



**BENCHMARK FOR
BUILDING ASSETS
RATIONALISATION**

BROKEN HILL
CITY COUNCIL

**AUSTRALIA'S FIRST
HERITAGE LISTED CITY**

QUALITY CONTROL		
KEY DIRECTION	1. Our Community	
OBJECTIVE	1.4 Our built environment supports our quality of life	
STRATEGY	1.4.2 Maintain the serviceability of Council's assets at an appropriate condition level	
FILE REFERENCE No	13/163	EDRMS No
RESPONSIBLE OFFICER	Strategic Asset Manager	
REVIEW DATE	2023	
DATE	ACTION	MINUTE No
25 March 2020	Adoption	46212
NOTES		
ASSOCIATED DOCUMENTS	Asset Management Policy Asset Management Strategy	

CONTENTS

1. INTRODUCTION.....	5
2. CONTEXT.....	5
3. PERFORMANCE MEASURE	5
4. PERFORMANCE MEASURE FRAMEWORK	6
4.1 Physical Condition Performance	6
4.2 Functional Performance.....	6
4.3 Utilisation Performance	7
4.4 Financial Value Measure	7
5. OVERALL PERFORMANCE INDEX.....	8
6. SUMMARY OF NOMINATED BENCHMARKS FOR THE BUILDINGS	9
APPENDIX 1 – ASSET ASSESSMENT FRAMEWORK	11

1. INTRODUCTION

Most of the Broken Hill City Council assets were built decades ago to meet the community needs when the city was booming with mining activities and the population was over 30,000. Most of these assets have reached the end of useful life and Council is faced with an increasing need for funding, both maintenance and renewal of assets. Analysing the performance of the assets against an agreed set of benchmark parameters will assist Council to rationalise and:

- prioritise the maintenance and renewal programs for assets performing above the benchmarks;
- explore opportunities for alternative service models where assets are performing below the agreed benchmarks;
- dispose under-utilised assets which cannot meet the long-term strategic benefit

2. CONTEXT

This document establishes the performance benchmark for asset rationalisation and is aligned with Asset Management Policy '6.1.5 Rationalise under-utilised assets that have no long-term strategic benefit and dispose of assets consistent with Sale of Council Owned Property Policy and other relevant policies'.

The benchmark for performance measures is applicable to all building asset class, including those within sports facilities and parks and open spaces.

3. PERFORMANCE MEASURE

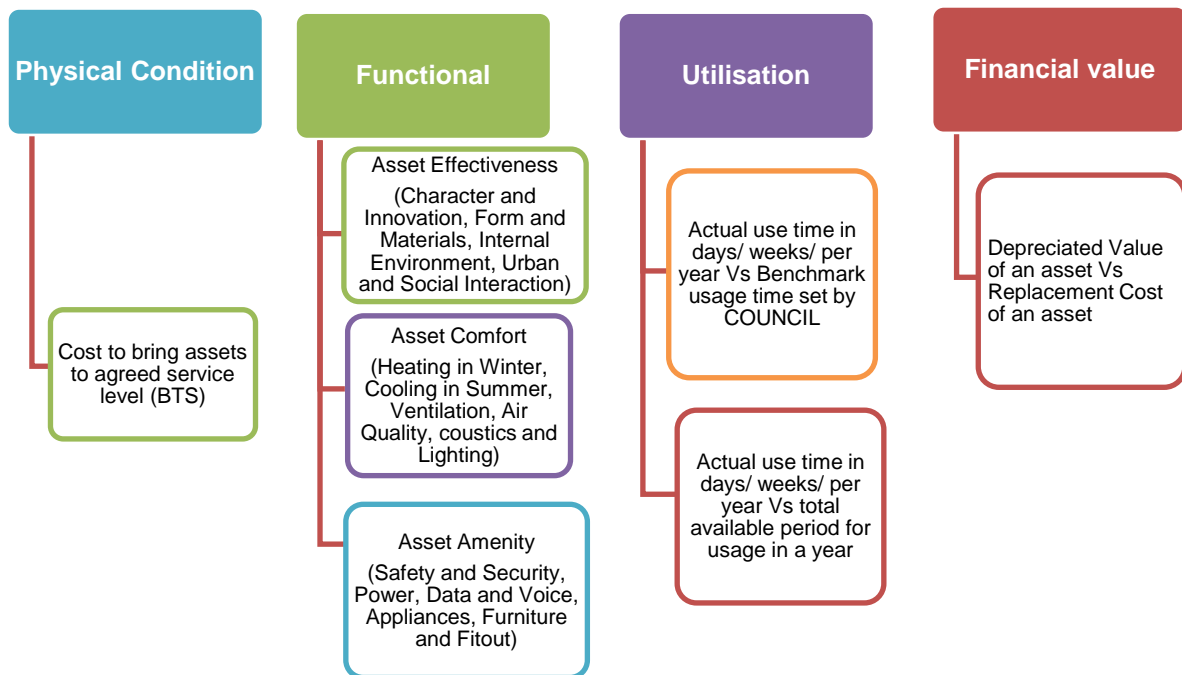
Unlike private sector assets where the key driver is financial gain or loss, for public sector assets 'service' to the community is the key driver. A performance-based approach to asset management in the public sector will strengthen both external accountability and internal efficiency and effectiveness. The performance of the assets needs to be measured in the context of, community objectives and multiple stakeholders who use and are affected by the assets.

