



OBERON COUNCIL

**DRAFT**

# **ASSET MANAGEMENT STRATEGY**

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## **EXECUTIVE SUMMARY**

Asset Management is the process by which Council manages its physical assets to provide services to the community. As part of the NSW Integrated Planning and Reporting framework, Councils are required to adopt an Asset Management Strategy supported by an Asset Management Policy and Asset Management Plans. This document is Council's Asset Management Strategy.

The Asset Management Strategy provides an overview of the current status of asset management, the desired status, and strategies to achieve the desired status. An important aspect of Council's asset strategy is the need to ensure availability of funding for ongoing operation and maintenance costs when evaluating proposed new capital projects, bearing in mind that Council already has a backlog of assets in poor condition due to lack of funding

Council's strategic goal for its infrastructure assets is to ensure that the overall condition of its assets are "Average" or better, whilst meeting community expectations and reducing risk.

The actions arising out of this asset strategy are:

- Progress the maturity of asset management plan by continually updating the data to reflect the current condition of assets
- Identify critical assets in each category and develop plans to manage the associated risk
- Ensure completeness and accuracy of the asset register on an ongoing basis
- Improve and maintain the quality of asset condition data
- Develop formal asset acquisition criteria to ensure that the source of funding for ongoing operations and maintenance is clearly identified
- Review and refine levels of service to match community expectations, within constraints of available funding
- Review useful lives of assets to ensure documented useful lives are realistic
- Ensure that Asset and Financial systems are integrated to avoid manual reconciliation of end-of-financial-year reports
- Develop strategies to manage assets rated poor and very poor)

**Introduction**

Asset management describes the process by which Council manages physical assets to meet the current and future levels of service for our community. The International Infrastructure Management Manual defines asset management as “the combination of management, financial, economic, engineering and other practices applied to physical assets with the objective of providing the required level of service in the most cost-effective manner”. An alternative view can be seen in the Asset Management Standard PAS 55, which describes asset management as “the systematic and coordinated activities and practices through which an organisation optimally manages its physical assets, and their associated performance, risks and expenditures over their lifecycle for the purpose of achieving its organisational strategic plan”.

As part of the NSW Integrated Planning and Reporting framework, Councils are required to adopt a Community Strategic Plan, Resourcing Strategy, Delivery Program and Operational Plan.

The Resourcing strategy has three components – a Long Term Financial Plan, a Workforce Strategy, and an Asset Management Strategy (supported by an Asset Management Policy and Asset Management Plans). The Asset Strategy (this document) is informed by the individual asset management plans, and relates these to the themes emerging from the Community Strategic Plan.

In implementing its Asset Strategy, Council must ensure that strong consideration is given to appropriate funding of ongoing operations and maintenance costs whenever new capital projects are being evaluated, especially while there is a demonstrated backlog of assets in poor and very poor condition

**Strategic Goals**

Council’s Strategic Goals with regard to infrastructure assets are as follows:

- Over the long term, to move overall asset condition to “Average” or above.
- To meet community expectations and reduce risk.

**Policy**

Council has adopted an Asset Management Policy that sets down guidelines for implementing consistent asset management processes throughout Council. The Asset Management Policy may be found in Appendix A.

**Strategic Objectives**

Strategic objectives are grouped into Community Objectives (which describe the desired outcome from the point of view of the community) and Technical Objectives (which describe the desired outcomes from the point of view of Council’s Technical staff)

**Community Objectives:**

1. Council assets provide the services expected by the community, to the extent possible with available funding.
2. Capital projects are carefully evaluated to ensure future generations are not unduly burdened with the cost of maintaining these assets.
3. Assets are well managed, to ensure that the community gets value for money.
4. The community is kept informed of how assets are being managed.

**Technical Objectives**

1. Levels of Service provided align with objectives of the Community Strategic Plan and community expectations.
2. Asset Management Plans cover all Council assets and identify critical assets in each category.
3. Appropriate management of assets in conditions poor and very poor categories.
4. Asset Management plans progress from the core approach to the advanced approach, following guidelines of the International Infrastructure Management Manual.
5. Critical assets are managed with appropriate risk management strategies.
6. Quality of Asset Condition data is improved and maintained.
7. Asset registers are reviewed and verified on an ongoing basis to ensure accuracy and completeness.
8. Asset useful lives are reviewed for appropriateness.
9. Asset acquisition is done with awareness of lifecycle cost.
10. Assets are owned and maintained only as long as they are required to provide a service to the community.
11. Integration of asset and financial systems.

