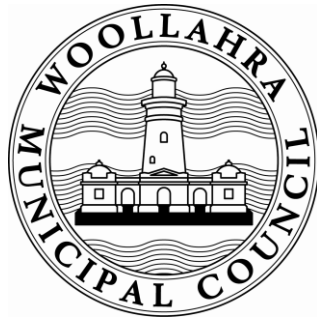# Woollahra Municipal Council

Asset Management Strategy

2011-2021

Part of the Woollahra Municipal Council's Resource Plan

March 2011

Version 1

This is the first Asset Management Strategy for Woollahra Municipal in accordance with the NSW Integrated Planning and Reporting (IP&R) legislation. It maps the beginning of a process of significant development in asset management maturity planned over the coming 3 years and will be regularly reviewed as this develops. The suite of IP&R plans that Council prepares are intended not just to guide Council but to inform the community about Council's activities. Council will make all the component plans available publicly and easily accessible on its website and on a single page so that it is easy to see how each of the component parts integrates with and informs the others.

The Asset Management Strategy was prepared for Council by Jeff Roorda and Associates in consultation with Council's Engineering staff, and senior Management.

This plan reflects our intentions at the time of publication. As with any plan or budget, the actual results may vary from that forecast.

For further information contact Council's Manager Civil Works and Infrastructure or email records@woollahra.nsw.gov.au

Woollahra Municipal Council

Website www.woollahra.nsw.gov.au

March 2011

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Foreword and Executive Summary

We are pleased to present the Woollahra Municipal Council Asset Management Strategy 2011-2021. This is the first Asset Management Strategy prepared by Woollahra Municipal Council in accordance with the requirements of the 2010 Integrated Planning and Reporting guidelines for NSW (IPR). Local councils in NSW are required to undertake their planning and reporting activities in accordance with the Local Government Act 1993 and the Local Government (General) Regulation 2005.

Council is the custodian of approximately $1.6 Billion of community assets, which enables Council to provide services to our community. These assets include roads, drains, footpaths, community facilities, recreational facilities, parks and gardens water and sewerage networks. Council has invested substantial resources to the maintenance of these assets over many years in order to service the needs and enhance the quality of life of the communities of the Woollahra Municipality.

Under IPR, councils are required to draw together their various plans, to understand how they interact and to get the maximum leverage from their efforts by planning holistically for the future.

The Community Strategic Plan (CSP) (10+ years) and Delivery Programme (DP) (4 Years) provide a vehicle for expressing long term community aspirations. However these aspirations cannot be achieved without sufficient resources - time, money, assets and people - to actually carry them out.

This asset management strategy provides a summary of how the resources available in the Resourcing Strategy (RS) will deliver the CSP and DP and is for services provided by the following asset categories.

	Current Replacement Value $000	Accumulated Depreciation $000	Depreciated Replacement Cost $000	Annual Depreciation $000
Transport	$448,513	$133,489	$315,024	$4,514
Land Improvements	$104,876	$54,404	$50,472	$2,050
Stormwater	$72,895	$41,965	$30,930	$576
Buildings	$71,279	$36,990	$34,289	$1,098
	$697,563	$266,848	$430,715	$8,238

It is intended that this Strategy be a living document that helps to guide the activities and decision making of the organisation into the future. The initiatives will be reviewed on a regular basis to ensure applicability in the changing environment and to also incorporate community feedback.

Council makes judgements that balance demands for services taking into account economic, environmental, social and cultural aspirations. Improving the quality of supporting information

and the effectiveness of communicating that information is the objective of the asset management development programme (AMDP). This provides an informed and transparent link between resources applied to asset management maturity and the reliability and risk associated with current limitations to the associated decision support information and processes.

Underpinning the AMDP is Council's internal audit processes. This process will review the current maturity of Council's asset management processes, systems and data and associated risk and ensure the appropriate actions are in place and implemented to balance corporate risk and resources allocated to manage that risk.

Goals

The goal of this asset management strategy is to set out what Council can achieve for asset related services within the adopted LTFP and 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;
- while controlling risk.

Objectives

The objective of the Asset Management Strategy is to:

1. Provide a summary of the resources needed to deliver the services set out in the CSP. The resources, works programme and risks are set out in the Asset Management Plans whilst the funding available is set out in the Long Term Financial Plans.

2. Provide details of Councils asset management development programme (AMDP) to improve the decision support process.

Strategy Outlook

1. Resource Plan Outlook for 10 years.
    Council will be able to maintain current service levels at least for the next 10 years with a $1.3M per year increase in expenditure over the next 10 years. The 10 Year sustainability ratio[1] is 0.88. The average annual expenditure needed to sustain current levels of service is 10.8M per year compared with the LTFP available funds of 9.5M year.

2. Resource Plan Outlook for life cycle costs.
    Council is not able to fund current infrastructure life cycle cost at current levels of overall revenue. The life cycle sustainability ratio is 0.89 based on 20 yr projection for the long term financial plan budget and life cycle costs based on long term average asset consumption plus maintenance and operating costs.

3. Council's overall current asset management maturity is at core level with some ongoing improvements to governance process and documentation. Systems and supporting data are higher than core maturity and asset data is close to advanced level.

Current Asset Management Capacity and Maturity – The AMDP

The current level of asset management awareness within Woollahra Municipal Council is of a high standard and focuses on delivering Councils adopted program. Each service area has developed processes to deliver the adopted program of works however there is no overall system to manage assets or the works programme. The next stage in developing the asset management maturity at Woollahra Municipal Council will require consolidating and improving corporate systems, develop internal asset management capacity and improve long term planning. A formal asset management capacity maturity audit and report has been completed and the results included in this strategy. This will guide the asset management development programme (AMDP).

Future Required Asset Management Capacity

The immediate future requires that Woollahra Municipal Council move to core levels of asset maturity and capacity set out in IPR and the National Asset Management Frameworks. Meeting these will require:

▪   Service levels and performance targets will be documented in the Asset Management Plans and funded by a Long Term Financial Plan. These will aim to fully fund the capital, maintenance and operating costs needed to sustain the adopted service level targets. Performance indicators for sustainable social, environmental, economic and governance goals should be set in these plans along with appropriate monitoring and reporting. To achieve this balance a number of service level scenarios and long term cash flows will

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[1] Sustainability Ratio = (Total Required Maintenance+ Operating + Renewal as per AMP's) /(LTFP Maintenance + Operating + Renewal)

need to be considered to determine the optimum balance between environmental, governance, economic, social and cultural objectives.

- The key functional requirements of the corporate asset management system will be reassessed, with focus being on the mandatory reporting requirements of IPR.

Steps to Achieve the Required Asset Management Capacity

To achieve the desired asset management capacity Woollahra Municipal Council will continue to implement business processes, systems and resources to:

- Provide the information required to assist in the wise management of the infrastructure which supports services to the community.
- Implement a life-cycle approach to the management of infrastructure assets
- Ensure that service delivery needs forms the basis of infrastructure asset management
- Provide a sustainable funding model that meets community needs
- Demonstrate environmental leadership and minimise the impact on the environment
- Develop and implement an integrated decision support system
- Ensure compliance with NSW IPR Legislation and the National Frameworks for Asset Management.

Key Strategies

The following key strategies are an amalgamation of those within the Asset Management Strategy Report. They are listed in the order that they appear, not by priority.

Key Strategy 1 - Formally adopt an Asset Management Policy (Appendix 3)

Key Strategy 2 - Implementing, monitoring and reporting to the Senior Management Team on the ongoing monitoring of asset management at Woollahra Municipal Council are made the responsibility of the Asset Management Steering Group.

Key Strategy 3 - Continue to develop and update Asset Management Plans for the major asset groups.

Key Strategy 4 - Identify infrastructure expenditure by both:

- Expenditure Category i.e. the Asset Group it is associated with; for example, road pavement

- Expenditure Type – operating, maintenance, capital renewal, capital upgrade or capital expansion

Key Strategy 5 - Consider the ongoing ownership costs of new capital works proposals in budget deliberations. This is achieved by identifying the renewal and capital upgrade/expansion components of all capital works projects, and providing for the ongoing operational and maintenance requirements.

Key Strategy 6 - Develop Risk Management Programme s for all major asset classes and escalate any residual high risks to an Audit Committee.

Key Strategy 7 – Annually review the completeness and accuracy of the data for all major infrastructure classes based on benefit cost and risk.

Key Strategy 8 - Use the knowledge management strategy to ensure that appropriate and optimal decision support information is available to clearly communicate the cumulative consequences of decisions.

Key Strategy 9 – Continue developing the corporate asset register meeting both technical and financial reporting requirements.

Key Strategy 10 - Finalise and adopt an Asset Accounting and Capitalisation Policy that assists in meeting the intention of Fair Value Reporting (AASB116).

Key Strategy 11 – Annually review the current funding model which addresses the need for sustainable renewal of infrastructure and which identifies all asset life cycle costs.

Key Strategy 12 - The 10 year financial sustainability plan for all Council functions will consider both the future anticipated income projections, and the future expenditure requirements to sustain services. This plan will consider the expenditures identified in the Asset Management Plans, and will provide input into the annual Council budget.

Key Strategy 13 - Continue to improve the information on the relationship between the service level and cost so that future community consultation will be well informed of the options and costs.

Key Strategy 14 – Complete an annual review of the resources required to implement this Asset Management Strategy so that a program of improvement and milestones can be implemented and monitored. The asset management maturity audit is attached to this strategy.

2 Our Organisation

2.1 Our Vision

"We will work together to enhance our harbour side location and achieve an outstanding environment, which is characterised by its natural beauty and distinctive and diverse residential, heritage and commercial areas."

"The Council will support and promote active community participation to achieve a healthy social environment, appropriate cultural services and an efficient infrastructure."

"We will continue to promote the unique and enviable richness and diversity of the Municipality and the Council's commitment to high standards and quality service for the benefit of the community."

Council's mission is:

- "To prepare and implement a comprehensive and proactive planning program, which serves community needs and values and responds to regional and local issues,
- To provide a clear strategic framework for Council issue-based activities, in support of community needs and values and the objectives of the organisation,
- To co-ordinate the Council's planning and design functions, setting clear guidelines for Council activities as a service provider and regulator, and
- To liaise with and respond in a timely manner to internal and external customers and issues and provide a framework for prioritising action and allocating resources."

Relevant Council goals and objectives for the provision of asset related services are addressed in the asset management plans for:

- Transport
- Stormwater Drainage
- Land Improvements
- Buildings

Key Findings

1. Woollahra Municipal Council has made significant progress on Asset Management over many years. Council is now in a position of having prepared core Asset Management Plans which have been utilised to prepare this Strategy and the Long Term Financial Plan for the organisation.

2. There are many new requirements for asset management facing councils throughout Australia and these are being steered by the National Frameworks for Asset Management, and implemented in NSW via IPR.

    This Asset Management Strategy sets out Council asset management governance, systems and practices essential to providing sustainable and best value service delivery.

3. The financial analysis of resources needed to sustain current levels of service is based on current budget settings and current service levels. This is defined as scenario 1 and additional scenarios will be required to balance the available funding in the long term financial plan (LTFP) and the costs in the Asset Management Plans (AMP's). These scenarios will be developed and updated as part of the community consultation process to ensure that Council is able to clearly communicate to the community the service level and risk consequences of the available funding under the LTFP.

2.2   Councillors

We, the Councillors of Woollahra Municipal Council (2008-2012), share the goals, objectives, indicators and strategies in this Plan and will work together to achieve them during our term of office.

Elected in 2008, the Woollahra Municipal Council consists of:

Bellevue Hill Ward
Cr Sean Carmichael
Cr Nicola Grieve
Cr Isabelle Shapiro (Mayor)

Cooper Ward
Cr Andrew Petrie
Cr David Shoebridge
Cr Malcolm Young

Double Bay Ward
Cr Chris Howe
Cr Ian Plater
Cr Toni Zeltzer

Paddington Ward
Cr Peter Cavanagh (Deputy Mayor)
Cr Susan Jarnason
Cr Greg Medcraft

Vaucluse Ward
Cr Anthony Boskovitz
Cr Lucienne Edelman
Cr Susan Wynne

2.3   Woollahra Municipal in Profile

The Woollahra Municipality is located in Sydney's eastern suburbs, about 5 kilometres from the Sydney GPO. The Woollahra Municipality is bounded by Port Jackson (Sydney Harbour) in the north, the Waverley Council area in the east, Randwick City in the south and the City of Sydney in the west.

The Woollahra Municipality includes the suburbs of Bellevue Hill, Darling Point, Double Bay, Edgecliff, Paddington (part), Point Piper, Rose Bay (part), Vaucluse (part), Watsons Bay and Woollahra.   Woollahra is thought to be named from an Aboriginal word meaning "meeting ground".

The Woollahra Municipality is a predominantly residential area, with some commercial land use, parklands and a military reserve. The Municipality encompasses a total land area of 12 square kilometres, including harbour foreshore and beaches.
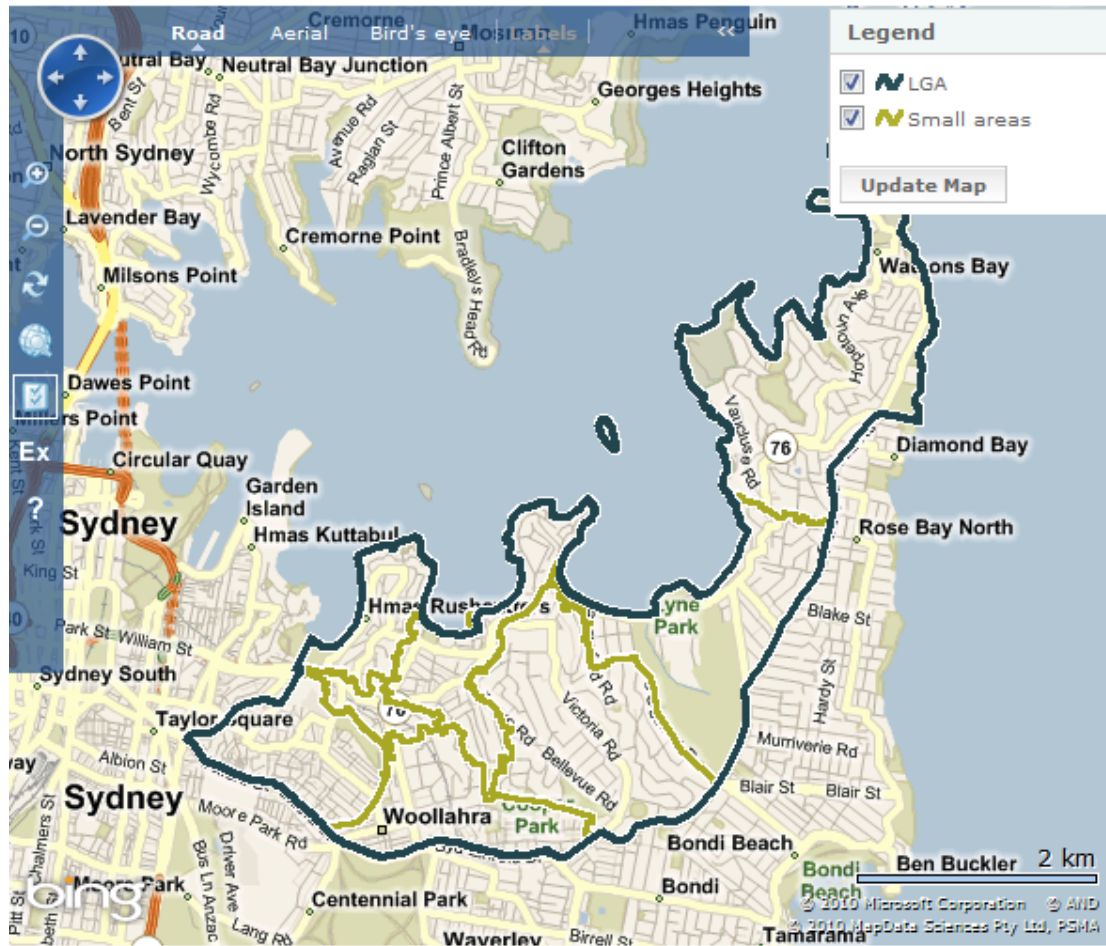
People

The main features of the demographic profile of Woollahra LGA at the 2006 Census are:[1]

- The estimated resident population as at June 2008 was 55,228 people, a 1.45% increase since 2006 and 4.84% since 1996. It is expected to increase to 56,174 people by 2020.
- 39.6% of Woollahra's residents are aged between 25 and 49 years. Analysis of the age structure of Woollahra Municipality in 2006 compared to the Sydney Statistical Division shows that there was a smaller proportion of people in the younger age groups (0 to 17) but a larger proportion of people in the older age groups (60+).
- Overall, 18.0% of the population was aged between 0 and 17, and 21.7% were aged 60 years and over, compared with 23.6% and 16.7% respectively for the Sydney Statistical Division.
- Overall, 47.7% of the households earned a high income, and 9.0% were low income households, compared with 29.5% and 16.8% respectively for the Sydney Statistical Division.
- Overall, 55% of the population hold educational qualifications while 26.7% have no qualifications, compared with 43.0% and 42.8% respectively for the Sydney average.
- Overall, 19.5% of the population reported performing voluntary work, compared with 14.8% for the Sydney average.
- 30.8% of the population was born overseas, and 15.4% were from a non-English speaking background, compared with 31.8% and 24% respectively for the Sydney average. Almost 12.8% speak a language other than English, with dominant language spoken at home, other than English, Greek, with 1.3% of the population.
- Dwelling density is higher in Woollahra LGA than in other parts of Sydney with almost 27.6% residing in a medium density dwelling (semi-detached, row, terrace, townhouses and villa units); while 38% live in high density dwellings (flats and apartments).
- Family households accounted for 52.1% of total households in Woollahra LGA while lone person households comprised 29.6%, (68.6% and 21.8% respectively for the Sydney Statistical average).
- Overall, 32.9% of the population owned their dwelling; 19.1% were purchasing, and 32.9% were renting, compared with 30.1%, 31.1% and 29.7% respectively for the Sydney Statistical Division.
- The three most popular occupations were professionals (10,233 persons or 41.1%), managers (5,500 persons or 22.1%) and clerical and administrative workers (3,189 persons or 12.8%). In combination these three occupations accounted for 76% of the employed resident population. In comparison, the Sydney Statistical Division employed 23.7% as Professionals; 13.2% as Managers; and 16.7% as Clerical and Administrative Workers.

