



# ASSET MANAGEMENT STRATEGY

(Strategy Number – L-INFSTG001)



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## 1. Executive Summary

This Asset Management Strategy demonstrates how:

- Council's asset portfolio will meet the service delivery needs of its community into the future,
- Council's asset management policies are to be achieved, and
- the integration of Council's asset management with its Strategic Plan and Financial Management Strategy is pivotal to the sustainable management of Council's assets.

The asset management strategy was prepared taking into account the Council's service delivery practices, financial sustainability indicators, asset management maturity and the vision for the future outlined in the Strategic Plan.

### 1.1 Strategy outlook

1. The Council expects to be able to maintain service levels over the next ten years by increasing rates over and above the normal annual increase in the Consumer Price Index (CPI) by at least 3 per cent per year.
2. The Council will look to improving the funding of current infrastructure life cycle costs within available resourcing limitations.
3. The Council's current asset management maturity is below 'core' level and therefore there is a commitment to improving information management, lifecycle costing, service delivery and accountability.

### 1.2 Asset management strategies

No	Strategy	Desired Outcome
1	Consider the longer term view as part of the annual budgeting process in line with the Financial Management Strategy.	The long term implications of Council services are considered as part of the annual budget deliberations.
2	Regularly review and improve Asset Management Plans	Identification of services needed by the community and required funding to optimise 'whole of life' costs.
3	Annually review the Financial Management Strategy. Incorporate asset management expenditure projections to ensure a sustainable funding position outcome is maintained.	Sustainable funding model to provide Council services.
4	As part of the annual budget process review and update asset management plans where appropriate. Communicate any consequence of	Council and the community are aware of changes to service levels and costs arising from budget decisions.

	funding decisions on service levels and service risks.	
<b>No</b>	<b>Strategy</b>	<b>Desired Outcome</b>
5	Report Council's asset valuations at Fair Value in accordance with Australian Accounting Standards.	Financial sustainability information is available for Council and the community.
6	Ensure Council's decisions are made from accurate and current information in asset registers, on service level performance and 'whole of life' costs.	Improved decision making.
7	Report on Council's resources and operational capability in the Annual Report.	Services delivery is matched to available resources and operational capabilities.
8	Ensure responsibilities for asset management are identified and incorporated into staff position descriptions.	Responsibility for asset management is defined.
9	Maintain an ethos which allows the financial and asset management competencies to be regularly reviewed and updated	Improved financial and asset management capacity within Council.
10	Regularly report to Council on matters related to the Asset Management Strategy, Asset Management Plans and Financial Management Strategy.	Oversight of resource allocation and performance.

## 2. Introduction

Assets deliver important services to communities. A key issue facing local councils throughout Australia is the management of their ageing infrastructure assets which are in need of renewal and/or replacement.

Infrastructure assets such as roads, drains, bridges, and public buildings present particular challenges. Their condition and longevity can be difficult to determine. Financing needs can be large, requiring planning for inevitable large peaks and troughs in expenditure for renewing and replacing such assets. The demand for new and improved services adds to the planning and financing complexity faced by Council.

The creation of new assets also presents challenges in funding the ongoing operating and replacement costs necessary to provide the needed service over an assets full life cycle.

Councils are required to adopt a long-term approach to service delivery and funding including:

- A strategic long-term plan covering, as a minimum, the term of office of the councillors and:
  - bringing together asset management and long term financial plans,
  - demonstrating how Council intends to resource the plan, and
  - consulting with communities on the plan.
- Adopting an annual budget showing the connection to the strategic objectives, and
- Preparing an Annual Report which:
  - explains to the community on variations between the budget and actual results,
  - highlights any impact of such variances on the Strategic Plan, and
  - reviews the operational performance of the Council against strategic objectives.

Contemporary asset planning and management have seven elements:

1. Asset Management Policy
2. Strategy and planning
  - asset management strategy
  - asset management plans
3. Governance and management arrangements
4. Defining levels of service
5. Data and systems
6. Skills and processes
7. Evaluation.

These seven elements are designed to assist in:

- highlighting key issues,
- promoting prudent, transparent, and accountable management of assets, and
- ensuring there is a strategic approach in meeting current and emerging asset management challenges.

The goal of asset management is to ensure that services are provided:

- in the most cost effective manner,
- through the creation, acquisition, maintenance, operation, rehabilitation, and disposal of assets, and
- for current and future users.

