

Carrathool Shire Council





ASSET MANAGEMENT STRATEGY



Version 1

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NAMS.PLUS Asset Management

The Institute of Public Works Engineering Australasia.

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Table of Contents

Executive Summary.....	3
1. Introduction	6
1.1 Legislative reform	6
1.2 Asset Management Planning Process	10
2. What Assets do we have?	10
3. The Organisation’s assets and their management?.....	12
3.1 State of the Assets	12
Financial Status	12
Remaining Life of Assets	13
Condition of assets.....	14
10 Year Forecast Expenditure	15
3.2 Life Cycle Cost	16
3.3 The Asset Management Team and Structure	18
3.5 Financial & Asset Management Core Competencies.....	19
3.6 Strategy Outlook	20
4. Where do we want to be?	21
4.1 Council’s Vision, Mission, Goals and Objectives	21
4.2 Asset Management Policy.....	22
4.3 Asset Management Vision	22
5. How will we get there?	23
6. Asset Management Improvement Plan	24
Appendix A Asset Management Maturity Assessment.....	26

Tables

Table 1: Assets used for providing Services.....	10
Table 2: Financial Status of the Assets.....	12
Table 3: 10 Year Forecast Expenditure by Asset Category	15
Table 4: Life Cycle Cost for Council Services	16
Table 5: Life Cycle Expenditure for Council Services	16
Table 6: Life Cycle Indicators.....	17
Table 7: Goals and Objectives for Infrastructure Services.....	21
Table 8: Asset Management Strategies	23
Table 9: Asset Management Improvement Plan	24

Figures

Figure 1: NSW Local Government Integrated Planning and Reporting Framework.....	7
Figure 2: Asset Management Planning Process	10
Figure 3: Asset Replacement by Asset Class	12
Figure 4: Asset Consumption Ratio.....	13
Figure 5: State of the Assets – Condition by Percentage of Value for each Asset Category	14
Figure 6: State of the Assets – Condition by Value for each Asset Category.....	14
Figure 7: Core Asset Management Maturity – August 2016	19
Figure 8: Core Asset Management Maturity – June 2012	20

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Executive Summary

Background

This asset management strategy is prepared to assist council in improving the way it delivers services from infrastructure using the following Asset Management Plans:

- Land & Buildings
- Open Space & Recreation
- Plant and Equipment
- Roads
- Water & Sewerage

These infrastructure assets have a combined replacement value of approximately \$238.5M¹

The asset management strategy is to enable Council to show:

- How its asset portfolio will meet the service delivery needs of its community into the future,
- Enable Council's asset management policies to be achieved, and
- Ensure the integration of Council's asset management with its long term strategic plan.²

Adopting this asset management strategy will assist council in meeting the requirements of national sustainability frameworks and the Integrated Planning and Reporting guidelines for NSW (IP&R). 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, and provide the services needed by the community in a financially sustainable manner.

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

Forecast expenditure

The forecast expenditure to operate, maintain, replace, upgrade and add new infrastructure over the next ten years is estimated at \$104.7M³. This is aligned with the revenue scenario detailed in the Long Term Financial Plan and the affordable service delivery model identified in each of the Asset Management Plans.

Assets are funded at 73% of the life cycle cost and 5% of them are in a poor to very poor condition with an overall reported 78% asset consumption ratio. It is fair to say maintaining present funding levels should ensure existing services are maintained over the next 10 years including replacement of existing assets when they are due provided risks are managed and controlled appropriately.

¹ Sourced from the Long-term Financial Plan and Asset Management Plans for the period ending 30 June 2016.

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

³ In real terms net of inflation.

Risks Critical to Council's Operations

Under current conditions:

1. Fragmented registers and data (acquisition year, useful life, dimension and replacement costs) plus monitoring of asset performance is restricting confidence in the financial operating position and level of sustainability.
2. Consequently, Council is not able to fund current infrastructure life cycle costs at current levels of service under existing financial operating conditions.
3. Reducing capital grants and contributions will make it difficult to maintain service levels.
4. Asset management capability (planning and service level reporting) remains below core level however improvements have been made.
5. Asset condition and performance data is fragmented particularly for most infrastructure classes except roads and is not readily available for corporate reporting.

Asset Management Capability

This Asset Management Strategy includes specific actions required to improve council's asset management capability and projected resource requirements and timeframes. Appendix A of this strategy details the current status of asset management maturity at an organisational level and outlines observations, implications and recommendations for improvement planning. A summary of the key findings are outlined as follows:

1. Council's asset management capability in 2012 was below core level in most areas. Improvements have been made in the past 4 years as evidenced by a follow up capacity review undertaken in August 2016.
2. With continued improvements in asset planning, governance, level of service monitoring and reporting and data & systems core level maturity can be achieved by the end of the 2016/17 financial year.
3. 10 year forward outlook is that current service levels can be maintained for most services with current budget allocations for the next 10 years with the exception of some road and building assets. For these services additional modelling Scenarios are needed with higher confidence to provide a balanced outlook between budget and costs for next 10 years.
4. Any new assets will increase future costs for maintenance, operating and future renewal and will need corresponding additional funding.
5. Residual asset and service risks that are not managed will need to be reported to an Asset Steering Committee or equivalent. These risks have been identified in risk management plans for the respective asset categories.

Strategy Outlook

The organisation is in a strong position to maintain services over the short to medium term (next 5 to 10 years) although the current funding may be inadequate for the long term sustainability of current service levels.

1. Increased confidence of the long term service level sustainability is required, and this strategy discusses the organisational asset management maturity improvements required to attain a higher level of confidence in assessing the long term position.
2. By increasing operating revenue and considering loan borrowings to fund capital works combined with realising future efficiency gains Council is well positioned to maintain an operating surplus position within ten years thereby moving to a more sustainable position.
3. Council's current asset management maturity is expected to reach 'core' level maturity by the end of 2017 and continued investment is needed particularly in asset planning, governance, level of service monitoring and reporting and data & systems to ensure information, lifecycle and service management is maintained at the appropriate levels.

