

5.1: REVIEW OF ASSET MANAGEMENT STRATEGY

Proponent	: City of Albany
Owner	: City of Albany
Attachments	: Draft Asset Management Strategy
Responsible Officer(s)	: Executive Director Works and Services (M Thomson)

Maps and Diagrams:

Nil

IN BRIEF

- The Asset Management Working Group, has reviewed Council's Asset Management Strategy.
- Adoption of the revised Strategy will comply with the amended Local Government (Administration) Regulations 1996, which require local authorities to complete a Strategic Community Plan and Corporate Business Plan which includes the development/review of its asset management program.

RECOMMENDATION

ITEM 5.1: RESOLUTION
VOTING REQUIREMENT: SIMPLE MAJORITY

MOVED: COUNCILLOR HAMMOND
SECONDED: COUNCILLOR CALLEJA

THAT Council ADOPT the revised City of Albany Asset Management Strategy (as detailed in the attachment.)

CARRIED 12-0

BACKGROUND

1. The Asset Management Strategy is an informing document to the Corporate Business Plan under the Integrated Planning Framework.
2. The integration of asset, service and financial plans means the Local Government's resource capabilities are matched to their community's needs.
3. The City adopted its Asset Management Policy in the Ordinary Council Meeting in March 2013. The next step is to adopt the Asset Management Strategy in order to align the documents with the Integrated Planning Framework.

DISCUSSION

4. Asset management is critical to meeting Local Government strategic goals.
5. The current Asset Management Strategy (adopted by Council in 2009) has been internally reviewed in order to align the documentation with current requirements.

6. In accordance with the Integrated Planning Framework Guidelines, the Asset Management Strategy responds to four questions –
- What assets do we currently have?
 - What is the current asset management position, including current and forecast future needs and adequacy of funding?
 - Where do we want to be (in relation to the plan for the future)?
 - How will we get there?
7. The Asset Management Strategy has been developed to consider the following key elements to ensure it achieves the desired policy outcomes and effective corporate governance:
- Asset Management Plans.
 - Reviewing/defining levels of service.
 - Linking to the Long Term Financial Plan.
 - Governance and management arrangements.
 - Data and system requirements.
 - Improvement of skills and processes.
9. This Strategy is an administrative tool to outline how the local government's asset portfolio will meet the service delivery needs into the future.

GOVERNMENT CONSULTATION

10. The Department of Local Government has amended the Local Government (Administration) Regulations 1996, to direct Local Authorities to ensure that a Corporate Business Plan is made for each district that includes the development and integration of matters relating to resources, including asset management, workforce planning and long-term financial planning.

PUBLIC CONSULTATION / ENGAGEMENT

11. The Local Government Act 1996 legislation and Integrated Planning Framework process requires the City to complete a Strategic Community Plan which involves seeking genuine and, as far as practicable, representative community input. A program of consultation with elected members has commenced.
12. The integration of asset, service and financial plans means the Local Government's resource capabilities are matched to their community's needs and expectations.
13. The Asset Management Strategy identifies a continuous improvement model, which includes ongoing community engagement.

STATUTORY IMPLICATIONS

14. Section 19DA of the Local Government (Administration) Regulations 1996 has been amended to require each local government to integrate community aspirations and desired outcomes with community planning, services, assets and land-use to develop achievable operational plans, services and issue-specific strategies.

STRATEGIC IMPLICATIONS

15. This item directly relates to the following elements of the 2011 City of Albany Strategic Plan:

Key Focus Area: *Sustainability and Development*

Community Priority: *Asset Management*

POLICY IMPLICATIONS

16. In accordance with the amended legislation, Council is required to review its Asset Management Policy, Strategy and Plans. The Asset Management Strategy has been reviewed using the Department of Local Government's Integrated Planning and Reporting Framework Guidelines.

RISK IDENTIFICATION & MITIGATION

17. The risk identification and categorisation relies on the City's Risk Management Framework.

Risk	Likelihood	Consequence	Risk Analysis	Mitigation
<i>Council does not adopt the Asset Management Policy</i>	<i>Unlikely</i>	<i>Medium</i>	<i>Medium</i>	<i>Mitigation entirely dependent on Council</i>
<i>Implementation of the Asset Management policy negatively impacts on the City's general operations.</i>	<i>Unlikely</i>	<i>Medium</i>	<i>Medium</i>	<i>Management of City assets will be attended to on an ad hoc basis</i>

FINANCIAL IMPLICATIONS

18. There are no direct financial implications in relation to this item.

LEGAL IMPLICATIONS

19. Not applicable.

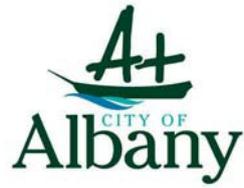
ALTERNATE OPTIONS

20. The City has a statutory obligation to review its Asset Management program in accordance with the provisions of section 19DA of the Local Government (Administration) Regulations 1996. There is no alternative option.

