





ASSET MANAGEMENT STRATEGY AND LONG-TERM STRATEGIC ASSET MANAGEMENT PLAN



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Table of Contents

Executive Summary.....	1
1. Introduction	3
1.1 Legislative Requirement.....	5
1.2 Asset Management Planning Process.....	5
2. What Assets do we have?	6
3. The Organisation’s assets and their management?.....	7
3.1 State of the Assets.....	7
3.2 Life Cycle Cost.....	9
3.3 Asset Management Structure	11
3.4 Corporate Asset Management Team.....	11
3.5 Financial & Asset Management Core Competencies	12
3.6 Strategy Outlook	13
4. Where do we want to be?	14
4.1 Council’s Vision, Mission, Goals and Objectives.....	14
4.2 Asset Management Policy.....	15
4.3 Asset Management Vision	15
5. How will we get there?	17
6. Asset Management Improvement Plan	18

Tables

Table 1: Assets used for providing Services.....	6
Table 2: Financial Status of the Assets	7
Table 3: Life Cycle Cost for Council Services.....	9
Table 4: Life Cycle Expenditure for Council Services	9
Table 5: Life Cycle Indicators	10
Table 6: Goals and Objectives for Infrastructure Services	14
Table 7: Asset Management Strategies	17
Table 8: Asset Management Improvement Plan.....	18

Figures

Figure 1: Asset Replacement Values	Error! Bookmark not defined.
Figure 2: Asset Consumption Ratio.....	8
Figure 3: Core Asset Management Maturity	12

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Executive Summary

This asset management strategy is prepared to assist council is improving the way it delivers services from infrastructure including roads, bridges, footpaths, stormwater drainage, parks and recreation, buildings, plant and equipment and any other classes of assets. These infrastructure assets have a replacement value of \$218 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;
- enable Council's asset management policies to be achieved; and
- ensure the integration of Council's asset management with its long term strategic plan.¹

Adopting this asset management strategy will assist council in meeting the requirements of national sustainability frameworks, *Local Government Act 1993* and applicable Regulations and providing services needed by the community in a financially sustainable manner.

The asset management strategy 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 Strategic Plan 2020-2029. The strategy outlines an asset management improvement plan detailing a program of tasks to be completed and resources required to maintain a reasonable level of asset maturity and competence.

Strategy outlook

1. The Southern Midlands Council's Long-Term Financial Management Plan provides that Council will have the ability to maintain current service levels for the next 10 years.
2. The Long-Term Financial Management Plan indicates that Council, subject to implementing the strategies identified therein, will be able to just fund infrastructure life cycle cost at current levels of service and available revenue.
3. The organisation's current asset management maturity is considered to be at a reasonable level but further investment is needed to improve information management, lifecycle management, service management and accountability and direction.

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 (80% of asset value).	Identification of services needed by the community and required funding to optimise 'whole of life' costs.
3	Continually review 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.

¹ LGPMC, 2009, Framework 2 *Asset Planning and Management*, p 4.

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.

Asset management improvement plan

The program of tasks and resources required to achieve a minimum 'core' asset management maturity was outlined in the previous asset management strategy. Revised tasks and programs are shown below.

Ref	Task	Responsibility	Target Date	Budget
1	Building Asset Management Plan – Continue development and review	AB/WY	30/6/22	In-house
2	Transport Asset Management Plan - Review	DR	30/6/22	In-house
3	Stormwater Asset Management Plan – Continue development and review	DR	30/6/23	In-house
4	LTFMP - Review	TK/AB	Annual	In-house

1. 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, 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 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.²

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.³

The national frameworks 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 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.
- An annual budget showing the connection to the strategic objectives; and
- An annual report with:
 - an explanation to the community on variations between the budget and actual results;
 - any impact of such variances on the strategic longer-term plan; and
 - a report of operations with a review on the performance of the council against strategic objectives.⁴

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 plan
- Governance and management arrangements
- Defining levels of service
- Data and systems
- Skills and processes, and
- Evaluation.⁵

² LGPMC, 2009, Framework 2 Asset Planning and Management, p 2.