The benchmark for performance measures for Council assets are set by taking into account the interests of various stakeholder groups including the broader community who use and access the facilities; the facility managers who manage and provide programs at the facilities; Asset Management Branch, who are concerned with the physical and financial running of the facilities; and Council management, which is accountable to the community and other levels of government in meeting the service delivery commitment of the organization.

The service delivery as stated in the 2033 Community Strategic Plan can be provided through the assets only if the condition of the assets are at an acceptable level for use; the assets meet the functional need and are utilised to the maximum reflecting that the competing demands of the community are met; and the sustainability of the asset in the long term is financially viable.

Financial performance, utilisation, function and the condition of the assets are the four performance measures considered for Council assets, taking into consideration the interests of various stakeholder groups and the service delivery commitments by Council. When an asset's performance measures are up to or above the benchmark set in the metrics, Council can justify the cost it incurs in providing grants, funding and managing the assets to the benefits transferred to the broader Broken Hill community with transparency and accountability.

4. PERFORMANCE MEASURE FRAMEWORK



4.1 Physical Condition Performance

Condition performance metrics include measures of the physical condition of the asset against the nominated condition standard set for that particular asset by Council. The nominated standard is set by Council for each facility considering the age and type of the building and services provided through the building. Refer to Appendix 1 Asset Assessment Framework for the methodology to access Physical Condition Performance.

Benchmark: The minimum threshold set by Council for all its assets to deliver its service delivery goals is 'satisfactory' meaning the cost of repair works to meet the nominated standard and all safety, statutory and environmental compliances should be within 5-20% of the Building Replacement Cost.

4.2 Functional Performance

Functional performance is a measure of the effectiveness of the facility to the Council from a user perspective. The metrics include:

- Asset Effectiveness – suitability of the space for its intended function;
- Asset Amenity – safety and security, compliances, heritage, power, data, appliances, furniture and fit out; and
- Asset Comfort (Environmental Performance) – heating, cooling, access, lighting, security etc.

Suitability of the space for its intended function and environmental performance is rated by the facility users in consultation with the Asset Team using an index of 1 to 5 (low to high). Council can conduct a tenant's satisfaction survey annually to rate the suitability of the space and environmental performance for leased building. Compliance to safety and other statutory codes is rated through the compliances audits performed at intervals of a minimum 4-year period. Refer to Appendix 1 Asset Assessment Framework for the methodology to assess Functional Performance.

Benchmark: Functionality measure is a combination of how well the spaces are utilised and the indoor/outdoor environment of the spaces to meet the function. The indoor environment (heating, cooling and ventilation) and outdoor environment (lighting levels and security) are dependent on how well the facility is maintained and meets the safety and statutory compliances. Taking into consideration the historical limited funding that was available for facility repairs and maintenance, the current facility measure, in most of the facilities, is rated very poor, hence **Council has set the current minimum threshold at 'Average' (rating 3). However, the benchmark will be raised in subsequent years subject to the repairs and maintenance funding availability.**

4.3 Utilisation Performance

Utilisation measures how well the facility is used in terms of time. The metrics in utilisation measures are:

- percentage days or in weeks a facility or space within facility is used out of the benchmark period of days or weeks set by Council; or
- percentage days or in weeks a facility or space within facility is used out of the total available hours or weeks in a year.

