BLAND SHIRE COUNCIL
west wyalong

YOUR VISION
OUR FUTURE

# RESOURCING STRATEGY

# Asset Management Plan 2013

# DRAFT

## BLAND SHIRE COUNCIL

YOUR VISION OUR FUTURE

• Our people • Our places • Our infrastructure
• Our leadership • Our prosperity

# Table of Contents

# Section 1 - Introduction

## What Council Provides

To support the community, Council maintains a network of physical infrastructure within the Bland Local Government Area (LGA). This infrastructure provides a platform for economic and social development, strengthens the link between the community and the natural environment and creates a sense of place for the local community and its visitors. This infrastructure is integral to the community's well-being and their quality of life.

The infrastructure assets managed by Council include formed roads, bridges and culverts, footpaths, kerb and gutter, stormwater and sewer infrastructure, recreational assets, open spaces, landfills, Council businesses and community buildings.

A comprehensive list of these infrastructure assets is maintained in Council's Asset Register and details of the individual asset categories are held in the supporting Sections of this Asset Management Plan.

## The Value of Infrastructure

All assets in the Bland LGA included in this Asset Management Plan are audited under Council's inspection regime, rated against the asset reference sheets and captured in Council's asset registers. This process allocates a condition rating to each individual asset, or section of asset. This condition rating scale ranges from excellent to very poor. In 2012 a condition rating of average is considered to be a satisfactory level of service or condition.

The calculated Gross Current Replacement Value of the existing network of infrastructure assets in the Bland LGA is $287,898,000 million (as at June 2012). To return all infrastructure identified as being in an unsatisfactory condition (poor and very poor) to a condition deemed satisfactory (at least average), it is estimated to cost $15.8 million (in 2010 dollars). This represents 5% of the infrastructure assets in the Bland LGA.

Council's current annual expenditure on maintaining this asset base is $5.9 million (in 2010 dollars). The projected annual maintenance expenditure required to achieve the target maintenance events included in the supporting Sections of the Asset Management Plan and ensure the assets are in a 'satisfactory' condition is $8.6 million (in 2010 dollars). This indicates an annual shortfall in maintenance of $3.0 million (in 2010 dollars).

Council will review all assets included in special schedule 7 and align assets included in this schedule with the current asset registers in the 2013/2014 financial year. Service levels with also be reviewed to potentially reduce the funding deficit.

The following table provides details of asset categories included in this Asset Management Plan. It includes the size of each network, the value and the current liability of each network. These figures are taken from Councils Special Schedule 7 as at 30 June 2012.

| Asset Category | Quantity | Gross Current Replacement Value 2012 | Written Down Value 2012 |
|---|---|---|---|
| **Regional Sealed Roads** | 147.71 | | |
| **Roads -Sealed** | 671.85km | $3,038,388 | $68,329,703 |
| **Roads -Unsealed** | 2,370.61km | $65,786,922 | $24,708,049 |
| **Pedestrian Bridges** | 47 | | |
| **Bridges** | 9 bridges | $18,465,487 | $15,840,453 |
| **Culverts** | 1,083 culverts | | |
| **Kerb and Gutter** | 190.76km | $19,460,668 | $17,163,356 |
| **Footpaths** | 26km | $3,282,328 | $2,406,162 |
| **Car Parks** | 2 car parks 20,000m2 | | |
| **Shared Paths** | 8.3km | $2,250,128 | 1,699,621 |
| **Signs** | | $105,000 | $91,955 |
| **Recreational Assets** | | $4,695,533 | $3,739,717 |
| **Playgrounds** | | $2,437,658 | $2,108,020 |
| **Buildings** | 143 buildings | $32,507,196 | $13,514,362 |
| **Stormwater** | | $16,772,592 | $12,141,628 |
| **Sewer** | | $20,874,158 | $10,022,681 |
| **Open Spaces** | | $1,331,319 | $1,073,765 |
| **Landfills** | 3 landfills | | |
| **Transfer Stations** | 2 stations | | |
| **Livestock Saleyards** | 1 | $1,657,465 | $561,125 |
| **Swimming Complex** | 2 | $3,160,651 | $2,761,373 |
| **Aerodrome** | 1 | $1,451,334 | $1,183,374 |
| **Plant & Equipment** | | $10,621,874 | $5,374,058 |
| | | **$287,898,701** | **$182,719,403** |

## Council's Asset Management Goals

Council's goal in managing infrastructure assets is to meet the required level of service for each asset category in the most cost effective manner for present and future consumers. The key elements of Council's infrastructure asset management are:

- taking a life cycle approach
- developing cost-effective management strategies for the long term
- providing a defined level of service and monitoring performance
- understanding and meeting the demands of growth through demand management and infrastructure investment
- managing risks associated with asset failures
- sustainable use of physical resources and
- continuous improvement in asset management practices.1

The Asset Management Plan and supporting Sections are fundamental to the achievement of these key elements of asset management. The cornerstones of the Plan are:

- defining levels of service – specifies the services and levels of service to be provided by Council for each asset type
- condition assessment – specifies the technical tools used to assess the condition of each asset
- life cycle management – how Council will manage its existing and future assets to provide the required services
- financial summary – what funds are required to provide the required services
- asset management practices – how the organisation will manage its assets and the tools it will use to accomplish this
- monitoring – how the Plan will be monitored to ensure it is meeting Council's objectives
- asset management improvement plan

The main goal of such a Plan is to ensure that assets acquired support and meet the strategic and annual objectives of the organisation and that the cost of providing the service to the community does not outweigh the benefits. IIMM 2006 Sec 1.1.3, p 1.3

## Community Engagement and Asset Management

This introduction of asset management as a future works and corporate sustainability tool must include the active engagement of and consultation with the community to explain the impact on all people that use the infrastructure asset network, and to determine the community's service level expectations for infrastructure assets. For example, an acceptable level of service may relate to the frequency a park is mown, or the number of trip hazards in a length of footpath that the community deems to be satisfactory for that particular asset.

Quality information from community members and stakeholders ensures the current and future infrastructure across the Bland LGA is managed by Council to achieve the principles of equity, access, participation and right. This information from the community and stakeholders will be integrated with data, research and technical and financial information to create a comprehensive Asset Management Plan.

The community engagement was developed based on the simple principle of Council going into the community to meet with people, the objectives are to:

- gather information from the community about the condition of assets that is satisfactory to them
- gather information from key stakeholder groups and Government Departments about satisfactory levels of asset condition
- gather information from Councillors and Council staff about satisfactory levels of asset condition

The required outcome of the community engagement is straight forward. We need to know what asset condition is satisfactory to the community for each asset category. To achieve this, a survey has been developed which is designed to be accessed via Council's website or on computer tablets at community gatherings, meeting places, functions and at focus groups.

The community engagement will be implemented following the finalisation of this Asset Management Plan and the results will be used to develop the agreed level of service for each asset category in future revisions of the Plan.

## Core and Advanced Asset Management

This Asset Management Plan is prepared as a 'core' asset management plan in accordance with the International Infrastructure Management Manual (IIMM 2006). It is prepared to meet minimum legislative and organisational requirements for sustainable service delivery and long term financial planning and reporting. Core asset management is a 'top down' approach where analysis is applied at the 'system' or 'network' level. The Plan, in its current form is intended to meet the requirements for the resourcing strategy of the Integrated Planning and Reporting Bill (2009) of the Local Government Act and to provide Council with the decision making capacity to manage its infrastructure in the best interests of the community, to provide assets that deliver the service level expectations of the community and to ensure the maximum utilisation of Councils resources and funding.
Future revisions of this Asset Management Plan will move toward 'strategic' asset management using a 'bottom up' approach for gathering asset information for individual assets to support the optimisation of activities and programs to meet agreed service levels.

Strategic Asset Management "employs predictive modelling, risk management and optimised decision making techniques to establish asset life cycle treatment options and related long term cash flow predictions." (IIMM 2006)

## Core Asset Management Performance Targets

The following tables detail the key performance targets and measures for Council's core asset management.

| Assets Registered | |
|---|---|
| A | Details of assets established in a register |
| B | Register maintained on an ongoing basis |
| C | Assets mapped in Council's Geospatial Information System (Mapinfo) |
| D | GIS updated on an ongoing basis |
| E | File and annual reports of past studies, works |
| F | Assets recorded |

| Standards Prescribed for Asset Condition | |
|---|---|
| A | Draft minimum preferred standards |
| B | Adopted in relevant section |

| Planning Cycles Completed and Implemented | |
|---|---|
| A | Related sections reviewed as specified |
| B | Asset Management Plan updated annually |

| Asset Audit/Condition Surveys Completed | |
|---|---|
| A | Asset inspection regimes developed and implemented |
| B | Condition surveys completed at prescribed frequency |

# Section 2 – Levels of Service

## Current Levels of Service

"An objective of Asset Management Planning is to match the level of service provided by the asset with the expectations of the customer. Asset Management Planning will enable the relationship between level of service and cost of service (the price/quality relationship) to be determined. This relationship can then be evaluated in consultation with customers to determine the optimum level of service that the community is prepared to pay for." (Page 3.6, IIMM (2006))

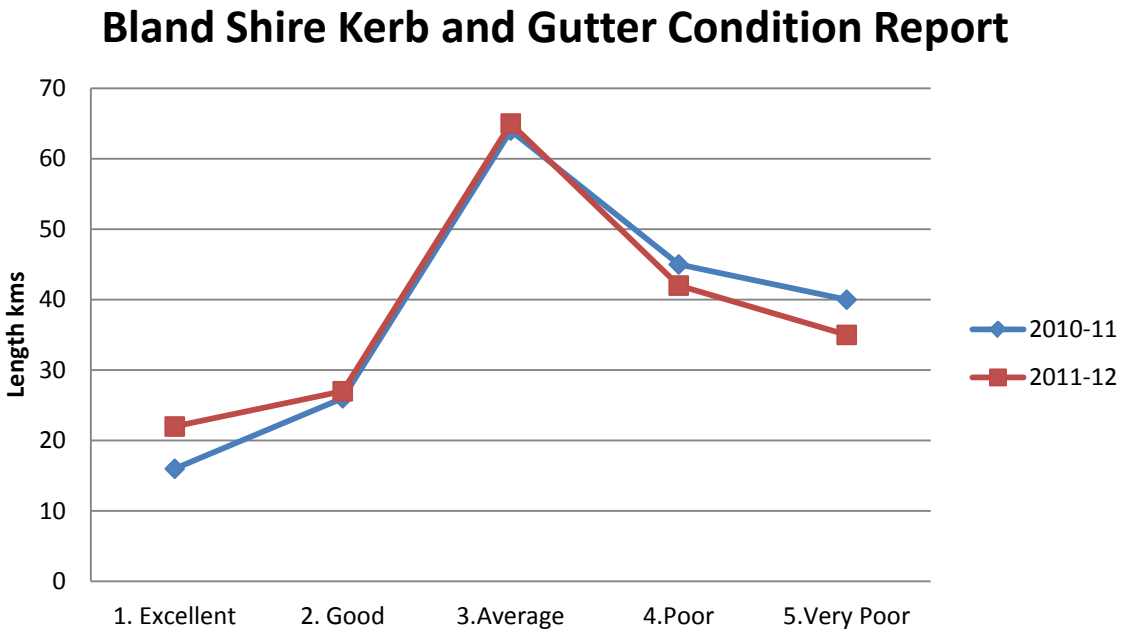
Council has characterised service levels in two definitions aligned with the IIMM. These two levels of service are a community level of service and a technical level of service.

Community Levels of Service relate to how the community receives or derives benefit from the service of each asset in terms of safety, quality, quantity, reliability and responsiveness.

Supporting the community service levels are operational or technical measures of service developed to ensure that the minimum community levels of service are met. These technical levels of service may relate to cost/efficiency and legislative compliance.

Council's Assets Team continues to use a 'satisfactory' condition as a desired level of service for all asset categories covered by this Plan. The use of 'satisfactory' as the desired service level allows Council to develop projections of asset renewal funding requirements for the future in support of the Long Term Financial Plan, providing estimates of the funding required for each category to be remediated or renewed so each individual asset is 'satisfactory' or above.

