



# NARROMINE SHIRE COUNCIL

## Asset Management Policy

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Responsible Department	Prepared By	Resolution No.	Review Period
Finance	Director Finance & Corporate Strategy – Kathleen Pizzi	2012/164	4 years – Jan 2015 or as required



## **Narromine Shire Council – Asset Management Policy**

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### **1. Purpose:**

To set guidelines for implementing consistent asset management processes throughout Narromine Shire Council.

### **2. Objective**

To ensure adequate provision is made for the long-term replacement of major assets by:

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

### **3. Scope**

This policy applies to all Council activities.

### **4. Policy**

#### **Background**

1. Council is committed to implementing a systematic asset management methodology in order to apply appropriate asset management best practices across all areas of the organisation. This includes ensuring that assets are planned, created, operated, maintained, renewed and disposed of in accordance with Council's priorities for service delivery.
2. Council owns and uses approximately \$240,000,000 of non-current assets to support its core business of delivery of service to the community.
3. Asset management practices impact directly on the core business of the organisation and appropriate asset management is required to achieve our strategic service delivery objectives.
4. Adopting asset management principles will assist Council in achieving its Strategic Longer-Term Plan and Long Term Financial objectives.



## Narromine Shire Council – Asset Management Policy

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5. A strategic approach to asset management will ensure that the Council delivers the highest appropriate level of service through its assets. This will provide positive impact on:
  - Members of the public and staff;
  - Council's financial position;
  - The ability of Council to deliver the expected level of service and infrastructure;
  - The political environment in which Council operates; and
  - The legal liabilities of Council.

### Principles

1. A consistent Asset Management Strategy must exist for implementing systematic asset management and appropriate asset management best-practice throughout all Departments of Council.
2. All relevant legislative requirements together with political, social and economic environments are to be taken into account in asset management.
3. Asset management principles will be integrated within existing planning and operational processes.
4. Asset Management Plans will be developed for major service/asset categories. The plans will be informed by community consultation and financial planning and reporting.
5. An inspection regime will be used as part of asset management to ensure agreed service levels are maintained and to identify asset renewal priorities.
6. Asset renewals required to meet agreed service levels and identified in adopted asset management plans and long term financial plans will be fully funded in the annual budget estimates.
7. Service levels agreed through the budget process and defined in adopted Asset Management Plans will be fully funded in the annual budget estimates.
8. Asset renewal plans will be prioritized and implemented progressively based on agreed service levels and the effectiveness of the current assets to provide that level of service.
9. Systematic and cyclic reviews will be applied to all asset classes and are to ensure that the assets are managed, valued and depreciated in accordance with appropriate best practice and applicable Australian Standards.
10. Future life cycle costs will be reported and considered in all decisions relating to new services and assets and upgrading of existing services and assets.
11. Future service levels will be determined in consultation with the community.
12. Training and information in asset and financial management will be provided for Councillors and relevant staff.



### 5. Legislation

Local Government Act 1993.

Local Government (General) Regulation Act 2005.

### 6. Related Documents

Asset Management Strategy and associated Asset Management Plans.

### 7. Responsibility

- **Councillors** are responsible for adopting the policy and ensuring that sufficient resources are applied to manage the assets.
- The **General Manager** has overall responsibility for developing an asset management strategy, plans and procedures and reporting on the status and effectiveness of asset management within Council.

### Review Date

This policy has a life of 4 years. It will be reviewed in January 2015.

### Council Meeting Date:

# Narromine Shire Council





## ASSET MANAGEMENT STRATEGY



Version 1.0

May 2012



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 The Institute of Public Works Engineering Australia.  
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## Executive Summary

This asset management strategy is prepared to assist council in improving the way it delivers services from infrastructure including aerodromes, buildings and equipment, recreation and community, transport and drainage, waste, water supply and sewerage services. These infrastructure assets (excluding land) have a replacement value of \$239,778,000.

The asset management strategy is used to enable Council:

- To show how its asset portfolio will meet the service delivery needs of its community into the future,
- Ensure asset management policies can be achieved, and
- To ensure the integration of asset management with its long term strategic plan.<sup>1</sup>

Adopting this asset management strategy will assist council in meeting the requirements of national sustainability frameworks, NSW Local Government Act 1993 and providing services needed by the community in a financially sustainable manner.

