

# Devonport City Council



*The City with Spirit*



## Asset Management Strategy



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**Document Controller:**

Infrastructure & Works Manager

**Document Reviewer:**

Deputy General Manager

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# 1. Introduction

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

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

This Asset Management Strategy (Strategy) has been prepared to further the objectives outlined in Council's adopted Asset Management Policy. The objective of the Strategy is to establish a framework to guide the planning, construction, maintenance and operation of the assets essential for Council to provide services to the community.

This Strategy will assist Council to improve the way it delivers services through its assets. Council's assets currently have a combined replacement value of approximately \$498M.

This Strategy demonstrates how:

- Council's asset portfolio will meet the service delivery needs of its community into the future;
- Council's asset management will integrate with the long term financial plan,
- Council will meet relevant statutory requirements, and
- Council can deliver sustainable provision of services to the community.

The Strategy outlines an action plan detailing a program of tasks to be completed and resources required to bring Council to a 'core' level of asset maturity and competence.

## 1.1 Council's Vision, Mission, Goals and Outcomes

Council has adopted a Vision for the future in the Council Strategic Plan 2009-2030:

"Devonport will be a thriving and welcoming regional City, living lightly by river and sea."

The Strategic Plan sets goals and outcomes to be achieved over the life of the plan. The goals set out where the organisation wants to be. The outcomes and underpinning strategies are the steps needed to get there. Goals and outcomes relating to the delivery of services from infrastructure are shown in Table 1.

# 1. Introduction (continued)

**Table 1: Goals and Objectives for Infrastructure Services**

Goals	Outcomes	Strategies
Build a unique City	The infrastructure priorities to support the development of our unique City are planned and appropriately funded and maintained	Provide and maintain roads, bridges, footpaths, bike paths and car parks to appropriate standards
		Provide and maintain stormwater infrastructure to appropriate standards
		Provide and maintain Council buildings, facilities and amenities to appropriate standards
		Provide accessible and sustainable parks, gardens and open spaces to appropriate standards
		Develop and maintain long term Strategic Asset Management plans and Capital Improvement Program
	Promote the development of the CBD in a manner which achieves the LIVING CITY Principles Plan	Develop and implement a CBD Master Plan aligned to the key LIVING CITY principles and based on community engagement outcomes
Grow a vibrant economy	Access into, out of, and around the City is well planned and managed	Improve the City's physical access and connectivity
		Develop and maintain a high profile City entrance and streetscape that enhances and maintains its character

## 1. Introduction (continued)

Goals	Outcomes	Strategies
Building a quality of life	Sport and recreation facilities and programs are well planned with strong participation	Provide sport, recreation and leisure facilities and programs to meet the needs of the community
		Manage sport and recreation facilities to ensure appeal, safety and accessibility
	A vibrant culture is created through the provision of cultural activities, events and facilities	Cultural facilities and programs are well planned and promoted to increase accessibility and sustainability, active engagement and strong participation for the benefit of current and future generations
	Heritage management is planned	Develop and implement initiatives to preserve and maintain heritage buildings, items and places of interest within the City of Devonport
Practicing excellence in governance	Council's services are financially sustainable	Provide financial services to support Council's operations and meet reporting and accountability requirements
		Ensure operations meet or exceed financial targets as set in Strategic and Business Plans (Financial Management Strategy)

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

## 2. Background

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

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

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

The national framework on asset planning and management and financial planning and reporting endorsed by the Local Government and Planning Ministers' Council (LGPMC) require councils to adopt a longer-term approach to service delivery and funding comprising:

- A strategic longer-term plan covering, as a minimum, the term of office of the councillors and:
  - bringing together asset management and long term financial plans,
  - demonstrating how council intends to resource the plan, and
  - consulting with communities on the plan
- Annual budget showing the connection to the strategic objectives, and
- Annual report with:
  - explanation to the community on variations between the budget and actual results ,
  - any impact of such variances on the strategic longer-term plan,
  - report of operations with review on the performance of the council against strategic objectives.