All assets included in this Plan are audited under Council's inspection regime, rated against the asset reference sheet and captured in Council's electronic mapping system. This process allocates a condition rating to each individual asset, or section of asset. This condition rating scale is from excellent to very poor. In 2010 a condition rating of average is considered to be a satisfactory.
This can be clearly demonstrated in the below graph of the kerb and gutter network in the Bland LGA, which indicates the quantity of assets in each condition. Council's Asset Team are moving towards quantify each condition and also the funding required to remediate all assets to a 'satisfactory' or above condition, and provide the financial data necessary to inform the Long Term Financial Plan.




Council has characterised service levels in two definitions. The level of service relates to the condition of the asset that is satisfactory to the community and the condition rating is the result of the technical audit of the asset which is conducted by Council's Asset Team.

Community Levels of Service relate to how the community receives or derives benefit from the service of each asset in terms of safety, quality, quantity, reliability, responsiveness, cost/efficiency and legislative compliance.

Supporting the community service levels are operational or technical measures of performance developed to ensure that the minimum community levels of service are met. These technical measures relate to service criteria such as:

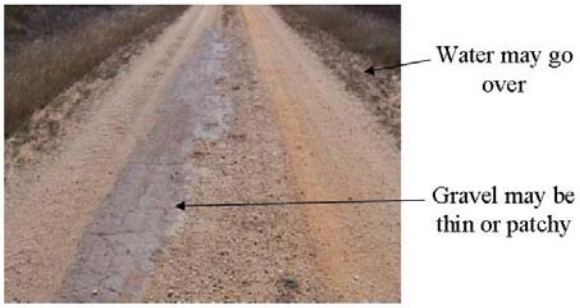
| Service Criteria | Technical measures may relate to |
|---|---|
| **Quality** | Component deterioration |
| **Quantity** | Area of parks per resident |
| **Availability** | Number of users versus need |
| **Safety** | Pavement width and condition |

## Desired Levels of Service

At present, indications of desired levels of service are obtained from the Customer Satisfaction Survey (2005, 2011), residents' feedback to Councillors and staff, service requests and correspondence. Council has yet to quantify desired levels of service from the community. This key element in service delivery from infrastructure assets will be developed prior to the first revision of this Plan.

It is likely that council will have to reduce service levels in some areas, unless new sources of revenue are found. For example Transport infrastructure, the service level reduction may include loss of all weather access for a number of unsealed roads as shown in the photos.


All weather access




Not necessarily all weather access

Council has traditionally provided a one size fits all approach with their assets. The new hierarchy considers the functionality of the asset including, user rates, type of users, community benefit, whole of life cost of providing the asset, risk and safety to the community.

# Section 3 – Future Demand

## Demand Forecast

Factors affecting demand include population change, changes in demographics, seasonal factors, vehicle ownership, consumer preferences and expectations, economic factors, agricultural practices and environmental awareness for example.

Demand for infrastructure is generated predominantly through either;

- an increased utilisation of existing infrastructure brought about by the factors above or
- the requirement for new infrastructure to meet the needs of growth in new development

The demand created by these two circumstances requires analysis to consider the ramifications to existing infrastructure networks and the ability of these networks to cope with the increased infrastructure. This analysis applies in all cases ranging from new subdivisions creating an increased load on an existing sewer network and treatment plant, to that same subdivision increasing traffic across existing road networks potentially creating the need to upgrade that existing infrastructure to cope with the increased utilisation and demand.

## Demand Management Plan

Demand for new services will be managed through a combination of managing and maintaining existing assets, upgrading of existing assets and providing new assets to meet this demand. Demand management practices include non-asset solutions, insuring against risks and managing failures.

The planning for infrastructure due to demand is a constant process of review and assessment of existing infrastructure and its ability to cope with increasing demand, versus the need to augment with new infrastructure.

Demand on infrastructure is created through increased utilisation generated from a growing population and changing patterns of behaviour, ranging from social demographics to transport options and solutions. Often this increasing demand will stem from urban or residential growth increasing the utilisation of a range of community infrastructure

Council develops strategies for demand management on single or groups of affected assets and continues to manage the relationship between existing and new asset requirements in the context of asset management. This demand management also includes asset rationalisation as discussed in this plan.
This demand forecasting and analysis is based on Australian Bureau of Statistics 2006 data and the NSW Department of Planning projections. The outcomes of these plans form elements of future capital works programs captured in Council's Long Term Financial Plan.

| Year | Population | Demographics (+65) | Impact on services |
|---|---|---|---|
| 1996 | 6,700 | 1,000 | Decline in demand |
| 2001 | 6,700 | 1,100 | Increase demand age services |
| 2006 | 6,300 | 1,100 | Further decline in demand |
| 2011 | 6,100 | 1,100 | Further decline in demand |
| 2016 | 5,800 | 1,100 | Further decline in demand |
| 2021 | 5,600 | 1,200 | Further decline in demand with increased pressure on age service facilities |
| 2026 | 5,400 | 1,200 | Further decline in demand |

## Changes in Technology

Technology changes are forecast to have little effect on the delivery of services covered by this Plan at present time. Changes in technology will be considered at each annual review of the Asset Management Plan.

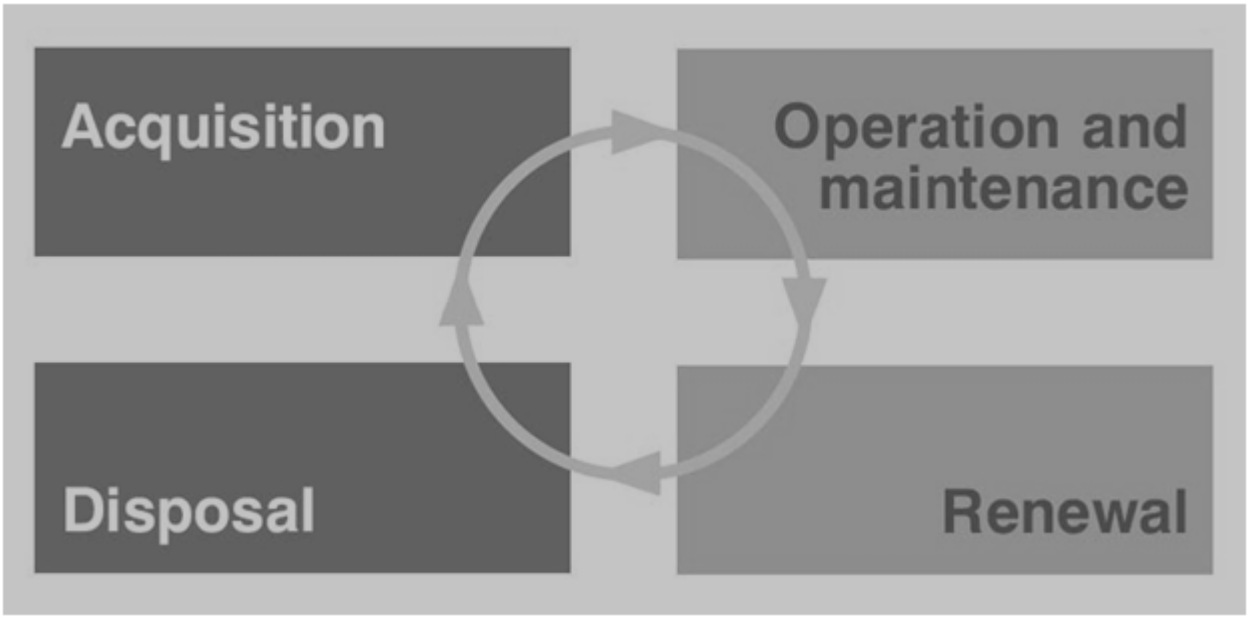
## New Assets for Declining Growth

Population forecast indicate that there will be very few new assets required to meet growth as this data indicates that Council has a negative growth of -0.75%.

The demographics indicate Bland Shire has an ageing population. In the future capital items required will need to be funded from the Council's general income. With decreasing revenue streams from a declining population and increasing demands from an ageing population upgrading or renewal of existing infrastructure, will need to be reviewed with this mind.

# Section 4 - Lifecycle Management

Life cycle management details how Council plans to manage and operate the asset category at the agreed level of service while minimising life cycle costs throughout the useful life of the asset.




This section identifies and describes the four key phases of the asset management life cycle of local government assets, namely: acquisition, operation and maintenance, renewal, and disposal.

## Acquisition

There are six elements to the asset acquisition phase of the cycle. They are:

1. planning
2. assessment of requirements
3. feasibility study
4. acquire (procure or construct)
5. asset identification, recognition and recording and
6. recording and accounting

These elements are not carried out in an entirely sequential manner; some elements overlap and the planning element should be evident in all other elements.

Congruence of the asset management process with all stages of planning is vital to ensure the process adds value to an organisation. Ad hoc asset management processes are unlikely to result in optimum asset management, for example to have assets acquired, maintained or disposed of in accordance with the organisation's goals and objectives. It can have serious consequences for Council, particularly in longer-term sustainability.
Sound and effective use of planning in all phases of the asset management cycle will assist Council in:

- setting levels for service delivery
- assessing the functional adequacy of existing assets
- identifying surplus or under-performing assets
- assessing the assets required for new policy initiatives
- evaluating options for asset provision (for example, private versus public investment)
- evaluating options for funding asset acquisition
- ensuring funds are available when required
- ensuring assets are maintained and disposed of in an optimum manner and
- evaluating asset management performance, with the goal of continuous improvement

The development of an Asset Management Plan as part of Council's planning processes provides the best means of delivering value-added asset management. The Plan must cover the complete asset management cycle and be integrated with Council's strategic and other planning documents.

## Assessment of Requirements

Assessing Council's requirements for assets is a major and evolving challenge. It involves making judgements on future services and organisational direction and the making of predictions that may change at the next election. Appropriate and effective asset planning, however, is driven by the longer-term Financial Plan requirements that must transcend the impacts of elections. Council should deliberately apply strategic thinking in making predictions to minimise risk and uncertainty.

Questions that must be satisfactorily answered are:

- What alternatives are available for service delivery?
- What changes can be expected to service demand over the planning time frame?
- What is the condition of existing asset holdings?
- What are the short-term asset requirements?
- What are the long-term asset requirements?
- What existing assets meet the requirements?
- What further assets are required?
- Does Council need to acquire further assets or can the service be met by a service provider?
- What assets are no longer viable to retain?
- What alternatives are available for asset provision (public or private)?
- What alternatives are available for asset acquisition (purchase or construct)?
- What new skills will be needed to operate new assets?

Requirements need to be regularly reviewed, particularly as circumstances change. Such reviews should be part of the ongoing planning processes of Council. Once requirements have been defined and the options costed, a decision on the best option can be made. This decision will be the beginning of further planning – the plan to acquire the asset.

A purchasing/design and/or construction specification and a budget for the asset should be developed as well as, a time frame for its acquisition and obtaining the necessary funding. A realistic budget, cash flow and timetable must be set as insufficient funds or project management might seriously jeopardise the asset acquisition process. This must include whole of life costing for the new asset including acquisition, maintenance, renewal and disposal.

The key to adding value to the organisation in the asset acquisition element is project management. Once the broad asset requirements are known, the process should be managed through Council's Project Management Framework utilising a project team that has the necessary skills and experience to ensure all aspects of the acquisition process are completed in a way that meets the service delivery and economic objectives of Council.

## Asset Identification and Recording

Australian Accounting Standards (AAS) require Local Government to identify, value and record all of their assets. A common problem has been identifying what assets the local authority controls or 'owns'.

Ways in which asset registers are created and maintained range from the manual recording of basic details in a series of bound volumes, to the use of specifically designed asset management software.

There is much information that can be recorded about assets. Council needs to be diligent and apply a strategically driven approach to the data held and used. Data held needs to be regularly subject to executive management scrutiny so that information can be reliably provided without the unnecessary overhead of gathering, storing and cleansing data that is not explicitly used by Council and is not required for decision making or reporting purposes.

