

Internal plant and equipment costs

This guidance note outlines the eligibility of internal plant and equipment costs under the Disaster Recovery Funding Arrangements 2018 (DRFA). It provides guidance on what plant and equipment costs are eligible under the DRFA across each category, how they should be calculated, and what documentation is required to be maintained.

This guidance note applies to costs incurred by state and territory governments (“states”), in accordance with the definition of state expenditure, from 1 July 2025.

Eligible categories for internal plant and equipment costs

Under the DRFA, state expenditure (local government and state agency expenditure) includes internal plant and equipment costs for plant and equipment owned and operated by state agencies and local government, where this represents a value for money outcome over external hire or use of contractors. States may claim internal plant and equipment costs per the table below.

Table 1: Eligibility of internal plant and equipment costs

Expenditure Type	Category B EW, IRW, REPA [^]	All other Category A/B	Category C/D [*]
Fixed plant and equipment costs <i>Costs that remain constant regardless of changes in utilisation (whether increasing or decreasing). For example, a vehicle’s annual registration fee does not vary based on how frequently the vehicle is used.</i>	✓	✗	✗
Variable plant and equipment costs <i>Costs that fluctuate with increasing or decreasing utilisation. For example, the more a vehicle is used, the more fuel it consumes and the higher the fuel costs incurred.</i>	✓	✓	✓

✓ Eligible internal plant and equipment costs, ✗ Ineligible internal plant and equipment costs

[^] Category B Emergency Works (EW), Immediate Reconstruction Works (IRW) and Reconstruction of Essential Public Assets (REPA)

^{*} Eligibility of internal plant and equipment costs under Category C and D is dictated by the approved Category C or D Program Guidelines. Where not specified in the Program Guidelines, the above table applies.

Eligible internal plant and equipment costs

States may claim certain types of costs related to internal plant and equipment as per the table below. This table includes cost categories based on the Institute of Public Works Engineering Australasia (IPWEA) Plant and Vehicle Management Manual (4th Edition), which represents common industry practice for fleet management and whole-of-life costing. Based on the measure claimed, eligible costs may include certain fixed and variable costs, however they exclude any costs which relate to profit margins on the use of internal plant and equipment.



Table 2: IPWEA whole-of-life costing model

Fixed costs		
Cost category	Eligibility	Description
Opportunity cost	✘	The foregone cost of capital tied up in owning plant and equipment, rather than investing capital elsewhere (i.e. if capital is used to buy a grader, it cannot be used to invest in a term deposit).
Registration & CTP	✓	The legal requirement to register plant and equipment with <i>state</i> road authorities and to hold mandatory Compulsory Third Party (CTP) liability insurance.
Insurance	✓	Comprehensive insurance for owned assets, plant and equipment insurance for hired or leased assets and public liability coverage.
Garaging	✓	The storage and housing of assets when not in use. May include secure parking facilities which support maintenance readiness and security measures.
Administrative overhead	✓	Indirect costs associated with managing and supporting fleet operations that are not tied directly to the operation or maintenance of plant and equipment. May include costs such as salaries and wages, office expenses and training costs.
Finance	✓	Ongoing financial costs associated with owning plant and equipment incurred regardless of how much the asset is used. They are incurred through financing the asset. This typically includes interest on capital (cost of borrowing funds to purchase the asset). <i>Fixed finance costs may be determined as eligible where states can demonstrate they have incurred costs related to financing internal plant and equipment and can provide evidence of such costs.</i>
Variable costs		
Cost category	Eligibility	Description
Operational depreciation	✓	The portion of an asset's costs (less its residual value) that is allocated as an expense over the period the asset is in operation. It refers to the usage-based reduction in value of an asset due to operational activity and reflects the wear and tear of the asset.
Fuel	✓	The cost of petrol, diesel, gas or electricity required to operate the plant and equipment. This is directly tied to the distance travelled, hours of operation etc. and is therefore considered a variable cost.
Tyres/tracks	✓	Vehicle tyres and heavy machinery rubber or steel tracks are subject to wear and tear during operation and require regular replacement or maintenance. Wear and tear fluctuate with asset usage and is therefore treated as a variable cost.



