Infrastructure Services Committee Agenda

23 June 2020
To All Councillors

You are hereby notified that the next meeting of the Infrastructure Services Committee will be held on 23 June 2020 in the COUNCIL CHAMBERS and/or ZOOM at 12.00pm, for the purpose of transacting the undermentioned business.

This meeting will be audio recorded and those in attendance should refrain from making any defamatory statements.

There are to be no other recordings of this meeting without the prior authorisation of the committee.

The Infrastructure Services Committee consists of

Cr Lorna Driscoll, Cr Ron Campbell, Cr James Burns and Cr Maurice Collison

STEVE MCDONALD
GENERAL MANAGER

1. APOLOGIES

2. DECLARATION OF INTEREST

3. PUBLIC PARTICIPATION

4. BUSINESS ITEMS

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5. COUNCILLOR QUESTIONS
Infrastructure Services

INFRATRUCTURE SERVICES REPORTS

ISC.06.1 ASSET MANAGEMENT PLAN

RESPONSIBLE OFFICER: Nicholas Havyatt - Director Infrastructure Services

AUTHOR: Jeff Bush - Manager Strategic Assets

PURPOSE

The purpose of this report is to seek Council’s approval of the updated draft Roads, Bridges, Stormwater, Open Space, Buildings, Saleyards, Airport & Swimming Pools, Water and Sewer Asset Management Plans (AMP’s).

RECOMMENDATION

That Council receive the report and adopt the following revised Asset Management Plans:

1. Asset Management Plan - Roads;
2. Asset Management Plan - Bridges;
3. Asset Management Plan - Stormwater & Drainage;
4. Asset Management Plan - Open Spaces;
5. Asset Management Plan - Building Assets;
7. Asset Management Plan - Water Services; and,

BACKGROUND

Council has an Asset Management Strategy that sets the guidelines for implementing consistent asset management processes throughout Council. Asset Management Plans (AMP’s) were prepared using the Institute of Public Works & Engineering Australia “NAMS PLUS” system which is based on the International Management System. There is a requirement that the activities associated with all of Council’s Asset Classes be reported on an annual basis and therefore the information needs to be easily updated without significantly altering the AMP document every year.

Asset Management Plans are part of Council’s IP&R framework. As part of the IP&R framework Section 403 of the Local Government Act 1993 requires Council to have a Resourcing Strategy that includes AMP’s to implement the strategies identified in the Community Strategic Plan.

Asset management planning is a comprehensive process to ensure that the delivery of services from infrastructure is provided in a financially sustainable manner. An AMP provides detailed information about infrastructure assets including the actions required to provide an agreed level of service in the most cost effective manner. AMP’s define the services to be provided, how the services are provided and what funds are required to provide the services.
REPORT/PROPOSAL

Updated draft AMP’s have been prepared and are provided under separate cover. The draft AMP’s have been arranged generally in accordance with the National Asset Management System (NAMS) Template in that they retain the traditional AMP structure and text, however have been tailored to be more specific to Upper Hunter Shire Council. Key information that needs to be updated on an annual basis such as asset valuation, performance information and financial forecasts are located in a new section at the back of the document before the appendices.

The AMP’s show the total cost of maintenance and renewal over a ten year period to identify the required funding to be factored into Council’s long term financial planning. The plans also identify:

- Community and technical levels of service;
- Funding levels determined using life cycle cost analysis principles;
- Potential new assets required to cater for demographic changes;
- Renewal/Replacement Plan;
- Asset creation, acquisition and upgrade plans.

The key inputs to the AMP’s development include:

- Latest asset valuations, asset attributes and condition information;
- Latest performance information from benchmarking reports;
- Actual expenditure for operational and capital works;
- Planned financial forecasts for operational and capital works at activity level;
- Identified capital improvements by asset class and
- Actual performance for achieving levels of service.

The key deliverables for the AMP’s are:

- Ten year financial forecasts based on the agreed capital projects and optimized operational expenditure forecasts;
- Risk registers for the water and sewerage services activity in the NAMS PLUS risk template and
- Levels of service tables to industry practice.

As the plans will go out on public exhibition with the Community Strategic Plan, the report is to note that these have been reviewed and are in draft form ready for exhibition.

OPTIONS

1. adopt the revised Asset Management Plans.
2. To reject all or individual revised Asset Management Plans.

Option 1 is preferred
CONSULTATION

An internal steering group of Council officers was established to ensure wide input and review was obtained in updating the AMP’s. This group comprised:

- Director Infrastructure Services
- Director Corporate Services
- Manager Strategic Assets
- Manager Finance

Supervisors and operational staff from all of Council’s locations were consulted during the preparation of the plans.

STRATEGIC LINKS

a. Community Strategic Plan 2027

This report links to the Community Strategic Plan 2027 as follows:

COMMUNITY LIFE

Goal 1 A supported Community.
CS1 Advocate for, develop and implement programs, services and facilities for our ageing Community.
CS3 Advocate for, support and provide series and facilities for young people, children, families and people with a disability.

Goal 2 Promote wellbeing and a connected, healthy and happy Community.
CS7 Provide and support a broad range of sport, recreation, health and wellness programs to target age specific needs of residents including younger children, older children, adolescents, families, seniors and people with a disability.

BUILT & NATURAL ENVIRONMENT

Goal 3 Protect the natural Environment
CS10 Advocate for, facilitate and support programs that protect and sustain our diverse environment for our future generations.
CS11 Encourage and support active Community participation within our Community to care for our environment and provide for a sustainable future.

Goal 4 Plan for a sustainable future.
CS13 Implement and regularly review Strategic Land Use Plans, Environmental Planning Instruments and Development Controls, which reflect the needs and expectations of the broad Community.
CS15 Plan, facilitate and provide for a changing population for current and future generations.

ECONOMY & INFRASTRUCTURE

Goal 5 A sustainable and prosperous economy.
CS18 Encourage a diverse economy whilst promoting and preserving our agriculture and equine industries.
Infrastructure Services

CS19  Encourage retail and commercial business to locate and prosper within our Shire.

CS20  Encourage and support innovative industry and a diversity of businesses that provide a range of services and employment opportunities for current and future generations.

CS22  Provide attractive and functional town centres and support revitalisation of towns and villages including investment in built heritage and improvement of existing buildings.

Goal 6  Increase, enhance and maintain civil infrastructure, Community assets and open spaces to meet the needs of current and future generations.

CS24  Provide for replacement, improvement and additional Community and open space infrastructure through investment, best practice and risk management.

CS25  Provide inviting public spaces that are clean, green, properly maintained, well designed, encourage active participation, family friendly and accessible to all.

Goal 7  Enhance and improve the road network and bridges to meet the needs of current and future generations and communicate priorities and progress to the Community.

CS10  Advocate for, facilitate and support programs that protect and sustain our diverse environment for our future generations.

CS27  Maintain and upgrade the road network and bridges.

CS28  Increased Community engagement and updates on infrastructure planning, road priorities, works and improvements.

CS29  Advocate, facilitate and/or provide traffic management and public transport facilities to meet the needs of the Community.

LEADERSHIP

Goal 8  Provide Community leadership.

CS30  Effectively and efficiently manage the business of Council, while encouraging an open and participatory Council with an emphasis on transparency, Community engagement, action and response.

