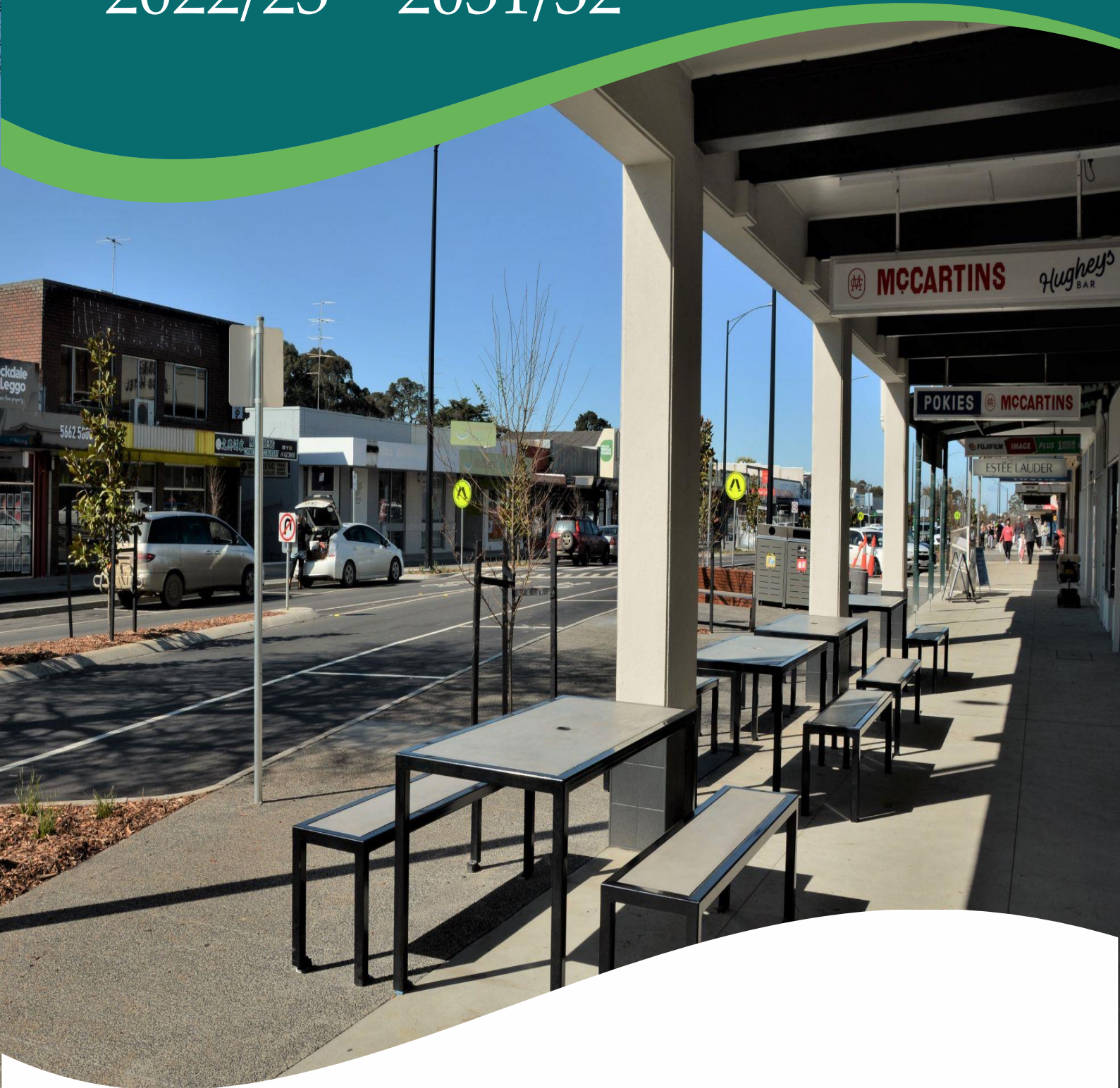


SOUTH GIPPSLAND SHIRE COUNCIL

Asset Plan 2022/23 – 2031/32



*Managing South Gippsland's assets
now and for the future.*
South Gippsland Shire Council



