

<b>Policy Number:</b>	<b>WRK 12</b>
<b>Policy Type:</b>	Works
<b>Policy Name:</b>	<b>Plant Replacement</b>
<b>Policy Owner:</b>	Manager Infrastructure
<b>Authority:</b>	Local Government Act 1995

## **OBJECTIVES**

To meet the requirement for the local government to set aside sufficient funds to replace plant and equipment in accordance with the Plant Replacement Schedule.

To define income sources to fund future plant replacement.

To ensure that all plant and equipment is fully funded from the Plant Replacement Reserve Fund each year without capital injection from the local government's own resources.

## **DEFINITIONS**

*'Plant'* means the local government's construction and maintenance plant and equipment (including office support equipment) required to carry out road design, construction &, maintenance functions and the administration to support these activities.

*'Plant Replacement Schedule'* means the schedule developed to identify the most advantageous and cost effective time to replace plant and equipment that have accrued sufficient hours of operation or kilometres travelled to warrant their replacement at the least cost to the local government in the year detailed within the schedule.

*'Plant Depreciation'* means the depreciation accumulated through the operation of plant and equipment during the period under review.

*'Profit on Private Works'* means the net income received from undertaking works with local government plant and equipment equal to the sum of any administration fee and profit percentage included in the total cost of the works undertaken.

## **POLICY**

### Funding:

In order for the local government to fully fund all plant and equipment purchases from the Plant Reserve Fund (Plant Replacement Reserve Fund) the following amounts are to be transferred from the Municipal Fund to the Plant Reserve Fund each year:

1. Total Plant Depreciation charged to works and services from plant operations during the year (amount to be transferred based on actual depreciation generated through works after last pay for financial year figure has been finalised);
2. Profit on Private Works generated during the year

### Forward Projections:

All plant and equipment to be funded through the Plant Replacement Reserve Fund is to be listed in the Plant Replacement Schedule and each item of plant identified for replacement in any of the years contained in the Schedule is to have the Gross Replacement Value shown against the plant item in that year.

The value of any trade-in is to shown within the summary as a single line item below the Gross Value of all new plant and equipment to be replaced each year so that the Net Change-over Cost can be clearly identified.

A summary of the Plant Replacement Reserve Fund Position for each year of the Schedule is to follow, clearly identifying any instances where additional local government financial support may be required either through loan borrowings or direct cash injection from the recurrent budget.

The Plant Reserve Fund carried forward balance should accumulate each year to ensure zero (or minimal) additional funds will be required to fund proposed plant replacements over the period covered.

### Variations to the Schedule:

The local government has the discretion to bring forward or defer the replacement of a plant item if the net impact over the years affected by such a variation will be cost neutral and not require supplementary financial support to achieve the desired result.

Variations may be as a result of:

1. The number of hours/kilometres not being sufficient at the time due for replacement to warrant replacement until the subsequent period;
2. The plant item recently underwent a major rebuild or maintenance program that extends its life without diminishing its realisable value during the additional extension.

3. A plant item may reach the hours/kilometres earlier than expected and the adjustment to the date of replacement will be cost neutral over the period of variations.

Related Policies	
Related Procedures/Documents	Shire of Nannup Forward Plan 2010-11 to 2013-14
Delegated Level	CEO, Manager Infrastructure
Adopted	OM 28 October 2010 #8476
Reviewed	OM 28 January 2016