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[1] Demographic profile information sourced from Woollahra Municipal Council Community Profile from the ABS 2006 census data

2.4 Links to the Community Strategic Plan and Delivery Program

A new planning and reporting framework for NSW local government has been introduced. These reforms replace the former Management Plan and Social Plan with an integrated framework. It also includes a new requirement to prepare a long-term Community Strategic Plan and Resourcing Strategy. The essential elements of the new framework are outlined in these Guidelines. Guidance to assist councils to implement the new framework is explained in the supporting Planning and Reporting Manual.

Local Government Planning and Reporting framework

3   Background

3.1   The Need for Infrastructure Planning

The majority of the Council's existing infrastructure stock was built when the provision of essential housing and infrastructure was the priority. During these past periods of infrastructure expansion, little or no analysis was done to determine a strategy to sustain this infrastructure stock by matching future maintenance and renewal expenditures with future income projections. Additionally there has not been a good understanding of the long term cumulative consequences of decisions to build infrastructure.

Past systems and processes had a focus on optimising the funds allocated in a given year (or the next 2-3 years) but did not analyse the long-term sustainability of managing the existing infrastructure stock. The pattern of infrastructure construction in the past points to a future peak in infrastructure renewal over and above maintenance activities.

Under the Department of Local Governments Integrated Planning and Reporting Framework, agreed levels of service performance will have an accompanying long term financial plan that aims to fully fund the capital, maintenance and operating costs needed to sustain the agreed service level targets. In order to achieve this, a number of service level scenarios and long term cash flows will be run to determine the optimum balance between environmental, economic, social and cultural objectives.

Woollahra Municipal Council has already commenced analysing long term funding requirements for infrastructure, and the organisational focus on providing "sustainable infrastructure" is at a high level.

This Asset Management Strategy is a continuation of a process of improving asset management to ensure that Council is able to bring its Infrastructure and Asset Management practices, processes and systems to a high level. This will be required if Council is to successfully implement the visions identified in Council's Community Strategic Plan and Delivery Programme. The support of business and the community will also be essential in developing and implementing long- term strategies for Woollahra Municipal Council.

3.2 Legislative Requirements

3.2.1 NSW IPR

Local councils in NSW are required to undertake their planning and reporting activities in accordance with the Local Government Act 1993 and the Local Government (General) Regulation 2005. The Act provides that the Deputy Director General (Local Government), Department of Premier and Cabinet can issue Guidelines that must be followed by local councils when undertaking their planning and reporting activities.

An Integrated Planning and Reporting Manual has been developed to provide councils with information and guidance to assist their transition to the new planning and reporting framework. A local government's documents must comply with a regulation and the different types of documents a local government must maintain are listed in clause 104. Guidance is enshrined in the legislation under the purpose, principles for local government and the financial sustainability criteria and specific financial requirements.

In particular, local governments will effectively plan for future sustainability through longer-term planning by developing 10 year plans, publishing these and reviewing progress annually. The community and the State then have the best information available to judge progress against the plan, and local governments can make necessary adjustments.

Long-term CSPs

These plans outline the local government's vision for the community. In line with the commitment to principles rather than prescription in the legislation, the content of the plan and the method of community engagement will be decided by individual local governments.

Long-term financial plans

A valuable tool for local governments when managing their finances will be to implement a longer-term financial plan to include an investment policy, a debts policy, procurement policy and a revenue policy.

Long-term asset management plans

The Community Strategic Plan provides a vehicle for expressing long-term community aspirations. However, these will not be achieved without sufficient resources – time, money, assets and people – to actually carry them out. The Resourcing Strategy consists of three components:

- Long Term Financial Planning

- Workforce Management Planning

- Asset Management Planning.

The Resourcing Strategy is the point where Council assists the community by sorting out who is responsible for what, in terms of the issues identified in the Community Strategic Plan. Some issues will clearly be the responsibility of Council, some will be the responsibility of other levels of government and some will rely on input from community groups or individuals. The Resourcing Strategy focuses in detail on matters that are the responsibility of the council and looks generally at matters that are the responsibility of others.
Achieving and maintaining sustainability in Local Government requires consideration of services, service levels, associated costs and associated risks. The appropriate management of the infrastructure of Local Government requires asset management estimates and asset accounting estimates that are realistic and support decision making. [2]

3.2.3   Strategic Issues at a National Level

At its meeting on 4 August 2006, the Local Government and Planning Ministers' Council (LGPMC) agreed to a nationally consistent approach to asset planning and management, financial planning, and reporting and assessing financial sustainability.

20 October 2006, the LGPMC endorsed the draft National Frameworks for Financial Sustainability in Local Government as a basis for consultation.   On 21 March 2007 the LGPMC endorsed the Frameworks for implementation in the context of their relationships with their local government sectors[3].

8th May 2009 the LGPMC agreed to enhancement and acceleration of frameworks

The National Frameworks consists of three main frameworks:

> Framework 1 - Criteria for Assessing Financial Sustainability
> Framework 2 - Asset Planning and Management
> Framework 3 - Financial Planning and Reporting

The Asset Planning and Management framework consists of seven elements as follows:

1.   **Development of an Asset Management Policy** - Each state/territory is expected to develop an asset management policy, which provides high-level guidance to assist individual councils in developing their asset management policy.

2.   **Strategy and Planning** - Councils should be provided with guidance from the State on developing an asset management strategy which is designed to support and implement its asset management policy;

3.   **Governance and Management Arrangements** - Councils should be encouraged to apply and implement good governance and management arrangements which link asset management to service delivery and include assigning roles and responsibility for asset management between the General Manager, the Council and senior managers;

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[2] A guide to asset accounting in Local Governments, QLD Department of Infrastructure and Planning
[3] LGPMC, 2007, Local Government Financial Sustainability, 2007, Nationally Consistent Framework

4. **Defining Levels of Service** - Mechanisms should be established that include community consultation to define the levels of service councils are expected to provide from their asset base;

5. **Data and Systems** – A framework for collection of asset management data should be established;

6. **Skills and Processes** – The asset management framework should contain a continuous improvement program;

7. **Evaluation** – The asset management framework should contain a mechanism to measure its effectiveness.

The financial reporting elements of the national framework consist of 3 elements as follows:

1. **Strategic Longer Term Plan** – The plan brings together the detailed requirements in the Council's Long Term Community Strategic Plan, and demonstrates how council intends to resource the plan.

2. **Annual Budget** – Councils prepare an annual budget which is presented in a way which is understandable to the community and which can be compared with the audited financial statements.

3. **Annual Report** – Councils prepare an annual report in respect of each financial year. This is to include a report on operations, audited financial statements, explanations of any variations between the budget and actual results, and any impacts that variations will have on the longer term Community Strategic Plan.

Each State and Territory has agreed and is expected to implement the National Frameworks in consultation with local government, with a target date of 31 December 2010

The changes to legislation in NSW IPR and the implementation through IPR are consistent with the National Frameworks.

4   Asset Management Planning

4.1   Key Areas of Asset Management Planning

The following key areas of asset management underlay and guide the direction for future systems, processes and planning.

1   *Sustainable Environmental Performance* - All aspects of the management of the council's assets will include criteria to achieve sustainable environmental performance.

2   *Life-Cycle Asset Management Principles* - Apply a "whole of life" methodology for managing infrastructure assets including:

- Planning;
- Acquisition/creation;
- Operation;
- Maintenance;
- Renewal; and
- Disposal.

3   *Best Value* - The council will balance financial, environmental and social aspects to achieve best value for the community

4   *Decision Support Systems and Knowledge* – The council's systems will be a corporate resource integrated with core packages and will include the measurement, monitoring, evaluation, and reporting on the performance of assets to enable better and more informed decisions

5   *Service Levels* – Asset service levels will be clearly defined and reflect the needs of the community, meet corporate policy objectives, and balance capital investment, operational safety and costs.

6   *Long Term Financial Plan (LTFP)* – Asset practices, plans, and systems will enable the development of long term financial plans for asset classes

7   *Asset Planning Strategies* - Woollahra Municipal Council is committed to integrating long-term sustainability objectives into asset planning and project delivery. The Council recognises the need to strategically plan to meet the service delivery needs of stake holders.

8   *Asset Management Practices* – The Council will adopt a consistent and standard methodology to the management of all infrastructure asset groups including the development of infrastructure asset and risk Delivery Programme s for all asset groups.

9   *Responsibility* – The responsibility for all individual aspects of the management and use of the council's assets will be clearly defined by means of a responsibility matrix or decision chart

Asset Management Planning aims to optimise services to the community at a cost and risk that is acceptable. To assist in undertaking this we have and are developing various sustainability planning tools, the primary being Community Strategic Plan s, Asset and Risk Delivery Programme s along with the Long Term Financial Plans. The implementation is guided by the Asset Management Strategy within the context of the Asset Management Policy.   This is shown in Figure 4.1.1

4.2   Asset Management Policy

4.2.1   Benefits of Producing an Asset Management Policy

An infrastructure asset management policy provides the guiding principles for:

- How the Asset Management Strategy and Asset Management Plans connect with other planning documents;

- The time horizon for financial and service planning;

- Compliance with mandatory requirements;

- Whether the council seeks to take a leading position on advanced asset management; and

- Ensuring asset provisions meet current policies but also emerging and rapidly changing circumstances and competitive global environments.

"An adopted asset management policy provides the framework which, together with the organisational Community Strategic Plan enables the asset management strategy and specific objectives, targets and plans to be produced." [4] This is shown diagrammatically in Figure 4.2.1. Council's asset management policy is included in Appendix 3.

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[4] IPWEA, 2006, IIMM, Sect 1.2.3 p1.7

Figure 4.2.1 Financial Sustainability Tools
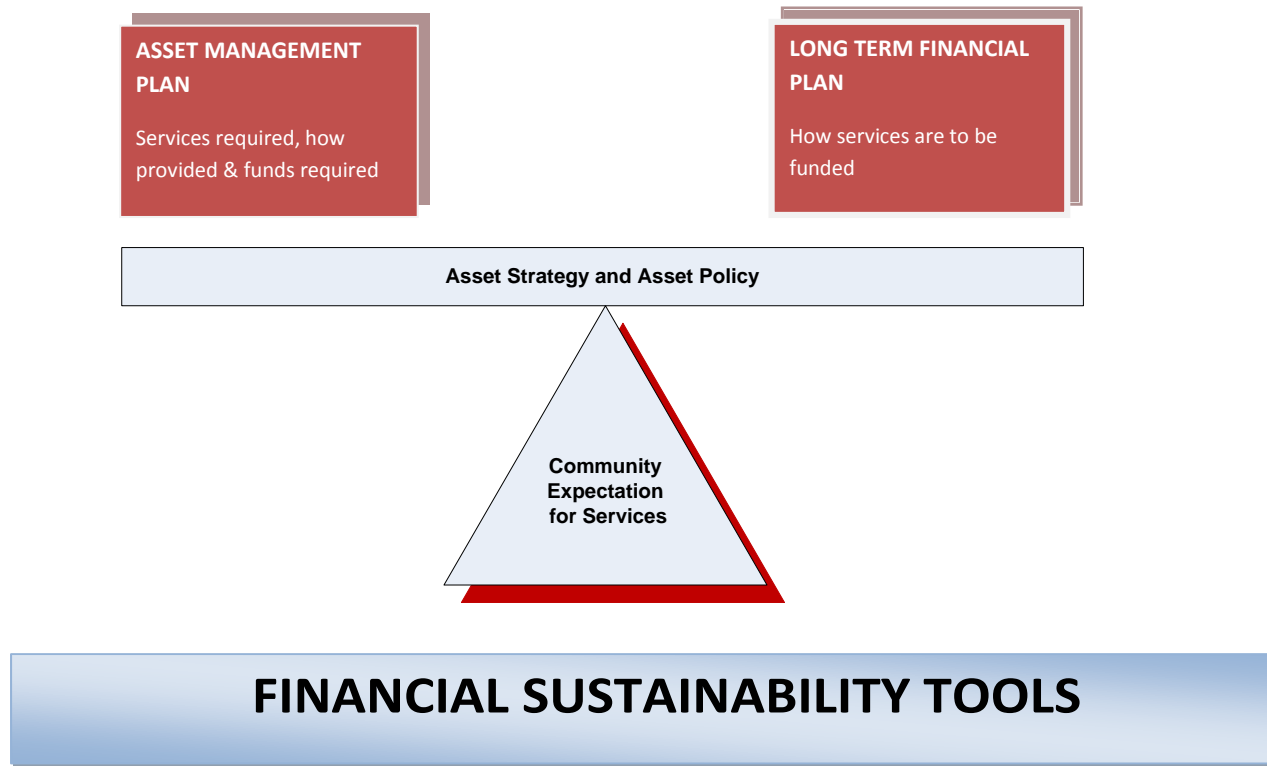
Figure 4.2.2 Key Elements of Asset Management Planning Strategy
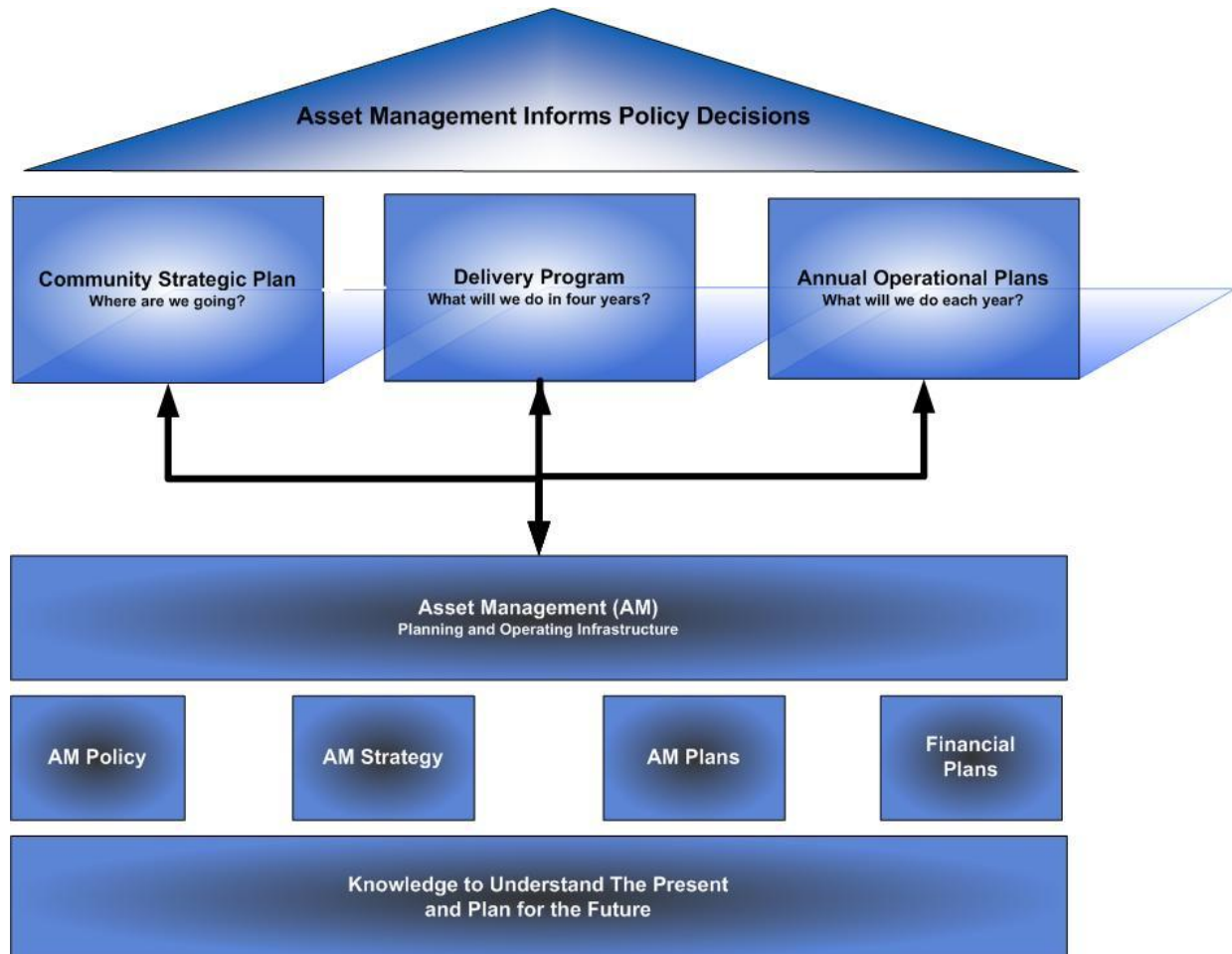
Figure 4.2.2 shows the key elements of the strategy that need to be implemented. The Asset Management Strategy is to improve the bottom two tiers shown in this diagram which are currently fragmented or missing. Informed decisions need to be supported by Asset Management and Risk Delivery Programme s linked to financial plans. These should be informed by sound data derived from an integrated asset decision support system.

