



**Edward  
River**  
COUNCIL

DRAFT

# Asset Management Strategy



# ASSET MANAGEMENT STRATEGY

## EXECUTIVE SUMMARY

Local Councils in NSW are required to undertake their planning and reporting activities in accordance with the Local Government Act 1993 and the Local Government (General) Regulation 2005. They are required to provide services needed by the community in a financially sustainable manner and to also meet the requirements of national sustainability frameworks, 2010 Integrated Planning and Reporting guidelines for NSW (IPR).

This strategy is prepared to assist Council to meet these legislative requirements and to improve Council's asset management maturity and the delivery of services from infrastructure including roads, bridges, footpaths, stormwater drainage, plant and equipment, buildings, water and sewer. Edward Rivers infrastructure assets have a replacement value of approximately \$494M<sup>1</sup>.

The asset management strategy is to enable Council to show:

- The current state of Councils infrastructure assets;
- How its assets will meet the service delivery needs of its community;
- Enable Council's asset management policies to be achieved; and
- Ensure the integration of Council's asset management with its long term strategic plan<sup>2</sup>.

The strategy outlines an asset management improvement plan detailing a program of tasks to be completed and resources required to bring council to a minimum 'core' level of asset maturity and competence.

The Asset Management Strategy is the first such strategy for Edward River Council. The information and data presented within this strategy is an amalgamation of the information available from the former Conargo and former Deniliquin Councils. The need to review the information in relation

to Edward River Council is reflected within the tasks identified within the appended asset management improvement plan.

The purpose of the Strategy is to identify the activities to be undertaken to achieve the implementation of Council's Asset Management Policy.

This strategy will:

- Review the existing status of the management of assets;
- Review the adequacy of existing policies, strategies and procedures governing asset management;
- Review the effectiveness and user friendliness of existing systems to manage assets
- Review the asset hierarchy;
- Review the extent and quality of data;
- Review the current methods of condition assessment; and
- Develop an improvement plan which identifies the resources, funding and measures necessary to ensure that assets are being managed as part of service delivery.

The strategy provides the framework to guide the continuous development and maintenance of asset management practices.

The key objectives for Council are:

- Demonstrate asset management core capability and fiscal responsibility by implementing the asset management improvement programme; and
- Implement this asset management strategy as amended and refined by community consultation and Council judgments to demonstrate that council is providing the optimum balance of service levels and risk within its fiscal capacity.

<sup>1</sup> Note 9a for the financial year ending 30 June 2017

<sup>2</sup> LGPMC, 2009, Framework 2 Asset Planning and Management, p 4.

The key activities in the strategy are summarised in Table 1 below.

<b>Table 1: Key Asset Management Activities</b>		
<b>No</b>	<b>Initiatives</b>	<b>Desired Outcome</b>
1	Continue to develop the link between annual budgeting to Long Term Financial Planning	The long term implications of Council services are considered in annual budget deliberations
2	Develop and annually review Asset Management Plans covering at least 10 years for all major asset classes (80% of asset value).	Identification of services needed by the community and required funding to optimise 'whole of life' costs
3	Develop Long Term Financial Plan covering 10 years incorporating asset management plan expenditure projections with a sustainable funding position outcome	Sustainable funding model to provide Council services
4	Incorporate Year 1 of Long Term Financial Plan revenue and expenditure projections into annual budgets	Long term financial planning drives budget deliberations
5	Review and update asset management plans and long term financial plans after adoption of annual budgets. Communicate any consequence of funding decisions on service levels and service risks	Council and the community are aware of changes to service levels and costs arising from budget decisions
6	Report Council's financial position at Fair Value in accordance with Australian Accounting Standards, financial sustainability and performance against strategic objectives in Annual Reports	Financial sustainability information is available for Council and the community
7	Provide current and accurate information regarding service level performance and cost and 'whole of life' costs to support Council's decision making process	Improved decision making and greater value for money
8	Report on Council's resources and operational capability to deliver the services needed by the community in the Annual Report	Services delivery is matched to available resources and operational capabilities
9	Ensure responsibilities for asset management are identified and incorporated into staff position descriptions	Responsibility for asset management is defined
10	Implement an Improvement Plan to realise 'core' maturity for the financial and asset management competencies within 3 years	Improved financial and asset management capacity within Council
11	Report to Council on development and implementation of Asset Management Strategy, AM Plans and Long Term Financial Plans	Oversight of resource allocation and performance



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# 1. Introduction

A key issue facing local governments throughout Australia is the management of ageing assets in need of renewal and replacement.

Infrastructure assets such as roads, drains, bridges, water and sewerage and public buildings present particular challenges. Their condition and longevity can vary significantly based on local environments. Financing needs can be large, 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<sup>3</sup>.

The creation of new assets also presents challenges in funding the ongoing operating and replacement costs necessary to provide the needed service over the assets' full life cycle<sup>4</sup>.

The national frameworks 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 delivery program 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 (operational plan) 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<sup>5</sup>.

Asset planning and asset management has several elements to assist in highlighting key management issues and promoting prudent, transparent and accountable management of local government assets. These include:

- Asset management policy;
- Strategy and planning;
  - asset management strategy;
  - asset management plans;
- Governance and management arrangements for asset management
- Defining levels of service;
- Data and systems;
- Skills and processes; and
- Evaluation<sup>6</sup>.

The asset management policy, strategy and plans enable Council to show:

- how its assets will meet the service delivery needs of its community into the future,
- to enable Council's asset management policies to be achieved, and

<sup>3</sup> LGPMC, 2009, Framework 2 Asset Planning and Management, p 2.

<sup>4</sup> LGPMC, 2009, Framework 3 Financial Planning and Reporting, pp 2-3.