Improvement Plan

This Strategy proposes short term actions to enable the objectives of the Strategic Plan and Asset Management Policy to be achieved. This includes a program of tasks and resources required to achieve a minimum 'core' asset management maturity which was developed during the most recent Maturity Assessment in August 2016. The priority actions can be funded from existing operational budget allocations and are summarised as follows:

1. Include commentary in the budget following the completion of the LTFP to ensure a statement of whether the budget will achieve the strategic plan objectives, service level targets and address the risks in the AMPs and if Councils financial sustainability position will improve stay the same or worsen.
2. Implement an Asset Management Steering Committee, with cross functional representation and clearly defined and documented terms of reference, focused on coordinating the linkages between service delivery and asset management requirements.
3. Implement state of the assets reporting showing current and 10 year target and affordable service levels for condition, function and capacity (see NAMSPLUS for definitions and methodology). Include results in the Annual Report.
4. Prepare and implement a consistent condition rating assessment process in line with resource capacity and the International Infrastructure Management Manual (2015).
5. Ensure linkage between the Asset Management Plans, Strategy and the Long Term Financial Plan is maintained during the budget process ensuring high residual risks are reported.
6. Ensure service levels in AM Plans (technical and customer) are updated on an annual basis.
7. Customer service levels should show what is achievable with available funding in the LTFP and be included in the CSP update.
8. Ensure an annual review is undertaken of asset maturity across the organisation.
9. Consider including in the next update of the Strategic Plan commentary on the important role infrastructure plays in achieving strategic objectives and the future outlook for this infrastructure including any challenges/risks.

1. Introduction

Assets deliver important services to communities. A key issue facing local governments throughout Australia is the management of ageing assets in need of renewal and replacement.

Infrastructure assets such as roads, drains, bridges, water and sewerage and public buildings present particular challenges. Their condition and longevity can be difficult to determine. Financing needs can be large, requiring planning for large peaks and troughs in expenditure for renewing and replacing such assets. The demand for new and improved services adds to the planning and financing complexity.⁴

The creation of new assets also presents challenges in funding the ongoing operating and replacement costs necessary to provide the needed service over the assets' full life cycle.⁵

The asset management strategy is to enable Council to show:

- how its asset portfolio will meet the service delivery needs of its community into the future,
- to enable Council's asset management policies to be achieved, and
- to ensure the integration of Council's asset management with its long term strategic plan.⁶

The goal of asset management is to ensure that services are provided:

- in the most cost effective manner,
- through the creation, acquisition, maintenance, operation, rehabilitation and disposal of assets,
- for present and future consumers.

The objective of the Asset Management Strategy is to establish a framework to guide the planning, construction, maintenance and operation of the infrastructure essential for council to provide services to the community.

1.1 Legislative reform

NSW Integrated Planning and Reporting (IP&R)

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 requires the Deputy Director General (Local Government), Department of Premier and Cabinet must provide guidelines that are to be followed by local councils when undertaking their planning and reporting activities.

The Integrated Planning and Reporting Guidelines⁷ has been developed to provide councils with information and guidance to assist their transition to the new planning and reporting framework.

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

⁵ LGPMC, 2009, Framework 3 Financial Planning and Reporting, pp 2-3.

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

⁷ DPC, 2013, Integrated Planning and Reporting Guidelines.

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.

As at 30 June 2012, all councils in NSW were required to be working within the Integrated Planning and Reporting framework as show below.



Figure 1: NSW Local Government Integrated Planning and Reporting Framework

An outline of the three key planning elements of the framework are described below.

Community Strategic Plan

The Community Strategic Plan is the highest level plan that a council will prepare. The purpose of the plan is to identify the community's main priorities and aspirations for the future and to plan strategies for achieving these goals.

Resourcing Strategy

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.

This Asset Management Strategy is a requirement of the Asset Management Planning component.

Delivery Program and Operational Plan

This is the point where the community's strategic goals are systematically translated into actions. These are the principal activities to be undertaken by the council to implement the strategies established by the Community Strategic Plan within the resources available under the Resourcing Strategy.

Strategic Issues at a National Level

At a national level, the Local Government and Planning Ministers' Council agreed to a nationally consistent approach for Councils to adopt a longer-term approach to service delivery and funding.

The national approach consists of three main frameworks:

Framework 1 – Criteria for Assessing Financial Sustainability

Framework 2 – Asset Planning and Management; and

Framework 3 – Financial Planning and Reporting.

The guiding principles that underpin the development of national criteria for assessing financial sustainability allow each State and Territory to consider and determine how the elements of the national framework will be implemented and are monitored using the following indicators:

- Income generating efforts;
- Efficiently delivered services that are appropriate to needs;
- Short and long term financial sustainability; and
- Ability to maintain, renew and upgrade assets.

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

The seven elements are:

1. Asset management policy,
2. Strategy and planning,
 - a. asset management strategy,
 - b. asset management plan,
3. Governance and management arrangements,
4. Defining levels of service,
5. Data and systems,
6. Skills and processes, and
7. Evaluation.⁸

Framework 3 - Financial Planning and Reporting requires councils to adopt a longer-term approach to service delivery and funding comprising:

- A strategic longer-term plan covering, as a minimum, the term of office of the councillors and:
- bringing together asset management and long term financial plans,
 - demonstrating how council intends to resource the plan, and
 - consulting with communities on the plan

⁸ LGPMC, 2009, *Framework 2 Asset Planning and Management*, pp 3-5.

Annual budget showing the connection to the strategic objectives, and

Annual report with:

- explanation to the community on variations between the budget and actual results ,
- any impact of such variances on the strategic longer-term plan,
- report of operations with review on the performance of the council against strategic objectives.⁹

The implementation of the IP&R framework during 2011 in NSW due to changes in legislation is consistent with the National Framework.

⁹ LGPMC, 2009, *Framework 3 Financial Planning and Reporting*, pp 4-5.