The asset management strategy is prepared following a review of the council's service delivery practices, financial sustainability indicators, asset management maturity and fit with council's vision for the future outlined in the Community Strategic Plan, Delivery Program and Operational Plan.

## Strategy Outlook

1. Council is unable to maintain current service levels over the next ten years at current funding levels.
2. Council is not able to fund current infrastructure life cycle cost at current levels of service and available revenue.
3. Council's current asset management maturity is below 'core' level and investment is needed to improve information management, lifecycle management, service management and accountability and direction.

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<sup>1</sup> LGPMC, 2009, Framework 2 *Asset Planning and Management*, p 4.



## How the Asset Management Plans Integrate with the Delivery Program and Operational Plan

The Asset Management Plan provide a “snap shot” of Council current asset management practices. Strategies and Actions implemented throughout the Delivery Program and Operational plan will have an impact on future Asset Management Plans and the Asset Renewal Ratio.

Where a Strategy (in the Delivery Program) and corresponding Action (Operational Plan) has an impact on future Asset Management Plan a code has been included in the “Impact on Council’s Resources and Strategies” columns. These codes link back to the Asset Management Plans and provides an overview of the impact type.

Impact on Councils Resources and Strategies		
Asset Management Plan	Workforce Plan	10 year Financial Plan

The Asset Management Plan Acronyms are as follows;

Acronym	Asset Management Plan Name
AMP1	Water
AMP2	Sewerage
AMP3	Solid Waste
AMP4	Aerodromes
AMP5	Recreation and Community
AMP6	Transport
AMP7	Buildings & Other Equipment

The impacts have been summarised as follows;

Acronym	Impact Type
1	Adequate Annual Maintenance Vote Maintained
2	Provision for Capital Improvement of existing Asset
3	Increase funding for capital renewals and long term
4	Service Levels
5	New Asset created requires increase in funding for capital
6	WHS (Workplace Health & Safety) & Legalisation Requirement
7	Hierarchy of Assets
8	Adequate Annual Maintenance Vote Maintained

***Specific Actions to be undertaken by Management to achieve Asset Management Strategies identified in the Delivery Program/Operational Plan***

No	Strategy	Desired Outcome
1	Move from 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	Ensure Council's decisions are made from accurate and current information in asset registers, on service level performance and costs and 'whole of life' costs.	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 2 years.	Improved financial and asset management capacity within Council.
11	Report six monthly to Council by on development and implementation of Asset Management Strategy, Asset Management Plans and Long Term Financial Plans.	Oversight of resource allocation and performance.

## 1. Introduction

Assets deliver important services to communities. 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 be difficult to determine. 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>2</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 cycles.<sup>3</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 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 about variations between the budget and actual results,
  - Any impact of such variances on the strategic longer-term plan, and
  - Reporting of operations with review on the performance of the council against strategic objectives.<sup>4</sup>

Framework 2 Asset Planning and Management has seven elements to assist in highlighting key management issues, promote prudent, transparent and accountable management of local government assets and introduce a strategic approach to meet current and emerging challenges.

The seven elements of Framework 2 Asset Planning and Management are:

- Asset management policy,
- Strategy and planning:
  - Asset management strategy, and
  - Asset management plan,
- Governance and management arrangements,
- Defining levels of service,
- Data and systems,
- Skills and processes, and
- Evaluation.<sup>5</sup>

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

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

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

The asset management strategy is used to enable Council:

- To show how its asset portfolio will meet the service delivery needs of its community into the future,
- Ensure asset management policies can be achieved, and
- To ensure the integration of asset management with its long term strategic plan.<sup>6</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, and
- 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***

The requirements of **Local Government Act 1993, Section 402** are summarised as follows:

- Each local government area is to have a Community Strategic Plan that has been developed and endorsed by the council.
- The Community Strategic Plan is to identify the main priorities and aspirations for the future of the local government area.
- The Community Strategic Plan must cover a minimum timeframe of 10 years.
- The Community Strategic Plan must establish strategic objectives together with strategies to achieve those objectives.
- It must address social, environmental, economic and civic leadership issues in an integrated manner.
- Council must ensure the Community Strategic Plan is adequately informed by relevant information relation to social, environmental, economic and civic leadership issues.
- It must be based on the social justice principles of equity, access, participation and rights.
- The Community Strategic Plan must give due regard to the State Plan and other relevant state and regional plans.