The benchmark is set by Council depending on the type of services provided through the facility. When a facility or a particular functional space within the facility falls below the threshold, then the reasons for the low utilisation needs to be analysed. Analysing the utilisation rate and functionality together will identify whether the low utilisation rate is due to unsuitable functional space, user group/organisations exploitation of the system or other community demands that are not being met. The gap between the actual usages against the available period indicates the opportunities to accommodate additional functions or extend the actual working hours, which will be taken into consideration in discussions with the facility managers as part of the rationalisation process.

Benchmark: Taking into consideration the location of the facility, community demand for services in that region and the Council programs supported by the facility, a minimum utilisation threshold against the benchmark period of use is set by Council for each facility. Refer to Section 6 - Summary of Nominated Benchmarks for the Buildings. As this was the first survey of its kind and in some facilities the actual period of use is not tracked rigorously or records kept, the facility managers have given their subjective evaluation during the 2019 survey, which has been converted to quantitative data by Council. The intention is to collect this data every two years or as part of asset audits each year which is expected to improve the quality of the data over a period of time and also review the minimum threshold set by Council.

4.4 Financial Value Measure

Assets Depreciated Value is a monetary reflection of the asset's condition. Asset Replacement Cost is the cost of replacing the building by the most appropriate up-to-date replacement, based on the assumption that the loss of the existing asset is replaced by a new improved asset of the same size, standard and based on the current building industry rate. The gap between an asset's Depreciated Value and the Asset's Replacement Cost assists in the decision-making process of future investment planning in the asset's operating and maintenance expenses, refurbishment, redevelopment or disposal.

Benchmark: The minimum threshold set by Council is that the Asset Depreciated Value should be less than 80% of the Asset Replacement Cost. If the gap is more than 80%, then the maintenance, refurbishment, redevelopment or disposal needs to be addressed as a matter of priority.

5. OVERALL PERFORMANCE INDEX

The benchmark set by Council for Overall Performance Index of each facility taking into consideration the four measurement criteria namely; Physical Condition, Functionality, Utilisation and Financial Value is 60%. Analysis of this information will be used to determine the relative priority of the usage, maintenance, refurbishment and replacement of the asset.

Example:

Criteria	Measure	Description
Financial Value	94%	Current Building Net Book Value is 94% of the Building Replacement Cost
Functionality	66%	Below benchmark of 70%
Physical Condition (fair)	97%	The building is in 'good' condition. Repair and capital upgrade costs to bring the current asset to the nominated standard and meet all safety, statutory and environmental compliances is 3% of Capital Replacement Cost.
Utilisation	70%	Meets 70% of the benchmark period of use. Above minimum the threshold of 60% set by COUNCIL
Overall Measure	65%	Above Benchmark of 60%

Financial Value 94%

Utilization 70%

Functionality 66%

Physical Condition (fair) 97%

Overall Measure 65%

An overall performance less than the benchmark of 60% will trigger the asset rationalisation process to increase the performance measure through additional funding and/or co-location of services or disposal of the asset.

6. SUMMARY OF NOMINATED BENCHMARKS FOR THE BUILDINGS

Item	Asset Type	Facility	Physical Condition Benchmark (BTS)	Functional Rating Benchmark	Utilisation Performance Benchmark	Financial Value Benchmark
1	Building	Airport terminal buildings only	2 – Good	2 – Good	7 days a week	80%
2	Building	Administrative Centre	2 – Good	2 – Good	5 days a week	80%
3	Building	Aged Person Rest Centre	3 – Satisfactory	3 – Average	7 days a week	80%
4	Building	Alma Institute	3 – Satisfactory	3 – Average	7 days a week	80%
5	Building	Aquatic Centre	2 – Good	2 – Good	7 days a week	80%
6	Building	BIU Band Hall	3 – Satisfactory	3 – Average	6 days a week	80%
7	Building	Broken Hill Regional Art Gallery	2 – Good	2 – Good	6 days a week	80%
8	Building	Charles Rasp Library	2 – Good	2 – Good	6 days a week	80%
9	Building	Civic Centre	2 – Good	2 – Good	7 days a week	80%
10	Building	Council Chamber (separate building)	3 – Satisfactory	3 – Average	5 days a week	80%
11	Building	Geo Centre	3 – Satisfactory	3 – Average	6 days a week	80%
12	Building	HACC Centre	2 – Good	2 – Good	6 days a week	80%
14	Building	Newmarket Raceway	3 – Satisfactory	3 – Average	5 days a week	80%
15	Building	North Mine Hall (Queen Elizabeth Park)	3 – Satisfactory	3 – Average	5 days a week	80%
16	Building	South Community Centre	3 – Satisfactory	3 – Average	5 days a week	80%
17	Building	State Emergency Service (SES) Building	3 – Satisfactory	3 – Average	7 days a week	80%