1.2 Asset Management Planning Process

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

Asset management planning commences with defining stakeholder and legal requirements and needs, incorporating these needs into the organisation’s strategic plan, developing an asset management policy, strategy, asset management plan and operational plans, linked to a long-term financial plan with a funding plan.¹⁰

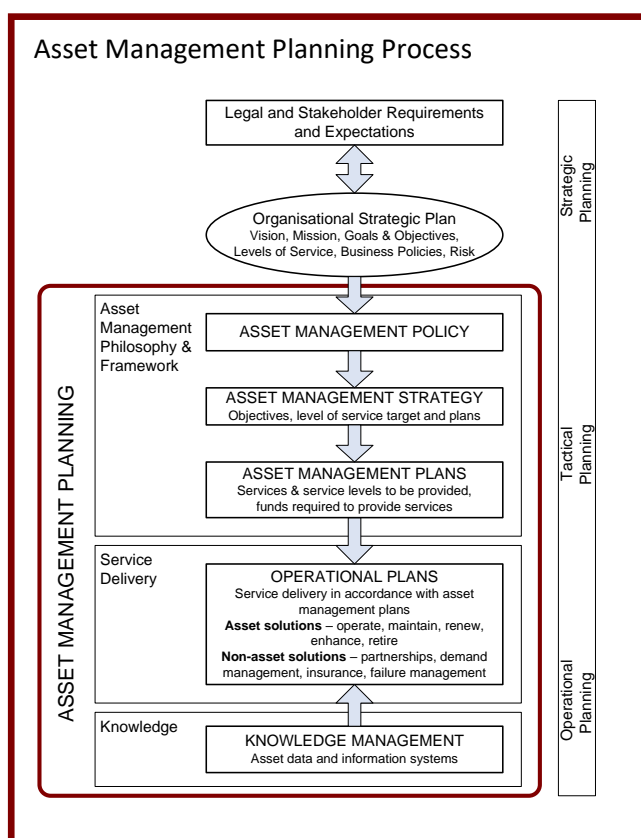


Figure 2: Asset Management Planning Process

2. What Assets do we have?

Council uses infrastructure assets to provide services to the community. The range of infrastructure assets and the services provided from the assets is shown in Table 1.

Table 1: Assets used for providing Services

Asset Class	Description	Services Provided
Buildings	<ul style="list-style-type: none"> • Caravan & Camping • Community Halls • Emergency Services • Health & Childcare • Landfill & Transfer • Libraries & Museums • Office & Depot • Public Amenities • Residential Housing 	The buildings provided by Council are used to support the administration, operational and social services for the community.

¹⁰ IPWEA, 2009, AIFMG, Quick Guide, Sec 4, p 5.

Asset Class	Description	Services Provided
Road, Bridge and Drainage	The Transport network comprises: <ul style="list-style-type: none"> • Sealed Roads 427 km • Unsealed Roads 2,133km • Bridge & Major Culverts 51 • Footpaths 7.4 km • Kerb & Channel 7.5 km • Stormwater assets 309 	The Road and Drainage assets provided by Council are used primarily to support the development and ongoing use of an integrated transport network that meets the needs of the transport industry, pedestrian and domestic users.
Open Space & Recreation	Aerodrome and facilities Park Amenities and Structures Parks and Reserves Parks and Gardens Monuments & Memorials Cemeteries	<ul style="list-style-type: none"> • Provides for and promotes recreation and healthy lifestyles. • Facilitates sport, community and healthy lifestyle. • Provides for and promotes recreation and healthy lifestyles.
Plant & Equipment	The asset stock comprises: <ul style="list-style-type: none"> • Yellow Plant (Grader, Loader, Roller, etc.) • Trucks (Heavy, Medium, Light) • Light Vehicles (Sedans, Hatch, etc.) • Heavy Vehicles (Wagons, Utilities, etc.) • Trailers (Box, Dog, etc.) 	Council provides a range of vehicles, plant and equipment in safe and reliable working order to deliver maintenance and construction services to the community.
Water & Sewerage	The Water & Sewerage network comprises: <ul style="list-style-type: none"> Water Bores 9 N^o Water Mains 458 km Water Pump Stations 19 N^o Water Treatment Facilities 3 N^o Sewer Mains 21 km Sewer Pump Stations 12 N^o Sewer Treatment Plants 3 N^o Telemetry 39 sites 	Council provides water and sewer services to Goolgowi, Hillston and Rankins Springs urban areas. Water is provided to Carrathool and Merriwagga villages. With the exception of Rankins Springs all urban water supplies are potable. In addition stock and domestic water is supplied to rural areas surrounding Goolgowi, Merriwagga and Rankins Springs.

3. The Organisation's assets and their management?

3.1 State of the Assets

Financial Status

The financial status of Council's assets is shown in Table 2. As at the end of June 2016, the total replacement value of council controlled assets is calculated at \$238.5M with a Depreciated Replacement Cost of \$174M and an Annual Depreciation Expense currently at \$7.9M.

Table 2: Financial Status of the Assets

Asset Class	Replacement Cost (\$'000)	Depreciated Replacement Cost (\$'000)	Depreciation Expense (\$'000)
Buildings	\$23,443	\$12,957	\$639
Road, Bridge and Drainage	\$177,460	\$138,264	\$4,910
Open Space & Recreation	\$2,233	\$1,185	\$79
Plant & Equipment	\$12,390	\$6,499	\$1,624
Water & Sewerage	\$22,927	\$15,141	\$608
TOTAL	\$238,453	\$174,047	\$7,860

Source: Financial register for the period ending 30 June 2016

Figure 3 shows the proportion of Council's asset class by asset replacement cost.