CS33  Utilise emerging innovative communication technologies and techniques to increase awareness of Council’s activities and services.

Goal 9  Advocate for the Community.

CS40  Encourage and build strong partnerships between the Community, business and all levels of government support implementation of the CSP 2027 and to deliver the Community priorities.

CS41  To participate and encourage regional coordination and planning between Councils and other generations.

CS42  Provide timely and effective advocacy and leadership on key community issues and priorities.

We are working to achieve the following Community Priorities:
b. Delivery Program

The 2019/20 DPOP objectives for the Asset Management Plans are outlined below:

- Roads and Bridges – ‘To undertake road and bridge maintenance and construction works to an acceptable standard in a cost-effective, cost efficient and safe manner.’
- Stormwater – ‘To provide stormwater drainage systems to manage flows.’
- Open Space – ‘To facilitate the provision of recreational and cultural facilities to meet identified community need.’
- Aerodrome – provide a CASA approved airport.
- Saleyards – operate a quality livestock selling facility.
- Buildings – effectively manage and monitor Council’s property portfolio.
- Water – provide adequate and secure potable water to recognized standards.
- Sewer – maintain sewer systems for transport and treatment of sewerage to meet licenced requirements.

The major activity is to implement Asset replacement programs to minimise failures and ensure provision of assets at a satisfactory level of service.

c. Other Plans

In addition, Council’s previously Water and Sewer Services AMP’s have been revised and updated to the same structure to ensure there is consistency and ease for Council staff to update the documents and use the information for reporting purposes as required.

IMPLICATIONS

a. Policy and Procedural Implications

The AMP’s will introduce renewal criteria to assist in assessing the priority of asset renewal works. A number of specific internal procedures have been revised to improve data capture of asset conditions and record works undertaken.
b. Financial Implications

The revised allocations for renewals being proposed in the plans will not impact adversely on the financial sustainability of the Councils general, water and sewer funds. However, the financial risk associated with the provision of major new infrastructure, as has been identified, will require action to ensure affordability of those projects overall.

While the draft AMP’s do not have direct financial implications they do highlight the potential deteriorating position of the asset network due to capital replacement shortfalls in the adopted Long Term Financial Plan.

c. Legislative Implications

Section 403 of the Local Government Act 1993 requires Council to have a long-term strategy (called it’s “resourcing strategy”) for the provision of the resources required to implement the strategies established by the community strategic plan that the Council is responsible for.

The resourcing strategy includes asset management planning (along with long term financial planning and workforce management planning). There is no legislative requirement for the resourcing strategy to be placed on public exhibition.

d. Risk Implications

Risks include public health and economic costs if funding levels for asset maintenance and renewal are not adequate, leading to increased potential asset failures.

e. Sustainability Implications

Nil.

f. Other Implications

Nil

CONCLUSION

The updated AMP’s are more concise, strategic and structured, with information that flows logically in the documents and is easily updated for future revisions. The AMP’s are more appropriate for Council in relation to Council’s size and recognizing that it is a rural Council.

The establishment and updating of sound AMP’s is both a legislative requirement and an essential tool to ensure that services are provided in an efficient and sustainable way for the long term. These plans will be a valuable tool in the management of Roads, Bridges, Stormwater and Open Space services to the Shire’s residents.
## ATTACHMENTS

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<td>Asset Management Plan - Swimming Pools, Aerodrome &amp; Saleyards</td>
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PURPOSE

The purpose of this report is to seek Council's approval of the updated Asset Management Strategy and Asset Management Policy.

RECOMMENDATION

That Council adopt the updated Asset Management Strategy and Asset Management Policy.

BACKGROUND

Council is required to maintain a set of policies that are current and meet the requirements for Council to operate under. Council must review all policies within 12 months of a new Council being formed, but also needs to review and update policies as required.

REPORT/PROPOSAL

Council provides services to the community and many of these services are supported and provided through infrastructure assets. The provision of assets maintained to meet community needs and expectations is fundamental to the economic, social and cultural vibrancy of the Upper Hunter Shire.

Council’s overall goal in managing infrastructure assets is to provide the required level of service in a sustainable manner for present and future consumers.

The policy addresses legislative requirements under the Local Government Act 1993 and its associated amendments. The current policy has had some minor changes made to reflect current practice.

The Asset Management Strategy (AMS) is designed to provide a plan to manage Council's physical infrastructure assets over the long term including setting parameters for asset selection, maintenance, inspection and renewal which plays a key role in determining the operational performance and sustainability of Council. The Asset Management Strategy is included as part of the Council Resourcing Strategy as required by the Local Government Integrated Planning and Reporting framework. Asset Management Planning incorporates an Asset Management Strategy, Asset Management Policy and Asset Management Plans.

OPTIONS

1. To adopt the modified strategy and policy.
2. To amend the modified strategy and policy.
CONSULTATION

- Director Infrastructure Services.
- Manager Financial Services.
- Asset Manager.

STRATEGIC LINKS

a. Community Strategic Plan 2027

This report links to the Community Strategic Plan 2027 as follows:

COMMUNITY LIFE

Goal 1

A supported Community.
CS1 Advocate for, develop and implement programs, services and facilities for our ageing Community.
CS3 Advocate for, support and provide series and facilities for young people, children, families and people with a disability.

Goal 2

Promote wellbeing and a connected, healthy and happy Community.
CS7 Provide and support a broad range of sport, recreation, health and wellness programs to target age specific needs of residents including younger children, older children, adolescents, families, seniors and people with a disability.

BUILT & NATURAL ENVIRONMENT

Goal 3

Protect the natural Environment
CS10 Advocate for, facilitate and support programs that protect and sustain our diverse environment for our future generations.
CS11 Encourage and support active Community participation within our Community to care for our environment and provide for a sustainable future.

Goal 4

Plan for a sustainable future.
CS13 Implement and regularly review Strategic Land Use Plans, Environmental Planning Instruments and Development Controls, which reflect the needs and expectations of the broad Community.
CS15 Plan, facilitate and provide for a changing population for current and future generations.

ECONOMY & INFRASTRUCTURE

Goal 5

A sustainable and prosperous economy.
CS18 Encourage a diverse economy whilst promoting and preserving our agriculture and equine industries.
CS19 Encourage retail and commercial business to locate and prosper within our Shire.
CS20 Encourage and support innovative industry and a diversity of businesses that provide a range of services and employment opportunities for current and future generations.
CS22 Provide attractive and functional town centres and support revitalisation of towns and villages including investment in built heritage and improvement of existing buildings.
Infrastructure Services

Goal 6  Increase, enhance and maintain civil infrastructure, Community assets and open spaces to meet the needs of current and future generations.

CS24  Provide for replacement, improvement and additional Community and open space infrastructure through investment, best practice and risk management.

CS25  Provide inviting public spaces that are clean, green, properly maintained, well designed, encourage active participation, family friendly and accessible to all.

Goal 7  Enhance and improve the road network and bridges to meet the needs of current and future generations and communicate priorities and progress to the Community.

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Goal 8  Provide Community leadership.

CS30  Effectively and efficiently manage the business of Council, while encouraging an open and participatory Council with an emphasis on transparency, Community engagement, action and response.