<sup>5</sup> LGPMC, 2009, Framework 3 Financial Planning and Reporting, pp 4-5.

<sup>6</sup> LGPMC, 2009, Framework 2 Asset Planning and Management, p 4.

- to ensure the integration of Council's asset management with its long term strategic plan<sup>7</sup>.

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

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

The objective of the Asset Management Strategy is to establish a framework to guide the planning, construction, maintenance and operation of the infrastructure essential for Council to provide services to the community.

## 1.1 Legislative Reform

### 1.1.1 NSW Integrated Planning and Reporting

Local councils in NSW are required to undertake their planning and reporting activities in accordance with the Local Government Act 1993 and the Local Government (General) Regulation 2005. The Act provides that the Deputy Director General (Local Government), Department of Premier and Cabinet can issue Guidelines that must be followed by local councils when undertaking their planning and reporting activities.

An Integrated Planning and Reporting (IPR) Manual has been developed to provide councils with information and guidance to assist their transition to the new planning and reporting framework.

In particular, local governments will effectively plan for future sustainability

<sup>7</sup> LGPMC, 2009, Framework 2 Asset Planning and Management, p 4.

through longer-term planning by developing 10 year plans, publishing these and reviewing progress annually. The community and the State then have the best information available to judge progress against the plan, and local governments can make necessary adjustments.



### 1.1.2 Strategic Issues at a National Level

At its meeting on 4 August 2006, the Local Government and Planning Ministers' Council (LGPMC) agreed to a nationally consistent approach to asset planning and management, financial planning, and reporting and assessing financial sustainability.

On 20 October 2006, the LGPMC endorsed the draft National Frameworks for Financial Sustainability in Local Government as a basis for consultation. On 21 March 2007 the LGPMC endorsed the Frameworks for implementation in the context of their relationships with their local government sectors .

On 8th May 2009 the LGPMC agreed to enhancement and acceleration of frameworks.

The National Frameworks consists of three main frameworks:

- Framework 1 - Criteria for Assessing Financial Sustainability;
- Framework 2 - Asset Planning and Management; and
- Framework 3 - Financial Planning and Reporting.

The Asset Planning and Management framework consists of seven elements as follows:

1. Development of an Asset Management Policy - Each state/territory is expected to develop an asset management policy, which provides high-level guidance to assist individual councils in developing their asset management policy.
2. Strategy and Planning - Councils should be provided with guidance from the State on developing an asset management strategy which is designed to support and implement its asset management policy;

3. Governance and Management Arrangements - Councils should be encouraged to apply and implement good governance and management arrangements which link asset management to service delivery and include assigning roles and responsibility for asset management between the General Manager, Council and senior managers;
4. Defining Levels of Service - Mechanisms should be established that include community consultation to define the levels of service councils are expected to provide from their asset base;
5. Data and Systems – A framework for collection of asset management data should be established;
6. Skills and Processes – The asset management framework should contain a continuous improvement program;
7. Evaluation – The asset management framework should contain a mechanism to measure its effectiveness.

The financial reporting elements of the national framework consist of 3 elements as follows:

1. Strategic Longer-Term Plan – The plan brings together the detailed requirements in the Council's Long-Term Community Strategic Plan and demonstrates how Council intends to resource the plan.
2. Annual Budget – Councils prepare an annual budget which is presented in a way which is understandable to the community and which can be compared with the audited financial statements.
3. Annual Report – Councils prepare an annual report in respect of each financial year. This is to include a report on operations, audited financial statements, explanations of any variations between the budget and actual results, and any impacts that variations will have on the longer-term Community Strategic Plan.

## 2. Asset Management within Council

Each State and Territory has agreed and is expected to implement the National Frameworks in consultation with local government, with a target date of 31 December 2010

The changes to legislation in NSW IPR and the implementation through IPR are consistent with the National Frameworks.

### 2.1 Key Stakeholders

Council's key stakeholders with respect to managing infrastructure assets to ensure service delivery are summarised in the Table 2 below:

<b>Table 2: Key Stakeholders</b>	
<b>No</b>	<b>Initiatives</b>
Residents and Ratepayers	Service provision, sustainable environment, good amenities, value for money
Businesses	Service provision that assists their businesses to be competitive.
Visitors and other users of Council Services	Availability of services, safe environment, ease of access, good ambience
Councillors	Stewardship of service provision, representation of community issues
Government	Good infrastructure management, annual performance reporting, equitable service provision to the community
Employees & Volunteers	Continuity of employment, job satisfaction, safe work environment
Utilities & Other Agencies	Sound working relationship, responsiveness, good decision-making, efficient and effective processes
Developers	Responsiveness, affordable fees and charges, efficient and effective processes
Contractors & Suppliers	Sound working relationship, continuity of work, safe work environment
Local Government Insurer	Effective management of infrastructure risks

Where appropriate, stakeholders will be invited to:

- Participate in community surveys
- Participate in council facilitated workshops (e.g. input to development of levels of service)
- Provide comments on key documents including Council Plans, Policies and Strategies, Asset Management Plans, Service Levels and Annual Budgets
- Provide service delivery feedback via Council's customer service system.

## 2.2 Asset Management Structure

The standing governance arrangement under NSW IPR requirements will be under an Asset Management Steering Committee (AMSC) in accordance with the following outline and charter.