The objective of this Asset Management Strategy is to establish a framework to guide the planning, construction, maintenance, and operation of the infrastructure essential for Council to provide services to its community.

## 2.1 Legislative Requirements

The Council in accordance with the *Local Government Act 1993* is required to have the following plans and policies in place:

- Long Term Financial Management Plan (s.70),
- Financial Management Strategies (s.70A),
- Long Term Strategic Asset Management Plans, for each of the council's major asset classes (s.70B), and
- Asset Management Strategies (s.70D)

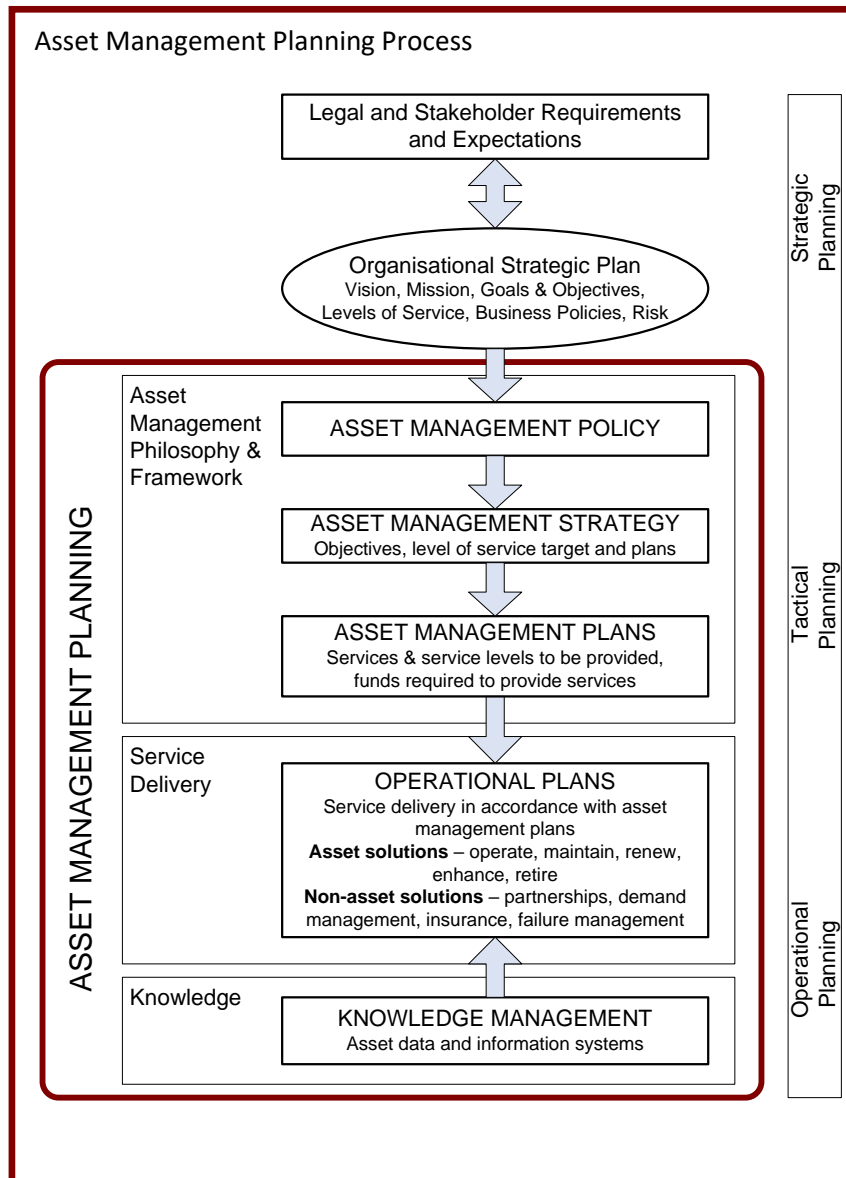
The Act also requires Council to regularly review its strategies, plans and policies. Council is also expected to report financial and asset management sustainability indicators as part of their financial statements each year.

## 2.2 Asset Management Planning Process

Asset management planning is a comprehensive process to ensure assets are managed and maintained in a way that enables affordable services to be provided in a sustainable manner. Affordable service levels can only be determined by assessing Council's financial sustainability under scenarios with different proposed service levels.

