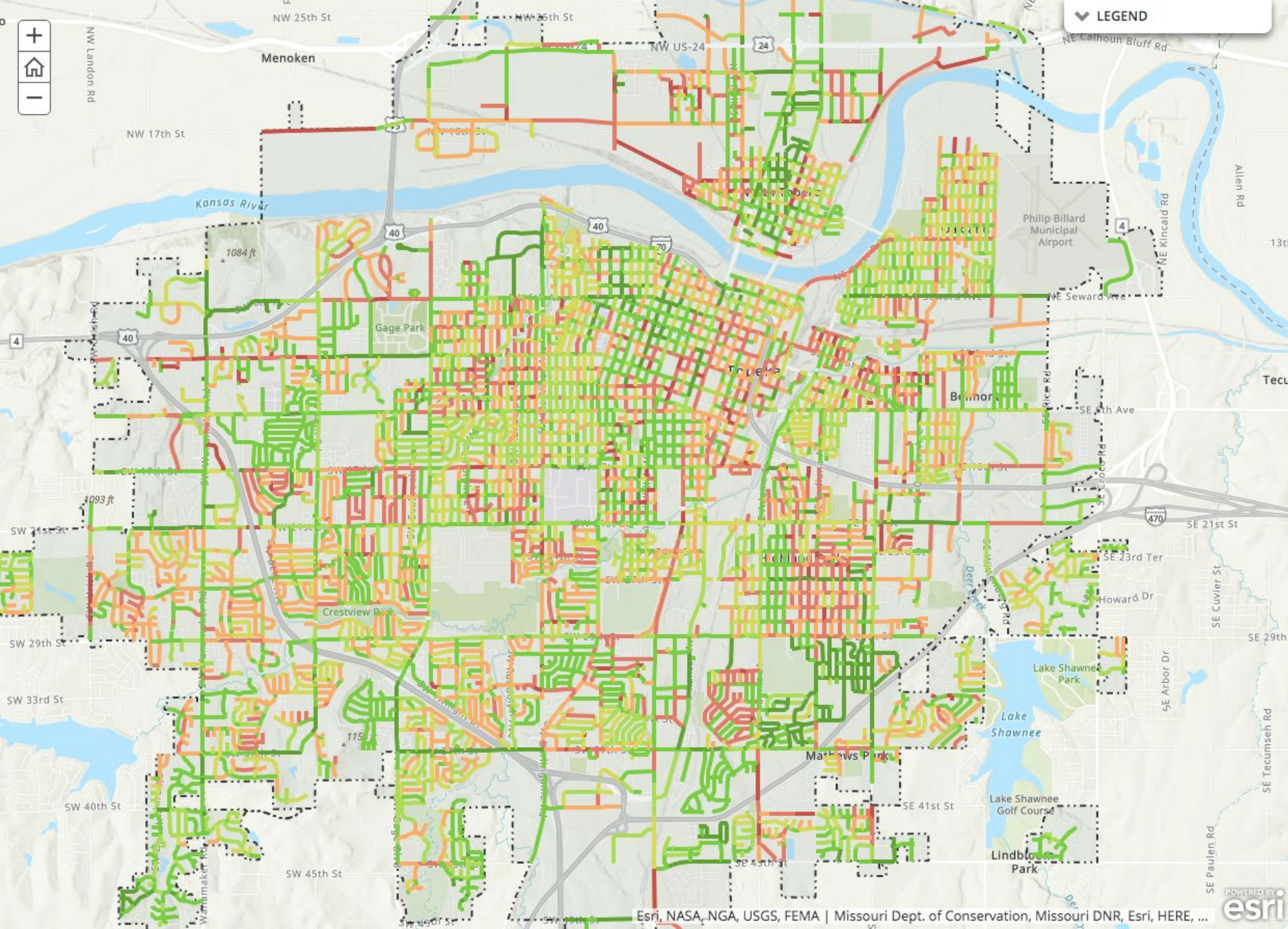
Walkway (condition 2)



Shazi explains:

Several assets

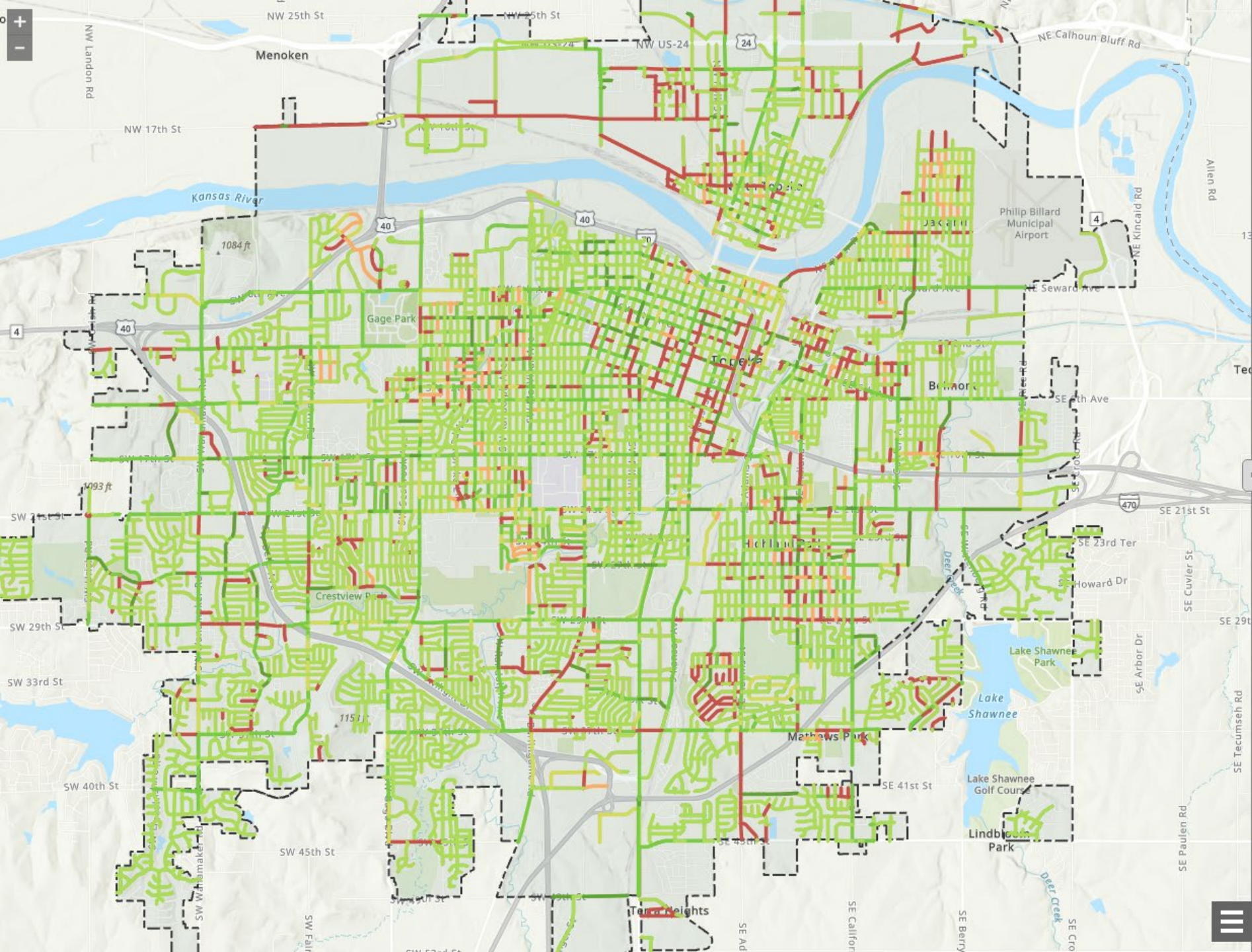
All at various grades



Shazi can show:

**State of Assets
2035**

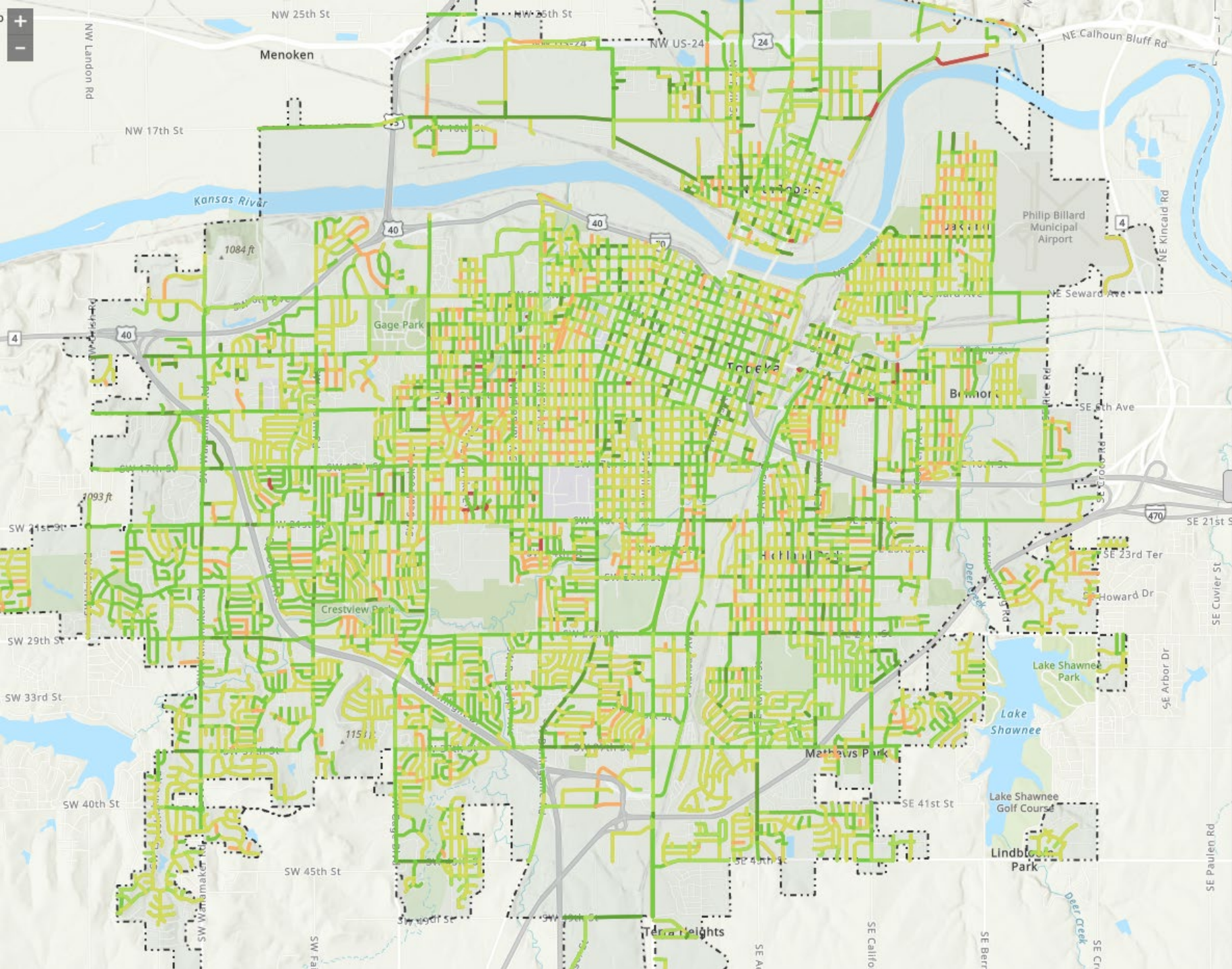
**Run to Fail
(Fix when Breaks)**



Naveela goes on to provide choices:

State of Assets 2035

If we plan with SAM



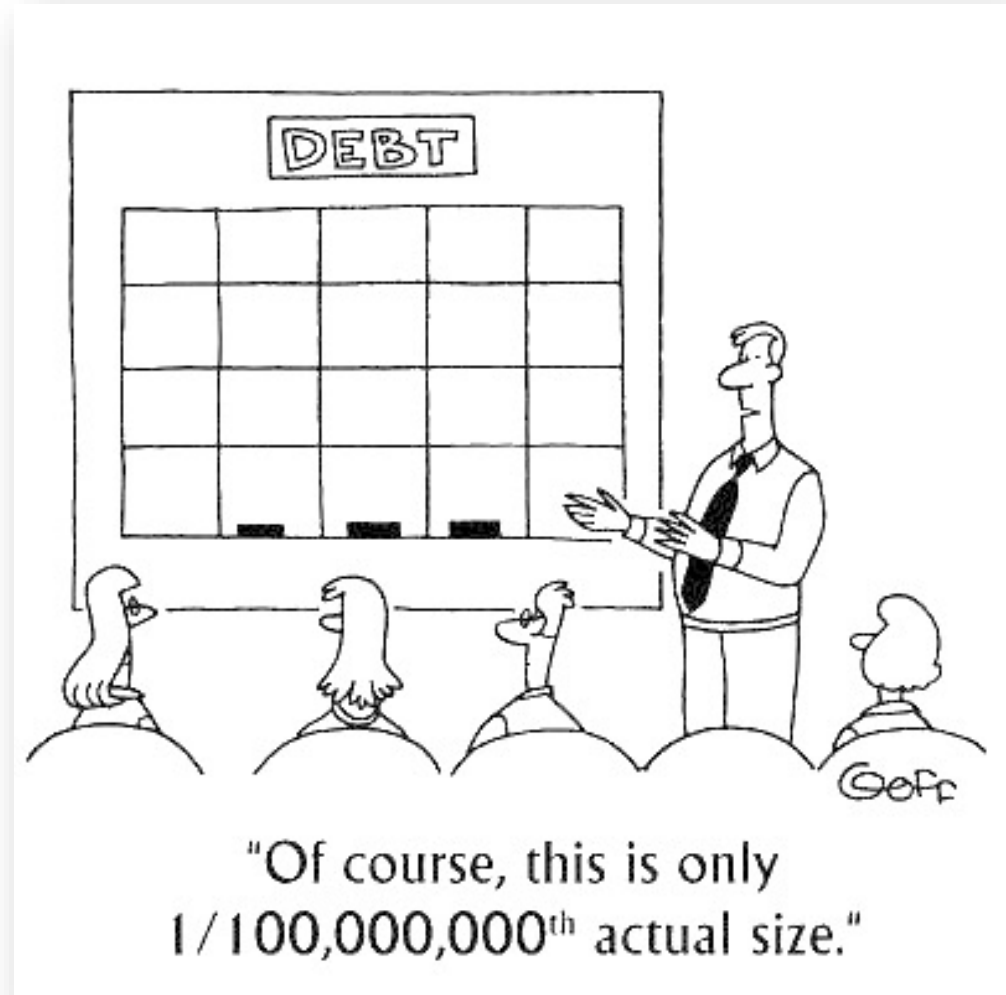
Shazi & Nav able to provide:

State of Assets 2035

No Asset is in PVP

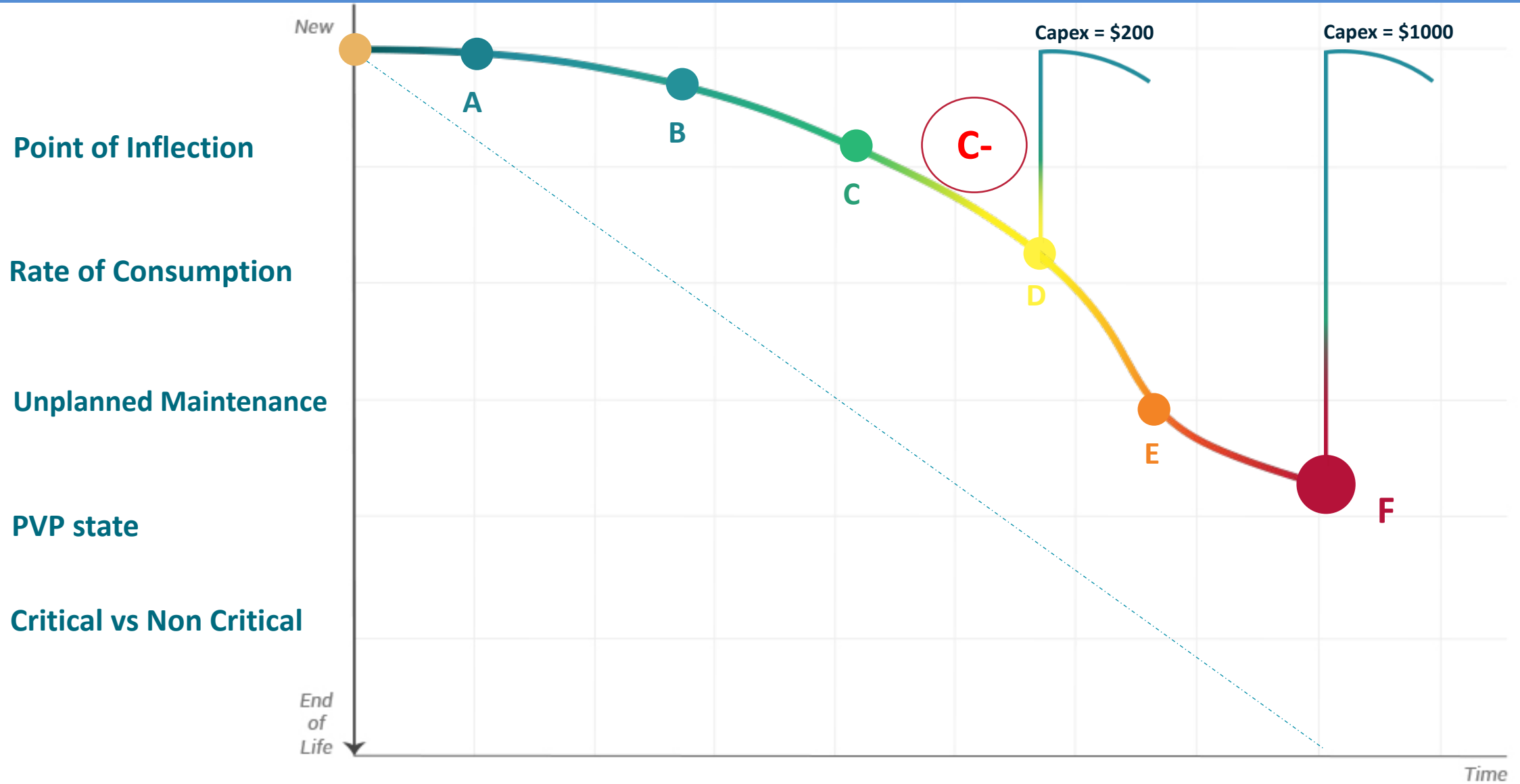
Shazi, Nav and Binda have Balanced the Budget