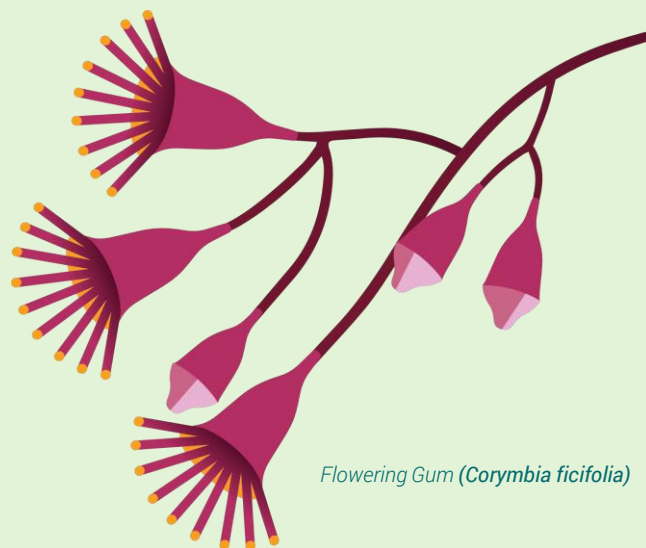
South Gippsland
Shire Council

Thank you

Council would like to acknowledge and thank the business, community and agency representatives involved in this Plan. We thank them for meeting the project team, attending consultation sessions, and providing feedback throughout its development.

Acknowledgment of Country

We acknowledge the Bunurong and Gunaikurnai people as the Traditional Custodians of South Gippsland and pay respect to their Elders, past, present, and future, for they hold the memories, traditions, culture, and hopes of Aboriginal and Torres Strait Islander people of Australia.



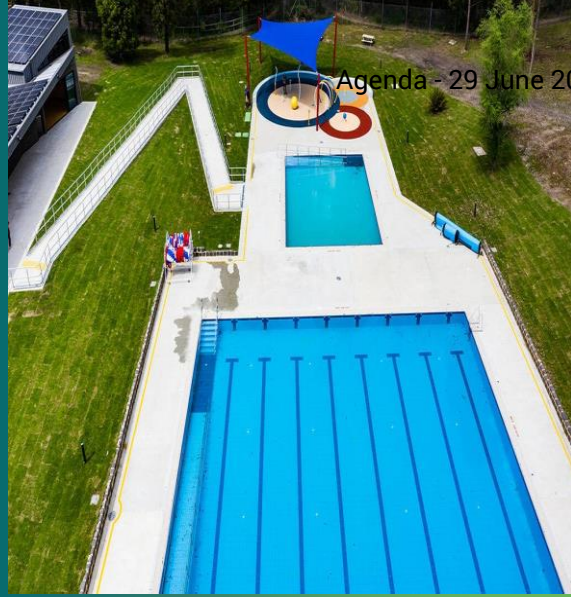
Flowering Gum (Corymbia ficifolia)

Attachment 2.3.4 Purpose of this document

Asset management by Council is a comprehensive process aimed at ensuring that Council's assets are managed and maintained in a way that enables affordable services to be provided in an economically optimal way. In turn, affordable service levels can only be determined by assessing Council's financial sustainability under scenarios with varying service levels.

The Local Government Act 2020 (Act) requires councils to prepare a ten-year Asset Plan in the year following a general election that links to the achievement of the Community Vision and the Council Plan within the Integrated Planning and Reporting framework.

The Asset Plan's objective is to inform the community, in conjunction with Council's other strategic documents, about how Council manages its vast asset portfolio, both presently and into the future.



Mirboo North Pool

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Executive Summary

1

State of Our Assets

Council assets support the provision of a wide range of services to the residents and visitors to the municipality. Council has committed to ensuring that it is able to maintain its assets at the levels appropriate to deliver the services needed by the community.

The 2020/21 Annual report shows that the fair value of Council's infrastructure is \$549 million. The approximate replacement cost of the assets is \$659 million for infrastructure assets and another \$141 million for other asset such as plant, fleet and IT assets.



Roads, Kerb and Channel

\$346M



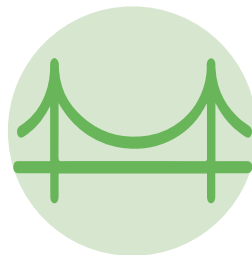
Buildings and Land

\$126M



Drainage

\$22M



Bridges and Major Culverts

\$22M



Paths and Cycleways

\$16M



Other Infrastructure

\$17M

Challenges and Choices

The Council Plan commits South Gippsland Shire Council to the effective management of its assets and prioritises renewal spending on existing assets over upgrade, expansion and new projects, particularly for road, trail and footpath networks to create connected townships.

However, the asset base managed by Council is largely reaching the ending of its useful life, especially buildings.

A key financial challenge for Council is the trade-off between the capped spending imposed by rate capping and a growing demand for services driven by population growth. Effective management of assets is also challenged by climate change, an increase in severe weather events that damage assets such as roads and bridges and the threat of inundation in coastal areas.

A growing population that requires new and expanded assets



An existing asset base that requires renewal and upgrade funding

A Capped Spending Budget

Our Region

2

"Encompasses 3,308 square kilometers including extensive coastal areas and the spectacular Wilsons Promontory National Park."

South Gippsland Shire Council is located in coastal south eastern Victoria, approximately 100 kilometres south-east of Melbourne. It is made up of three wards which include Tarwin Valley, Strzelecki and Coastal Promontory.