The following diagram illustrates the contemporary Asset Management Planning process:

### 3. Strategy Objectives and Framework



The Council's strategic objectives in the management of its assets are to:

1. ensure that services are provided as economically as possible.
2. maintain assets appropriately by ensuring financial resources are applied consistently.
3. make decisions consistent with the Financial Management Strategy.
4. meet legislative requirements related to asset delivery.
5. ensure resources and operational capabilities are identified and responsibility for asset management is appropriately allocated.
6. apply high level oversight of financial and asset management responsibilities through appropriate levels of reporting.

#### 4. What Assets do we have?

Asset Class	Description	Services Provided
Roads, Bridges & Footpaths	Includes roads and streets, bridges and culverts, footpaths, kerb and channel and road furniture.	Facilitates the movement of people and goods throughout the municipal area.
Buildings	Includes community buildings such as halls, recreational facilities, Council offices and works depots.	Meeting places for community groups, recreational facilities for sporting and social clubs, office facilities and goods and equipment storage.
Drainage	Includes pipes, pits and other retention facilities, manholes and gross pollutant traps	Capture, storage, and disposal of stormwater to protect the community from the impacts of flooding.
Land Improvements	Includes non-building land improvements typically lighting, picnic facilities, play equipment and monuments.	Provides the general amenity of the Council's parks and reserves.

#### 5. The Council's assets and their management?

##### 5.1 State of the Assets

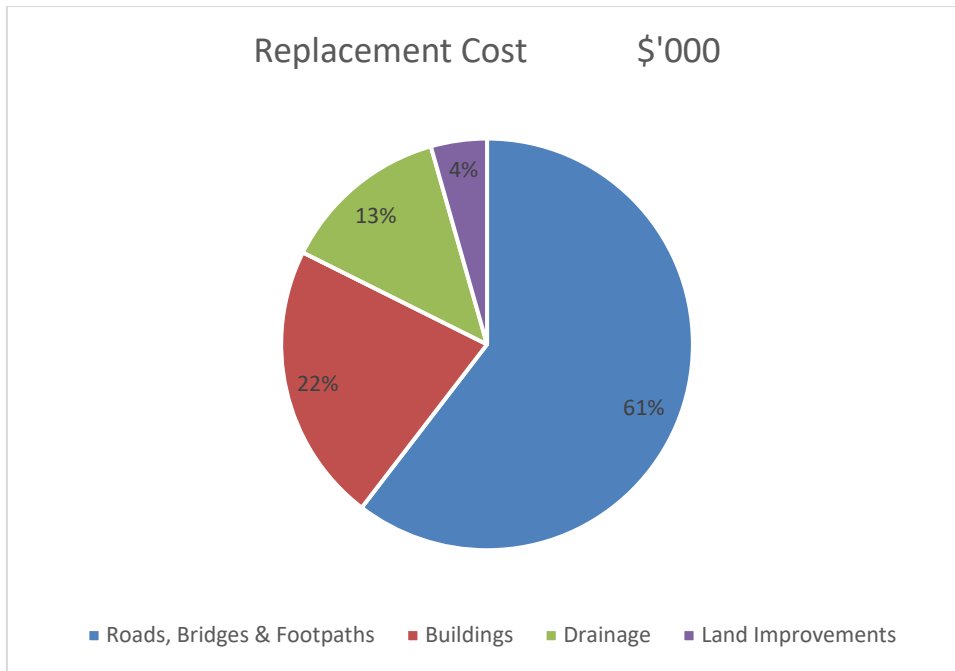
Council's infrastructure assets as at 30 June 2020 were:

Asset Class	Replacement Cost \$'000	Accumulated Depreciation \$'000	Written Down Value \$'000
Roads, Bridges & Footpaths	137,900	41,650	96,250
Buildings	50,092	25,876	24,216
Drainage	30,192	9,509	20,683
Land Improvements	10,050	3,849	6,201
<b>Total</b>	<b>\$ 228,234</b>	<b>\$ 80,884</b>	<b>\$ 147,350</b>