The role of the AMSC includes:

- Formulating an appropriate program of;
  - asset management governance;
  - service level reporting; and
  - risk management reporting;
- statutory compliance to achieve funded target outcomes under the asset management development programme (AMDP) identified in the asset management strategy;
- Reviewing processes and providing direction on the development

and implementation of an asset knowledge management strategy to ensure optimum benefit / cost / risk for technology systems, information management, business processes and reporting;

- Developing, implementing and monitoring key performance indicators that link the resourcing strategy to the Community Strategic Plan (CSP)
- Developing appropriate policies to ensure effective Asset Management across the organisation that demonstrate value for money whilst controlling risk and loss.
- Informing Council's Executive Management Team (EMT) of progress.

## 2.3 Asset Management Steering Committee

A 'whole of organisation' approach to asset management can be developed with a corporate asset management team<sup>8</sup>. The benefits of a corporate asset management team include:

- demonstrate corporate support for sustainable asset management,
- encourage corporate buy-in and responsibility,
- coordinate strategic planning, information technology and asset management activities,
- promote 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.

<sup>8</sup> See Appendix A for the Charter of the Asset Management Steering Committee

# 3. Roles & Responsibilities

- The role of the asset management team will evolve as the organisation maturity increases over several phases.

## Phase 1

- strategy development and implementation of asset management improvement program.

## Phase 2

- asset management plan development and implementation; and
- reviews of data accuracy, levels of service and systems plan development.

## Phase 3

- asset management plan operation;
- evaluation and monitoring of asset management plan outputs; and
- ongoing asset management plans review and continuous improvement.

The Terms of Reference for the AMSC is included in **Appendix B**.

## Council

To act as stewards for infrastructure assets by:

- Setting corporate Asset Management Policy and vision with linkage to the Community Strategic Plan, Deliver Plan and Operational Plan;
- Setting levels of service, risk and cost standards;
- Approving and reviewing Asset Management Plans, Improvement Strategies and monitor their outcomes;
- Ensuring appropriate resources and funding for Asset Management activities;
- Ensuring AM policies and AM plans are integrated into the corporate governance framework; and
- Approving Council's Long Term Financial Plan

## Executive Management Team (EMT)

- To foster and support the cross functional Asset Management Steering Committee (AMSC);
- To monitor and review the AM Policy and Strategy;
- Receive and consider reports from the AMSC;
- Monitor the implementation of the Asset Management Strategy Improvement Plan; and
- Provide periodic reports to Council on the status of implementing the Asset Management Strategy Improvement Plan.

## Director Infrastructure

The Director Infrastructure will provide leadership and direction to support the:

- Development of Asset Management Plans;
- Implementation of the adopted Asset Management Strategy Improvement Plan actions;
- Asset Management Unit ensuring it is adequately resourced and trained to carry out its role and function;
- Development and implementation of capital works programs in accordance with Asset Management Plans, Long Term Financial Plan and the Annual Budget;
- Report to the Council, Audit Committee, EMT and AMSC with respect to ongoing Asset Management performance; and
- Liaise with Service Managers to assist them to develop and monitor Service Plans for each key service provided by the Council incorporating both the descriptive and financial costing aspects of the plans.

## Director Corporate Services

The Director of Corporate Services will provide leadership and direction to:

- Work with the Asset Management department to align the asset management and financial management practices within Council;
- Support the development of a Long Term Financial Plan that recognises asset consumption and contains the predicted capital renewal demand costs and other whole of life costs based on the various asset

management plans;

- Provide guidance and advice to the Asset Management department where asset management and financial management requirements overlap (e.g. financial valuations);
- Structure the accounts and related business processes to recognise lifecycle costs including:
  - Operations
  - Maintenance
  - Renewal
  - Upgrades
  - Expansion
  - New; and
  - Disposal;
- Support the development and implementation of the Capitalisation, Asset Valuation and Asset Rationalisation Policies;

## Manager Engineering and Assets Manager

The Engineering and Assets Manager will operate under the direction of the Director of Infrastructure and will:

- Lead the Asset Management Unit in the implementation of the adopted improvement actions and ongoing operational tasks and strategic asset management;
- Provide technical Asset Management leadership within Council, based on sound risk management principles, recognising that multiple approaches to asset management are warranted dependent on risk;

- Lead the development of the renewal capital works program based on condition surveys and the output of Asset Management Plans;
- Prepare and document processes for all asset management activities;
- Develop a Councillor Asset Management briefing program;
- Prepare draft of asset management related policies, strategies, procedures and condition assessment manuals as directed;
- Organise the collection of condition data in accordance with the schedule listed in this strategy;
- Carry out modelling of all asset groups and provide long term asset renewal expenditures to assist in the preparation of the Long Term Financial Plan;
- Manage the budget for the Asset Management Unit; and
- Provide technical advice and support to the Council.

### **Assets and Procurement Coordinator**

The Asset Coordinator will operate under the direction of the Manager Engineering and Assets and will:

- Drive the refinement of policies, framework and methodologies through a consultative approach that ensures assets deliver the nominated level of service to customers and community at an acceptable level of risk;
- Maintain sound knowledge of Asset Management trends and technological advancements and liaise with and advise management and staff on such matters;
- Support the ongoing function of a 'multi-discipline' internal Asset

Management Steering Committee that provides guidance and assistance in the development and implementation of Council's asset management programs;

- Identify, drive and lead ongoing change and reform programs relating to asset management;
- Establish and oversee regular reporting on Asset Management to EMT and Council;
- Ensure that Council establishes and maintains an accurate and appropriate register of its assets to inform strategic and operational asset management decisions across the organisation;
- Liaise with the Finance department to develop and review the Capitalisation, Asset Valuation and Asset Disposal Policies;
- Develop Asset Management Plans, to support each Service Plan, using the principles of lifecycle analysis; and
- Plan and manage the Condition Assessment Cycle and provide guidance to the Technical Officer Assets in developing specifications for contracted condition assessment.