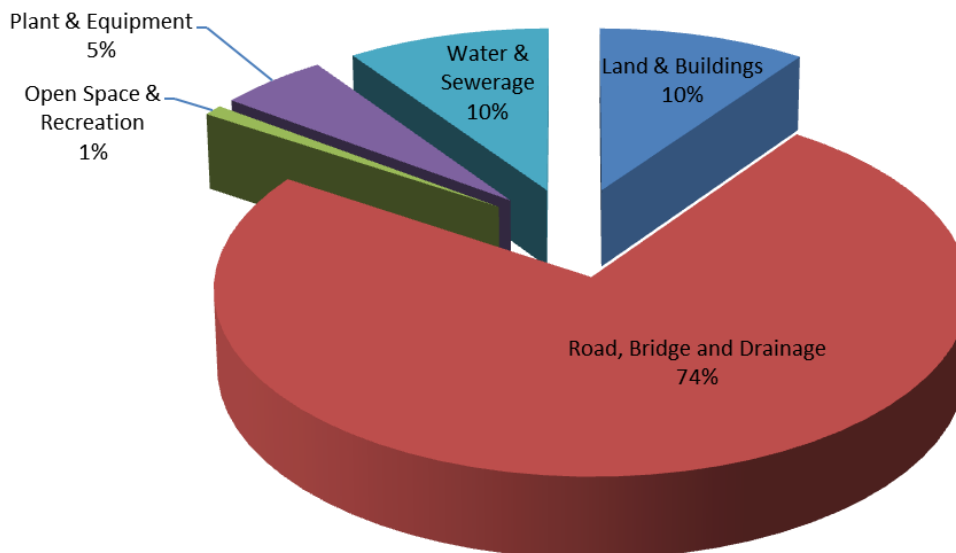


Figure 3: Asset Replacement by Asset Class

Remaining Life of Assets

The asset consumption ratios of Council's assets (average proportion of 'as new' condition left in assets) are shown in Figure 4.

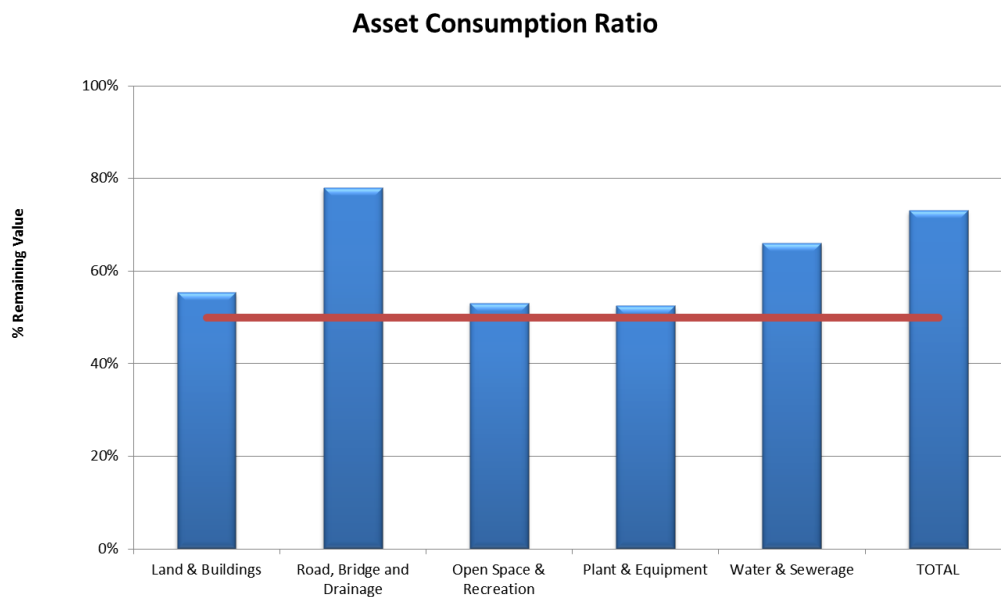


Figure 4: Asset Consumption Ratio

Figure 4 shows all assets have more than 50% of life remaining with the greatest proportion of assets in dollar terms being Road and Bridge assets with a relatively new 'on average' performance at 78% suggesting these assets should be providing an overall high level of service.

Those assets with a lower life remaining 'on average' would be experiencing lower levels of service.

If this is not the case and service levels are not as indicated above, the **useful life of the assets may not reflect the reality of the assets' service performance and remaining life.**

Condition of assets

The known condition of council's assets overall is in a fair to very good condition and is reported with a medium level of confidence as shown in Figures 5 and 6.

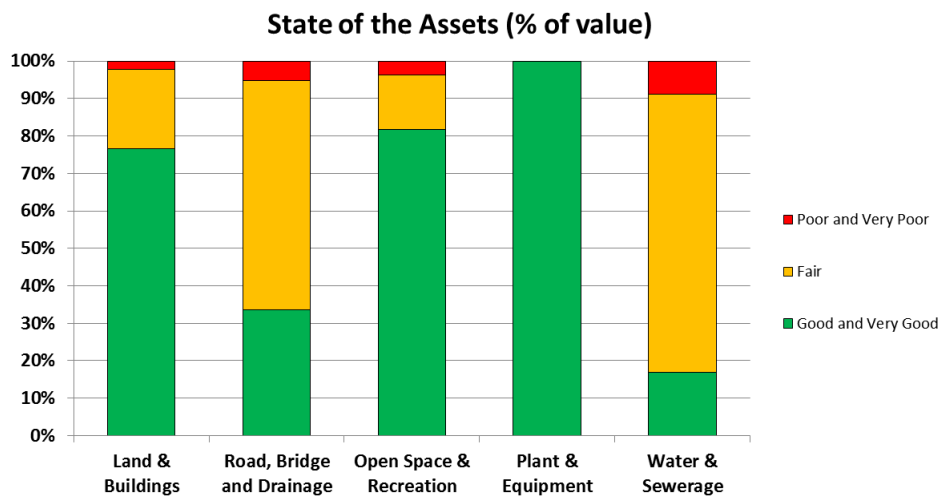


Figure 5: State of the Assets – Condition by Percentage of Value for each Asset Category

(Source: Financial Asset Register)

According to the condition data contained in the asset register 5% of the asset stock (by replacement value) are in a poor to very poor condition and will need close monitoring and due assessment of risk for replacement in the short to medium term.