Balancing Budgets with Service Levels

Asset Life Cycle and Performance





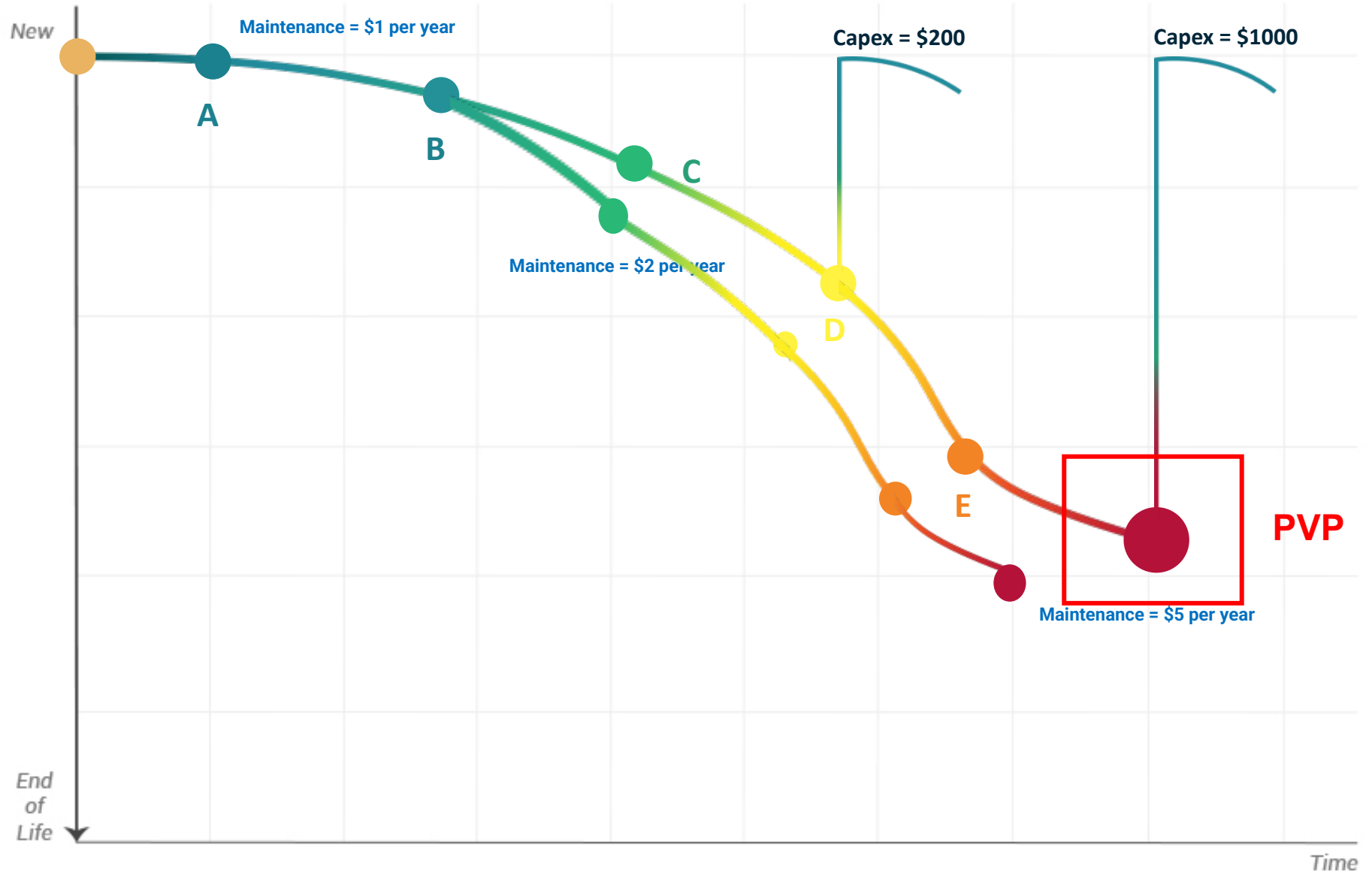
Capital Vs Maintenance

Capital Activity : Enhances LoS

and/or

Material in nature eg \$25,000.

Life Cycle - Capital and Maintenance Link





Trivia

What is Australia's PVP for State of the Assets

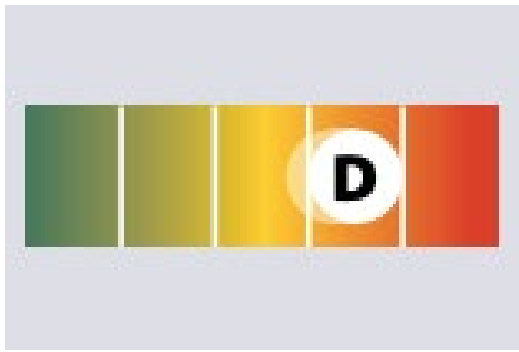


3 out of 100 assets

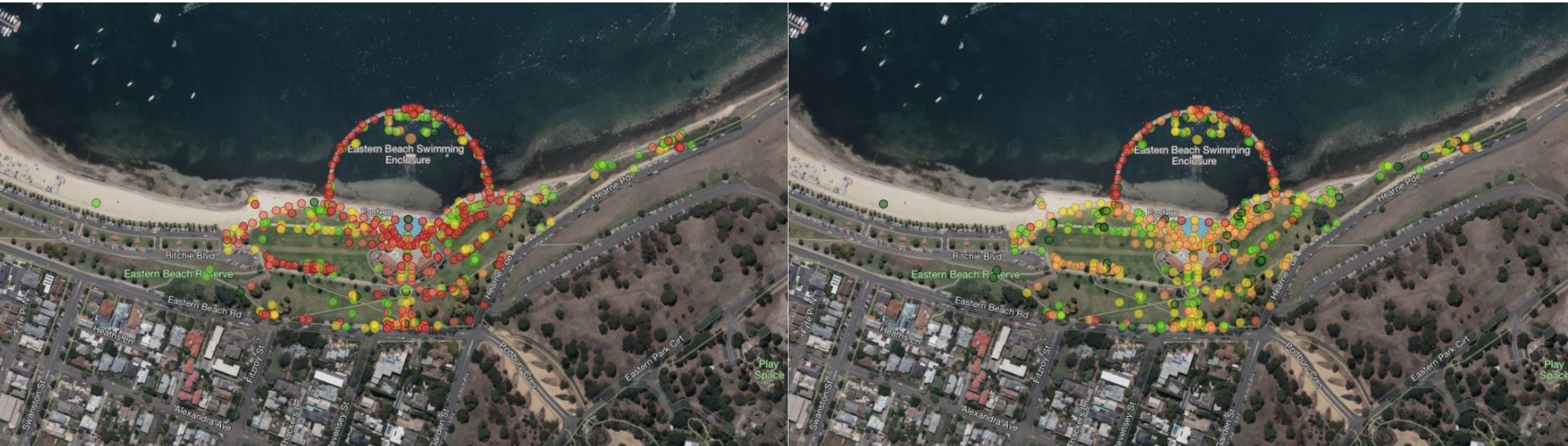
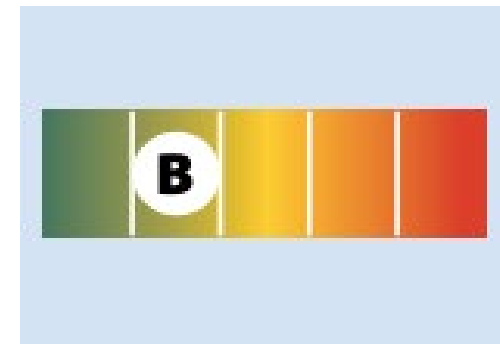
require IMMEDIATE attention