Councils are custodians of a significant portfolio of community assets for which they are held accountable. Councils therefore need information about the portfolio to fulfil this reporting duty and also to enable them to manage the assets effectively. In order for this information to be provided efficiently and effectively it is highly desirable that it be kept in one integrated data set.

Whilst recording or accounting for assets may be regarded by some as an issue for accountants, it is important to recognise that engineers and asset managers utilise the same information. It is important, therefore, that the professions work together to establish accepted methodologies and approaches. The asset management policies and processes developed by Councils Asset Management Team are documented in the supporting Sections of this Plan to assist consistent decision making and reporting.
On acquisition, an asset is usually valued at its purchase price. The purchase price includes any costs necessary to place the asset into service. It is important that a value is placed on all assets, as the value and its diminution over time, provide information for decisions made about the contribution, or otherwise, by assets to an organisation's goals and objectives from an economic perspective.

Most public-sector assets, particularly long-lived assets such as buildings, roads and footpaths require maintenance over their lives. There are basically five matters for asset maintenance consideration. They are:

1. planned maintenance
2. unplanned maintenance
3. maintenance of asset records
4. revaluation and
5. reassessment

Planning is an important part of the maintenance phase. The time frame over which some assets are to be maintained adds a degree of complexity to the planning involved. The development of planned maintenance schedules should involve a multidisciplinary approach. It is critical that the planning is undertaken as the resources required to maintain the assets in optimum condition for the least cost will require the evaluation of a range of factors for different assets.

The selection of appropriate maintenance schedules is crucial to minimise asset maintenance costs while prolonging the service effectiveness of assets. It may appear to be a paradox to plan for unplanned maintenance, but unplanned maintenance consumes resources. It is essential that provision be made for time, money and skills to be available to quickly restore assets that fail in service to their operating effectiveness. Alternatively, contingency plans (business continuity planning/disaster recovery planning) should be made where catastrophic failure of major infrastructure assets has the potential to severely disrupt the provision of services to the community.

## Asset Creation, Acquisition and Upgrade Plan

New works are those works that create a new asset that did not previously exist, or works which upgrade or improve an existing asset beyond its existing capacity. They may result from growth, social or environmental needs. Assets may also be acquired at no cost to the Council from land development however it would appear from population projections that Bland Shire will not acquire any significant assets in the foreseeable future.

## Selection Criteria

New assets and upgrade/expansion of existing assets are identified from various sources such as the Community Strategic Plan, Development Control Plans and other planning documents and proposals identified by partnerships with other organisations. Candidate proposals are inspected to verify need and to develop a preliminary renewal estimate. Verified proposals are ranked by priority and available funds and scheduled in future works programmes. New assets and services are funded from Council's capital works program and grants where available.

## Maintenance of Asset Records

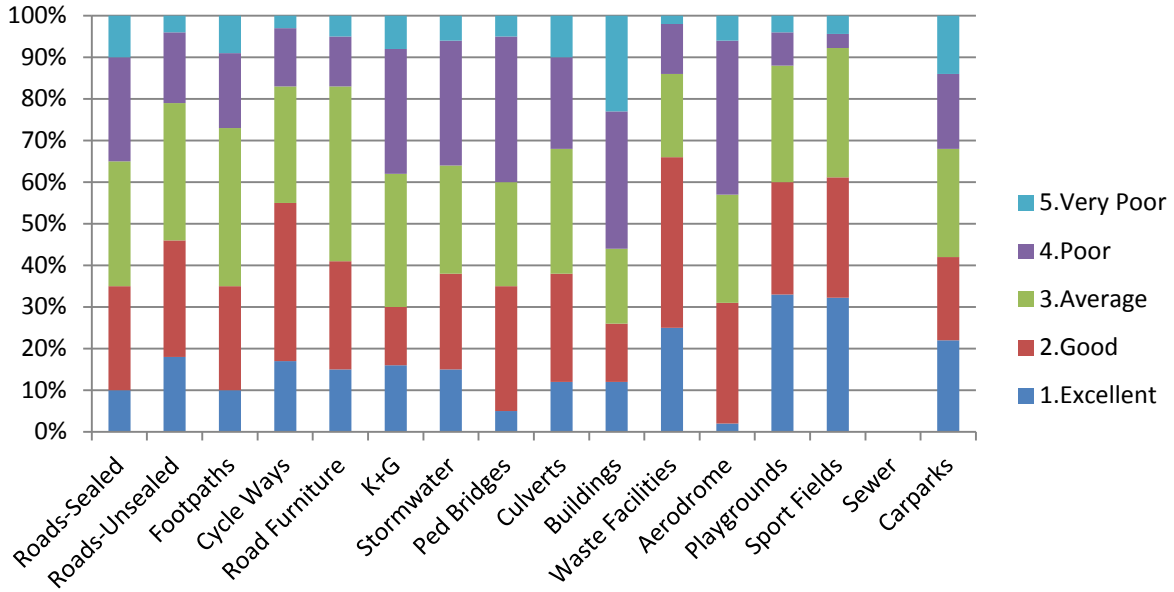
In addition to the financial and technical information requirements for statutory reporting and to enable effective management, asset records must be kept. Maintenance of asset records adds value to the asset management process. Appropriate asset records that record relevant acquisition, operation maintenance, renewal and disposal information can be invaluable sources of information throughout the asset management process. The benefits of comprehensive asset records include:

- a record for each asset containing information such as condition, fair value, location, materials and so on
- recording maintenance performed ensures that it is not done twice and enables a review to confirm that it has been carried out, the expenditure of that maintenance and the subsequent change to the asset value

Australian Accounting Standards require assets to be revalued on a regular basis. This requirement ensures that assets are recorded at a value that reflects what the market would pay to acquire the asset or what it might cost to replace the asset in its present form. The Integrated Planning and Reporting Bill (2009) requires assets to be revalued annually. This can only be achieved with high quality asset data.

The value of asset holdings recorded provides an indication of the level of resources that might be required to replace those assets in their current form.

## Asset Condition




The condition distribution of Council's assets as at 2012 is shown in the graph above.

Condition is measured using a 1 – 5 rating system.2.

## Routine Maintenance Plan

Routine maintenance is the regular on-going work that is necessary to keep assets operating, including instances where portions of the asset fail and need immediate repair to make the asset operational again. Maintenance includes reactive, planned and cyclic maintenance work activities.

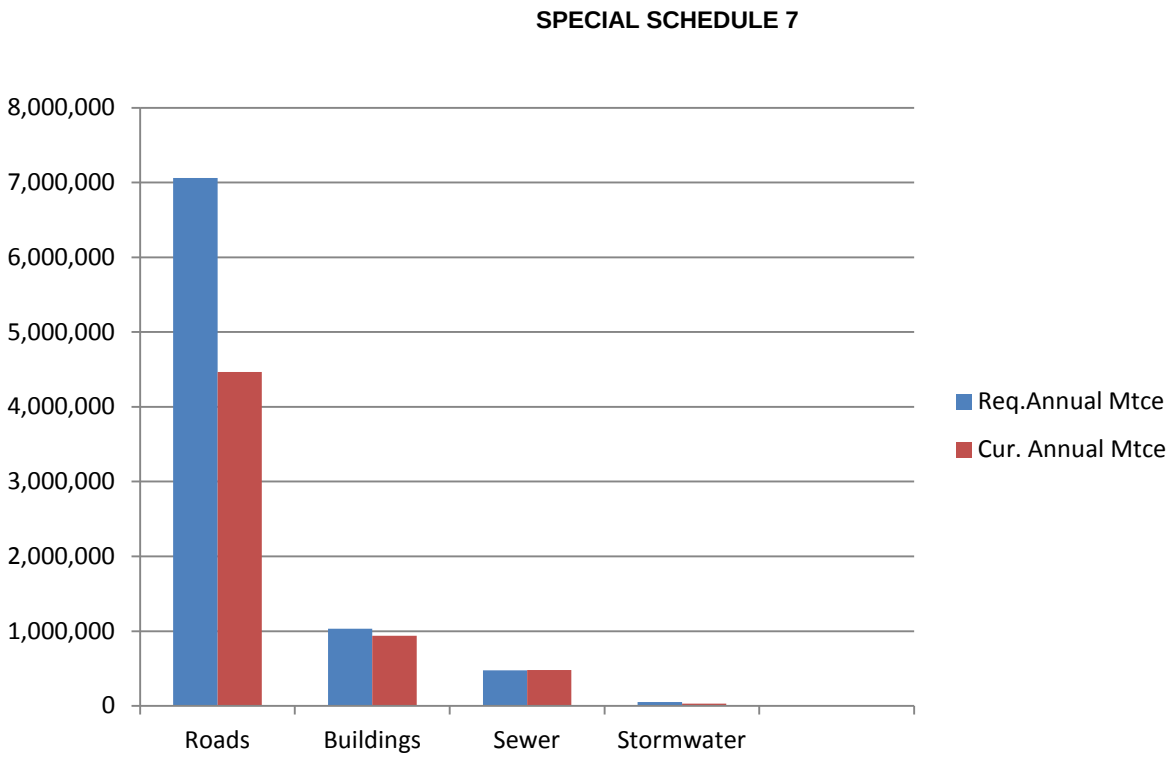
Reactive maintenance is unplanned repair work carried out in response to customer or service requests and management/supervisory directions. Assessment and prioritisation of reactive maintenance is undertaken by Council staff using experience and judgement.

Planned maintenance is repair work identified and recorded through Asset Edge Reflect programme. Reflect activities include inspection, assessing the condition against failure/breakdown experience, prioritising, scheduling, actioning the work and reporting what was done to develop a maintenance history and improve maintenance and service delivery performance.

2 IIMM 2006, Sections B, p B:1-3

Cyclic maintenance is the replacement of higher value components or sub-components of assets that is undertaken on a regular cycle, for example repainting and building roof replacement. This work generally falls below the capital threshold.

Maintenance expenditure trends as reported via Special Schedule 7 are shown in the following table.



Generally maintenance expenditure levels are considered to be inadequate to meet required service levels.

The supporting Sections of this Asset Management Plan contain information relating to the necessary funding for each specific asset category and the subsequent growth to that funding with the corresponding development of assets to that category. Future revision of this infrastructure Asset Management Plan will include linking required maintenance expenditures with required service levels.

# Risk Management

## Categories of Risk

Council has an adopted risk management framework which identifies risk in three major categories, which are as follows.

### 1. Opportunity-Based Risk

There are two main aspects of opportunity-based risks; risks associated with not taking an opportunity and those associated with taking an opportunity.

Opportunity-based risk may or may not be visible or physically apparent, it is often financial, it can have a positive or negative outcome, and it can have both short-term and longer-term outcomes. It can be managed by assessing the upside and downside of the risk. The use of cost-benefit analysis will make the nature of the risks clearer.

An example of an opportunity-based risk in Council is the acquisition of new financial software. Should the software meet expectations then productivity is likely to be increased, along with staff morale. However, should the software prove difficult to implement or unable to meet Council's expectations, then both productivity and staff morale will fall and stakeholder confidence will be lost.

### 2. Uncertainty-Based Risk

Uncertainty-based risk is the risk associated with unknown and unexpected events. Uncertainty-based risks are; unknown or extremely difficult to quantify, catastrophic or disastrous in nature, associated with negative outcomes, and not possible to control or influence.

Examples of uncertainty-based risks for Council include: physical damage or damage to buildings by fire or flood; loss of a vital supplier; and influenza pandemics.

### 3. Hazard-Based Risk

Hazard-based risk is the risk associated with a source of potential harm or a situation with the potential to cause harm. This is the most common risk associated with Council, as addressed by occupational health and safety programs. Hazard-based risks include:

- physical hazards – including noise, temperature or other environmental factors
- chemical hazards – including storage and/or use of flammable, poisonous, toxic or carcinogenic chemicals
- biological hazards – including viruses, bacteria, fungi and other hazardous organisms
- ergonomic hazards – including poor workspace design, layout or activity and equipment usage
- psychological hazards – that may result in physical or psychological harm, including bullying, sexual discrimination, workload or mismatch of job specification to employee capability Council generally addresses hazard-based risks through its OH&S program.

