



# ASSET MANAGEMENT STRATEGY



Adopted by Council  
29 June 2015 Council Meeting  
Minute 96/15  
Ref: 15/5287

## Executive Summary

This asset management strategy (AMS) is prepared to assist council in improving the way it delivers services from infrastructure, property and plant, machinery and equipment. These infrastructure assets have a replacement value of approximately \$223 million.

The AMS is to enable Council to show:

- how its asset portfolio will meet the service delivery needs of its community into the future,
- enable Council's asset management policies to be achieved, and
- ensure the integration of Council's asset management with its long term strategic plan.

The AMS is prepared following a review of the council's service delivery practices, financial sustainability indicators, asset management maturity and fit with council's vision for the future outlined in the Dorset Council Strategic Plan 2014-2018. The strategy outlines an asset management improvement plan detailing a program of tasks to be completed and resources required to bring council to a minimum 'core' level of asset maturity and competence.

## Strategy outlook

1. The organisation's current asset management maturity is below 'core' level; however the maturity gap for the majority of asset classes is not significant. Council investment is needed to improve information management, lifecycle management and accountability.
2. Council has committed to ensuring that it focuses on asset renewals and will priorities funding to address infrastructure renewal funding shortfalls.
3. Council has a policy in regard to the investment of Council funds on purchasing new and upgrading existing assets and is committed to investing in assets where there is a return to the Community.

## Asset management strategies

No	Strategy	Desired Outcome
1	Move from Annual Budgeting to long term financial planning	The long term implications of Council services are considered in annual budget deliberations.
2	Develop and annually review Asset Management Plans (AMPs) for all major asset classes (where asset class is >5% of total asset values).	Identification of services needed by the community and funding required.
3	Develop LTFP (LTFP) incorporating AMP expenditure projections with a sustainable funding position outcome.	Sustainable funding model to provide Council services.
4	Incorporate Year 1 of LTFP revenue and expenditure projections into annual budgets.	LTFP drives budget deliberations.
5	Review and update AMPs and LTFP after adoption of annual budgets. 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.
6	Report Council's financial position at Fair Value, financial sustainability and performance against strategic objectives in Annual Reports.	Financial sustainability information is available for Council and the community.
7	Ensure Council's decisions are made from accurate and current information in asset registers, on service level performance and costs.	Improved decision making and greater value for money.
8	Report on Council's resources and operational capability to deliver	Services delivery is matched to available

	the services needed by the community in the Annual Report.	resources and operational capabilities.
9	Ensure responsibilities for asset management are identified and incorporated into staff position descriptions.	Responsibility for asset management is defined.
10	Implement an Improvement Plan to realise 'core' maturity for the financial and asset management competencies within 2 years.	Improved financial and asset management capacity within Council.
11	Report quarterly to Council by Audit Committee on development and implementation of AMS, AMPs and LTFPs.	Oversight of resource allocation and performance.

### **Asset management improvement plan**

The program of actions and resources required to achieve a minimum 'core' asset management maturity were identified during the conduct of an asset management maturity assessment. The actions that need to be implemented to improve upon current asset management practices are documented on the final page of this Strategy.

A more detailed implementation plan will be developed, once AMPs have been reviewed, to support the achievement of the improvement plan.

## Introduction

A key issue facing local governments throughout Australia is the management of ageing assets in need of renewal and replacement.

Infrastructure assets such as roads, drains, bridges, water and sewerage and public buildings present particular challenges as their condition and longevity can be difficult to determine. Financing needs can be large, requiring planning for 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. The creation of new assets also presents challenges in funding the ongoing operating and replacement costs necessary to provide the needed service over the assets' full life cycle.

## Legislative reform

Section 70D of the Tasmanian Local Government Act requires councils to prepare an AMS for the municipal area.

The AMS is to be consistent with the strategic plan for the municipal area and contain at least the matters that are specified in an order made under section 70F as required to be included in an asset management policy

Section 70E requires the AMS to be reviewed at least every 4 years.

The Local Government (Content of Plans and Strategies) Order 2014, Section 9 (2) requires the AMS to include the following matters:

- a) an outline of all existing assets, and the services provided by the use of those assets;
- b) an outline of the condition of each existing asset, including financial status and the estimated costs related to the acquisition and use of the asset during its lifecycle;
- c) details of the goals and objectives of the council relating to the delivery of services provided by the use of its assets;
- d) details of the asset management strategies of the council to be implemented to enable the objectives of the strategic plan of the council and the assets management policy of the council to be achieved;
- e) a plan for the improvement of asset management, detailing the program of tasks to be completed and the resources required to achieve the relevant minimum core level of asset maturity and competence required in respect of the asset as defined in the Local Government Financial Sustainability Nationally Consistent Frameworks.