³ LGPMC, 2009, Framework 3 Financial Planning and Reporting, pp 2-3.

⁴ LGPMC, 2009, Framework 3 Financial Planning and Reporting, pp 4-5.

⁵ LGPMC, 2009, Framework 2 *Asset Planning and Management*, p 4.

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;
- to enable Council's asset management policies to be achieved; and
- to ensure the integration of Council's asset management with its long term strategic plan.⁶

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 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.

⁶ LGPMC, 2009, *Framework 2 Asset Planning and Management*, p 4.

1.1 Legislative Requirement

The *Local Government Act 1993* requires Council to prepare:

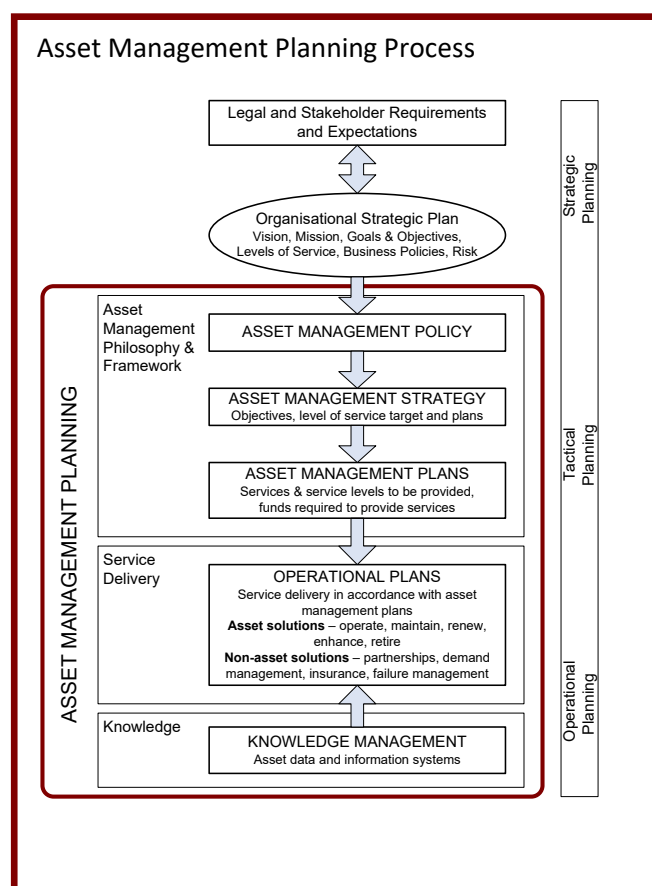
- a) a long-term strategic asset management plan(s) for the municipal area. This plan is to relate to all assets within a class of specified assets, and be in respect of a 10 year period;
- b) an asset management policy;
- c) an asset management strategy;
- d) a long-term financial management plan; and
- e) a long-term financial management strategy.

These Plans and Strategies must be reviewed at least every four 4) years.

1.2 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.

Asset management planning commences with defining stakeholder and legal requirements and needs, incorporating these needs into the organisation's strategic plan, developing an asset management policy, strategy, asset management plan and operational plans, linked to a long-term financial plan with a funding plan.⁷



⁷ IPWEA, 2009, AIFMG, Quick Guide, Sec 4, p 5.

2. What Assets do we have?

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 Table 1.

Table 1: Assets used for providing Services

Asset Class	Description	Services Provided
Transport	Road related assets within the road reserve, road formation, road pavement and seal, kerb and channel, footpaths, carparks, bridges and some street furniture	Manage, maintain, renew and improve road assets to ensure a specified level of service delivery over their entire life.
Stormwater	Stormwater assets relate to the urban drainage system and associated pits and valves	Manager, maintain, renew and improve stormwater assets to ensure a specified level of service over their entire life to the community.
Buildings	Building assets relate to buildings and heritage structures owned or controlled by Council	Manage, maintain, renew and improve building assets to ensure a specified level of service over their entire life to the community
Plant & Equipment	Relate to fleet, and major plant and equipment used by Council to provide services to the community	Maintain assets to ensure a specified level of service over their entire life to the community.
Waste Management	Relate to the provision of waste management services (i.e. kerbside collection), including operation of the Waste Transfer Stations.	Maintain assets to ensure a specified level of service over their entire life to the community.