CONTEXT OF STRATEGIC ASSET MANAGEMENT





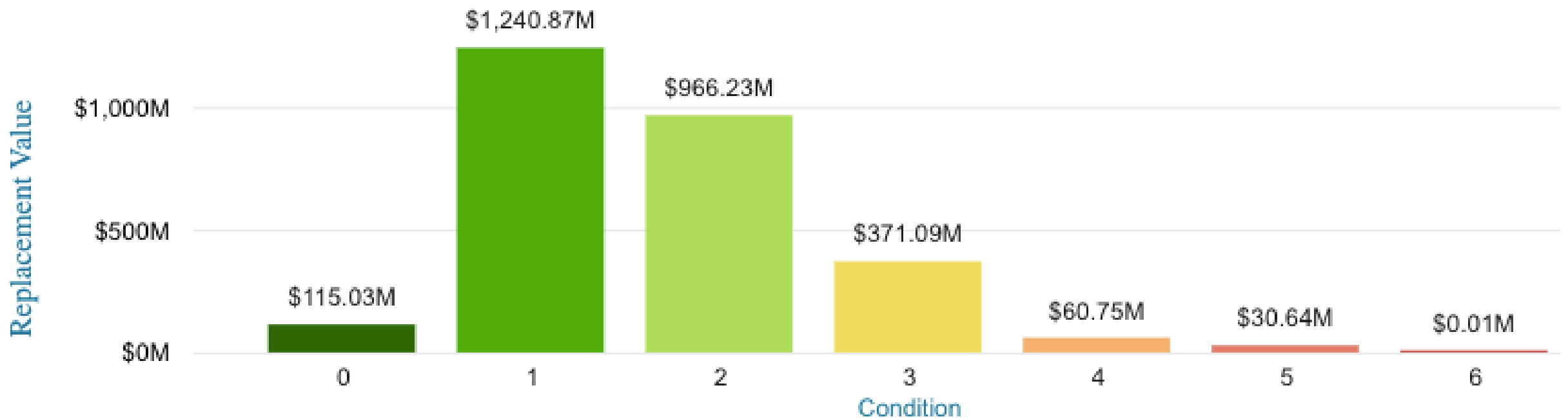
3,5,10 Years



Without Increasing Spend

Sample Condition Profile

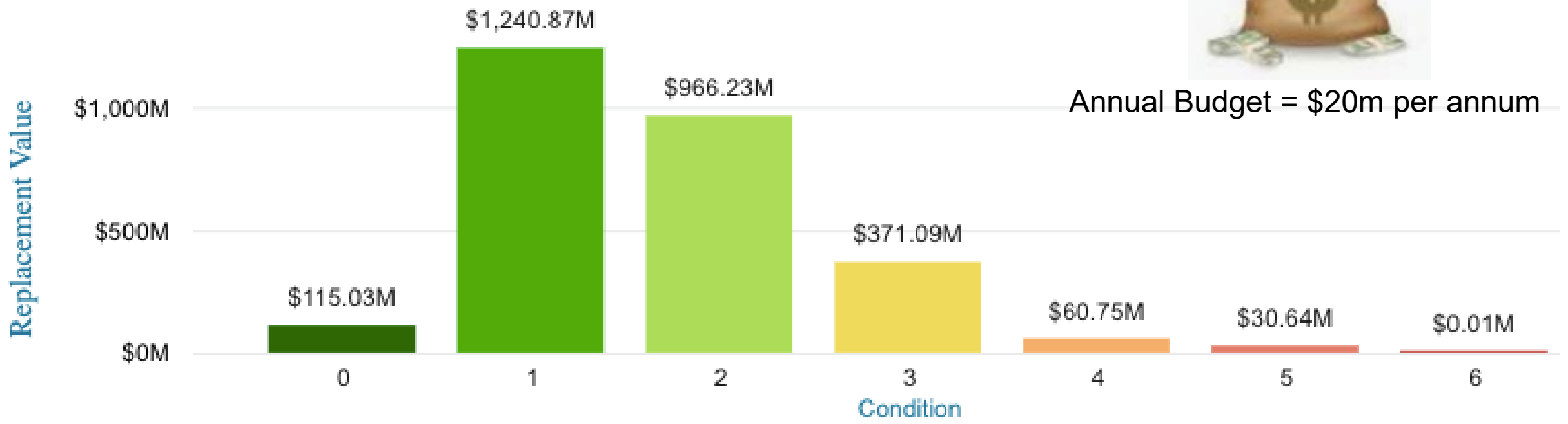
Overall Condition Distribution



What is the PVP?

LONG TERM BUDGETING

Overall Condition Distribution



Annual Budget = \$20m per annum

Spending Choices – Annual Budgeting

Each Year \$20M available

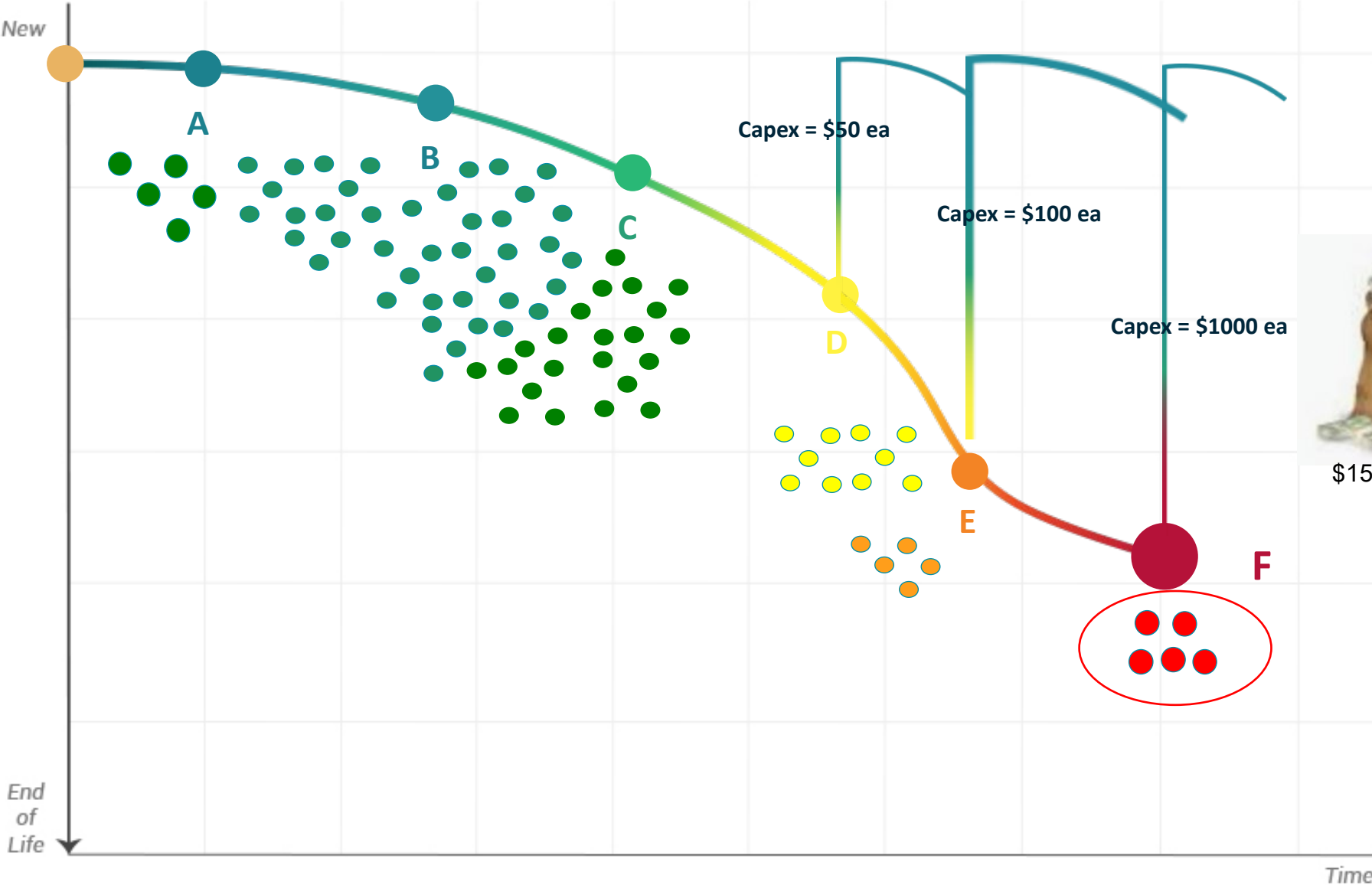
We have choices on which assets to focus on?

What are the drivers for these choices?



"By implementing my plan, we can save 1¢ every ten years."

Spending Choices – Annual Capital Budgeting



Shaz's Asset Plan - Spending Choices – Annual Capital Budgeting

Strategy	Strategy 1	Strategy 2	Strategy C	Strategy 4
	1 x \$1000	1 x \$1000	0 x \$1000	1 x \$1000
	2 x \$100	1 x \$100	10 x \$100	0 x \$100
	6x \$50	8x \$50	10x \$50	10x \$50
Total Annual Budget	\$1500	\$1500	\$1500	\$1500