## What Assets do we have?

Asset Class	Description	Services Provided
<b>Infrastructure</b>		
Roads	Assets included road wear surface, road pavement, road sub base, shoulders, kerb, channel, drains, footpaths and earthworks.	Transportation of goods and services. Movement of people around the Council area for business, education, recreation and leisure.
Bridges and Culverts	Bridges (pedestrian and vehicular), and major culverts.	Provides for the safe passage of vehicles and pedestrians and permit the safe passage of storm and flood waters.
Stormwater drainage	Underground and natural systems that convey storm water arising from urban and developed catchments.	Underground pipe and pit network and open channels.
<b>Property</b>		
Buildings	Public buildings, operational installations, cultural, recreational facilities and leased buildings.	Supports the delivery of a range of services to the community, facilitates cultural and community activities.
Land improvements	A range of parks, reserves, sporting facilities and cemeteries. A range of infrastructure to support waste recovery, acceptance and transfer.	Provide undeveloped and developed open spaces. Enable the community to dispose of waste materials in an appropriate manner. Support the recovery and re use resources.
<b>Plant, machinery and equipment</b>		
Plant, machinery and equipment	Plant, machinery and equipment used to support the operational activities of Council	Support the provision of a range of services to the community.

## The Organisation's assets and their management

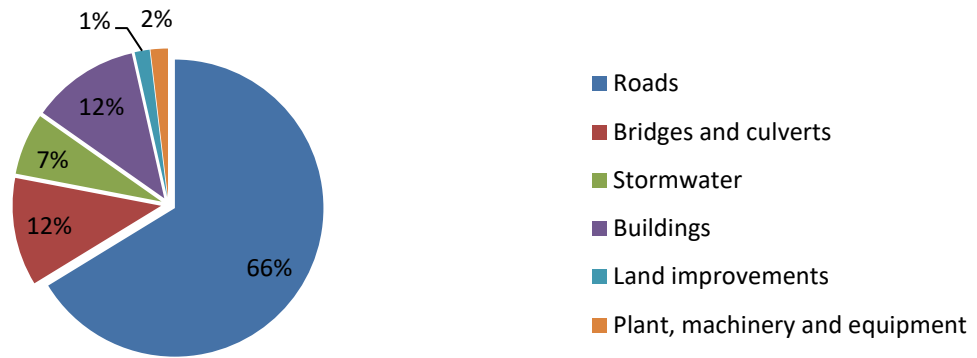
### State of the Assets

The financial status of the organisation's assets is shown below (2014 figures, will be updated for 2015).