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Goal 9  Advocate for the Community.

CS40  Encourage and build strong partnerships between the Community, business and all levels of government support implementation of the CSP 2027 and to deliver the Community priorities.

CS41  To participate and encourage regional coordination and planning between Councils and other generations.

CS42  Provide timely and effective advocacy and leadership on key community issues and priorities.

We are working to achieve the following Community Priorities:

- Rural lifestyle and Country feel are valued and protected and the Upper Hunter Shire remains quiet, safe, healthy and welcoming.

- Well maintained, safe, reliable and additional infrastructure, including sporting fields, parks, family and cultural facilities.
Upper Hunter Shire Council is an effective and efficient organisation, focusing on community engagement, action and response.

A stronger economic base to attract and retain residents, particularly our young people.

Upper Hunter Shire Council demonstrates it is Fit for the Future and can meet all State Government indicators for financial stability.

Upper Hunter Shire has improved and well maintained roads and bridges.

Increase focus on local business, shop occupation and revitalisation of the Town Centres.

Reliable and safe water supply.

Upper Hunter Shire Council to support and provide community services which promote health, wellbeing and the celebration of culture.

Protect the natural environment.

Increased and innovative tourism and visitor opportunities.
b. Delivery Program
   - Effectively manage the business of Council within its Charter.

c. Other Plans
   Asset Management Plans

**IMPLICATIONS**

a. Policy and Procedural Implications
   The strategy and policy is due for ratification by Council.

b. Financial Implications
   Nil

c. Legislative Implications
   This strategy and policy address legislative requirements under the Local Government Amendment (Planning and Reporting) Act 2009.

d. Risk Implications
   Nil

e. Sustainability Implications
   Nil

f. Other Implications
   Nil

**CONCLUSION**

That the amended Asset Management Strategy and Policy be adopted.

**ATTACHMENTS**

1. Risk Management - Asset Management Policy
2. Asset Management Strategy
# POLICY

## Risk Management – Asset Management

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<td>June 2024</td>
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<td>Related documents</td>
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<td>Manager Strategic Assets</td>
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### Community Strategic Plan goal

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<tr>
<td><strong>Goal 6</strong> Increase, enhance and maintain civil infrastructure, community assets and open spaces to meet the needs of current and future generations.</td>
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**CS 24** Provide for replacement, improvement and additional Community and open space infrastructure through investment, best practice and risk management.

**CS 25** Provide inviting public spaces that are clean, green, properly maintained, well designed, encourage active participation, family friendly and accessible to all.

**CS 26** Provide safe and reliable water and sewerage services to meet the demands of current and future generations.

**CS 27** Maintain and upgrade the road network and bridges.

**CS 30** Effectively and efficiently manage the business of Council, while encouraging an open and participatory Council with an emphasis on transparency. Community engagement, action and response.

**CS 33** Utilise emerging innovative communication technologies and techniques to increase awareness of Council’s activities and services.
Introduction

To set guidelines for implementing consistent asset management processes throughout Upper Hunter Shire Council (UHSC).

Objective

To ensure adequate provision is made for the future long-term renewal and expansion of major infrastructure assets by:

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

Scope

This policy applies to all physical assets owned or controlled by Council, assets which are critical to Council’s service delivery and assets which are incorporated in the Community Strategic Plan and Delivery Program and Operational Plan.

Policy

Background

1. Council is committed to implementing a systematic asset management methodology in order to apply appropriate asset management best practices across all areas of the organisation. This includes ensuring that assets are planned, created, operated, maintained, renewed and disposed of in accordance with Council’s priorities for service delivery.
2. Council owns and uses a range of physical assets of substantial value to support its core business of delivery of services to the community.
3. Asset management practices impact directly on the core business of the organisation and appropriate asset management is required to achieve our strategic service delivery objectives.
4. Adopting assets management principles will assist Council in achieving its Strategic Long –Term Financial Plan.
5. Asset management relates directly to Council’s Strategic Plan. All of Council’s guiding principles in its Community Plan contain an element of asset management. The guiding principles are:
   - Supporting the community and promote wellbeing with a connected, healthy and happy community.
   - Protecting the natural environment and planning for a sustainable future
   - Encourage investment in business and tourism through a diverse economy whilst promoting and preserving our agricultural and equine industries. Provide for enhancement, renewal and maintaining of Council’s infrastructure assets to meet the needs of current and future generations.
   - Provide effective advocacy and leadership to deliver the key priorities and expectations of the
community as identified through consultation and engagement.

- Community Life
  - Advocate for, develop and implement programs, services and facilities for our ageing Community.
  - Advocate for, support and provide services and facilities for young people, children, families and people with a disability.
  - Advocate for, support and facilitate the provision of facilities for health and health related services.
  - Support existing education facilities and enhance learning opportunities.

- Built & Natural Environment
  - Advocate for, facilitate and support programs that protect and sustain our diverse environment for our future generations.
  - Ensure that all actions, decisions and policy response to natural hazards and climate change remain current and reflect capacity, Community expectations and changes in environmental and climate change information.
  - Plan, facilitate and provide for a changing population for current and future generations.
  - Provide efficient and effective waste and recycling services and support improved waste minimisation and recycling practices.

- Economy & Infrastructure
  - Provide attractive and functional town centres and support revitalisation of the towns and villages including investment in built heritage and improvement of existing buildings.
  - Provide for replacement, improvement and additional Community and open space infrastructure through investment, best practice and risk management.
  - Provide inviting public spaces that are clean, green, properly maintained, well designed, encourage active participation, family friendly and accessible to all.
  - Provide safe and reliable water and sewerage services to meet the demands of current and future generations.
  - Maintain and upgrade the road network and bridges.
  - Increased Community engagement and updates on infrastructure planning, road priorities, works and improvements.
  - Advocate, facilitate and/or provide traffic management and public transport facilities to meet the needs of the Community.

- Leadership
  - Council is focused on innovation and continuous improvement to ensure a high quality of service which is aligned with business needs and Community priorities.
  - Encourage and build strong partnerships between the Community, business and all levels of government to support implementation of the CSP 2027 and to deliver the Community priorities.

6. A strategic approach to asset management will ensure that the Council delivers the highest appropriate level of service through its assets. This will provide positive impact on:
• Members of the public and 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. All relevant legislative requirements, together with political, social, economic and environmental aspects are to be taken into account in asset management.
3. Asset management principles will be integrated within existing planning and operational processes.
4. Asset management plans will be developed for major service/asset categories. The plans will be informed by community consultation and financial planning and reporting.
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 adopted asset management plans and long term financial plans will be fully funded in the annual budget estimates.
7. Service levels agreed through the budget process of identified in adopted Asset Management Plans will 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. Where there is an identified backlog of works for a group of assets, Council will identify the backlog and acknowledge in the level of service that a backlog exists and develop a strategy to deal with the backlog.
10. Systematic and cyclic reviews will be applied to all asset classes and are to ensure that the assets are managed, valued and depreciated in accordance with appropriate best practice and applicable Australian Standards.
11. 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; and incorporated into Council’s ten year plan.
12. Future service levels will be determined in consultation with the community.
13. Training in asset and financial management will be provided for Councillors and relevant staff.