**Delivery**

Strategic Business Plans detail specific information about resourcing and the future need for capital works. Asset Management plans define service levels and projected renewals for each asset class.

**Finance**

Please see the Delivery and Operational Plans for information on expenditure on assets.

**Review**

This Asset Strategy is reviewed annually to provide input into the Operational Plan. A major review is undertaken every four years to provide input into the Delivery Plan.

**Asset Condition Status**

The Assets Management Plan contains details of the percentage of assets at the different condition levels for each category of assets.

**Asset Management Planning**

The current and desired status of Council's Asset Management Planning is contained in the Assets Management Plan.

## Appendix A - Assets Management Policy

### 1. Intent of Policy

The purpose of the policy is to deliver needs based services to the residents, industry and other users of Oberon's infrastructure assets through the provision, maintenance and renewal of assets in an optimal, cost-effective manner.

### 2. Scope of Policy

The Community Strategic Plan supports Council's commitment to Asset Management in accordance with the adopted Infrastructure Asset Management Plan.

#### ***Service Centric Asset Management***

Council's asset management practice is based on a service-centric approach as per the Community Strategic Plan statement above. Assets are provided to deliver services, i.e. they are a means to an end. Roads and paths meet transport and access needs; facilities provide for cultural, recreational, health, community and civic purposes; parks and reserves provide recreational opportunities and enhance community life; underground drains provide for stormwater access, public safety, health and the protection of property damage.

#### ***Asset Management Practice***

This Policy supports Council's intent to raise its Asset Management Practice to a level that would be recognised as contemporary best practice. That is to say, the provision of assets and their timely maintenance and renewal at appropriate levels to meet service needs.

Council recognises that its current asset stocks incur ongoing operating costs, require regular maintenance and need periodic component replacement to ensure that they remain serviceable throughout their life. Eventually some assets may be disposed. This combined cost, along with the capital cost of acquisition of these activities is termed 'lifecycle cost'. This policy supports Council's commitment to the implementation of an Asset Management Strategy to ensure that its assets' service levels are maintained at the optimal lifecycle cost.

The Council also acknowledges through this policy that the acquisition of a new asset will take into account the full cost of acquisition, operation, maintenance, renewals and disposal over its life cycle. Accordingly, the future cost impact of new assets will be fully considered as part of any new asset approval.

