



WHAT IS IMPORTANT IN A BUDGET?

The budget for each asset has three parts, namely the:

- Operating costs, i.e. the costs needed to operate the community asset for service delivery purposes.
- Maintenance costs, i.e. the costs needed to maintain the ability of the asset to provide the service.
- Depreciation costs, i.e. the cost for replacing the asset at the end of its useful life.

Operating and maintenance costs are essential costs and should automatically be included in the budget as part of the tariff charged to users for the service.

HOW TO BUDGET FOR EACH ASSET

- Calculate or estimate the operating, maintenance and depreciation costs for each community asset taking into account the following:
 - The experience of previous years.
 - The cost in hours and for parts of planned maintenance for particular assets.
 - The depreciation formula =
$$\frac{\text{Cost of the asset} - \text{residual value}}{\text{Number of time periods}}$$
 - Sharing information with staff in other municipalities.
- Predict the likely operating and maintenance costs where possible for the next 3 years.
- Renew or replace a community asset when the asset is worn out and no longer provides a community service.
- Plan for infrastructure replacement, preferable over a time span of 5 years since replacement costs can be high and once of replacement might not be feasible.
- Know when to replace an asset, by considering the age of the asset, its expected useful life and its current condition.
- Find alternative financial resources if there is a lack of funding e.g. where municipalities are unable to fund the operating, maintenance and replacement costs, external funding need to be sought so that the existing community assets don't continue to degrade.

Reference: Hope, D. & Rimmington, G. Managing Community Assets. Australian Government.