The framework has seven elements to assist in highlighting key management issues, promote prudent, transparent and accountable management of local government assets and introduces a strategic approach to meet current and emerging challenges. The seven elements are:

- Asset management policy,
- Strategy and planning,
  - asset management strategy,
  - asset management plan,
- Governance and management arrangements,
- Defining levels of service,
- Data and systems,
- Skills and processes, and
- Evaluation.

## 2. Background (continued)

### 2.1 Legislative reform

Previously there was no legislative or regulatory framework in Tasmania that required Council to develop an Asset Management Strategy, a Long Term Financial Plan, or Asset Management Plans.

The release of Access Economics report "A Review of the Financial Sustainability of Local Government" in 2007 highlighted the need for councils to move from annual to medium/long term service and financial planning.

In 2007 the Premier's Local Government Council (PLGC) established the Tasmanian Local Government Financial and Asset Reform Project with the following objectives:

- maximise councils financial sustainability to support continued provision of services to their communities over the long term, and
- increase councils ability to effectively manage their current and future performance using a consistent whole of council perspective bringing together their financial and asset management operations for reporting and management purposes.

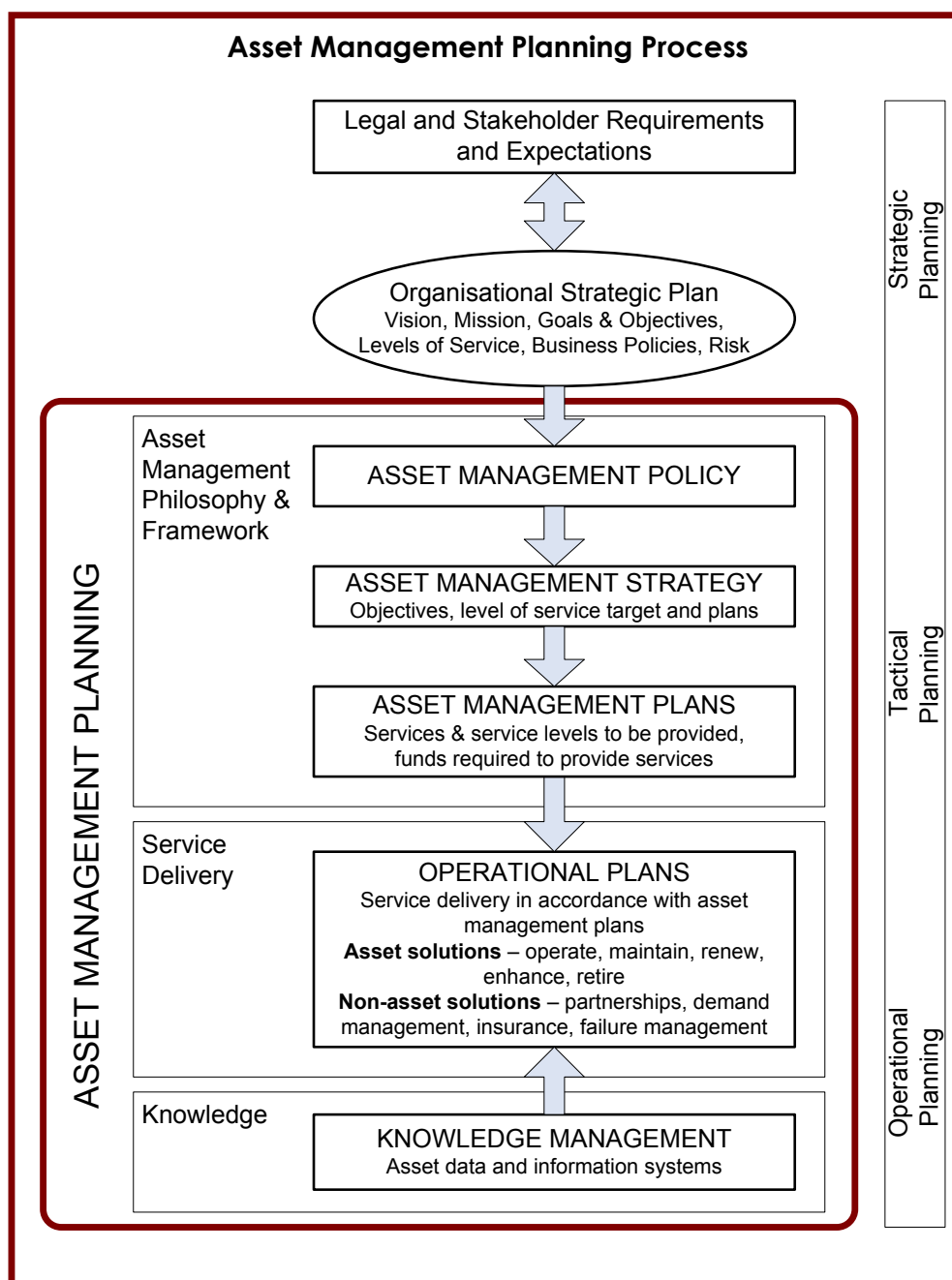
In recent years various legislation and regulations have been adopted that set out the requirements of councils to have financial and asset management plans, policies and strategies, including:

- *Local Government Act 1993* – Section 70D (1) & (2)
- Local Government Division, 2014. Local Government (Contents of Plans and Strategies) order 2014, Clause 8 (2)
- Local Government Association of Tasmania – Practice Summary 2.

## 2. Background (continued)

### 2.2 Asset Management Planning Process

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



### 3. Strategy Objectives

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

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

The objectives of the Strategy are to:

**Objective 1:**

Ensure that the Council's services are provided in an economical optimal way, with the appropriate level of service to residents, visitors and the environment determined by reference to Council's financial sustainability.

**Objective 2:**

Safeguard Council's assets including physical assets and employees by implementing appropriate asset management strategies and appropriate financial resources for those assets.

**Objective 3:**

Adopt the Long Term Financial plan as the basis for all service and budget funding decisions.

**Objective 4:**

Meet legislative requirements for all Council's operations related to asset delivery.

**Objective 5:**

Ensure resources and operational capabilities are identified and responsibility for asset management is allocated.

**Objective 6:**

Assist with high level oversight of financial and asset management responsibilities through reporting to Council on development and implementation of the Asset Management Strategy and Financial Management Strategy.

## 4. Asset Management Framework

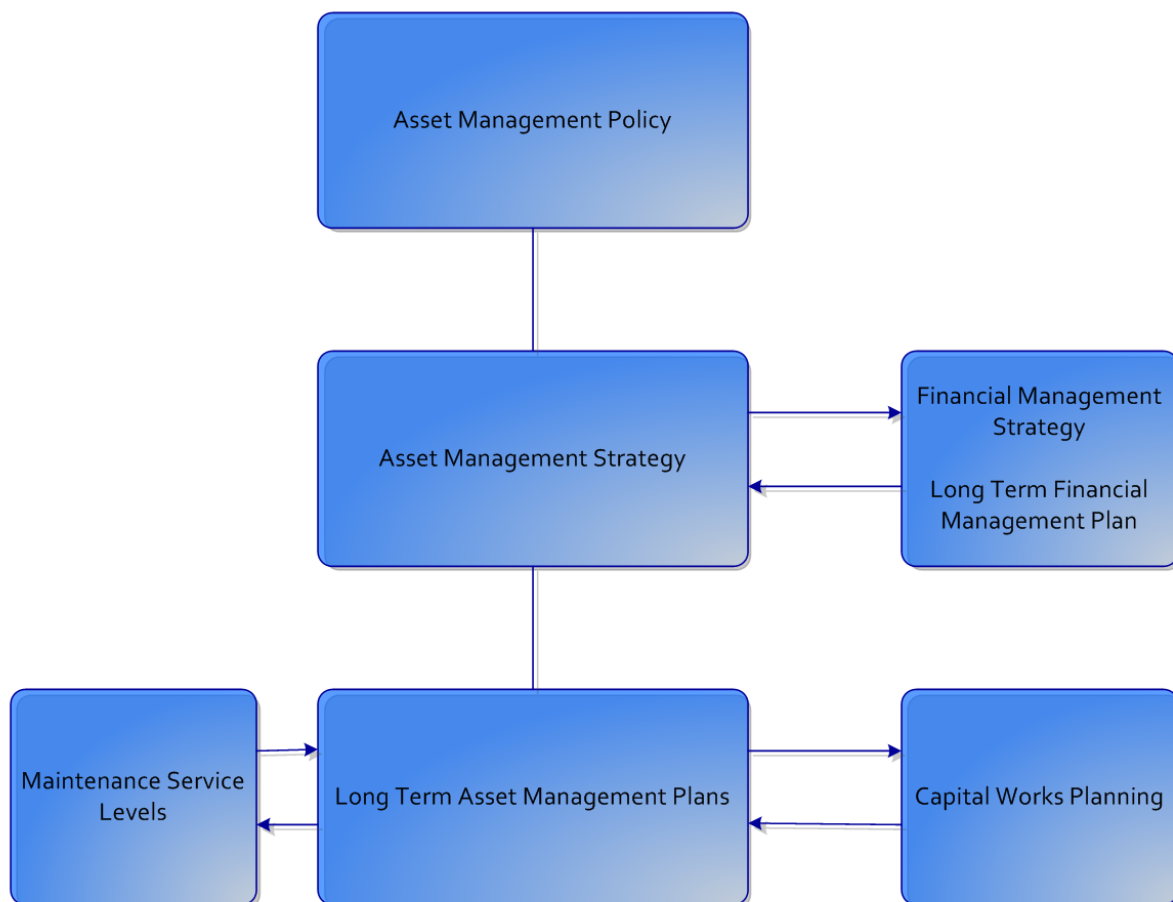
### 4.1 Asset Management Policy

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

The strategy has been developed to support the Asset Management Policy and is to enable Council to show:

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

### 4.2 Asset Management Structure



To achieve this Strategy the following key roles and responsibilities and commitments are identified in Table 2.

## 4. Asset Management Framework (continued)

**Table 2: Asset Management - Roles & Responsibilities**

<b>Roles</b>	<b>Responsibilities</b>
Council	<ul style="list-style-type: none"> <li>to act as custodians for Council's assets; and</li> <li>approve strategic asset management documents for Council</li> </ul>