18	Building	South Sports and Recreation Centre	3 – Satisfactory	3 – Average	5 days a week	80%
19	Building	Town Hall Façade	2 – Good	2 – Good	7 days a week	80%
20	Building	Visitor Information Centre	2 – Good	2 – Good	7 days a week	80%
21	Building	Warnock Street Works Depot	2 – Good	2 – Good	5 days a week	80%
22	Building	Youth Services Building	3 – Satisfactory	3 – Average	6 days a week	80%
23	Building	Mosque	3 – Satisfactory	3 – Average	3 days a week	80%
24	Building	Bridge Club in Sturt Park	3 – Satisfactory	3 – Average	7 days a week	80%
25	Building	Swimming Club in Sturt Park	3 – Satisfactory	3 – Average	7 days a week	80%
26	Building	Memorial Oval - Dog Shed, Atkins Pavilion, Silver City Show Secretary Office, etc (*excluding Grandstand)	3 – Satisfactory	3 – Average	7 days a week	80%
27	Building	Living Desert Campsite Buildings	3 – Satisfactory	3 – Average	7 days a week	80%

APPENDIX 1 – ASSET ASSESSMENT FRAMEWORK

1. INTRODUCTION

The Asset Assessment Framework consists of Physical Condition Assessment, Asset Renewal Deferral Risk Assessment, Functionality Assessment and Utilisation Assessment description and rating methodology for a consistent approach to measure the performance of building under Performance Measure Framework.

2. PHYSICAL CONDITION ASSESSMENT AND ASSET RENEWAL DEFERRAL RISK ASSESSMENT

The purpose of Physical Condition Assessment and Asset Renewal Deferral Risk Assessment Rating is to provide a transparent and auditable basis for making service, risk and price trade-off decisions for asset rationalisation under Section 4.1 Physical Condition Performance. The Assessment Ratings will be used to determine the cost to bring the assets to the nominated standards and considers fundamental risks to the Council, should the recommended renewal works be deferred for any reason.

2.1 Physical Condition Assessment

The Physical Condition Assessment methodology is based on the Code of Accounting Practice and Financial Reporting and IPWEA guidelines.

The most recent update of the Draft Code of Accounting Practice and Financial Reporting (update #21) has added the descriptor from IPWEA condition matrix for the condition assessment rating as per the table below:

Condition Rating	Condition	IP&R Description	IPWEA Description
1	Excellent/Very Good	No work required (normal maintenance)	New or as new condition. Only planned cyclic inspection and maintenance as required
2	Good	Only minor maintenance work required	Sound or good condition with minor defects. Minor routine maintenance along with planned cyclic inspection and maintenance
3	Satisfactory	Maintenance work required	Fair condition with significant defects requiring regular maintenance on top of planned cyclic inspections and maintenance
4	Poor	Renewal required	Poor condition with asset requiring significant renewal/rehabilitation, or higher levels of inspection and substantial maintenance to keep the asset serviceable
5	Very Poor	Urgent renewal/upgrading required	Very poor condition. Asset physically unsound and/or beyond rehabilitation. Renewal required

To allow for consistent condition assessment aligned with estimated useful life and residual life of assets, Council proposes the table below for Condition Assessment Rating.

Condition Rating	Condition	Description	Guide	Residual Life (% of total life)
1	Excellent	New or as new condition. Only planned cyclic inspection and maintenance required	Normal maintenance required (no defects)	>86%
2	Good	Sound or good condition with minor defects. Minor routine maintenance along with planned cyclic inspection and maintenance	Normal maintenance plus minor repairs (up to 5% of the asset affects by defects)	65%-85%
3	Satisfactory	Fair condition with significant defects requiring regular maintenance on top of planned cyclic inspections and maintenance	Maintenance/repairs required (up to 20% of the asset affected by defects)	41%-64%
4	Poor	Poor condition with asset requiring significant renewal/rehabilitation, or higher levels of inspection and substantial maintenance to keep asset serviceable	Significant renewals required (up to 40% of the asset affected by defects)	10%-40%
5	Very Poor	Very poor condition. Asset physically unsound and/or beyond rehabilitation. Renewal required	Asset requires renewal (over 50% of the asset affected by defects)	<10%

Each asset type or asset category (group of assets) as applicable will be rated as per the table above.