### **Service Manager**

Through the development and detailing of the asset management framework, Council will identify Service Managers for each core service. This process will also identify assets that are required for the delivery of these services.

The Service Manger will:

- Work with the AMSC to identify service levels for the delivery for the service;

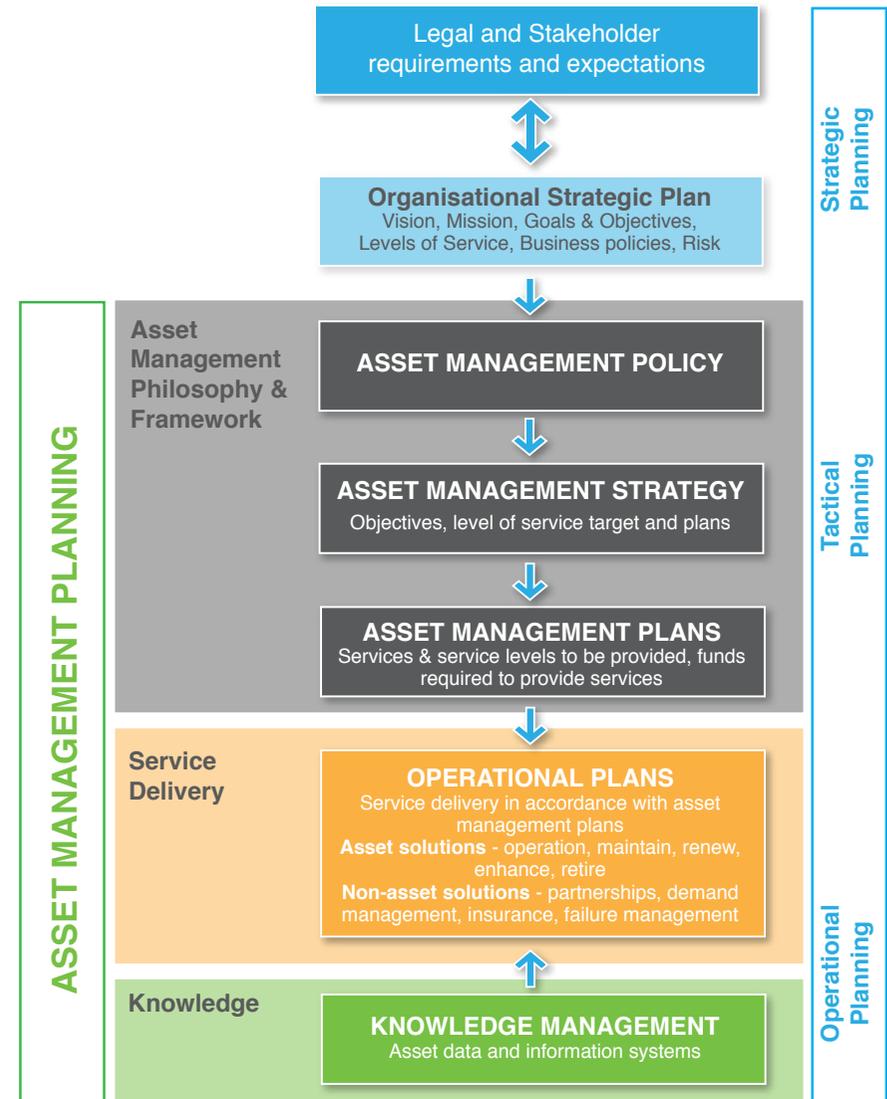
- Review all assets required for the service and ensure that the relevant asset is essential for the efficient and effective delivery of the service;
- Identify opportunities for replacement or rationalisation of assets no longer required for the delivery of the service;
- Work with the Asset and Procurement Coordinator to identify assets that require renewal; and
- Identify opportunities for external funding sources for the renewal of assets related to the service delivery.



# 4. 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 from infrastructure to be provided in an economically optimal way. In turn, affordable service levels can only be determined by assessing Council's financial sustainability under scenarios with different proposed service levels.

Asset management planning commences with defining stakeholder and legal requirements and needs, incorporating these needs into the organisation's strategic plan, developing an asset management policy, strategy, asset management plan and operational plans, linked to a long-term financial plan with a funding plan.<sup>9</sup>



<sup>9</sup> IPWEA, 2009, AIFMG, Quick Guide, Sec 4, p 5.

# 5. What Assets Do We Have

Council uses infrastructure assets to provide services to the community. The range of infrastructure assets and the services provided from the assets is shown in Table 3.

Table 3: Assets used for providing services		
No		Initiatives
Buildings	<ul style="list-style-type: none"> <li>• Specialised Buildings</li> <li>• Non-Specialised Buildings</li> <li>• Other Structures</li> </ul>	The buildings provided by Edward River Council are used to support the administration, operational and social infrastructure for the community.
Parks, Reserves and Cemeteries	<ul style="list-style-type: none"> <li>• BBQs</li> <li>• Gardens</li> <li>• Park Furniture</li> <li>• Playgrounds</li> <li>• Services</li> <li>• Sporting Infrastructure</li> <li>• Structures</li> <li>• Watering and Irrigation Infrastructure</li> </ul>	The parks, reserves and cemeteries assets provided by Edward River Council provides an aesthetic and passive environment for the enjoyment of residents and visitors.

Table 3: Assets used for providing services		
No		Initiatives
Transport	<ul style="list-style-type: none"> <li>• Bridge</li> <li>• Fences and Posts</li> <li>• Footpath</li> <li>• Internal Roads and Carparks</li> <li>• Kerb and Channel</li> <li>• Other Assets</li> <li>• Regional Road</li> <li>• Rural Access Road</li> <li>• Rural Collector Road</li> <li>• Rural Link Road</li> <li>• Rural Track</li> <li>• Signs</li> <li>• Urban Access Road</li> <li>• Urban Collector Road</li> <li>• Urban Link Road</li> <li>• Boat Ramps</li> </ul>	The Transport assets provided by Edward River Council are used to support transportation and are an important to the community and economic activities of the region.