Audit Panel	<ul style="list-style-type: none"> <li>to support and assist Council in providing a transparent and independent process in asset management practices to ensure accountability to the community; and</li> <li>to provide guidance to the adequacy and effectiveness of the system of internal controls throughout the Council</li> </ul>
Asset Management Team	<ul style="list-style-type: none"> <li>to improve organisational performance, oversee compliance with external requirements, improve cross departmental communication associated with asset management and raise awareness of asset management within the organisation</li> </ul>
Council Staff	<ul style="list-style-type: none"> <li>implement the Asset Management Policy and Asset Management Strategy with linkage to Council Annual and Strategic Plans;</li> <li>implement Asset Management plans documenting required allocation of funding and improvement plans for individual asset groups, using the principles of lifecycle analysis;</li> <li>implement maintenance, refurbishment and capital works (refurbishment/renewal) programs in accordance with Asset Management plans and report to Council;</li> <li>to develop and implement procedures that ensure the asset registers are maintained and updated and provide required reports to Council to meet their statutory and legal responsibilities;</li> <li>to develop and implement processes and procedures that allow for the "whole of life" and continued management and ownership of assets including all asset life cycle management functions;</li> <li>to ensure that accurate and reliable information is presented to Council for decisionmaking;</li> <li>to present information to Council in terms of Asset Management "lifecycle risks" and costs; and</li> <li>promote and raise awareness of asset management to the Council, staff, users and community.</li> </ul>

## 4. Asset Management Framework (continued)

### 4.3 Asset Management Team

A 'whole of organisation' approach to asset management will be developed through Council's Asset Management Team (AMT). The benefits of the AMT include:

- demonstrates corporate support for sustainable asset management,
- encourages corporate buy-in and responsibility,
- coordinates strategic planning, information technology and asset management activities,
- promotes uniform asset management practices across the organisation,
- information sharing across IT hardware and software,
- pooling of corporate expertise
- championing of asset management process,
- wider accountability for achieving and reviewing sustainable asset management practices.