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<sup>5</sup> LGPMC, 2009, *Framework 2 Asset Planning and Management*, p 4.

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

## ***1.1 Legislative reform (cont)***

The requirements of **Local Government Act 1993, Section 403** are summarised as follows:

- A council must have a long term resourcing strategy to achieve the objectives established by the Community Strategic Plan, for which Council is responsible.
- The strategy must include provision for long-term financial planning, workforce management planning and asset management planning.

The requirements of **Local Government Act 1993, Section 404** are summarised as follows:

- A council must have a Delivery Program, detailing the principal activities it will undertake to achieve the objectives established in the Community Strategic Plan, within the resources available under the Resourcing Strategy.
- The Delivery Program must include a method of assessment to determine the effectiveness of each principal activity detailed in the Delivery Program in achieving the objectives at which the activity is directed.
- A council must prepare a new Delivery Program after each ordinary election of councillors to cover the principal activities of the council for the 4 year period commencing on 1 July following the election.
- The General Manager must ensure that progress reports are provided to the council, with respect to the principal activities detailed in the Delivery Program, at least every 6 months.

The requirements of **Local Government Act 1993, Section 405** are summarised as follows:

- Council must have an annual Operational Plan, adopted before the beginning of each financial year, outlining the activities to be undertaken that year, as part of the Delivery Program.
- The Operational Plan will include the Statement of Revenue Policy.
- The draft Operational Plan must be publicly exhibited for at least 28 days and public submissions can be made to Council during the period.
- The exhibition must be accompanied by a map showing where the various rates will apply within the local government area.
- Council must accept and consider any submissions made on the draft Operational Plan before adopting the Operational Plan.
- The council must post a copy of its Operational Plan on the council's website within 28 days after the plan is adopted.

## ***1.1 Legislative reform (cont)***

**Local Government (General) Regulation 2005, Clause 201** provides that content of Council's annual statement of revenue policy shall include details of:

- Estimated income and expenditure
- Ordinary rates and special rates
- Proposed fees and charges
- Council's proposed pricing methodology
- Proposed borrowings.

**Local Government (General) Regulation 2005, Clause 203** requires that budget review statements and a revision of estimates must be reported to Council within two months after the end of each quarter (except the June quarter).

The requirements of **Local Government Act 1993, Section 428** are summarised as follows:

- Council must prepare an annual report within five months of the end of the financial year.
- The report will outline council's achievements in implementing its Delivery Program.
- The annual report in the year of the ordinary election will also include an outline of achievements in implementing the Community Strategic Plan.
- The annual report in the year of the ordinary election must include a report (State of the Environment Report) as to the state of the environment in the local government area in relation to the objectives for the environment established by the Community Strategic Plan.
- The report must contain the council's audited financial statements and notes and any information required by the Regulation or the Guidelines.
- A copy of the report must be posted on the council's website and provided to the Minister.

**Local Government (General) Regulation 2005, Clause 217** requires the following information to be included in the annual report:

- Details of overseas visits by councillors and council staff
- Details of mayoral and councillor fees, expenses and facilities
- Contracts awarded by council
- Amounts incurred in relation to legal proceedings
- Private works and financial assistance
- Details of external bodies, companies and partnerships

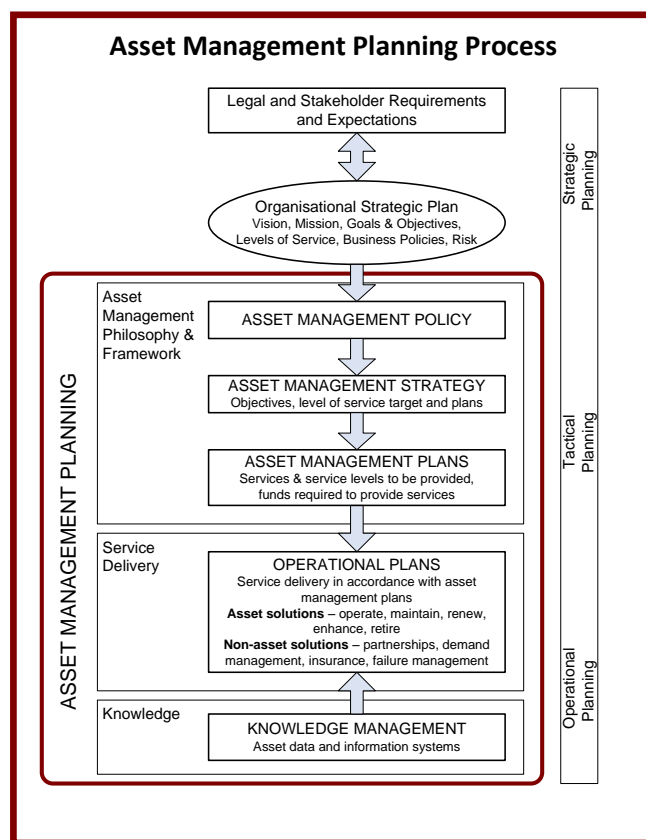
## 1.1 Legislative reform (cont)