**Table 3: Assets used for providing services**

No		Initiatives
Stormwater Drainage	<ul style="list-style-type: none"> <li>• Detention Basins</li> <li>• Lagoons</li> <li>• Pipes</li> <li>• Pits</li> <li>• Culverts</li> <li>• Pump Stations</li> <li>• Gross Pollutant Traps</li> </ul>	Stormwater drainage assets control local flooding and provide protection for property and infrastructure
Water	<ul style="list-style-type: none"> <li>• Reticulation Mains</li> <li>• Trunk mains</li> <li>• Pump Stations</li> <li>• Reservoirs</li> <li>• Water Treatment Plant</li> </ul>	The Water Supply provided by Edward River Council is used to support public health and is important to the community and economic activities of the region.
Sewer	<ul style="list-style-type: none"> <li>• Gravity Mains</li> <li>• Pump Stations</li> <li>• Rising Mains</li> <li>• Sewer Manholes</li> <li>• Waste Water Treatment Plant</li> </ul>	The Sewerage Network provided by Edward River Council is used to support public health and is important to the community and economic activities of the region.

## 6. Status of Council's Assets

### 6.1 State of the Assets

The financial status of Council's assets is shown in Table 4.  
 (Source: Note 9a General Purpose Financial Statements 30 June 2017)

<b>Table 4: Financial State of the Assets</b>			
<b>Asset Class</b>	<b>Replacement Cost (\$000)</b>	<b>Depreciated Replacement Cost (\$000)</b>	<b>Depreciation Expense for current year (\$000)</b>
Buildings	\$78,168	\$16,225	\$1,144
Parks, Reserves and Cemeteries	\$8,375	\$1,798	\$218
Stormwater Drainage	\$33,681	\$11,879	\$378
Transport (Roads (excluding earthworks), Bridges, Kerb, Paths, Other*)	\$260,965	\$66,157	\$3,721
<b>Total General Fund</b>	<b>\$381,189</b>	<b>\$90,059</b>	<b>\$5,461</b>
Sewer	\$54,956	\$21,082	\$689
Water	\$58,063	\$22,877	\$735
<b>Total Water and Sewer Fund</b>	<b>\$113,019</b>	<b>\$43,959</b>	<b>\$1,424</b>
<b>Total All Assets</b>	<b>\$494,208</b>	<b>\$134,018</b>	<b>\$6,885</b>

\* Signs, Fences and Posts, Retaining walls, footbridges.

## 6.2 Lifecycle Costs

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 asset management plan is shown in Table 5.

(Source: Note 9a General Purpose Financial Statements 30 June 2017 and Special Schedule 7 – Report on Infrastructure Assets 30 June 2017)

<b>Table 5 Lifecycle costs for Council Services</b>			
<b>Service</b>	<b>2017 Operational and Maintenance Expenditure ('\$000)</b>	<b>Previous Year Depreciation Exp ('\$000)</b>	<b>Life Cycle Cost (\$/yr)</b>
Buildings	\$0	\$1,144	\$1,144
Parks, Reserves and Cemeteries	\$604	\$218	\$822
Stormwater Drainage	\$223	\$378	\$601
Transport (Roads (excluding earthworks), Bridges, Kerb, Paths, Other*)	\$1,960	\$3,721	\$5,681
<b>Total General Fund</b>	<b>\$2,787</b>	<b>\$5,461</b>	<b>\$8,248</b>
Sewer	\$638	\$689	\$1,327
Water	\$870	\$735	\$1,605
<b>Total Water and Sewer Fund</b>	<b>\$1,508</b>	<b>\$1,424</b>	<b>\$2,932</b>
<b>Total All</b>	<b>\$4,295</b>	<b>\$6,885</b>	<b>\$11,180</b>

\* Signs, Fences and Posts, Retaining walls, footbridges.

## 6.3 Financial and Asset Management Core Competencies

The National Frameworks on Asset Planning and Management and Financial Planning and Reporting define 10 elements<sup>10</sup>. 11 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

<sup>10</sup> Asset Planning and Management Element 2 Asset Management Strategy and Plans divided into Asset Management Strategy and Asset Management Plans competencies.

# 7. Where do we want to be?

## 7.1 Council's vision

Through consultation with government, community, business and industry, we have developed a clear vision as to what we want the Edward River region to look like in 2030.

During this consultation, we developed a vision for the Edward River to strive toward:

*We are the centre of the Southern Riverina. Home to a connected and engaged community, driven by a diverse economy. We work together to lead our community, achieve our potential and embrace our future.*

This vision is designed to encourage commitment to our future and engender a sense of common purpose and responsibility in all stakeholders responsible for delivering Edward River 2030.

In 2030, our community wants the Edward River region to be:

- A great place to live;
- A prosperous and vibrant economy;
- A valued and enhanced natural environment; and
- A community working together to achieve its potential.

## 7.2 Asset Management Policy

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

The asset management strategy is 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,
- enable Council's asset management policies to be achieved, and
- ensure the integration of Council's asset management with its long term strategic plans.