Responsibilities

General Manager

The General Manager will consider the advice of the Senior Management Group, the responsible officer, and any other stakeholders (such as committees or other members of staff) prior to approving any controlled document, in accordance with this policy.

Councillors

The Councillors will consider the advice of the General Manager, Senior Management Group, the responsible officer, and any other stakeholders (such as committees or other members of staff) prior to approving any controlled document, in accordance with this policy.

Directors

Each of the directors will ensure that all controlled documents in their areas of responsibility are reviewed and maintained as required by the timed review date or as a result of legislative or organisational change.

Supervisors/Coordinators and Managers

Supervisors, coordinators and managers will ensure that all controlled documents in their areas of responsibility are reviewed and maintained as required by the timed review date or as a result of legislative or organisational change.
References and Related Legislation

- Integrated Planning and Reporting requirements.
- Content Manager UHSC-349/20

Version History

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<th>Date</th>
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ASSET MANAGEMENT PLAN STRATEGY 2020
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| Related documents       | Asset Management Policy  
|                        | Asset Management Plans  
|                        | Delivery Program and Operational Plan  
|                        | Community Strategic Plan 2027  
|                        | Integrated Planning and Reporting requirements |
| Responsible officer     | Manager Strategic Assets |
| Department/Section      | Strategic Assets |
| Category                | Financial & Asset Management |
| Community Strategic Plan goal | **Goal 6** Increase, enhance and maintain civil infrastructure, community assets and open spaces to meet the needs of current and future generations. |

**CS 24** Provide for replacement, improvement and additional Community and open space infrastructure through investment, best practice and risk management.  
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1.1
2 Introduction

The Asset Management Strategy (AMS) is designed to provide a plan to manage Councils physical infrastructure assets over the long term including setting parameters for asset selection, maintenance, inspection and renewal which plays a key role in determining the operational performance and sustainability of Council.

This Asset Management Strategy is included as part of the Council Resourcing Strategy as required by the Local Government Integrated Planning and Reporting framework.


The Council Resourcing Strategy consists of three components:

- Long Term Financial Planning
- Workforce Management Planning
- Asset Management Planning

2.1 Our Integrated Planning and Reporting Framework

The Local Government Integrated Planning and Reporting (IP&R) Framework aims to ensure a more sustainable Local Government sector. The Local Government Act 1993 requires Council to work with the community to review the Community Strategic Plan and other documents within the Integrated Planning and Reporting Framework after the commencement of each four-year elected Council term.

Councils need to take a long term view and consider social, economic and environmental aspects and the needs of the current and future generations when making decisions. This underpins the Integrated, Planning and Reporting Framework. The importance of Civic Leadership and accountability and transparency in decision making should also underpin the Plan.

All NSW Councils are required to develop a Community Strategic Plan along with a Delivery Program (4 years) and Operational Plan (1 year). The CSP 2027 and its strategic objectives provide a foundation for our Delivery Program and Operational Plan. The Delivery Program and Operational Plan detail how each service addresses the CSP 2027 objectives, ongoing activities, priority projects and the strategies supporting this work.

These documents are informed by a Resourcing Strategy that is made up of a Long Term Financial Plan, Asset Management Plans and Workforce Management Plan. In order to achieve the integration envisaged by the IP&R Framework, there is an alignment between the CSP 2027, Delivery Program, Operational Plan and the other key documents. This is identified on the Upper Hunter Shire Integrated Planning and Reporting Framework.
2.2 Our Integrated Planning and Reporting Framework - Colour Codes

Council’s Integrated Planning and Reporting framework is colour coded and each of the key documents has a marking with the corresponding colour. This alignment of Councils Key Plans is formed through the 11 Community Priorities and the 4 Key Focus Areas:

- Community Life;
- Built and Natural Environment;
- Economic and Infrastructure; and
- Leadership and Community Engagement
2.3 Resourcing Strategy

Asset Management Strategy
The Asset Management Strategy identifies assets that are critical to the Council’s operations and outlines risk management strategies for these assets. The strategy and plans also include specific actions required to improve the Council’s asset management capability and projected resource requirements and timeframes.

Long Term Financial Plan
The Long Term Financial Plan projects financial forecasts for the Council for at least ten years, and is updated annually as part of the development of the Operational Plan. The Long Term Financial Plan is used by the Council to inform its decision making during the finalisation of the Community Strategic Plan and the development of the Delivery Program.

Workforce Management Plan
Council’s Workforce Management Planning considers what people with what skills experience and expertise are required to implement the Delivery Program and achieve the Community Priorities. It provides an opportunity every 4 years to plan adjustments to the workforce to meet changing priorities and take into account new technologies.

2.4 Asset Management Process

Objective
Asset management deals with the optimal management of physical asset systems and their life cycles. The objective is to minimise the whole of life cost of assets and to identify other critical factors such as risk or business continuity to be considered objectively in the decision making process. It represents a cross-disciplinary collaboration to achieve best net sustained value-for-money in the selection, design/acquisition, operations, maintenance and renewal/disposal of physical infrastructure and equipment, for the purpose of achieving the objectives of the Community Strategic Plan 2027.

A strong and sustainable local government system requires a robust planning process to ensure that Council assets are managed in the most appropriate way on behalf of the community.

What is Asset Management?
Asset management is a process of logic used to guide the planning, acquisition, operation and maintenance, renewal and disposal of assets. Its objective is to maximise asset service-delivery-potential and manage related risks and costs over the entire life of assets.

Asset management ensures that Council’s assets are capable of providing services, of an agreed quality, in a sustainable manner, for present and future generations.
The key elements of successful infrastructure asset management are:

- ensuring appropriate maintenance standards are used
- making the most out of assets (service potential optimized)
- applying fully life cycle costs
- pursuing reduction or optimization of integration of those assets not achieving the most productive outcome
- defining clear responsibilities for assets, accountability and reporting and recognizing that infrastructure assets must support Council in the delivery of services to the community.

A formal approach to the management of infrastructure assets is essential in order to provide services in the most cost-effective manner, and to demonstrate this to customers and other stakeholders.

**Why is Asset Management Important to Council?**

Asset management delivers benefits that are realized in the areas of improved accountability, sustainable service delivery, risk reduction and improved financial management and forecasting. Specific benefits can include:

- More informed decision-making
- Improved efficiency and reduction of limited capital funds and asset operation costs.
- Ability to plan for present and future generations.
- Improved long-term financial forecasting and management.

**Role of Local Government**

In accordance with the Local Government Act 1993 and Local Government (General) Regulations 2005, Council has a wide range of objectives and functions which relate to the provision and management of infrastructure. The Act provides the legal framework to assist Councils in providing an efficient and effective infrastructure system.

The provision of infrastructure is considered to be one of the most important roles of Council as it strives to provide a safe and functional environment for its community. Ensuring that this infrastructure is managed in an effective and efficient manner and continues to meet the needs of our community in both the short and long term is a key issue for Council.

**Strategic Planning Process**

Asset management planning aims to optimise services to the community at a cost and risk that is acceptable. Planning starts with Council’s strategic plans, vision, mission, goals and objectives and translates these into an asset management policy and strategy framework, asset management plan and operational plans. The framework showing asset management’s strategic role in delivering Council’s objective and community expectations is shown in Figure 1.

