

ASSET MANAGEMENT STRATEGY

Port Pirie Regional Council



REVISION HISTORY

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TABLE OF CONTENTS

Executive Summary	4
Strategy Outlook	4
Introduction	8
Legislative Reform	9
Asset Management Planning Process	9
<i>Asset Management Plans</i>	9
Identification of Council Assets	10
Council Asset Management	12
State of the Assets	12
<i>Asset Consumption Ratio</i>	13
Lifecycle Analysis	14
<i>Lifecycle Cost for Council Services</i>	14
<i>Lifecycle Expenditure for Council Services</i>	15
<i>Lifecycle Comparison</i>	16
Asset Management Practices	17
Future Directions & Goals	18
Council's Vision, Mission and Values	18
Asset Management Policy	18
Asset Management Structure	20
Corporate Asset Management Team	21
Financial & Asset Management Core Competencies	21
Core and Advanced Maturity Assessment	22
Core and Advanced Maturity Risk	23
Strategies to Achieve Goals	24
Asset Management Improvement Plan	25
Glossary	26

EXECUTIVE SUMMARY

This Asset Management Strategy is prepared to assist Council in improving the way it delivers services from infrastructure including roads, kerbing, bridges, footpaths, stormwater drainage, CWMS (Community Wastewater Management Scheme) and buildings. These infrastructure assets (including Plant and Equipment) have an approximate replacement value of \$385 million.

The Asset Management Strategy is to enable Council to:

- Show how its asset portfolio will meet the service delivery needs of its community into the future;
- Provide capacity for Council's asset management policies to be achieved; and
- Ensure the integration of Council's asset management with its long term strategic plan .

Adopting this Asset Management Strategy will assist Council to meet the requirements of National Sustainability Frameworks and the Local Government Act 1999 and provide services needed by the community in a financially sustainable manner.

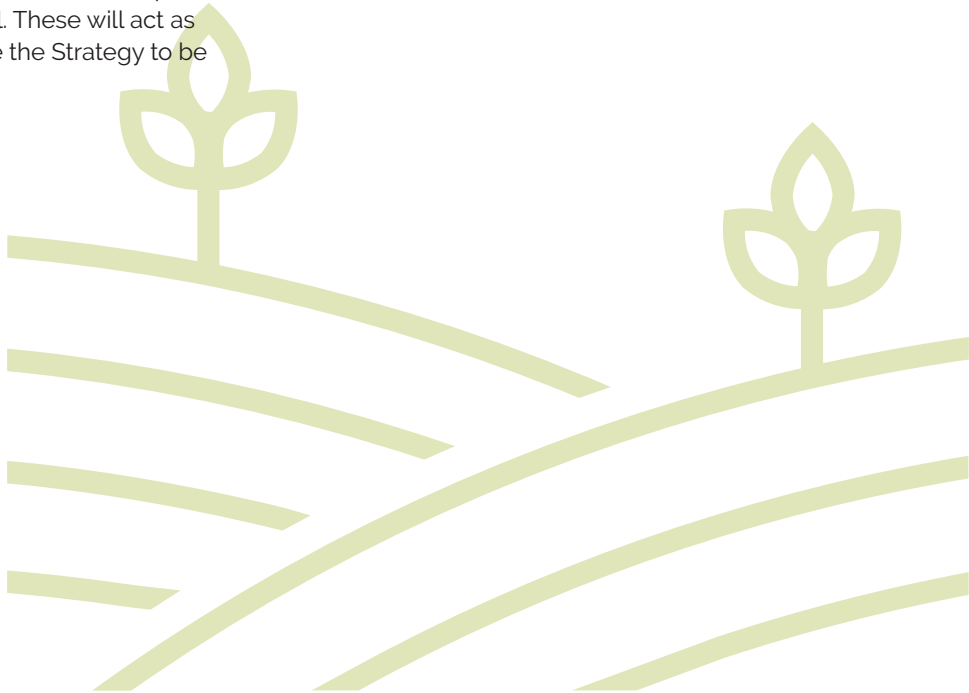
The Asset Management Strategy is prepared following a review of Council's service delivery practices, financial sustainability indicators, asset management maturity and fits with Council's vision for the future outlined in the Port Pirie Regional Council's Community Plan 2020-2025.

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.

The Strategy will be underpinned by individual asset plans for all classes of assets held by Council. These will act as operational documents that will enable the Strategy to be implemented.

Strategy Outlook

1. The Council is in a good position with the assets that have been condition assessed. It is vital that ongoing improvements occur to the Asset Register data prior to any significant changes to the funding that has been adopted.
2. The Asset Management Plans consider the funding limits set out in the Long Term Financial Plan (LTFP); there is a funding shortfall which impacts on Councils ability to meet the required upgrades and asset replacement at the current level of service.
3. Investment is required to continue to enable improvement into the asset management process in the areas of information management, lifecycle management, service management, accountability and to allow direction for progression. This is evident with the progression that has taken place over the past 2 years.



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 covering at least 10 years for all major asset classes	Identification of services needed by the community and required funding to optimise 'whole of life' costs
3	Develop Long Term Financial Plan covering 10 years incorporating Asset Management Plan expenditure projections with a sustainable funding position outcome	Sustainable funding model to enable delivery of Council services
4	Incorporate Year 1 of Long Term Financial Plan revenue and expenditure projections into annual budgets	Long term financial planning drives budget deliberations
5	Review and update Asset Management Plans and long term financial plans 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 in accordance with Australian Accounting Standards, 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 and 'whole of life' 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	Service 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
11	Report annually to Council by Audit Committee/CEO on development and implementation of Asset Management Strategy, Asset Management Plans and Long Term Financial Plans	Oversight of resource allocation and performance

The program of tasks and resources required to achieve a minimum core asset management maturity has been developed as part of the Asset Management Strategy. The tasks and program are shown below.

Asset management improvement plan

Ref	Task	Responsibility	Target Date	Budget
1	Annual review of ten year capital program	DI, MA, MCS, APC, MO	January/February Annually	Allocated
2	Alignment of LTFP and Asset Management Plan This will involve review of the capital renewal and upgrade funding demand against the LTFP. The LTFP to be adjusted accordingly following review and acceptance by Council. If there is a shortfall in funding, the risk is to be reviewed and accepted by Council	MA, MCS, APC, MO	January/February Annually	Allocated
3	Review service levels and adjust to align with funding shortfall, if required	DI, MA, APC, MO	February/March Ongoing	Allocated
4	Maintain and update asset register	MA, APC,ATO	June/July Ongoing	Allocated
5	Reflect actual useful lives in next valuation of the associated asset.	DI, MA, APC, MO	January/February Annually	Allocated
6	Conduct 'gap' analysis of all asset classes and associated infrastructure	DI, MA, APC, MO	Four year cycle	Allocated
7	Review all whole of life cost for all asset classes	DI, MA, MCS, APC, MO	Four year cycle	Allocated
8	Undertake risk assessment for all asset classes	DI, MA, MCS, APC, MO	Four year cycle	TBC

DI Director Infrastructure
MA Manager Assets
MCS Manager Corporate Services

APC Asset Planning Co-ordinator
MO Manager Operations
ATO Asset Technical Officer

INTRODUCTION

Assets deliver important services to communities. 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, kerbing, footpaths, stormwater drainage, bridges, CWMS and 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 lifecycle .