## 7.3 Asset Management and Council Aspiration

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 infrastructure assets used to provide the services. Maintenance of service levels for infrastructure services 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 futures, in the most cost-effective and fit for purpose manner.*

In line with this aspiration, the objectives of the asset management strategy are to:

- ensure that Council's infrastructure are provided economically with the appropriate level of service to the community and in consideration of the environment determined by reference to Council's financial sustainability,
- safeguard Council's assets including physical assets and employees by implementing appropriate asset management strategies and appropriate financial resources for those assets,

## 8. How will we get there?

- adopt the long term financial plan as the basis for all service and budget funding decisions,
- meet legislative requirements for all Council's operations,
- ensure resources and operational capabilities are identified and responsibility for asset management is allocated,
- provide high level oversight of financial and asset management responsibilities through Asset management Steering committee reporting to council on development and implementation of Asset Management Strategy, Asset Management Plan and Long Term Financial Plan.

These tasks will be evaluated and expanded upon as Councils Asset Management Plans and process are developed. These tasks will be assessed for maturity in lines with the NAMS template and reported to Council.

The Asset Management Strategy proposes strategies to enable the objectives of the Strategic Plan, Asset Management Policy and Asset Management Vision to be achieved. These are shown in Table 1 in the executive summary.

### 8.1 Asset Management Maturity Plan

Tasks required to achieve a 'core' financial and asset management maturity level are shown in Table 6.

Table 6: Asset Management Maturity Plan	
Practice Area	Recommendations
Strategic Longer-Term Plan	Ensure AM strategy key risks and management of those risks. Key risk is that there is no capacity for growth.
Annual Budget	Review budget commentary in the light of state of the assets reporting.
Annual Report	Implement state of the assets reporting as required
AM Policy	Annual review of policy implementation by the AM steering committee and audit committee
AM Strategy	Upon completion of the asset plan complete a review of the Asset Strategy and update in line with findings
AM Plans	Complete AMPs using NAMS templates.
Governance and Management	Implement the AM Steering Committee (guides for AM and Audit committee attached for reference)
Levels of Service	Implement current and target service levels for condition/function and utilisation/capacity.
Data & Systems	Document data, systems skills and knowledge needed
Skills and Processes	Ongoing work handover process for internal constructed assets. Process mapping of scenarios for capital renewal / upgrade before moving to a new system.
Evaluation	Ensure the Asset Management Steering committee carry out an annual re-view of the maturity of Councils Asset systems

# APPENDIX A

## ASSET MANAGEMENT POLICY



## POLICY OBJECTIVE

The Asset Management Policy provides Edward River Council with the framework to manage assets and to enable it to deliver services to the community in an affordable sustainable manner.

The objectives of this policy are outlined below and have been developed in accordance with the NSW Division of Local Government guidelines:

- Establish the goals and objectives of Asset Management
- Integrate Asset Management with Council's overall objectives and strategic direction
- Maximise value for money by adoption of asset lifecycle costing, combined with performance measurement
- Promote financial, social and environmental sustainability
- Comply with all relevant legislation and regulations

## SCOPE

This policy applies to all Council assets, including but not limited to:

- Infrastructure
  - Road network, including kerb and channel, carparks, pathways and bridges
  - Community facilities and buildings
  - Parks and recreational facilities
  - Urban drainage
  - Water Services
  - Sewer
  - Waste
- Associated asset groups (not strictly infrastructure assets) include the following
  - Plant and equipment
  - Monuments and arts
  - Library books

## LEGISLATIVE REQUIREMENTS

- NSW Local Government Act 1993
- Local Government (General) Regulation 2006
- National Asset Management Assessment Framework (NAMAF)
- National Asset Management Strategy (NAMS)
- Plus3 templates for Asset Management (IPWEA)

## COUNCIL STRATEGY

This policy sets the foundations for Asset Management Plans, which will complement the Community Strategic Plan and allow for the implementation of a more formalised approach to Asset Management. It is essential that the Asset Management Policy and Plans are consistent with the overarching goals of the Council so that a strategic direction can be achieved.

## POLICY STATEMENT

Council will use the following core principles in the implementation of the Asset Management Framework:

- Service delivery drives Asset Management practices and decisions
- Asset Planning and management has a direct link with The Community Strategic Plan, Councils Delivery Plan and Operational Plan. As well as Councils Resources Plan and Long Term Financial Plan
- Financial sustainability will be achieved by making decisions that lead to a cost-effective asset base, by focusing on asset renewal before new assets, rationalising under-utilised assets and limiting asset expansion unless justified.
- Asset Management decisions shall be based on service delivery needs and the benefits and risks of assets, with an evaluation of alternative options that take into account lifecycle costs.
- Asset Management requires a whole of organisation approach which involves the participation of, and is the responsibility of, the Council, Executive and Council Staff.
- Planned approach to capital works. If a project is not identified through an asset plan or strategy these works will not be considered.

## Commitment

Council commits itself to the following actions to deliver the objectives of this policy.

- The preparation of an Asset Management Strategy that will provide a road map for the delivery of the objectives under this policy.
- The preparation of Asset Management Plans for all infrastructure categories, informed by community input, and local government financial reporting frameworks.
- Using Asset Management Plans as a core input into the development of maintenance programs, operational plans, capital works programs, annual budget and the Long Term Financial Plan.
- To the formation and maintenance of a cross functional Asset Management Steering Committee (AMSC) to maintain, coordinate, advise and facilitate the implementation of the adopted Asset Management Strategy.
- To engaging with all stakeholders, especially the community, to determine levels of service and asset performance. Customer satisfaction will be monitored to ensure service levels are appropriate.
- To build internal capacity to undertake asset management and financial functions. Training to be provided for staff and Councillors.
- Identifying funding to support and maintain our infrastructure
- Ensuring accounts and related business processes will be structured to recognise lifecycle costs.
- Levels of service shall be defined with due regard to available resources, community standards as determined in the Community Strategic Plan and risks associated with those levels of service.
- Asset management principles shall be integrated within Council's existing planning, operational and reporting processes.