Engine oil	✓	Engine oil for plant and equipment operation and maintenance, fluctuates with operational usage.
Variable costs		
Cost category	Eligibility	Description
Scheduled maintenance and repairs	✓	Maintenance refers to planned and routine activities carried out to keep plant and equipment in good working order. Repairs refer to reactive activities to restore functionality after a fault or failure.
Risk allowance	✗	Contingency costs included to account for uncertainties or unforeseen events that may affect the cost, timing or performance of plant and equipment operations.
Standby	✗	Costs that are incurred when internal plant and equipment is made available for use, but is not currently in use for an eligible activity

✓ Eligible internal plant and equipment costs, ✗ Ineligible internal plant and equipment costs

Evidence requirements

To claim internal plant and equipment costs under the DRFA the evidence requirements outlined in the table below apply:

Table 3: Evidence requirements

Component	Evidence Requirements	Evidence Examples
State expenditure	<p>Evidence of the internal plant and equipment's cost must demonstrate the calculation used to determine the cost rate for each hour of plant and equipment usage. Example calculations are demonstrated below.</p> <p>Hourly Rate = (Annual Cost of Ownership / Annual forecast utilisation)</p> <p>Costs are commonly calculated using whole-of-life cost calculation principles, which should incorporate an annualised calculation of eligible fixed and variable costs in Table 1.</p> <p>A utilisation calculation must be performed for each asset to estimate the annual utilisation available, selecting an appropriate driver for use. Commonly used examples are:</p> <ul style="list-style-type: none"> vehicles – km travelled, available hours plant – engine hours, available hours minor plant – time available for undertaking works <p>Internal review and approval of rates:</p> <p>Internal rates should be developed and updated annually to reflect recent actual data, including</p>	<p>Costs:</p> <p>State approved methodology / calculation that includes the calculation basis for each asset and cost component, with a description of the relevant data / sources to support the costs included, such as:</p> <ul style="list-style-type: none"> vehicle registration certificate / invoice insurance certificates / invoice administration cost general ledger listings asset registers including annual depreciation calculations vehicle petrol prices tyre prices / quotes oil prices / quotes historic data or planned maintenance, servicing and repairs



Component	Evidence Requirements	Evidence Examples
	<p>monitoring actual under- or over- utilisation of plant and equipment assets in comparison to estimates developed for costing. This annual update process must involve relevant state review and approval.</p> <p>A state may determine a single rate is appropriate across the state, or regional rates may be required to reflect differences in costs.</p>	
Link to event	<p>Evidence must demonstrate the utilisation of claimed asset directly related to an eligible event.</p> <p>The utilisation calculation should be consistent with the methodology used to determine the hourly cost rate outlined above (for example, if the hourly rate methodology uses km travelled, evidence of use on the event should include actual km travelled).</p>	<p>Evidence to demonstrate the utilisation of an asset for an eligible event may include:</p> <ul style="list-style-type: none">• utilisation reports• engine hours• meter readings• km logbook• equipment logs• operator timesheets• progress reports• timesheets
Link to measure	<p>The internal plant and equipment use must be directly related to eligible activities or projects under the relevant measure.</p>	<p>Evidence to demonstrate the utilisation of an asset for an eligible measure may include:</p> <ul style="list-style-type: none">• utilisation reports• engine hours• meter readings• km logbook• equipment logs• timesheets• location information (i.e. evidence the asset was being utilised at a location which matches damage evidence of a claimed essential public asset).



Appendix A: Internal plant and equipment cost examples

Example 1: Kilometres as basis for utilisation and internal rate calculation

Example Average Annual Utilisation Calculation:

Asset	Purchase Date	Mileage Reading Date	Days Between Purchase and Reading	Current km or Engine Hours	Annual Utilisation	Calculation Methodology
Truck	12/10/2019	22/08/2025	2,141	212,917 km	36,298 km	Current km or hours / (Mileage Reading Date - Purchase Date) x365
Grader	1/05/2021	16/08/2025	1,568	3,213 hours	748 hours	Alternatively it could be calculated as: (Current km or hours – previous meter reading km or hours) / (date of current reading – date or previous reading) x 365

Example Rate Calculation – Rate per km

Component	Amount	Formula	Calculation Methodology
Fixed Costs			
Registration & CTP	\$7,582.00	-	Annual registration and compulsory third-party costs
Insurance	\$1,507.62	= \$125,000 / \$15,500,000 x \$186,945	(Annual insurance premium for insured assets / value of insured assets) x cost of asset
Garaging	\$4,583.17	= \$3,800,000 x 10% / \$15,500,000 x \$186,945	Value of property where asset is garaged x notional rent % or annual rent cost / value of assets garaged x cost of asset Note: 10% is considered rule of thumb for notional rent for owned properties
Administrative overhead	\$9,407.55	= \$780,000 / \$15,500,000 x \$186,945	Annual cost of administration staff / value of assets x cost of asset
Financing	\$1,238.51	= 5.3% x \$186,945 / 8	Interest rate % x purchase price / expected useful life
Total fixed costs	\$24,318.85		