3. The Organisation's assets and their management?

3.1 State of the Assets

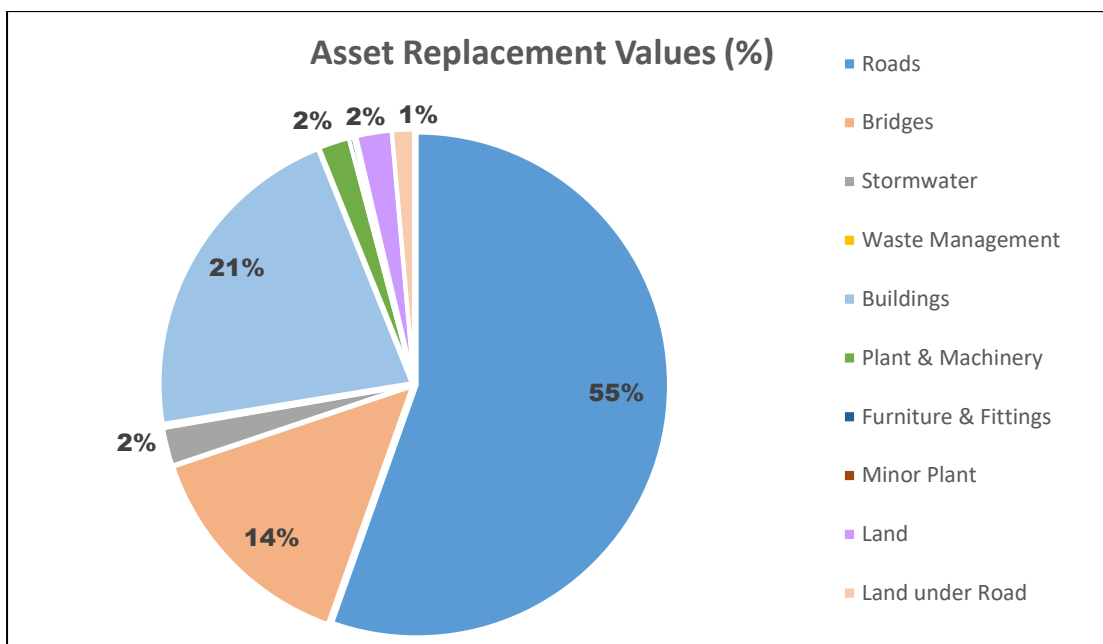
The financial status of the organisation's assets is shown in Table 2.

Table 2: Financial Status of the Assets

Asset Class	Replacement Cost (\$000)	Residual Value (\$000)	Accumulated Depreciation (\$000)	Depreciated Replacement Cost (\$000)	Annual Depreciation Expense (\$000)
Roads	120,743		25,246	95,497	2,267
Bridges	31,385		10,918	20,467	404
Stormwater	5,302		1,570	3,732	54
Waste Management	335		126	209	27
Buildings	46,815		24,455	22,360	653
Plant & Machinery	4,267	1,959	1,908	2,359	223
Furniture & Fittings	660		434	226	29
Minor Plant	335		277	58	13
Land	4,932		0	4,932	0
Land under Road	3,051		0	3,051	0
Total	217,825		64,934	152,891	3,670

