



ASSET MANAGEMENT STRATEGY

2013 – 2023



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1. INTRODUCTION

The 2005 Independent Inquiry into the Financial Sustainability of Local Government found that Councils expend considerable funds on the acquisition and management of assets. That they may be exposed to financial risk over the longer term if their budget processes have little regard for ongoing costs associated with the maintenance of these assets beyond the annual budget.

The report concluded that unless Councils addressed these issues they would be leaving a considerable financial legacy to future Councils and their communities. Coupled with the challenges of scarcity of resources and increasing costs, Councils face challenges in managing their infrastructure and other assets as a result of issues such as increasing community expectations, development growth, population drift (especially to coastal areas), replacement of ageing infrastructure, new legislative requirements and the growing demands of an ageing population.

The District Council of Robe is the custodian of an extensive range of community assets which represents a vast investment over many years by Council on behalf of its community. In order to fulfill its obligations in delivering services to the community, Council must ensure that these assets are managed and maintained to a level and at a "whole of life" cost that is acceptable to the community.

The importance of these assets to the community and their significance for Council's annual budgeting means that asset management is a critical part of the Council's long term planning and service delivery. Failure to adequately plan for the timely maintenance, renewal and replacement of assets will invariably result in a decline in the service levels delivered by Council that do not meet the expectations of the community.

The main objective of the Asset Management Strategy is to outline how the Council will meet its commitment to asset management.

2. PURPOSE OF THE ASSET MANAGEMENT STRATEGY

The purpose of an asset management strategy is to recognise asset consumption and ascertain likely future maintenance and renewal needs plus the need for any new additional assets to meet community service expectations. The costs inherent in an I& need to be reflected in a Council's long-term financial plan and both of these documents are integral to, and will be heavily influenced by the strategic management plans of Council.

The Asset Management Strategy will enable Council to develop a set of actions aimed at improved asset management practices by:

- Improved stewardship and accountability for assets
- Improved communication and relationships with service users
- Improved risk management
- Improved allocation of resources

Which will:

- Enable Council to effectively plan and fund its works programs
- Enable Council to competently deliver services to its community
- Enable Council to maintain its assets to an acceptable "level of service"

The key elements of effective infrastructure asset management are:

- Ensuring appropriate use and maintenance.
- Recognising that infrastructure assets must support the Council in the delivery of services to its community.
- Applying full life-cycle costing.
- Pursuing reduction or optimisation and integration of those assets not achieving the most productive outcome.
- Defining clear responsibilities for asset, accountability and reporting.

The documentation is recognition that a "rational and realistic" strategic focus is required to achieve maximum value for funds spent.

3. ASSET MANAGEMENT DEFINED

Asset Management is the process by which Councils manage infrastructure and long-life assets to meet current and future levels of service.

Asset Management is a systematic, structured process covering the whole life of an asset. The underlying assumption is that assets exist to support program delivery.

The goal asset management is to meet a required level of service, in the most cost effective manner, through the management of assets for present and future customers.

Asset groups for which Council is responsible for and detailed management plans to be developed for include:

- Roadways
 - Sealed [including kerb]
 - Unsealed
 - Formed
 - Unformed
- Footpaths & carpark
- Buildings & structures
- Parks (including caravan park, furniture & equipment)
- Marina & marine structures
- Stormwater drainage
- Community wastewater management system

In addition the following asset groups are held and maintained by Council to facilitate its service delivery to the community.

- Plant and equipment
- Information technology assets

4. ASSET MANAGEMENT PRINCIPLES

The following principles are to be considered when making any decisions impacting on infrastructure assets:

4.1 Asset Management Plans

Prepare Asset Management Plans for all asset groups, in accordance with IPWEA guidelines. Asset Management Plans should be relative to Council's needs, easily understood plan that is achievable and is consistent with available resources.

4.2 Renew before New

Adopt a principle of "Renew before New" of Council owned assets (wherever possible) with an emphasis on integrating services while maintaining/upgrading/replacing existing assets rather than adding new assets to Council's inventory.