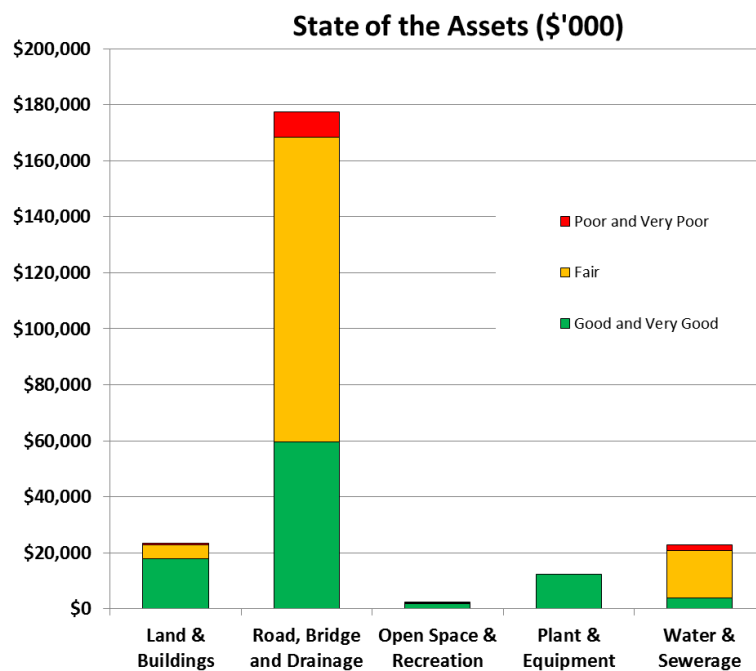


Figure 6: State of the Assets – Condition by Value for each Asset Category

(Source: Financial Asset Register)

10 Year Forecast Expenditure

The forecast operations, maintenance, renewal and upgrade/new expenditure per asset category over the next 10 years is estimated to cost in the order of \$104.7M¹¹. This is aligned with the improved revenue scenario detailed in the Long Term Financial Plan and the needs identified in the Asset Management Plans. The 10 year expenditure forecast for each asset category is shown in Table 3 below.

Table 3: 10 Year Forecast Expenditure by Asset Category

Service	Operations (\$'000)	Maintenance (\$'000)	Capital Renewal Expenditure (\$'000)	Capital Upgrade/New Expenditure (\$'000)	TOTAL (\$'000)
Land & Buildings	\$750	\$2,992	\$3,169	\$1,210	\$8,121
Road, Bridge and Drainage	\$500	\$25,123	\$20,883	\$17,355	\$63,861
Open Space & Recreation	\$0	\$490	\$473	\$40	\$1,003
Plant & Equipment	\$0	\$8,698	\$11,854	\$0	\$20,552
Water & Sewerage	\$0	\$7,399	\$3,100	\$635	\$11,133
TOTAL	\$1,250	\$44,702	\$39,478	\$19,240	\$104,670

¹¹ In real terms net of inflation.

3.2 Life Cycle Cost

Life cycle costs (or whole of life costs) are the average costs that are required to sustain the service levels over the longest asset life. Life cycle costs include annual operating and maintenance expenditure and asset consumption (depreciation expense). The life cycle cost for the services covered in this asset management plan is shown in Table 4.

Table 4: Life Cycle Cost for Council Services

Service	Annual Average 10 year Expenditure		Depreciation (\$'000)	Life Cycle Cost (\$'000/yr)
	Operations	Maintenance		
Land & Buildings	\$75	\$299	\$639	\$1,013
Road, Bridge and Drainage	\$50	\$2,512	\$4,910	\$7,472
Open Space & Recreation	\$0	\$49	\$79	\$128
Plant & Equipment	\$0	\$870	\$1,624	\$2,494
Water & Sewerage	\$0	\$740	\$608	\$1,348
TOTAL	\$125	\$4,470	\$7,860	\$12,455

Life cycle costs can be compared to life cycle expenditure to give an indicator of sustainability in service provision. Life cycle expenditure includes the forecast annual average operating, maintenance and capital renewal expenditure over the forward 10-year planning period. Life cycle expenditure will vary each year depending on the timing of asset renewals. The life cycle expenditure for council assets is shown in Table 5.

Table 5: Life Cycle Expenditure for Council Services

Service	Annual Average 10 year Expenditure		Cap Renewal (\$'000)	Life Cycle Expenditure (\$'000)
	Operations	Maintenance		
Land & Buildings	\$75	\$299	\$317	\$691
Road, Bridge and Drainage	\$50	\$2,512	\$2,088	\$4,651
Open Space & Recreation	\$0	\$49	\$47	\$96
Plant & Equipment	\$0	\$870	\$1,185	\$2,055
Water & Sewerage	\$0	\$740	\$310	\$1,050
TOTAL	\$125	\$4,470	\$3,948	\$8,543

The life cycle costs and expenditure comparison highlights any difference between present outlays and the average cost of providing the service over the long term. If the life cycle expenditure is less than the life cycle cost, it is most likely that outlays will need to be increased or cuts in services made in the future in order to achieve a sustainable position.

Knowing the extent and timing of any required increase in outlays and the service consequences if funding is not available will assist council in providing services to their communities in a financially sustainable manner. This is the purpose of the AM Plans and long term financial plan.

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

The life cycle gap and life cycle indicator for services covered by this asset management plan is summarised in Table 6.

Table 6: Life Cycle Indicators

Service	Life Cycle Cost (\$'000/yr)	Life Cycle Expenditure (\$'000/yr)	Life Cycle Gap * (\$'000/yr)	Life Cycle Indicator
Land & Buildings	\$1,013	\$691	-\$322	68%
Road, Bridge and Drainage	\$7,472	\$4,651	-\$2,822	62%
Open Space & Recreation	\$128	\$96	-\$32	75%
Plant & Equipment	\$2,494	\$2,055	-\$438	82%
Water & Sewerage	\$1,348	\$1,050	-\$298	78%
TOTAL	\$12,455	\$8,543	-\$3,912	73%

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

The sustainability indicators are significantly influenced by depreciation and the forecast of capital renewal expenditures on assets.

Renewal expenditure is major work which does not increase the asset's design capacity but restores, rehabilitates, replaces or renews an existing asset to its original service potential. Work over and above restoring an asset to original service potential is regarded as upgrade/expansion or new works expenditure.

The Asset Management Plans which provide the detail input into the sustainability assessment consider three Scenarios.

Scenario 1 uses the Asset Register valuation data to project the renewal costs for renewal years using acquisition year and useful life;

Scenario 2 uses capital renewal expenditure projections from external condition modelling systems (such as a Pavement Management System), or a combination of average network renewals plus defect repairs from expert technical judgement. Scenario 2 has been developed for most asset categories. Council technical staff has confirmed that the current budget forecast is below that required to sustain service levels for the short to medium term (10 years) for most assets. Consequently the projected renewal expenditure shown in Scenario 2 of the asset management plans is invariably above the revenue forecasts projected in the Financial Plan. Further investigation and confirmation of this position should be made in preparation for the next update of the Asset Management Plans. This is particularly important for the asset categories where the life cycle sustainability index is low.