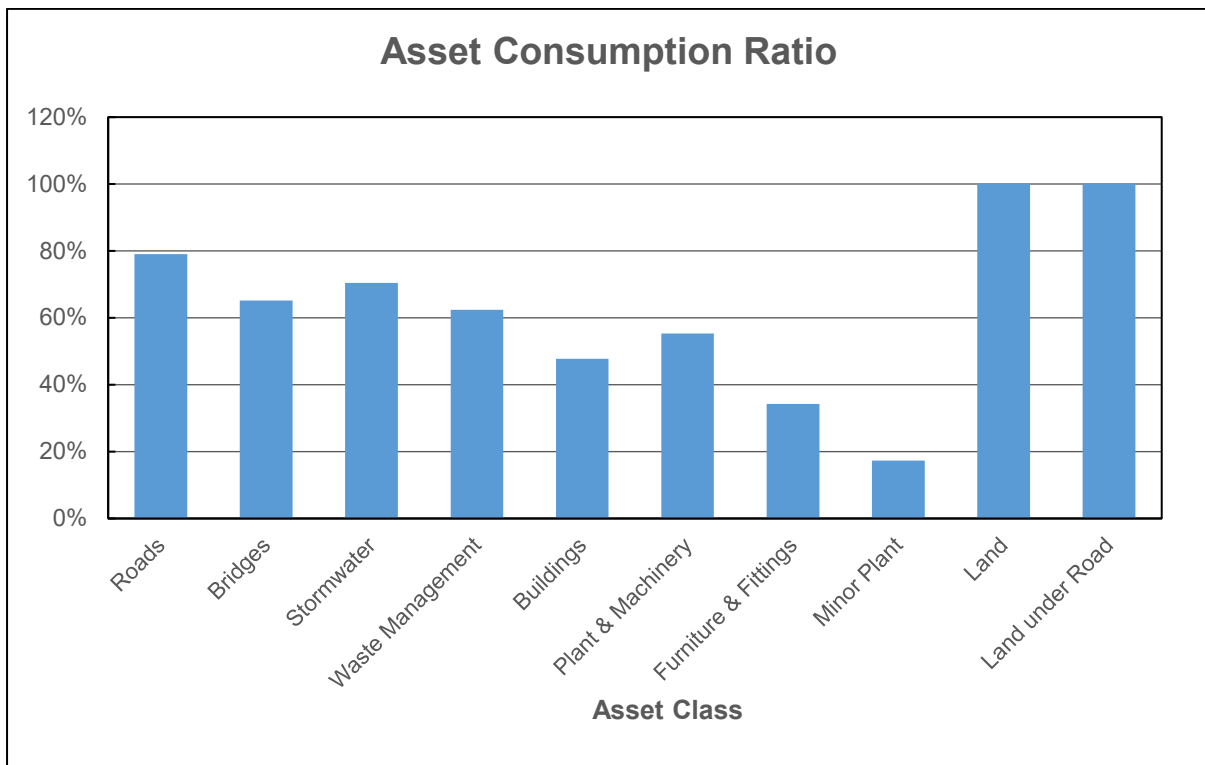
Figure 1 shows the replacement values of Council's assets

Figure 1: Asset Replacement Value



The asset consumption ratios of Council's assets (average proportion of 'as new' condition left in assets) are shown in Figure 2.

Figure 1: Asset Consumption Ratio



Council asset consumption ratio is on average 63 percent used, with major asset classes all around this level with only minor asset classes substantially below this percentage.

3.2 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 asset management plan is shown in Table 3.

Table 3: Life Cycle Cost for Council Services

Service	Previous Year Operations & Maintenance	Previous Year Depreciation Exp.	Life Cycle Cost (\$/yr)
Buildings	786,812	652,760	1,439,572
Plant & Machinery	481,607	223,326	704,933
Furniture & Fixtures	N/A	28,763	28,763
Minor Plant	N/A	13,581	13,581
Roads	1,601,764	1,921,263	3,523,027
Bridges	54,388	362,249	416,637
Waste Management	714,737	26,679	741,416
Stormwater	23,530	54,247	77,777
TOTAL	3,662,838	3,282,868	6,945,706

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 in Table 4.