The role of the AMT team will evolve as the organisation's asset maturity increases. The primary focus of the AMT will be:

- reviewing existing documentation relating to asset management,
- overseeing compliance with legislative and external requirements and implementation of relevant recommendations, (e.g. Ministerial recommendations and the report of the Auditor General No. 5 of 2013-14),
- review internal procedures relating to Asset Management (eg. capitalisations),
- progressing the adoption of Asset Management Plans, strategies and policies and ensure integration with Long Term Financial Plans,
- planning for revaluations,
- reviewing strategic documents in relation to Asset Management both during development of new strategies and reviewing of existing strategies, and
- raising awareness of asset management within the organisation through education of staff.

The AMT will be structured to incorporate representation from all key areas of Council, with particular focus on asset management. The current members of the AMT are:

- Deputy General Manager,
- Organisational Performance Executive Manager,
- Executive Manager Corporate & Business Services,
- Infrastructure & Works Manager,
- Financial Accountant,
- Technical Support Supervisor,
- City Engineer, and
- Asset Management Coordinator.

## 5. Asset Management Strategy Action Plan

The tasks required to achieve the objectives of the Asset Management Strategy are shown in Table 8.

### Timeframes:

- Ongoing – day to day tasks which are budgeted for annually
- Short term – 1 to 2 years
- Medium term – 2 to 5 years
- Long term – 5 to 15 years

### Resources Required:

- A-OPEX – annual operational expenditure
- F-OPEX – future operational expenditure
- F/A CAPEX – future capital expenditure

Action	Responsibility	Timeframe	Resources
<b>Objective 1:</b> Ensure that the Council's services are provided in an economically optimal way, with the appropriate level of service to residents, visitors and the environment determined to reference to Council's financial sustainability.			
1.1 Add asset condition data where possible to Council's Annual Report.	Inf & Works	Short Term	A-OPEX
1.2 Develop and implement a program to review internal procedures relating to asset management.	Asset Mgmt Team	Medium Term	A-OPEX
<b>Objective 2:</b> Safeguard Council's assets including physical assets and employees by implementing appropriate asset management strategies and appropriate financial resources for those assets.			
2.1 Develop and implement a program to review Council's existing Service & Asset Management Plans progressively over the next two years.	Inf & Works	Short Term	A-OPEX
2.2 Develop and adopt a Plant & Fleet Service & Asset Management Plan.	Inf & Works	Medium Term	A-OPEX

## 5. Asset Management Strategy Action Plan (continued)

Action	Responsibility	Timeframe	Resources
<b>Objective 3:</b> <b>Adopt the Long Term Financial Plan as the basis for all service and budget funding decisions.</b>			
3.1 Develop and implement a system to progressively review the useful lives of all significant assets.	Inf & Works	Medium Term	A-OPEX
3.2 Review Long Term Financial Plan incorporating the Asset Management Plan expenditure projections with a sustainable funding position outcome.	Org Performance	Medium Term	A-OPEX
<b>Objective 4:</b> <b>Meet legislative requirements for all Council's operations related to asset delivery.</b>			
4.1 Develop and document guidelines for revaluation of assets.	Asset Mgmt Team	Short Term	A-OPEX
<b>Objective 5:</b> <b>Ensure resources and operational capabilities are identified and responsibility for asset management.</b>			
5.1 Develop a program to progressively improve the accuracy of the data in the asset system including collection of additional data.	Inf & Works	Medium Term	A-OPEX
5.2 Ensure responsibilities for asset management are identified and incorporated into staff position descriptions as required.	Human Resources	Ongoing	A-OPEX