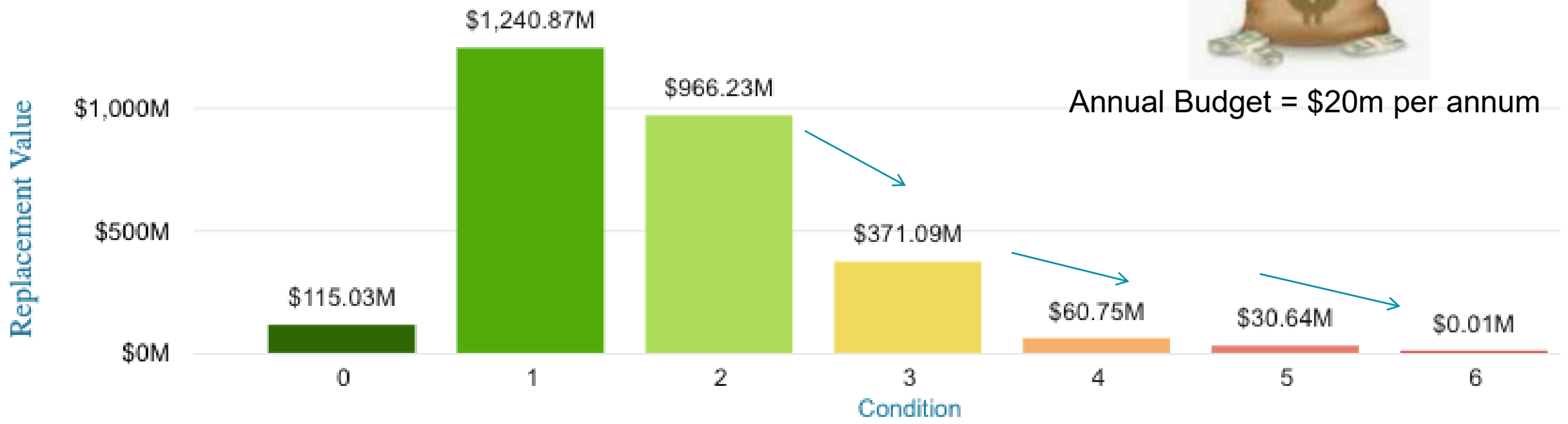


\$1500 per annum

Balancing the Budget

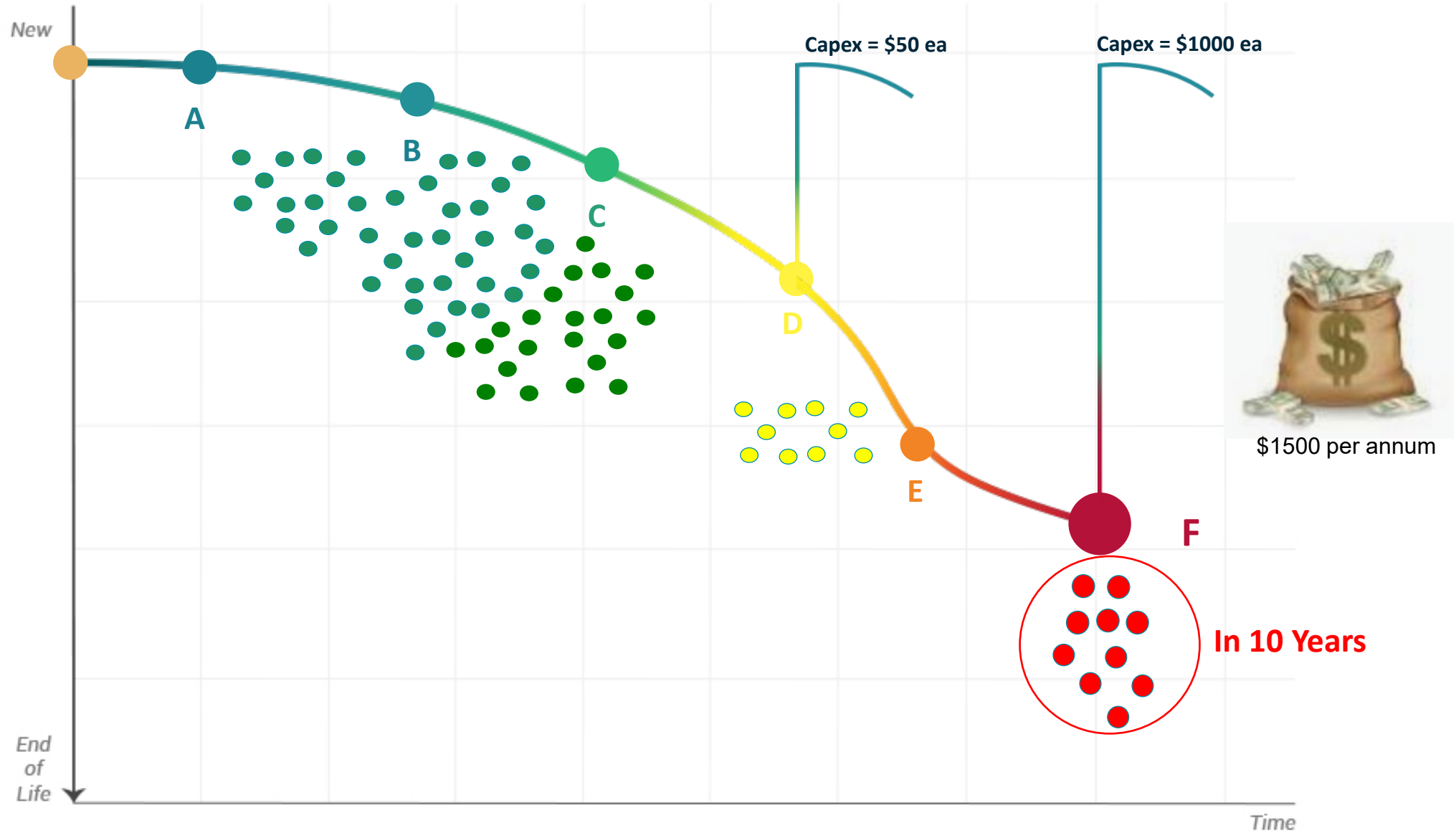
Budget Optimisation and Balancing

Overall Condition Distribution

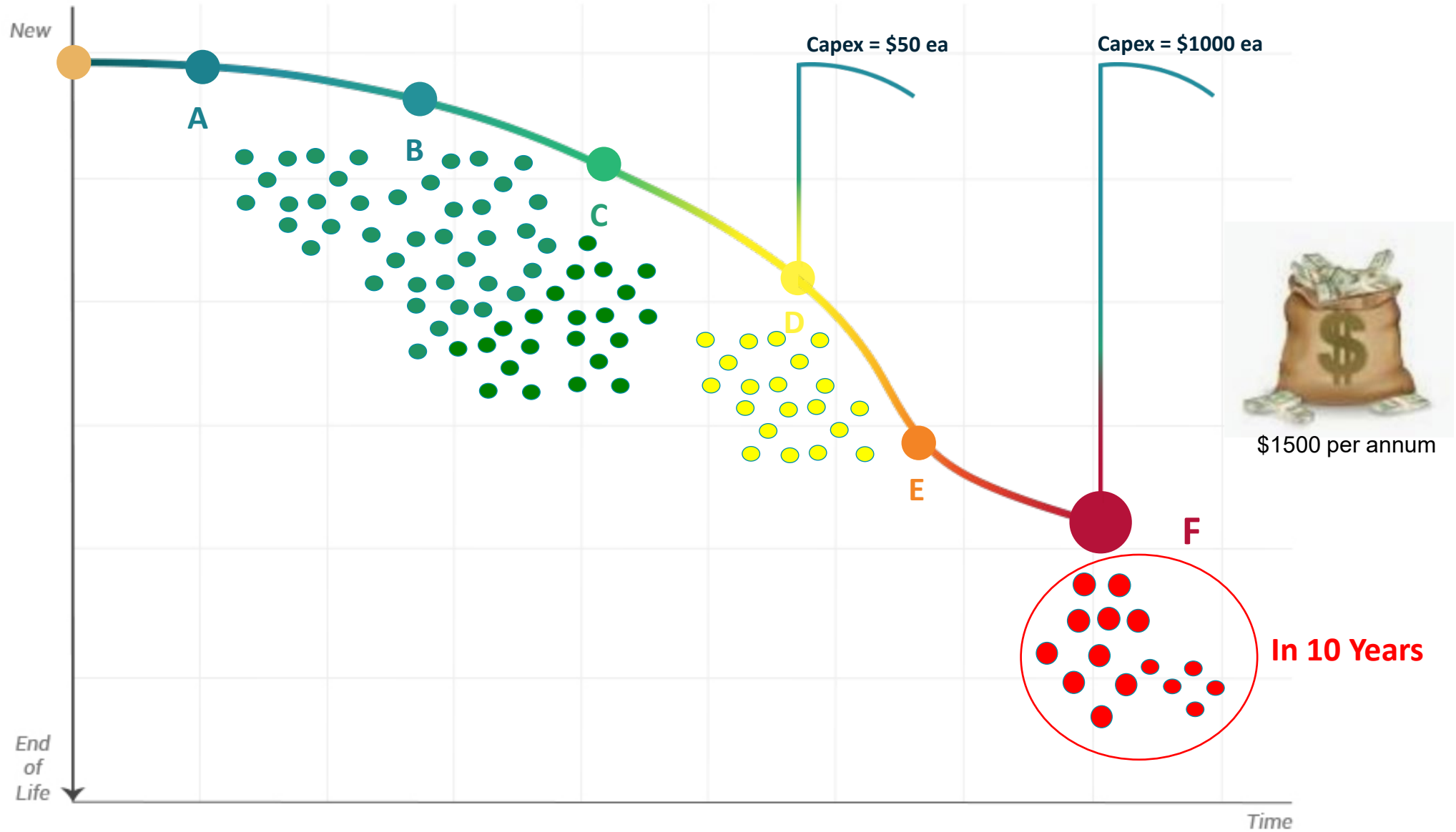


Annual Budget = \$20m per annum

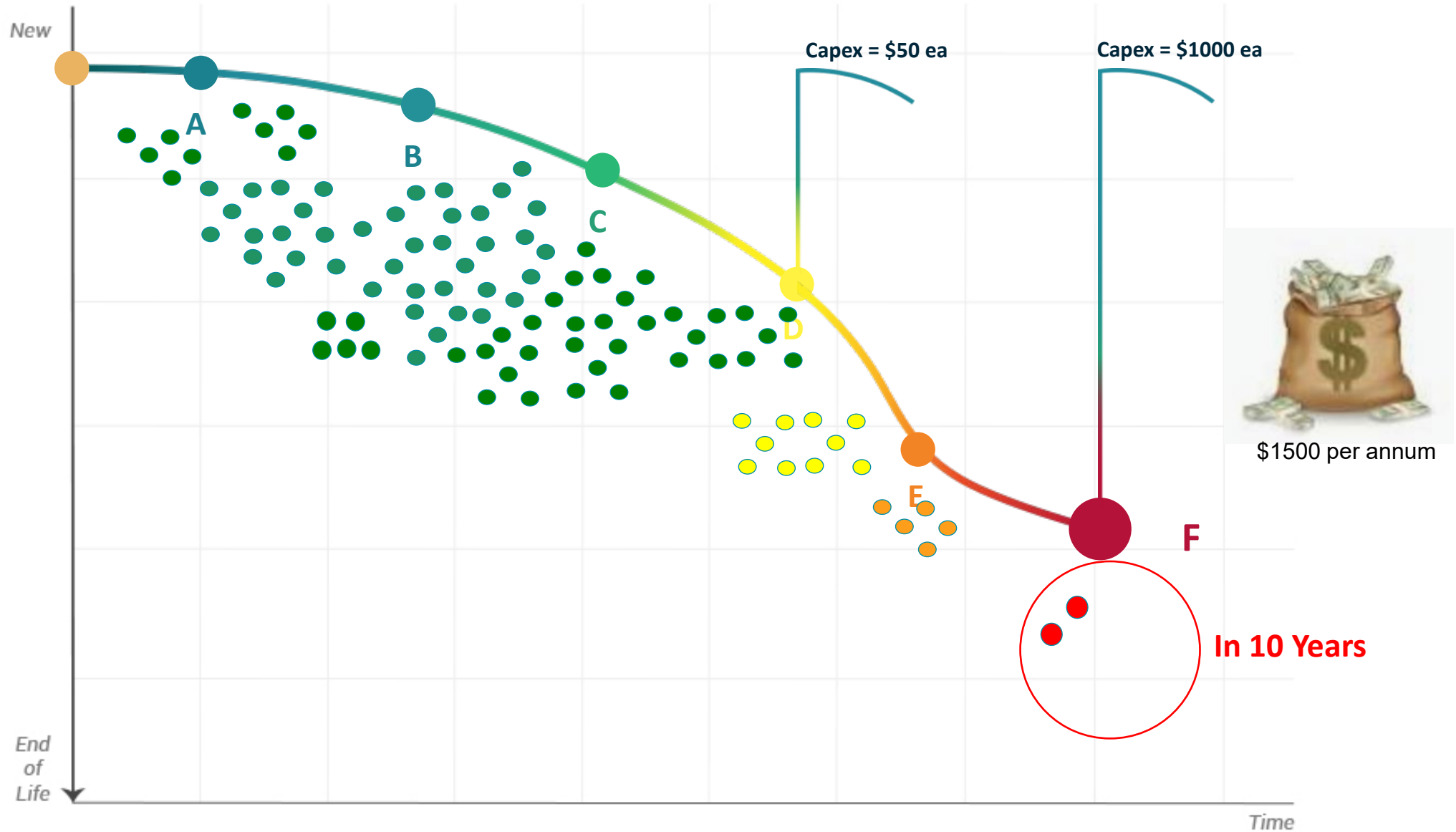
Shaz's Spending Choices – Scenario A



Shaz's Spending Choices – Scenario B

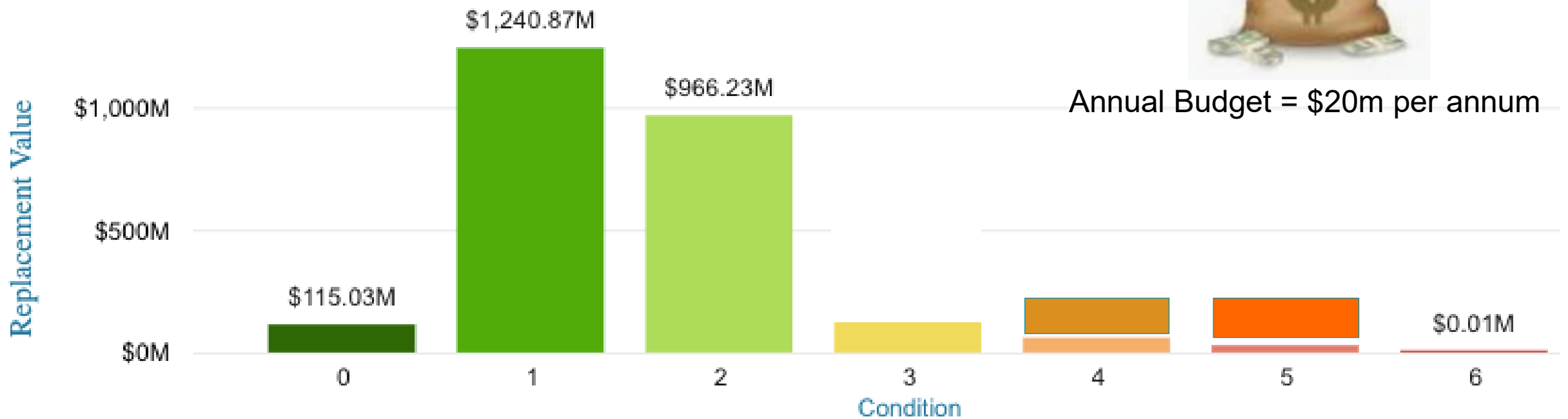


Shaz's Spending Choices – Scenario C



PVP – The Only Number that Matters

Overall Condition Distribution



Balancing Service Level and Funding



Binda's LTFP is informed by Shaz's AMP

Long Term Financial Plan & Level of Service



Level of Service and
Intervention Level

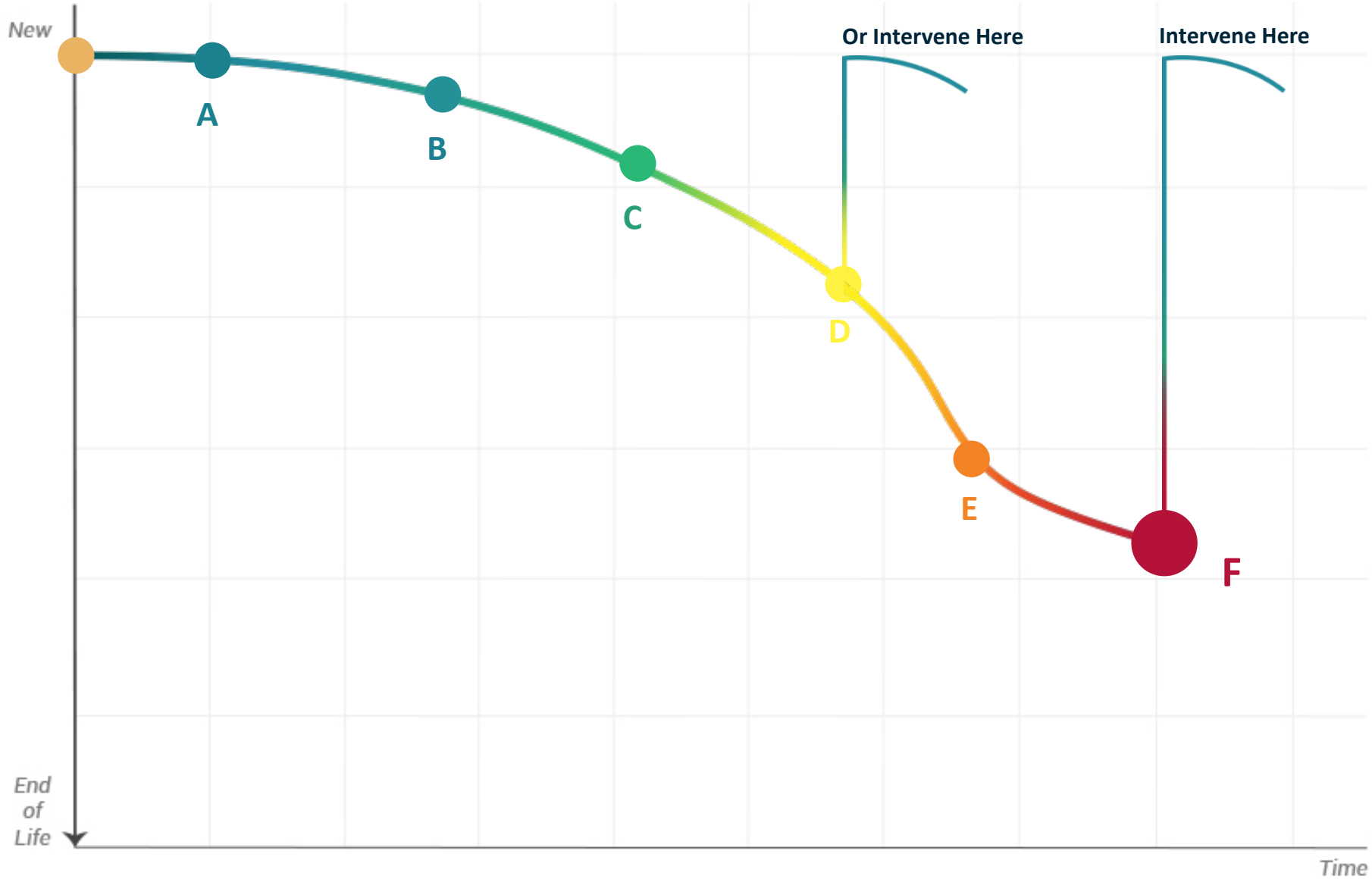
Modern Practitioner

This is Nav and Shazi's Job

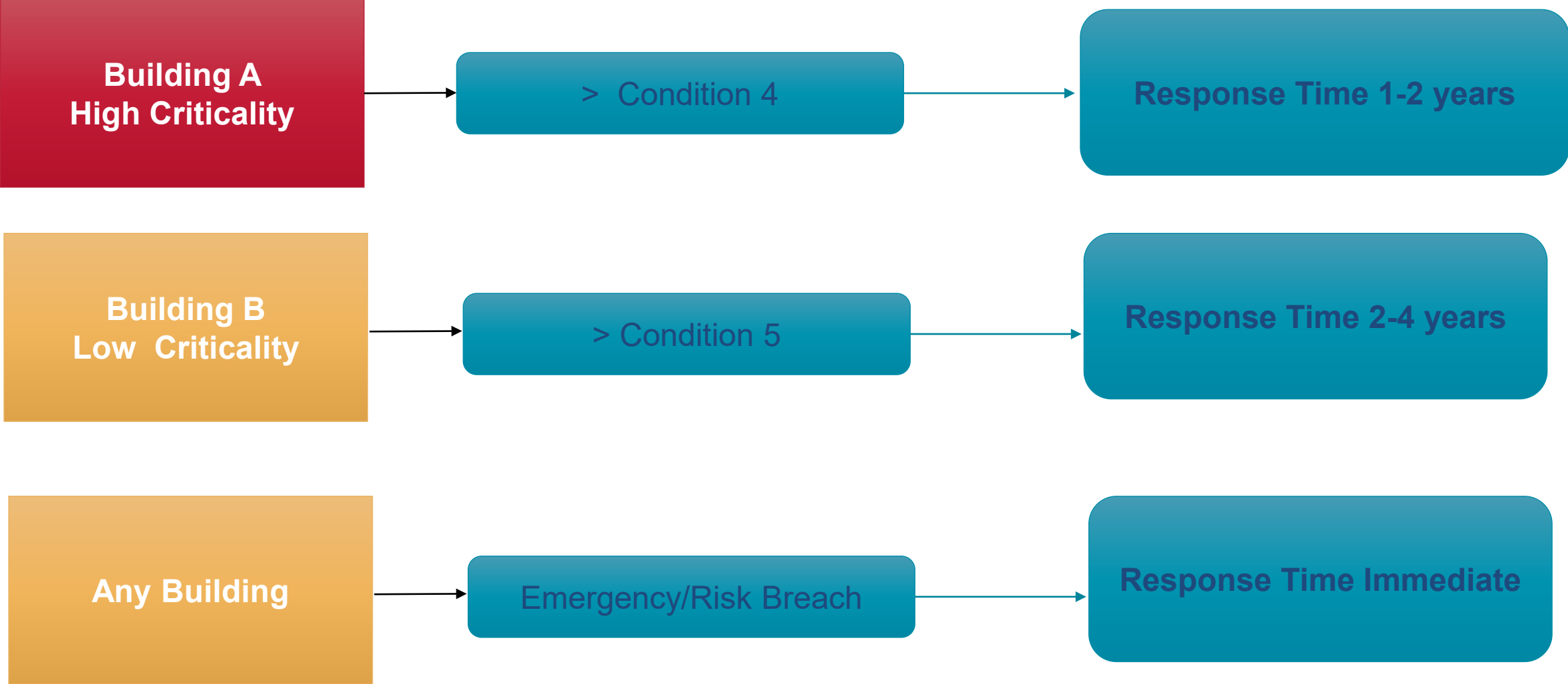


Capital Renewal- Intervention Level

Criticality



Capital Intervention Level Rule Base



Budget Balancing– Lets See Live



Building Asset Management Dashboard

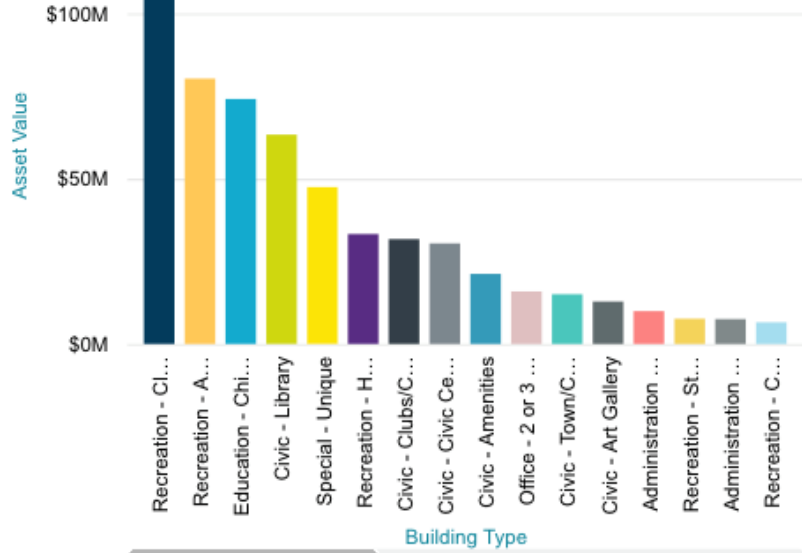
High Level Summary

Asset Portfolio Value

\$618.11M