Table 4: Life Cycle Expenditure for Council Services

Service	Previous Year Operations & Maintenance	Capital Renewal Exp. Average over 3 years (\$/yr)	Life Cycle Exp. (\$/yr)
Buildings	786,812	434,920	1,221,732
Plant & Machinery	481,607	446,327	927,934
Furniture & Fixtures	N/A	45,285	45,285
Minor Plant	N/A	9,854	9,854
Roads	1,601,764	1,271,998	2,873,762
Bridges	54,388	132,769	187,157
Waste Management	714,737	63,169	777,906
Stormwater	23,530	2,726	26,256
All Services	3,662,838	2,407,048	6,069,886

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 long term financial plan.

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 long term financial plan.

The life cycle gap and life cycle indicator for services covered by this asset management plan is summarised in Table 5.

Table 5: Life Cycle Indicators

Service	Life Cycle Cost (\$/yr)	Life Cycle Expenditure (\$/yr)	Life Cycle Gap * (\$/yr)	Life Cycle Indicator
Buildings	1,439,572	1,221,732	(217,840)	84.87%
Plant & Machinery	704,933	927,934	223,001	131.63%
Furniture & Fixtures	28,763	45,285	16,522	157.44%
Minor Plant	13,581	9,854	(3,727)	72.56%
Roads	3,523,027	2,873,762	(649,265)	81.57%
Bridges	416,637	187,157	(229,480)	44.92%
Waste Management	741,416	777,906	36,490	104.92%
Stormwater	77,777	26,256	(51,521)	33.76%
All Services	6,945,706	6,069,886	(875,820)	87.39%

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

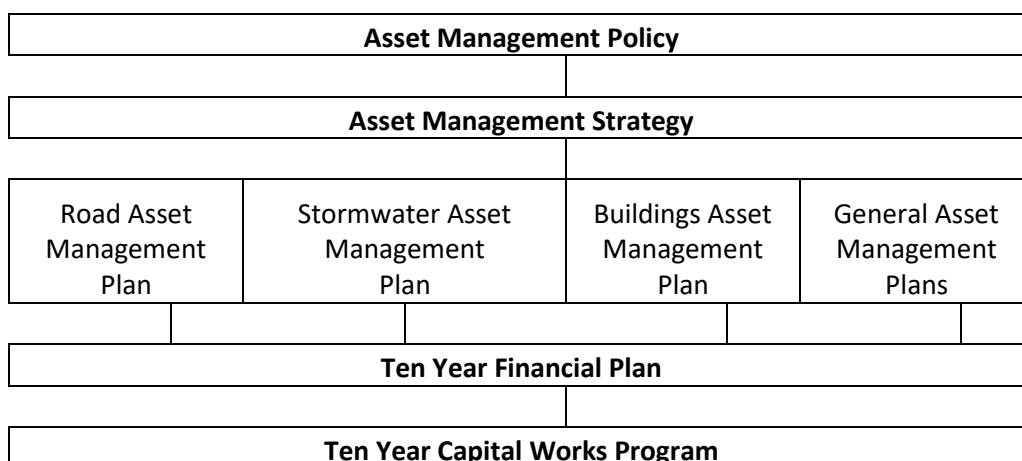
The Southern Midlands Council's current expenditure is less than the Life Cycle Cost.

The major variance in the Bridge Asset category is due to a reduction in capital expenditure over the past three years. This followed a period of substantial capital investment in prior years which has seen the majority of bridges replaced with concrete structures.

Overall, the 'Life Cycle Gap' indicates the need for continuous improvements in terms of individual asset management plans (and in particular buildings and stormwater).

Life Cycle Cost compared to average forecasted expenditure over the next 10 year period included in the Long Term Financial Plan shows a sustainability indicator of 100% compared to the current Indicator shown above of 87.39%.

3.3 Asset Management Structure



3.4 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:

- demonstrate corporate support for sustainable asset management,
- encourage corporate buy-in and responsibility,
- coordinate strategic planning, information technology and asset management activities,
- promote uniform asset management practices across the organisation,
- 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.