Component	Amount	Formula	Calculation Methodology
Variable Costs			
Operational depreciation	\$16,520.25	$= (\$186,945 - \$54,783) / 8$	(Purchase price - resale value) / expected useful life
Fuel	\$30,490.32	$= (36,298 / 100) \times 50 \times \1.68	(Annual utilisation km / 100) x fuel consumption per 100km x average price of fuel
Tyres/tracks	\$2,613.46	$= (6 \times 600) / 50,000 \times 36,298$	(Number of tyres x tyre replacement cost) / tyre life in km x annual utilisation km
Engine Oil	\$245.01	$= (36,298 / 10,000) \times \7.50×9	(Annual utilisation km / 10,000) x oil price per litre x oil tank capacity in litre
Scheduled repairs and maintenance	\$5,625.00	$= \$45,600 / 8$	Total cost of maintenance for the life of the asset / expected useful life
Total variable costs	\$55,494.04		
Calculate rate			
Internal charge-out rate	\$2.20 p/km	$= (\$24,318.85 + \$55,494.04) / 36,298$	(Fixed costs + variable costs) / annual km

Example Claim:

Asset	Activity	Rate	Utilisation	Claim	Calculation Methodology
Six-wheeler truck	Transportation on Project 467 from 1 October 2025 to 21 October 2025	\$2.20	2,356 km	\$5,180.38	Rate x Utilisation spent on eligible activities related to an event for an eligible measure



Example 2: Timesheet hours as basis for utilisation and internal rate calculation

Example Average Annual Utilisation Calculation:

Asset	Annual Scheduled Hours	Annual Maintenance Hours	Annual Public Holidays Hours	Annual Standby Hours	Annual Available Hours	Calculation Methodology
Truck	2,080	- 200	- 104	- 113	1,664	Annual Scheduled Hours - Annual Maintenance Hours - Annual Public Holiday Hours - Annual Standby Hours
Grader	2,080	- 350	- 104	- 225	1,401	

Example Rate Calculation – Rate per hour

Component	Amount	Formula	Calculation Methodology
Fixed Costs			
Registration & CTP	\$7,582.00	-	Annual registration and compulsory third-party costs
Insurance	\$1,507.62	$= \$125,000 / \$15,500,000 \times \$186,945$	(Annual insurance premium for insured assets / value of insured assets) x cost of asset
Garaging	\$4,583.17	$= \$3,800,000 \times 10\% / \$15,500,000 \times \$186,945$	Value of property where asset is garaged x notional rent % or annual rent cost / value of assets garaged x cost of asset Note: 10% is considered rule of thumb for notional rent for owned properties
Administrative overhead	\$9,407.55	$= \$780,000 / \$15,500,000 \times \$186,945$	Annual cost of administration staff / value of assets x cost of asset
Financing	\$1,238.51	$= 5.3\% \times \$186,945 / 8$	Interest rate % x purchase price / expected useful life
Total fixed costs	\$24,318.85		
Variable Costs			
Operational depreciation	\$16,520.25	$= (\$186,945 - \$54,783) / 8$	(Purchase price - resale value) / expected useful life



Component	Amount	Formula	Calculation Methodology
Fuel	\$97,843.20	$= (0.5 \times 1.68) \times 70 \times 1,664$	(Fuel consumption per km x average price of fuel per litre) x average km per hour x annual available hours
Tyres/tracks	\$8,555.14	$= (6 \times 600) / 700 \times 1,664$	(Number of tyres x tyre replacement cost) / tyre life in hours x annual available hours
Engine Oil	\$786.24	$= ((1,664 \times 70) / 10,000) \times \7.50×9	((Annual available hours x average km per hour) / 10,000) x oil price per litre x oil tank capacity in litre
Scheduled repairs and maintenance	\$5,625.00	$= \$45,600 / 8$	Total cost of maintenance for the life of the asset / expected useful life
Total variable costs	\$129,329.83		
Calculate rate			
Internal charge-out rate	\$92.36 per hour	$= (\$24,318.85 + \$129,329.83) / 1,664$	(Fixed costs + variable costs) / annual available hours

Example Claim:

Asset	Activity	Rate	Utilisation	Claim	Calculation Methodology
Six-wheeler truck	Transportation on Project 467 from 1 October 2025 to 21 October 2025	\$92.36	33 hours	\$3,048.04	Rate x Utilisation spent on eligible activities related to an event for an eligible measure