## Areas of Risk

Council faces two main risk areas:

### 1. Strategic Risk

Council has identified the following strategic risk areas:

- financial
- governance
- stakeholder management
- corporate planning
- environmental
- asset/project management
- procurement and contract management
- human resource management
- knowledge management (including Information Technology)

Strategic risk is managed through Council's annual Risk Management Plan due to the potential affect a failure in this area can have on Council's operations.

## 2. Operational Risk

These are risks that relate to the day-to-day operations of Council. They result from inadequate or failed internal processes, people and systems. The two main, interdependent components are operational integrity and service delivery.

Operational risk arises from inadequate internal controls, inadequate or no documentation, poor planning and implementation, or inadequate supervision.

Council has identified the following operational risk areas or categories:

- contract administration and procurement
- Occupational Health and Safety management
- project management and delivery
- public liability management
- human resource management
- fraud and corruption
- business continuity management

An assessment of risks associated with service delivery from infrastructure assets has identified critical risks to Council in both categories of risk. The risk assessment process identifies credible risks, the likelihood of the risk event occurring, the consequences should the event occur, develops a risk rating, evaluates the risk and develops a risk treatment plan for non-acceptable risks.
Critical risks, being those assessed as 'High' -requiring immediate corrective action and 'Significant' – requiring prioritised corrective action identified in the Risk Management Framework (2010) are summarised in the following table.

| Risk Level | Insignificant | Minor | Moderate | Major | Catastrophic |
|---|---|---|---|---|---|
| **Almost Certain** | Significant | Significant | High | High | High |
| **Likely** | Moderate | Significant | Significant | High | High |
| **Possible** | Low | Moderate | Significant | High | High |
| **Unlikely** | Low | Low | Moderate | Significant | High |
| **Rare** | Low | Low | Moderate | Significant | Significant |

## Renewal

Renewal is the periodic replacement of assets or asset components. It is the renewal of existing assets that returns the service potential or the life of the asset to that which it had originally. Work over and above restoring an asset to original capacity is upgrade/expansion or new works expenditure.

In the asset operation and maintenance phase, there will have been assessment of the asset on a continuous basis. This history of assessment provides valuable information as the asset nears the end of its useful life, and during its useful life at times when major expenditures are approaching. Council, armed with such information may choose to seek alternate asset options to support services rather than to continue with more of the same as used in the past.

The usage of the asset, the regularity of its maintenance, the extent of unplanned maintenance and any associated downtime, can help to determine the retirement or disposal date of the asset. The current value of the asset is also a factor that should be considered. Its value may be such that an earlier or later disposal date is indicated. Two other factors that must be carefully considered in assessing the condition of an asset are the technical and commercial obsolescence aspects of an asset's condition.
In developing an asset renewal profile, there are a number of concepts to consider:

- asset age – the elapsed time since the asset was constructed or acquired and brought into service
- current replacement cost as new – the cost to reconstruct/renew the asset. This cost is calculated on a full-cost attribution basis. In the case of major infrastructure assets, the cost will include the cost of design and construction and the indirect costs of the construction/acquisition
- useful life of the asset -generally, there are two approaches typically used to develop the asset renewal profile

One uses the age of the asset, in conjunction with its useful life and current replacement cost as new, to develop the profile. The other uses the current replacement cost of the remaining asset and its remaining useful life in lieu of asset age. Once the renewal profile is created, consideration can be given to strategies to deal with expenditure peaks and troughs.

Typically, the strategies may include:

- extending the life of existing assets by specific maintenance strategies
- renewing some assets earlier than planned
- where the increase in expenditure appears to be of a permanent nature, planning for the transfer of funds from other areas or additional rate revenue

## Asset Renewal Plan

Assets requiring renewal are identified from condition data obtained from the asset register. Candidate proposals are inspected to verify accuracy of condition and to develop a preliminary renewal estimate based on adopted unit rates. Assets identified for renewal are ranked by priority and available funds and scheduled in future works programs.

Renewal will be undertaken using 'low-cost' renewal methods where practical. The aim of 'low-cost' renewals is to restore the service potential or future economic benefits of the asset by renewing the asset at a cost less than replacement cost where possible. Renewals are to be funded from Council's capital works program and grants where available.

## Disposal

Disposal, retirement or rationalisation of assets generally will occur due to changes in community demands or needs. Assessment of the need for assets is a part of the Council review process that determines whether it is meeting the needs and expectations of the community. Challenging the status quo and investigating innovative options for meeting the community service needs is all part of this process. Extensive community consultation is required to confirm community acceptance of disposal.

As with acquisition decisions, to dispose of an asset requires thorough examination and must be taken within the integrated planning framework of Council that takes account of service delivery needs, corporate objectives, financial and budgetary constraints and the overall resource allocation objectives. Disposal options including demolition should be considered at the outset when completing the acquisition plan.

The preservation of some assets means that, while the asset life cycle applies to all assets, some may not be considered for disposal for cultural or heritage reasons. There must be a defined relationship between the growth of Councils asset base, its income and capacity to maintain the service delivery of that asset base to meet community expectation, whilst continuing to deliver all the services required of Council.

Currently there is no defined relationship between the growth of Council's asset base and the subsequent funding to maintain the asset. This shortfall will be addressed by:

- improving the distribution of funds to these assets
- funding asset renewal and maintenance based on condition
- rationalising assets as required
- managing assets to meet community service expectations

## Asset Rationalisation

The reassessment of an asset's usefulness to Council should be made on a regular basis, on two criteria. They are:

1. the need for the asset. Does the organisation have a continuing need for the asset? Is the asset still providing a required service to the community? Is that service provision what the customers expect? Is there a more cost-effective way to provide that service?

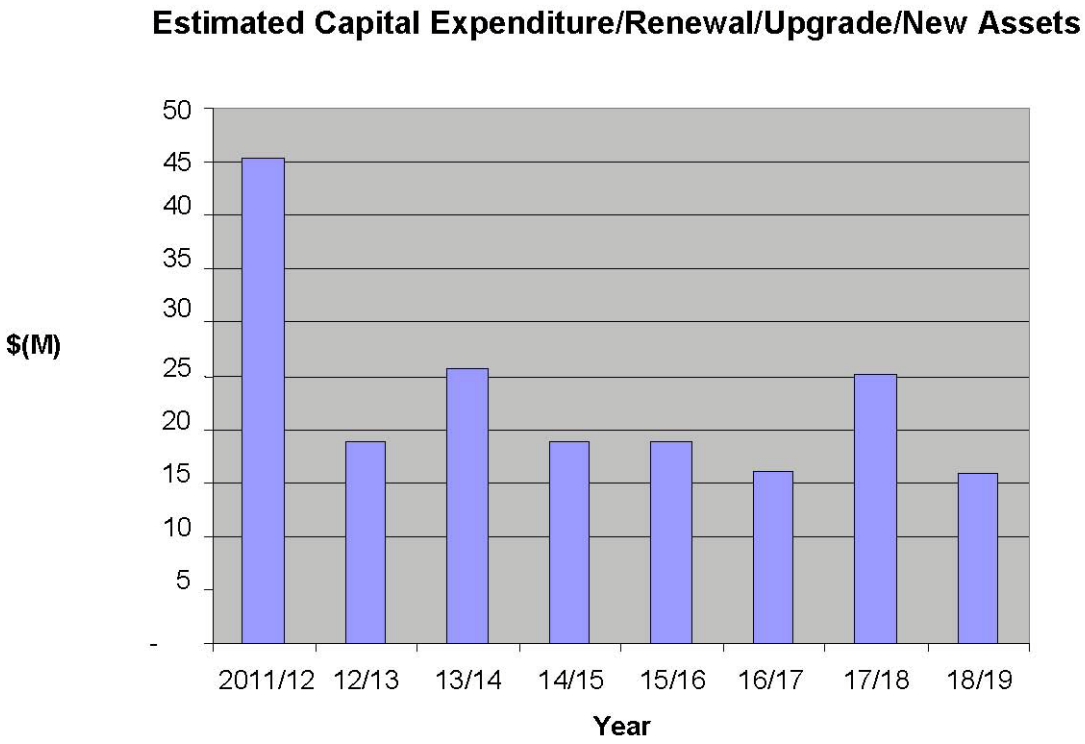
2. the useful life of the asset. At acquisition, the asset will have been designed for a useful life, dependent on the factors outlined in the section on useful life. Where factors change, the useful life of the asset should be reassessed. Usage of the asset may have been more or less than planned. The condition of the asset may be better or worse than expected at this point in its life. Any change in the expected useful life of an asset will have accounting implications – the value of the asset may need to be adjusted.

# Section 5 – Plan Improvement and Monitoring

This section contains the financial requirements resulting from all the information presented in the previous sections of this infrastructure Asset Management Plan. The financial projections will be improved as further information becomes available on desired levels of service and current and projected future asset performance.

## Financial Statements and Projections

The financial projections are shown in the following graph for projected operating capital expenditure (renewal and upgrade/expansion/new assets). Note that all costs are shown in 2010/11 dollar values.



## Life Cycle Costs

The life cycle cost of an asset is defined as 'the total cost of that asset throughout its useful life including planning, design, construction, acquisition, operation, maintenance, rehabilitation and disposal costs." This value must be used in the development of estimates for the delivery of new assets for Council. The introduction of life cycle costing will dramatically change the forecast capital expenditure listed above as capital costs. Capital costs will no longer reflect just 'build' cost but will include whole of life.

Whole of life costs, on the other hand, are defined as the average annual cost required to sustain the agreed service levels. Whole of life costs include maintenance and asset consumption (depreciation) expense.

This can be compared to 'life cycle expenditure' to give an indicator of sustainability in service provision. Life cycle expenditure includes maintenance plus capital renewal expenditure. Life cycle expenditures will vary depending on the timing of asset renewals.

A gap between life cycle costs and life cycle expenditure gives an indication as to whether present consumers are paying their share of assets they consume. The purpose of this infrastructure Asset Management Plan is to identify levels of service that the community needs and can afford and develop the necessary funding plans to provide the services. Future revisions of this Plan will include details of this ratio.

## Funding Strategy

Projected expenditure identified in Financial Projection is to be funded from Council's capital budgets and include developer contributions and potential grant funding. The funding strategy is detailed in the Council's 10 year long term financial plan.

## Valuation Forecasts

Asset values are forecast to remain steady as there will be very few additional assets added to the asset base from construction and acquisition by Council.

The carrying amount of the asset categories (depreciated replacement cost or fair value) will vary depending on the rates of addition of new assets, disposal of old assets and consumption and renewal of existing assets.

The entire asset base is required to be revalued annually under the Integrated Planning and Reporting Bill (2009).

This requires each asset condition to be always accurate as the condition is directly proportional to the annual depreciation percentage applied to the renewal cost of the asset.

This process is applied to each asset and subsequently each asset class, determining the renewed value of the asset class, the annual depreciation and the cumulative depreciation of the asset in total.

## Key Assumptions Made in Financial Forecasts

This section details the key financial assumptions made in presenting the information contained in this infrastructure Asset Management Plan and in preparing forecasts of required operating and capital expenditure and asset values, depreciation expense and carrying amount estimates. It is presented to enable readers to gain an understanding of the levels of confidence in the data behind the financial forecasts.

Key financial assumptions made in this Asset Management Plan are:

### 1. Unit Rates

Council has quantified unit rates for all assets for the construction or purchase cost of each asset. In some cases these unit rates are simply the purchase price of an asset for example a pit lid, or as complex as the inclusion of a variety of materials, plant and labour rates combined to create a single unit rate for an asset.

This level of complexity does build in a certain error to the unit rate which when applied across the asset base can lead to a compounding error in the value of that asset base and the subsequent cost to maintain or renew the asset to deliver a service level or standard.