The original inhabitants of the South Gippsland area were the Bunurong and Gunaikurnai indigenous people.

The Shire is bounded by Cardinia and Baw Baw Shires to the north, Latrobe City and Wellington Shire to the east, Bass Strait to the south, and Bass Coast Shire to the west. The Shire is a rural, residential and tourist area.

It encompasses 3,308 square kilometres, including extensive coastal areas and the spectacular Wilsons Promontory National Park. Much of the rural area is used for forestry and agriculture; with dairy, beef, sheep, and snow pea farming being the main agricultural pursuits. Fishing, viticulture and tourism are also important industries that contribute economic diversity to the region.

Other major attractions of the Shire include Port Welshpool Long Jetty, Cape Liptrap Coastal Park, Strzelecki Ranges, Coal Creek Community Park and Museum, the Great Southern Rail Trail, Grand Ridge Rail Trail, Nyora Speedway, Stony Creek Racecourse, Agnes Falls and specialist wineries, gin distilleries and breweries.

The towns in South Gippsland are Leongatha, Korumburra, Mirboo North and Foster. Other townships, and hamlets include: Bena, Buffalo, Dumbalk, Fish Creek, Jumbunna, Kongwak, Koonwarra, Meenyan, Mirboo, Nyora, Poowong, Port Franklin, Port Welshpool, Ruby, Stony Creek, Sandy Point, Tarwin Lower, Toora, Venus Bay, Walkerville, Waratah Bay, Welshpool and Yanakie.

Other localities include: Agnes, Arawata, Darlimurla, Hedley, Kardella, Nerrena, Strzelecki and others.