Asset Value

Asset Value by Asset Type

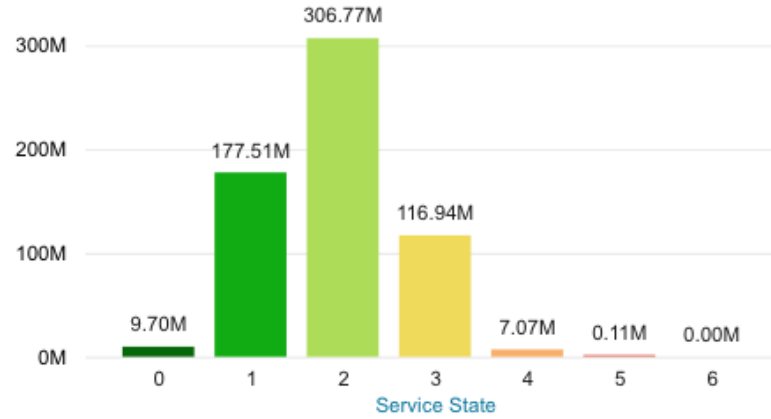


Asset Portfolio Condition

1.89

Average Condition

Condition Distribution

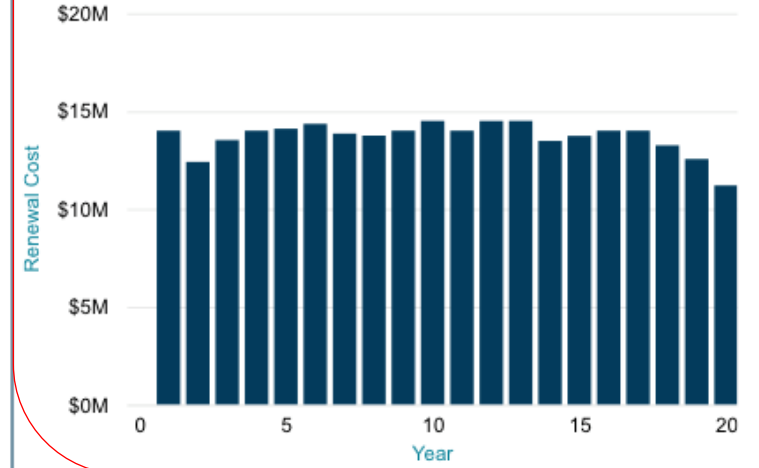


Asset Portfolio Required Expenditure

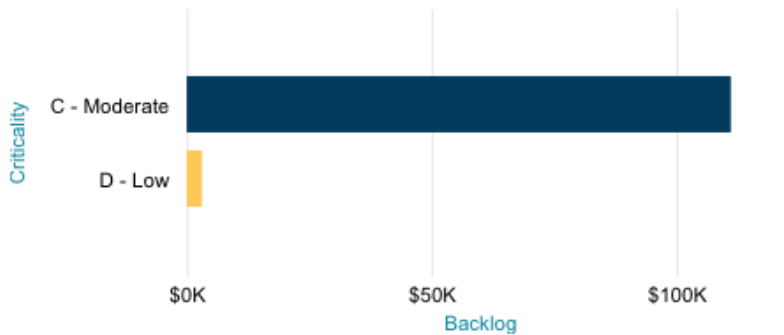
\$273.67M

Treatment Cost

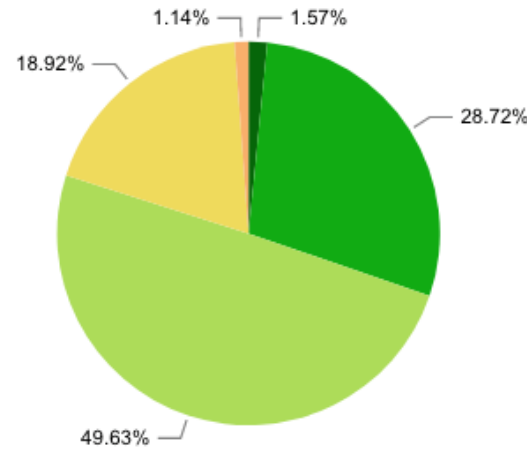
Renewal Cost by Year



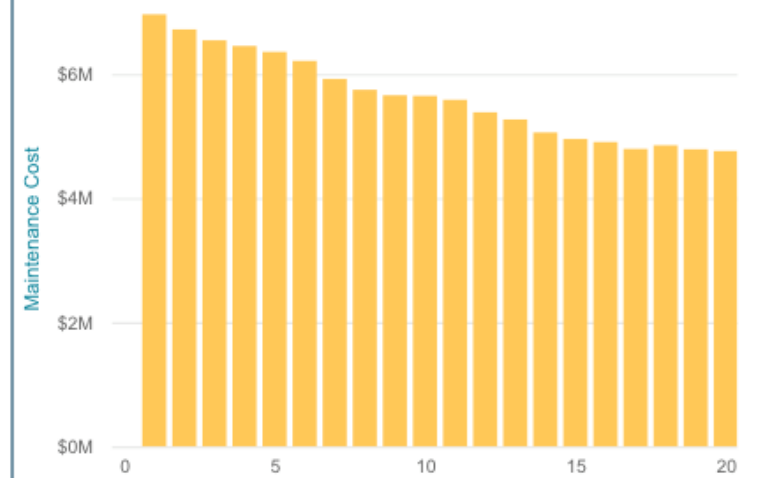
Backlog by Building Criticality



Overall Condition



Maintenance Cost by Year



Playgrounds Strategic Asset Management Dashboard

High Level Summary

Asset Portfolio Value

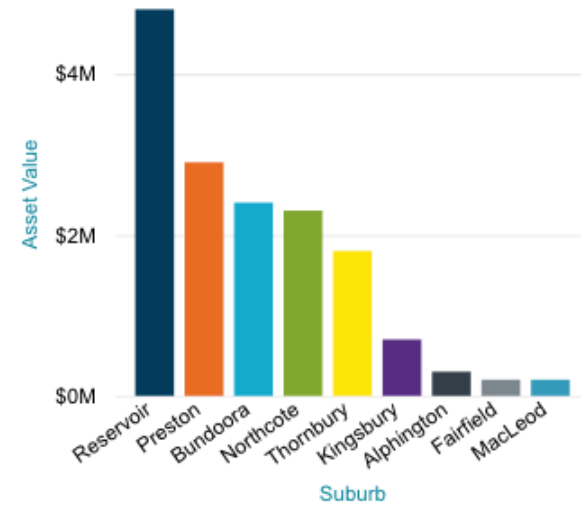
\$15.60M

Asset Value

Asset Value by Park Hierarchy



Asset Value by Suburb

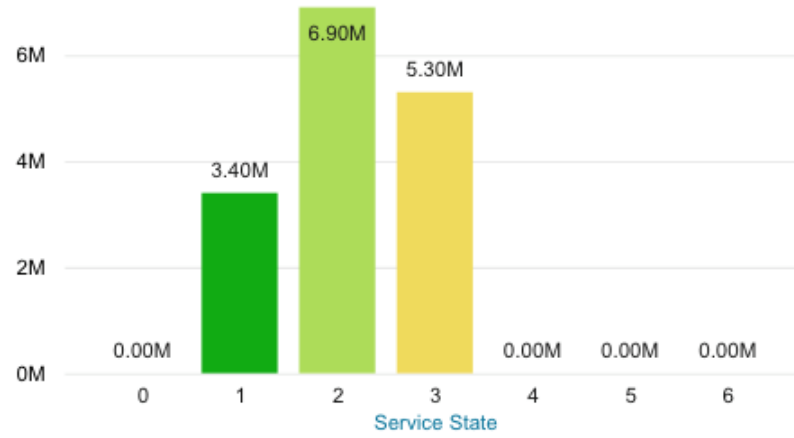


Asset Portfolio Condition

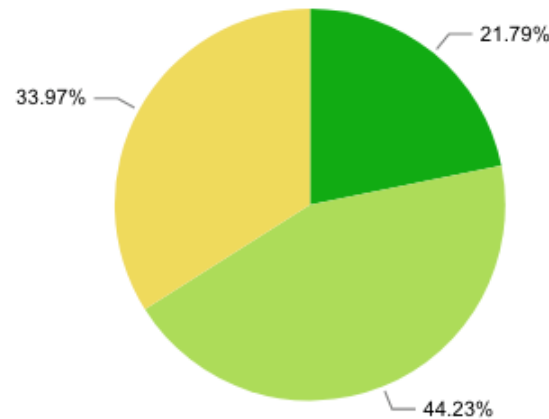
2.12

Average Condition

Condition Distribution



Overall Condition



Asset Portfolio Required Expenditure

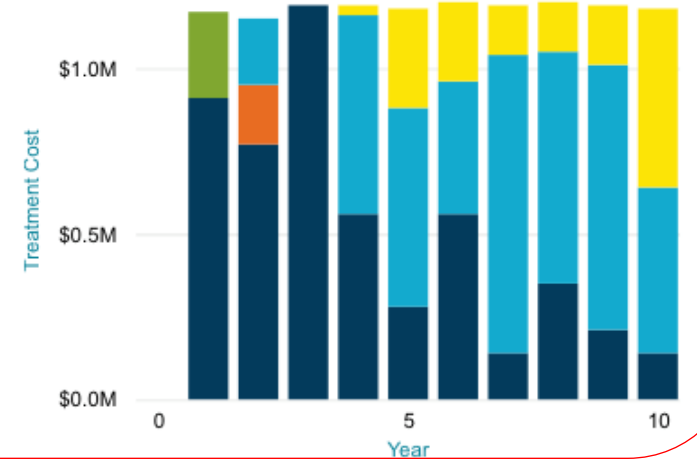
\$19.76M

Treatment Cost

Treatment Cost by Year and Treatment Name

Treatment Name

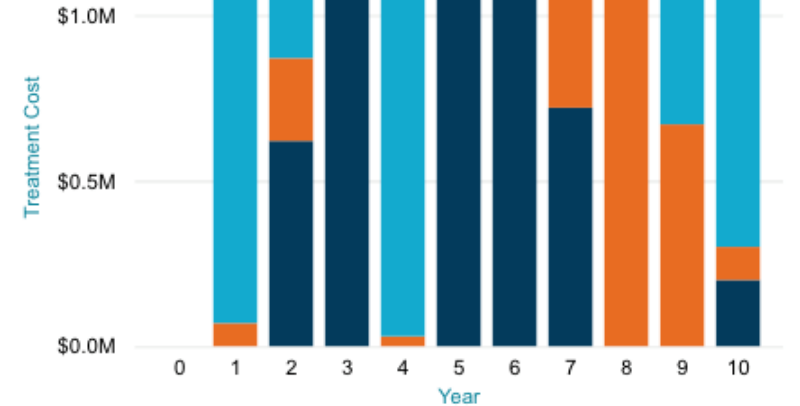
