



DIRECTOR SHIRE SERVICES REPORT

12th September 2006

DSS16 ASSET MANAGEMENT PLAN
FILE: 378 NJT

SUMMARY:

Reporting on the production of an Asset Management Plan for all of Council's Infrastructure.



A. BACKGROUND

In the last 18 months the need for and the importance of Asset Management Plans has been highlighted in several ways.

1 Council Roads Workshop

Council held a Roads Workshop on the 14th February 2005 which resolved:

That a long-term strategic Asset Management Plan be developed for Council's entire infrastructure.

In Council's Corporate Strategic Plan, **Goal 4** is:

"To adequately plan and fund the shire's infrastructure needs the community has a reasonable expectation that appropriate infrastructure will be provided across the Shire in a cost effective and efficient manner. Strategic planning is essential in facilitating the equitable allocation of limited Council resources to meet the needs of the community to ensure that future replacement of that infrastructure is funded."

2 Department of Local Government – Extra-Ordinary Rate Application

In the letter Council received from the Department of Local Government that its application for an extra-ordinary rate increase was not approved, it was stated that:

"It is also proposed that Council develops a comprehensive Asset Management Plan linked to a long-term financial plan".

3 Department of Local Government – Promoting Better Practice Review

As part of Department of Local Government, *Local Government Reform Program – Promoting Better Practice Review Process* into Kempsey Shire Council the following comments were made:

"Council's infrastructure assets are in acceptable condition. However, the council has not adopted a formal asset maintenance and management program, adopting a "wish list" approach as part of the management plan process. Under this process, priorities are neither determined nor suggested by staff, with some selection and prioritisation being determined by the councillors and staff. This represents an ad hoc approach and fosters "cherry picking". Priorities for expenditure should be determined in accordance with adequate plans.

Council should develop a comprehensive asset maintenance and management plan for its infrastructure. Priorities for expenditure should be determined in accordance with these plans.

The council should develop asset maintenance and management plans for each of its major classes of infrastructure. Priorities for expenditure should be determined in accordance with these plans. (Recommendation 25).

The asset management plans should take into account those assets that have already been acquired as well as those that are anticipated in the budget period and accordingly, they should be linked to the council's strategic direction."

4 Independent Inquiry into Financial Sustainability of NSW Local Government

The Report prepared by the Independent Inquiry into the Financial Sustainability of NSW Local Government (LGI) for the Local Government and Shires Associations of NSW (LGSA), refers extensively to the importance of Asset Management as shown in the following extracts.

"Each local Council should have a total asset management system for the whole of life planning, acquisition, registration, operation, maintenance, disposal and renewal of each component of its infrastructure. Sufficient funds should be set aside each year for the routine maintenance, renewal of depreciating assets and the expansion of the

asset stock to meet the short to medium term future needs of the local community.

Asset Management refers to a process for 'whole of life' asset management from planning, purchase, maintenance and disposal of assets. It also encompasses integration of asset and service outcomes. Common components or tools in asset management systems include: asset registers, asset maintenance and management systems, strategic planning capabilities, predictive modeling, deterioration modeling, risk analysis and lifecycle costing.

Improved asset management will give Councils and the community a better understanding of the infrastructure challenge."

Kempsey Shire Council has over \$570M invested in infrastructure.

It is essential that a business management approach be taken to ensure that the community receives maximum value for its investment in local infrastructure asset systems and that services be provided at the lowest life cycle cost.

A corporate approach to asset management is essential because the asset management decision needs to be taken across all of Council's assets.

When resources are tight, and it is not possible to fund all projects, the allocation of funds across Council will be a judgment call based on greatest need or benefit to the community. It should take into account social, environmental and financial benefits. Priority should be given to maintenance and replacement of existing assets ahead of new infrastructure or programs.

B ASSET MANAGEMENT PLAN

Our infrastructure represents a significant investment by the community and is vital to its health and well-being. The overall objective of asset management is:

To plan for, create or acquire, maintain, operate, rehabilitate, reconstruct, and dispose of assets in the most cost-effective manner at the required level of service for present and future generations.