Underpinning asset management decision making and the monitoring and review process is asset data and asset information systems. The identification, assessment and control of risks is a key focus at all levels of planning, with the results from this process providing input into the asset management strategy, policies, objectives, processes, plans, controls and resourcing.
2.5 Asset Management Policy

The Asset Management Policy sets a vision for Council’s asset management activities:

To manage and operate the appropriate mix of sustainable community infrastructure at the lowest life cycle cost that supports communities in the Upper Hunter Shire Council

Council’s endorsed Asset Management Policy is attached as Appendix 1 and includes the following key principles it will consider when making any decisions impacting on infrastructure assets:

**Level of Service**

- Implementing a systematic approach to the management of its assets and ensuring that appropriate asset management practices are applied across all areas of the organisation.
• provide quality infrastructure assets that support service levels that are appropriate, accessible, responsive and sustainable to the community.

• consult with the community and key stakeholders in determining Levels of Service and asset service standards.

**Demand Forecasting**

Develop sustainable and effectual management strategies for the long term including demand analysis covering changes in demographics.

**Life Cycle Planning**

Implementing a life cycle approach to asset management whereby the costs and benefits of assets are considered over the assets life.

• developing and regularly reviewing an Asset Management Strategy and Asset Management Plan which will detail the approach taken in managing assets and which will facilitate the continuous improvement of asset management practices.

• provide the necessary resources and operational capabilities to adequately manage assets and to comply with legislative requirements.

• setting the priority for asset management in descending order as follows:
  1. Asset Renewal
  2. Asset Upgrade
  3. Asset Expansion

**Risk Management**

• Resources and priorities for asset management practices will include a risk assessment.

**Financial Management**

• the amount of renewal funding required to maintain minimum service levels will be reflected in Council’s 10 year Long Term Financial Plan.

• the provision of funding for new projects will only be considered after renewal requirements are identified and considered.

This Asset Management Strategy complements the policy by detailing a set of strategies and actions aimed at improving asset management performance over time. In turn, it is supplemented by detailed individual Asset Management Plans.

## 3 Community Service Delivery

**Community Life**

*Support the community by providing safe programs, services and facilities that promote wellbeing and a connected, healthy and happy community – a great place for families.*

**Built and Natural Environment**

Protect the natural environment and plan for a sustainable future.
Economic and Infrastructure
A sustainable and prosperous economy delivering lifestyle benefits to the community through employment and sustainable economic growth whilst focusing on the growth, enhancement and maintaining of Council’s infrastructure assets including community facilities, open spaces and road networks to meet the needs of the current and future generations of the Shire.

Leadership
Provide good governance through strong leadership and advocacy on behalf of our community so Council can effective meet the needs and expectations of our people.

The Community Strategic Plan 2027 details the service outcomes and objectives, as derived from the community consultation process, of Council. The service areas that the community identified as important were grouped around the following themes:

Council utilises infrastructure assets to provide services to the community through:

- Roads, bridges and footpaths to provide reliable and safe transport services.
- Stormwater drainage to protect properties and roads from flooding and control water runoff quality.
- Sporting grounds and venues, parks and landscape assets to provide recreation services and enhance and protect the built and natural environment.
- Water and Sewerage services to provide essential reliable and safe services for towns and villages; and
- Community Buildings to provide cultural, recreational and community services.

The Council provides a high level of service to its community due to the standard of construction and relatively young age of infrastructure assets.

Council’s infrastructure assets represent a vast investment built up over many generations, which in itself presents a significant challenge, as many of the assets were constructed or acquired many decades ago and as such are approaching the end of their useful lives. The efficient management of these assets is vital in maintaining safe, reliable and efficient services that help achieve the strategic priorities and goals of Council. Failure to adequately plan for the replacement of existing assets and the development of new assets will result in Council not having the assets to meet the needs of the community, now or into the future.

The Asset Management Strategy is a procedure to determine what the infrastructure asset requirements are needed to be to achieve strategic objectives. The Asset Management Strategy is therefore an ongoing process as strategic objectives develop and change. The steps in this process are to:

- review the strategic trends;
- assess potential impacts on the asset stock;
- assess gaps in asset knowledge to enable the asset management plan and asset improvement plan to be developed.

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 and the service levels that are desired by the community and what level they are willing to pay for.
In summary the strategy will assist Council to:

- develop a set of actions aimed at improved asset management practices across the organization through:
  - improved stewardship and accountability of assets;
  - improved communication and relationships with service users;
  - improved risk management
  - more effective utilization of assets; and
  - improved financial effectiveness.

- ensure that asset management practices are applied consistently across the organization and supported by a continuous improvement plan so that Council may more effectively manage community assets now and into the future.

- more effectively plan and fund its works programs.

- competently deliver services to the community.

- maintain its assets to acceptable standards.

**Asset Values & Conditions**

At 30 June 2019 the estimated gross replacement value of Council infrastructure assets was over $770 million as represented below:
Council Assets

Council’s asset types are summarised below and are categorised by the Community Strategic Plan 2017 themes which illustrates how these assets help meet the objectives as set out in the Plan:

**Community Life**
- Street Scaping
- Community Buildings
- Swimming Pools
- Cemetery Assets
- Library Books
- Parks and Gardens
- Sportgrounds
- Showgrounds
- Community Service and Program Assets
- Animal Control Facilities
- Public Amenities

**Built and Natural Environment**
- Tourism Buildings and Signage
- Saleyards
- Aerodrome
- Investment property and development
- Council’s Roads and Bridges
- Footpaths and Cycleways
- Communications Assets

**Economic and Infrastructure**
- Water Supply Infrastructure
- Waste Water Infrastructure
- Solid Waste Management Assets
- Stormwater Infrastructure
- Noxious Weeds Assets
- Environment education facilities
- Sustainable Energy Assets
• Other Community Land

Leadership
• Corporate Buildings
• Plant and Machinery

3.1 Asset Classes Graphic
Council assesses the condition of its infrastructure asset classes on an annual basis and includes these assessments into the Annual Financial Statements and Special Schedules.

From information included in these reports ratios are calculated to provide an assessment as the state of Council major infrastructure against benchmarks set by the Office of Local Government. These ratios provide Council with trend information to recognize where possible gaps exist in providing satisfactory asset infrastructure to meet Community service expectations.