About the Asset Plan

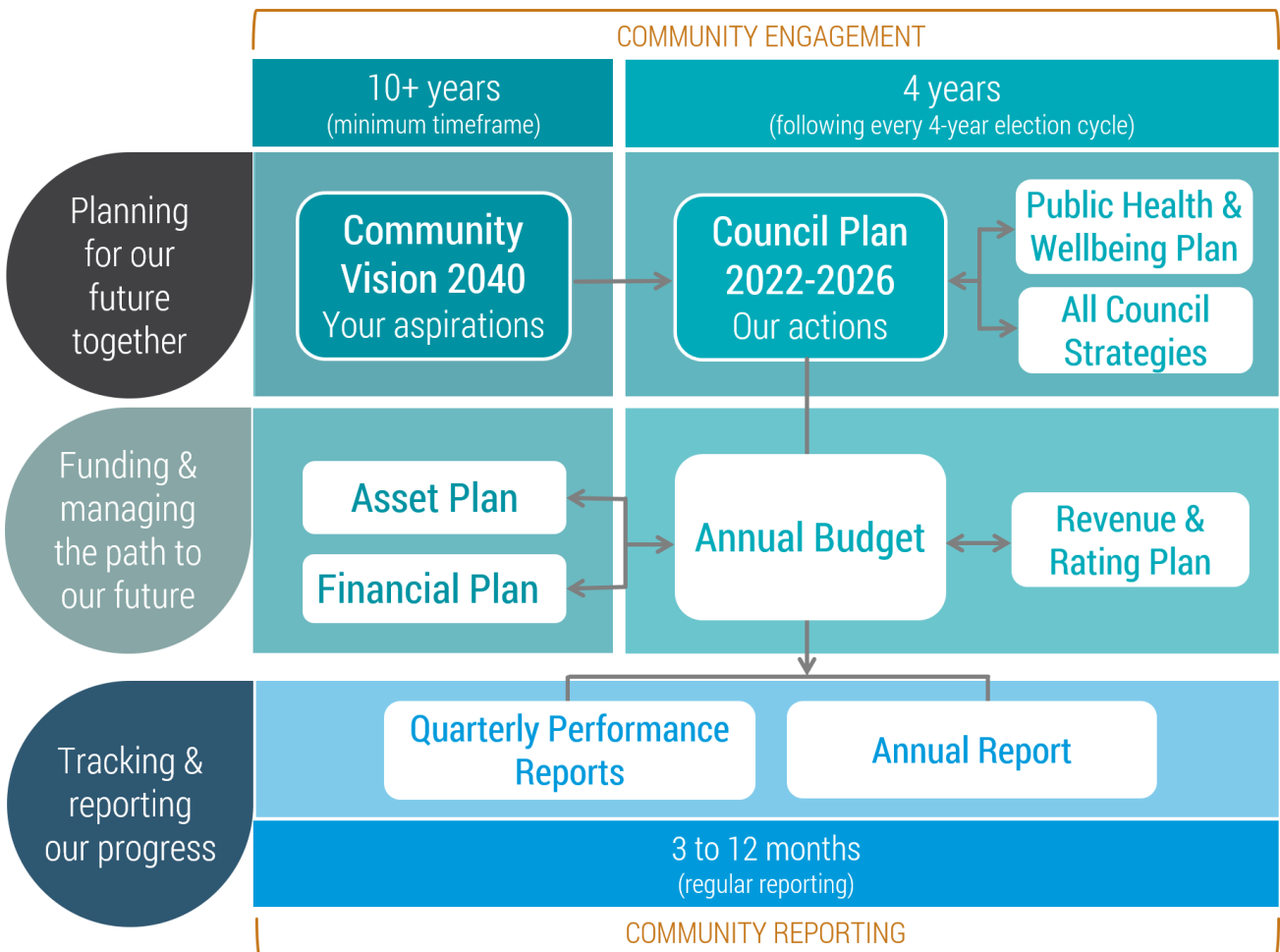
3

Asset management by Council is a comprehensive process aimed at ensuring that Council's assets are managed and maintained in a way that enables affordable services to be provided in an economically optimal way. In turn, affordable service levels can only be determined by assessing Council's financial sustainability under scenarios with varying service levels.

The *Local Government Act 2020* (the Act) requires councils to prepare a 10-year Asset Plan in the year following a general election that links to the achievement of the Community Vision and the Council Plan within the Integrated Planning and Reporting Framework.

This Framework guides the Council in identifying community needs and aspirations over the long-term through the Community Vision and Financial Plan, the medium-term through the Council Plan, Workforce Plan, and Revenue and Rating Plan, and short-term through the Department Plans and Budget. Council holds itself accountable through the Organisational and Financial Performance Reports and the Annual Report.

Figure 1: Council's Strategic Planning & Reporting Framework



Section 92 of the Act highlights the requirement for good asset management practices across the Local Government sector in Victoria. In line with the Act, the purpose of the Asset Plan is to:

- Improve the transparency around asset value and performance.
- Better inform the community on the type of assets under Council management and the financial impost.
- Embed responsible asset management practices into the Integrated Planning and Reporting Framework.
- Contribute to Council's long-term objectives, strategic intent, and finances.
- Improve the efficiency and effectiveness of asset management practices through a more engaged community and informed Council.
- Better align decisions around assets to community needs, service levels and standards, and financial sustainability.
- Articulate and communicate the challenges on service levels, costs, risks, and the considerations for the decisions made.

The Asset Plan's objective is to define and document Council's management of its vast asset portfolio, both now and into the future. It will provide an understanding of the asset portfolio of South Gippsland Shire Council, including asset values and show how the effective management of infrastructure assets underpins the effective delivery of services to the local community.

The Asset Plan has been developed in accordance with the requirements of the Act and will be reviewed following each election as required by the Act.



Korumburra Streetscape

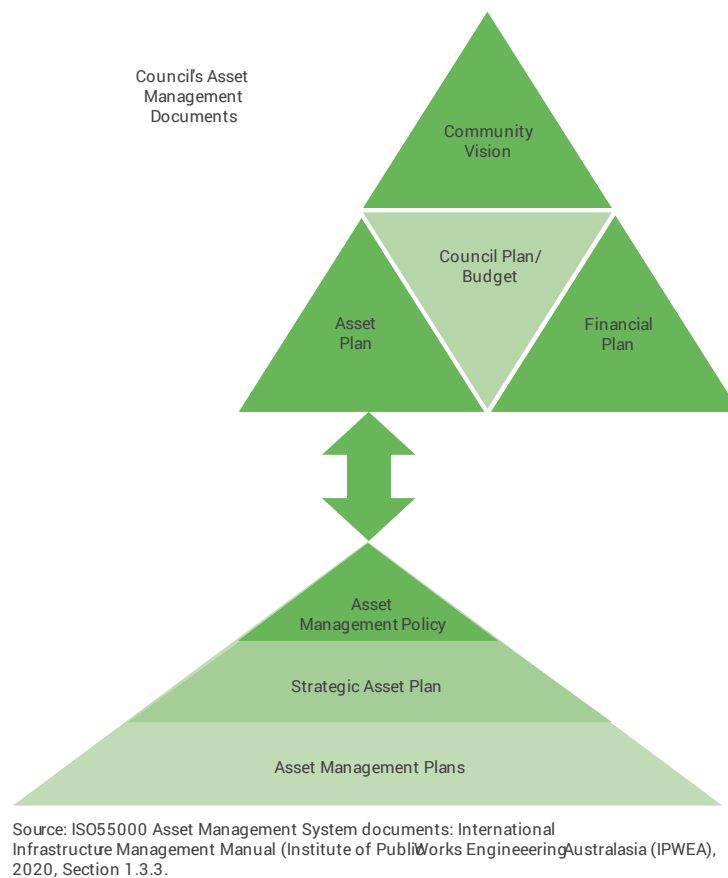
Strategic Context

4

The Asset Plan outlines how Council owned and managed infrastructure assets will support achievement of the Community Vision, the Council Plan objectives and ensures that there is alignment with the Long-Term Financial Plan (LTFP).