- An inspection regime shall be implemented as part of the asset management process to ensure defined levels of service are maintained and to identify asset renewal priorities.
- The asset management system shall be fully integrated with Council's information management systems.

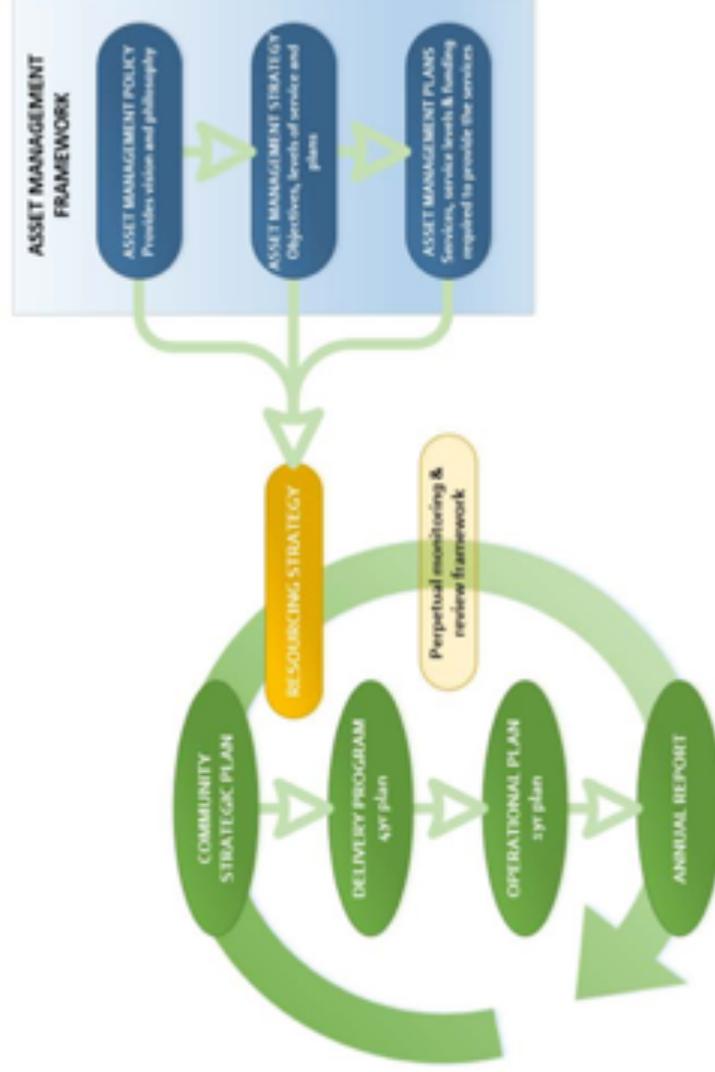
#### Asset Accounting and Costing

- Council's valuations will be recorded at the depreciated replacement cost (i.e. written-down value) using the fair value approach.
- Council's infrastructure assets will be re-valued, according to the principles and guidelines of Australian Accounting Standard 116.
- Assets will be valued using fair value, not on a cost basis. The valuations to be undertaken comply with the requirements of the NSW Division of Local Government's Local Government Code of Accounting Practice and Financial Reporting and International Financial Reporting Standards (IFRS).
- The "Replacement Cost" method will be used as this is the most common method for non-commercial infrastructure assets such as Council assets. It requires detailed asset component information.
- Council will securely store the Corporate Asset Register to ensure its integrity.

#### Asset Management Plan

- This policy will assist in the development of Council's Community Strategic Plan by providing a clear direction for Asset Management.
- The broad strategic outcomes identified by this policy and the Council's Community Strategic Plan, will guide the development of Asset Management Plans.

#### ASSET MANAGEMENT FRAMEWORK



## ASSOCIATED POLICIES AND PROCEDURES

- 10-year Community Strategic Plan
- Asset Management Strategy
- Asset Management Plan
- 4-year Delivery Program
- 1-year Operations Plan

## DEFINITIONS

The following definitions are provided based on the *International Infrastructure Management Manual (20015)* <sup>13</sup>.

**Asset:** A physical component of a facility which has value, enables services to be provided, and has an economic life of greater than 12 months. Dynamic assets have some moving parts, while passive assets have none.

**Asset Management:** The systematic and coordinated activities and practices of an organisation to optimally and sustainably deliver on its objectives through the cost-effective lifecycle management of assets.

**Capital Works:** Capital works falls into three categories;

1. **Renewal** – Major work which does not increase an asset's design capacity but restores, rehabilitates, replaces or renews an existing asset to its original capacity.
2. **Upgrade** – Major work which replaces or renews an existing asset to a higher standard that enables the provision of increased capacity.
3. **New/Expansion** – New assets that provide a service to an area where this service did not previously exist.

**Depreciated Replacement Cost.** The replacement cost of an existing asset less an allowance for wear and tear or consumption having regard for the remaining economic life of the existing asset.

**Fair Value:** The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Required to be reported annually as part of NSW Division of Local Government requirements.

**Infrastructure Network:** Stationary systems forming a network and serving whole communities, where the system as a whole is intended to be maintained indefinitely at a particular level of service potential by the continuing replacement and refurbishment of its components. The network may include ordinary assets as components.

**Level of Service:** The defined service quality for a particular activity or service area against which service performance may be measured. Service levels usually relate to quality, quantity, reliability, responsiveness, environmental acceptability and cost.

**Replacement Cost:** The complete replacement cost of an asset that has reached the end of its life, so as to provide a similar, or agreed alternative, level of service.

**Risk Management:** The application of a formal process to identify risks and the key factors associated with that risk, to determine the resultant range of outcomes and their probability of occurrence.