- Details of the General Manager’s total remuneration
- Details of the total expenditure on Senior Staff remuneration
- Information on stormwater levies and charges
- Information on companion animals management
- A statement of the activities undertaken by the council to implement its equal employment opportunity management plan.

## 1.2 Asset Management Planning Process

Asset management planning is a comprehensive process to ensure that assets are managed and maintained in a form 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 varying proposed service levels.

Asset management planning commences defining stakeholder and legal requirements 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>7</sup>



way

with  
and

<sup>7</sup> IPWEA, 2009, AIFMG, Quick Guide, Sec 4, p 5.

## 2. 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 1.

**Table 1: Assets used for providing Services**

Asset Class	Description	Services Provided
1. Water	All infrastructure including site buildings.	Town water supplies.
2. Sewerage	All infrastructure including site buildings.	Town sewerage services.
3. Waste	Buildings and facilities. Plant.	Garbage and recycling services.
4. Aerodromes	Narromine aerodrome. Trangie aerodrome. Aerodrome buildings and site facilities and equipment.	Commercial, private and recreational flying. Commercial aviation based business rental / lease accommodation. Aviation museum.
5. Recreation & Community	(Excludes buildings but includes other structures) Parks & Gardens. Sporting grounds. Racecourses and showgrounds. Swimming pools. Cemeteries. Saleyards. Emergency Services (RFS, SES).	Facilities for active and passive recreation and support to the functioning of the community.
6. Transport	Rural Roads. Town Streets. Cycleways. Bus shelters. Parking. Footpaths. Kerb and gutter. Stormwater. Levees.	Facilities for road transport including: <ul style="list-style-type: none"> <li>• Private.</li> <li>• Business.</li> <li>• Commercial.</li> <li>• Public.</li> </ul> Town drainage.
7. Buildings and other equipment	Buildings. Office equipment. Office furniture. Depot (incl. workshop equipment). Library. MVFDC (incl. play ground equipment).	Buildings and equipment for council's general operations.



### 3. Council's Assets and their management?

#### 3.1 State of the Assets

The financial status of Council's assets is shown in Table 2.

**Table 2: Financial Status of the Assets**

Asset Class	Replacement Cost (\$000)	Depreciated Replacement Cost (\$000)	Depreciation Expense for current year (\$000)
1. Water	\$16,397	\$3,759	\$229
2. Sewerage	\$17,862	\$5,237	\$357
3. Waste	\$761	\$419	\$67
4. Aerodromes	\$14,163	\$11,480	\$180
5. Recreation & Community	\$6,651	\$4,517	\$171
6. Transport	\$140,942	\$79,090	\$3,141
7. Buildings and other equipment	\$26,843	\$22,806	\$411
Total	\$223,618	\$127,308	\$4,556

(Does not include Land – Operational and Land – Community, Fleet Management)

Figure 1 shows the replacement values of Council's assets.