The national framework on asset planning and management and financial planning and reporting endorsed by the Local Government and Planning Ministers' Council (LGPMC) require councils to adopt a longer-term approach to service delivery and funding comprising:

- A strategic longer-term plan covering, as a minimum, the term of office of the Elected Members 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.
- Annual Business Plan showing the connection to the strategic objectives, and
- Annual Report with:
 - explanation to the community on variations between the budget and actual results
 - any impact of such variances on the strategic longer-term plan
 - report of operations with review on the performance of the council against strategic objectives .

Framework 2 Asset Planning and Management has seven elements to assist in highlighting key management issues, promote prudent, transparent and accountable management of Local Government assets and introduce a strategic approach to meet current and emerging challenges.

- Asset Management Policy
- Strategy and planning
 - Asset Management Strategy
 - Asset Management Plans
 - ♦ Strategic Asset Management Plan
 - ♦ Operation Asset Management Plans
- Governance and Management Arrangements
- Defining levels of service
- Data and systems
- Skills and processes and
- Evaluation .

The Asset Management Strategy is designed to enable Council to:

- Show 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 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;
- For present and future consumers.

The objective of the 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 the community.

Legislative Reform

The SA Government amended the Local Government Act in 2005. The amendment instructed the Councils to address future funding practices to enable financial sustainability.

The key to this was the creation of long term policy planning and decision making.

Asset Management Planning Process

Asset management planning is a comprehensive process to ensure that assets are managed and maintained in a way that enables affordable services from infrastructure to be provided in an economically optimal way. In turn, affordable service levels can only be determined by assessing Council's financial sustainability under scenarios with different proposed service levels.

The asset management planning process is as follows:

- Define stakeholder and legal requirements and needs
- Incorporate these needs into the Council's Community Plan
- Develop Asset Management Policy, Strategy and Plans along with Operational Plans linked to a Long-Term Financial Plan with a funding plan .

Asset Management Plans

Council has adopted a hierarchical approach to its Asset Management Plans in that it has a Strategic Asset Management Plan and Operation Asset Management Plans.

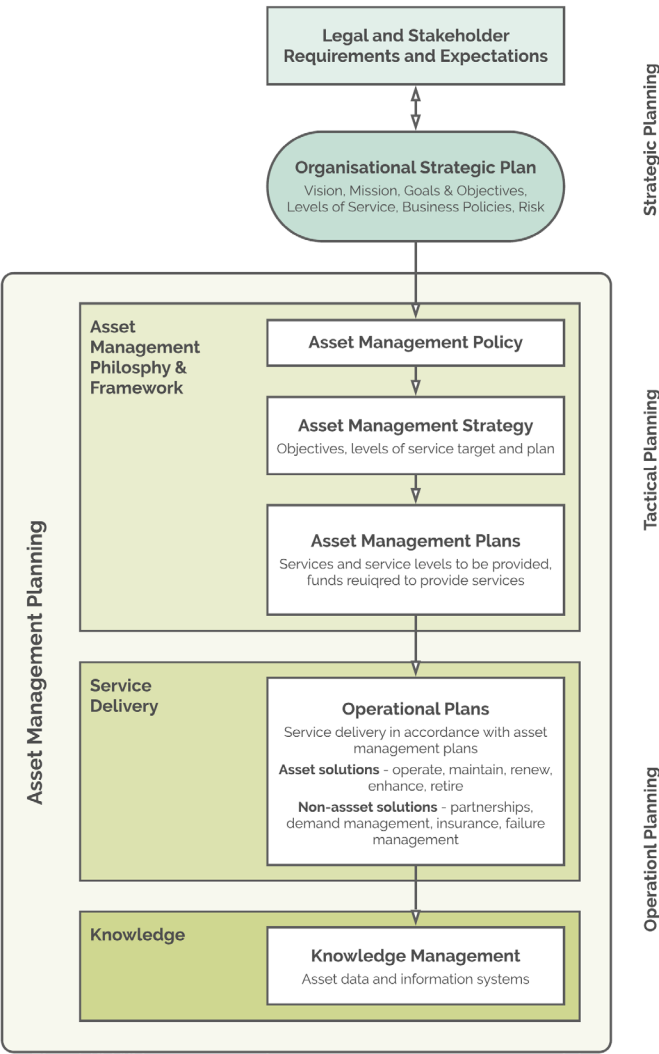
Strategic Asset Management Plan

The Strategic Asset Management Plan is the public facing document used to show the state of each Asset Class along with the 10 year forecast for maintenance and renewal expenditure in a more condensed form. It provides the overall summary of each of the Operational Asset Management Plans.

Operational Asset Management Plans

Operational Asset Management Plans have been developed through a comprehensive process to ensure delivery of services from Infrastructure is provided in a financially sustainable manner. There is an Operational Asset Management Plan for each Asset Class. These more detailed plans are used to inform the Strategic Asset Management Plan and is used by staff to manage each Asset Class.

Asset management planning process



IDENTIFICATION OF COUNCIL ASSETS

Council uses infrastructure assets to provide services to the community. The range of infrastructure assets and the services provided from the assets is shown in the table below.

Assets used for providing services

Asset Class	Description	Services Provided
Bridges	Six operational bridges within the Council area	Provides safe access for vehicles across a watercourse
Buildings (including furniture and fit out)	Maintenance and renewal of buildings used for public service	A range of buildings to meet the community's needs
CWMS	Two systems at Napperby and Crystal Brook	Enables the treatment and disposal of wastewater for the community
Drainage	Network comprises: <ul style="list-style-type: none">• pipes• side entry pits junction boxes• pumps• gross pollutant traps• lagoons	Enables the underground drainage of stormwater to provide a level of flood protection for the community
Marine	Manage assets such as Jetties, Boat Ramps and Wharfs	Structures to enable community activities within the marine environment
Structures & Site Improvements (includes recreation reserves, shelters, cemeteries, aerodrome)	Parks and recreation areas, landscaped areas, shelters and maintenance of sporting facilities	Provides open space structures for community use
Kerbing	315 km of kerb and channel mainly located in the City of Port Pirie and out lying townships	Provides a drainage channel for overland flows and prevents vehicle encroachment on the footpath
Footpaths	Hard paved footpath total length of 60.5 km and unsealed footpath total length of 206 km	Provides a safe and accessible footpath network to enable pedestrian linkages within the townships
Roads	Sealed and unsealed road network 331 km sealed 649 km unsealed	Provides a safe and accessible road network to enable transportation
Other Road Infrastructure	Signs, spoon drains, traffic control devices, car parks and concrete drainage systems	Minor civil elements associated to the transport network
Plant & Equipment	Heavy plant, vehicles and equipment	Enables the Council to undertake construction and maintenance activities