Currently, Council includes the cost to dispose of an asset in the unit rate of that asset type. As Council moves towards strategic asset management this cost may be captured separately.

### 2. Annual Maintenance Cost per Unit

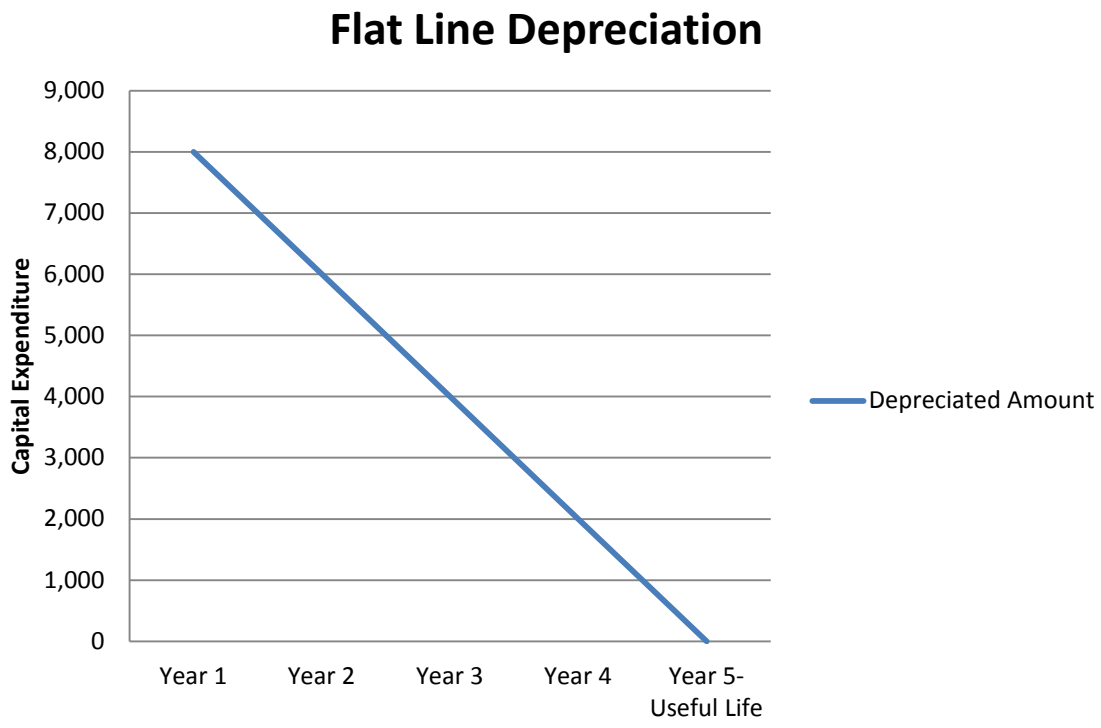
In addition to the above, Council has determined an annual maintenance cost or rate per asset unit to create the direct and quantifiable link between the quantity of the asset and the funds required on an annual basis to maintain that asset, and the delivery of that asset's service level or standard.

As with the unit rate above, there is the potential for error to exist in these maintenance unit rates as the complex nature of the development of these rates can lead to the over or under stating of a particular element of a particular maintenance event. For example pot holing in sealed roads is quantified at a rate of $881.34m3. This figure is extrapolated from the per tonne rate of the material divided by the potential depth and area of average pot holes to create a unit rate.

## 3. Depreciation Methodology

Council adopted a depreciation methodology used to develop the fair value of its assets as required by the Division of Local Government.

The depreciation methodology adopted is a Straight Line Depreciation Method. The methodology can be diagrammatically represented as follows.




Essentially, the asset lifecycle is divided into five distinct phases. These phases are categorised by the condition of the asset.

Due to the significant uncertainty about predicting the eventual total life of an asset there is only small room for error using the traditional straight-line approach. A miscalculation of 5% in total life will drive a 5% (material) error in the annual calculation of depreciation.

## Improvements to Key Assumptions

Accuracy of future financial forecasts may be improved in future revisions of this infrastructure Asset Management Plan by the following actions.

### 1. Improving Unit Rate Accuracy

As described above Council has quantified unit rates for all assets for the construction or purchase cost of each asset. Whilst the complexity of the development of these unit rates may allow an element of error to be included in the original rate, the continual review of these rates, based on financial data captured against each asset, will see a reduction of error in the unit rates. The Asset Management 'system', by capturing the necessary data to supply the legislated financial reporting requirement, will itself redefine the unit rates as more and more data is captured to refine the values.

### 2. Improving Maintenance Rate Accuracy

As with the unit rate above, there is the potential for error to exist in these maintenance unit rates as the complex nature of the development of these rates can lead to the over or under stating of a particular element of a particular maintenance event.

A periodic review of these figures utilising the information captured against each asset will refine these unit rates.

### 3. Improving Condition Data

As the depreciation associated with each asset is determined by the asset condition, a continual 'live' update of asset condition and the continual surveillance of the community's asset will improve the financial information of the organisation.

## Asset Management System

Council will maintain all asset data in a spatial format on a Geospatial Information System (Mapinfo). This data is readily available to be exported from that format into a variety of formats to suit a variety of needs. These needs include:

- Works programming
- Current Asset Fair Value data
- Expenditure forecasting
- Condition summary
- Extrapolation/manipulation of data and
- Asset location and details

The responsibility for Asset Management is documented in Council's Infrastructure Asset Management Policy. (EDRMS Doc.ID 332821)

## Information Processes

The key information sources into this infrastructure Asset Management Plan are:

- the asset register data on size, age, value, remaining life of the network
- the unit rates for categories of work/material
- the adopted service levels
- depreciation rates etc
- projections of various factors affecting future demand for services
- correlations between maintenance and renewal, including consumption models
- data on new assets acquired by Council

The key information sources from this infrastructure Asset Management Plan are:

- the assumed Works Program and trends
- the resulting budget, valuation and depreciation projections
- the useful life analysis
- current condition ratings and
- business rules associated with Asset Management for any infrastructure asset category as contained in this Plan

These will impact Council's Long Term Financial Plan, Delivery Program, strategic business plans, annual budget and departmental business plans and budgets.

## Performance Measures

The effectiveness of the infrastructure Asset Management Plan can be measured in the following ways:

- the degree to which the required cashflows identified in this infrastructure Asset Management Plan are incorporated into Council's Long Term Financial Plan and Strategic Management Plan
- the degree to which 1-5 year detailed works programs, budgets, business plans and organisational structures take into account the 'global' works program trends provided by the infrastructure Asset Management Plan

## Monitoring and Renewal Procedures

This infrastructure Asset Management Plan will be reviewed during annual budget preparation and amended to recognise any changes in service levels and/or resources available to provide those services as a result of the budget decision process.

The Plan is updated annually and due for revision June 2013. Future versions of this Plan will identify those sections of the Plan that have been improved.

# References


- International Infrastructure Management Manual', Institute of Public Works Engineering Australia, Sydney, IPWEA, 2006
- Institute of Public Works Engineering Website, www.ipwea.org.au
- Bland Shire Council, 'Community Strategic Plan'
- Bland Shire 'Risk Management Policy'
- Bland Shire Council, 'Long Term Financial Plan'
- Bland Shire Council, 'Asset Management Policy for Infrastructure Assets'
- Bland Shire Council, 'Asset Management Strategy for Infrastructure Assets'


# SCHEDULES

- SCHEDULE 1- Asset Management Policy
- SCHEDULE 2- Asset Management Strategy

# SCHEDULE 1 – Asset Management Policy

**POLICY ADOPTED: 27 MAY 2011**

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**Statement of Commitment**

Bland Shire Council recognises that care and management of its infrastructure assets is an essential element in achieving the organisations stated mission and to meet the present and future needs of the shire community.

**Aims and Objectives**

**Aims**

To provide the overall framework to guide the strategic management of Bland Shire Council's infrastructure assets in a co-ordinated and structured manner whilst complying with the following legislation;

Local Government Amendment (Planning and Reporting) Act 2009

Roads Act 1993

by

- Establishing corporate and community objectives for asset management based on service delivery needs
- Account and plan for all of the existing assets and any new asset solutions proposed in Councils Community Strategic Plan and Delivery Program
- Prepare an Asset Management Strategy and relevant Asset Management Plans to support the Community Strategic Plan and Delivery Program
- Provide resources to capture asset data and integrate asset information as a core component of Councils corporate database in order to provide support for the implementation of Integrated Planning and Reporting legislation
- To establish procedures that provide a simple, systematic and readily usable risk management approach to the maintenance of public roads and infrastructure
- Maximising value for money by adoption of life – cycle costing, combined with disciplined performance management and review of asset utilisation and service levels
- Assigning accountability and responsibility for service delivery together with asset management
- Provide relevant information for the annual financial statements in line with the Local Government Code of Accounting Practice and Financial Reporting

- Promoting sustainability to plan for the needs of future generations

**Objectives**

To ensure that the importance of effectively and efficiently managing Council's assets for present and future generations is clearly recognised by Council and the community, in accordance with the Council's Charter under Section 8 of the Local Government Act 1993 (as amended).

To reinforce Councils commitment to ensuring a sustainable future, whilst complying with the Local Government Amendment (Planning and Reporting) Act 2009.

To provide a systematic method of identification, evaluation and prioritisation of maintenance works on Councils road network that will assist Council's decision-making process in its annual budget formulation.

**Overview**

Asset management is a systematic process to guide the planning, acquisition, operation and maintenance, renewal and disposal of assets. Its objective is to maximise asset service delivery potential and manage related risks and costs over the entire life of the asset.

The importance of infrastructure assets to the Bland Shire community and their significance for Council budgets means that asset management is an essential component to support the Community Strategic Plan and Delivery program of Council.

Infrastructure assets are fundamental to Council's overall service delivery and planning and responsibility for them requires strong and informed Councillor and management oversight. This oversight is crucial to achieving the change management essential for effective strategic asset management.

The long lived nature of many assets and the need for their ongoing renewal means that planning must be based on an understanding of the full costs throughout each assets life cycle, and address both short and long term planning needs.

Infrastructure costs consume a large part of Council's budget and dependent on their timing the impact will vary greatly on planning for and allocation of financial, human and capital resources.

Accordingly, infrastructure asset management planning must be integrated with Council's overall financial and management planning process in order for Council (and the community) to understand each asset's full life cycle costs to plan effectively for asset acquisition, operation and maintenance, renewal and disposal.

This policy provides the overall framework to guide the strategic management of Bland Shire Council's infrastructure assets and will be supported with the development of a more detailed Asset Management Strategy and Asset Management Plan- The Corporate Approach.

**Asset Management Principles**

Council acknowledges the following principles in determining its approach to asset management:

- ***Service delivery*** forms the basis for asset management
- Asset management will be integrated with ***corporate, financial, business and budgetary planning and will form an essential component of the Community Strategic Plan and Delivery programs***
- ***Informed decision making,*** incorporating a life cycle approach to asset management whilst minimising public liability exposure and providing a best value service to the community
- ***Establishing accountability and responsibility*** for asset condition, use and performance
- ***Sustainability,*** providing for present needs while sustaining resources for future generations

**Philosophy Underlying the Policy**

Councils stated outcome for Community Works and Services is:

"We will work with the community to provide services and facilities that support our lifestyles and economy and make the shire and region an attractive place to live, work and visit"

Councils stated indicator to this end is to provide and maintain infrastructure assets in accordance with legislative requirements, agreed standards, budgetary constraints and to exceed community expectations where possible.

**Policy in Expressed Terms**

In order to achieve Councils stated corporate and community objectives, Council is committed to:

- Achieving financial sustainability of its assets over a period of time through the following measures
    - Ensuring that the asset base is not increased without considering the impact on Councils ability to fund future maintenance and renewal of the asset
    - Not replacing those assets that are determined to be underutilised, at the end of their useful lives, following consultation with the community and determining the impact of not replacing the asset will have on the community
    - Continually improving Councils maintenance and renewal practices and adopting best practice wherever possible

- Increasing grant, contributions and other funding to ensure that assets are maintained in an optimum condition

- Utilising technology advances and innovative solutions that assist and are relevant to asset preservation, maintenance and reducing overall life costs

- Maintaining and renewing Councils existing assets in a manner which is acceptable to Council and the community in terms of safety, access, quality, impact on the environment, meeting community needs and Council's ability to fund those works.

