



MEETING: ASSET MANAGEMENT COMMITTEE
DATE: 18 July 2022

DEPARTMENT: INFRASTRUCTURE
OFFICER: Trevor Cugley, Asset Planning Coordinator

REPORT ITEM:	6.1
REPORT TITLE:	ASSET MANAGEMENT STRATEGIC DOCUMENTS

Timeframe	2022			
Budget Impact	As per the Long Term Financial Plan			
Risk Assessment	Primary Risk Type(s):	Service Delivery		
	Inherent Risk:	Likelihood	Consequence	Rating
		Likely	Major	Extreme
	Controls:	<ul style="list-style-type: none"> ▪ Asset Management processes in place ▪ Sound Long Term financial planning in place 		
Residual Risk:	Rare	Major	Medium	
File Reference	18.8.2.6			

STRATEGIC REFERENCE:	
Theme	Our Lifestyle
Goal	Infrastructure
Strategy 3.2.3	Council provided assets are fit for purpose, proactively maintained and renewal recognises future demand.

RECOMMENDATION:
<p>That the Asset Management Committee:</p> <ul style="list-style-type: none"> ▪ note that sound asset management processes are in place that have resulted in the development of the Asset Management Strategic Documents as amended, presented for consideration; ▪ acknowledge that the comments received from the Audit and Risk Committee and Council at the February 2022 Information Session have been reviewed; ▪ have reviewed the Asset Management Strategy as amended and recommend to Council that it be released for public consultation in August 2022; and ▪ have reviewed the Strategic Asset Management Plan as amended and recommend to Council that it be released for public consultation in August 2022.

EXECUTIVE SUMMARY:

Asset management practices impact directly on the core business of the organisation and appropriate asset management is required to achieve our strategic service delivery objectives. The suite of strategic asset management documents provides guidance for Council to direct its resources appropriately.

The Asset Management Strategy has been prepared following a review of Council's service delivery practices, financial sustainability indicators, asset management maturity and fits with Council's vision for the future outlined in Council's Community Plan 2020-2025.

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.

Council's Long Term Financial Plan expresses in financial terms, the activities that Council proposes to undertake over the medium to longer term, to achieve its stated objectives and to progress towards and then maintain financial sustainability. It provides a solid basis from which both the Business Plan and Annual Budget are prepared.

The Strategic Asset Management Plan and Ten Year Capital Works Program provide key information regarding the condition of Council's assets, and the funding required to maintain the asset to the Level of Service expected by the community. The challenge is to balance what Council can afford with the community's expectation along with maintaining Council's assets to a fit-for-purpose standard. Council would need to seek external funding such as grants or loans for any additional spending not currently accounted for in the Long Term Financial Plan.

Estimated (LTFP budget) operations, maintenance, upgrade and capital renewal funding over the 10-year planning period is \$162 million, averaging \$16.24 million on average per year. The allocated funding leaves a surplus of \$64,380 on average per year of the projected expenditure required to provide services in the Strategic Asset Management Plan compared to the planned expenditure currently included in the Long Term Financial Plan. This indicates 100.4% of the projected expenditures needed to provide the services documented in the Strategic Asset Management Plan. This does not include works funded via external sources as grants and loans.

The Asset Management Strategy and Strategic Asset Management Plan have been reviewed and are put forward for consideration by the Asset Management Committee for endorsement.

DISCUSSION

The Local Government Act 1999 requires Councils *"to develop and adopt (a) a long-term financial plan for a period of at least 10 years; and (b) an infrastructure and asset management plan, relating to the management and development of infrastructure and major assets by the council for a period of at least 10 years"*.

Council has adopted the following Ten Year plans which work together to set the direction of Council and are wrapped up in the Community Plan:

DISCUSSION (Cont'd)**A Long Term Financial Plan** which:

- includes operating costs and considerations
- includes proposed capital works projects
- includes rating strategies
- includes borrowing and debt management strategies
- strives towards long-term financial sustainability.

An Asset Management Plan which:

- identifies and classifies all assets held by Council
- addresses levels of service and expected future demands
- addresses funding requirements
- incorporates asset sustainability strategies
- incorporates the Capital Works Program as its schedule of proposed works.

A Capital Works Program which:

- identifies all proposed capital projects for the next ten years
- considers the responsible renewal of existing assets
- provides for new assets to meet future community demand
- considers the available funding and resources to implement the Program.

Council carried out a Community Survey in 2015, 2017, 2020 with the results being used to guide the development of Council's strategic documents.