4.2.2 Objectives of the Asset Management Policy

The following policy objectives set the broad direction that Woollahra Municipal Council should follow to satisfy the strategic goals set out in the Delivery Programme and other strategic documents.

The objectives of Council's Asset Management Policy are to:

1 *Provide infrastructure and services to sustain Woollahra Municipal Council area:*

- Support the quality of life and amenity, urban environment and cultural fabric appropriate to Woollahra Municipal Council;

- Adapt to the emerging needs in sustainable transport;

- Facilitate the changes to infrastructure needed to cater for changing.

2 *Implement a life-cycle approach to the management of infrastructure assets:*

- Asset planning decisions are based on an evaluation of alternatives that consider the "whole of life" of an asset through acquisition, operation, maintenance, renewal and disposal;

- The asset management cycle will consider environmental, economic and social outcomes.

3 *Ensure that service delivery needs form the basis of infrastructure asset management:*

- Establish and monitor levels of service for each asset class linked to the Community Strategic Planning framework and the Delivery Programme ;

- Infrastructure asset management and risk Delivery Programme s will be established for each asset class to enable effective prioritisation and monitoring;

- Enable a flexible and scenario based approach through systems and plans to allow for innovative use of assets in the future particularly in recycling and environmental indicatives.

4 *Provide a sustainable funding model that meets community needs:*

- The council will have a funding model for all asset related services extending at least 10 years into the future and addresses the need for funds, peaks and troughs and how the funds will be sourced.

5 *Contribute to the protection of the environment:*

- The council will minimise energy and water use, waste generation and air quality impact through its own initiatives and by working with stakeholders;

- Contribution to environmental protection and enhancement will be fundamental to all infrastructure Asset Management Planning, project and service delivery.

6 *Develop and implement an integrated decision support system to:*

- Provide systems and knowledge necessary to achieve policy outcomes;

- Minimise risk of corporate knowledge and data loss;

- Manage knowledge as efficiently as possible through the appropriate use of software, hardware and communication tools;

- Reduce data duplication and multiple entries.

7   Ensure compliance with legislative and Division of Local Government requirements.

- Having clear policy in place to ensure that organisational objectives and legislative requirements are met is essential.

8   Allocate Asset Management responsibilities:

- The roles and responsibilities of Council, Chief Executive Officer and Asset Managers clearly identified.

4.2.3   Draft Asset Management Policy

Woollahra Municipal Council is a participating organisation in the IPWEA National Asset Management Strategy program NAMS.PLUS. This program provides assistance to councils to develop Asset Management Plans and includes an asset management policy. This asset management policy should be considered and modified to reflect Woollahra Municipal Council's corporate approach to asset management.

An asset management policy was considered and adopted by council in June 2010, this policy is attached as appendix 3.

Key Strategy 1 - COMPLETED

Formally adopt an Asset Management Policy (Appendix 3)

4.3 Asset Management Strategy

4.3.1 Purpose of the Asset Management Strategy

The purpose of the Asset Management Strategy is to provide direction to developing the ongoing processes for managing infrastructure assets.

The Asset Management Strategy will continue to evolve as the strategic objectives of Council develop and change. The key steps in this process include reviewing the strategic trends, assessing potential impacts on the asset stock, and assessing gaps in the asset knowledge required to prepare the Asset Management Plan and Asset Management Improvement Plan.

4.3.2 Establishing a Corporate Approach

It is essential to recognise that asset management is a corporate, not a technical responsibility. The key components of a sound asset management approach cannot be achieved within the individual operational areas of Council alone.

Some of the areas where the need for a corporate cooperative can be demonstrated include:

- Sound information and systems;
- Comprehensive Asset Management Planning;
- Community involvement in establishing service standards;
- Rigor in financial assessments; and
- Performance measurement of asset management.

To develop a strong corporate approach to asset management a cross divisional Asset Management Steering Group to oversee this important activity will be required. The continuing role of this group will be important in implementing, monitoring and reporting on the corporate approach to asset management.

Woollahra Municipal Council has a high level of cooperation at all management levels to implement good asset management practices. However, the need to develop the internal asset management capacity of local government which is being driven by the National Frameworks and the NSW IPR requirements creates the need for a formal corporate approach to monitor and guide the integration of planning and asset management.

The establishment of a cross divisional Asset Management Steering Group will be an important to assist in meeting these requirements.

The role of this group is to oversee:

- Implementing and Monitoring the Asset Management Improvement Program
- Ensuring that the responsibility for all asset management activities is assigned within the organisation, and that skill levels are sufficient to achieve the required results
- Coordinating a consistent corporate approach to the preparation of Asset Management Plans
- Ensuring that the information flow for Financial Planning and Reporting is in place

▪   Reporting to Senior Executive on progress

Key Strategy 2

Implementing, monitoring and reporting to the Senior Management Team on the maturity of asset management at Woollahra Municipal Council will be the responsibility of the Asset Management Steering Group.

4.4   Asset Management Plans

4.4.1   Purpose of the Asset Management Plan

An Asset Management Plan provides a long-term assessment of the asset activities and actions required to deliver services related to civil infrastructure.

The objective of the Asset Management Plans is to outline the particular actions and resources required to provide a defined level of service in the most cost effective manner.

4.4.2   Preparation of Asset Management Plans

Preparation of Asset Management Plans to provide input into Council's Long Term Financial Plan is an important requirement of the NSW IPR. Guidelines for Asset Management Plans are shown in the IPWEA International Infrastructure Management Manual (IIMM). [5] During 2007 the Institute of Public Works Engineering, Australia commenced workshops specifically to assist council's with preparing Asset Management Plans (NAMS.PLUS). Woollahra Municipal Council is part of this program and has access to the templates produced by NAMS.PLUS and these will greatly assist Council in preparing and updating these Asset Management Plans.

Preparation of Asset Management Plans has been approached as a staged process. The ideal Asset Management Plan will only be achieved after many stages of development and knowledge improvement.

The first step in preparing Asset Management Plans was to document existing knowledge and processes and build up to a comprehensive plan through a process of continuous improvement over time.

Council now has 20 year Asset Management Plans covering all infrastructure assets and a 10 year financial plan which is directly linked to these plans. These will be regularly updated to stay aligned with the funding provided and Council's strategic directions.

Key Strategy 3

Continue to develop and update the Asset Management Plans (AMPs) for the major asset groups to ensure that the Asset Management Strategy and AMPs enable informed decision making and clear communication of the service levels, benefits and risk are associated with the resources available in the Long Term Funding Plan.

4.4.3 Expenditure Types

The nature of works undertaken by Council and knowledge of the type of expenditure is an important requirement for preparing an Asset Management Plan. The Asset Management Plan distinguishes between operations, maintenance, capital renewal, capital upgrade and expansion, which enhance Council's existing operating capacity. This is discussed further in Section 7.1.2

The expenditure types can be described as follows:

Operating: is the expenditure on providing a service, which is continuously required including staff salaries and wages, plant hire, materials, power, fuel, accommodation and equipment rental, on-costs and overheads. Operating expenditure excludes maintenance and depreciation.

Maintenance: is expenditure on an existing asset which is periodically or regularly required as part of the anticipated schedule of works required ensuring that the asset achieves its economic life. It is expenditure which was anticipated in determining the assets economic life. Maintenance may be planned or unplanned (e.g. repairing a pothole in a road, repairing the decking on a timber bridge, repairing a drainage pipe or repairing the fencing in a park).

Capital Renewal: is expenditure on renewing an existing asset which returns the service potential or the life of the asset to that which it had originally, e.g. resurfacing part of a road, renewing a section of a drainage network, major maintenance on bridge pylons or resurfacing an oval. Capital renewal works restore existing service levels and do not add to budget liabilities. Well-planned capital renewal works can reduce operating and maintenance costs by reviewing service levels, use of automation and more energy efficient equipment.

Capital Upgrade: is expenditure on upgrading 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, e.g. widening the pavement and sealed area of an existing road, replacing drainage pipes with pipes of a greater capacity, enlarging a grandstand at a sporting facility, replacing an existing bridge with one having a greater carrying capacity, replacing a chain link fence with a wrought iron fence.

Capital Expansion is expenditure on extending an infrastructure network, at the same standard currently enjoyed by residents, to a new group of users, e.g. extending drainage or road network, the provision of an oval or park in a new suburb. Capital expansion expenditure is discretional expenditure, which increases future operating and maintenance costs because it increases Council's asset base, but may be associated with additional revenue from the new user group.

Capital upgrade and expansion expenditure adds to future liabilities and does not contribute to the sustainability of the existing infrastructure. These works commit Council to fund ongoing budget liabilities for operations, maintenance, depreciation and finance costs (where applicable) for the life of the asset.

Key Strategy 4

Identify infrastructure expenditure by both:

- *Expenditure Category i.e. the Asset Group it is associated with; for example, road pavement*

- *Expenditure Type – operating, maintenance, capital renewal, capital upgrade or capital expansion*

4.4.4 The Cost of Asset Ownership

All councils need to know not only the upfront capital costs incurred in each capital works project listed on the capital works program, but also the ongoing costs associated with additional and upgraded assets. The full costs of ownership are generally not considered. One method of providing this information is detailed below. It is based on the 'Annual Service Cost'.

The Annual Service Cost is the approximate price that would be proposed if tenders were called for the service required under a Build Own Operate (BOO) contract for the life of the service. This requires the service to be specified in performance terms.

It is critical that Council and the community understand the financial effect of capital project decisions and that if a rate revenue increase is required, this information is known and considered as part of the decision to approve the project.

The method of project analysis shown above can be useful for Council in evaluating capital projects.

Examples of the Annual Service Cost calculations are shown in Appendix 2.

Key Strategy 5

Consider the ongoing ownership costs of new capital works proposals in budget deliberations. This is achieved by identifying the renewal and capital upgrade/expansion components of all capital works projects, and providing for the ongoing operational and maintenance requirements.

4.5   Risk Management Plans and Levels of Service

Service Levels are built into the Asset Management Plans. Risk Management is built into Risk Delivery Programmes, however both can be summarised under three general categories

Quality

Quality indicators are used to measure how assets will be maintained in a condition necessary to deliver targeted standards. Defects found or reported that are outside set service performance standards will be repaired.

The Asset Management Plans set out the renewal and maintenance response if service levels fall below target levels. An important improvement to past practice is that there are now forward projections for up to 10 years rather than just an annual defect prioritisation.

Function

The intent of function based performance measurement is that an appropriate level of service function is maintained in partnership with other levels of government and stakeholders to achieve the organisation's objectives.

Safety

The risk Delivery Programme sets out how safety and risk will be managed to agreed levels. This includes the inspection and defect prioritisation processes as well as risk mitigation and control measures.

Risk management considers that:

1.   Risk management must be integrated with all service planning and delivery activities rather than an administrative "add on".

2.   Infrastructure risk Delivery Programme s will be consistent with any existing risk management policy, particularly the steps for risk identification, assessment, management and mitigation, and incorporate use of the corporate Risk Register as the tool for recording and reporting risk

3.   The view that risk is both an opportunity and a responsibility will be reflected in infrastructure risk Delivery Programme s. Innovative solutions and community promotion of solutions will be encouraged.

4.   Systematic management of risk is a large task requiring a continuous improvement approach. Most service areas are already doing an excellent job of managing operational risk but not through a consistent framework of infrastructure Asset Management Plans and risk Delivery Programme s.

5.   Allocate ownership to risk. Ownership must be linked to capacity in order to control risk.

6.   Management of operational risk is a core line management function and is not an "add on" overhead.

7.   Strategic risk inherent in resource allocation needs to be communicated, measured and reviewed through the framework of planning and operational plans. The 10 year financial plan for resource allocation is the mechanism for implementation.

8.   Service performance measurement / review / consultation / incident management is crucial to guide a systematic approach and enable us to learn from our mistakes.

> *Key Strategy 6*
>
> *Annual review of Risk Management Plans for all major asset classes. These should be included in a maturity assessment and risks reviewed by an Audit Committee and accepted by Council.*

4.6   Long Term Financial Plans

The Long Term Financial Plan (LTFP) is the document which addresses the balance between future income and future expenditure. The IPR resourcing strategy requires councils to prepare 10 year LTFP and that these are to be aligned with Asset Management Plans.

Although many Councils have prepared future financial plans, these have generally been future income projections. In these plans the assumption has been that future expenditure would be tailored to suit income. Whilst this is quite a reasonable and responsible planning step, it fails to identify what the required future expenditure should be if existing or desired service levels for infrastructure are to be achieved in the future. This discussion is made in the Asset Management Plan. It is likely that there will be a number of iterations of scenarios before the acceptable balance between the services targeted in the Asset Management Plan, and the funding provided in the LTFP is achieved.

5   Maturity Analysis on Current Asset Management Practice

5.1   Scope

Council has completed a review to improve the organisational capability for management of infrastructure assets.

This section of the Asset Management Strategy provides an overview of Councils capacity to manage infrastructure assets and demonstrate value for money for infrastructure based services. 35 areas of practice have been audited and the results provide the basis of an asset management development programme that would enable The Woollahra Municipal Council (WMC) to meet the targets set out in the Advanced National Framework on Asset Planning and Management adopted by the Australian Local Government and Planning Ministers Council on 8th March 2009.

Ten elements of a national framework were identified in the advanced national framework. These are:

Asset Planning and Management[6]

1. Development of an asset management policy
2. Strategy and planning
3. Governance and management arrangements
4. Defining levels of service
5. Data and systems
6. Skills and processes
7. Evaluation

Financial Planning and Reporting[7]

The financial planning and reporting contains 3 additional elements

8. Strategic longer term plan
9. Budget
10. Annual report

Each State and Territory has adopted these elements to facilitate an improvement in asset management performance by local governments in their jurisdiction. These have been summarised into the themes shown in table 1.

5.2   Structure of Asset Management Development Programme

The Asset Management Development Programme provides a structured and systematic analysis of current maturity against the Naitional Asset Management Framework (NAMF). It is based on a muturity audit that allows the reporting of progress against set targets.

5.3   Maturity Audit Results

Council asset management maturity is approaching the level set out for core asset management in the IIMM and attaining core level is achievable in a 12 – 18 month period. This would place Council in an excellent position to deliver value for money services to the community and have in place a good governance process, asset management policy, asset management plans and long term financial plans. Ongoing work is needed to strengthen the state of the assets and service level reporting and documentation of policies and procedures.

Table 5.3 – Summary of Results – Average Scores for Each Theme

Theme	Current Maturity	Core Level Target	Advanced Level Target
AM Policy	2.5	3.0	4.0
Annual Report	2.6	3.0	4.7
Budget	3.0	3.0	5.0
Data & Systems	3.0	3.3	4.2
Governance &	2.4	3.0	4.3

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[6] Framework 2 ASSET PLANNING AND MANAGEMENT - May 2009
[7] Framework 3 FINANCIAL PLANNING AND REPORTING – May 2009

Management			
Service Levels & Costs	2.5	3.0	5.0
Skills & Processes	2.9	3.1	4.3
Strategic Longer-Term Plan	3.2	3.0	4.7
Strategy & Planning	2.6	3.3	4.0

Details for the maturity audit shown in appendix 5.

Significant progress has been made in the past 3 years to improve asset systems and data. The major improvement needed is to put in place the asset planning reporting and governance processes that link service outcomes with funding levels.   Current maturity does not clearly show the link between budget allocation decisions and long term and cumulative service level consequences.