2.2 Asset Renewal Deferral Risk Assessment

The condition assessment will identify the works needed to be undertaken which will inform the associated costs for the works. However, it is possible that these works can be deferred. The impacts of deferring the works can involve increased maintenance expenditure during the deferral period, increased user safety risk, and impacts on the Council's operations. An understanding of these risks will allow the determination of potential renewal deferral periods. The best time to assess these risks is during the on-site asset condition assessment.

There is a single risk rating scale that allows the Assessor to determine an appropriate risk score based upon the following areas of risk:

Impact on Cost: Cost in this context includes any increase in the original cost estimate to complete the renewal works (capital project) and any maintenance costs that are likely to be incurred during the period of deferral.

Impact on User Safety: Users in this context includes any stakeholder who interfaces with the asset. This includes maintenance staff, general public, contractors, visitors, etc.

Impact on Operations/Reputation: Operations and reputation, in this context, includes any issues resulting from the deferral of renewal activities that directly affects the ability for the Council to operate normally or create negative impressions on the Council.

The risk rating criteria that determines the most appropriate deferral period is presented in Table 1.

Table 1: Deferral Risk (DR)

Impact	Rating	Description based on 'Effectiveness'	Potential Deferral Period
Insignificant	DR5	The deferred works do not expose the asset, surrounding assets, occupants or users to any serious risks, or will have minimal detrimental impact on the cost of remediation, or will not affect Council operations/reputation.	Within 5 years
Minor	DR4	The deferred works could possibly have a limited detrimental impact on the asset and/or surrounding assets, with limited potential exposure to health and safety risks, or potential for incurring unnecessary costs, or the potential to have some impact on Council operations/reputation.	Within 3 years
Moderate	DR3	The deferred works will have a substantial detrimental impact on the asset and/or surrounding assets, with potential exposure to health and safety risks, or failure of some parts of the asset resulting in high costs or create the potential for impacting Council business.	Within 1 year
Major	DR2	The consequential event could result in the failure of the asset with potential health, safety, and harm risk, or failure of some critical parts of the asset resulting in high costs or create the potential for impacting core Council business.	Within 6 months
Critical	DR1	The postponement of works could result in the loss of life, or catastrophic asset failure and incurring significant cost, or significant impact on the core Council business is <10%	immediate

3. FUNCTIONALITY PERFORMANCE ASSESSMENT

The purpose of, Functionality Assessment Rating is to provide a transparent and auditable basis for undertaking effectiveness of service, provision/amenity and environmental performance assessments and price trade-off decisions for asset rationalisation under Section 4.2 Functionality Performance. This data will assist in the identification of future improvement opportunities that will enhance user experience. These opportunities can be considered in the mix of other potential capital projects for prioritisation, approval and implementation.

For strategic planning purposes, it is the overall facility functionality rating that is important. This metric provides an indication of the assessed 'fitness for purpose' of a building or space type across the Council. Accordingly, the functionality rating shall be assessed for all relevant spaces on a floor or zone basis to derive an overall building functionality score. It will be critical to record the basis of the functionality score with the ratings against the agreed benchmark for each facility, to optimise the asset portfolio against the organisational objectives.

Rating System

The rating system for each of the functionality areas follow:

- Functionality Rating - Asset Comfort (FRC) – Refer Table 2 and Table 3.
- Functionality Rating - Asset Amenity (FRA) – Refer Table 4 and Table 5.
- Functionality Rating - Asset Effectiveness (FRE) – Refer Table 6 and Table 7

3.1 Functionality Rating - Asset Comfort (FRC)

Table 2: Functionality (FRC- Asset Comfort - Characteristics)

Topic	Characteristics
Heating in Winter	Is the temperature in winter comfortable? Is the temperature in winter stable? Can room comfort be individually adjusted?
Cooling in Summer	Is the temperature in summer comfortable? Is the temperature in summer stable? Can room comfort be individually adjusted?
Ventilation	Is the air flow in the room adequate? Can the rooms be naturally ventilated?
Air Quality	Does the air in the room feel fresh? Is the air in the room odorless?
Acoustics	Is the room adversely impacted by internal noise? Is the room adversely impacted by external noise?
Lighting	Is the lighting in the room adequate for purpose?

