

026	Road Asset Renewal	V1 Current
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**1. PURPOSE**

The intention of this policy is to ensure that all funds generated by the asset renewal rate increase as per the Council’s Long Term financial Plan, plus any surplus of Council’s existing own source renewal funding are transferred to and from the Road Asset Renewal Reserve. This will provide a clear understanding of the amount of funds generated and where they are spent and also allow for longer term planning of works to take place.

**2. STATEMENT**

The Council is committed to the long term sustainability of its infrastructure assets and recognises the need to undertake asset management planning to ensure that adequate levels of renewal are undertaken. Initial Asset Management Planning has identified a funding gap for roads based on historical levels of expenditure measured against required expenditure going forward.

To address the roads funding gap, the Council has committed to an additional one per cent (1%) asset renewal rate increase to be generated annually over six (6) years commencing 2013/14.

From year seven (7) (2019/20) and beyond the funds generated in 2018/19 will continue in perpetuity and will be allocated, on an annual basis; to the Roads Asset Renewal Reserve for the use of funding the renewal requirements for roads.

The funds allocated from year seven (7) (2019/20) onwards will continue to compound on a yearly basis, based on the nominated rate increase for the given year as a percentage increase to the previous year’s additional funding amount.

**3. POLICY CONTENT**

**Rate Increase Defined**

The “1% asset renewal rate increase” referred to in this policy relates to an increase on the ‘base rate’ from the previous financial year. This one per cent (1%) rate increase is to be utilized specifically for asset management, which is therefore over and above any other Council imposed increases between 2013/14 and 2018/19.

It is also in addition to any external State or Federal Government Funding as well as the Council’s own source funding. Once added, the 1% asset renewal rate increase becomes part of Council’s own source funding.

**Council Own Source Funding**

Council has allocated funds as part of the Long Term Financial Plan as ‘own source funds’ for road renewal. These are funds allocated to capital road projects which are funded though the Council’s own financial resources i.e. net of external funding and in addition to the rate increase outlined within this policy.

It is the intention of the policy that in any given year, if the budget allocation of Councils own source funds is less than that shown within the Long Term Financial Plan; then the variance will be transferred to the road asset renewal reserve.

## **Road Asset Renewal Reserve**

The annual transfer to the Roads Asset Renewal Reserve is to be reconciled against the asset renewal rate increase for that year and also any surplus in the budgeted Council own source funds.

Transfers from the Roads Asset Renewal Reserve are to be reconciled against specific project cost codes to allow an audit trail of where the money is being spent.

Where additional planning and preparation time are required for large projects or surplus funds following completion of works and suitable justification can be provided; renewal funds may be held over into subsequent financial years awaiting a suitable project.

### **Eligibility for Funding**

All works funded through this reserve must have been identified as required works through a formally adopted asset management plan of the City of Busselton and be included within the City's Long Term Financial Plan, Corporate Business Plan and Annual Budget.

Priority should be given to renewal based projects over and above new and upgrade. These projects will be primarily focussed on maintaining the existing capacity and capability of the asset; although it should be acknowledged renewal based projects may from time to time include some portion of new and upgrade works.

The immediate intention of the Reserve is to fund the roads backlog over the ten (10) year period (2013/14 – 2022/23), any additional funding over and above that required for roads in any given year is to remain in the reserve until a suitable project is identified.

### **Definitions**

- The expenditure types referred to in this policy are defined as follows;
- **Renewal Work** is defined as works to replace existing assets or facilities with assets or facilities of equivalent capacity or performance capability;
- **New works** are assets acquired for a new (never before provided) service to the community; and
- **Upgrade works** result in a higher (improved) level of service than previously offered. As distinct from new assets, the service currently exists.

## **4. APPLICATION OF THE POLICY**

Engineering and Works Services Directorate will ensure application of the policy.

### **Policy Background - History**

At the Special Council Meeting held on 26<sup>th</sup> June 2013 the council endorsed the following recommendation (resolution number C1306/146)

- "1. adopts the Overall Asset Management Plan as the informing document for the Long Term Financial Plan;*
- 2. adopts the individual asset management plans for Roads, Buildings and Parks and Gardens as the technical documents informing the Overall Asset Management Plan;*
- 3. endorses the development of a Policy detailing the mechanics of administering and accounting for the funding for Roads, Parks and Gardens and Buildings and subsequent expenditure."*

Implemented 24/07/13

<b>Council Resolution</b>	<b>Date</b>	<b>Information</b>
C1306/193	24 July, 2013	Date of Implementation Version 1