## 5. Asset Management Strategy Action Plan (continued)

Action	Responsibility	Timeframe	Resources
<b>Objective 6:</b> Assist with high level oversight of financial and asset management responsibilities through reporting to Council on development and implementation of the Asset Management Strategy and Financial Management Strategy.			
6.1 Report annually to Council on implementation of the Asset Management Strategy and Asset Management Plans.	Inf & Works	Ongoing	A-OPEX
6.2 Report annually to Council on implementation of Long Term Financial Plan.	Org Performance	Ongoing	A-OPEX
6.3 Review Council's strategic documents in relation to asset management and long term financial sustainability both during development of new strategies and reviewing of existing strategies.	Asset Management Team	Ongoing	A-OPEX
6.4 Investigate ways to improve asset condition reporting in Council's Annual Report.	Inf & Works	Short Term	A-OPEX
6.5 Raise awareness of asset management within Council through education of staff.	Asset Mgmt Team	Ongoing	A-OPEX

## Appendix A: Existing Assets

Council uses assets to provide services to the community. The range of assets are shown in the following table:

### Assets used for providing Services

Asset Class	Description
Roads	Sealed and gravel roads, kerb and channel, bridges, footpaths, shared pathways, traffic control.
Stormwater	Underground pipe system, inlets and outlets structures, pollution traps and quality improvement devices, open drains.
Parks & Reserves	Parks & Reserves, sporting grounds, playgrounds, exercise & play equipment.
Buildings	Public buildings, operational buildings, cultural buildings, recreational facilities, public toilets.
Other Infrastructure	Waste, civil infrastructure, electrical and lighting, signage, retaining walls.
Plant	Civil plant, passenger fleet, equipment.
Office & Equipment	Office equipment, IT equipment.
Heritage & Culture	Art collection, sculptures, heritage assets.

## Appendix B: Existing Financial Status of Assets

The financial status of the organisation's assets, as at 30 June 2014 is shown as follows:

### Financial Status of the Assets

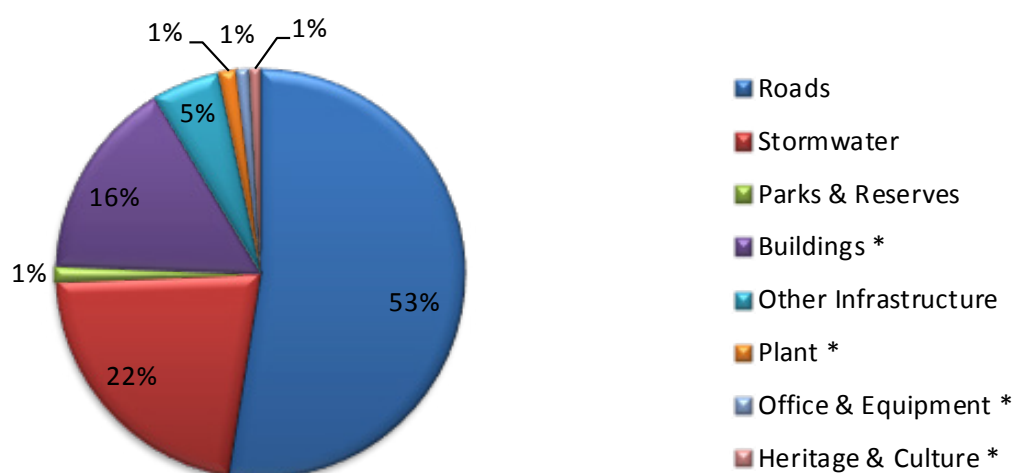
Asset Class	Replacement Cost (\$000)	Residual Value (\$000)	Dpreciable Amount (\$000)	Depreciated Replacement Cost (\$000)	Depreciation Expense (\$000)
Roads	261,568	0	261,568	120,692	3,835
Stormwater	108,951	0	108,951	63,439	1,441
Parks & Reserves	5,892	0	5,892	4,000	177
Buildings*	78,721	0	78,721	44,804	1,194
Other Infrastructure	26,353	0	26,353	18,042	1,001
Plant*	7,622	716	6,906	3,541	721
Office & Equipment*	4,758	0	4,758	2,534	529
Heritage & Culture	3,970	0	3,970	3,955	12
<b>Total</b>	<b>497,835</b>	<b>716</b>	<b>497,119</b>	<b>261,007</b>	<b>8,910</b>

Note: \* values are at valuation or cost

The following graph shows the replacement values of Council's assets.