COUNCIL ASSET MANAGEMENT

State of the Assets

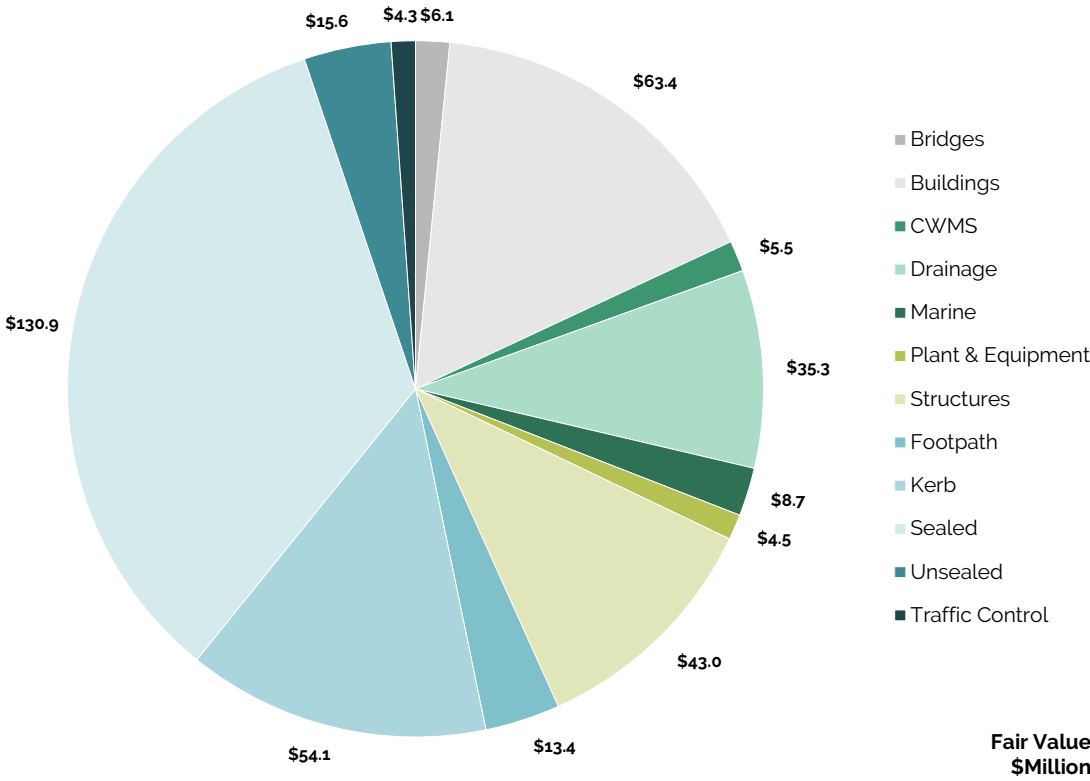
The financial status of the Council's assets for the year ended 30 June 2021 is shown in the following table. Plant and Equipment values were sourced from Council's Finance System, Synergy. All other assets were sourced from Council's Asset Management System, Conquest.

Financial status of the assets

Asset Class	Fair Value	Written Down Value	Annual Depreciation Expense
Bridges	\$6,100,000	\$2,300,000	\$62,000
Buildings	\$63,400,000	\$40,500,000	\$1,487,000
CWMS	\$5,500,000	\$2,400,000	\$97,000
Drainage	\$35,300,000	\$20,600,000	\$450,000
Marine	\$8,700,000	\$3,600,000	\$147,000
Structures	\$43,000,000	\$29,400,000	\$1,019,000
Footpath	\$13,400,000	\$9,200,000	\$207,000
Kerb	\$54,100,000	\$35,600,000	\$632,000
Sealed Roads	\$130,900,000	\$82,600,000	\$2,181,000
Unsealed Roads	\$15,600,000	\$8,700,000	\$930,000
Traffic Control	\$4,300,000	\$2,600,000	\$76,000
Plant & Equipment	\$4,500,000	\$2,000,000	\$557,000
Total	\$385,000,000	\$239,500,000	\$7,845,000

Note: Does not include land assets

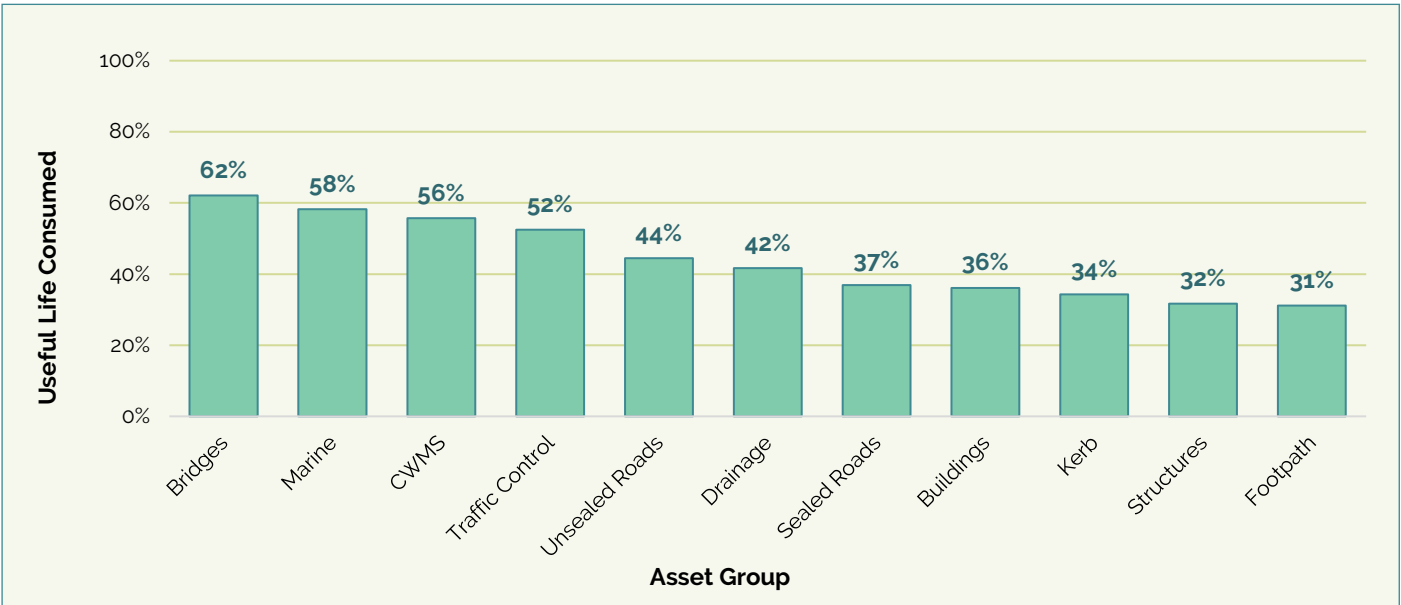
Fair value of Council's assets



Asset Consumption Ratio

The asset consumption ratio shows the percentage of useful life of that asset that has been consumed. The consumption of the assets are measured by the Accumulated Depreciation divided by the Fair Value. This indicates how much of the asset class has been consumed based on the level of service. The Accumulated Depreciation is determined by either a condition assessment or age base methods. In the future Council would like to have all assets fully conditioned assessed rather than base the consumption on age.

The Council has a range of asset ages in all classes from new assets to older assets as well as upgraded assets. The challenge for Council is to maintain and improve service levels to a level that will satisfy the general public. Council has developed individual Operational Asset Management Plans for all asset classes that provide in depth information as well as operational strategies. Also, one overall Strategic Asset Management Plan summarising all assets is provided to the Elected Members and public for review and adoption.



Lifecycle Analysis

Lifecycle Cost for Council Services

Lifecycle costs (or whole of life costs) are the average costs that are required to sustain the service levels over the longest asset life. Lifecycle costs include operating and maintenance expenditure and asset consumption (depreciation expense).