Figure 2 below shows how the Asset Plan relates to the Council's key strategic plans and the Asset Management System. Detail relating to the Asset Management Systems at South Gippsland Shire Council can be found in the Asset Management Policy, the Strategic Asset Plan and the Asset Management Plans.

Figure 2: Strategic Context of the Asset Management System Documents



Council's intent for the provision of infrastructure assets, is to provide facilities and assets that are sustainable, contribute to the economic viability of the Shire, allow for access, mobility and improved lifestyle for communities.

Council has determined previously that asset renewal will be prioritised ahead of investment in new infrastructure assets, with whole of life costs being a key consideration in infrastructure investment decisions. All asset renewal, upgrade and expansion will be subjected to technical, financial, social and environmental evaluation and prioritised using Council's Asset Management Systems and the Community and Economic Infrastructure Blueprint principles.

Aligning asset management decisions with Council's long-term financial plan will ensure that adequate budget is available to maintain, dispose and renew existing assets that support the required community services.

Guiding Principles for Capital Investment

Capital investment in infrastructure assets will follow the six guiding principles of the Community and Economic Infrastructure Blueprint as outlined below.

Community Benefit is Maximised

Maximise community benefit by promoting access, inclusion, economic contribution and by building social connection.

Alignment with Strategic Direction

Undergo strategic community planning to ensure the proposal aligns with Council's service and strategic direction.

Whole of Life Costs are Clear

Demonstrate whole of life costs and adherence to asset management principles to ensure community facilities are multi-functional (where possible), well maintained and managed, fit for purpose and in the best position for the municipality.

Services and Use are Appropriate

Ensure the proposal meets the level of service and appropriate use of the facility so that it will meet the community's needs now and into the future, accounting for contemporary regulations and standards.

Risk is Managed

Demonstrate risk mitigation within a proposal to safeguard the future project for all concerned.

Financial Commitment is Understood

Justify all financial aspects of a proposal with consideration of Council's whole of life responsibilities by thorough planning and business case/feasibility studies where the need is identified.

State of Our Assets

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Council infrastructure assets as outlined in Figure 3 below, provide a wide range of services throughout the municipality. Council aims to ensure that it is able to maintain its infrastructure assets at the expected levels, whilst at the same time continuing to deliver the services needed by the community.

The 2020/2021 Annual Report shows that the fair value of Council's infrastructure is \$549 million. The approximate replacement cost of the assets is \$659 million for infrastructure assets and another \$141 million for other asset such as plant, fleet and IT assets.