Council is committed to implementing a systematic asset management methodology in order to apply appropriate asset management best practices across all areas of the organisation. This includes ensuring that assets are planned, created, operated, maintained, renewed and disposed of in accordance with Council's priorities for service delivery.

Asset management practices impact directly on the core business of the organisation and appropriate asset management is required to achieve Council's strategic service delivery objectives. Council's asset management process is outlined below:

Community Plan > AM Policy > AM Strategy > Strategic AM Plan > Long Term Financial Plan > 10 Year Capital Works Program > AM Operational Plans

The suite of asset management documents provides strategic direction for Council in order to deliver the outcomes identified in the Community Plan while managing community expectations regarding the Levels of Service that Council can afford.

The Asset Management Strategy and Strategic Asset Management Plan provide guidance for Council to direct its resources appropriately to responsibly manage its assets. Strategic asset management will evolve in a continuous cycle of review and improvement so the quality of outputs matches the changing business needs for Council.

DISCUSSION (Cont'd)

A strategic approach to asset management will ensure that the Council delivers the highest appropriate level of service through its assets. This will provide positive impact on;

- Members of the public and staff;
- Council's financial position;
- The ability of Council to deliver the expected level of service and infrastructure;
- The political environment in which Council operates; and
- The legal liabilities of Council.

Asset Management Strategy

The Asset Management Strategy has been prepared following a review of Council's service delivery practices, financial sustainability indicators, asset management maturity and fits with Council's vision for the future outlined in Council's Community Plan 2020-2025.

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.

Council first adopted an Asset Management Strategy in May 2019. This has now been reviewed and updated to reflect the progression of asset management.

The Asset Management Strategy has been formatted to match the style of the Community Plan.

The Asset Management Strategy is presented in draft for the consideration of the Asset Management Committee.

Strategic Asset Management Plan

The attached Strategic Asset Management Plan shows a summary of each asset class, current replacement costs, operational costs, capital works program, useful lives and it also relates to community and technical levels of service. This Strategic Asset Management Plan summarises Council's position in regard to its assets.

Individual operational Asset Management Plans for each asset class have been developed which will enable staff to manage Council's assets on day-to-day basis through maintenance and renewal. These more detailed operational Asset Management Plans have been used to inform the Strategic Asset Management Plan.

It is imperative that there is an appropriate link and consistency between the Strategic Asset Management Plan and the Long-Term Financial Plan, in that the latter Plan provides for the necessary capital outlays for their renewal, replacement and upgrade.

Council's Long Term Financial Plan expresses in financial terms, the activities that Council proposes to undertake over the medium to longer term to achieve its stated objectives, and to progress towards and then maintain financial sustainability. It provides a solid basis from which both the Business Plan and Annual Budget are prepared.

DISCUSSION (Cont'd)

The Strategic Asset Management Plan and Ten Year Capital Works Program provide key information regarding the condition of Council's assets and the funding required to maintain the asset to the Level of Service expected by the community. The challenge is to balance what Council can afford with the community's expectation along with maintaining Council's assets to a fit-for-purpose standard. When there is a gap between what Council can afford and what Council is required to fund then external funding maybe required.

The projected outlays necessary to provide the services covered by the Strategic Asset Management Plan including operations, maintenance, renewal and upgrade of existing assets over the 10 year planning period is \$161 million, averaging \$16.18 million per year. An additional \$42 million of renewal and upgrade works are proposed to be undertaken within the 10 year plan, however are not currently accounted for in the Long Term Financial Plan due to budget constraints. To fund these works Council will need to seek grant or loan funding or defer these works until funding is available.

Estimated (LTFP budget) operations, maintenance, upgrade and capital renewal funding over the 10-year planning period is \$162 million, averaging \$16.24 million on average per year. The allocated funding leaves a surplus of \$64,380 on average per year of the projected expenditure required to provide services in the Strategic Asset Management Plan compared to the planned expenditure currently included in the Long Term Financial Plan. This indicates 100.4% of the projected expenditures needed to provide the services documented in the Strategic Asset Management Plan. This does not include works funded via external sources as grants and loans.

The Audit and Risk Committee reviewed the Asset Management Strategy and Strategic Asset Management Plan and have provided their comments. Council also reviewed the documents at the information session in February 2022. We have taken those comments on board and have updated the Strategic Asset Management accordingly.

The Strategic Asset Management Plan has been formatted to match the style of the Community Plan.

The Strategic Asset Management Plan is presented in draft for the consideration of the Asset Management Committee.

PREVIOUS REPORTS

Asset Management Committee 10 May 2021 Agenda Item 6.1

Asset Management Committee 13 December 2021 Agenda item 6.1