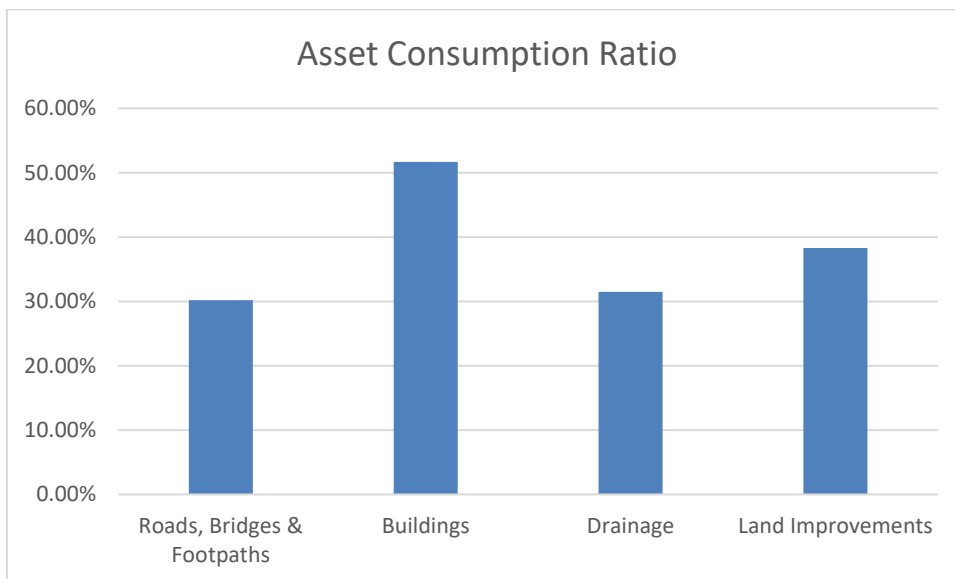
2019/2020 financial year

Council's assets are primarily valued on the 'replacement cost' method. Depreciation is calculated on a 'straight line' basis over the expected useful life of the asset.





The asset consumption ratio provides an indication of the 'life' remaining in the asset classes. Apart from the buildings class, all other classes are currently assessed as being below the 50 per cent mark, which means they still have more than half of their useful lives remaining.



In general, Council's asset base is in relatively good condition and is being maintained at an appropriate level.

## 5.2 Life Cycle Cost

Life cycle costs (or whole of life costs) is the average costs that is required to sustain the service levels over the longest asset life. Life cycle costs include operating and maintenance expenditure and asset consumption (depreciation expense). The life cycle cost for the Council's infrastructure assets is as follow:

### 5.2.1 Life Cycle Cost for Council Services

Service	Operations and Maintenance Expenditure \$'000	Depreciation Expenses \$'000	Life Cycle Cost (\$ / Year) \$'000
Roads, Bridges & Footpaths	1,223	1,736	2,959
Buildings	1,743	639	2,382
Drainage	85	365	450
Land Improvemnets	1,173	277	1,450
<b>Total</b>	<b>4,224</b>	<b>3,017</b>	<b>7,241</b>

2019/2020 financial year

Life cycle costs can be compared to life cycle expenditure to give an indication of sustainability in service provision. Life cycle expenditure includes operating, maintenance, and capital renewal expenditure in the previous year. Life cycle expenditure will vary depending on the timing of asset renewals.

### 5.2.2 Life Cycle Expenditure for Council Services

Service	Operations and Maintenance Expenditure \$'000	Capital Renewal Expenditure (\$ / Year) \$'000	Life Cycle Cost (\$ / Year) \$'000
Roads, Bridges & Footpaths	1,223	661	1,884
Buildings	1,743	81	1,824
Drainage	85	-	85
Land Improvements	1,173	21	1,194
<b>Total</b>	<b>4,224</b>	<b>763</b>	<b>4,987</b>

2019/2020 financial year

The life cycle costs, and life cycle expenditure comparison highlights any difference between present outlays and the average cost of providing the service over the long term. If the life cycle expenditure is less than the life cycle cost, it is most likely that outlays will need to be increased or cuts in services made in the future.

Knowing the extent and timing of any required increase in outlays and the service consequences if funding is not available will assist Council in providing service to the community in a financially sustainable manner. This is the purpose of the Asset Management Plans and Financial Management Strategy.

### 5.2.3 Life Cycle Indicators

Service	Life Cycle Cost (\$ / Year) \$'000	Life Cycle Expenditure (\$ / Year) \$'000	Life Cycle Gap (\$ / Year) \$'000	Life Cycle Indicator
Roads, Bridges & Footpaths	2,959	1,884	(1,075)	64%
Buildings	2,382	1,824	(558)	77%
Drainage	450	85	(365)	19%
Land Improvements	1,450	1,194	(256)	82%
<b>Total</b>	<b>7,241</b>	<b>4,987</b>	<b>(2,254)</b>	<b>69%</b>

2019/2020 financial year

Note: A life cycle gap is reported as a negative value

The total life cycle gap of \$2.254m (or 31%) indicates that the budgeted renewal is less than the current annual depreciation value. Council should reasonably expect renewal demand will increase in the future.