Figure 3: Asset Value as Percentage of Total Portfolio Value

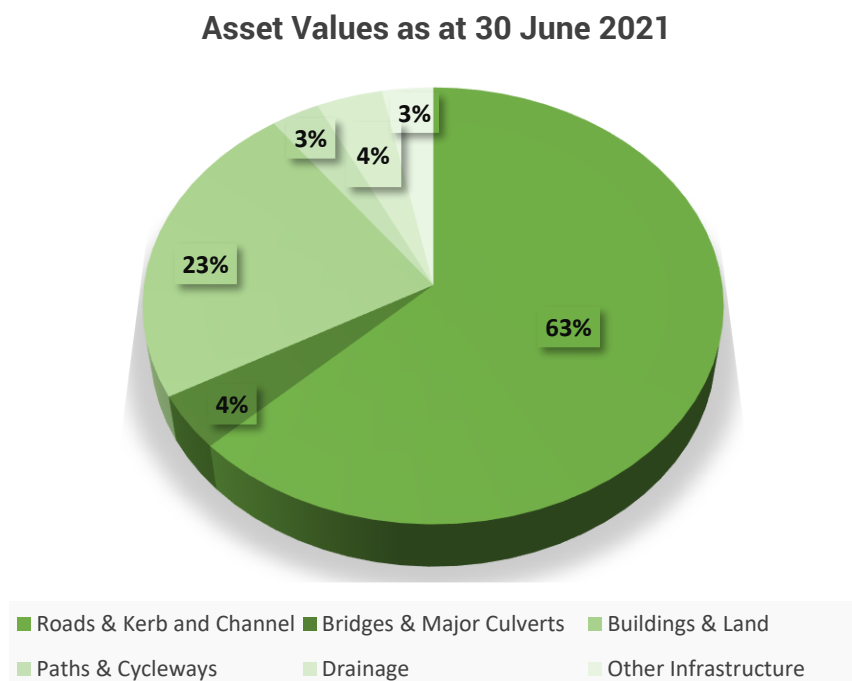
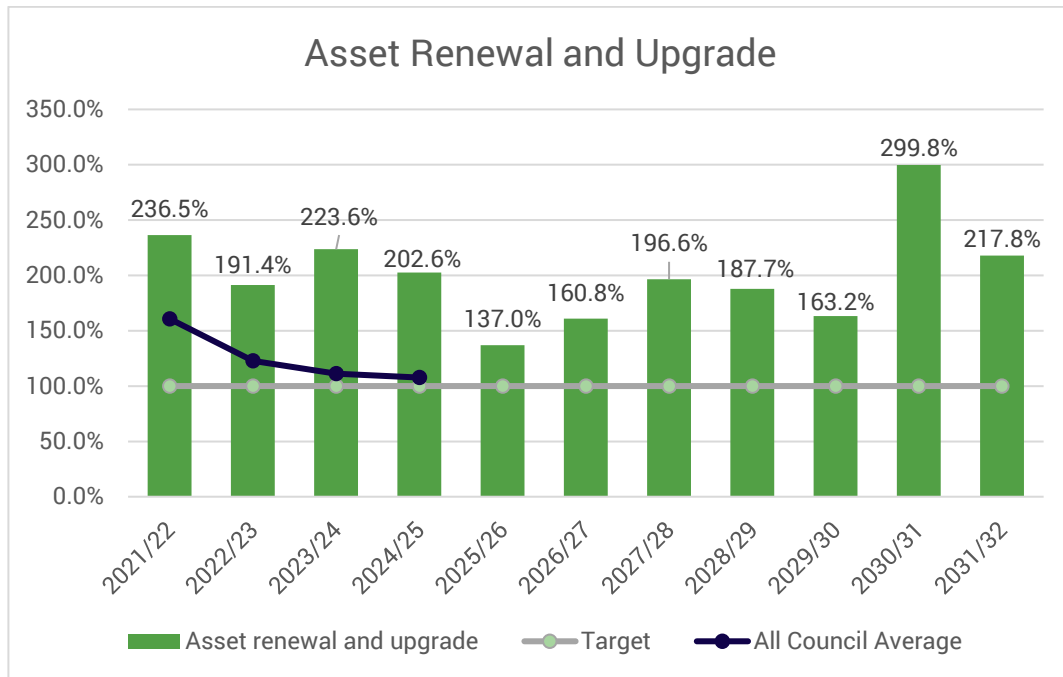


Figure 4 below outlines the renewal and upgrade expenditure that Council incurs on its existing asset base compared to depreciation expense. This assesses whether Council's assets are being renewed or upgraded as planned and compares the rate of spending on existing assets through renewing, restoring, replacing or upgrading existing assets with depreciation expense.

Figure 4: Asset Renewal and Upgrade



The measurement of asset renewal and upgrade expenditure that Council incurs each year can be variable year on year. Whilst the ratio is quite high in 2021/22, this is due primarily to the carrying forward of \$10 million of capital works from the previous year. The ratio is predicated to remain high in the following three forecast years due to works planned in Korumburra, including the construction of a Korumburra Community Hub and the renewal of main streets in Korumburra, known as the Streetscape projects. Following those years, the ratio will fall to a more normal level as Council expects to have minimal carry forward of works from one year to the next.