The lifecycle costs for each asset class are displayed in the Asset Management Plans. Lifecycle costs can be compared to lifecycle expenditure to give an indicator of sustainability in service provision.

The 2020-2021 Operational Expenditure was sourced from Councils Finance System, Synergy.

The lifecycle cost for the services covered in this Asset Management Strategy is shown in the following table.

Service	2020-21 Expenditure Operations Without Depreciation (\$000)	Annual Depreciation Expense (\$000/yr)	Lifecycle Cost (\$000/yr)
Bridges	\$20	\$62	\$82
Buildings	\$1,251	\$1,487	\$2,738
CWMS	\$166	\$97	\$263
Drainage	\$200	\$450	\$650
Marine	\$57	\$147	\$204
Structures	\$4,218	\$1,019	\$5,237
Footpath	\$211	\$207	\$418
Kerb	\$100	\$632	\$732
Sealed	\$256	\$2,181	\$2,437
Unsealed	\$520	\$930	\$1,450
Plant & Equipment	\$1,310	\$557	\$1,867
Traffic Control	\$180	\$76	\$256

Lifecycle Expenditure for Council Services

Lifecycle expenditure includes operating, maintenance and capital renewal expenditure in the previous year or preferably averaged over the past 3 years. Lifecycle expenditure will vary depending on the timing of asset renewals.

The lifecycle expenditure is stated in the Asset Management plans, with particular attention being paid to the road assets where we have been addressing the back log for some time.

The lifecycle expenditure covered in the Asset Management plans is shown in the following table.

Service	2020-21 Expenditure Operations Without Depreciation (\$000)	Capital Renewal Exp Average 3yrs (\$000/yr)	Lifecycle Expenditure (\$000/yr)
Bridges	\$20	\$188	\$208
Buildings	\$1,251	\$261	\$1,512
CWMS	\$166	\$23	\$189
Drainage	\$200	\$147	\$347
Marine	\$57	\$870	\$927
Structures	\$4,218	\$478	\$4,696
Footpath	\$211	\$250	\$461
Kerb	\$100	\$400	\$500
Sealed	\$256	\$1,268	\$1,524
Unsealed	\$520	\$950	\$1,470
Traffic Control	\$180	\$0	\$180
Plant & Equipment	\$1,310	\$1,117	\$2,427

Renewal Expenditure

Renewal expenditure is major work, which does not increase the assets design capacity but restores, rehabilitates, replaces or renews an existing asset to its original service potential. Work over and above restoring an asset to original service potential is upgrade/expansion or new works expenditure. The sustainability indicators are significantly influenced by the forecast of capital renewal and the planned expenditure on capital renewal.

Lifecycle Comparison

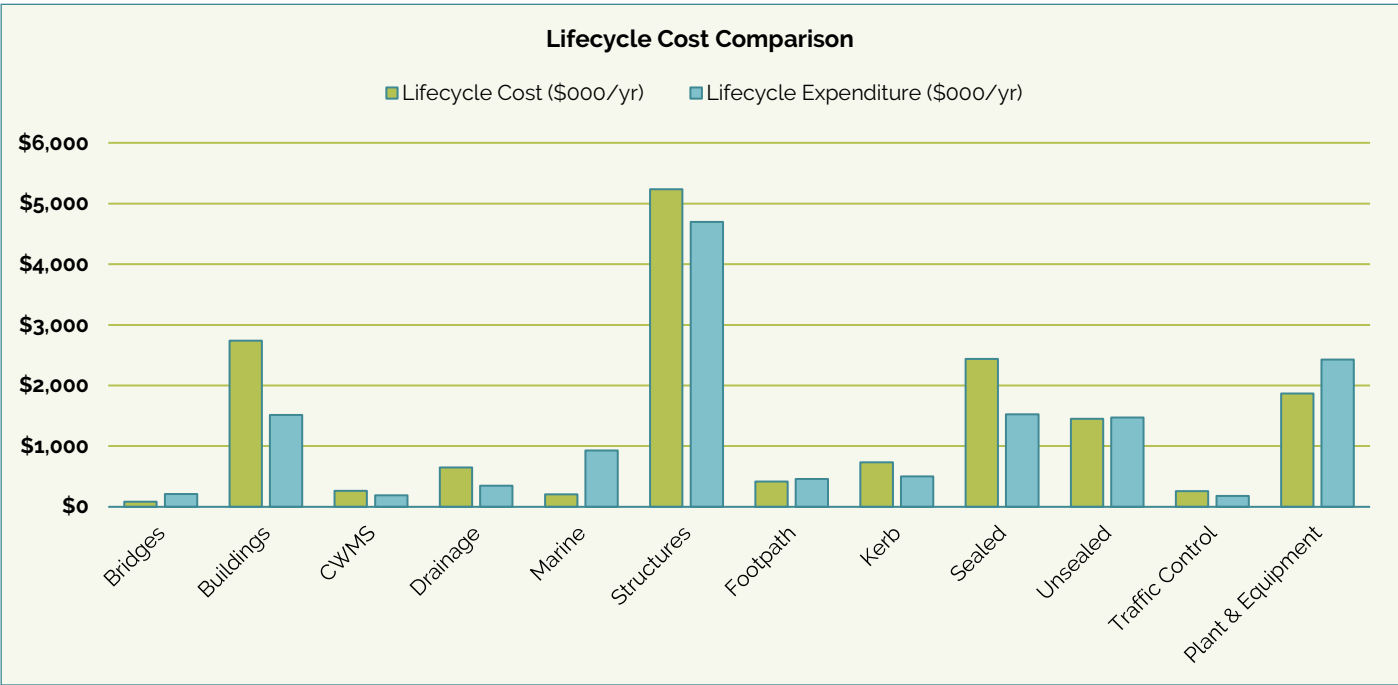
The lifecycle costs and lifecycle expenditure comparison highlights any difference between present outlays and the average cost of providing the service over the long term. If the lifecycle expenditure is less than the lifecycle cost, it is most likely that outlays will need to be increased or cuts in 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 Asset Management Plans and Long Term Financial Plan.

A shortfall between lifecycle cost and lifecycle expenditure gives an indication of the lifecycle gap which needs to be addressed in the Asset Management Plans and Long Term Financial Plan. The lifecycle gap and lifecycle indicator for services covered by this Asset Management Strategy is identified in the individual Asset Management Plans. The

sustainability indicators are significantly influenced by the forecast of capital renewal and the planned expenditure on capital renewal.

The outcome of this analysis indicates a shortfall in funding for Sealed Roads and Buildings over the short term 3 year period. The Sealed Road short term shortfall will be accounted for with a proposed accelerated program after the 3 year period. It is understood that the short term shortfall for Buildings is due to outdated inspection data collected in 2017, however a new building inspection is proposed in the near future and the required works will be updated accordingly.



Asset Management Practices

Our systems to manage assets include:

- Conquest
- Road Surface Manager (RSM)
- Synergy.

Assets requiring renewal/replacement are identified from either the asset register or an alternative method. These methods are part of the Lifecycle Model.

- If Asset Register data is used to forecast the renewal costs this is done using the acquisition year and the useful life
- Alternatively, an estimate of renewal lifecycle costs is projected from external condition modelling systems (such as Pavement Management Systems) and may be supplemented with, or based on, expert knowledge.