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

Phase 1

- strategy development and implementation of asset management improvement program,

Phase 2

- asset management plan development and implementation,
- reviews of data accuracy, levels of service and systems plan development,

Phase 3

- asset management plan operation
- evaluation and monitoring of asset management plan outputs
- ongoing asset management plans review and continuous improvement.

The current position on Council's asset management team is developing the asset management plans, implement a long term financial plan for review over the next 12 months.

3.5 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 elements⁸ to assess 'core' competency under the National Frameworks. The core competencies are:

Financial Planning and Reporting

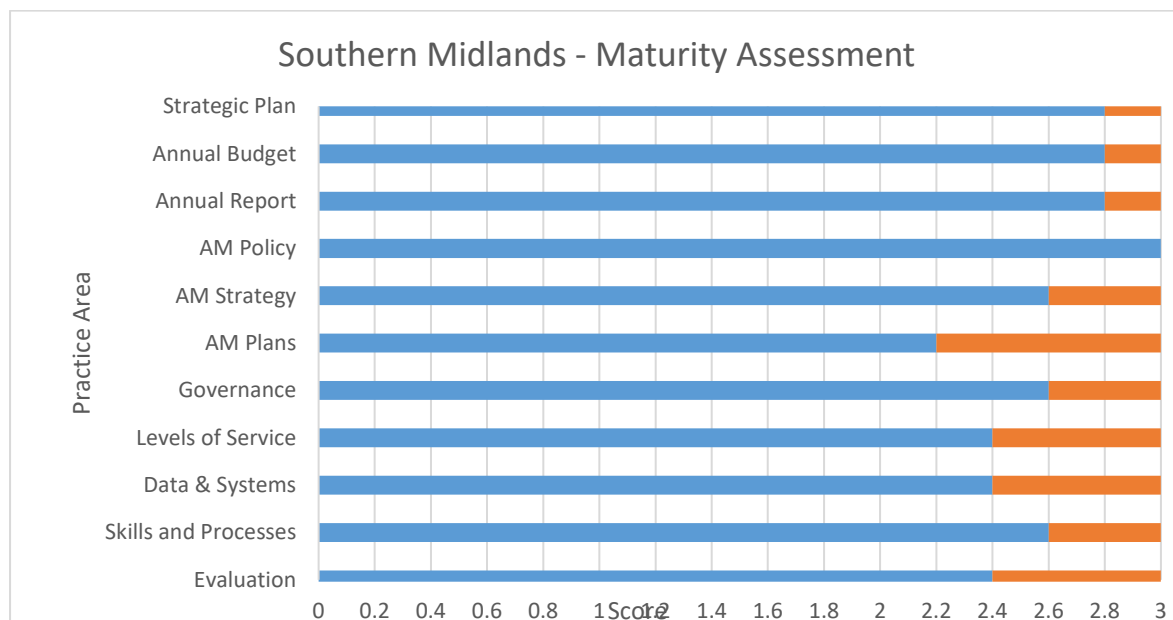
- Strategic Long Term Plan
- Annual Budget
- Annual report

Asset Planning and Management

- Asset Management Policy
- 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 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 3: Core Asset Management Maturity



⁸ Asset Planning and Management Element 2 *Asset Management Strategy and Plans* divided into Asset Management Strategy and Asset Management Plans competencies.

3.6 Strategy Outlook

1. The Southern Midlands Council's Long-Term Financial Management Plan provides that Council will have the ability to maintain current service levels for the next 10 years.
2. The Long-Term Financial Management Plan indicates that Council, subject to implementing the strategies identified therein, will be able to just fund infrastructure life cycle cost at current levels of service and available revenue.
3. The organisation's current asset management maturity is at a reasonable level but further investment is needed to improve information management, lifecycle management, service management and accountability and direction.

4. Where do we want to be?

4.1 Council's Vision, Mission, Goals and Objectives

Our Vision

The following vision for the Southern Midlands municipal area was developed by Councillors on the basis of the information and advice provided at community meetings and through other community engagement opportunities.