Listed below is the assessment of infrastructure assets (excluding Land and Plant & equipment) based on the 30 June 2017 financial reports:
<table>
<thead>
<tr>
<th>ASSET CLASS</th>
<th>ESTIMATED COST TO BRING TO THE AGREED LEVEL OF SERVICE SET BY COUNCIL</th>
<th>2018/19 REQUIRED</th>
<th>2018/19 ACTUAL MAINTENANCE</th>
<th>NET CARRYING AMOUNT</th>
<th>GROSS REPLACEMENT COST (GRC)</th>
<th>ASSETS IN CONDITION AS A PERCENTAGE OF GROSS REPLACEMENT COST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>490</td>
<td>488</td>
<td>567</td>
<td>39,563</td>
<td>48,451</td>
<td>52.4% 45.6% 2.1% 0.0% 0.0%</td>
</tr>
<tr>
<td>Other Structures</td>
<td>5</td>
<td>105</td>
<td>95</td>
<td>1,795</td>
<td>1,983</td>
<td>27.1% 14.3% 51.8% 5.2% 1.6%</td>
</tr>
<tr>
<td>Roads</td>
<td>3,290</td>
<td>4,409</td>
<td>4,288</td>
<td>454,612</td>
<td>484,574</td>
<td>58.2% 36.1% 4.3% 1.2% 0.1%</td>
</tr>
<tr>
<td>Water Supply Network</td>
<td>1,200</td>
<td>923</td>
<td>793</td>
<td>45,287</td>
<td>82,401</td>
<td>28.5% 15.0% 42.4% 14.0% 0.0%</td>
</tr>
<tr>
<td>Sewerage Network</td>
<td>850</td>
<td>862</td>
<td>744</td>
<td>37,341</td>
<td>68,771</td>
<td>9.9% 11.3% 67.3% 11.5% 0.0%</td>
</tr>
<tr>
<td>Stormwater Drainage</td>
<td>208</td>
<td>117</td>
<td>122</td>
<td>22,217</td>
<td>24,732</td>
<td>46.8% 31.0% 19.4% 2.0% 0.9%</td>
</tr>
<tr>
<td>Open Spaces and Recreational Assets</td>
<td>416</td>
<td>1,222</td>
<td>1,269</td>
<td>14,645</td>
<td>22,075</td>
<td>20.0% 26.0% 35.7% 17.9% 0.4%</td>
</tr>
<tr>
<td>Ancillary infrastructure</td>
<td>78</td>
<td>230</td>
<td>222</td>
<td>14,418</td>
<td>17,366</td>
<td>28.8% 50.8% 18.2% 2.2% 0.0%</td>
</tr>
<tr>
<td>TOTALS</td>
<td>6,537</td>
<td>8,356</td>
<td>8,100</td>
<td>629,878</td>
<td>750,353</td>
<td></td>
</tr>
</tbody>
</table>

Notes: Required maintenance is the amount identified in Council's asset management plans. Infrastructure asset condition assessment 'key'

1 **Excellent**  No work required (normal maintenance)
2 **Good** Only minor maintenance work required
3 **Average** Maintenance work required
4 **Poor** Renewal required
5 **Very poor** Urgent renewal/upgrading required
Special Schedule 7 - Report on Infrastructure Assets Ratio for the year 2014 to 2017

Purpose of asset renewals ratio
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Purpose of infrastructure backlog ratio
This ratio shows what proportion the backlog is against the total value of a Council’s infrastructure.
Purpose of asset maintenance ratio
Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.
4 Targets of Council Asset Management

Asset management, information on asset inventory, renewal costs, asset life, intervention criteria and asset condition have been documented and consolidated into detailed spreadsheets, which enables further analysis to determine the current and future infrastructure funding gap levels.

The identification of the renewal gap will allow Council to predict levels of funding required to be spent for the long term on maintenance of our assets. This information will assist in developing and reviewing Council’s long term financial plan.

The total replacement cost of Council’s major infrastructure assets is estimated to be $770 million with an estimated long term average renewal requirement per annum of approximately $8 million.

The imbalance between the rates of renewal and asset consumption has developed because renewal has a ‘delay function’; most of Council’s assets have been built by developers or with the assistance of State and Federal funding over the last 30, 40 or more years. Renewal infrastructure cost can be somewhat lumpy and unlike depreciation, which averages the renewal costs, actual payments for renewal are periodic, and for any given asset group renewal can be far less, or much more, than depreciation.

As apparent from the internal gap analysis Council will need extra financial resources, in addition to s94 funding, to deliver its current levels of service.

Options to bridge this renewal funding gap are:

- Increase Council’s revenue base
- Seek additional project funding through special grants or long term loans
- Phasing in funding over next ten years for replacement of assets
- Focussing expenditure on essential and high priority works
- Asset rationalisation
- Increasing the effectiveness and utilisation of the existing asset base
- Deferring works with the recognition that this is not sustainable in the medium term
- Comprehensive review of service levels across all asset categories.
  - Limit expansion of the Asset base so as not to widen the gap or prolong replacements beyond economic life.

Only sound long term renewal forecasting will let Council know where it stands in preparing for the renewal challenge. Renewal is not associated with increased funding. Instead, it has to compete with many other demands on Council, and recently these demands – for social and environmental reasons as well as for increased services – have themselves been increasing. Revenue increases have not kept pace with these extra demands; a limited revenue base and community sensitivity to tax (property rates) increases have been the main reasons.
5 Our Asset Management System

In order to capture the necessary data to create accurate and meaningful Asset Management Plans, Council requires an up to date asset management system which collects the following information:

- Asset registers;
- Asset ownership/custodianship;
- Asset condition assessments;
- Asset attributes (physical and lifecycle);
- Asset maintenance and management systems;
- Strategic planning capabilities;
- Predictive modelling;
- Deterioration modelling; and
- Lifecycle costing.

Council currently uses an integrated asset management system that captures and provides the above data in order to complete fair value financial modelling as required on a 5-year cyclical rotation for each major asset category.

This asset management system captures actual data for capital works and operating costs, which is then used to model Asset Management Plans and long term financial asset planning.

In order to improve the integrity of data, assist in managing data and to assist Management to make informed decisions regarding maintenance practices and to more efficiently determine Capital Works programs Council is currently implementing a computer based asset management system to store and analyse the significant quantities of asset data collected for asset management purposes.

Council’s objectives in selecting this asset management system were:

- to have a central repository for all asset data
- to undertake lifecycle management of all Council asset categories
- to facilitate an asset management culture
- to reduce the overall costs and risks associated with Council assets
- To implement a system that is flexible enough to accommodate the variations in the management of the various asset categories
- To provide the ability to add advanced asset management functionality as the Council matures with respect to asset management.
- To implement an integrated system that will support the concept of once only data entry and be easily interfaced with other corporate applications.

Once fully implemented, the asset system will be supplemented with other integrated systems and standalone modelling tools such as GIS mapping software.
For the year ended 30 June 2017 Council utilised the “Confirm” software asset data base system to record the Water and Sewerage network whilst utilising Excel spreadsheets for the following assets:

- Roads (sealed and unsealed)
- Bridges and major (including major culverts)
- Footpaths and Cycleways
- Stormwater Drainage
- Buildings
- Open Spaces
- Other Ancillary infrastructure

6 Asset Management Plans

Asset Management Plans (AMPs) provide a long term assessment of the asset activities and actions required to deliver the defined level of service in the most cost effective manner to the community.

The objective of the AMP is to outline the particular actions and resources required to provide a Council has developed Asset Management Plans for:

- Road Infrastructure (road pavement, kerb and channel, footpaths and cycleways)
- Bridges
- Stormwater Drainage
- Buildings
- Open Spaces
- Other Infrastructure (swimming pools, saleyards and aerodrome)
- Water Supply
- Sewerage Services

In general these Asset Management Plans:

- describe the asset (physical, financial)
- describe the objective/purpose of the asset
- define the current levels of service
- describe future demand requirements for service delivery
- describe the risks associated with the asset
- define the intended time frame (life cycle) of the asset or key components
- include financial information
- recognize the decline in service potential
- state assumptions and confidence levels
- outline an improvement program
- identify key performance measures
- have the firm commitment of the organisation
- reviewed regularly

In order to implement asset management effectively it is appropriate to produce asset management plans and recognize the deficiencies these plans have over time. Council’s plans have been prepared as a ‘core’ asset management plan in accordance with the International Infrastructure Management Manual.