A combination of the Asset Register and Alternate Methods were used to forecast the renewal lifecycle costs for this Asset Management Plan.

Asset class	Method Used	Confidence	Status	Justification
Bridges	Alternate Method	Medium	A	Condition assessment undertaken in 2019. It is recommended that a new condition assessment is undertaken to improve the confidence in the renewal plan
Buildings	Alternate Method	Medium	A	Condition assessment and defect audit undertaken in 2017. It is recommended that a new condition assessment is undertaken to improve the confidence in the renewal plan
CWMS	Asset Register	Medium	A	Renewal plan developed based on construction age and standard life. It is recommended to undertake CCTV condition assessment of underground pipe network and performance testing of mechanical assets to develop a more accurate renewal plan
Drainage	Combination	Medium	A	Renewal plan developed based on the CCTV inspections undertaken in 2018. Approximately 23% of the network was assessed. Assets that had expired based on age have also been included in the renewal plan
Marine	Alternate Method	Medium	A	Condition assessment and defect audit undertaken in 2018. It is recommended that a new condition assessment is undertaken to improve the confidence in the renewal plan
Footpaths	Alternate Method	High	A	The footpath renewal program is developed based on the recent condition assessment undertaken in 2020. Footpaths that are poor condition or require change in surface material are to be programmed for renewal
Kerbing	Alternate Method	Medium	A	An annual allowance has been allocated for the kerb patching works that aligns with the annual resealing program. It is recommended to measure the exact quantities of work required the year prior to resealing
Structures & site improvements	Alternate Method	Medium	A	The current renewal program is based on the 2017 audit data. A new audit was undertaken in 2021 and the data is currently being processed to inform future programs
Transport	Alternate Method	High	A	Assets requiring reseal/resurfacing and resheeting were identified from a forecasting modelling tool, Road Surface Manager (RSM). This takes into account future deterioration of the road based on various deterioration curves
Plant & equipment	Alternate Method	High	D	The renewal program is developed based on internal expertise and operators of the equipment

Status

- A Complete in Asset Management System
- B In Asset Management System, needs service levels

- C In Asset Management System, needs condition assessment
- D Not required in Asset Management System.

FUTURE DIRECTIONS & GOALS

Council's Vision, Mission and Values

Council has adopted a Vision for the future in the Community Plan 2020 - 2025.

“ By 2030 the Port Pirie Region is the premier regional centre in South Australia where residents and visitors want to be.

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

To be a progressive organisation that strives for excellence, lead with integrity and delivers positive outcomes for the community.



Asset Management Policy

Council's Asset Management Policy defines Council's service delivery objectives and principles for asset management in accordance with the Community Plan and relevant legislation.

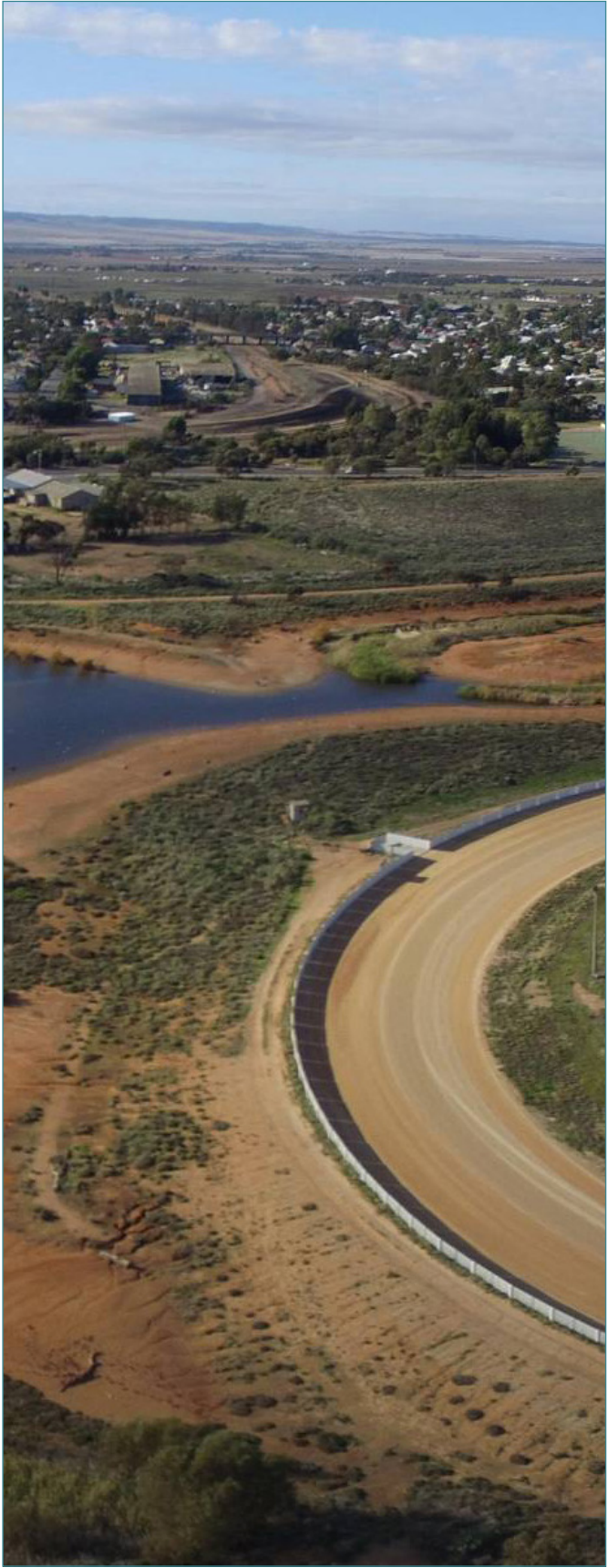
The Asset Management Strategy is developed to support the Asset Management Policy, to ensure adequate provision is made for the long-term replacement of major assets by:

- Ensuring that Council's services and infrastructure are provided in a sustainable manner, with the appropriate levels of service to residents, visitors and the environment.
- Safeguarding Council assets including physical assets and an asset by implementing appropriate asset management strategies and appropriate financial resources to those assets.
- Creating an environment where all Council employees are an integral part in the overall management of Council assets by creating and sustaining an asset management awareness throughout the organisation by training and development.
- Meeting legislative requirements for asset management.
- Ensuring resources and operational capabilities are identified and responsibility for asset management is allocated.
- Demonstrating transparent and responsible asset management processes that align with demonstrated best practice.

In line with the objectives, the principles of the Asset Management Policy are:

- A consistent Asset Management Strategy must exist for implementing systematic asset management and appropriate asset management best-practice throughout all Departments of Council.
- All relevant legislative requirements together with political, social and economic environments are taken into account in asset management.
- Asset management principles will be integrated within existing planning and operational processes.
- Asset Management Plans will be developed for major service/asset categories. The plans will be informed by community consultation and financial planning and reporting.
- An inspection regime will be used as part of asset management to ensure agreed service levels are maintained and to identify asset renewal priorities.
- Asset renewals required to meet agreed service levels and identified in adopted asset management plans and long term financial plans will form the basis of annual budget estimates with the service and risk consequences of variations in defined asset renewals and budget resources documented in budget documentation.
- Service levels defined in adopted asset management plans will form the basis of annual budget estimates with the service and risk consequences of variations in defined services levels and budget resources documented in budget documentation.
- Asset renewal plans will be prioritised and implemented progressively based on agreed service levels and the effectiveness of the current assets to provide that level of service.
- Systematic and cyclic reviews will be applied to all asset classes and are to ensure that the assets are managed, valued and depreciated in accordance with appropriate best practice and applicable Australian Standards.
- Future lifecycle costs will be reported and considered in all decisions relating to new services and assets and upgrading of existing services and assets.
- Future service levels will be determined in consultation with the community.
- Training in asset and financial management will be provided for councillors and relevant staff.