Renewal expenditure is major work which does not increase the design capacity but restores, replaces, or renews an existing asset to its original service potential. Any work over and above restoring the asset to its original service potential is an upgrade and/or expansion or is considered as new expenditure.

A shortfall between life cycle cost and life cycle expenditure provides an early indicator of a life cycle gap that will need to be explored in the Asset Management Plan for each class and considered further in preparing and updating the Long Term Financial Plan. This may lead to placing higher priority on funding capital renewals within forward works programs and the communication of future predictions, trends, needs and priorities with staff, councillors and the wider community.

Factors as to why a gap may exist may include:

- Considerable variation in realised useful lives within the same asset category can occur across the network making specific projects problematic to identify in long term forward works programs. Variation from the average can be higher or lower than the average. For road assets this may relate to highly variable usage by heavy vehicles (e.g. large logging coupes), drainage, environmental conditions and quality of construction and materials used.
- Funding (either internally or through external funding opportunities) becoming available for new works rather than renewals, repairs, and maintenance. This has potential to further exacerbate the gap in the future.
- The average age of the assets is less than the 50% through the useful life resulting in a less than 'average' annual spend on renewal being required (e.g. very little of the stormwater network has reached its nominal design life of 80 years).

- Either not reaching or passing expected lives due to trends (e.g. streetscapes) or opportunity (e.g. renewing parts of a building or roads when undertaking upgrades or new works).
- Knowingly allow an underutilised asset to deteriorate to the point of sale or financially writing it off (e.g. a new nearby playground asset results in the original becoming redundant and not renewed).
- Uncertainties in age for assets that cannot be readily inspected meaning they are replaced earlier or later than expected in the asset management plan.
- Useful lives that do not represent the average of that asset group.
- Significant effort and expense to bring the assets into a good condition through efficient and attentive maintenance inspections and works programming that extends useful lives.
- A change in desired levels of service either increasing or decreasing renewal expenditure for a period but potentially having negative impact on operations and maintenance costs or damage claims.
- An increase or decrease in deliverables received for a consistent but indexed budget expenditure which may potentially result from inflation, contractor availability or procurement method.
- Renewals being underfunded resulting in average conditions lowering to the point where intervention levels are exceeded and a significant increase in reactive maintenance expenditure rather than for renewal.

Whilst there may be a variety of these factors influencing the life cycle gap across the network and assets classes it is known that much of Council's stormwater infrastructure has not reached intervention level and expenditure is continuing on new and upgrades for this asset class to serve the needs and expectations of a growing community. Additionally, over the last 15 years Council's roads have had attentive maintenance undertaken, extending their useful lives.

### 5.3 Asset Management Structure

A 'whole of organisation' approach to asset management has been implemented.



## Asset Management Steering Group

- General Manager
- Engineering and Works Manager
- Manager Corporate & Business Services
- Team Leader - Finance
- Technical Officer - Assets and Infrastructure

The benefits of this team approach include:

- demonstrates corporate support for sustainable asset management.
- encourages corporate buy-in and responsibility.
- coordinates strategic planning, information technology and asset management activities.
- promotes uniform asset management practices across the Council.
- information sharing across IT hardware and software.
- pooling of corporate expertise.
- championing of asset management process.
- wider accountability for achieving and reviewing sustainable asset management practices.

### 5.4 Financial & Asset Management Core Competencies

The core competencies relating to Financial Planning and Reporting and Asset Planning and Management and relevant to Council are:

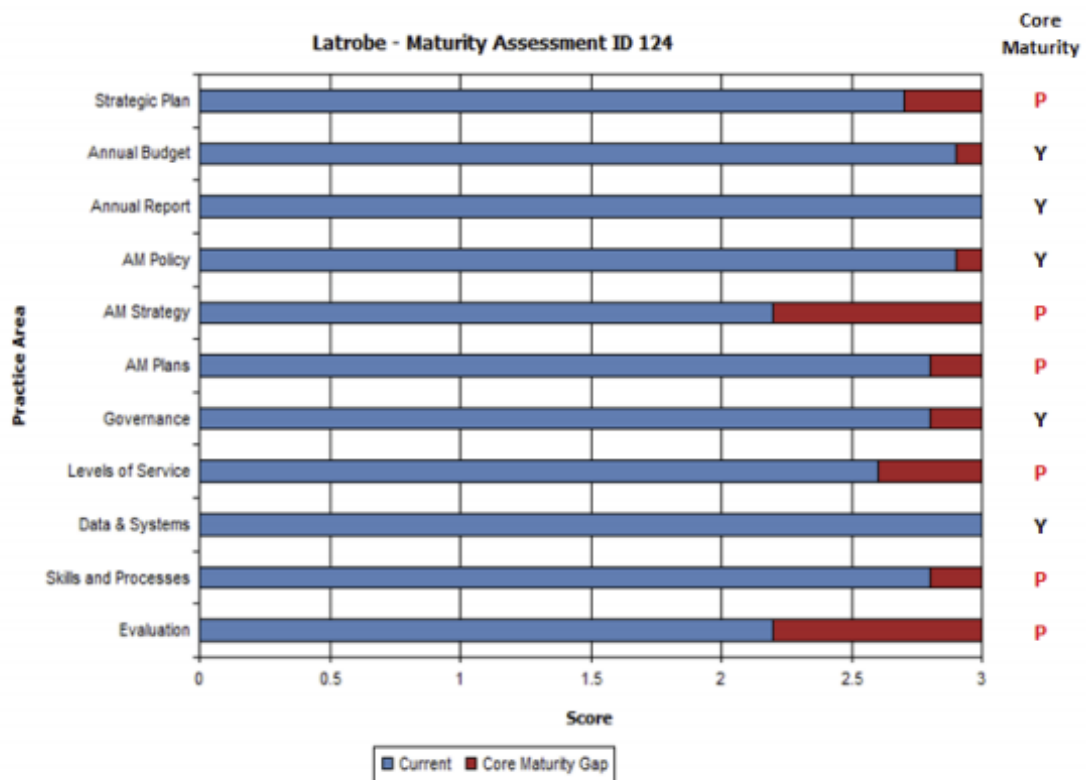
#### Financial Planning and Reporting

- Strategic Longer Term Plan
- Annual Budget
- Annual report

#### Asset Planning and Management

- Asset Management Policy
- Asset Management Strategy
- Asset Management Plan
- Governance & Management
- Levels of Service
- Data & Systems
- Skills & processes
- Evaluation

Council's maturity assessment for the core competencies is summarised in the following table. The current maturity level is shown on the blue bars. The maturity gap to be overcome for Council to achieve a core financial and asset management competency is shown by the red bars. (MATURITY ASSESSMENT YET TO BE REVIEWED & UPDATED)



## 6. How will we get there?

The Asset Management Strategy proposes strategies to enable the objectives of the Strategic Plan, Asset Management Policy and Financial Management Strategy to be achieved.

No	Strategy	Consequence
1	Move from annual budgeting to a longer term view in line with the Financial Management Strategy.	The long term implications of Council services are considered as part of the annual budget deliberations.
2	Regularly review and improve Asset Management Plans.	Identification of services needed by the community and required funding to optimise 'whole of life' costs.
3	Annually review the Financial Management Strategy. Incorporate asset management expenditure projections to ensure a sustainable funding position outcome is maintained.	Sustainable funding model to provide Council services.
4	As part of the annual budget process review and update asset management plans where appropriate. Communicate any consequence of funding decisions on service levels and service risks.	Council and the community are aware of changes to service levels and costs arising from budget decisions.

No	Strategy	Consequence
5	Report Council's asset valuations at Replacement Value in accordance with Australian Accounting Standards.	Financial sustainability information is available for Council and the community.
6	Ensure Council's decisions are made from accurate and current information in asset registers, on service level performance and 'whole of life' costs.	Improved decision making.
7	Report on Council's resources and operational capability in the Annual Report.	Services delivery is matched to available resources and operational capabilities.
8	Ensure responsibilities for asset management are identified and incorporated into staff position descriptions.	Responsibility for asset management is defined.
9	Maintain an ethos which allows the financial and asset management competencies to be regularly reviewed and updated.	Improved financial and asset management capacity within Council.
10	Regularly report to Council on matters related to the Asset Management Strategy, Asset Management Plans and Financial Management Strategy.	Oversight of resource allocation and performance.

APPROVED BY COUNCIL: 7 June 2021 Minute: 16808

EFFECTIVE DATE: 7 June 2021

ADMINISTERED BY: Manager Infrastructure & Assets

This strategy will be reviewed periodically to ensure its relevance in terms of community needs and expectations and Council goals, targets, budget and statutory requirements.