- Equipment Renewal
- Equipment Upgrade
- Full Site Renewal
- Full Site Upgrade
- Softball & Edging Rene...



Treatment Cost by Year and Park Hierarchy





Park Hierarchy

- District
- Local
- Regional







Balancing the Level of Service

\$27M pa over 10 years

Criticality	Level of Service	Intervention Level	10 Year Outcome
A	Maintain in very good/excellent condition	> condition 3, return to as new when due within 1 year	PVP less than 5% 
B	Maintain in good condition	> Condition 4, return to good when due within 3 years	Likelihood of Claims = under 11% 
C	Keep above poor condition	> Condition 5, return to good when due within 5 years	Maximum likely event = \$1.5 M 
D	Maintain at minimum level by keeping safe	Maintain and keep safe	Reliability = 98% 

\$18M pa over 10 years

Criticality	Level of Service	Intervention Capital Renewal	Intervention Maintenance
A	Maintain in good condition	> Condition 4 return to as good when due within 2 years	PVP 8-10% 
B	Maintain in fair condition	> Condition 5, return to reasonable when due within 4 years	Likelihood of Claims = under 20% 
C	Keep above poor condition	> Condition 5, return to reasonable when due within 6 years	Maximum likely event = \$3.5 M 
D	Maintain at minimum level by keeping safe	Maintain and keep safe	Reliability = 90% 

Budget Balancing Based on: LoS Vs Depreciation



LoS vs Financial Depreciation

Asset Life Cycle – Cyclic Funding Need



\$54 M average pa

Depreciation= \$34 million pa

\$16M average pa

\$\$\$

2021

2030

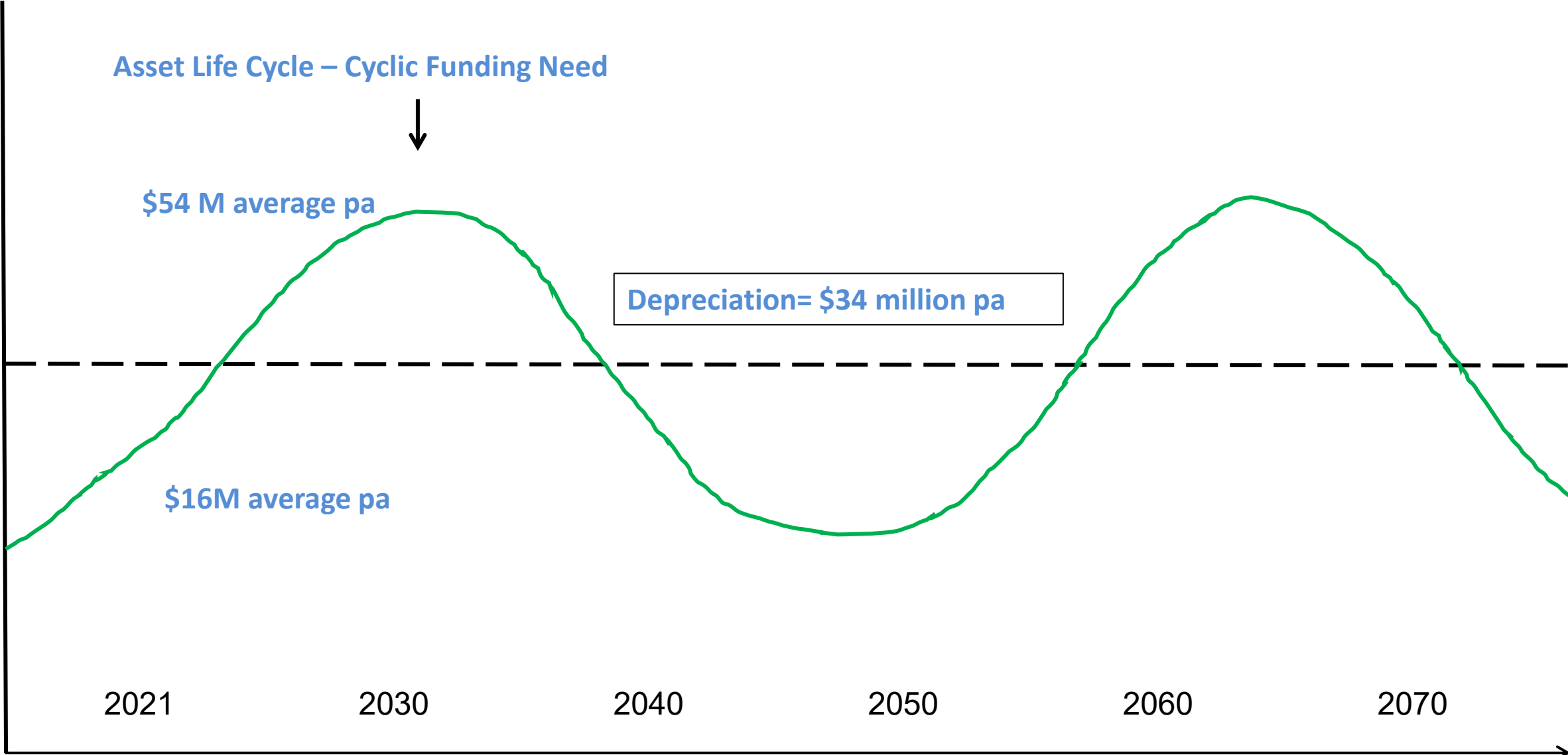
2040

2050

2060

2070

Time (Life Cycle)



Our Job As Practitioners – Inform and Consult



We provide Choices

Politicians Make Decisions

"By implementing my plan, we
can save 1¢ every ten years."

Bridging the Divide – Accountneering

Engineers	Accountants
Spend money	Count money & keep costs down
Want to get projects done	Want to get audit done
Renewal - Lumpy	Depreciation -Nice and Even
Roughly \$1.5 to \$2m	Exactly \$1,860,490.12
Everything lumped together	Operating & Capital
Asset Plan	Annual Depreciation



Trust Through Deliberative Engagement



Financial Plan & Asset Plan

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