Scenario 3 balances the forward works program to the available funds in the Long term Financial Plan. Where there is a substantial difference between scenarios 2 and 3, the risk of unfunded work and risk management actions is identified in the applicable Asset Management Plan and Strategy.

At Carrathool Shire assets are funded at 73% of the life cycle cost. Given only 5% of the infrastructure is in a poor to very poor condition and there is 78% of the life remaining in the asset stock it is fair to say maintaining present funding levels should ensure existing services are maintained over the next 10 years including replacement of existing assets when they are due provided risks are managed and controlled appropriately.

3.3 The Asset Management Team and Structure

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

- demonstrate corporate support for sustainable asset management,
- encourage corporate buy-in and responsibility,
- coordinate strategic planning, information technology and asset management activities,
- promote uniform asset management practices across the organisation,
- information sharing across IT platforms,
- pooling of corporate expertise
- championing of asset management process,
- wider accountability for achieving and reviewing sustainable asset management practices.

The role of the asset management team will evolve as the organisation matures over time with consideration of three phases.

Phase 1

- strategy development and implementation of asset management improvement program,

Phase 2

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

Phase 3

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

Council's asset management team is chaired by the General Manager and comprises Directors and technical officer(s).

The role of the team includes:

Formulating an appropriate program of;

- Asset management governance,
- Service level monitoring and reporting
- Risk management reporting
- Statutory compliance to achieve target outcomes under the asset management improvement program (AMIP) identified in the asset management strategy
- Reviewing processes and providing direction on the development and implementation of an asset knowledge management strategy to ensure optimum benefit / cost / risk for technology systems, information management, business processes and reporting.
- Developing, implementing and monitoring key performance indicators that link the Resourcing Strategy to the Community Strategic Plan (CSP)
- Developing appropriate policies to ensure effective Asset Management across the organisation that demonstrate value for money whilst controlling risk and consequences.
- Informing Council of progress; and
- Recommending organisational change as required.

3.5 Financial & Asset Management Core Competencies

The combined National Frameworks on Financial and Asset Planning, Management and Reporting define core competencies for each of the eleven elements. The eleven elements are categorised by the respective framework as follows:

Financial Planning and Reporting

1. Strategic Longer Term Plan
2. Annual Budget
3. Annual report

Asset Planning and Management

4. Asset Management Policy
5. Asset Management Strategy
6. Asset Management Plan
7. Governance & Management
8. Levels of Service
9. Data & Systems
10. Skills & processes
11. Evaluation

Council's current core competency for each of the eleven elements is detailed in 2016 Asset Management Maturity Audit and summarised in Figure 7 below and Appendix A. Current maturity or core competency is shown by the blue bars. The maturity gap to be overcome for Council to achieve a core financial and asset management competency is shown by the red bars.

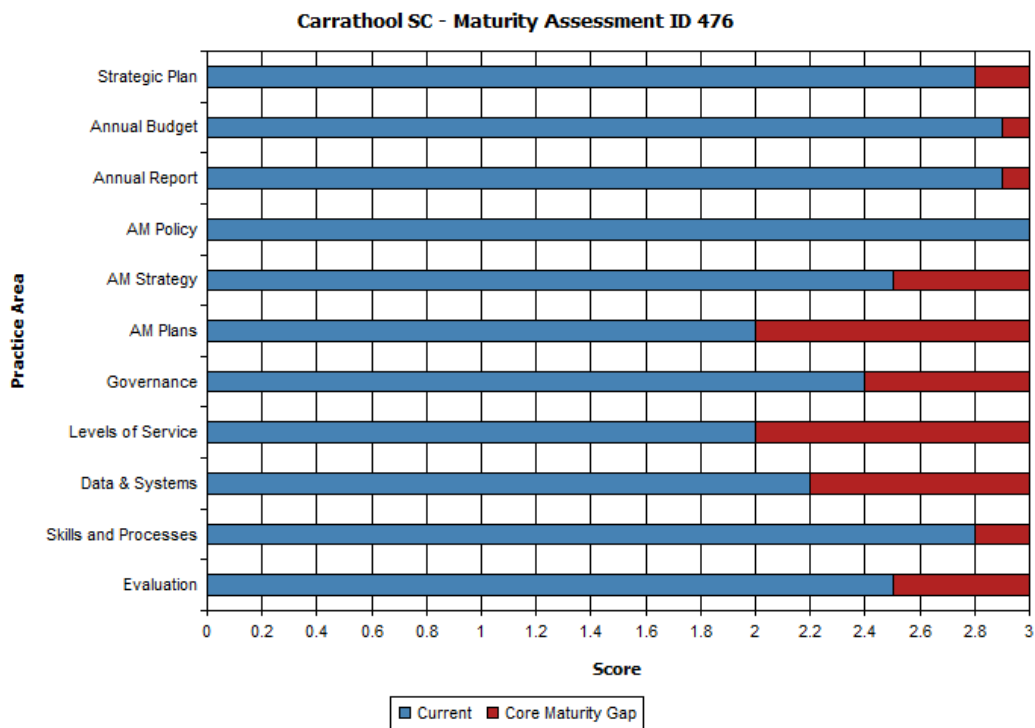


Figure 7: Core Asset Management Maturity – August 2016

A comparison to the previous assessment undertaken in June 2012 where Council was below core level competency for a greater proportion of the asset management practice areas as shown in Figure 8 below it is clear there has been little to no improvement.

An improvement plan is now in place for the areas of practice requiring core competency combined ensuring ongoing management of existing core competencies is maintained.