- Maximising resources to achieve the best outcome for the community.

- Regularly consulting with the community to determine whether its needs are being met.

- Preparation and review of detailed asset management plans for all major classes of assets and using these plans to assist Council to determine the priorities for capital, renewal and maintenance expenditure.

**Asset Management Responsibilities**

**Council will**

- act as responsible custodians and trustees for infrastructure assets and maintain accurate and reliable asset registers
- approve the Asset Management Policy and monitor its outcomes
- set the corporate Asset Management Strategy and Plan
- approve the annual Budget and ensure appropriate resources for Asset Management activities are made available
- evaluate Asset Management improvement and utilise Councils Audit Committee to assist in regular reviews

**General Manager**

- develop and agree on the corporate Asset Management Policy with Council
- develop and implement the corporate Asset Management Strategy and Plan with agreed resources
- deliver Council's "best value" services review program
- monitor, review and report performance of the organisation in achieving the Asset Management Strategy
- set levels of service, risk and cost within available resources
- ensure that accurate and reliable information is presented to Council for decision making

**Directors and Managers**

- assist the General Manager to develop the Corporate Asset Management Policy, Strategy and Plan
- as asset "owners" develop and take responsibility for asset management plans for individual asset groups, using the principles of life cycle analysis
- develop and implement asset improvement plans for individual asset groups
- implement improvement plans (maintenance programs, capital works programs) in accordance with Asset Management Plan and Councils Management Plan and Budget targets
- deliver levels of service to agreed service, risk and costs standards
- present information to the GM and Council in terms of asset life cycle risks and costs

**Asset Management Program**

The Asset Management Program consists of this Asset Management Policy, Asset Management Strategy, Asset Management Plan- The Corporate Approach and various individual Asset Management Plan supported by Statements of Operation that are endorsed through Councils Community Strategic Plan and Delivery Program, and further supported by documented Procedures, Work Instructions and Checklists and any other documentation that may be deemed necessary for the effective implementation, training, operation and monitoring of the Asset Management Program within Bland Shire Council.

**Definitions**

**Asset Management** is a systematic process to guide the planning, acquisition, operation and maintenance, renewal and disposal of assets.

**Infrastructure Assets** includes roads, footpaths, kerb and gutter, street trees, bridges, public buildings and amenities, drainage, playgrounds, land under Council's ownership, control or management including open space, community parks and gardens, ovals and recreation reserves, cemeteries, street signs, street furniture, parking areas, sewerage systems, saleyards, caravan park, aerodrome, swimming pools, Council vehicle and plant fleet and Council owned housing and buildings, Information Technology (IT) computer networks and equipment.

**Sustainability** is achieved when Council allocates sufficient resources to the maintenance and renewal of its assets to ensure that they can be replaced or renewed at the end of the assets useful life.

**Related Policies**

Community Strategic Plan Policy

Risk Management Policy

**Related Legislation**

Local Government Act 1993 (as amended)

Local Government Amendment (Planning and Reporting) Act 2009

Roads Act 1993

Civil Liabilities Act 2002

**References**

1. Councils Charter – Section 8 NSW Local Government Act 1993 (as amended)
2. NSW Government Integrated Planning and Reporting Guidelines
3. NSW Government Integrated Planning and Reporting Manuals
4. Department Local Government Integrated Planning and Reporting Workshop
5. Bland Shire Council Management Plan 2010/2015
6. IPWEA NAMS Plus Guidelines
7. International Infrastructure Management Manual
8. Statewide Mutual Best Practice Manuals
9. AustRoads Guide and RTA specifications and guidelines
10. AS/NZS ISO Standards
11. ARRB Transport research and publications

**Review**

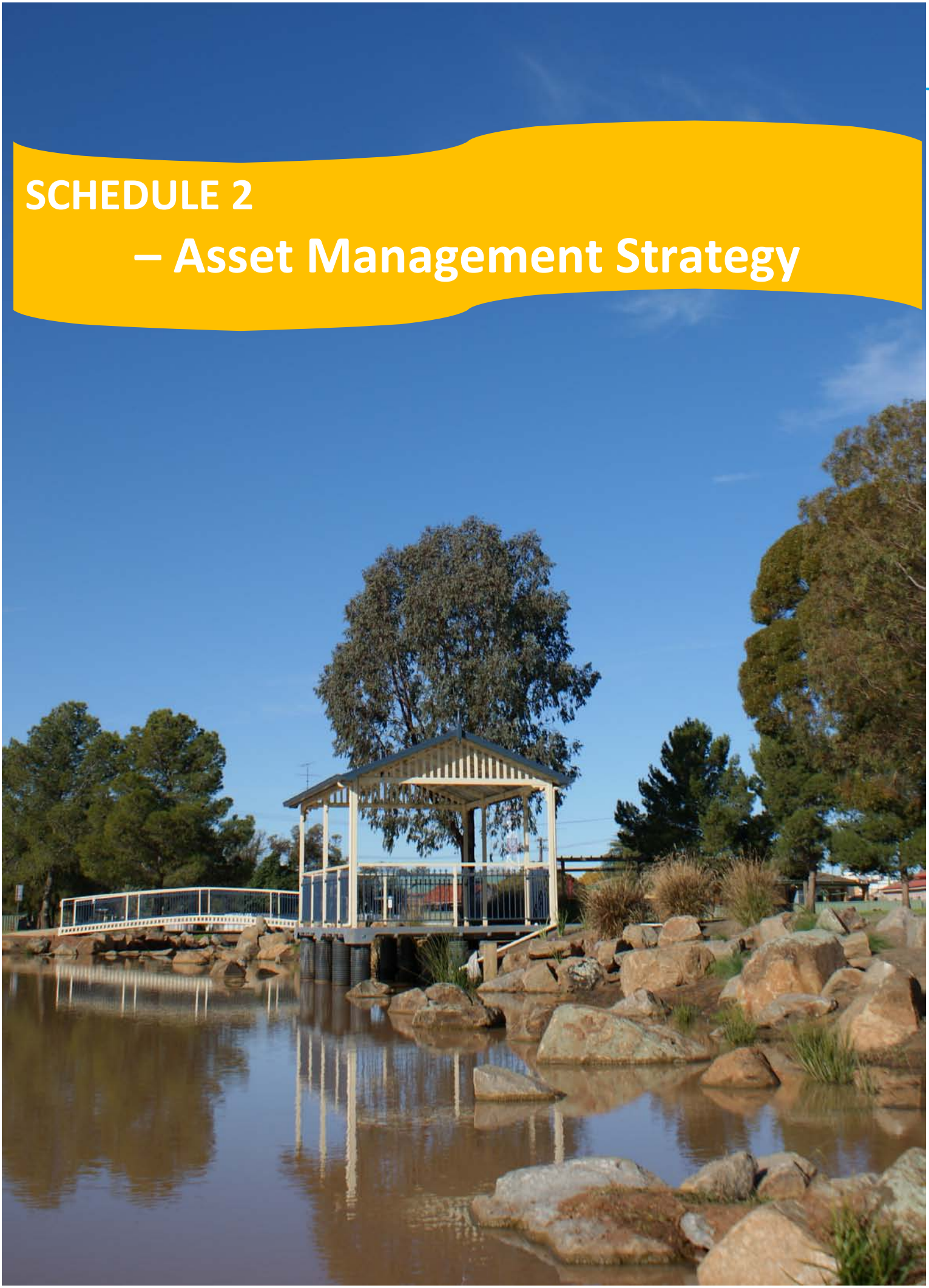
The Policy will be reviewed with Council and community input within 4 years from date of adoption, with operational amendments as required in accordance with Council's approval.

**Authorisation:**

| **Status** | **Committee** | | |
|---|---|---|---|
| | **Manex** | | |
| **Owner** | **DIRECTOR ENGINEERING SERVICES** | | |
| **EDRMS Doc. ID** | 332821 | | |
| **Superceded Policy** | | | |
| **Date of Adoption/ Amendment** | **Revision Number** | **Minute Number** | **Review Date** |
| 20 December 2005 | 0 | 33/12/05 | |
| 21 March 2006 | 1 | 8/3/06 | 18 April 2011 |
| 27 May 2011 | 2 | | May 2015 |

| **Related Council Policy / Procedure** |
|---|
| Community Strategic Plan Policy |
| Risk Management Policy |

# SCHEDULE 2
# – Asset Management Strategy



# Overview

**A Strategy** on any approach to effective management provides a better understanding of how to align commitment to the delivery, asset management being no different. This strategy outlines the steps required to align the asset portfolio so that it best meets the delivery need of the local community now and in the future, allowing the aims, objectives and commitment of council asset management policy to be achieved and aligning the management of assets with Councils Community Strategic Plan and Delivery Programs.

At the time of writing this overview Bland Shire Council has no confirmed approach or adopted method for the management of its asset base, in fact very little in the way of a system except the recording of the assets and their replacement value exist for the greater part of council. “Fair Value” for Councils buildings and road assets have been completed in accordance with AASB 116 and local government requirements however there is a distinct need to scrutinise existing data, particular condition assessments and develop a rigorous asset system to store and maintain existing and future data.

**Council is exposed to varying risk** from unknown entities occupying and conducting activities on or in council assets. Council’s duty of care under the OH&S Act is to provide a safe work place and implement safe work practises for all employees this is inclusive of volunteers; currently council’s obligation to meet this statutory requirement is deficient as no formal management controls are in place in many of Council’s community assets. To follow on this issue exposes council to the possibility of prosecution through failing to provide a safe workplace, public liability claims of personal injury, as there is no measures in place for preventing unauthorised or unqualified work being carried out by the committee members, council is also exposed to prosecution under environmental laws, considering council has provided the assets it would be expected that council manage the assets accordingly, failing to do so is potentially very damaging to council’s reputation within the community and the LGSA should an incident occur.

**Managing an asset** effectively and to obtain maximum service levels requires recording accurate and current information on but not limited to the following criteria; the identification of the asset, function, current cost to provide, current management plan, structural status, life cycle, role in council’s community strategic plan, occupancy, visitation rate, risk assessment, future utilisation, and priority within council’s asset register. This information provides a basis from where to develop council’s asset management plan.

The strategic approach outlined in the body of this document will enable a systematic method in collection of accurate asset data and overview of what council is actually managing, this will provide insight into what for dollar value council is achieving and what level of service is being provided to current assets, this will provide the basis of the determination of what category the asset will be placed under in the overall asset management plan.

The nature of local government is such that the majority of council assets exist under the management of the engineering services. A review of where all asset responsibilities lie will need to be completed so Councils asset management systems align to industry best practise and are systematic in approach. This strategy will guide Council into the utilisation and format of the IPWEA NAMS PLUS Asset Management Plan templates a resolution previous passed by Council.

**ASSET MANAGEMENT STRATEGY**

# Step 1:

I. *Building current asset registers*
II. *Condition of current assets*
III. *Operating and maintenance cost of our assets*
IV. *Utilisation rate of assets*
V. *Community expectations*
VI. *Future Demands*

**What Assets does council currently manage?**

I. *Identification of Assets*

There has been no formal adoption of asset registers or asset management software. Listings of assets are currently recorded by various means throughout council but mainly kept via excel spreadsheets in individual staff folders or hard copy. A search has found spasmodic information in Map Info folders in excel folders of Insurance Schedules and in some incomplete "Access" data bases. This information has not been tested for accuracy levels.

It would seem that each management area of council has its own way of capturing information on their assets or areas of interest in council's assets such as financial and insurance.

This process is ineffective as much of the corporate knowledge and data is lost when staff members vacate their positions.