Council Mission, Goals and Objectives

6

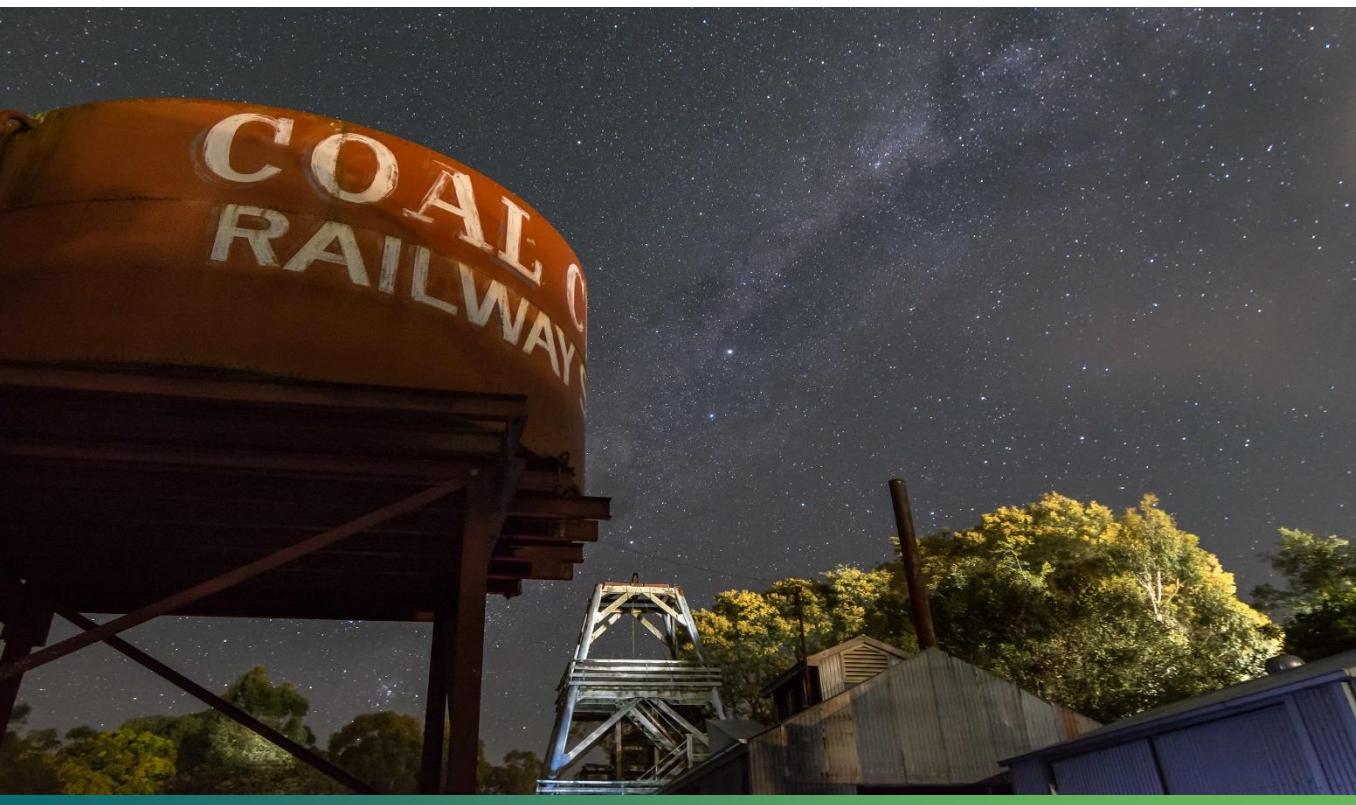
The Council Plan outlines Strategic Objective One as *Connecting our People and Places*:

Improving the safety and condition of our sealed and gravel road networks and connectivity for residents and basic services is a major community and Council priority.

We commit to continuous safety improvement in our road management, planning and processes, and a commitment to advocacy for public and community transport options and Shire wide digital connectivity.

Our priorities in relation to this Strategic Objective that will be supported by Council's Asset Management Systems are:

- Continuous improvement of our road maintenance processes and community feedback mechanisms.
- Prioritisation of safety black-spots with advocacy for appropriate speed limits, signage and traffic calming measures.
- Enhancements of the network of trails and footpaths to improve pedestrian accessibility and flow to create all-ability connections between towns, tourism sites, health services and within local neighborhoods.



Coal Creek Community Park and Museum

Challenges

7

South Gippsland Shire Council has many challenges when it comes to managing its infrastructure asset base. The following are a few of the major challenges being considered as part of the ongoing strategic planning for assets.

Population Growth

With a large geographic area and small population base and being located on the fringe of Melbourne's growth areas, South Gippsland Shire has potential to grow relatively quickly. The COVID-19 pandemic has highlighted this issue with many people relocating to South Gippsland as remote working arrangements are becoming more common. Whilst Council has considered the documented population forecasts, they are based on historical trends, the recent effects due to the pandemic has seen growth exceed all documented historical trends.

A number of land developments are escalating which have been dormant for many years due to the growing demand for residential land, especially in the western section of the Shire, being located closer to Melbourne. With increased population growth comes increased demand for services and the necessary infrastructure that is required to perform those services. This could be in the form of open space, parks, community buildings and kindergartens, as well as the increased asset base which Council inherits when new subdivisions are developed, such as roads, drainage and footpaths etc. Adding to this is the increased demand for new services by new residents who are relocating from metropolitan councils who had greater resources to offer a broader range of services and supporting infrastructure.

There are also secondary effects with population growth that are felt beyond the area of the development. Roads throughout the Shire experience increased volumes and there is pressure to seal existing unsealed roads, the requirement for car parking in towns increases as well as demand for new and improved sport and recreation infrastructure.

Rate Capping

The introduction of rate capping by the State Government has the impact of not being able to keep up with the rising costs of renewing assets, as discussed above. Rural shires have few revenue streams, with rates and government grants being the main streams. When construction costs increase significantly as seen recently, there are few avenues to explore to fund large community-driven infrastructure projects, other than applying for grant funding where there are high levels of competition across the State, or to borrow. Added to this is the growing amount of State-owned assets which are being gifted to councils to manage and maintain, without annual maintenance or renewal funding attached.