**POLICY VERSION CONTROL**

Policy Title	Asset Management Policy
Document ID	
Department	Infrastructure
Function	
Policy Group	Infrastructure Policies
Responsible Officer	Oliver McNulty
Adopted	
Next revision	

# APPENDIX B

## ASSET MANAGEMENT STEERING COMMITTEE



## **Representation on the Asset Management Steering Committee**

The Asset Management Steering Committee (AMSC) shall comprise of the following members:

- EMT Members
- Engineering and Assets Manager
- Asset Coordinator
- Financial Accountant
- Operations Manager
- Service Managers (by request)

## **Role of the Asset Management Steering Committee**

The role of the (AMSC) is to guide the delivery of asset management services including:

1. Asset Management Policy
2. Asset Management Strategy
3. Service & Asset Management Plans
4. Asset Management Policies and Procedures
5. Asset Management Systems Development
6. Asset Management Benchmarking & Reporting
7. Risk management reporting

8. Other matters relating to Council's assets
9. Organisational Communication - Asset Management Commitment.
10. Developing, implementing and monitoring key performance indicators that link the resourcing strategy to the Community Strategic Plan (CSP)

## **Meeting Quorum**

Meetings require a minimum of 5 of the core committee members to attend.

## **Outcomes**

The intended outcomes of the AMSC are to:

1. Improve organisational support and awareness of asset management.
2. Coordinate a holistic approach to asset management (financial, strategic, regulatory, whole-of-life, environmental/sustainability, IT).
3. Define and implement list of agreed priorities and specific actions to be achieved.
4. Information sharing and encourage consistency to approach.
5. Lift accountability for achieving Asset Management objectives.
6. Demonstrate organisational commitment to Asset Management.

## **Purpose of the Asset Management Steering Committee**

The primary function of the AMSC is to take responsibility for determining the program, governance, and the achievement of outcomes of the Asset Management Development Project (AMDP). The AMSC will monitor and review the project status, as well as provide oversight of the project deliverable rollout.

The AMSC provides a policy level overview so organisational governance requirements, concepts and directions are established and maintained whilst allowing innovation and continuous improvement in value for money service delivery. The AMSC provides insight on long-term strategies in support of legislative mandates.

Members of the AMSC ensure business objectives are being adequately resourced and addressed, and the project remains under control.

### **Role of an Asset Management Steering Committee Member**

It is intended that the AMSC leverage the experiences, expertise and insight of key individuals committed to professional project management. AMSC members are not necessarily directly responsible for managing project activities, but provide support and guidance for those who do.

### **Meeting Schedule and Progress**

The AMSC team will meet bi-monthly or as required to keep track of issues and the progress of the project's implementation and ongoing support to its stakeholders. The project manager chairs the AMSC and facilitates the AMSC Meeting

### **Guidelines / Standards**

1. The AMSC will reference relevant industry guidelines and practices.
2. The following guidelines and standards have also been used and referenced throughout the corporate project:
  - International Infrastructure Management Manual – International edition 2011.

- Australian Infrastructure Financial Management Guidelines - Edition 1.0 – 2009
- Optimised Decision Making Guidelines - New Zealand edition 1 2004.
- Creating Customer Value from Community assets - New Zealand edition 1 2002
- Australian Standards
- AS 5037:2005 Knowledge Management
- AS/NZS 4581:1999 Management System Integration – Guidelines to Business, Government and Community Organisations
- AS/NZS ISO 9000:2000 Quality Management Systems
- AS/NZS ISO 9004:2000 Quality Management Systems – Guidelines for performance improvements
- AS 3806:1998 Compliance Programs
- AS/NZS ISO 31000:2009 Risk Management
- HB 143:1999 Guidelines for managing risk in the Australian and New Zealand public sector.
- Local Government Financial Sustainability Framework - Local Government and Planning Ministers' Council.
- Various Federal and State Government Asset Management reports and studies.

# APPENDIX C IMPROVEMENT PLAN



**The following table lists improvement opportunities identified and the resulting actions.**

No	Initiatives	Desired Outcome
1	Implement the Asset Management Steering Committee	The Asset Management Steering Committee will coordinate and oversee the activities to help develop and maintain best practice Asset Management principles on behalf of Council
2	Development and adoption of Asset Capitalisation Policy	Development and adoption of Asset Capitalisation Policy. This Policy will set financial rules around when works to an asset would be considered operational or capital spend
3	Complete the development of Asset Plans	Asset Plans are essential for an understanding of the condition life and financial position of each key asset group. This process will enable Council to proceed with confidence in relation to the management of the assets for the future
4	Service Review	Complete a review of all services. Link these services to assets. Identify opportunities for improvement and rationalisation of assets
5	Condition assessments	Develop asset assessment documentation and complete asset condition surveys for all Council assets. Ensure Council records consistent data for future planning of assets. Develop a program for the ongoing condition assessment of assets dependent on their level of use in the delivery of services
6	Asset Revaluations	Review and revalue all Councils Assets upon completion of asset plans and asset condition survey. Use updated data that has been tested to ensure that all of Councils asset information is available. Ensure that legislative obligations are met.
7	Service management	Identify service managers for each service and educate them on the principles of asset management
8	Asset data cleanse	Review all asset data and ensure that it is complete. Identify any assets where the data is not recorded and ensure it is available with-in Council systems.
9	Implementation of asset management systems and reimplementation of Tech 1	Ensure that all asset data is coordinated into Tech 1 to enable Council staff to apply costs against the relevant asset, service and that the systems are usable for all Council staff.





EDWARD RIVER COUNCIL

**DRAFT LONG TERM FINANCIAL PLAN**

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