Strategies to achieve this position are outlined in the "Strategies to Achieve Goals" section.





Asset Management Structure

Council has established an Asset Management Committee in accordance with Section 41 of the Local Government Act 1999 to improve Council's financial sustainability through the implementation of best practise asset management by making recommendations to Council in relation to the future management of Council's Assets, including:

- Reviewing Council's existing asset stock and make recommendations relating to disposal options, or other opportunities to achieve a better return from its assets;
- Reviewing current service levels and make recommendations to Council in relation to future service levels, having regard to community expectations and Council's financial capacity;
- Considering options that would improve Council's financial sustainability in relation to the management of its assets.

Council's Asset Management Committee provides oversight of asset management activities performed by Council's administration and makes recommendations to Council in accordance with Council's Asset Management Policy and Strategy.

Council's administration ensures that asset management planning is carried out across the whole organisation, and reviews the implementation progress on an ongoing basis, including regular reporting to Council via the Section 41 Committee. This is part of the requirements for the target of 'Core' Asset maturity as defined in the Governance requirements of the National Framework as detailed in the 'Financial & Asset Management Core Competencies' section.

Corporate Asset Management Team

A 'whole of organisation' approach to asset management can be developed with a corporate asset management team. The benefits of a corporate asset management team include:

- Demonstrating corporate support for sustainable asset management
- Encouraging cross organisational buy-in and responsibility
- Coordinate strategic planning, information technology and asset management activities
- Promote uniform asset management practices across the organisation
- Sharing information across IT hardware and software
- Pooling of corporate expertise
- Championing of asset management process
- Wider accountability for achieving and reviewing sustainable asset management practices.

The role of the asset management team will evolve as the organisation maturity increases over several phases.

Phase 1	<ul style="list-style-type: none">• Strategy development and implementation of asset management improvement program
Phase 2	<ul style="list-style-type: none">• Asset management plan development and implementation• Reviews of data accuracy, levels of service and systems plan development
Phase 3	<ul style="list-style-type: none">• Asset management plan operation• Evaluation and monitoring of asset management plan outputs• Ongoing asset management plans review and continuous improvement

The current positions on Council's asset management team are:

- Director Infrastructure (DI)
- Manager Assets (MA)
- Assets Planning Co-Ordinator (APC)
- Manager Operations (MO)
- Manager Corporate Services (MCS)
- Asset Technical Officer (ATO)
- Director Development & Regulations (DDR).

The different asset classes are individually managed by key staff members that have been integral in developing the Asset Management Plans that support this strategy. The division of Categories and associated Staff are detailed in the following table.

Asset management structure

Category	Responsible Officer
Buildings	APC
Bridges	MO
CWMS	DDR
Drainage	MO
Marine	MO
Structures & Site improvements	APC
Kerbing	MO
Footpaths	MO
Roads	MO
Other Road Infrastructures	MO
Plant & Equipment	MO

Financial & Asset Management Core Competencies

The National Frameworks on Asset Planning and Management and Financial Planning and Reporting define ten elements. Eleven 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 Longer Term Plan
- Annual Budget
- Annual Report.