Council's vision includes:

- A community spirit based on friendliness, cooperation and self-help;
- An environment which encourages local creativity, enterprise and self-help;
- A diversified local economy creating employment opportunities through sustainable agriculture, heritage tourism and viable historic villages/service centres;
- Development based on the sustainable use of local resources and the physical environment; and
- A range and standard of services within the Southern Midlands that are affordable and efficient.

Our Mission

The Mission was developed by Councillors and senior staff. Council's Mission is, that in partnership with the community it will:

- Work for the benefit of the community;
- Be progressive and provide leadership;
- Operate as a team of Councillors and employees focused on performance;
- Be financially responsible.

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 in Table 6.

Table 6: Goals and Objectives for Infrastructure Services

The need to maintain, improve and maximise the Community benefit from infrastructure provided by Council.

Goals	Objectives
Roads	Maintenance & improvement of the standard and safety of roads in the municipal area
Bridges	Maintenance & improvement of the standard and safety of bridges in the municipal area
Walkways, Cycle Ways & Trails	Maintenance & improvement of the standard and safety of walkways, cycle ways and pedestrian areas to provide consistent accessibility
Lighting	Ensure adequate lighting based on demonstrated need. Contestability of energy supply

Buildings	Maintenance and improvement of the standard and safety of public buildings in the municipality
Sewer/Water	Increase the capacity of access to reticulated sewerage services Increase the capacity and ability to access water to satisfy development and community to have access to reticulated water
Drainage	Maintenance and improvement of the town stormwater drainage systems
Waste	Maintenance and improvement of the provision of waste management services to the community
Information. Communication technology	Improve access to modern communications infrastructure

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.

4.2 Asset Management Policy

Council's Asset Management Policy defines the council's vision and service delivery objectives for asset management in accordance with the Strategic Plan and applicable legislation.

The asset management strategy is developed to support the asset management policy and is to enable council to show:

- how its asset portfolio will meet the affordable service delivery needs of the 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 plans.

4.3 Asset Management Vision

To ensure the long-term financial sustainability of Council, it is essential to balance the community's expectations for services with their ability to pay for the infrastructure assets used to provide the services. Maintenance of service levels for infrastructure services requires appropriate investment over the whole of the asset life cycle. To assist in achieving this balance, Council aspires to:

Develop and maintain asset management governance, skills, process, systems and data in order to provide the level of service the community need at present and in the futures, in the most cost-effective and fit for purpose manner.

In line with the vision, the objectives of the asset management strategy are to:

- ensure that the Council's infrastructure services are provided in an economically optimal way, with the appropriate level of service to residents, visitors and the environment determined by reference to Council's financial sustainability,
- safeguard Council's assets including physical assets and employees by implementing appropriate asset management strategies and appropriate financial resources for those assets,
- adopt the long term financial plan as the basis for all service and budget funding decisions,
- meet legislative requirements for all Council's operations,

- ensure resources and operational capabilities are identified and responsibility for asset management is allocated,
- provide high level oversight of financial and asset management responsibilities through Audit Committee/CEO reporting to council on development and implementation of Asset Management Strategy, Asset Management Plan and Long Term Financial Plan.

Strategies to achieve this position are outlined in Section 5.

5. How will we get there?

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

Table 7: 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 (80% of asset value).	Identification of services needed by the community and required funding to optimise 'whole of life' costs.
3	Maintain 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.

6. Asset Management Improvement Plan

The tasks required to achieve a 'core' financial and asset management maturity are shown in priority order in Table 8.

Table 8: Asset Management Improvement Plan

Ref	Task	Responsibility	Target Date	Budget
1	Building Asset Management Plan – Continue development and review	AB/WY	30/6/22	In-house
2	Transport Asset Management Plan - Review	DR	30/6/22	In-house
3	Stormwater Asset Management Plan – Continue development and review	DR	30/6/23	In-house
4	LTFMP - Review	TK / AB	Annual	In-house
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