The main focus for 2011 is to ensure that Council can manage risk to the community and demonstrate that it can manage assets. This will require an investment of resources to achieve the AMDP implementation programme and quarterly monitoring and reporting to Council of progress of the AMDP implementation plan.

5.4   AM Maturity Model

The AM maturity model used for The Woollahra Municipal Council (WMC) is an enhanced version of the NAMS.PLUS maturity model that was developed to align with the Advanced National Framework, International Infrastructure Management Manual (IIMM) and has been enhanced to ensure that it:

- Fits WMC's objectives for asset management;
- Is usable by WMC personnel to undertake self-assessment;
- Allows an external auditor to assess and confirm the WMC findings;
- Allows compatibility with the International Infrastructure Management Manual (IIMM);
- Allows repeatability so that subsequent assessments give progressive change in maturity;
- Is applicable at various levels of management and the results can be aggregated to provide a corporate level assessment of asset management maturity;
- Allows identification of opportunities for improvement; and
- Satisfies stakeholders that WMC understands asset management and has a sound basis for driving improvement.

The model as developed comprises 35 Practice Areas which cover the key functions of asset management as applied across the organisation. The practice area level has been the principal basis on which the maturity assessments have been conducted. Each practice area has also been assigned a capability category, being the dominant capability associated with that area from the categories of governance, people, processes, technology and data.

5.5   Maturity Assessment Methodology

5.5.1   Interviews

Key staff across WMC were interviewed to ensure a comprehensive assessment of maturity and capability. The nature of the interviews broadly took one of two forms:

▪   High level briefings and identification of key issues at senior level;

▪   Detailed interviews and evaluation and analysis of the 35 asset management practice areas with asset custodians and other staff directly involved in asset related service provision and organisation support.

5.5.2   Analysis and Current Maturity Scoring

One of the significant strengths of the adopted Maturity Model is that each Practice Area has been defined by a series of tailored characteristics (or statements) that are ranked to represent varying organisational maturity levels across a scoring range of 0 to 5. Each characteristic description provides the basis for assessing whether the Council has reached that level of maturity.
Based on information provided and evidence determined through the interviews and from a review of background information made available, the Council's current level of maturity was assessed for each practice area.

5.6   Current Maturity

The outcomes of the assessment analysis for each practice area are included in Appendix 2. For each of the 35 practice areas the following information has been provided:

▪   The current assessed maturity level;

▪   Key observations on the current maturity level;

▪   Implications of the assessed current maturity level;

▪   An assessed risk score, based on the corporate risk framework;

▪   A confidence indicator (H/M/L) reflecting the extent of evidence on which the assessment has been based; and

▪   Recommendations on actions required to be taken to reach a minimum or core level of maturity.

5.7   Development Programme for Achieving Core and Advanced Asset Management

Council is implementing an Asset Management Steering Committee (AMSC) to bring asset management up to core maturity in all areas by December 2011.

5.7.1   Core Maturity

The core target maturity is based on core custodial responsibilities identified in IIMM and comprise the proposed minimum requirements for Council as custodian of community assets to carry out the following activities:

▪   Record and report on the state of all assets to the community;

▪   Meet current statutory reporting requirements;

▪   Ensure community safety; and

- Provide management information to guide decisions by council on the cumulating impact of decisions.

The core maturity level also aligns with the expected requirements, and underlying necessary organisational capability, of the pending State Government legislation around Financial Sustainability Reporting, including Asset Management Plans and Long Term Financial Plans.

A score of 3 represents the core maturity level at the recommended minimum level of asset management for the organisation.

5.7.2 Advanced Maturity

A proposed advanced maturity target for asset management has also been included in the practice area reporting. Projects or initiatives to move to an advanced maturity level of capability in a specific area will be considered under Council's Integrated Total Asset Management (ITAM) improvement program. Movement to an advanced level in selected areas would provide the capability to:

- Understand optimum levels of asset management capacity needed to support and deliver WMC Infrastructure Asset Management Plans and the associated goals, objectives and implementation strategies.

- Run scenarios to understand optimum asset life cycle costs for varying service level options and the link between each scenario and WMC Infrastructure Asset Management Plan goals.

- Run scenarios to provide target levels of service at the lowest cost while controlling exposure to risk and loss.

5.8   Assessment Outcomes

As indicated above, the outcomes from the assessments for each of the practice areas are included in detail in Appendix 4. In addition to the comments and information on the current assessment level, each of the practice area sheets also depicts core and proposed advanced target levels and the associated risk scores.

Appendix 2 includes two graphs that represent the overall organisational view of maturity levels and risk scores for each of the practice areas.

5.9   Corporate Risk

As part of the assessment, an evaluation of the organisational risk associated with the current level of maturity in each of the practice areas has been undertaken. The resulting risk score has been captured on the assessment summaries for each of the practice areas included in Appendix 5 (Volume 2). Assessed risk scores based on achievement of a core level of maturity are also provided.

The risk assessments have been undertaken within the context of a recommended revised Name, Definition and Scope for the Corporate Risk associated with infrastructure and land assets. A graph capturing the risk scores for each of the practice areas is included in appendix 4.

5.10 Key Findings

- Council has a high level of Maturity of asset management data for civil infrastructure for the linking of service outcomes in an Asset Management Strategy with long term investment decisions and associated funding in a Long Term Financial Plan (LTFP). Ongoing documentation of service level options and reported measures against targets will commence in 2011.
- Council is now able to produce 10 year projected costs for operations, maintenance, renewal, upgrade and expansion based on maintaining current service level outcomes that can be communicated to the community.
- Service levels can be sustained at current levels if current funding levels are marginally increased.

5.11 Overall Asset Management Maturity

Core custodial obligations are currently being met. The assessment has identified some areas for improvement in organisation maturity to complete core level and move to more advanced targets.
To achieve sustainable overall improvement it is necessary that the improvement activities be targeted at achieving a maturity balance across the practice areas and that no area, or grouping of areas, is advanced significantly ahead of other areas without deliberate and considered justifications.

Key findings are covered in the following sections.

5.12 Key risks of current maturity

- The capacity to foresee future adverse events is highly dependent on individual people within the organisation and business processes and procedures need to be documented.
- The risk is that without a systematic approach to setting and reporting service targets that are able to be achieved, the following moderate risks are likely:
    - Not achieving service expectations without a clear target of what is achievable within the current resource plan
    - Not being able to report on providing best value services that align with and support WMC Infrastructure Asset Management Plan.

5.13 Ongoing Development and Implementation of Asset Management Plans (AMPs)

The next step is to develop and use AMP's as the basis on which to make decisions between competing priorities for infrastructure funding or to understand the impact on service levels, both in the immediate and longer term. Asset management plans must be developed in the context of WMC Management Plan, the Delivery Programme priorities and with expressed linkages to growth models, levels of service and financial information and plans.
The following elements of AMP's need to be developed over the following 12 months:
- current and target levels of service
- asset performance and utilisation measures and targets.

Current asset management plans now are in place for each asset category and are at a core level defined by IIMM, IPR and the National Framework for asset management.

5.14 Key Risks Managed by This Strategy and Asset Management Plans

The key risks managed by this asset management strategy and supporting asset management plans are:

- Emphasis on spending the current budget and capital projects rather than planning, building and maintaining infrastructure to deliver a sustainable future.
- Lack of service level performance reporting to focus on best value service delivery.
- Communication of risks associated infrastructure based service delivery
- Funding submissions and decisions being made on an informed basis concerning the long term service or financial outcomes of the proposal with the potential to impact long term financial sustainability
- Potential inability, because of a lack of developed skills or supporting service level data, to meet the requirements of the new legislation.
- Without current and reliable state of the assets reporting, understanding service trends and predicting optimum resource allocation is based on perception rather than actual knowledge. Assumptions are not tested and alternative scenarios not explored so that best value service costs and options are not known.
- The current maturity will not be able to effectively and efficiently respond to a shift from
- The cumulative impacts of decisions across all areas of WMC operations
- The impact of decisions on short, medium and long term financial sustainability
- The best value scenario for service delivery and corresponding life cycle costs for each asset related service.

5.15 AM strategy roles and steering mechanisms

It is recommended that the asset management project control group reporting to executive and council provide leadership in implementing an asset management development programme.

AM Practice Area	Recommendation	Theme
Strategic Longer-Term Plan	Continue developing the alignment between the strategic planning documents to ensure delivery program reflects the community expectations	Strategic Longer-Term Plan
Budget	At Core level - next step in the AMDP is to provide state of the assets reporting showing condition, serviceability and functionality service levels and risks.	Budget
Sustainability Reporting	AMPs and AM strategy need to be reviewed annually under IPR to ensure Council is informed of trends and projections for risk and service levels for the resource plan and delivery programme.	Annual Report
AM Policy	An asset management policy was included in the 2010 AM strategy for transport and drainage. This needs to be updated as part of the current review and completion of AMPs and AM Strategy that covers all assets. The policy and strategy should be made available on Councils website after adoption.	AM Policy
AM Strategy	See recommendations under 2.1.0 - Asset Management Policy	Strategy & Planning
AM Roles & Practices	Review of documentation of AM roles and responsibilities should occur in 2011 as part of the AMDP. Roles and practices documentation should be adopted by the executive and reviewed as needed.	Governance & Management
AM Steering	AM steering committee and governance has been in place but this process should now be formalised to ensure the AMDP is resourced and implemented.	Governance & Management
AM Improvement	The AMDP resulting from the current work needs to be implemented to manage risk of executive and council not having a fully informed view of the current risks, service level trends and options. Past AMDP has been informal managed by key staff and high levels of communication throughout the organisation. This should continue but in a more formal and structured way in line with the AMDP set out in the AM strategy.	Governance & Management
Capital Investment Decisions	Business case process required that is linked to service levels and risk reporting set out in the AMPs. This is a primary outcome from the AMDP for 2011/12	Governance & Management

AM Practice Area	Recommendation	Theme
Service Levels & Costs	Implement an annual process to report current and target LOS, costs and risks as part of the annual report. This should be in place for the 2012 annual report and report on trends for quality, function and risk.	Service Levels & Costs
Service Levels & Costs	Implement an annual process to report current and target LOS, costs and risks as part of the annual report. This should be in place for the 2012 annual report and report on trends for quality, function and risk.	Service Levels & Costs
AM Data Integrity	Complete the review of the remaining data sets for inclusion in Council's asset registers	Data & Systems
Asset Register Functionality	Council needs to ensure all assets are consolidated into the corporate asset register.	Data & Systems
Capital Renewals Planning Functionality	Implement current systems to their current functionality as part of the AMDP.	Data & Systems
Condition & Performance. Functionality	High condition assessment and defect and performance functionality used for buildings, transport and drainage. Other asset classes need to be consolidated into the corporate Lifecycle Asset KMS.	Data & Systems
Condition & Performance. Monitoring	Implement consistent condition for all asset classes and annual state of the assets report.	Data & Systems

6 Current Asset Analysis for Resource Plan

6.1 Renewal, Operating and Maintenance Costs

General Fund - Comparison of Asset Service Costs Required by AMP with funding Model in LTFP for Scenario 1 (retain current levels of service by renewal of assets when due)

Comparison of Asset Service Costs Required by AMP with Funding Model in LTFP
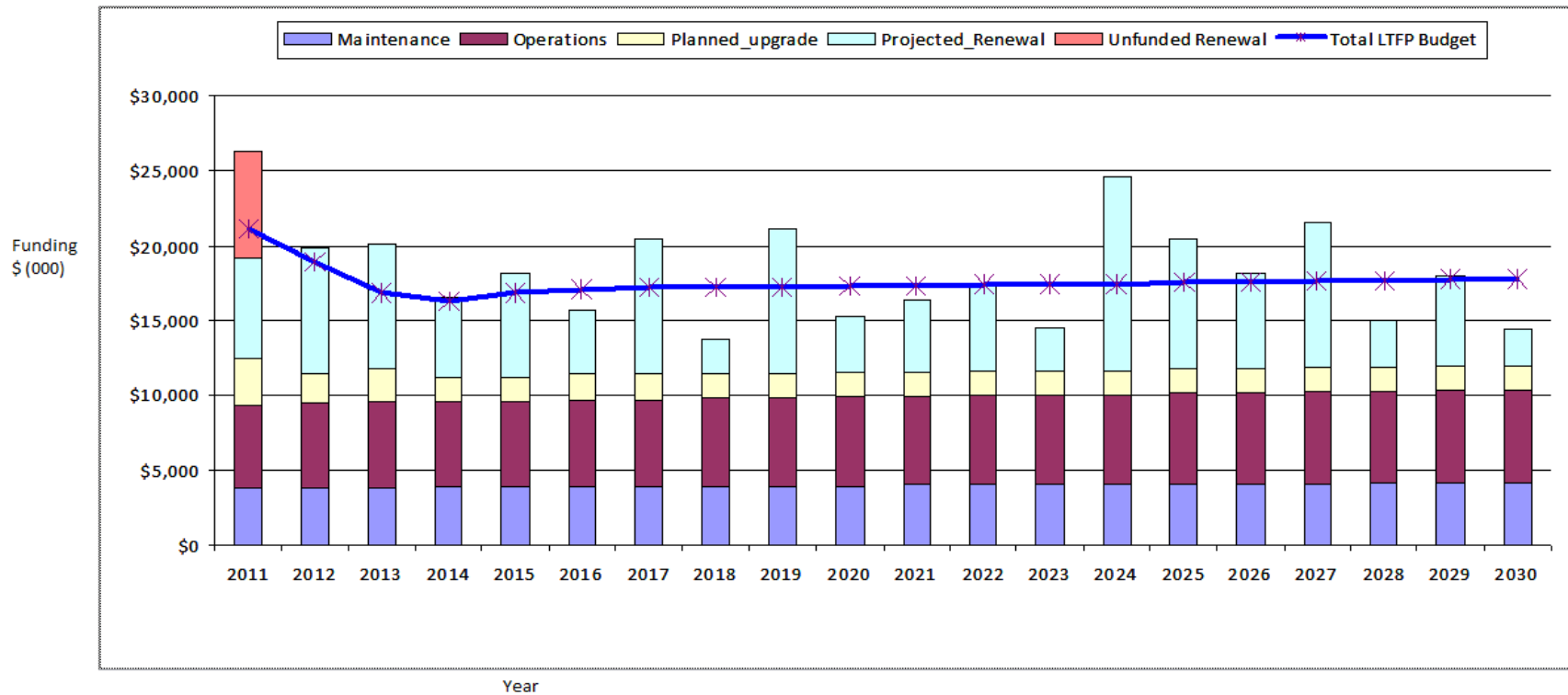
Renewal Ratios

Strategic Asset Managment Model. Lifecycle
KMS Knowledge Management System

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10 Year Renewal Ratios - Planned Expenditures (LTFP) Vs. Projected Renewals (Required)

Category	Planned Renewal ('$000)	Projected Renewal ('$000)	10 Yr Renewal Ratio
Buildings	$4,520.00	$6,585.00	0.69

Strategic Asset Managment Model. Lifecycle
KMS Knowledge Management System

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10 Year Renewal Ratios - Planned Expenditures (LTFP) Vs. Projected Renewals (Required)

Category	Planned Renewal ('$000)	Projected Renewal ('$000)	10 Yr Renewal Ratio
Land Improvements	$19,554.00	$20,728.20	0.94

Strategic Asset Managment Model. Lifecycle
KMS Knowledge Management System

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10 Year Renewal Ratios - Planned Expenditures (LTFP) Vs. Projected Renewals (Required)

Category	Planned Renewal ('$000)	Projected Renewal ('$000)	10 Yr Renewal Ratio
Stormwater1	$4,360.00	$7,834.02	0.56

Strategic Asset Managment Model. Lifecycle
KMS Knowledge Management System

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10 Year Renewal Ratios - Planned Expenditures (LTFP) Vs. Projected Renewals (Required)

Category	Planned Renewal ('$000)	Projected Renewal ('$000)	10 Yr Renewal Ratio
Transport1	$32,349.00	$34,975.67	0.92

Sustainability Ratio's

Strategic Asset Managment Model. Asset KMS
Knowledge Management System

© Jeff Roorda and Associates - Extract from JRA Asset Corporate Asset Management System

Lifecycle Sustainability Ratio - 20 Yr Planned Maint and Renewal Budget (LTFP) Vs. Annualised Projected Life Cycle Cost Expenditures

Category	Annualised Planned Renewal ('$000)	Average Annual Planned Maint ('$000)	Lifecycle Expenditure (LTFP) ('$000)	Average Annual Projected Maint Including Growth ('$000)	AAAC (Renewal Cost / Useful Life) ('$000)	Life Cycle Cost ('$000)	Life Cycle Sustainability Ratio
Buildings	$439.50	$996.67	$1,442.61	$1,003.11	$1,236.64	$2,239.75	0.64