The areas of Council's Directorate are currently Corporate Services, Community Services, Engineering Services and General Managers Office. According to Council Management Plan 2010-2015 these directorates are responsible for the following;

**Corporate Services -** To provide effective support services for all of Council's operations and leadership and direction in economic development.

*Responsible for*; risk management, insurance, financial, corporate information, customer service, economic development, integrated planning and development

**Community Services** - To provide community services that are accessible to all and which meet the social and personal needs of residents and to increase the level of community awareness of Council activities.

*Responsible for;* aged care, youth services, community, recreation, children services, library, volunteers, tourism, medical services, capital works community services,

**Engineering Services** – To provide and maintain infrastructure assets in accordance with legislative requirements, agreed standards, budgetary constraints and the principles of sustainability.

*Responsible for*; roads, parks and gardens, environment, plant and equipment, sewerage, waste services, asset management, capital works engineering, provision of infrastructure and services, maintenance, capital and design management areas

**General Manager-** To provide quality governance and management based on key principles of fairness, equity, facilitation, representation, leadership, integrity and accountability and to provide leadership in the responsible management of the natural environment and maintenance of infrastructure to ensure long term sustainability of natural resources.

*Responsible for*; Councillors, community forum, strategic plan, human resources, OH&S, corporate structure, heritage, health, buildings, development services, development control, companion animals, capital works.

**Action**-To compile a complete identification listing of all council assets

- Gathering of all existing data and compile into a Asset Folder on "F" Drive (temporary asset register) until a corporate system is finalised
- Agree on the type category of each asset
- Develop register into agreed type categories
- Confirm register listings with management areas
- Carry out initial risk assessment of register
- Investigate corporate asset system

**What physical state are our assets in?**

II. *Condition of current assets_*

Some of council's assets have this information already attached to an existing data base and for smaller group type assets (e.g. pipes, outdoor seating) may be acceptable for the establishment of the asset register, for the larger assets and especially the assets that house essential service delivery (as identified from the initial risk assessment) it will be critical that the information of the assessment is accurate.

To assess the current physical state of an asset will require various levels of expertise to gain accurate information for the required dataset and a combination of the following methods may be utilised;

*Essential service delivery assets*

- engage services of professional assessor to provide asset condition report
- use of in house expertise to provide new assessment
- use of existing assessment information and review condition assessments over a prescribed period

*Non essential service delivery assets*

- use of in house expertise
- use of existing assessment information

Small group type assets

- use of existing assessment information and local knowledge of asset performance

Council's current Service Request (work order) system would appear to be underutilised with many customer complaints/requests not being processed through this system. Tracking off recurrent patch jobs such as potholes, drainage is therefore not being identified for renewal or capital programs.

## Action -To compile a complete asset condition rating of all council assets

- Gathering of all existing condition data and compile into asset registers in Asset Folder on "F" Drive (temporary asset register) until a corporate system is finalised
- Adopt councils risk matrix and prioritise asset tasks according councils exposure to risk
- Ensure all staff members are made aware of the importance to log all customer service requests through the system and make training available to staff members who regularly use the system.
- Develop/adopt industry best practice Asset Condition Check lists and program annual inspection program
- Provide a five year program and budget for asset condition data collection

**What is the overall cost of providing an asset?**

III. *Operating and maintenance cost of our assets*

Generally assets are provided by council to deliver a service. Council currently has parent costing accounts set up for expenditure of funding activities, it would appear limited (child) account tree are in use for the recording of particular activity with direct links to the actual asset not being evident.

An example of Account tree;

Footpath Construction Program-

| Principal Activity | Parent Number | Child Number | Asset Id |
|---|---|---|---|
| Town Streets R2R | 4100 | | |
| Park Street | 4100- | 0901- | 3600 |
| Acacia Street | 4100- | 0902- | 3650 |
| Conway Street | 4100- | 0903- | 3655 |

Currently, it is difficult to account for capital and maintenance expenditure on assets and attribute the appropriate asset adjustments as the finance system has no direct links to the asset system or Councils adopted GIS program Mapinfo.

True costing and the whole of life costs of individual assets can only be calculated and determined when the income and expenditure is directly linked to the asset.

## Action - Operating and maintenance cost of our assets

- Investigate methods to link financial, asset and GIS information so expenditure can be directly attributed to the costs of the individual asset
- Ensure Councils corporate knowledge system can provide these links prior to upgrading/ redundancy of the current Practical program.

**What is the usage rate of the asset?**

IV. *Utilisation rate of assets*

Assets are used at differing rates according to their purpose and functionality. The utilisation rate will not only apply to councils essential service assets such as sewer but also to infrastructure such as roads, footpaths, parks & gardens, reserves, swimming pools and community halls etc.

The information that will indicate use can be sourced from the following, and the rating needs to be decided on for classification of High, Medium or Low usage;

- Information on visitation rates
- Bookings for halls, parks and sporting fields
- Events held
- Garbage collection
- Vehicle Classifiers and field surveys
- Land usage
- Income derived from asset
- Membership numbers of organisations

## Action- Utilisation rate of assets

- Gathering of all existing condition data and compile into asset registers in Asset Folder on "F" Drive (temporary asset register) until a corporate system is finalised
- Ensure Councils corporate knowledge system can provide these links prior to upgrading/ redundancy of the current 'Practical' corporate system.

**What is the satisfaction level with the delivery?**

V. *Community expectations*

Asset functionality is influenced by the users, are expectations of the community being met, are community expectations realistic or affordable and does the asset give value for dollar service. To gain this information consultation with the users of the asset will need to be conducted and research of the customer service requests and customer complaints systems carried out.

The results will provide council with direction and the ability to rank priorities on agreed rating of High, Medium or Low.

Information compiled from customer complaints and the customer service requests system should indicate service discrepancies, type of failing and the level of failure council will need to address.

Levels of service however must be directly aligned to councils risk matrix and considered in budgets allocations with whole of life costing calculated.

## Action - Community expectations

- Ensure all staff members are made aware of the importance to log all customer service requests through the system and make training available to staff members who regularly use the system
- Implement a communication strategy to promote and gain feedback on determining affordable and acceptable levels of service which the community are willing to pay for (align with consultation for the Community Strategic Plan)

**What are the future demands for the asset?**

VI. *Future Demands*

The future of an asset will depend on current demand, current and past utilisation rates as well as predicted population growth and identified for inclusion in forward town planning. The rating for future demands should be listed as importance of High, Medium. Low,

Information will be used to determine;

- Existing utilisation rates,
- Trend in utilisation
- Asset consumption rate
- New technology

Information can be sourced through councils Planning Unit on LEP and growth rates for the area of asset and consideration of the information from community consultation.

## Action- Future Demands

- Ensure current utilisation rates are being monitored and stored in a database
- Include future demands as an item in the community consultation strategy

## *Outcomes as a result of Step 1*

At the completion of Step 1 of the strategy the initial assets register has begun to take shape and should contain information on;

- current assets,
- condition of current assets
- operating and maintenance costs
- utilisation rate of current assets
- user satisfaction with service provision
- future demand indication

It is paramount that these registers are maintained in a central asset database system and council will need to investigate all options when upgrading their corporate data system to ensure that important corporate knowledge and information can be stored, shared and integrated into the finance, Asset and GIS programs of Council.

# Step 2:

I. Deciding where council wants to be
II. Ensuring the right asset is provided
III. Ensuring quality management

**What outcome does council require from asset management?**

*I.* *Deciding where council wants to be*

The answer to the question of "where does council want to be?" lies in the outcomes sought and may affect current attitudes and practises. The key outcome in accordance with Councils Management Plan 2010-2015 should be;

*"The provision of services responsive to the community's needs within available recourses."*

What is Asset Management?

"the combination of management, physical, financial, economic, engineering and other practices, applied to physical assets, with the objective of providing the acquired level of service, in the most cost effective manner."

To aid council in reaching this outcome a move to an overall corporate management system needs to be embraced.

The system should have the ability to store and provide, in accordance with the IPWEA NAMS plus format; condition status, ownership, maintenance schedule, usage rates, occupancy entitlements, financial position, records of inspections, plan of management actions, and life cycle costs.

Council also needs from their corporate system to be able to determine if the assets provided meet agreeable outcomes and that service levels are continually being monitored and achieved within a sustainable budget and over servicing is eliminated.

## Action - Deciding where council wants to be

- Ensure that an appropriate budget is set aside in the 2011/12 budget to upgrade the corporate management system.
- Ensure that the appropriate staff members with hands on practical experience from finance, GIS and assets have input into the process of purchasing the corporate management system.

**How to ensure that the right asset is provided?**

*II.* *Ensuring the right asset is provided*

In deciding what is needed and what level of quality is to be provided council will need to research the following;

- Identify the critical assets to councils operation
- Identify critical assets to community
- Determine function - single purpose use or multiple purpose use
- Assess incorporating current uses to other assets
- Determine replacement costs and whole of life costs
- Assess current demand
- Assess future demand
- Assess financial sustainability-can we meet our current demands
- Identify surplus assets
- Report on asset disposal list

In doing so, council will identify critical assets and identify any future funding shortfalls.

## Action - Ensuring the right asset is provided

- Ensure current utilisation rates are being monitored and stored in a database.
- Include research items in the community consultation strategy
- Gathering of all existing condition data and compile into asset registers in Asset Folder on "F" Drive (temporary asset register) until a corporate system is finalised

**Ensuring quality consistent management?**

*III: Ensuring quality management*

Assets require different levels of management according to type but all should have approaches incorporating plans that progress to developing sustainability.

To achieve this goal all assets need to have plans of management developed in accordance with the listing from the assets register.

A plan will be drawn up to the specific type of asset and its purpose within the community, e.g. a major infrastructure such as roads, footpaths, drainage, sewer will need to have an individual plan of management developed, but for recreational areas such as parks where the maintenance and environment are consistent a generic plan of management listing all assets could be adopted.

This process will need to

- Identify type of asset and users
- Identify owner of the asset and any license or lease requirements
- Assess financial position and future impact on budgets
- Review service levels
- Develop plan of management with community consultation
- Display plans
- Adopt plans

The end process will determine expenditure forecasts for short and long term budgets.

## Action - Ensuring quality management

- Prepare Asset Management Plans in line with the IPWEA NAMS Plus templates.
- Prioritise asset categories in accordance with councils current exposure to risk and list assets for the preparation of Plans
- Include in community consultation strategy
- Review current service levels and revaluate service levels using risk

# Step 3:

I. How do we achieve desired outcomes
II. National Asset Management System

**Bringing to life the asset management plan**

*I. How do we achieve desired outcomes*

Council's asset management plan needs to have a clear and defined approach that is understood and adopted throughout council at all levels.

Council reinforces its commitment to asset management through its policy statement "Council is committed to providing to the community quality amenities and services through excellence in Asset Management".

For council to provide an asset plan it needs to be based on an asset management system, the chosen best practise system is IPWEA NAMS Plus. The system will need to be housed and managed through a dedicated asset module which should be entrenched in Council's information management system.