4.3 Allocation of Resources

Allocate resources based on priority and whole of life cost established by referral to asset management strategy and plans.

4.4 Ownership and User roles and Responsibilities

Establish roles and responsibilities for community use assets in accordance with the following principles:

- Effect leases, licenses and user agreements for the management of Council owned assets where Council is not the occupant.
- Develop maintenance standards and service levels in agreement with the user/ stakeholders.
- Define responsibility for day to day management and mitigation of risk in related documentation.

4.5 Capital Works Evaluation Framework

A capital works evaluation framework is used to assist in prioritising projects for consideration within Council's long term financial plan and annual plan and budget process which takes into consideration:

- Demonstrated need and asset function
- Level of service
- Community benefits
- Whole of Life Costs
- Risk Assessments
- Statutory Obligations

4.6 "Whole of Life" Funding

When considering assets "whole of life" costs, funds are to be allocated for the complete life cycle of the asset(s), including the operation, maintenance and replacement cost associated with the asset(s).

- 4.7 Specified Maintenance Programs
Proactive specified maintenance programs will be implemented and included as part of any service agreement.
- 4.8 Risk Management
Manage infrastructure & assets in accordance with Council's Risk Management Policy.
- 4.9 Levels of Service, Maintenance Standards and Asset Needs
Where appropriate, the community and key stakeholders will be involved and consulted to determine levels of service, maintenance standards and asset needs.
- 4.10. Delivery of Services and the Function and Ownership of Assets
The Asset Management Task Team, Service Delivery Managers will continually review and consider alternative options for the delivery of services and the function and ownership of assets.
- 4.11. Assets Funding
Funding of infrastructure not owned or controlled by the Council is to be external to Council's Capital Works and Asset Management funding. Funding for specified maintenance and capital works to be based on level of service.

5. INSTITUTE of PUBLIC WORKS ENGINEERING AUSTRALIA

This strategy has been developed with reference to the International Infrastructure Management Manual. The Institute of Public Works Engineering Australia (IPWEA) is a professional organisation providing member services and advocacy for those involved in and delivering public works and engineering services to the community.

References include:

1. International Infrastructure Management Manual: IPWEA (AUS) and NAMS (NZ): 2011
2. IPWEA Practice Note 4 – Asset Management for Small, Rural or Remote Communities: John Howard, JRA Pty Ltd

6. INFRASTRUCTURE & ASSET MANAGEMENT PLANS

Council is developing Management Plans for each class of asset under its control.

In general, the Asset Management Plans:

- Describe the asset (physical, financial)
- Describe the objective/purpose of the asset (or each key component of it)
- Define the service levels
- Describe future demand requirements for service delivery
- Describe the risks associated with assets
- Define the intended time frame (lifecycle) of the asset or key components
- Include financial information
- State assumptions and confidence levels
- Outline an improvement program
- Identify key performance measures
- Have the firm commitment of the organisation
- Be reviewed regularly.

Infrastructure & Asset Management (I&AM) Plans are dynamic documents and therefore must be updated regularly to be effective as a management tool and reference document. The plan should reflect changes in objectives/policies, customer expectations, improvements in asset management systems or data in general.

The level of detail within each plan will depend on the complexity and size of the asset portfolios under consideration. It is important that all I&AM plans match the complexity required and are practical, readily understood and useable documents.

7. HIERARCHY of COUNCIL PLANS

Council has in place a number of strategic and operational plans all developed for the purpose of directing Council in its strategic and daily operations with the aim to deliver services in an efficient and effective manner.

The development of the Asset Management Strategy and complementing Plans will provide guidance and direction to Council in this area. In particular it will assist Council in delivering the related strategic goals detailed in its Strategic Plan 2009-2013

7.1 Council's Strategic Plan 2009-2013

Council's Strategic Plan 2009-2013 provides for Council to achieve a number of priority goals with infrastructure and asset management strategies defined to achieve these goals.