Strategic Asset Managment Model. Asset KMS
Knowledge Management System

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Lifecycle Sustainability Ratio - 20 Yr Planned Maint and Renewal Budget (LTFP) Vs. Annualised Projected Life Cycle Cost Expenditures

Category	Annualised Planned Renewal ('$000)	Average Annual Planned Maint ('$000)	Lifecycle Expenditure (LTFP) ('$000)	Average Annual Projected Maint Including Growth ('$000)	AAAC (Renewal Cost / Useful Life) ('$000)	Life Cycle Cost ('$000)	Life Cycle Sustainability Ratio
Land Improvements	$1,744.20	$1,542.53	$3,413.47	$1,669.27	$1,970.03	$3,639.30	0.94

Strategic Asset Managment Model. Asset KMS
Knowledge Management System

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Lifecycle Sustainability Ratio - 20 Yr Planned Maint and Renewal Budget (LTFP) Vs. Annualised Projected Life Cycle Cost Expenditures

Category	Annualised Planned Renewal ('$000)	Average Annual Planned Maint ('$000)	Lifecycle Expenditure (LTFP) ('$000)	Average Annual Projected Maint Including Growth ('$000)	AAAC (Renewal Cost / Useful Life) ('$000)	Life Cycle Cost ('$000)	Life Cycle Sustainability Ratio
Stormwater1	$475.00	$350.65	$841.53	$366.53	$613.82	$980.35	0.86

Strategic Asset Managment Model. Asset KMS
Knowledge Management System

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Lifecycle Sustainability Ratio - 20 Yr Planned Maint and Renewal Budget (LTFP) Vs. Annualised Projected Life Cycle Cost Expenditures

Category	Annualised Planned Renewal ('$000)	Average Annual Planned Maint ('$000)	Lifecycle Expenditure (LTFP) ('$000)	Average Annual Projected Maint Including Growth ('$000)	AAAC (Renewal Cost / Useful Life) ('$000)	Life Cycle Cost ('$000)	Life Cycle Sustainability Ratio
Transport1	$3,265.45	$925.11	$4,203.23	$937.78	$4,708.31	$5,646.10	0.74

Strategic Asset Managment Model. Lifecycle
KMS Knowledge Management System

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Total Lifecycle Sustainability Ratio - Total for All Infrastructure Categories

Total 20 Yr Planned Maintenance ('$000)	Total 20 Yr Planned Renewal ('$000)	Total 20 Yr Projected Maintenance ('$000)	Total 20 Yr Projected Renewal ('$000)	Total Category 20 Yr Sustainability Ratio	Annual Planned Lifecycle Expenditure ('$000)	Annual Required Lifecycle Cost ('$000)	Total Category Lifecycle Sustainability Ratio
$76,299.19	$118,483.00	$79,533.96	$134,401.66	0.91	$10,696.78	$12,505.51	0.86

Comparison of Asset Service Costs Required by AMP with Funding Model in LTFP Buildings
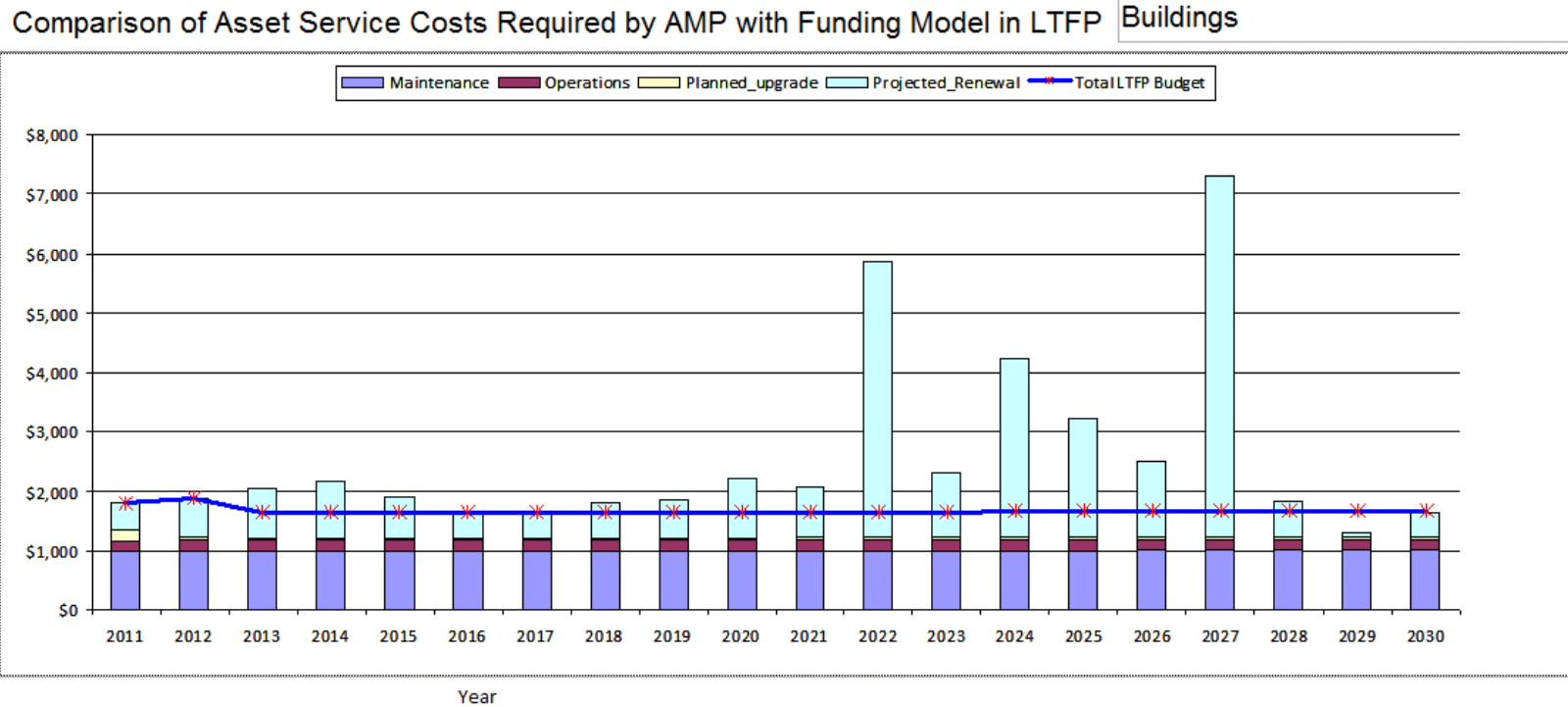
Comparison of Asset Service Costs Required by AMP with Funding Model in LTFP Land Improvements
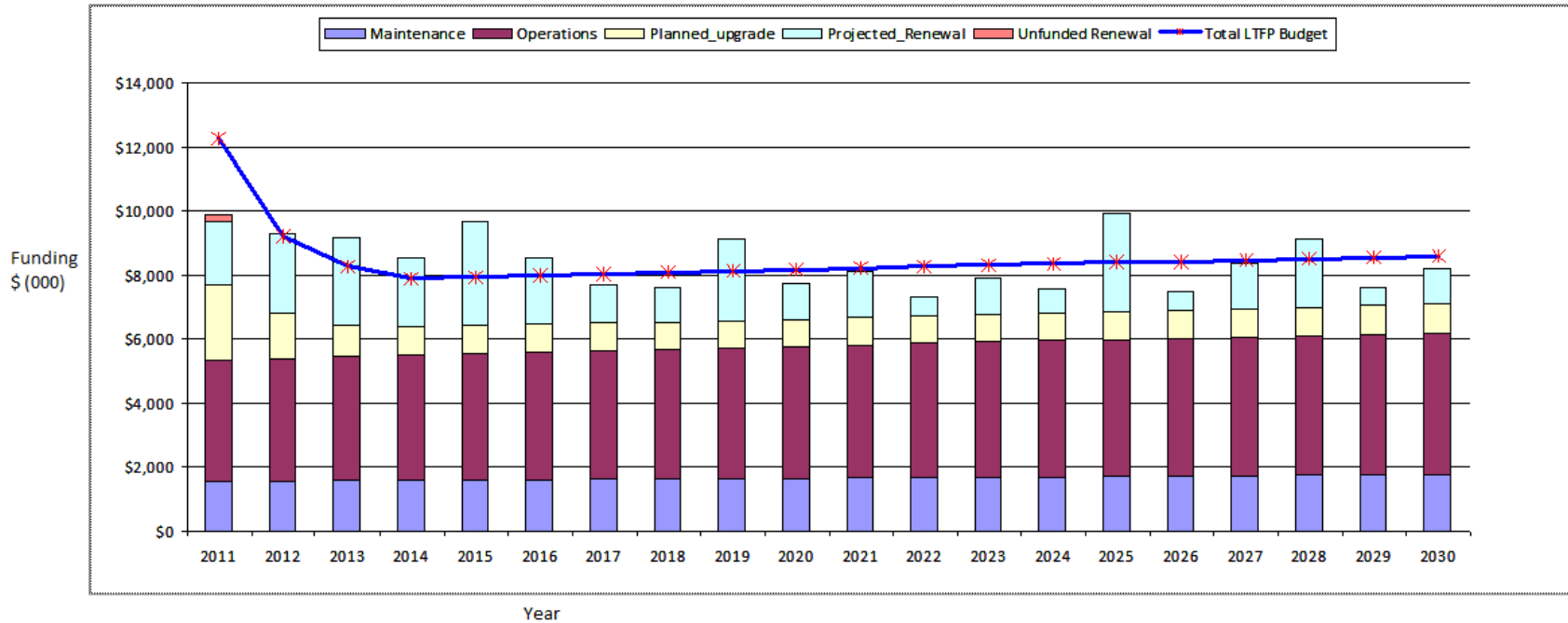
Comparison of Asset Service Costs Required by AMP with Funding Model in LTFP — Stormwater1
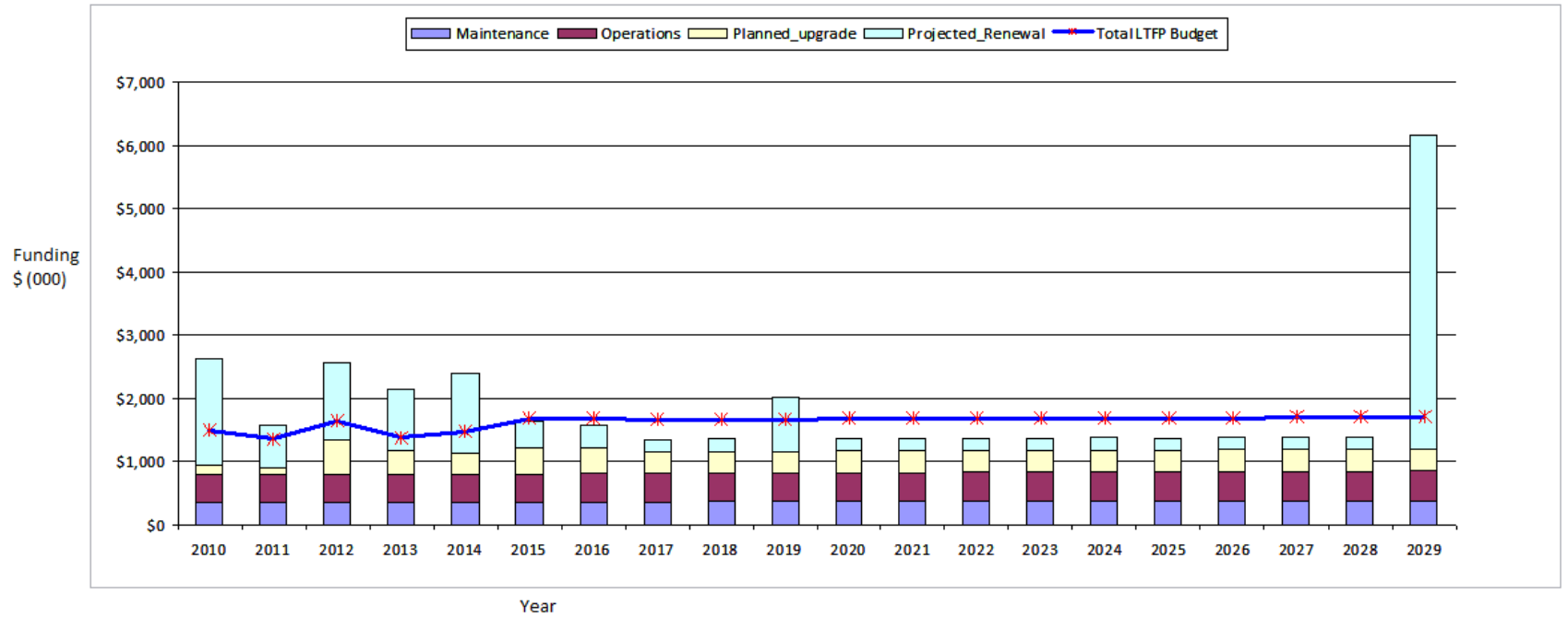
Comparison of Asset Service Costs Required by AMP with Funding Model in LTFP   Transport1
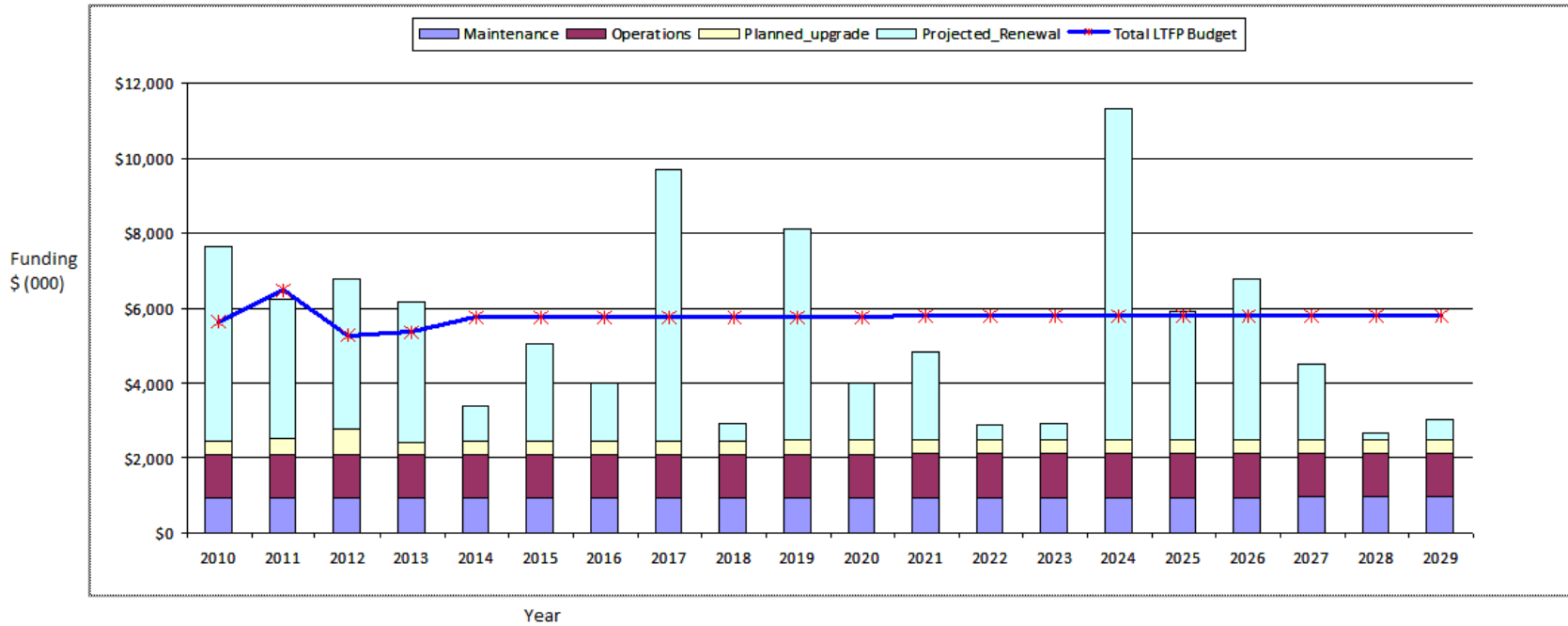
7 Systems and Asset Knowledge Management Plan

7.1 System and Knowledge Views

Woollahra Municipal Council requires considerable knowledge of assets in order to provide services to the community in an effective and efficient manner.

As the capability of the corporate asset management systems improves further data will be added. This will aid in corporate decision making. Obviously the quality of the information is crucial to the benefit it will provide to decision making, so an important outcome from this strategy will be a continual review the existing infrastructure data to ensure that it is accurate and complete.

> *Key Strategy 7*
>
> *Annual Review of the completeness and accuracy of the data for all major infrastructure classes.*

To allow Council to fulfil its service delivery responsibilities, information will be required. It is helpful to consider this as there being four strategic views of corporate knowledge to meet the needs of different service areas of the organisation. The four knowledge areas are:

- Property view (Financial and Geographical Information Systems (GIS));
- Customer view (Rates, Customer Action Request Systems);
- Subject view (Financial, Delivery Programme and Records Management systems) and
- Asset view (Asset Management Software, GIS).