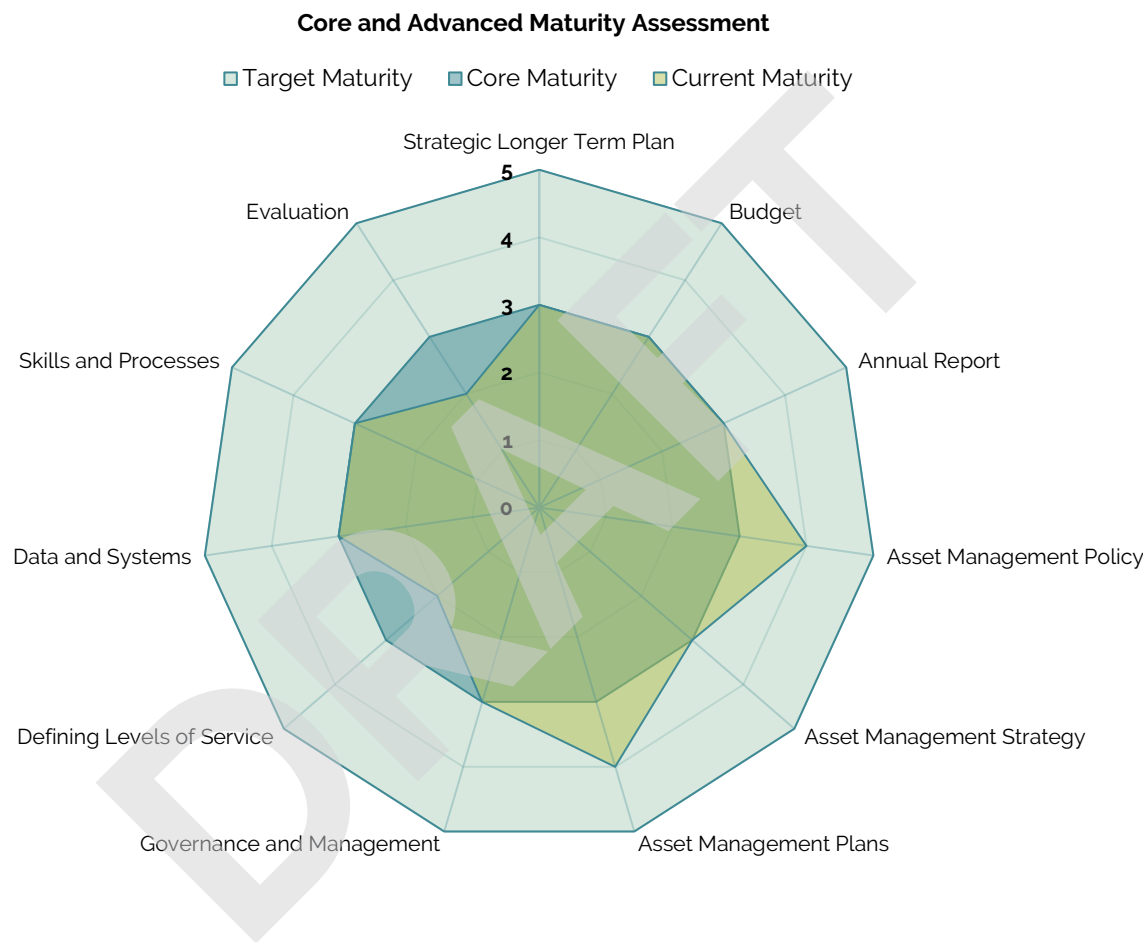
Asset Planning and Management

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

Core and Advanced Maturity Assessment

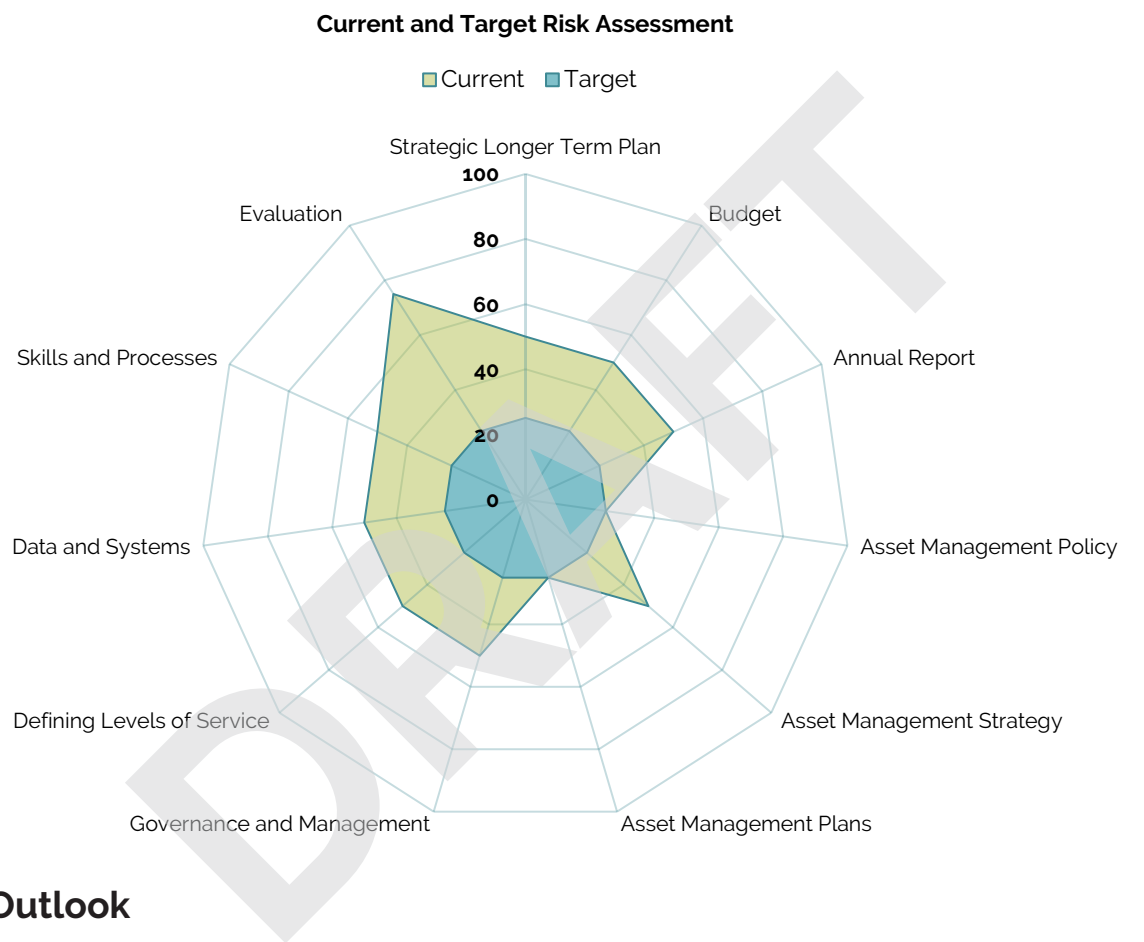
The Maturity Score Spider Graph shows the Current maturity for each maturity element as assessed compared to the 'core' competencies (Level 3) required under the Australian National Assessment Framework (NAF) and the Target maturity competency desired and set by Port Pirie Regional Council.

The green area in the below figure shows the current maturity level and it is evident that Council still requires to allocate resources and funding to asset management in the future.



Core and Advanced Maturity Risk

Maturity Risk Assessment Graph shows the Current maturity risk for each maturity element as assessed by Port Pirie Regional Council compared to the target maturity risk desired and set by the Council. Council is addressing its risk in most areas but needs to focus more on monitoring and reviewing our performance in asset management. This is evident in the two spider web charts shown in this document.



Strategy Outlook

The Council is able to meet and continue to meet the current level of service to all assets at this point in time. The Council will continue to collect data and refine its processes to meet the ever changing environment. The Council is committed to make sure that the assets required to meet todays and future requirements are maintained and upgraded to service everyone.

1. Some assumptions have been made with respect to Asset Management Plans, it is vital that ongoing improvements occur to the asset register prior to any significant changes to current funding that is adopted.
2. The Council is able to fund current infrastructure lifecycle cost at current levels of service and available revenue.

3. The Council's current asset management maturity is at 'core' level but below in certain areas. In the last 2 years, Council has achieved above the core level in Asset Management and Asset Management Plans.
4. Continue investment is needed to improve information management, lifecycle management, service management and accountability and direction. However significant progress has been made over the past 2 years as evidenced.
5. Evaluating Council's Asset Management procedures is critical if we are to continually improve. An evaluation with regard to the Asset Management processes within Council would be required on a regular basis to see which areas need improvement.

STRATEGIES TO ACHIEVE GOALS

The Asset Management Strategy proposes strategies to enable the objectives of the Community Plan, Asset Management Policy and Strategy 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
2	Develop and annually review Asset Management Plans covering at least 10 years for all major asset classes	Identification of services needed by the community and required funding to optimise 'whole of life' costs
3	Develop Long Term Financial Plan covering 10 years incorporating asset management plan expenditure projections with a sustainable funding position outcome	Sustainable funding model to provide Council services
4	Incorporate Year 1 of Long Term Financial Plan revenue and expenditure projections into annual budgets	Long term financial planning drives budget deliberations
5	Review and update asset management plans and long term financial plans 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 in accordance with Australian Accounting Standards, 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 and 'whole of life' 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
11	Report annually to Council by Audit Committee/CEO on development and implementation of Asset Management Strategy, AM Plans and Long Term Financial Plans	Oversight of resource allocation and performance
12	Evaluate Council's Asset Management procedures annually for continuous improvement	Improved Asset Management Procedures for better future planning of Council's assets

ASSET MANAGEMENT IMPROVEMENT PLAN

The tasks required to achieve a 'core' financial and asset management maturity are shown below.

Asset management improvement plan

Ref	Task	Responsibility	Target Date	Budget
1	Annual review of ten year capital program	DI, MA, MCS, APC, MO	January/February Annually	Allocated
2	Alignment of LTFP and Asset Management Plan This will involve review of the capital renewal and upgrade funding demand against the LTFP. The LTFP to be adjusted accordingly following review and acceptance by Council. If there is a shortfall in funding, the risk is to be reviewed and accepted by Council	MA, MCS, APC, MO	January/February Annually	Allocated
3	Review service levels and adjust to align with funding shortfall, if required	DI, MA, APC, MO	February/March Annually	Allocated
4	Maintain and update asset register	MA, APC,ATO	June/July Ongoing	Allocated
5	Reflect actual useful lives in next valuation of the associated asset.	DI, MA, APC, MO	January/February Annually	Allocated
6	Conduct 'gap' analysis of all asset classes and associated infrastructure	DI, MA, APC, MO	Four year cycle	Allocated
7	Review all whole of life cost for all asset classes	DI, MA, MCS, APC, MO	Four year cycle	Allocated
8	Undertake risk assessment for all asset classes	DI, MA, MCS, APC, MO	Four year cycle	TBC

- DI
- Director Infrastructure
- MA
- Manager Assets
- MCS
- Manager Corporate Services
- APC
- Asset Planning Co-ordinator
- MO
- Manager Operations
- ATO
- Assets Technical Officer

GLOSSARY

Asset

A resource controlled by an entity as a result of past events and from which future economic benefits are expected to flow to the entity. Infrastructure assets are a sub-class of property, plant and equipment which are non-current assets with a life greater than 12 months and enable services to be provided.