The process identified is;

- All assets to be loaded into temporary "F" drive folder until council decides what information management system will be used
- Asset registers will be required to be manually maintained prior to a dedicated asset management system being adopted
- Controls on and links to the system maintenance be identified on a needs basis and to be determined prior to purchase or upgrade of Council's Information Management System

*II. National Asset Management System*

**The development of the documents and asset system**

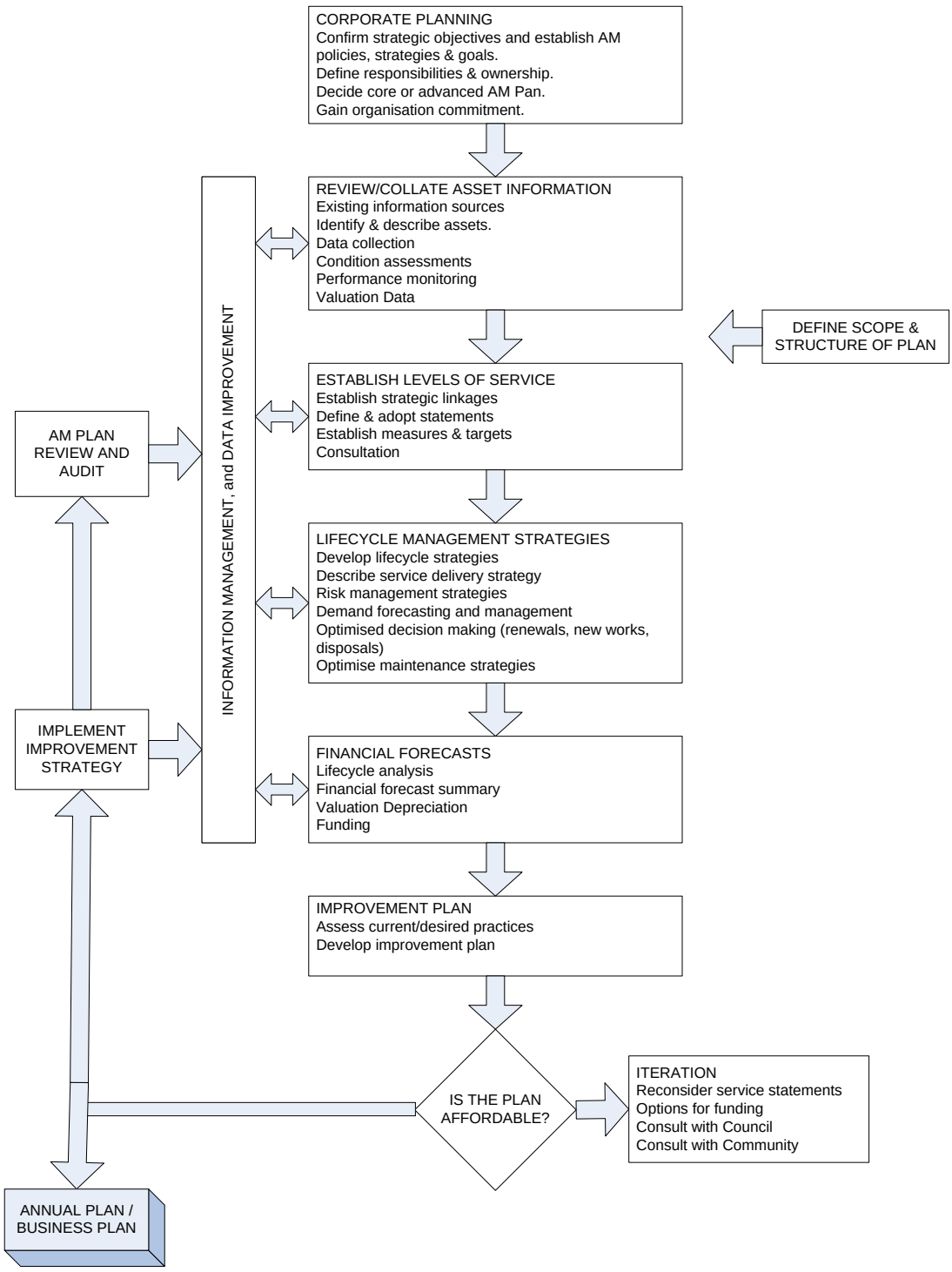
Asset Management Plans will use the adopted format of the IPWEA NAMS Plus system. Management of the data will be critical and council will need to write rules ensure the dataset remains valid, for GIS, asset registers and financial accountability.

Council currently has access to the GIS program MapInfo and Assets program Reflect for State Road infrastructure. Further investigation will be needed to determine if existing IT resources can be utilised and married to Councils future information management system.

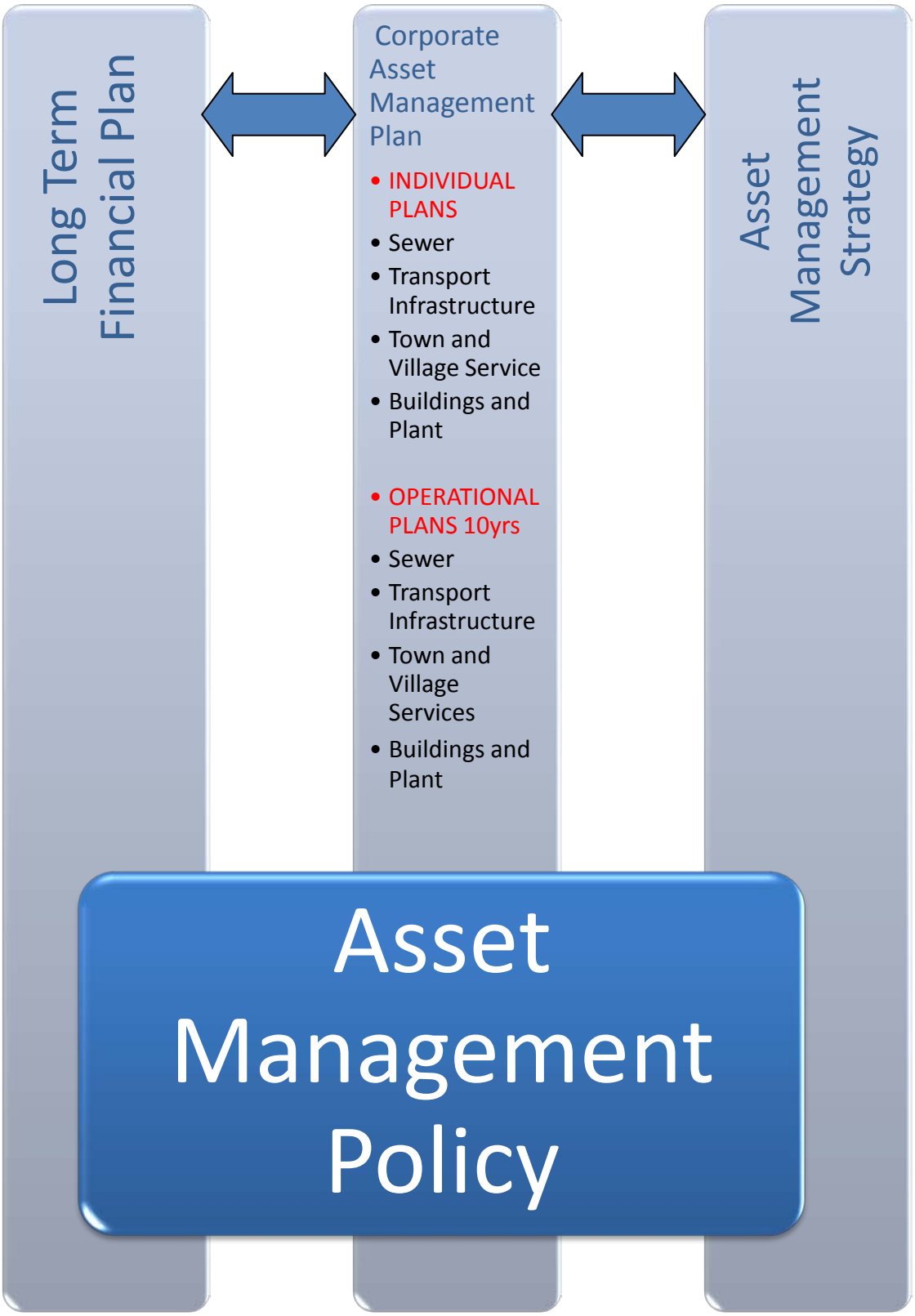
## Action - How do we achieve desired outcomes

- Prepare Asset Management Plans in line the IPWEA NAMS Plus templates
- Ensure that the appropriate staff members with hands on practical experience from finance, GIS and assets have input into the process of purchasing the corporate management system.

# IPWEA NAMS PLUS *Asset Management Table*



## Bland Shire Asset Management Structure



# Strategy Actions

| Action | Task | Resources | Responsible Officer |
|---|---|---|---|
| To compile a complete identification listing of all council assets | Gather of all existing data and compile into a Asset Folder on "F" Drive (temporary asset register) until a corporate system is finalised | Asset Team | MJT completed |
| | Agree on the type category of each asset | Asset Team | MJT completed |
| | Develop register into agreed type categories | Asset Team | MJT completed |
| | Confirm register listings with management areas | Asset Team | MJT completed |
| | Carry out initial risk assessment of register | Asset Team | MJT completed |
| | Investigate corporate asset system | Corporate Services | Director - completed |
| To compile a complete asset condition rating of all council assets: | Gathering of all existing condition data and compile into asset registers in Asset Folder on "F" Drive (temporary asset register) until a corporate system is finalised | Asset Team | MJT completed |
| | Adopt councils risk matrix and prioritise asset tasks according councils exposure to risk | Asset Team | MJT completed |
| | Ensure all staff members are made aware of the importance to log all customer service requests through the system and make training available to staff members who regularly use the system | Corporate Services | Director - ongoing |
| | Develop/adopt industry best practice Asset Condition Check lists and program annual inspection program | Asset Team-Investigate use of "reflect" | MJT - commenced |
| | Provide a five year program and budget for asset condition data collection | Engineering Services | Director - completed |

# Strategy Actions

| Action | Task | Resources | Responsible Officer |
|---|---|---|---|
| To compile operating and maintenance cost of our assets | Investigate methods to link financial, asset and GIS information so expenditure can be directly attributed to the costs of the individual asset | Corporate Services/Engineering Services | Directors - completed |
| | Ensure Councils corporate knowledge system can provide these links prior to upgrading/ redundancy of the current Practical program | Corporate Services | Director - completed |
| To compile utilisation rate of assets | Gathering of all existing condition data and compile into asset registers in Asset Folder on "F" Drive (temporary asset register) until a corporate system is finalised | Asset Team | MJT- ongoing |
| | Ensure Councils corporate knowledge system can provide these links prior to upgrading/ redundancy of the current 'Practical' corporate system | Corporate Services | Director - commenced |
| To meet community expectations | Ensure all staff members are made aware of the importance to log all customer service requests through the system and make training available to staff members who regularly use the system | Corporate Services | Director - commenced |
| | Implement a communication strategy to promote and gain feedback on determining affordable and acceptable levels of service which the community are willing to pay for | Community Services | Communications Unit - completed |
| Future Demands | Ensure current utilisation rates are being monitored and stored in a database | Engineering Services | Asset Team - commenced |
| | Include future demands as an item in the community consultation strategy | Engineering Services | Asset Team - commenced |
| Deciding where Council wants to be | Ensure that an appropriate budget is set aside in the 2012/13 budget to upgrade the corporate management system | Corporate Services | Director-completed |
| | Ensure that the appropriate staff members with hands on practical experience from finance, GIS and assets have input into the process of purchasing the corporate management system | Corporate Services | Director-completed |

# Strategy Actions

| Action | Task | Resources | Responsible Officer |
|---|---|---|---|
| Ensuring the right asset is provided | Ensure current utilisation rates are being monitored and stored in a database | Engineering Services | Asset team - commenced |
| | Include research items in the community consultation strategy | Community Services | Communications unit - completed |
| | Gathering of all existing condition data and compile into asset registers in Asset Folder on "F" Drive (temporary asset register) until a corporate system is finalised | Engineering Services | Asset team - completed |
| | Review current service levels and revaluate service levels using risk matrix and results of the research data compiled and match with future budget allocations | Engineering Services | Asset team - commenced |
| Ensuring quality management | Prepare Asset Management Plans in line with the IPWEA NAMS Plus templates | Engineering Services | Asset team - commenced |
| | Prioritise asset categories in accordance with councils current exposure to risk and list assets for the preparation of Plans | Engineering Services | Asset team - commenced |
| | Include in community consultation strategy | Community Services | Communications Unit - completed |
| How do we achieve desired outcomes | Prepare Asset Management Plans in line with the IPWEA NAMS Plus templates | Engineering Services | Asset Team-commenced |
| | Ensure that the appropriate staff members with hands on practical experience from finance, GIS and assets have input into the process of purchasing the corporate management system | Corporate Services | Director-completed |


YOUR VISION
OUR FUTURE


BLAND SHIRE COUNCIL
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