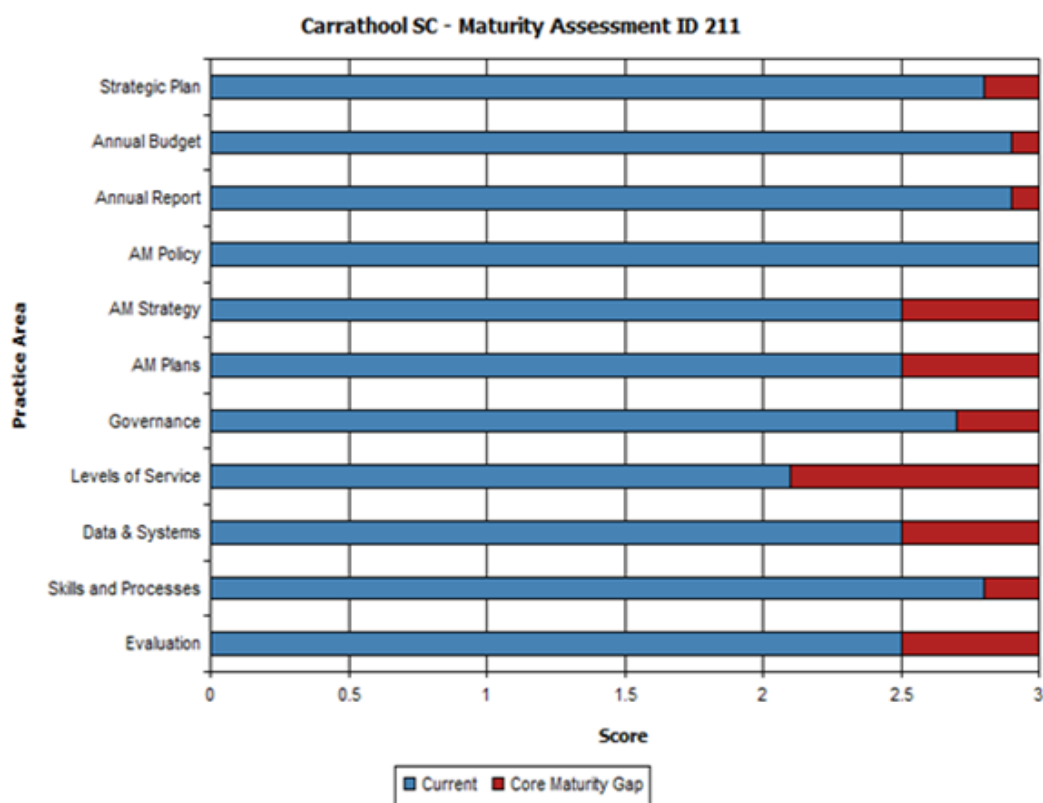


Figure 8: Core Asset Management Maturity – June 2012

3.6 Strategy Outlook

Although the general strategy outlook is that assets can be sustained at current service levels for the next 5-10 years, the asset register indicates a number of council infrastructure assets are well through their useful lives. If this is the case then careful monitoring and planning will be critical if longer term service levels are to be maintained.

1. By increasing operating revenue and considering loan borrowings to fund capital works combined with realising future efficiency gains Council is well positioned to maintain an operating surplus position within ten years thereby moving to a more sustainable position
2. Increased confidence of the long term service level sustainability is required, and this strategy discusses the organisational asset management maturity improvements required to attain a high level of confidence in assessing the long term position.
3. Council’s current asset management maturity is expected to reach ‘core’ level maturity by the end of 2017 and continued investment is needed particularly in asset planning, governance, level of service monitoring and reporting and data & systems to ensure information, lifecycle and service management is maintained at the appropriate levels.

4. Where do we want to be?

4.1 Council's Vision, Mission, Goals and Objectives

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

'Carrathool Shire Council and the Community will work together to protect and deliver quality of life in harmony with economic development and environmental Sustainability.'

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

"Council's MISSION is to provide the community of Carrathool Shire with cost effective works, services and planning"

The Strategic Plan sets goals and objectives to be achieved in the planning period. The goals set out where the organisation wants to be. The objectives are the steps needed to get there. Goals and objectives relating to the delivery of services from infrastructure are shown in Table 7.

Table 7: Goals and Objectives for Infrastructure Services

Goals	Objectives
2.2 Reduce our Ecological Footprint	Strategy 2.2.1 Support installation of rain water tanks in residential properties
2.4 Protect and Conserve Heritage in the Shire	Every generation is custodian of both the land and our heritage for future generations. Both built and natural heritage once lost are lost forever. Carrathool Shire values, respects and celebrates our history and will work with others to protect, interpret and conserve both the built and natural environment.
4.1 Attract investment to the Shire	Identifying opportunities for development is key to growth and building resilience. Anticipating trends, including consumer and workforce, will underpin successful growth. Therefore, both Council and the business community must be proactive and well informed.
5.7 Utilise Halls	The community halls provide a vital service to all communities. As places to gather for celebrations, memorials, concerts and other events they are a pivotal asset which Council provides in partnership with Section 355 committees. Ensuring that all members of the community can access the halls for community purposes in line with agreed use is a priority.
6.2 Community Halls are in good condition and well utilised	Council will work with the Community, particularly Section 355 committees to ensure that all Council Halls are well maintained and accessible by the communities.
6.3 Recreational facilities meet the needs of the community	Recreational facilities include sporting and cultural venues and elements of the natural environment.
6.6 Improving Asset Management techniques	Effective and timely asset management is good stewardship. Council is committed to utilising best practise asset management.
6.7 Maintaining a reliable road network	Through the community consultations it was clear that poor road infrastructure is having a serious impact on efficient, safe and affordable transportation to support our agricultural base. Road standards have a significant impact on ease of travel for recreational, personal and tourism purposes.
6.8 Water Security	Ensure secure and quality town water supplies (TWS) are maintained and rural water supply networks effectively managed.

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

4.2 Asset Management Policy

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

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

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

4.3 Asset Management Vision

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

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

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

- ensure that the Council's infrastructure services are provided in an economically optimal way, with the appropriate level of service to residents, visitors and the environment determined by reference to Council's financial sustainability,
- safeguard Council's assets including physical assets and employees by implementing appropriate asset management strategies and appropriate financial resources for those assets,
- adopt the long term financial plan as the basis for all service and budget funding decisions,
- meet legislative requirements for all Council's operations,
- ensure resources and operational capabilities are identified and responsibility for asset management is allocated,
- provide high level oversight of financial and asset management responsibilities through Audit Committee/CEO reporting to council on development and implementation of Asset Management Strategy, Asset Management Plan and Long Term Financial Plan.