They meet the minimum legislative and organizational requirements for sustainable service delivery and long term financial planning and reporting. Core asset management is a ‘top down’ approach where analysis is applied at the ‘system’ or ‘network’ level.

From here the necessary activities to enhance the plans can be undertaken as a ‘bottom up’ approach as shown i:

Core versus advanced asset management status

Council overall has core asset management plans developed for each asset category, with some elements at an advanced stage.

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 match the complexity required and are practical, readily understood and useable documents.
Figure 2 sets out the preferred method of preparation for Asset Management Plans.

7 Measuring Asset Expenditure
An understanding of expenditure trends is fundamental to managing assets. Assets that are allowed to deteriorate beyond their optimum renewal period will start requiring high levels of reactive maintenance in
order to control risk and correctly separating recurrent or reactive maintenance cost from asset renewal enables better asset planning and the reduction of lifecycle costs.

It is also important to differentiate between capital expenditure on the existing asset stock and capital expenditure on expanding the asset stock.

Expenditure on public works assets may be split into four categories, maintenance, capital renewal, capital upgrade and capital expansion.

- **Maintenance** - expenditure on an asset, which maintains the asset in use but does not increase its service potential or life

- **Capital Renewal** - expenditure on renewing an existing asset or a portion of an infrastructure network, which increases the service potential or extends the life

- **Capital Upgrade** - expenditure on upgrading the standard of an existing asset or infrastructure network to provide a higher level of service to users, e.g. widening the pavement and sealed area of an existing road, replacing drainage pipes with pipes of a greater capacity, building 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** - expenditure on extending an infrastructure network, at the same standard currently enjoyed by existing residents, to a new group of users, e.g. extending a drainage or road network, the provision of an oval or park in a new suburb.

### 8 Risk Management

Management of risk and liability through a risk assessment process is fundamental in assisting Council to allocate resources and meet community expectancies. The following asset categories have been identified as critical to this process, and although further and continuous work in this area is required, Council is committed to reducing risk in Council assets as demonstrated in the table below.

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Risk Identified</th>
<th>Possible Causes</th>
<th>Risk Matrix Rating</th>
<th>Risk Treatment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Roads</strong></td>
<td><strong>Motor vehicle accidents causing injury/fatality/damage to property</strong></td>
<td>Road deterioration, design flaws, missing safety signage, vandalism of safety signage</td>
<td><strong>High</strong></td>
<td>Australian Standards, RTA regulations, asset condition testing, public liability insurance</td>
</tr>
<tr>
<td>Asset Class</td>
<td>Risk Identified</td>
<td>Possible Causes</td>
<td>Risk Matrix Rating</td>
<td>Risk Treatment</td>
</tr>
<tr>
<td>-----------------------</td>
<td>-------------------------------------------</td>
<td>--------------------------------------------------------------------------------</td>
<td>--------------------</td>
<td>--------------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Playgrounds/Sportgrounds</strong></td>
<td>Increased infrastructure deterioration</td>
<td>Design flaws, reduced material quality, reduced work quality, heavy vehicle movements, excessive weather events, poor maintenance</td>
<td>High</td>
<td>Annual maintenance program, reactive maintenance, public liability insurance</td>
</tr>
<tr>
<td></td>
<td>Damage to assets (outside of normal effective life)</td>
<td>Natural disasters, vandalism, accidental damage,</td>
<td>High</td>
<td>Identify high risk areas and use proactive means eg levee banks, security cameras, education programs</td>
</tr>
<tr>
<td></td>
<td>Damage to sportgrounds</td>
<td>Overuse</td>
<td>High</td>
<td>Management of use of grounds and parks</td>
</tr>
<tr>
<td></td>
<td>Inadequate amenities</td>
<td>Underestimated use or capacity</td>
<td>Medium</td>
<td>Review and upgrade where required</td>
</tr>
<tr>
<td></td>
<td>Injury/fatality to users</td>
<td>Unmaintained infrastructure, mis-use of assets, component failures, poor design, inadequate safety signage</td>
<td>High</td>
<td>Maintenance programs and AMP’s, public liability insurance, safety signage</td>
</tr>
<tr>
<td><strong>Buildings</strong></td>
<td>Injury/fatality to users</td>
<td>Unmaintained infrastructure, mis-use of assets, component failures, poor design, inadequate safety signage</td>
<td>High</td>
<td>Maintenance programs and AMP’s, public liability insurance, safety signage</td>
</tr>
<tr>
<td></td>
<td>Damage to property</td>
<td>Natural disasters, vandalism, accidental damage</td>
<td>High</td>
<td>Identify high risk areas and use proactive means eg security cameras, education programs, planning &amp; development legislation</td>
</tr>
<tr>
<td>Asset Class</td>
<td>Risk Identified</td>
<td>Possible Causes</td>
<td>Risk Matrix Rating</td>
<td>Risk Treatment</td>
</tr>
<tr>
<td>-----------------------</td>
<td>-------------------------------------</td>
<td>---------------------------------------------------------------------------------</td>
<td>--------------------</td>
<td>--------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Reticulation Risk</td>
<td>Flood events or continued heavy rainfall</td>
<td></td>
<td>High</td>
<td>Regular asset condition monitoring, hazard reporting, education programs</td>
</tr>
<tr>
<td>Structural failure</td>
<td>Poor design or quality of materials used</td>
<td></td>
<td>High</td>
<td>Regular asset condition monitoring, Australian standards, hazard reporting</td>
</tr>
<tr>
<td>Blockages</td>
<td>Environmental conditions, roots leaves</td>
<td></td>
<td>High</td>
<td>Regular asset condition monitoring, hazard reporting, maintenance programs</td>
</tr>
<tr>
<td>Stormwater Drainage</td>
<td>Injury/fatality from inadequate infrastructure</td>
<td>Blocked access escape paths during natural disaster event, drowning, health, odours, mosquitoes</td>
<td>High</td>
<td>Public liability insurance, Australian standards, Legislation compliance eg WHS Acts, hazard reporting, education programs</td>
</tr>
<tr>
<td>Damage to property</td>
<td>Attempted vehicle access through flooded assets, inadequate reticulation causing flooding on private property</td>
<td></td>
<td>High</td>
<td>Regular asset condition monitoring, public liability insurance, Australian standards, hazard reporting, education programs</td>
</tr>
<tr>
<td>Water Supply/Sewerage</td>
<td>Reticulation Risk</td>
<td>Poor design or quality of materials used, aged infrastructure</td>
<td>High</td>
<td>Australian standards, asset condition testing, maintenance programs, AMPs</td>
</tr>
<tr>
<td>Blockages</td>
<td>Environmental conditions, roots leaves</td>
<td></td>
<td>High</td>
<td>Regular asset condition monitoring, hazard reporting, maintenance programs</td>
</tr>
</tbody>
</table>
### Solid Waste Management

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Risk Identified</th>
<th>Possible Causes</th>
<th>Risk Matrix Rating</th>
<th>Risk Treatment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Health of community, injury/fatality</td>
<td>Insufficient or inadequate infrastructure, non-functioning infrastructure, leakage</td>
<td>High</td>
<td>Regular asset condition monitoring, Hazard reporting, maintenance programs, EPA legislation, public liability insurance</td>
</tr>
</tbody>
</table>

8.1 Risk Management Strategies

Council aims to improve its risk management processes in regard to Asset Management and will incorporate information from the Asset Management System with the following risk management strategies to develop an ongoing risk management plan within the next 12 months.