These four views of the desired model for managing knowledge is shown diagrammatically in Figure 7.1 following.

Figure 7.1   The four strategic views of corporate knowledge
The business model to enable service level, risk and performance reporting by asset class or by
Long Term Community Plan service areas.   The key objective is to provide costs, service level
targets and achievement for each Long Term Community Plan service objective

Property view – History and future trends for a property.

Subject View – History and future trends for a subject e.g. corporate plan objective or asset class

Council Corporate Data, Knowledge and History

Business process, system and data improvement will be guided by AM maturity targets and Corporate Knowledge Management Strategy.

The Database Platform or relational database management system (RDBMS) is used to integrate all corporate knowledge Note that there is not always a direct relationship between the four views. The strategy on how to combine and access corporate knowledge and why should be set out in a corporate Knowledge Management Strategy.

Customer View – Corporate Knowledge about the history and preferences of a customer.

Asset View – Corporate Knowledge about the assets under Councils control and how they impact the resource plan and level of service and risk targets.

The asset knowledge needed to achieve asset management improvement currently exists in core corporate systems as well as in standalone databases, spreadsheets, documents, specialist systems and local knowledge as shown in Fig 7.1.

For data and information under Council's control, the primary operational objective is to ensure that the right decision support information is provided and maintained at lowest possible overall cost whilst controlling exposure to risk and loss. To carry out these functions and deliver the strategy, Council needs a decision support system that can answer both policy and operational questions for asset management.

The decision support system is a combination of technology, operational and policy processes and corporate knowledge of the past current and future information relevant to decision options before Council.

The key functions of the decision support system are to:

1. Measure the effectiveness and efficiency of current strategies used to achieve the Delivery Programme objectives and provide external and internal reporting that reflects the true financial and operational position of Council;

2. Measure and predict the likely results of past policy decisions and current policy options;

3. Measure and report on the operational performance of service providers;

4. Support operational areas using software applications under the control of system owners by providing integrated and current information on all aspects of Councils operation;

5. Provide an information platform for measuring the performance of the current strategies and tactics used for service delivery.

7.2   Steps in the Knowledge Management Plan

The 2 key aspects of the Asset Knowledge Management Plan are:

1   *Single Asset Register Using the Corporate Relational Data Base Management System (RDBMS).* Information system environment is standardised and compatible with Council's corporate database platform.

2   *Integrate and Manage Core Information.*

         All information on assets is integrated into the asset management system corporate database.

Business functions that need data from multiple applications need to open each application to access the data, adversely affecting both business and technology performance. The strategy is to identify, manage and integrate core data in a RDMS environment with GIS front end is recommended to allow business users to access all data on a topic or view.

This is primarily to bring together the existing asset knowledge which is currently held in various corporate applications, each being managed by separate system owners (e.g. finance, property, records, service requests, works management)

The need for corporate wisdom should be the driver for integration of knowledge. Corporate wisdom enables informed policymaking and optimises the allocation of scarce resources. It identifies areas of strength and weakness and opportunities for advancement.

7.3   Integrate Current Systems into a Single Asset Register

Woollahra Municipal Council has commenced incorporating asset data into a "corporate" single register. This is a significant project and is important to future asset management improvements. Whilst technical progress has been achieved the process has become one of system implementation and data collection. Implementation of the corporate asset management software has not yet been achieved so consequently all asset data has not been entered.

Given the new reporting requirements planned for NSW IPR Councils, an examination of the "ownership and coordination" of all asset knowledge management applications is essential. This assessment should be made with the reporting and management priorities being at the forefront of the review.

7.4   Integrate and Manage Core Information

The development of integrated corporate knowledge relevant to asset management is critical. Any system user should be able to readily access all corporate knowledge about any topic without needing to open multiple applications and manually assemble fragmented data.   For example clicking on a property on the GIS should display all information known about that property, past present and future.   This information first needs to be integrated and then managed as a corporate resource.   This requires a project to integrate existing systems and create the necessary links and views and then a corporate resource to work in partnership with system owners to manage data integrity, security, access and metadata.   The current systems have the functionality but have not yet been fully implemented to provide information to understand and discern trends on customer preference, needs, trends on asset usage and management, maintenance and renewal trends and performance on policy objectives.

Figure 7.2 Diagram Showing Knowledge Management Strategy for Integrating Asset Knowledge. This strategy is independent of any software solutions
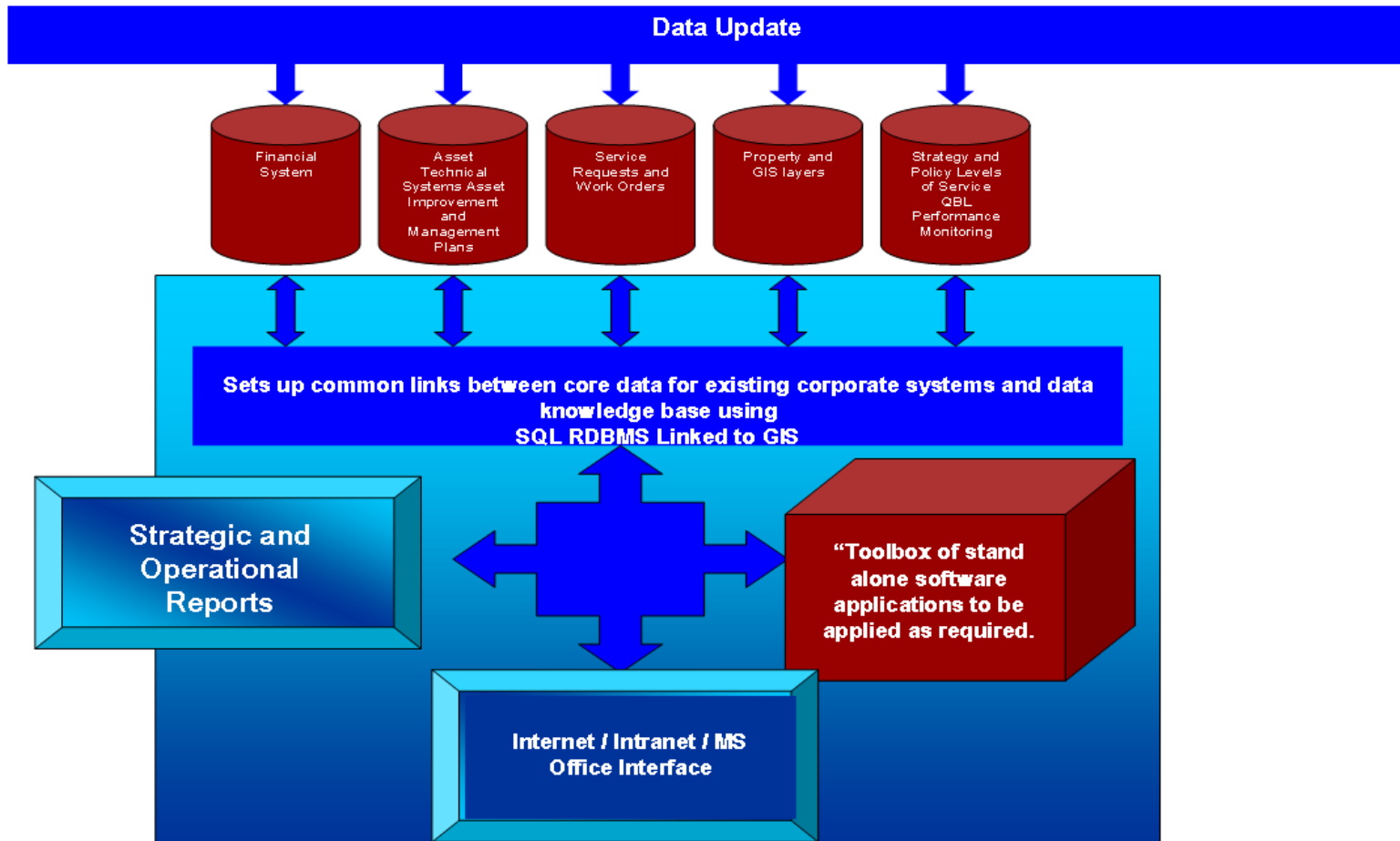
The historical focus for managing information systems has been to satisfy operational needs. This is a valid strategy and remains important to ensuring the provision of services within each operational area is managed. Past efforts to provide corporate wide integrated systems have failed in most organisations because the systems are not available, too complex to manage or not able to keep up with the rapidly changing business application environment. The current approach is an optimum solution to meeting operational business needs.

The Systems and Asset Knowledge Management Plan provides the direction to obtain views of the corporate knowledge base that not only satisfy statutory and operational requirements, but also give a consistent account of future expenditures and management decisions necessary to deliver the Management/Delivery Programme aims. This is regarded as the primary driver for developing a corporate standard database platform.

Implementation of the Systems and Asset Knowledge Management Plan is a substantial task and will require resourcing throughout the implementation phase.

Key Strategy 8

Use a knowledge management strategy to ensure that appropriate and optimal decision support information is available to clearly communicate the cumulative consequences of decisions.

7.5   Financial Reporting and Systems

The information used for decision support and Asset Management Planning should be based on the same core data that is also used for financial reporting. At present not all Council's data is linked, and having an audit trail to track changes related to individual assets is difficult, if possible at all.

To achieve the accounting requirements required under AASB116, and IPR, an asset register that meets both technical and financial reporting requirements is a primary requirement.

This register must be managed under corporate business rules to maintain its integrity; hence an asset specific accounting policy is required

Key Strategy 9

Continue developing the corporate asset register meeting both technical and financial reporting requirements.

8 Life Cycle Costing and Funding Models

8.1 Life Cycle Costing

Life cycle costing for infrastructure is the sum of two components, the annual maintenance expenditure required to provide the required service levels and the Average Annual Asset Consumption (AAAC).

AAAC is the sum of the current replacement cost for individual assets divided by the economic (or useful life). It is the average annual sum required to maintain the service potential of the assets over their life cycle.

Life cycle cost can be compared to present maintenance and asset renewal expenditure in order to assess Council's position on funding of asset maintenance and renewal. This does not mean that the life cycle cost level of funding needs to be provided now. The actual level of funding required depends on desired service levels and the age and renewal needs of the asset stock. The service levels being target will cover a broad range of items inclusive of condition, risk, environmental, social, and economic and governance factors.

8.2 Expenditure Types

To achieve benefits from undertaking life cycle analysis it is important to be able to compare predicted costs with current expenditures. This requires Council's expenditures to be identified as operating, maintenance, capital renewal, capital upgrade or capital expansion. (See Section 4.4.3). An asset accounting and capitalisation policy will formalise the business rules and processes associated with capital expenditure on assets.

The purpose of the Asset Management Plan is to estimate the level of funds required to meet desired service levels taking into account the timing of asset renewals. For this analysis to be undertaken it is essential to know what Council currently spends on Operations and Maintenance as well as Capital at the detail of Renewal, Upgrade and Expansion. Unless this detail of expenditure is available the assessment of sustainability will not be adequately informed.

An example of a lifecycle costing model is included as Appendix 2. This example uses the Footpath inventory held in Council's technical asset register inclusive of Replacement Values, Useful Life and Remaining Life, and models the predicted cash flow requirements.

Key Strategy 10

Develop and adopt an Asset Accounting and Capitalisation Policy that assists in meeting the intention of Fair Value Reporting (AASB116).

8.3   Funding Models

The funding model sets out Councils approach to funding the life cycle costs of an asset related service.

If the LTFP has a time horizon of 10 years, the LTFP is the first 10 years of the funding model.

A 10 year long term funding model is developed from data across Council including the outputs from the Asset Management Plans.

Council should develop a funding model that addresses the sustainable renewal of infrastructure identified in the introduction. The funding model can include options such as:

- Rate revenues;

- Borrowing strategies;

- Non asset renewal;

- Reduction in service levels;

- External grant funding;

- Fees and charges;

- Extending asset life;

- Non asset service provision;

- Transfer service provision to others; and

- Agreed deficit funding.

Key Strategy 11

Develop a funding model which addresses the need for sustainable renewal of infrastructure and which identifies all asset life cycle costs.

Key Strategy 12

The 10 year LTFP for all Council functions will consider both the future anticipated income projections, and the future expenditure requirements to sustain services.

A resource plan will consider the expenditures identified in the Asset Management Plans, and will provide input into the annual Council budget.

8.4   Linking Service Levels and Cost

Ultimately the setting of service levels should be undertaken in conjunction with the community. This enables Council to make informed decisions on the allocation of community resources in accordance with community priorities and willingness to pay.

The linking of service levels and the cost of service delivery is an essential component of strategic asset management. It is essential that council knows the true costs of service delivery, priorities placed by the community on infrastructure, the service levels that are desired by the community and what level they are willing to pay for.

The first Asset Management Plans prepared by Woollahra Municipal Council are "Core" Asset Management Plans. These plans are prepared at a network level and aim to document the costs to maintain the current level of service provided by the existing infrastructure. The core Asset Management Plans have been adopted by Council. They provide an excellent starting point for future consultation.

> *Key Strategy 13*
>
> *Continue to improve the information on the relationship between the service level and cost so that future community consultation will be well informed of the options and costs.*

Council should further develop these service levels in Asset Management Plans for each major asset group and link these service levels to the Delivery Programme. This will provide the link between service levels and costs of service delivery, give a tool for community consultation for services, enable Council to make decisions on service levels and costs in setting budgets and rate levels and provide a base for management performance reporting linking service levels and expenditure. This is shown in Figure 8.1

Figure 8.1 Service Level and Cost Relationship Understanding and Reporting Will Improve with AM Maturity
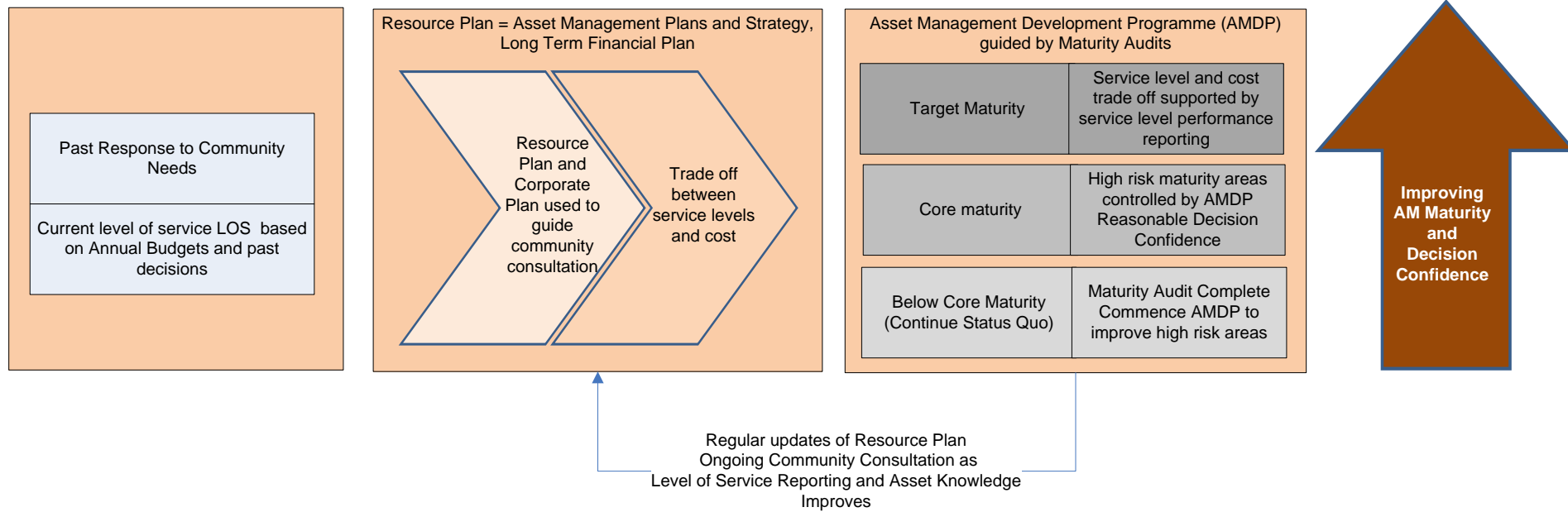
8.5   Organisational Capacity and Resourcing

In order to implement this strategy it is important that Council undertake the resource assessment so that a staged and monitored program of improvement can be implemented.

> *Key Strategy 14*
>
> *Implement an asset management steering committee to oversee the resources required to implement this Asset Management Strategy and AMDP so that a program of improvement and milestones can be implemented and monitored.*

9.   Summary of Key Strategies

The following key strategies will be further developed following by Council staff representing the major areas of service planning, Council's Senior Executive and by the examination of Council's existing asset management systems and processes.

They are presented here in order as they have been identified within this document, not in order of priority.