The outcomes of the plan will identify the future funding requirements and service delivery for the following factors:

- Adopted Levels of Service;
- Future demand for infrastructure;

- Current asset performance;
- Asset Failure;
- Risk;
- Required works; and
- Funding constraints.

The Asset Management Plan will combine management, financial, engineering and technical practices to ensure the level of service required by customers is provided at the most economical cost to the community. The plan is also intended to protect the environmental and cultural values of the assets providing the service.

The plan is the medium by which the organisation articulates its management of infrastructure to achieve the desired outcomes.

C ASSET MANAGEMENT PLAN - ACTION PLAN

An Action Plan has been developed by Council to address the recommendations of the *Local Government Reform Program – Promoting Better Practice review process* into Kempsey Shire Council. Recommendation 25, states that:

Council should develop asset maintenance and management plans for each of its major classes of infrastructure. Priorities for expenditure should be determined in accordance with these plans.

In relation to Recommendation 25, the Action Plan proposes that:

- Complete Road Asset Management Plan by 31 Dec 2006
- Complete Water & Sewer Asset Management Plan by 30 June 2007
- Develop Asset Management Plans for other Council infrastructure (Bridges, Flood Mitigation, Footpaths, Stormwater, Parks & Gardens/Sporting Fields, Buildings, Swimming Pools, Caravan Parks, etc.) by 30 June 2009.

Resources Required

In the Action Plan, Council indicated that in order to develop asset management plans for all of Council's infrastructure, an additional staff member (or alternatively the engagement of a consultant) would be required for an estimated period of 3 years at a cost of approximately \$100,000 per annum. Funding for this is not currently provided for in Council's Budget.

As funding for additional resources had not been provided, Council staff have been attempting to undertake this task in-house.

At present the Road Asset Management Plan is approximately 40% complete. Little headway has been made on the production of the

Road Asset Management Plan recently due to staff shortages. The task was being carried out in-house by the Technical Advisor – Roads. For the last 6 months this position has been vacant due to that person acting in the vacant position of Manager Engineering Strategy.

For the Water & Sewer Asset Management Plan, the asset data has been compiled and is ready for downloading into CivicView. An Asset Management Plan was proposed to be developed in-house but again staff shortages in Macleay Water section has delayed progress.

Council has a number of options at its disposal.

- 1 Provide funding for an additional staff member or a consultancy be engaged at say \$100,000 pa for 3 years, to produce detailed asset management plans for Council's Infrastructure. No funding is currently provided. This would allow Council to develop an advanced Asset Management Plan for its entire infrastructure portfolio within 3 years.
- 2 Over a 3 year period, with additional funding of \$50,000 p.a. being provided, core asset management plans only would be developed utilizing a combination of Council staff and external resources. These plans would be of a basic nature only and would be further developed over time.
- 3 Over a 5 year period continue the development of core Asset Management Plans in-house providing current staff vacancies are filled. These plans would be of a basic nature only and could be further developed over time in the longer term.

Given Council's current financial situation, it is recommended that Option 2 be adopted. This option would require funding of \$50,000 being provided for the development of asset management plans in 2007/08 and 2008/09.

REPORT IMPLICATIONS:

- ***Environmental Implications***

The are no environmental implications from the following recommendation.

- ***Social Implications***

Social implications from this report are that improved Infrastructure management will be able to be provided for the benefit of the community.

- ***Economic (Financial) Implications***

The financial implications from the development of Asset Management Plans is that the Council will be in a better position to allocate its limited resources to meet the needs of the community, and ensure that future replacement of that infrastructure is funded .

- ***Policy or Statutory Implications***

There are no policy or statutory implications.

- ***Director's Review***

As outlined in the background to this report, it is critical that Asset Management Plans be developed for all of Council's infrastructure.

Although it would be desirable to develop detailed Asset Management Plans for all of Council's infrastructure in a 3 year period as proposed in Option 1, it is recognised that Council's resources are limited. Option 2 would deliver core Asset Management Plans within a reasonable time period of 3 years but would require a financial commitment of \$50,000 per annum for 2 years.

RECOMMENDATION:

That an additional \$50,000 be provided in 2007/2008 and 2008/2009 budgets for the development of Asset Management Plans.

.....
A P Vermeulen
DIRECTOR SHIRE SERVICES