The main elements of risk management as defined in AS/NZS 4360 are:

- Establish Risk Management Context,
- Determine Risk Evaluation Criteria,
- Identify Risks,
- Analyse Risks
- Evaluate Risks,
- Treat Risks (or Manage Risks),
- Monitor and Review

**Establish the Context**

The risk management context is established in three areas, strategic, organisational and risk management. The Strategic Context involves identifying:

- the relationships between the council and the environment;
- strengths, weaknesses, opportunities and threats (SWOTs), including the financial, operational, competitive, political (public perception/image) social and legal aspects of the council’s functions; and
- the stakeholders.

The purpose of the strategic context is to identify and determine the crucial elements that might support or impair the council’s ability to manage the risks associated with its operation.
Organisational Context
The purpose of this stage is to develop an understanding of the council and its capabilities, as well as its goals and objectives and the strategies that are in place to achieve them.

Risk Management Context
The purpose of this stage is to develop the criteria against which risk is to be assessed. This may depend on operational, technical, financial, legal, social, humanitarian, or other criteria.

Risk evaluation criteria can include
- financial loss of up to a certain amount,
- injury to a person requiring hospitalisation,
- number of incidents not to exceed a certain amount.

Risk Identification
Risk identification seeks to identify the risks and elements at risk that may need to be managed. A well-structured systematic process is crucial, because a potential risk not identified at this stage is excluded from further analysis. All risks should be identified, whether or not they are under the control of the council.

The risks are identified in three stages:
- What can happen. The aim is to generate a comprehensive list of events which might affect each element of the council's service delivery.
- How and why it can happen. It is necessary to consider possible causes and scenarios. There are many ways and event can be initiated. It is important that no significant causes are omitted.
- Are risks credible? An assessment of credibility of all risk is undertaken to ensure that credible risks receive proper and due consideration.

Risks should be defined as a statement of risk. For example: There is a risk of injury to people from tripping on a paved footpath.

Risk Analysis
Risk is analysed by combining estimates of likelihood and consequences in the context of existing control measures. The objective of a risk analysis is to separate the minor acceptable risks from the major risks and to provide data to assist in assessment and treatment of risk.

The level of risk is determined by considering two aspects against existing controls:
- how likely it is that things may happen (likelihood, frequency of probability), and
- the possible consequences (impact or magnitude of the effect) if they do occur.

The risk analysis process is to:
- identify the existing management controls, technical systems and procedures to control risk,
- evaluate the likelihood of events occurring and their consequences in the context of these existing controls,
- combine the evaluation of likelihood and consequences to produce a level of risk.
Risk Evaluation
Risk evaluation involves comparing the level of risk found during the analysis process with previously established risk criteria and deciding whether the risks can be accepted.

Options should be evaluated on the basis of the extent of risk reduction and the extent of benefits or opportunities created, taking into account the criteria developed in Risk Context. In general, the adverse impact of risks should be made as low as reasonably practicable irrespective of any absolute criteria. A combination of options may give the optimum risk reduction outcome. If the risks fall into the acceptable or low categories, they may be accepted with minimal further treatment. Acceptable or low risks should be monitored and periodically reviewed to ensure they remain acceptable. If the risks do not fall into the acceptable or low category, they should be managed using one of the options below.

The output of risk evaluation is a prioritised list of risks for further action.

Risk Matrix

<table>
<thead>
<tr>
<th>LIKELIHOOD</th>
<th>CONSEQUENCE</th>
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<tr>
<td></td>
<td>Insignificant</td>
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<tr>
<td>Certain</td>
<td>Moderate</td>
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<tr>
<td>Likely</td>
<td>Moderate</td>
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<td>Low</td>
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<tr>
<td>Unlikely</td>
<td>Low</td>
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<tr>
<td>Rare</td>
<td>Low</td>
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Manage the Risks
Risks need to be managed appropriately to the significance of the risk and importance of the affected item/asset to the region. As a general guide:

- low levels of risk can be accepted and additional action may not be needed; these risks should be monitored,
- major or significant levels of risk should be managed with actions to reduce or eliminate the risk,
- high levels of risk require close management and the preparation of a formal plan to manage the risks.

Options for managing risk are shown below. The optimum solution may involve a combination of options.

- Avoid the risk by deciding not to proceed with the activity that would incur the risk, or choose an alternative course of action that achieves the same outcome,
- Reduce the level of risk by reducing the likelihood of occurrence or the consequences, or both;
- The likelihood may be reduced through management controls, organisational or other arrangements which reduce the frequency of, or opportunity for errors, such as alternative procedures, quality
assurance, testing, training, supervision, review, documented policy and procedures, research and development.

- the consequences may be reduced by ensuring that management or other controls, or physical barriers, are in place to minimise any adverse consequences, such as contingency planning, contract conditions or other arrangements.

- Transfer the risk by shifting the responsibility to another party (such as an insurer), who ultimately bears the consequences if the event occurs. Risks should be allocated to the party, which can exercise the most effective control over those risks.

- Accept and retain the risks within the organisation where they cannot be avoided, reduced or reduced or transferred, or where the cost to avoid or transfer the risk is not justified, usually because the risk is acceptable or low. Risks can be retained by default, i.e. Where there is a failure to identify and/or appropriately transfer or otherwise manage risks.

- The cost of managing risks needs to be commensurate with the benefits obtained, the significance of the event and the risks involved.

**Risk Management Plans**

Plans should document how the chosen options are to be implemented. The plan should identify responsibilities, schedules, the expected outcomes of treatment, budgeting, performance measures and the review process to be set in place.

The successful implementation of the risk management plan requires an effective management system which specifies the methods chosen, assigns responsibilities and individual accountabilities for actions and monitors them against specified criteria.

**Monitoring and Review**

Monitoring and review is an essential and integral step in the process of managing risk. It is necessary to monitor risks, the effectiveness of any plans, strategies and management systems that have been established to control implementation of risk management actions. Risks need to be monitored periodically to ensure changing circumstances do not alter the risk priorities.

**Risk Management Process Improvement**

The process improvement covers 3 steps and identifies further issues to be addressed.

- Improve risk management process and link to assets,

- Link work history for scheduled and reactive work to assets,

- Monitor costs on important scheduled and reactive jobs.

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**9 Definitions**

**Asset Class** - Grouping of like asset categories, eg all pavement, seal, kerb and 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.
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.

Fair Value - The amount for which an asset could be exchanged or liability settled, between knowledgeable, willing parties, in an arms 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.

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

Maintenance and Renewal Gap - Difference between estimated budgets and projected expenditures for maintenance and renewal of assets, totaled over a defined time (eg 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 conventional 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.

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.

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.

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

Useful 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.
**Version History**

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