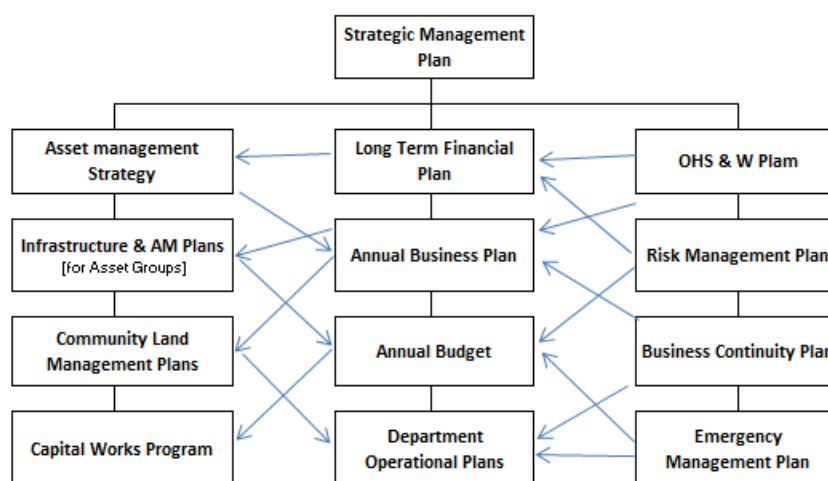
7.2 Long Term Financial Plan 2012-2022

Currently Council's asset replacement program is linked to the Long Term Financial Plan, although specific asset replacement beyond the first few years is not detailed. Rather an amount directly linked to the annual depreciation cost is included as a lump sum with actual replacement details determined later.

7.3 Annual Business Plan & Budget

Council's annual business plan and budget is developed within the framework of Council's strategic planning documents which are intended to guide the Council in identifying community needs and aspirations over the long term and converting these into short, medium and long term goals and objectives.

Table: Hierarchy of Council Plans



8. ASSET MAINTENANCE

Council's asset management activities to date have typically been reactive in nature where maintenance is provided after a fault has formed and has been identified by staff or reported by the community. Patrol grading of the unsealed road network might be considered an exception to this, although best practice would determine that Council work towards programmed managed maintenance systems. This is particularly important for risk management with respect to buildings, property, roads and footpaths.

The following table shows the asset maintenance budget for the 2012-13 Period. A total of \$971, 811 represents 16% of Councils total expenditure budget. Any improvement in the methodology used to estimate and set budgets will enhance Council's efficiency and help it work toward financial sustainability.

| | |
|---------------------------------|----------------|
| Roadways | 2012-13 |
| ROAD MTCE SEALED DIS | 122,902 |
| ROAD MTCE UNSEAL (FORMED) DIS | 486,473 |
| ROAD MTCE KERB W/TABLE DIS | 5,000 |
| ROAD MTCE FOOTWAYS DIS | 2,420 |
| ROAD MTCE TRAFFIC CTL DIS | 28,251 |
| ROAD MTCE OTHER DIS | 15,000 |
| Buildings | |
| CNCLOFF LAND & BUILD MAINT DIS | 10,000 |
| LIBRARY LAND BLDG MAINT DIS | 800 |
| Parks | |
| FSHORE PROTECTION MAINT DIS | 17,664 |
| CEMETERY GENERAL MTCE | 6,550 |
| Marina | |
| MARINA REPAIRS & MAINT | 26,949 |
| Stormwater | |
| STORM WTR MANAGEMENT MTCE DIS | 11,845 |
| CWMS | |
| EFF DR MAINT DIS | 237,958 |
| TOTAL MAINTENANCE BUDGET | 971,811 |

9. RISK MANAGEMENT

Risk Management is an integral part of good business practice and works in tandem with strategic and financial planning.

Risk Management is the process identifying risks an organisation faces and then developing policies, processes and actions that will mitigate the risk to minimise the impact of the risk. Developing and maintaining a risk management framework is an effective way to identify, manage and respond to risks within an organisation.