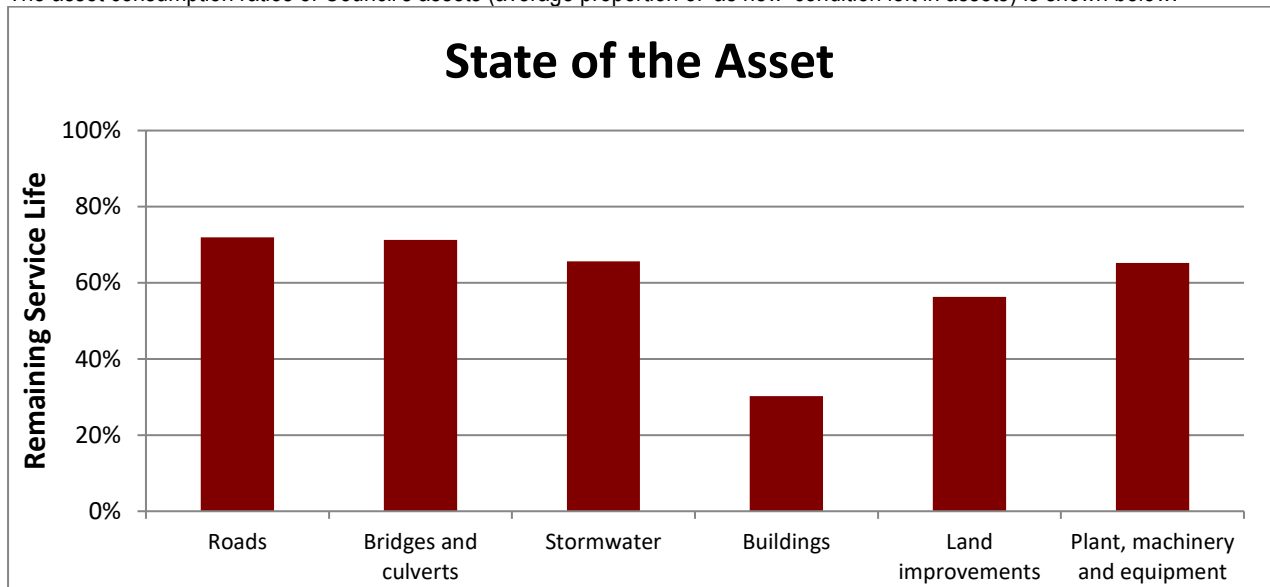
Asset Class	Replacement Cost (\$000)	Depreciable Amount (\$000)	Depreciated Replacement Cost (\$000)	Depreciation Expense (\$000)
Roads	147,726	147,726	106,315	2,368
Bridges and culverts	26,193	26,193	19,846	450
Stormwater	15,035	15,035	9,867	203
Buildings	26,133	8,417	7,933	167
Land improvements	3,644	3,644	2,051	299
Plant, machinery and equipment	4,203	4,203	2,743	362
<b>Total</b>	<b>222,934</b>	<b>205,218</b>	<b>148,775</b>	<b>3,849</b>

The figure below shows the replacement values of Council's assets.

## Asset Replacement Cost (\$'000)



The asset consumption ratios of Council's assets (average proportion of 'as new' condition left in assets) is shown below.



At present, detailed condition information is only available for a number of asset classes. Below are comments on each of the asset classes.

### Road Assets:

In general, Council's road assets are in reasonable condition. Data shows that significant levels of routine maintenance and renewal/upgrade are required for unsealed road wear surfaces, pavements and road side drainage.

For roads, condition data indicates that:

- Road side drainage is the predominant area for improvement with 45% of unsealed drainage requiring renewal;
- Significant maintenance expenditure is required for wear surface, pavement, drainage and footpaths; and
- Increased minor maintenance planning is required to prevent shoulder deterioration.

A back log in the renewal of road surfaces and pavements has been identified and progress is being made to address this backlog.

### **Bridges and Culverts:**

Council's regular inspection regime has identified that the bridge stock is in relatively sound condition and a long term replacement program is in place. Data shows that Traffic Barrier Design assessments are the predominant maintenance work required on Council's bridge assets.

### **Stormwater:**

Currently 60% of stormwater assets by value are determined to be at Rating C3 (Average rating with significant maintenance required). The condition rating distribution is forecast to change significantly over the next 30 years for current assets. Council will need to over time allocate a suitable level of funding to either rehabilitate or new storm water assets as they age transition into Rating 4 and 5 categories. As relatively passive assets, with a long useful life, renewal demands will not be significant for the foreseeable future.

### **Buildings:**

It is envisaged that a consolidated condition assessment will be commenced for all Council buildings at a component level in the near future.

### **Land Improvements:**

It is noted that much of Council's land improvement assets are aging and appropriate funding of asset renewal will need to occur to maintain current levels of service. Recreational facilities on Council land are ageing and increasingly Council is being requested to assist clubs in funding renewal works.

### **Plant Machinery and Equipment:**

Council has a 10 year plant replacement program and has established desirable replacement cycles for a range of plant assets.

## **Life Cycle Cost**

Life cycle costs (or whole of life costs) are the average costs that are 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 services covered in this AMP is shown below.

### **Life Cycle Cost for Council Services**

Service	Previous Year Expenditure		Previous Year Depreciation Exp \$'000	Life Cycle Cost (\$/yr) \$'000
	Operations \$'000	Maintenance \$'000		
Roads	-	1,631	2,368	3,999
Bridges	-	553	450	1,003
Stormwater	-	74	203	277
Buildings	291	175	167	633
Land Improvements	42	452	299	793
Plant Machinery and Equipment	379	174	362	915
<b>TOTAL</b>	<b>712</b>	<b>3,059</b>	<b>3,849</b>	<b>7,620</b>

Life cycle costs can be compared to life cycle expenditure to give an indicator of sustainability in service provision. Life cycle expenditure includes operating, maintenance and capital renewal expenditure in the previous year or preferably averaged over the past 3 years. Life cycle expenditure will vary depending on the timing of asset renewals. The life cycle expenditure at the start of the plan is shown below.