Asset category

Sub-group of assets within a class hierarchy for financial reporting and management purposes.

Asset class

A group of assets having a similar nature or function in the operations of an entity, and which, for purposes of disclosure, is shown as a single item without supplementary disclosure.

Asset condition assessment

The process of continuous or periodic inspection, assessment, measurement and interpretation of the resultant data to indicate the condition of a specific asset so as to determine the need for some preventative or remedial action.

Asset hierarchy

A framework for segmenting an asset base into appropriate classifications. The asset hierarchy can be based on asset function or asset type or a combination of the two.

Asset management

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

Asset renewal funding ratio

The ratio of the net present value of asset renewal funding accommodated over a 10 year period in a long term financial plan relative to the net present value of projected capital renewal expenditures identified in an Asset Management Plan for the same period [AIFMG Financial Sustainability Indicator No 8].

Capital expenditure

Relatively large (material) expenditure, which has benefits, expected to last for more than 12 months. Capital expenditure includes renewal, expansion and upgrade. Where capital projects involve a combination of renewal, expansion and/or upgrade expenditures, the total project cost needs to be allocated accordingly.

Capital expenditure - new

Expenditure which creates a new asset providing a new service/output that did not exist beforehand. As it increases service potential it may impact revenue and will increase future operations and maintenance expenditure.

Capital expenditure - renewal

Expenditure on an existing asset or on replacing an existing asset, which returns the service capability of the asset up to that which it had originally. It is periodically required expenditure, relatively large (material) in value compared with the value of the components or sub-components of the asset being renewed. As it reinstates existing service potential, it generally has no impact on revenue, but may reduce future operations and maintenance expenditure if completed at the optimum time, eg. resurfacing or resheeting a material part of a road network, replacing a material section of a drainage network with pipes of the same capacity, resurfacing an oval.

Capital expenditure - upgrade

Expenditure, which enhances an existing asset to provide a higher level of service or expenditure that will increase the life of the asset beyond that which it had originally. Upgrade expenditure is discretionary and often does not result in additional revenue unless direct user charges apply. It will increase operations and maintenance expenditure in the future because of the increase in the organisation's asset base, eg. widening the sealed area of an existing road, replacing drainage pipes with pipes of a greater capacity, enlarging a grandstand at a sporting facility.

Capital funding

Funding to pay for capital expenditure.

Capital grants

Monies received generally tied to the specific projects for which they are granted, which are often upgrade and/or expansion or new investment proposals.

Carrying amount

The amount at which an asset is recognised after deducting any accumulated depreciation / amortisation and accumulated impairment losses thereon.

Component

Specific parts of an asset having independent physical or functional identity and having specific attributes such as different life expectancy, maintenance regimes, risk or criticality.

Depreciated replacement cost (DRC)

The current replacement cost (CRC) of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset.

Depreciation

The systematic allocation of the depreciable amount (service potential) of an asset over its useful life.

Expenditure

The spending of money on goods and services. Expenditure includes recurrent and capital outlays.

Expenses

Decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or increases in liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

Fair value

The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties, in an arms length transaction. Where there is a reliable market this will equal the carrying amount and where there is no reliable market, the depreciated current replacement cost of an asset will be used (see Replacement Cost definition).

Financing gap

A financing gap exists whenever an entity has insufficient capacity to finance asset renewal and other expenditure necessary to be able to appropriately maintain the range and level of services its existing asset stock was originally designed and intended to deliver. The service capability of the existing asset stock should be determined assuming no additional operating revenue, productivity improvements, or net financial liabilities above levels currently planned or projected. A current financing gap means service levels have already or are currently falling. A projected financing gap if not addressed will result in a future diminution of existing service levels.

Heritage asset

An asset with historic, artistic, scientific, technological, geographical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture and this purpose is central to the objectives of the entity holding it.

Infrastructure assets

Physical assets that contribute to meeting the needs of organisations or the need for access to major economic and social facilities and services, eg. roads, drainage, footpaths and cycleways. These are typically large, interconnected networks or portfolios of composite assets. The components of these assets may be separately maintained, renewed or replaced individually so that the required level and standard of service from the network of assets is continuously sustained. Generally the components and hence the assets have long lives. They are fixed in place and are often have no separate market value.

Lifecycle Cost

The total cost of an asset throughout its life including planning, design, construction, acquisition, operation, maintenance, rehabilitation and disposal costs.

Lifecycle Expenditure

The Lifecycle Expenditure (LCE) is the average operations, maintenance and capital renewal expenditure accommodated in the long term financial plan over 10 years. Lifecycle Expenditure may be compared to average Lifecycle Cost to give an initial indicator of affordability of projected service levels when considered with asset age profiles.

Maintenance expenditure

Recurrent expenditure, which is periodically or regularly required as part of the anticipated schedule of works required to ensure that the asset achieves its useful life and provides the required level of service. It is expenditure, which was anticipated in determining the asset's useful life.

Operating expenditure

Recurrent expenditure, which is continuously required to provide a service. In common use the term typically includes, eg power, fuel, staff, plant equipment, on-costs and overheads but excludes maintenance and depreciation. Maintenance and depreciation is on the other hand included in operating expenses.

Operating expense

The gross outflow of economic benefits, being cash and non cash items, during the period arising in the course of ordinary activities of an entity when those outflows result in decreases in equity, other than decreases relating to distributions to equity participants.

Operating expenses

Recurrent expenses continuously required to provide a service, including power, fuel, staff, plant equipment, maintenance, depreciation, on-costs and overheads.

Operations, maintenance and renewal financing ratio

Ratio of estimated budget to projected expenditure for operations, maintenance and renewal of assets over a defined time (eg 5, 10 and 15 years).

Operations, maintenance and renewal gap

Difference between budgeted expenditures in a long term financial plan (or estimated future budgets in absence of a long term financial plan) and projected expenditures for operations, maintenance and renewal of assets to achieve/ maintain specified service levels, totalled over a defined time (e.g. 5, 10 and 15 years).

Remaining useful life

The time remaining until an asset ceases to provide the required service level or economic usefulness. Age plus remaining useful life is useful life.

Replacement Cost

The current cost to replace an item of property, plant and equipment on a like for like basis.

Section or segment

A self-contained part or piece of an infrastructure asset.

Useful life

Either:

- (a) the period over which an asset is expected to be available for use by an entity, or
- (b) the number of production or similar units expected to be obtained from the asset by the entity.

It is estimated or expected time between placing the asset into service and removing it from service, or the estimated period of time over which the future economic benefits embodied in a depreciable asset, are expected to be consumed by the Council.

Source: IPWEA, 2009, Glossary