SUMMARY CONCLUSION

21. The City is required to adopt an Asset Management Strategy which outlines a Local Government's Asset Management objectives, targets and plans in accordance with section 19DA of the Local Government (Administration) Regulations 1996.

Consulted References	:	Western Australian Asset Management Improvement Program - Integrated Planning and Reporting Framework
File Number (Name of Ward)	:	CM.RVW.3
Previous Reference	:	OCM 15.07.08 item 13.4.2; OCM 16.06.09 item 13.2.1



Asset Management Strategy

DRAFT

This strategy links to the Integrated Strategic Plan as follows:

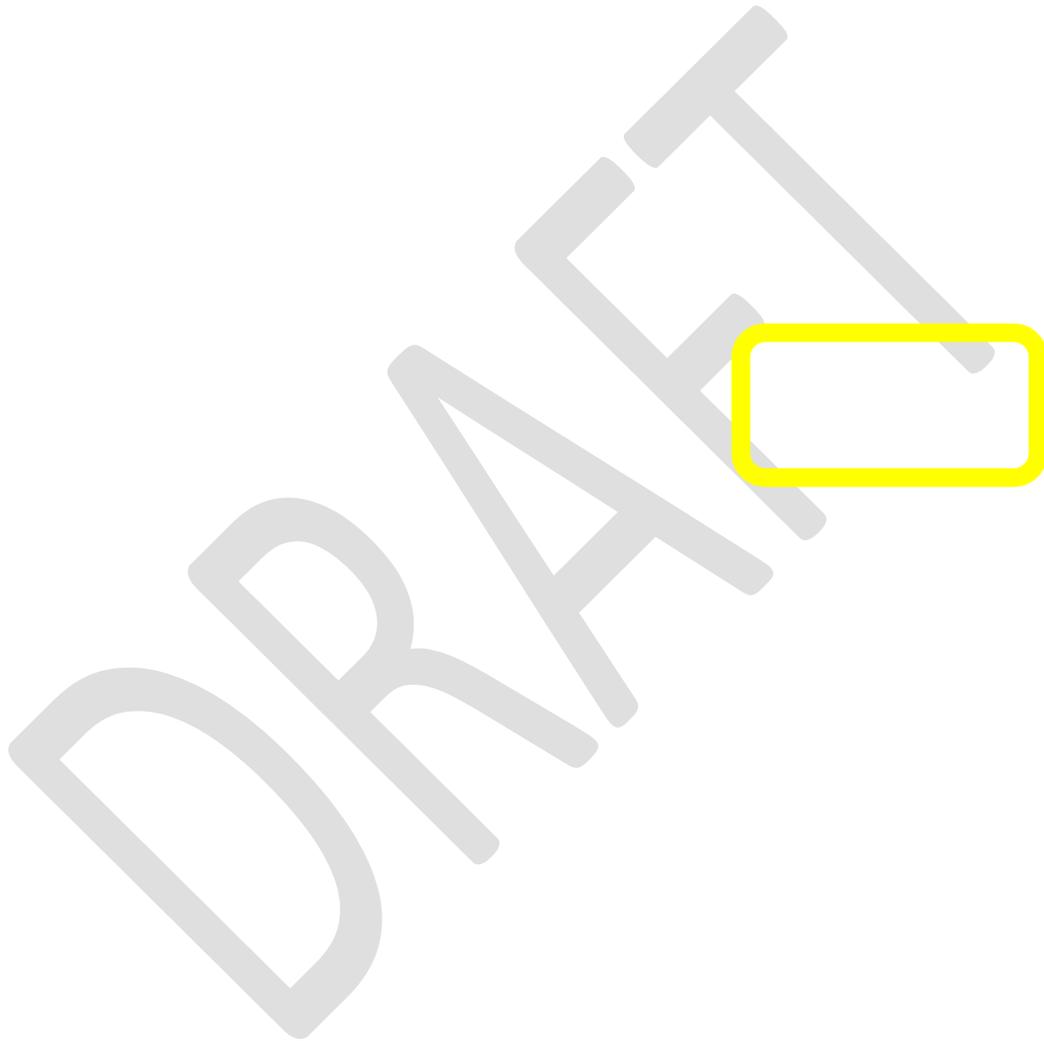


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Asset Management Strategy

1. Executive Summary

Asset Management is critical to meeting local government strategic goals within an Integrated Planning approach. Asset Management Policies, Asset Management Strategies and Asset Management Plans are informed by, and in turn inform, the community aspirations and service requirements in the Strategic Community Plan and Corporate Business Plan.