Referenced from TEFMA Facilities Audit Guideline

Table 3: Functionality (FRC - Asset Comfort - Ratings)

Rating	Descriptor	Description
FRC1	Excellent	Temperature is always comfortable, air quality is excellent, acoustics is excellent, and lighting is excellent.
FRC2	Good	Temperature is mostly comfortable, air quality is good, acoustics is good, and lighting is good.
FRC3	Average	Temperature is generally acceptable, air quality is average, acoustics is average, and lighting is adequate.
FRC4	Poor	Temperature is variable, air quality is poor, acoustics is poor, and lighting is poor.
FRC5	Failed	The spaces are not comfortable and are avoided by users.

3.2 Functionality Rating - Asset Amenity (FRA)

Table 4: Functionality (FRA - Asset Amenity - Characteristics)

Topic	Characteristics
Safety and Security	Assesses the appropriateness of access control to the space.
Power	Measures the adequacy of the power supply.
Data and Voice	Assesses the adequacy of data connection.
Appliances	Examines the adequacy of specialist equipment (i.e. fume cabinets in laboratories).
Furniture and Fitout	Examines the adequacy of furniture and fitout.

Referenced from TEFMA Facilities Audit Guideline

Table 5: Functionality (FRA - Asset Amenity - Ratings)

Rating	Descriptor	Description
FRA1	Excellent	All required amenities are provided and in excellent working condition.
FRA2	Good	At least 75% of the required amenities are provided and in good working condition.
FRA3	Average	At least 50% of the required amenities are provided, however in average working condition.
FRA4	Poor	At least 25% of the required amenities are provided, however in poor working condition.
FRA5	Failed	The necessary amenities are not provided and hence the space(s) are avoided by users.

3.3 Functionality Rating - Asset Effectiveness (FRE)**Table 6: Functionality (FRE - Asset Effectiveness - Characteristics)**

Topic	Characteristics
Character and Innovation	<ul style="list-style-type: none"> Are there clear ideas behind the design of the building? Is the building interesting to look at and move around in? Does the building appropriately express the Council values? Is the building likely to influence future designs?
Form and Materials	<ul style="list-style-type: none"> Does the building have a human scale and feel welcoming? Does the design take advantage of natural light and shelter from prevailing winds? Are the entrances obvious and logically positioned? Do the external materials and detailing appear to be of a high quality? Are the external colours and textures appropriate and attractive?
Internal Environment	<ul style="list-style-type: none"> Are there good views from inside the building? Do staff/students have good access to outdoors? Is the building clearly understandable? Is the interior attractive?
Urban and Social Interaction	<ul style="list-style-type: none"> Does the height, volume and skyline of the building relate well to the surrounding environment? Does the building contribute positively to its locality? Does the hard and soft landscape around the building contribute positively? Is the building sensitive to its neighbours?

Referenced from TEFMA Facilities Audit Guideline

Table 7: Functionality (FRE - Asset Effectiveness - Ratings)

Rating	Descriptor	Description
FRE1	Excellent	The building is highly attractive and admired by its users. Its environment is pleasing, which attracts staff and students to experience its comfort and visual appeal.
FRE2	Good	The building is attractive its environment is pleasing. Staff and students are happy to experience its comfort and appeal.
FRE3	Average	The building and its environment are acceptable.
FRE4	Poor	The building is unattractive and its environment could be improved. Staff and students will look for alternative buildings before using this building.
FRE5	Failed	The building is highly unattractive and its décor is outdated. Staff and students avoid using this space because of the environment it offers.

4. UTILISATION PERFORMANCE RATING

	Rating	Considered to be	Description for Functionality
Utilisation	1	Very good	Repeatedly utilized. 100% utilised against benchmark
	2	Good	Frequently Utilised. 80-99% utilised against benchmark
	3	Acceptable	Moderate utilisation; reduced economic benefit. 60-80% utilised against benchmark
	4	Poor	Infrequent utilisation; poor economic benefit. <60% utilised against benchmark
	5	Very Poor	Not Utilised. <30% utilised against benchmark