## Life Cycle Expenditure for Council Services

Service	Previous Year Expenditure		Cap Renewal Exp* (\$/yr)	Life Cycle Exp (\$/yr)
	Operations	Maintenance		
Roads	-	1,631	1,511	3,142
Bridges	-	553	-	553
Stormwater	-	74	-	74
Buildings	291	175	128	594
Land Improvements	42	452	-	494
Plant Machinery and Equipment	379	174	423	976
<b>TOTAL</b>	<b>712</b>	<b>3,059</b>	<b>2,062</b>	<b>5,833</b>

\*(Cap Renewal Expenditure is for 2014/15 and will be updated for 2015).

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 organisations in providing service to their communities in a financially sustainable manner. This is the purpose of the AM Plans and LTFP.

A shortfall between life cycle cost and life cycle expenditure gives an indication of the life cycle gap to be addressed in the asset management and LTFP.

The life cycle gap and life cycle indicator for services covered by this AMP is summarised below.

### Life Cycle Indicators

Service	Life Cycle Cost (\$/yr)	Life Cycle Expenditure (\$/yr)	Life Cycle Gap * (\$/yr)	Life Cycle Indicator
Roads	3,999	3,142	(857)	(21%)
Bridges	1,003	553	(450)	(45%)
Stormwater	277	74	(203)	(73%)
Buildings	633	594	(39)	(6%)
Land Improvements	793	494	(299)	(38%)
Plant Machinery and Equipment	915	976	61	7%
<b>All Services</b>	<b>7,620</b>	<b>5,833</b>	<b>(1,787)</b>	<b>(23%)</b>

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

A life cycle gap has been identified for five asset classes, reflecting that current renewal investment is less than current annual asset depreciation.

Annual asset renewal demand for a given time period may be less than or greater than the annual depreciation provision. This will depend upon the in service performance of the assets and the actual performance of the assets within the overall asset stock life cycle. The current LTFP currently suggests an average renewal spend from \$6.5 million declining to \$3.2 million over the life of the current program.

At this point in time a key expenditure focus for Council needs to be transport assets. This asset class includes the majority of backlog works. While investment in storm water assets is well below depreciation, the current condition of the assets does not warrant significant investment at this point in time. However, once the backlog is eliminated for transport assets, it is recommended that renewal funding be directed towards storm water assets to address significant future renewal expenditure on that asset network.



Council needs to commit to funding the renewal demand of the asset base and to provide additional funding to address asset renewal funding shortfalls, to ensure that the various assets meet with the expectation of the community and comply with the standards of the day.

### Financial & Asset Management Core Competencies

The National Frameworks on Asset Planning and Management and Financial Planning and Reporting define 10 elements. 11 core competencies have been developed from these elements to assess 'core' competency under the National Frameworks. The core competencies are:

#### Financial Planning and Reporting

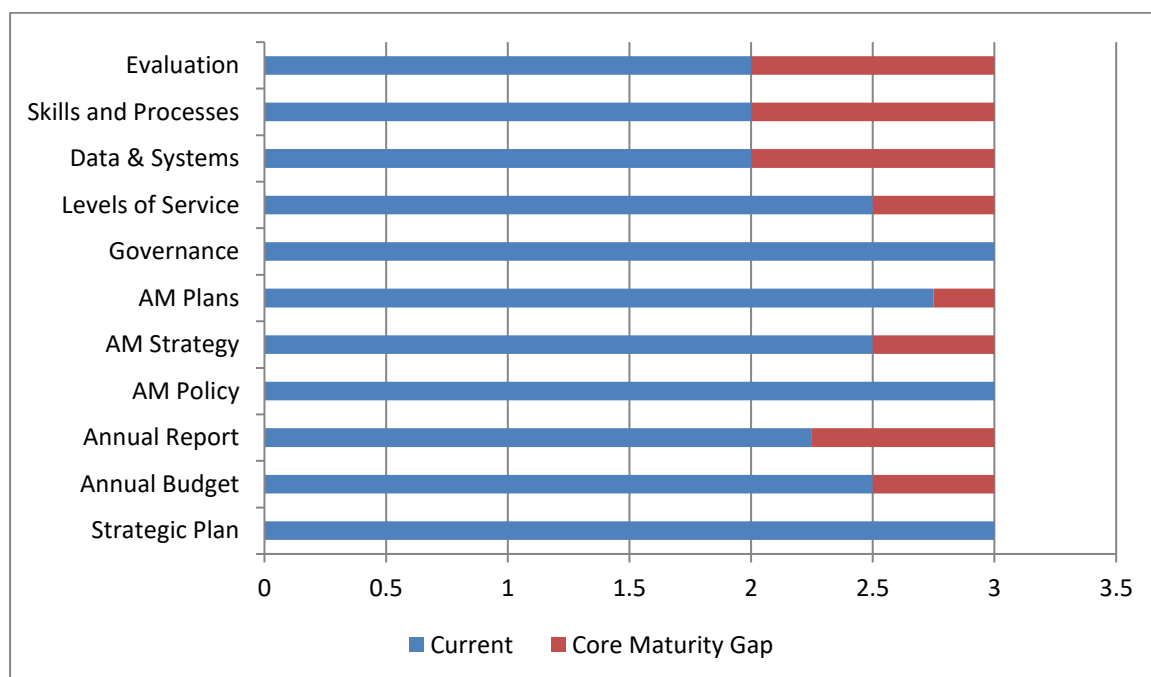
- Strategic Long Term Plan, Annual Budget, Annual report

#### Asset Planning and Management

- Asset Management Policy, Strategy and Plans
- Governance & Management
- Levels of Service
- Data & Systems
- Skills & processes
- Evaluation

Council's maturity assessment for the core competencies is detailed in Appendix A and summarised in Figure 4. The current maturity level is shown by 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.

**Figure 4: Asset Maturity Assessment**



## Strategy Outlook

1. The organisation's current asset management maturity is below 'core' level; however the maturity gap for the majority of asset classes is not significant. Council investment is needed to improve information management, lifecycle management and accountability.
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## Where do we want to be?

### Council's Vision, Mission, Goals and Objectives

Council has adopted a Vision for the future in the Council Strategic Plan.

***“Dorset – a vibrant community of natural living for today and tomorrow”***

Where

- Vibrant Community: embodying the strength of creativity and energetic outlook.
- Natural Living: capturing Dorset's beautiful, natural environment and lifestyle.
- Today and Tomorrow: sustainability in all that we do.

Council's purpose or reason for existence is set out in the adopted mission statement,

***“To improve the quality of life of the people of Dorset through services based on the principles of quality, equity, value and responsiveness”***

The Strategic Plan sets goals and objectives to be achieved in the planning period. The goals set out where the organisation wants to be. The objectives are the steps needed to get there. Goals and objectives relating to the delivery of services from infrastructure are shown below.

Goals	Objectives	How Goal and Objectives are addressed in AMP
Provide best practice management, systems and processes that maximise council's effectiveness in supporting the Vision, Mission, Values and the delivery of services to the community.	Manage finances and assets in a transparent way that allows council to maximise the potential of its resources and assures efficient and consistent delivery of services in a sustainable manner and in compliance with legislative requirements.	Allocate resources in annual budgets to meet asset acquisition, construction, and maintenance and the provision of community services through planning and sustainable budgetary commitments.
Public Infrastructure - Ensure that Dorset provides adequate public facilities and services that meet the current and future needs of residents, community and businesses.	Provide and maintain recreation and leisure infrastructure that supports physical health of the community.	Continue to maintain existing sporting and recreation facilities and promote opportunities for the appropriate development of new facilities.

Council's Asset Management Policy defines the council's vision and service delivery objectives for asset management in accordance with legislative requirements, community needs and affordability.

## How will we get there?

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

### Asset Management Strategies

No	Strategy	Desired Outcome
1	Move from Annual Budgeting to long term financial planning	The long term implications of Council services are considered in annual budget deliberations.
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7	Ensure Council's decisions are made from accurate and current information in asset registers, on service level performance and costs.	Improved decision making and greater value for money.
8	Report on Council's resources and operational capability to deliver the services needed by the community in the Annual Report.	Services delivery is matched to available resources and operational capabilities.
9	Ensure responsibilities for asset management are identified and incorporated into staff position descriptions.	Responsibility for asset management is defined.
10	Implement an Improvement Plan to realise 'core' maturity for the financial and asset management competencies within 2 years.	Improved financial and asset management capacity within Council.
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