### 3. Guidelines

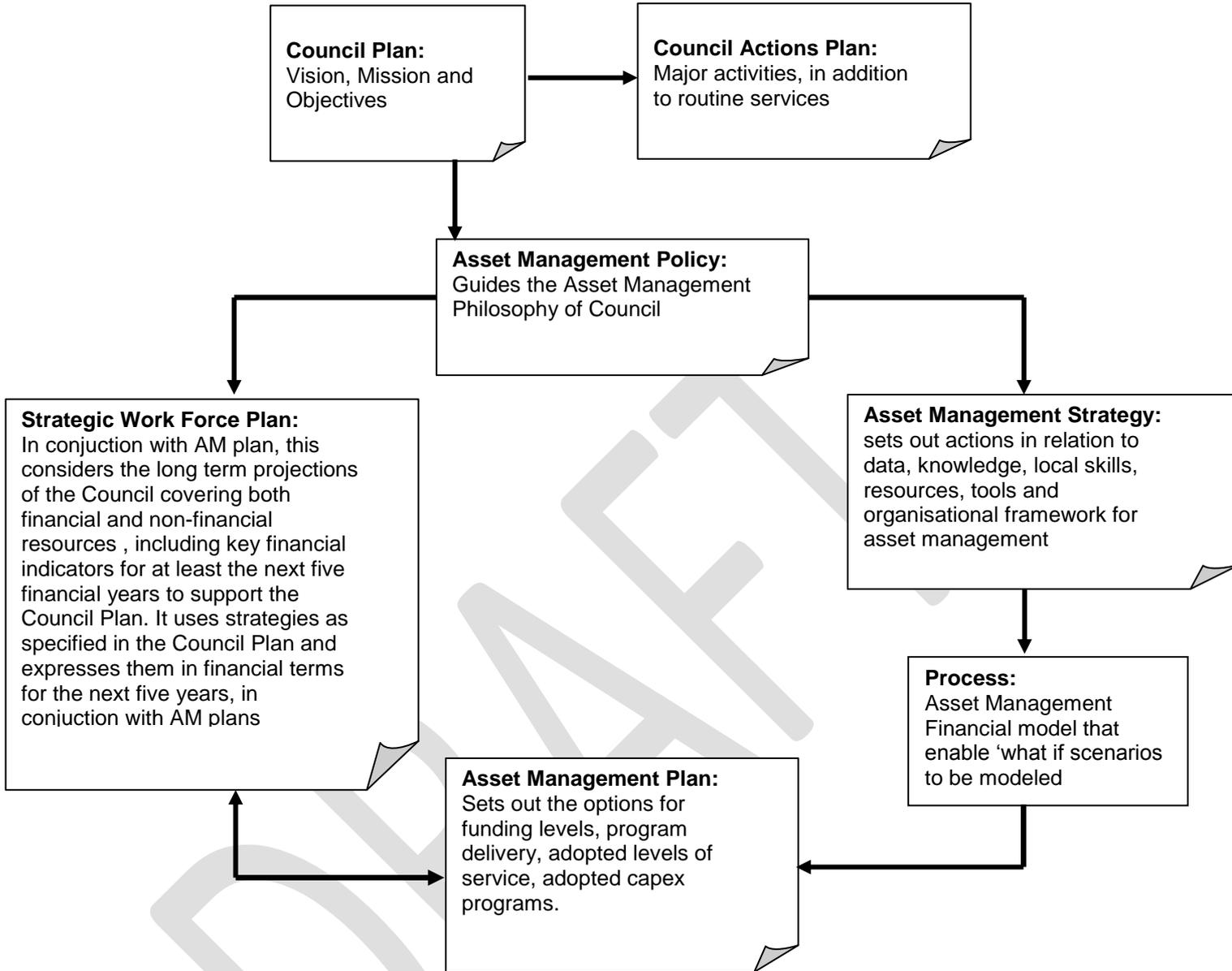
Council will:

- a) Embrace Asset Management practices through:
  - Planned maintenance, renewal, replacement and disposals scheduling process.
  - Effectiveness in spending, using prediction methods to identify the lowest cost life cycle options.
  - Reducing future life cycle costs by applying an optimised level of maintenance and renewal.
  - Reducing future asset loss by predicting optimal intervention phases.

- b) Maintain informed and accurate decision making through:
  - Use of a single corporate asset management data system.
  - An asset management forward plan at the asset level.
  - Recording and quantifying the true costs of asset maintenance, renewal and disposal.
  - Modelling the long-term impacts of funding options.
  - Regular management reporting.
  
- c) Maintain a transparent asset accounting framework through:
  - A needs based budgeting process that is linked to service levels.
  - Analysing the options for capital works programs during annual review.
  - Optimising future budget spending.
  - Matching depreciation to consumption of assets.
  
- d) Balance stakeholders needs and expectations through:
  - Measuring utilisation and demand.
  - Targeting funding based on service needs.
  - Prioritising capital works, based on acceptable level of service and affordability.
  - Providing trade-off options, where funds are restricted.
  - Intergeneration equity.
  
- e) Improved corporate governance through:
  - Demonstrable long term financial management.
  - Sustainable, equitable and affordable service delivery.
  - Management of risk associated with asset function and presentation.
  - Smooth funding provision to manage the loss of asset service potential over time.

#### **4. Actions**

1. To apply the Oberon Asset Management Framework in practice. See framework diagram below:
2. To adopt the action plans as per Council's Asset Management Strategy.
3. To utilise Asset Management Plans for decisions on and managing funding, acquisitions, renewals, maintenance and disposals.
4. To measure asset management performance using the performance monitoring mechanism provided in individual asset management plans. The progress on these commitments will be regularly reported to Council as required by the New South Wales Division of Local Government guidelines.



Asset Management Framework Diagram

**5. Policy Reviews**

This policy will be reviewed each time that the Community Strategic Plan and/or the Asset Management Strategy is updated to ensure that the Policy properly supports the vision, goals and objectives of the current approved Community Strategic Plan. It will be reviewed at a frequency no greater than four years.

Approving Authority	Oberon Council
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