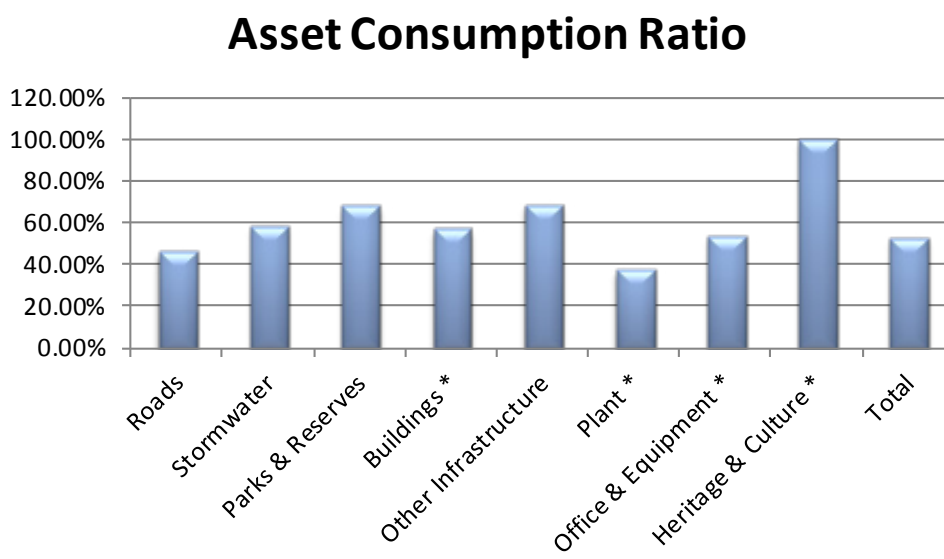
### Asset Replacement Values

#### Asset Replacement Cost (\$000)



## Appendix B: Existing Financial Status of Assets (continued)

The asset consumption ratios of Council's assets (average proportion of 'as new' condition left in assets) are shown in the following graph:



### State of Assets - Asset Consumption Ratio

The asset consumption ratio provides an indication of the "new" condition remaining in the asset classes. The longer life asset classes of roads and stormwater (that are also high asset value) show a consumption ratio of 46% and 58% respectively. This can be explained by the substantial growth period of Devonport during the period 1965 – 1985 where many new long life assets were constructed. These are now approaching or exceed half their useful lives and although they do not require renewal at this stage the cost associated with their renewal will need to be planned for in the future.

In general the asset base is in a relative good condition and being maintained with annual expenditure allowed for.

Renewal forecasting with the development and refinement of the Asset Management Plans and the Long Term Financial Plan will allow for agreed level of service to be maintained with the renewal of assets.

## Appendix C: Life Cycle Cost

Life cycle costs (or whole of life costs) are the average costs that are required to sustain the service levels over the longest asset life. Life cycle costs include operating and maintenance expenditure and asset consumption (depreciation expense). The life cycle cost for the services covered in this strategy are shown as follows:

### Life Cycle Cost for Council Services

Service	Expenditure Operations and Maintenance (\$000)	Depreciation Exp (\$000)	Life Cycle Cost (\$/Yr) (\$000)
Transport	3,105	3,835	6,940
Stormwater	553	1,441	1,994
Parks & Reserves	3,503	177	3,680
Buildings	1,025	1,194	2,219
Other Infrastructure	203	1,001	1,204
Plant	825	721	1,546
Office & Equipment	-	529	529
Heritage & Culture	-	12	12
<b>Total</b>	<b>9,214</b>	<b>8,910</b>	<b>18,124</b>

Life cycle costs can be compared to life cycle expenditure to give an indicator of sustainability in service provision. Life cycle expenditure includes operating, maintenance and capital renewal expenditure in the previous financial year (2013/2014). Life cycle expenditure will vary depending on the timing of asset renewals. The life cycle expenditure at the start of this strategy is shown as follows:

### Life Cycle Expenditure for Council Services

Service	Expenditure Operations and Maintenance - Previous Year (\$000)	Capital Renewal Exp (\$/Yr) (\$000)	Life Cycle Cost (\$/Yr) (\$000)
Transport	3,105	3,180	6,285
Stormwater	553	262	815
Parks & Reserves	3,503	1,703	5,206
Buildings	1,025	1,137	2,162
Other Infrastructure	203	-	203
Plant	825	938	1,763
Office & Equipment	-	64	64
Heritage & Culture	-	0	-
<b>Total</b>	<b>9,214</b>	<b>7,284</b>	<b>16,498</b>

## Appendix C: Life Cycle Cost (continued)

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

Knowing the extent and timing of any required increase in outlays and the service consequences if funding is not available will assist Council in providing service to the community in a financially sustainable manner.

A shortfall between life cycle cost and life cycle expenditure gives an indication of the life cycle gap to be addressed in the Asset Management and Long Term Financial Plans.

The life cycle gap and life cycle indicator for services covered by this Asset Management Strategy is as follows:

### Life Cycle Indicators

Service	Life Cycle Cost (\$/Yr) \$000	Life Cycle Expenditure (\$/Yr)	Life cycle Gap* (\$/Yr)	Life Cycle Indicator
Transport	6,940	6,285	-655	90.6%
Stormwater	1,994	815	-1,179	40.9%
Parks & Reserves	3,680	5,206	1,526	141.5%
Buildings	2,219	2,162	-57	97.4%
Other Infrastructure	1,204	203	-1,001	16.9%
Plant	1,546	1,763	217	114.0%
Office & Equipment	529	64	-465	12.1%
Heritage & Culture	12	-	-12	0.0%
<b>Total</b>	<b>18,124</b>	<b>16,498</b>	<b>-1,626</b>	<b>91.0%</b>

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

The sustainability indicators are significantly influenced by the capital renewal forecast and the planned expenditure on capital renewal. Renewal expenditure is major work which does not increase the design capacity but restores, replaces or renews an existing asset to its original service potential. Any work over and above restoring the asset to its original service potential is an upgrade/expansion or new expenditure.

The total life cycle gap of \$1.626M indicates that the budgeted renewal is less than current annual depreciation. Annual asset renewal will vary from year to year which will influence this measure. The life cycle indicator for Parks and Recreation of 141.5% is a result of the works undertaken at the Aquatic Centre. The life cycle indicator of 40.9% for stormwater assets indicates the current minimal requirement to renew the assets as identified in the Stormwater Asset Management Plan.

## Appendix C: Life Cycle Cost (continued)

Current service standards are considered adequate, however as long life / high value assets continue to age and consequently their condition deteriorates renewal funding in the future will need to increase.

Council needs to commit to this funding, as failure to do so will result in loss of service standards and an increase in risk to Council. The funding commitment is reflected in the Long Term Financial Plan. This document will be updated as the Asset Management Plans are reviewed and additional renewal expenditure is identified.



## Appendix D: Financial & Asset Management Core Competencies

The National Frameworks on Asset Planning and Management and Financial Planning and Reporting defines ten elements. Eleven core competencies have been developed from these elements to assess 'core' competency under the National Frameworks. The core competencies are:

### **Financial Planning and Reporting**

- Strategic Longer Term Plan
- Annual Budget
- Annual Report

### **Asset Planning and Management**

- Asset Management Policy
- Asset Management Strategy
- Asset Management Plan
- Governance & Management
- Levels of Service
- Data & Systems
- Skills & processes
- Evaluation

Council's maturity assessment for the core competencies is summarised in the following table. The current maturity level is shown by the blue bars. The maturity gap to be overcome for Council to achieve a core financial and asset management competency is shown by the red bars.

## Appendix D: Financial & Asset Management Core Competencies (continued)

The key result is whether Council has materially achieved core maturity for each practice area shown as "Y". Where the judgement is that Council is not at core level, the areas of practice in the following detailed sheets show;

"N", where characteristics of the practice areas are not commenced,

"P" where the practice area is partially completed such as where there is not sufficient documentary evidence