Ageing Infrastructure

Much of Council's infrastructure is old and nearing the end of its useful life. Whilst roads and footpaths are renewed regularly based on condition data and are relatively straight forward, and the service they provide is basically unchanged. The same is not true for Council's building, sporting and open space asset portfolios. Many of Council's buildings are more than 50 years old and the services being provided within the buildings has changed from the original need. This has the effect that the buildings are not fit for purpose and users therefore request modifications to better suit their needs. In addition to this, the building codes have changed dramatically over the decades and many of Council's older buildings have building compliance issues which require attention. Some compliance issues however, do not get triggered unless building works occur in the building requiring a building permit. Therefore, a minor building modification that requires a permit to a public building may have serious flow on effects in terms of the scale of works required to be undertaken.

Council's Building Portfolio consists of many ageing assets with the average age of Council buildings sitting at approximately 45 years old. Managing ageing Council building assets does pose issues for Council.

These issues include:

- Buildings not meeting current building construction or building safety standards.
- Buildings without equitable access or accessible facilities within the facility.
- Buildings that struggle to meet the service/functional requirements, of today's community due to them being purpose-built facilities for the way the community and Council services were conducted over four decades ago.
- A reduction in community/tenants' ability and/or willingness to assist in maintaining the Council building asset they occupy as they once did.
- Managing sites that contain asbestos.

The current financial modelling, which is based on age of Council buildings and a generic useful life of buildings shows a significant gap in the funding allocated to the renewal of Council's buildings. However, it is unrealistic to assume that all building assets currently held by Council would be renewed. Changed population centres and services delivered to the communities will mean that any renewal of buildings will carefully be considered in order to align with the capital investment principles outlined in the Community and Economic Infrastructure Blueprint.

Climate Change

The effects of climate change are having an effect on the condition of certain infrastructure assets. Drainage systems have not been designed for increased intensity of the weather events, which can cause localised flooding in some areas.

The unsealed road network is particularly susceptible to intense rain and storm events which results in the condition of the road surface deteriorating faster, increased gravel loss from the road surface, increased customer requests and a greater demand on the road maintenance crews.

Climate change and extreme weather events have and are continuing to impact on the management of Council's road infrastructure network and are being considered in the *Road Infrastructure Asset Management Plan*. Road flooding, due to recent extreme weather events, has been an increasing concern and is now subject to a separate prioritised program, the Road Flood Mitigation program, detailed in the Road Infrastructure Asset Management Plan. Over the past few years a large number of gabions retaining walls have been installed to protect roads which were subject to land slips arising from extreme weather events. These gabion retaining walls have now been included in the Road Infrastructure Asset Management Plan together with the development of a condition and lifecycle management assessment.

Sea level rise as well as inland flooding of rivers and creeks is a recognised potential outcome of climate change. Whilst this poses a high risk for the inhabitants of these land areas, it also has an effect on the existing infrastructure located on these sites, and for the future planning of infrastructure. These areas are not yet affected by inundation, and are therefore still inhabited, with residents and visitors still requiring adequate infrastructure such as public toilets, BBQ's and shelters. The future planning of these types of assets will be based around their ability to be relocated if required, or the alternative of not providing certain types of infrastructure in these areas.

Increased Construction Costs

The increase in construction and maintenance costs through rising material, transport and labour costs is occurring at a much faster rate than Consumer Price Index (CPI) and rises in Council's revenue streams. The result is that whilst asset renewal budgets are increased relative to CPI, the quantity of asset renewal undertaken may need to be reduced.

Choices

8

As a result of the above challenges, choices need to be made about how we continue to adequately manage Council's growing asset base with limited revenue growth.

Renewal before Upgrade, Expansion or New

Funding needs to be focused on renewing existing infrastructure assets before considering upgrading, expanding or providing new assets. Council has a statutory obligation to maintain and renew existing assets in line with the adopted levels of service, therefore this needs to be the primary focus before consideration is given to investing in new infrastructure.

Consolidation of Assets

At present Council's asset base is quite high, and consideration needs to be given where possible to consolidating assets with the view of retiring certain assets. This is primarily focused on building assets where only one or a few community groups underutilise a building for a few hours a week. Therefore, when building assets are planned for renewal, sharing of facilities with other groups needs to be explored in an attempt to reduce the asset base. Community Hubs and refurbishment of existing buildings to accommodate more groups are examples of this.

Increasing Lifespan of Assets

Using asset modelling systems and software in conjunction with up to date condition data gives the ability to better understand the lifecycle of Council's assets. Managing maintenance and renewal cycles based on the life cycles of components and their condition ratings has the benefit of potentially extending the lifespan of assets which ultimately reduces the renewal costs over time.

The asset team have begun this process having recently purchased modelling software, resulting in improved asset modelling capabilities within Council and more targeted asset renewal programs.

SOUTH GIPPSLAND SHIRE COUNCIL

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South Gippsland
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