Key Strategy 1

Formally adopt an Asset Management Policy (guidance being provided by the IPWEA NAMS.PLUS Program)

Key Strategy 2

Implementing, monitoring and reporting to the Senior Management Team on the development of asset management at Woollahra Municipal Council are made the responsibility of the Asset Management Steering Group.

Key Strategy 3

Continue to develop and update Asset Management Plans for the major asset groups to ensure costs to achieve target service levels balance with resources available in the Long Term Financial Plan.

Key Strategy 4

Identify infrastructure expenditure by both:

- Expenditure Category i.e. the Asset Group it is associated with; for example, road pavement
- Expenditure Type – operating, maintenance, capital renewal, capital upgrade or capital expansion

Key Strategy 5

Consider the ongoing ownership costs of new capital works proposals in budget deliberations. This is achieved by identifying the renewal and capital upgrade/expansion components of all capital works projects, and providing for the ongoing operational and maintenance requirements.

Key Strategy 6

Develop Risk Delivery Programme s for all major asset classes.

Key Strategy 7

Annually review the completeness and accuracy of the data for all major infrastructure classes.

Key Strategy 8

Use a knowledge management strategy to ensure that appropriate and optimal decision support information is available to clearly communicate the cumulative consequences of decisions.

Key Strategy 9

Continue developing the corporate asset register meeting both technical and financial reporting requirements.

Key Strategy 10

Develop and adopt an Asset Accounting and Capitalisation Policy that assists in meeting the intention of Fair Value Reporting (AASB116).

Key Strategy 11

Develop a funding model which addresses the need for sustainable renewal of infrastructure and which identifies all asset life cycle costs.

Key Strategy 12

The 10 year financial sustainability plan for all Council functions will consider both the future anticipated income projections, and the future expenditure requirements to sustain services.

This plan will consider the expenditures identified in the Asset Management Plans, and will provide input into the annual Council budget.

Key Strategy 13

Continue to improve the information on the relationship between the service level and cost so that future community consultation will be well informed of the options and costs.

Key Strategy 14

Undertake a detailed assessment of the resources required to implement this Asset Management Strategy so that a program of improvement and milestones can be implemented and monitored.

Appendices

Appendix 1 – Terms used in the Strategy

In the context of this Asset Management Strategy the following definitions apply:

Average Annual Asset Consumption (AAAC)

Average Annual Asset Consumption is the amount of a local government's asset base consumed during a year. It is the sum of the current replacement cost divided by the economic life for all assets in an asset category or class.

Annual Service Cost (ASC)

ASC is an estimate of the cost that would be tendered for the supply of a service to a performance specification for a fixed term. The Annual Service Cost includes operating, maintenance, depreciation, finance/ opportunity and disposal costs, less revenue.

Assets

"An asset of the local government shall be recognised in the statement of financial position when and only when:
   • It is probable that the future economic benefits embodied in the asset will eventuate; and
   • The asset possesses a cost or other value that can   be measured reliably."

Most road infrastructure assets satisfy both criteria. Exceptions are land under roads and bulk earthworks. For network assets such as roads, the combined application of the concept of materiality and high variability of the road attributes across the network has resulted in the almost universal and correct practice that assets be broken into segments.

Each asset has a current replacement value, written down current replacement value, annual depreciation amount, and economic and remaining life.

Asset Category

Grouping of like assets, e.g. all unsealed roads.

Asset Category - Bridges

Bridges, underpasses and major culverts with waterway span >6 m.

Asset Category - Unsealed Roads

Formed roads with a constructed pavement of natural gravel or manufactured road base without a bitumen or asphalt wearing surface.

Asset Category - Kerb & Gutter

Road drainage structure generally of concrete construction, which bound formed roads, providing road drainage and pavement boundary support.

Asset Category - Parking

Assets associated with the provision of a car parking service including pavements, wearing surfaces, kerb & gutter, drainage, structures, fences, lighting, parking machines, signage, medians, line marking etc.

Asset Category - Pavement Type

All pavement types include all pavement layers but exclude bulk earthworks and seal.
Road pavement assets constructed with standard base, stabilised base or deep lift asphalt.

Asset Category - Path Paving

Assets associated with the provision of pedestrian footpaths including pavements, wearing courses/seals, footpaths, pedestrian bridges, signage, etc.

Asset Category - Cycleway

Assets associated with the provision of cycle use including pavements, wearing courses/seals, bridges, signage, etc.

Asset Category - Road Seal

The wearing surfaces of roads and streets pavements providing a smooth riding surface and waterproofing of the pavement, including bitumen flush seals, asphalt, pavers, concrete, etc.

Asset Category - Traffic Control

Assets associated with traffic control including traffic islands and medians, signage, etc.

Asset Category - Buildings

Building assets including building structures, mechanical/electrical equipment, service roads, landscaping, utility services, signage, window and floor coverings, fittings and equipment etc.

Asset Category - Conduits & Inlets	Assets associated with the provision of stormwater drainage services including pipes, channels, inlet structures, access structures
Asset Category - Pollution Control Devices	Assets associated with control of stormwater drainage pollution.
Asset Category - Flood Mitigation	Assets associated with the provision of flood mitigation services including major drainage channels, levees, improved waterways, inlet and control structures, access structures, etc.
Asset Category - Parks Hard Works	Tangible parks assets including toilet blocks, amenities buildings, playground equipment, seating, shade structures, fencing, rotundas, paths, drainage, kerbing, change rooms, grandstands, swimming pools, etc.
Asset Class	Grouping of like asset categories, e.g. all pavement, seal, kerb & gutter are all part of the asset class of roads
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 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.
Capital Expansion Expenditure	Capital expansion is expenditure on extending an existing asset network, at the same standard currently enjoyed by residents, to a new group of users. It is discretional expenditure, which increases future operating, and maintenance costs, because it increases Council's asset base but may be associated with additional revenue from the new user group (e.g. extending a drainage or road network, the provision of an oval or park in a new suburb for new residents).

Capital Expenditure	Expenditure which is relatively large (i.e. material) and has benefits expected to last for more than 12 months. Capital expenditure can be split into three areas, renewal, upgrade and expansion.
Capital Renewal Expenditure	Capital renewal is expenditure on an existing asset, which increases asset service potential of an existing asset. This may be to the same or a lower level than initially provided (partial renewal). It is periodically required expenditure, relatively large (i.e. material) in value compared with the value of the asset or asset component being renewed. As it reinstates existing service potential, it has no impact on revenue but may reduce future operating and maintenance expenditure if completed at the optimum time (e.g. resurfacing a sealed road, resheeting an unsealed road, replacing a drainage pipeline with pipes of the same capacity, relining of an existing drainage pipeline, replacing bridge decking or resurfacing an oval). Where renewal works include a significant upgrade, the renewal and upgrade components should be separately identified (e.g. if a swimming pool with a replacement cost of $3M is replaced with a $15M leisure centre, then $3M is identified as renewal and $12M as upgrade).
Capital Upgrade Expenditure	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 discretional and often does not result in additional revenue unless direct user charges apply. It will increase operating and maintenance expenditure in the future because of the increase in Council's asset base (e.g. widening the pavement and sealed area of an existing road, replacing drainage pipes with pipes of a greater capacity, enlarging a grandstand at a sporting facility, replacing an existing bridge with one having a greater carrying capacity, replacing a chain link fence with a wrought iron fence).
Confidence Level	A measure of the certainty, reliability and trust in information that lies behind a decision.

Cost

Cost is the resources sacrificed or foregone to achieve a specific objective. Costs are measured in monetary units that must be paid for goods and services.

Current Replacement Cost

The cost of replacing the service potential of an existing asset, by reference to some measure of capacity, with an appropriate modern equivalent asset.

Depreciation

Depreciation is a measure of the average annual consumption of service potential over the life of the asset. Depreciation is not a measure of required expenditure in any given year.

Economic Life

The period from the acquisition of an asset to the time when the asset, while physically able to provide a service, ceases to be the lowest cost alternative to satisfy a particular level of service. The economic life is at the maximum when equal to the physical life; however obsolescence will often ensure that the economic life is less than the physical life.

Estimated Maintenance and Renewal Budget

The amount that a council anticipates that it will actually be spending and will be able to afford to spend as outlined in its long term financial plan or strategic resource plan for maintenance and renewal works in a future time period (e.g. 0-5, 6-10, 11-15 years).

Expenditure

Expenditure is the spending of money on goods and services. Expenditure falls into two basic categories, recurrent and capital.

Fair Value

The amount for which an asset could be exchanged or liability settled, between knowledgeable, willing parties, in an arm's length transaction, normally determined by reference to market or comparable prices. Generally, there is no market for Council's infrastructure assets and Fair Value is current replacement cost less accumulated depreciation.

Funding Model

A Funding Strategy which addresses:
- The need for funds;
- The peaks and troughs in this need; and
- How the funds will be sourced.
- Life cycle analysis should be the basis of the funding model. The funding model adopted by Council decides how it determines:
- The level of funds year by year;
- The source of those funds;
- The use or allocation of those funds to recurrent/capital, to infrastructure and to other assets and other services.

Infrastructure Assets

These are typically large, interconnected networks of or portfolios of composite assets such as roads, drainage and recreational facilities. They are generally comprised of components and sub-components that are usually renewed or replaced individually to continue to provide the required level of service from the network. These assets are generally long lived, are fixed in place and often have no market value.

Level of Service

Level of Service is the defined service quality for a particular Primary Service (e.g. roads, child care services) against which service performance may be measured. Service levels usually relate to quality, quantity, reliability, responsiveness, environmental, acceptability and cost (e.g. the number of accidents on local roads).

Maintenance Expenditure

Maintenance is expenditure on an existing asset which is periodically or regularly required as part of the anticipated schedule of works required ensuring that the asset achieves its economic life. It is expenditure which was anticipated in determining the assets economic life. Maintenance may be planned or unplanned (e.g. repairing a pothole in a road, repairing the decking on a timber bridge, repairing a drainage pipe or repairing the fencing in a park).

Maintenance and Renewal Gap

Difference between estimated budgets and projected expenditures for maintenance and renewal of assets.

Maintenance and Renewal Sustainability Index

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

Materiality

The concept of materiality referred to in accounting standards has been amplified in these guidelines. An asset is material if its omission would result in misleading the reader of the financial report. The convention of an asset being material if greater than 10-15 % of asset value is only partly useful for road assets because of historic variability in practice in measuring value. The overriding principle is that financial reports present a true and fair picture of the financial position of the council.

Operating Expenditure

Expenditure on providing a service, which is continuously required including staff salaries and wages, plant hire, materials, power, fuel, accommodation and equipment rental, on-costs and overheads. Operating expenditure excludes maintenance and depreciation.

Pavement Management System

A PMS is a systematic process for measuring and predicting the condition of road pavements and wearing surfaces over time and recommending corrective actions.

Planned Maintenance

Planned maintenance is anticipated maintenance due to expected normal usage, which can be scheduled in advance. (E.g. routine grading or unsealed roads, clearing of drainage pipelines, painting of recreation facilities). Planned maintenance falls in three categories;
- Periodic - necessary to ensure the reliability or to sustain the design life of an asset.
- Predictive - condition monitoring activities used to predict failure.
- Preventative - maintenance that can be initiated without routine or continuous checking (e.g. using information contained in maintenance manuals or manufacturers recommendations) and is not condition based.

PMS Score	A measure of condition of a road segment determined from a Pavement Management System.
Primary Service	The services provided by councils to their communities, e.g. local roads, libraries, child care services.
Owner/Custodian	The sum of projected maintenance and capital renewal expenditure required in a future time period (e.g. 0-5, 6-10, 11-15 years) Projected maintenance expenditure is that required to provide the target level of service allowing for changes in the asset inventory from donated and constructed assets. Projected renewal expenditure is the sum of the current replacement cost for all assets with a remaining life equal to or less than defined future time periods (e.g. 0-5, 6-10, 11-15 years).
Projected Maintenance and Renewal Expenditure	Collaborator or associate engaged in the delivery of strategies.
Rate of Annual Asset Consumption	A measure of average annual asset consumption (AAAC) expressed as a percentage of the current replacement cost.
Rate of Annual Asset Renewal	A measure of the rate at which assets are being renewed per annum expressed as a percentage of current replacement cost.
Rate of Annual Asset Upgrade	A measure of the rate at which assets are being upgraded and expanded expressed as a percentage of current replacement cost.
Recurrent Expenditure	Recurrent expenditure relates to providing a service, which has benefits, expected to last less than 12 months. Recurrent expenditure includes operating expenditure and maintenance.

Remaining Life

The time remaining until an asset ceases to provide the required service level or economic usefulness. Remaining life is economic life minus age.

Reporting Year

The financial year for which financial data is reported and for which audited financial reports are available.

Risk Management

The allocation of probability and consequence to an undesirable event and subsequent actions taken to control or mitigate that probability and/or consequence.

Sustainability Factor

The ratio between the average annual asset consumption and average actual renewal expenditure.

Service Category

Grouping of like primary services (e.g. drainage/flood protection, environmental protection/waterways, waste management and waste minimisation/recycling are grouped as Environmental Services).

Service Level Target

Target set for level of service to be achieved in the next reporting period (e.g. to retain, increase or reduce the number of accidents on local roads).

Service Potential Consumed

A measure of the percentage of the asset's potential to provide services that have been used up in providing the services. It also expresses the age of assets as a percentage of their economic life. In financial reports it is expressed as the accumulated depreciation.

Transparency

A measure of the accuracy and confidence levels in council's reporting of asset consumption as depreciation in financial reports.

QBL Indicators

Measures of Quadruple Bottom Line (social, environmental, economic and governance) benefits.

Unplanned Maintenance   Anticipated maintenance due to abnormal usage, faults, accidents and natural disasters (e.g. additional grading of roads, and cleaning of drainage pipes due to floods, repairs to recreation facilities due to storm damage or vandalism).

Useful Life   See Economic Life.

List of Acronyms

CBD	Central Business District
GIS	Geographical Information System
IPWEA	Institute of Public Works Engineering Australia
KPI	Key Performance Indicator
LGA	Local Government Area
LTFP	Long Term Financial Plan
IIMM	International Infrastructure Management Manual
IPWEA NAMS.PLUS	An initiative of IPWEA to assist councils in developing core Asset Management Plans
QBL	Quadruple Bottom Line

Appendix 2 – Example of Annual Service Costs

Example 1

Specification: Provide, Operate (including Daily Cleaning) and maintain a Public Barbeque for a period of 10 Years

Table A.2.1 Annual Service Cost for a Public BBQ

	Capital Cost	Annual Service Cost	Remarks
Capital Cost	$8,000		
Annual Service Cost			
Finance/Opportunity cost		$640	8% pa
Depreciation		$800	10 years
Operations (cleaning)		$7,300	Daily
Maintenance		$400	
Demolition		$100	$1,000 @ 10 yrs
Revenue		-$0	
TOTAL	$8,000	$9,240	

The Annual Service Cost for the service of the public barbeque is $9,240. This is the annual sum that the council would pay for the service per annum for the 10 year life required. The cost per use can be calculated by dividing the Annual Service Cost by the number of uses.

The Costs shown in bold are the ongoing budget commitments that the council must fund in future budgets for the service provided by the new barbeque. These total $8,500 per annum for the next 10 years.

The Annual Service Cost is a tool for evaluating capital works projects. The council should be satisfied that it will obtain value or community benefits greater than $9,240 per annum for this project, otherwise the project should not be approved.

Council should receive this information with annual capital works programs to assist in assessing projects.

This shows the project estimate, apportioned into renewal and new asset components, the budget commitment and equivalent rate increase required to fund the budget commitment and the annual service cost.

In determining its capital works program, Council should make a policy decision to allocate funds for asset renewal in accordance with its Asset Management Plans under the principle of allocating the value of depreciation expense progressively for asset renewals.

Example 2

Evaluation of a Capital Works Project

Swimming Pool Redevelopment

To assist staff and Councillors in evaluating capital works project procedures, an example for re-development of a swimming pool is shown below. The estimates shown below are examples only.

A council is planning the re-development of its swimming pool. The existing pool has a current replacement cost of $2.5M. The pool attracts 30,000 paying entry admissions each year, paying an entry fee of $3.00 per entry. Council subsidises the pool operations at an annual cost of $120,000 or $4.00 per entry.

The re-development is estimated to cost $7,000,000, which will include

Refurbishment of and covering the existing pool,

A new covered training pool

A new covered water playground,

New change rooms,

New swimming club clubrooms

Replacement of the existing heating system

Refurbishment of water treatment plant

Upgrading of car parking areas

Estimated useful life of 40 years

The re-developed complex is estimated to increase visitations by 25%. Operating expenses are estimated to increase by $250,000 to cover increased costs for heating, power, supervision, cleaning and maintenance.