The Asset Management Strategy is a key document in the Asset Management Framework (the Framework), which is part of the Western Australian Government's Local Government Reform Programme and has been revised to communicate the City's ongoing commitment to improve asset management practices and to ensure that activities are undertaken in accordance with the guidance and requirements of the Framework. Council adopted its Asset Management Policy in March 2013 which should be read in conjunction with this Strategy.

A cross functional Asset Management Working Group (AMWG) was re-established in February 2013 and has identified opportunities for the City to continue the improvement of its strategic approach to asset management. Existing asset management documents are under review and revisions will be presented to Council for adoption.

The Strategy will promote informed planning and decision making through:

- Developing, reviewing and adopting an Asset Management Plan for each of its asset classes and sub-classes;
- Defining levels of service triggers, and affordability by considering "whole of life cycle" cost;
- Utilising funding gap analysis in order to develop long term strategies, linked to the City's long term financial plans;
- Ensuring continuous improvement in processes and practices by developing governance and management arrangements, identifying roles and responsibilities, and efficient reporting mechanisms;
- Establishing and maintaining data information systems, linked to financial expenditure systems;
- Developing a "whole of organisation" culture focused on continuous improvement in asset management.

This Strategy highlights the current position of the City of Albany regarding asset management, identifies long term goals the City aspires to, and, shows how to achieve these with respect to sustainable levels of service, sustainable revenue and resource levels, and legislative requirements.

2. Current Assets

The major infrastructure asset classes managed by the City of Albany are shown in Table 1.

2.1 Current Estimated Value of Assets

The following graph shows the current asset distribution and value:

Figure 2:

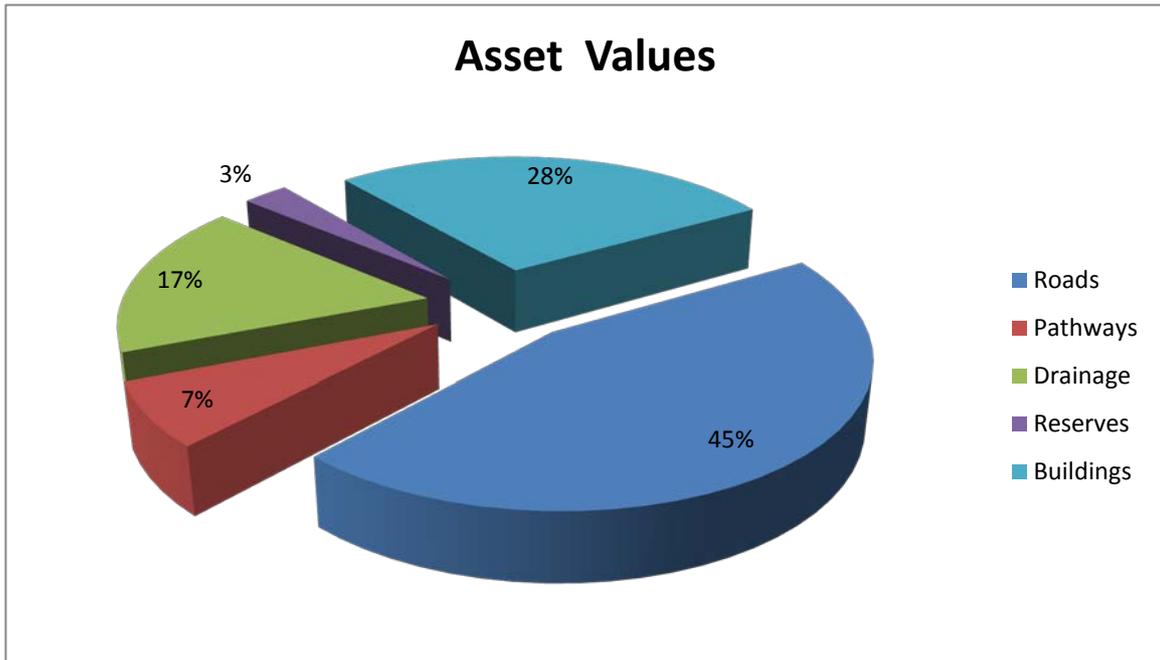


Table 1:

CLASS	VALUE
Roads	\$181,882,068
Drainage	\$68,849,419
Pathways	\$28,349,558
Buildings	\$111,266,753
Reserves (Developed and Natural)	\$11,273,302
Total	\$401,621,100

3 Asset Management Plans

Asset Management Plans for discrete asset classes include detailed inventory information, condition assessments, service levels, and future renewal demand.

Asset Management Plans are dynamic documents and therefore must be updated regularly to be effective as a management tool and reference document. Each Plan should reflect changes in objectives and policies, customer expectations, improvements in Asset Management systems and/or data in general.

The level of detail within each Plan will depend on the complexity and size of the asset portfolios under consideration. It is important that all Asset Management Plans are sufficiently comprehensive and yet are practical, readily understood and useable documents.

3.1 Key Focus Points

- Incorporate accurate, representative and meaningful cost unit rates for cost estimation, valuation, budgeting and expenditure control;
- Improve recording and presentation processes for “As-Constructed” information;
- Update Geographical Information Systems (GIS) data base and include cross reference functionality;
- Update the asset register and verify quality of available data;
- Adopt Meaningful Asset Management Plans which underpin preventative maintenance, renewal and upgrade works projects for annual budgets, and;
- Implement a revised Synergy general ledger and cost centre system that will allow efficient breakdown of financial data.

3.2 Roads

Roads data is currently captured in database software (ROMAN II), used predominately across Western Australian Local Government authorities. The inventory includes materials, dimensions, quantity, condition and construction dates for the entire road network. Condition and inventory data have been updated for the City of Albany during early 2013. Ongoing condition assessment will occur progressively and be validated on a 4 year cycle. The City currently owns and maintains approximately 1,700 km of road infrastructure with a total value as shown in Table 1.

Table 2: Roads Actions.

OBJECTIVE	ACTION	TARGET DATE
Review Asset Management Plan - Roads	Review the Plan and present for adoption.	June 2013
Update City roads inventory and condition assessment and validate	Update inventory progressively. Undertake condition assessment and validate inventory every 4 years.	Jan 2017
To review the current level of service provision.	Aligning with the City's Community Strategic Plan, review levels of service for the City's road infrastructure.	June 2014
To document the road signage and road furniture inventory	Complete road signage and furniture inventory review and include in asset management plan review.	June 2015
Process 'as-constructed' drawings received.	Complete and review the 'as-constructed' data and update inventories.	Ongoing

3.3 Drainage

As yet, the City has not adopted an Asset Management Plan for drainage. Inspections of pipes and pits were recommenced in late 2012 and the inventory data base is currently being updated with the resulting information. This data is held in GIS.

The data indicates there are approximately 232km of pipe infrastructure and 11,708 other items such as manholes, gullies and sumps with a total replacement value as shown in Table 1.

Table 3: Drainage Actions

OBJECTIVE	ACTION	TARGET DATE
Develop Asset Management Plan - Drainage based on available data.	Collate existing drainage data and develop Asset Management Plan using reasonable assumptions and present for adoption.	June 2013
To complete the City drainage inventory and condition assessment, and validate.	Complete drainage data pickup and update GIS.	April 2015

OBJECTIVE	ACTION	TARGET DATE
To ensure the City's ageing drainage infrastructure is reviewed every 4 years.	Undertake an age/condition review every 4 years and report on this assessment, incorporate into the Asset Management Plan.	June 2017
To document the current level of service provision	Aligning with the City's Community Strategic Plan, review levels of service for the City's drainage infrastructure.	June 2014
Address capacity issues, in the existing drainage network	Upgrade drainage infrastructure as identified	Ongoing

3.4 Pathways

Pathway data is also captured in GIS. The inventory includes materials, dimensions, lengths and construction dates. There are currently 150 kilometres of paths in the City's database with a replacement value shown in Table 1.