Risk Management allows for systemic change and continuous improvement in planning, resource allocation, decision making and processes and delivers outcomes such as:

- Improved asset management
- Improved planning, performance and effectiveness
- Providing a basis for higher standards of accountability and sound governance
- Protecting the organisation from legal liability
- Reducing insurance premiums
- Protecting the Council's corporate image as a professional, responsible and ethical organisation and an employer of choice
- Capacity to respond to new opportunities
- Improved prioritisation of activities and projects
- Improved project outcomes and reporting by documenting objectives and key actions in Councils Risk Register

Risks are rated according to the following matrix:

| Likelihood | Consequences | | | | |
|----------------|---------------|-------|----------|-------|--------|
| | Insignificant | Minor | Moderate | Major | Severe |
| Almost certain | M | H | H | E | E |
| Likely | M | M | H | H | E |
| Possible | L | M | M | H | E |
| Unlikely | L | M | M | M | H |
| Rare | L | L | M | M | H |

10. RENEWAL FUNDING GAP

A renewal funding gap occurs when there is a difference between;

- a) the amount of funds required annually for the renewal of an asset class over the useful life of that asset class, and;
- b) the amount of funds currently being spent on renewing the asset class annually.

Gap Analysis

The identification of the renewal gap, will allow the Council to predict what it will need to expend in the long term on maintenance of assets. The following information will need to be documented and consolidated into the management plans for each asset group to enable analysis to determine the current and project future funding gap levels.

- asset inventory
- renewal costs
- renewal expenditure
- asset life and
- intervention criteria,

It is intended that this strategy will form an important part of the future budget planning process. Once the above information has been documented an initial annual renewal gap, based on the condition of all of Council's infrastructure assets, will be derived.

It is proposed that these initial results will form the basis of the Council's updated financial plan. The introduction of standardised definitions between asset maintenance, operational costs, renewal, upgrade and new projects will further enhance the robustness of the information.

11. IMPLEMENTATION

Council currently has infrastructure and asset data stored in various forms throughout the organisation in plans, spreadsheets and registers such as valuation reports, insurance schedules, listings and other such documents.

The process of developing and implementing I&AM plans will rely on these documents to provide the base data upon which assumptions and projections will be derived. The accuracy of this raw data will be tested by continual review of the plan and outcomes.

Whilst the development of management plans will require the input and assistance of a number of staff, responsibility for the development of I&AM plans will be that of the following officers:

| Asset Group | Responsible Officer | Other Officer(s) |
|---|----------------------------|---|
| Roads | CEO – Roger Sweetman | Works Supervisor – Trevor Hondow |
| Footpaths & Carparks | CEO – Roger Sweetman | Works Supervisor – Trevor Hondow |
| Building & Structures | DCEO – Lyndon prior | Building Inspector – Milan Hodak Admin Officer – Paula Bigmore |
| Parks (including caravan park, furniture & equipment) | DCEO – Lyndon prior | Works Supervisor – Trevor Hondow Building Inspector – Milan Hodak Admin Officer – Paula Bigmore |
| Marina & marine structures | DCEO – Lyndon Prior | Harbor Master – Michael Wilkin |
| Stormwater Drainage | DCEO – Lyndon Prior | Works Supervisor – Trevor Hondow [Tonkins Engineering] |
| Community Waste-water management system | DCEO – Lyndon Prior | Works Supervisor – Trevor Hondow [Tonkins Engineering] |

12. REVIEW

Historically the gap between the allocation of resources to ensure sustainable asset replacement and the actual demand of the asset has not been determined or estimated. The capital works program has been set based on observation and knowledge of local works staff. Therefore annual funding allocation has not necessarily match the demand for asset replacement.

With the development of I&AM strategies and plans that provide clear guidelines for maintenance and renewal Council will have access to better information that will provide more robust data which will better reflect the real renewal needs of important infrastructure assets.

It is proposed to review the Asset Management Strategy every 4 years in conjunction with the Strategic and Long Term Financial plans. Council's Risk Management Strategy will also guide future actions and assist in the prioritisation of actions and/or activities if identified.