Strategies to achieve this position are outlined in Section 5.

5. How will we get there?

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

Table 8: Asset Management Strategies

No	Strategy	Desired Outcome
1	Move from Annual Budgeting to Long Term Financial Planning	The long term implications of Council services are considered in annual budget deliberations.
2	Develop and annually review Asset Management Plans covering at least 10 years for all major asset classes (80% of asset value).	Identification of services needed by the community and required funding to optimise 'whole of life' costs.
3	Develop Long Term Financial Plan covering 10 years incorporating asset management plan expenditure projections with a sustainable funding position outcome.	Sustainable funding model to provide Council services.
4	Incorporate Year 1 of Long Term Financial Plan revenue and expenditure projections into annual budgets.	Long term financial planning drives budget deliberations.
5	Review and update asset management plans and long term financial plans after adoption of annual budgets. Communicate any consequence of funding decisions on service levels and service risks.	Council and the community are aware of changes to service levels and costs arising from budget decisions.
6	Report Council's financial position at Fair Value in accordance with Australian Accounting Standards, financial sustainability and performance against strategic objectives in Annual Reports.	Financial sustainability information is available for Council and the community.
7	Ensure Council's decisions are made from accurate and current information in asset registers, on service level performance and costs and 'whole of life' costs.	Improved decision making and greater value for money.
8	Report on Council's resources and operational capability to deliver the services needed by the community in the Annual Report.	Services delivery is matched to available resources and operational capabilities.
9	Ensure responsibilities for asset management are identified and incorporated into staff position descriptions.	Responsibility for asset management is defined.
10	Implement an Improvement Plan to realise 'core' maturity for the financial and asset management competencies within 2 years.	Improved financial and asset management capacity within Council.
11	Report six monthly to Council by Audit Committee/CEO on development and implementation of Asset Management Strategy, AM Plans and Long Term Financial Plans.	Oversight of resource allocation and performance.

6. Asset Management Improvement Plan

The priority tasks required to achieve 'core' financial and asset management maturity have been drawn from the 2016 Asset Management Maturity Audit summarised in Appendix A. The priority short term tasks listed by Practice Area are shown in Table 9 below and should be achieved within the next 12 months with little to no impact on operational resources whilst the medium and long term tasks to enhance future capability can be found in the Maturity Audit Report.

The overall improvement plan is the sum of Table 9 below, along with the improvements in the asset management plans (AMPs). These are listed in each AM Plan. There will also be improvements listed in risk management plans as these continue to develop.

Table 9: Asset Management Improvement Plan

Practice Area	Task	Responsibility	Target Date	Resources
Governance and Management	1. Implement an Asset Management Steering Committee, with cross functional representation and clearly defined and documented terms of reference, focused on coordinating the linkages between service delivery and asset management requirements.	Corporate (Technical & Financial)	Jan 2017	Staff time & operational budget
	2. Implement state of the assets reporting and include as part of the annual report.		Jun 2017	
	3. Implement a continuous improvement strategy to assess and report on the performance of controlled assets.		Jun 2017	
Data & Systems	1. Assess the Remaining Life of assets on a priority basis and align with up to date performance data and knowledge.	Corporate (Technical & Financial)	Dec 2017	Staff time & operational budget
	2. Prepare and implement a consistent condition rating assessment process in line with the IIMM.		Jan 2017	
	3. Review and update data for the year of acquisition or date of last renewal and replacement cost in the asset register for those assets written off in the register.		Jun 2017	
	4. Adopt and implement an Infrastructure Asset Hierarchy as a basis for consistent reporting across the organisation.		Jan 2017	
	5. Ensure asset inventory, valuation and performance data is kept up to date.		Ongoing	

Practice Area	Task	Responsibility	Target Date	Resources
Levels of Service	<ol style="list-style-type: none"> 1. Develop and confirm current and desired customer/community and technical levels of service to understand and report on a sustainable service delivery model. 2. Implement state of the assets reporting throughout all strategic planning and reporting documents that show service level trends and targets. 3. Ensure service levels show what is achievable with available funding in the LTFP and be included in the CSP update. 	Corporate (Technical & Financial)	<p>Dec 2017</p> <p>Dec 2017 & Ongoing</p> <p>Ongoing</p>	Staff time & operational budget
AM Plans & Strategy	<ol style="list-style-type: none"> 1. Update the strategy with the key risks facing council as per the OLG guidelines. Update the strategy with the forecast scenarios from the AM Plans. 2. Ensure ongoing annual review and update of costs and service projections in line with asset management improvement plan ensuring high residual risk items are managed and reported appropriately. 	Corporate (Technical & Financial)	<p>Ongoing</p> <p>Dec 2017</p> <p>Ongoing</p>	Staff time & operational budget.
Strategic Longer Term Plan	<ol style="list-style-type: none"> 1. Include in the next update of the Strategic Plan commentary on the important role infrastructure plays in achieving strategic objectives and the future outlook for this infrastructure including any challenges/risks. 	Corporate (Technical & Financial)	Mar 2017	Staff time & operational budget.

Appendix A Asset Management Maturity Assessment

The result of an assessment carried out over two days (10-11th August 2016) by a cross functional panel recommends the adoption and implementation of delegated improvement tasks in the Asset Management Improvement Program.

The assessment found that Council is well placed to satisfy the qualifications for core maturity and is making good progress however improvements are required in the following practice areas:

- Asset Planning
- Governance
- Levels of Service monitoring and reporting; and
- Data & Systems

Next Steps

It is recommended that as part of the consideration of this report, Council's Asset Management Steering Committee (or equivalent) review and adopt the Asset Management Improvement Program.

The key improvement task is the development (and ongoing maintenance) of Asset Management Plans (AM Plans) and Service Levels for key asset categories demonstrating alignment with the long-term financial plan (LTFP) and communicate risk consequences for aspirational and affordable service levels.

In addition, review, update and report on an annual basis the effectiveness of the following to the Executive Management Team via the State of the Assets Report:

1. Asset Management Improvement Program.
2. Service level trends.
3. High to Very High infrastructure risks (via the Risk Management process).