Table 4: Pathway Actions

OBJECTIVE	ACTION	TARGET DATE
Review Asset Management Plan - Pathways	Review the Plan and present for adoption	June 2013
To ensure the City's path infrastructure is condition assessed every 4 years	Undertake a condition assessment every 4 years and report on this assessment, incorporate into the Asset Management Plan.	Jan 2017
To document the current level of service provision	Aligning with the City's Community Strategic Plan, develop levels of service for the City's pathway infrastructure.	June 2014

3.5 Buildings

A Building Condition Audit was undertaken in order to develop a long term maintenance and renewal plan in 2008. The City currently manages a building portfolio of approximately 244 buildings including administration facilities, sport and recreation facilities, libraries, clubrooms, community centres, halls, toilets and change rooms with a total value as shown in Table 1. The buildings asset group represents the biggest challenge for the City as it will impose an increased renewal liability in future. The City

should make some strategic decisions in respect to buildings in order to ensure the City has the ongoing financial capacity to maintain buildings.

Table 5: Buildings Actions.

OBJECTIVE	ACTION	TARGET DATE
To conduct a building condition review for the development of a long term maintenance/renewal program	Appoint external consultant to assess building condition survey	June 2013
Review Asset Management Plan - Buildings	Review the Plan and present for adoption	July 2013
Reduce the City's renewal demand and liability by rationalising building assets.	Undertake a strategic review of current building assets and rationalise usage to reduce renewal liability.	Feb 2014
To ensure the City's buildings are condition assessed every 4 years	Undertake a Building Condition Assessment (BCA) every 4 years and report on this assessment. Incorporate into the Asset Management Plan	Jan 2017
To document the current level of service provision.	Aligning with the City's Community Strategic Plan, review levels of service for the City's buildings.	June 2014

3.6 Recreation – Reserves (Natural and Developed)

The City currently owns and maintains approximately 486 Natural reserves and 80 Developed reserves with infrastructure including playground equipment, reticulation, park furniture, sporting infrastructure, lighting and fencing with a total value as shown in Table 1. An inventory of these assets is currently being reviewed and includes a condition assessment of all items.

Table 6: - Reserves Actions

OBJECTIVE	ACTION	TARGET DATE
Review Asset Management Plans - Developed and Natural Reserves	Review the Plans and present for adoption	June 2013
To ensure the City's reserves infrastructure is condition assessed every 4 years	Undertake a condition assessment every 4 years and report on this assessment, incorporate into the Asset Management Plan.	Jan 2017
To document the current level of service provision.	Aligning with the City's Community Strategic Plan, review levels of service for the City's reserves infrastructure.	June 2014

4. Levels of Service

Asset Management practice defines two levels of service with regards to asset management. These are:

- **The Operational or Functional Level** – determined by technical measures such as condition, safety, compliance to standards, financial considerations and legislation. These technical measures relate to service criteria and are detailed in the discrete Asset Management Plans.
- **The Community Expectation Level** – relates to how the Community expects and receives the service in terms of quality, quantity, reliability and responsiveness

Desired levels of service are obtained from various sources including the annual Customer Satisfaction survey, residents' feedback to Councillors' and staff, service requests, correspondence, and consultation with stakeholders. The Strategic Community Plan provides the basis for service level judgement. The City will refine and adjust the levels of service to ensure continued community satisfaction, as reflected through these sources. Any changes will be included in revisions of the Asset Management Plans.

Through community engagement processes, the City will endeavour to establish mechanisms whereby agreed levels of service will be understood and accepted by both the City and the Community. The City will seek input from Council to establish affordable service levels for asset maintenance, renewal, upgrade or expansion.