The Annual Service Cost is the sum that would be tendered if Build Own Operate (BOO) tenders were called to provide the service of an upgraded swimming pool. In this example, shown in Table A6.2, the contractor is responsible for construction, operation and maintenance of the swimming pool complex for the 40 year period.

Table A2.2 Annual Service Cost for Redevelopment of Swimming Pool Complex

	Capital Cost	Annual Service Cost	Remarks
Capital Cost			
Renewal	$2,500,000		
Upgrade	$4,500,000		
Annual Service Cost			
Finance/Opportunity cost (for upgrade component)		$360,000	8% pa
Depreciation		$112,500	40 years
Operations/Maintenance		$250,000	
Demolition			NA
Less Additional Revenue		-$60,000	Increase entry fee to $4
TOTAL	$7,000,000	$662,500	

The Annual Service Cost of the redevelopment of the swimming pool is $662,500 per annum. This is the annual sum that Council would pay a contractor (plus profit margin) if Build Own

Operate tenders were called for the re-development of the pool complex and operation over a 40 year period.

In this example, the contractor owns the asset and Council pays an annual fee for the service.

The project should generate benefits greater than $662,500 per annum otherwise it should not proceed. This can be assessed by the increase in visitors to the swimming centre or the number of people that visit the City to visit the swimming complex.

If an additional 10,000 visitors from outside the City visit the re-developed pool complex and each spends $10.00 in local businesses, the economic impact can be assessed. The Annual Service Cost to the City's ratepayers for the re-developed pool of $662,500 per annum is estimated to generate an additional $100,000 in revenue to local businesses. In this case, for an Annual Service Cost of $662,500 per annum, $100,000 will be returned in additional revenue to local businesses.

This is the true economic cost of the redeveloped pool complex.

Council can look at the impact of the redeveloped pool complex on the Operational plan and Budget.

For the purpose of this analysis, it is assumed that the upgrade project is funded from a mixture of Council reserves, grants and loans as follows.

Renewal component $2.5M from renewals Reserve

Upgrade component $2M from Federal and State grants

$2.5M from loans

The operating expense is shown in Table A5.3

Table A2.3 Annual Revenue Required for Redevelopment of Swimming Pool Complex

	Capital Cost	Operating Expense	Remarks
Capital Cost			
Renewal – reserves	$2,500,000		
Upgrade – grants – loans	$2,000,000 $2,500,000		
Budget Impact			
Loan interest (on $2M)		$200,000	8% pa
Depreciation (on $4.5M)		$112,500	40 years
Operations/Maintenance		$250,000	
Demolition			NA
Less Additional Revenue		-$60,000	Increase entry fee to $4
TOTAL	$7,000,000	$502,500	

Under the assumptions made, the additional revenue required to fund the operating expense for the pool upgrade is $502,500 in each year for the next 40 years.

For example for a council with annual general rate revenue of $17.7M this is equivalent to a general rate increase of 2.8% over and above the inflationary cost increases facing councils.

The change in Service Delivery in the Council's Operational Plan for the Swimming Pool Service Activity is shown in table A2.4.

Table A2.4 Changes in Service Delivery for Redevelopment of Swimming Pool Complex

	Existing Pool Complex	**Redeveloped Pool Complex**
Operating deficit	$120,000	$622,500
Users	30,000	37,500
Community Service Obligation per use	$4.00	$16.60
Fees paid by users	$3.00	$4.00
Total cost per use	$7.00	$20.60
Proportion of total cost paid by users	43%	19%
Proportion of total cost paid by Council	57%	81%

It is critical that Council and the community understand the financial effect of capital project decisions and that if a rate revenue increase is required, this information is known and considered as part of the decision to approve the project.

This method of project analysis shown can be useful for Council in evaluating capital projects.

Appendix 3 – Asset Management Policy
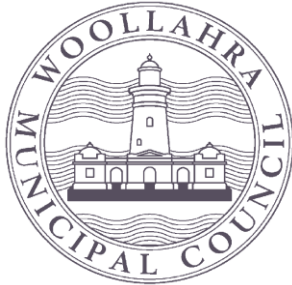
Asset Management

Policy

Our policy

To set guidelines for implementing consistent asset management processes throughout Woollahra Municipal Council.

Objective

To ensure adequate provision is made for the long-term maintenance and renewal of 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 by implementing appropriate asset management strategies and appropriate financial resources for those assets.
- Creating an environment where all Council employees have an integral role in overall management of Council assets by creating and sustaining asset management awareness throughout the Council.
- 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.

To ensure that asset management is undertaken in accordance with Council's adopted Community Strategic Plan – Woollahra 2025. (Refer to Section 'How this policy relates to our Community Strategic Plan – Woollahra 2025' for details).

Scope

This policy applies to all Council activities.

Policy

Background

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

Council owns and uses non-current assets with a renewal value of approximately $700 million to support its core business of delivery of service to the community.

Asset management practices impact directly on the core business of Council and appropriate asset management is required to achieve our strategic service delivery objectives.

A strategic approach to asset management will ensure that Woollahra Municipal Council delivers the highest appropriate level of service through its assets. This will provide long term benefits to:

- The community;
- 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.

Principles

1. A consistent Asset Management Strategy must exist for implementing systematic asset management and appropriate asset management best-practice throughout all Departments of Council.

2. Asset management planning will be based on horizons appropriate to the various classes of assets under Council's care, but will be for a minimum of 10 years.

3. All relevant legislative requirements together with political, social and economic environments are to be taken into account in asset management.

4. Asset management principles will be integrated within existing planning and operational processes.

5. An inspection regime will be used as part of asset management to ensure agreed service levels are maintained and to identify asset renewal priorities.

6. Asset renewals required to meet agreed service levels and identified in Asset Management Plans and long term financial plans will be adequately funded in the annual budget estimates.

7. Service levels agreed through the budget process and defined in Asset Management Plans all be fully funded in the annual budget estimates.

8. 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.

9. Systematic and cyclic reviews will be applied to all asset classes to ensure that the assets are managed, valued and depreciated in accordance with appropriate best practice and applicable Australian Standards.

10. Future life cycle costs will be reported and considered in all decisions relating to new services and assets and upgrading of existing services and assets.

11. Future service levels will be determined in consultation with the community.

Legislation

Local Government Act 1993.

Regulations under the Act.

Integrated Planning & Reporting Guidelines and Manual.

How this policy relates to our Community Strategic Plan – Woollahra 2025

Asset management will be undertaken in accordance with the Goals and Strategies identified in Council's Community Strategic Plan – *Woollahra 2025*, which was adopted in April 2010 following broad community consultation.

Woollahra 2025 addresses the management of assets principally through Goal 5: Liveable Places. Management of assets is also encompassed in part within Goals 4, 6, 7, 8 and 11. The relevant strategies under each relevant Goal are provided as follows:

Goal 4: Well planned neighbourhoods

Support and enhance the form and function of the local village atmosphere.

Goal 5: Liveable Places

Enhance local community, cultural and recreation facilities to become more attractive, integrated, and accessible.

Provide and maintain safe, clean, serviceable public infrastructure including roads, footpaths, parks, open space, stormwater drains and seawalls.

Provide attractive, accessible, connected and safe parks, sportsgrounds,

foreshore areas and other public spaces.

Protect trees, streetscapes and landscapes.

Enhance the physical environment of our local suburbs, neighbourhoods and town centres.

Reduce impacts of local flooding and improve floodplain risk management.

Renew and upgrade ageing infrastructure including roads, footpaths, stormwater drains and seawalls.

Goal 6: Getting around

Facilitate an improved network of accessible and safe transport options.

Goal 7: Protecting our environment

Protect natural landscapes, systems and biodiversity.

Preserve and restore bushland areas and create wildlife corridor plantings.

Support cleaner, healthier waterways including improved water quality and healthy water catchments, creeks and harbour.

Goal 8: Sustainable use of resources

Promote and carry out water sensitive urban design.

Goal 9: Community focused economic development

Maintain a high quality public domain to support and promote local business.

Goal 11: Well managed Council

Maintain Council's strong financial position.

Definitions

Nil.

Want to know more?

For further information on this policy contact our Technical Services Division.

Version 1

Approval date: 28 June 2010

Date issued: 28 June 2010

Review date: June 2012

This part of our policy provides an overall summary of the intention and reason for a policy. Specific implementation procedures are available on request. The General Manager has approved this policy and the attached procedures.

Gary James, General Manager

Implementation & Procedures

The **Council** is responsible for adopting the policy and ensuring that sufficient resources are applied to manage assets.

The **General Manager** has overall responsibility for developing an asset management strategy, plans and procedures and reporting on the status and effectiveness of asset management within Council.

Council's **Technical Services** Division has primary responsibility for asset management planning and implementation. These activities will be overseen by an **Asset Management Steering Group** comprised of staff from the Technical Services, Corporate Services and Community Services divisions.

Budget & Identification of expenditure

Nil.

Related Documents

Asset Management Strategy and associated Asset Management Plans.

The Asset Management Strategy is in the final stages of development and will be available for community comment from 1 July. Asset Management Plans for different classes of assets have been developed but are at varying levels of sophistication. These will be further refined throughout 2010/11.

Appendix 4 – Asset Maturity Audit Results – Summary

A4.1 – Maturity Result
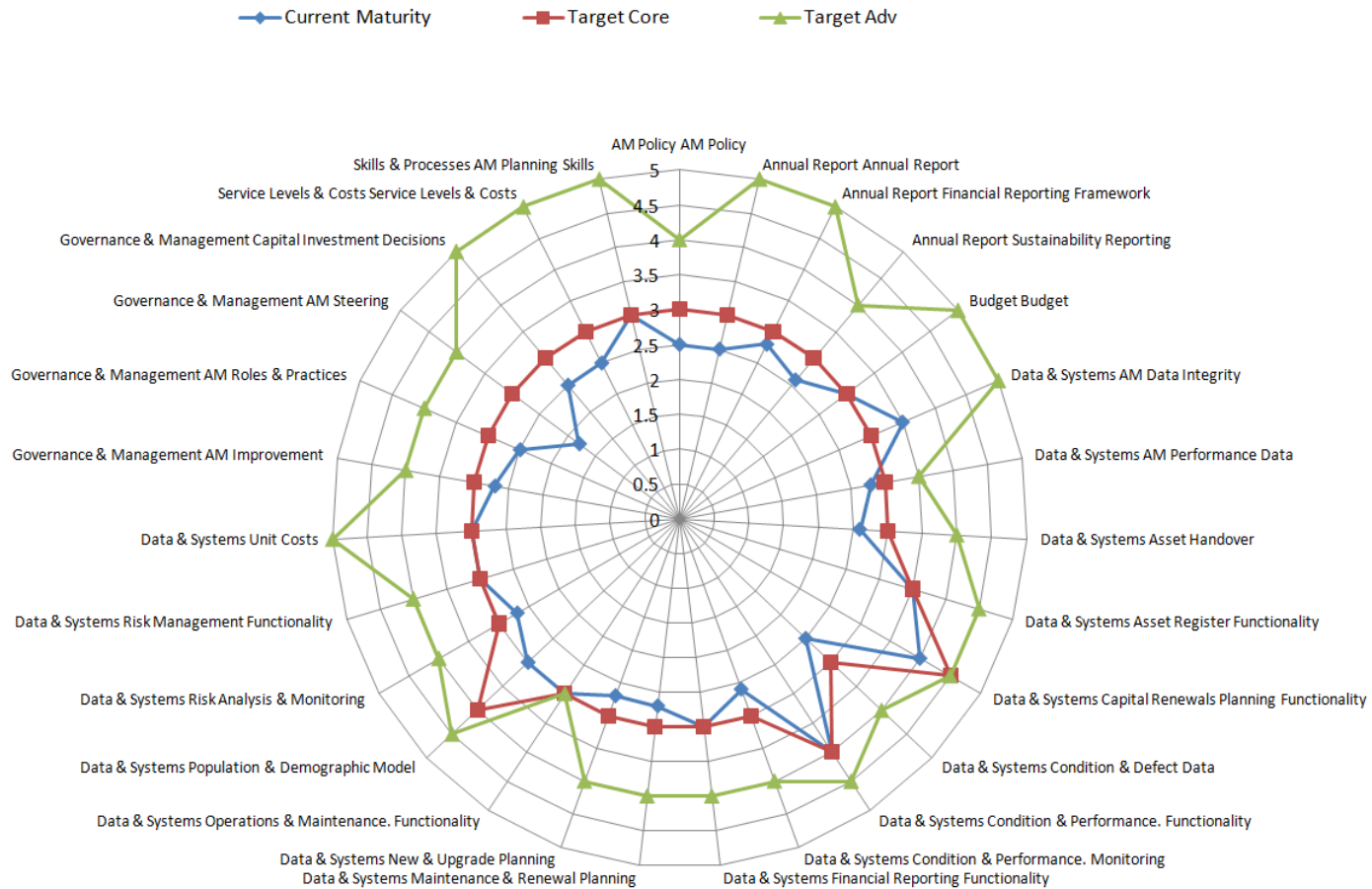
A4.2 – Risk Implications of Current Maturity
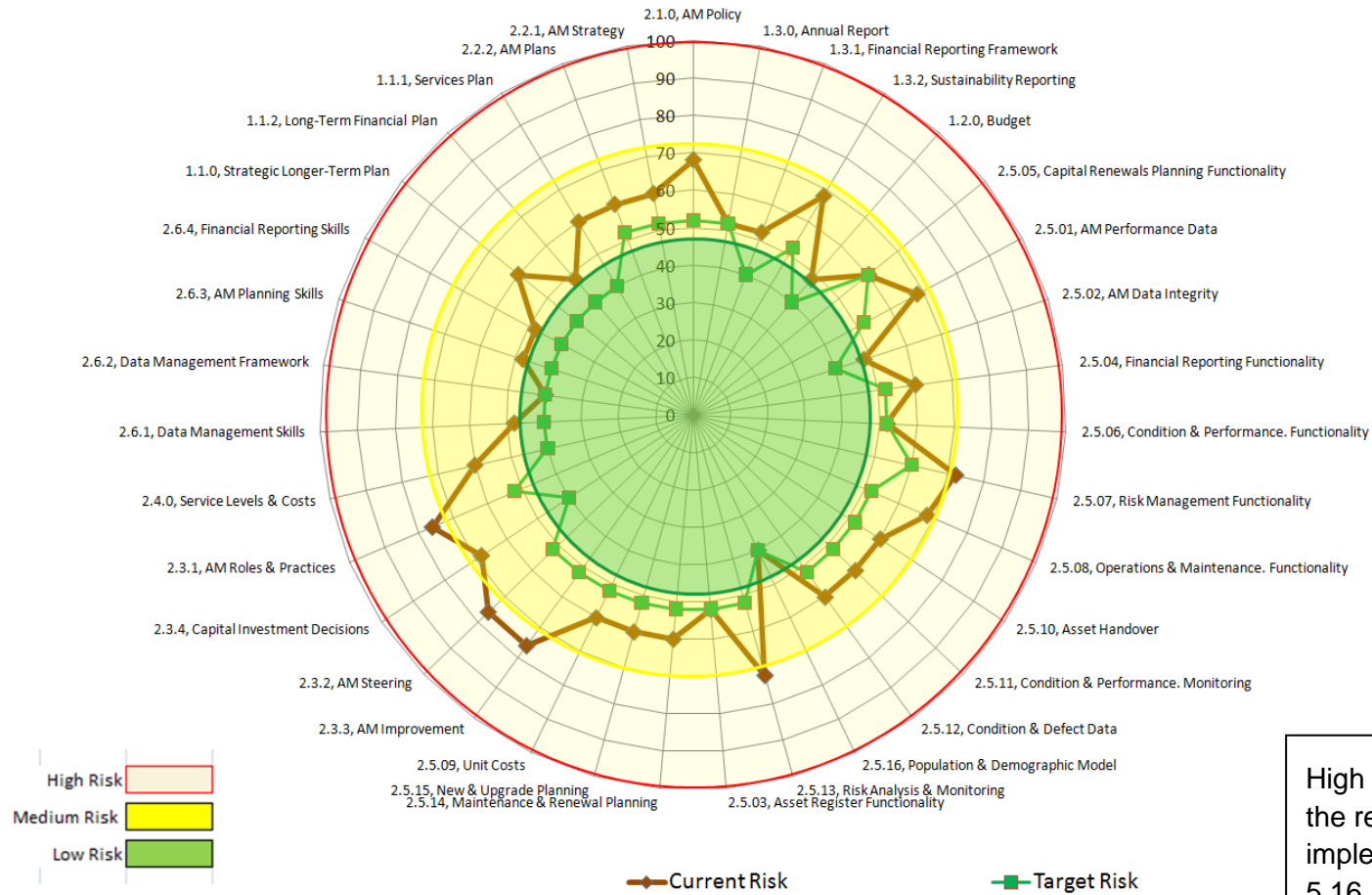
High risk areas are managed by the recommendations and implementation plan in section 5.16

Appendix 5 – Asset Maturity Audit Results – Detail (Volume 2)