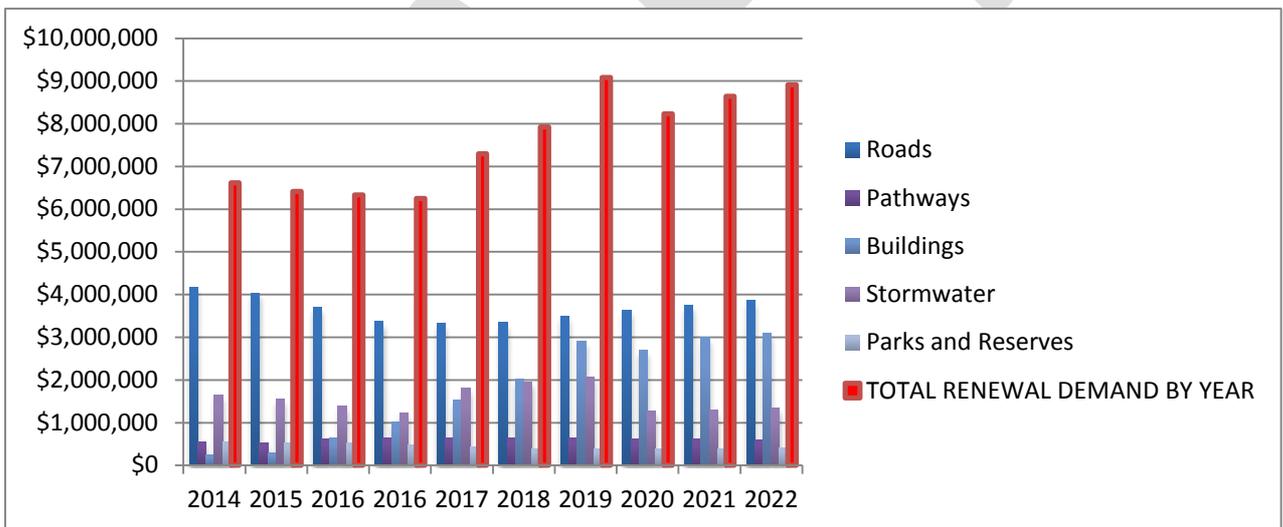
5. Renewal Demand

Infrastructure funding gap levels identified in the City's asset management processes have been updated during February and March of 2013, with renewal demand figures shown in the chart below (Figure 3). To determine the current and future infrastructure renewal funding required, the following information has been consolidated to consider:

- Asset inventory
- Renewal costs
- Renewal expenditure
- Asset life
- Intervention criteria.

Renewal gaps for each individual asset groups are identified in the appropriate Asset Management Plans.

Figure 3: Renewal Demand



6. Governance and Management Arrangements

The City of Albany Asset Management Policy defines the various roles and responsibilities to ensure continuous improvement in processes and practices by developing governance and management arrangements, and establishing and implementing efficient reporting mechanisms.

The Asset Management Strategy will also be supported by the City's Enterprise Risk Management Plan with a specific risk focus applied to asset management.

7. Data and Information Systems

The City maintains a variety of asset databases to various quality standards ranging from “Roman (I and II)”, Microsoft Excel spread sheets, and other proprietary software systems, such as “Hawkeye” and the “Moloney” model.

The highest quality data is contained within the “Roman II” database, which is currently focussed on roads, however, the programme has the capacity to include other infrastructure, which is being considered. It is a priority of this Strategy to verify existing data and improve the quality of data over the coming years. As a result, an updated roads condition survey of has been conducted through early 2013. The results will provide much improved consistency due to the method and technology utilised for data collection.

The Asset Management Working Group has agreed to utilise the services of an external asset management consultant for reviewing internally compiled documentation and information, when required. The Asset Management Team will provide the necessary data to the consultant.

It is evident from the available and proposed technology that the City will be in a strong position in relation to asset management data and reporting processes in the near future, provided sufficient resources and training are available, and sustained.

8. Risk Management

The Asset Management Strategy is supported by the City’s Enterprise Risk Management Policy (which has been developed in accordance with ISO 31000 (2009) – Risk Management-Principles and Guidelines), with a specific risk focus applied to asset management. Risk Management is an integral part of good business practice and works in tandem with strategic and financial planning.

The City’s activities expose it to a variety of risks which need to be considered in preparing its Long Term Financial Plan. Asset Management Plans should identify assets that are critical to a local government’s operations and outline specific risk management strategies for these assets.

However, long term planning in a dynamic environment has to accommodate some level of uncertainty. For specific projects, the ability to accurately define risks over a long period may be hampered by uncertainties surrounding the availability of funding such as grants.

9. Performance Measurement

The City’s performance in Asset Management can be broadly measured using Financial Reporting Requirements, as developed by the Department of Local Government. These reports are required to be included in the annual financial report, and are an auditable process.

10 Improvement Skills and Processes

The City will continuously measure itself against this Strategy and continuously identify improvement opportunities. Through ongoing training, the City will continue to develop a “whole of organisation” culture focussed on continuous improvement in asset management with the aim at sustainability, providing best value for money infrastructure and customer satisfaction.

Table 8: Review Intervals

DOCUMENT	REVIEW
Asset Management Policy	Every 4 Years
Asset Management Strategy	Every 4 Years
Asset Management Plans and Schedules	Annually

CEO Authorisation: _____

Date: ____/____/____

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