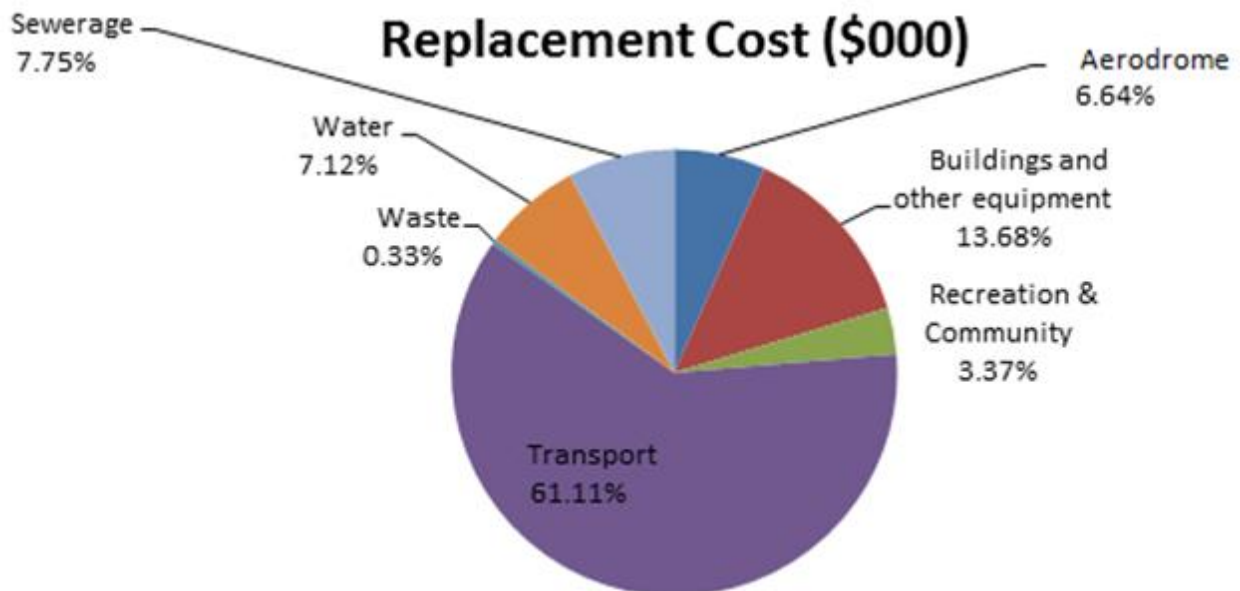
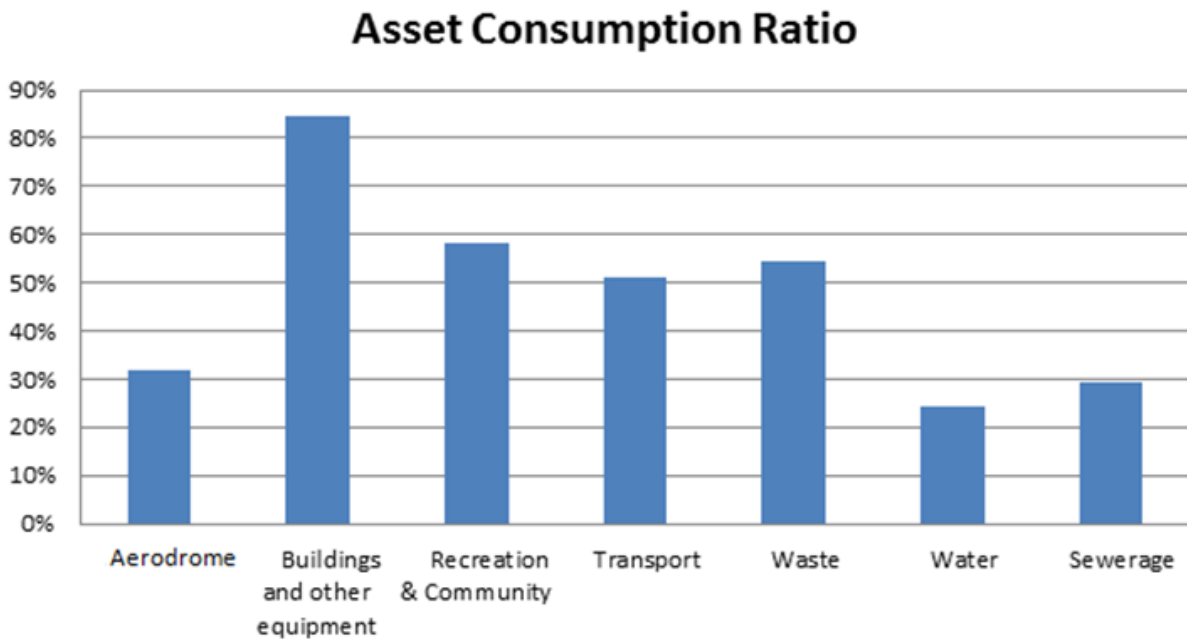


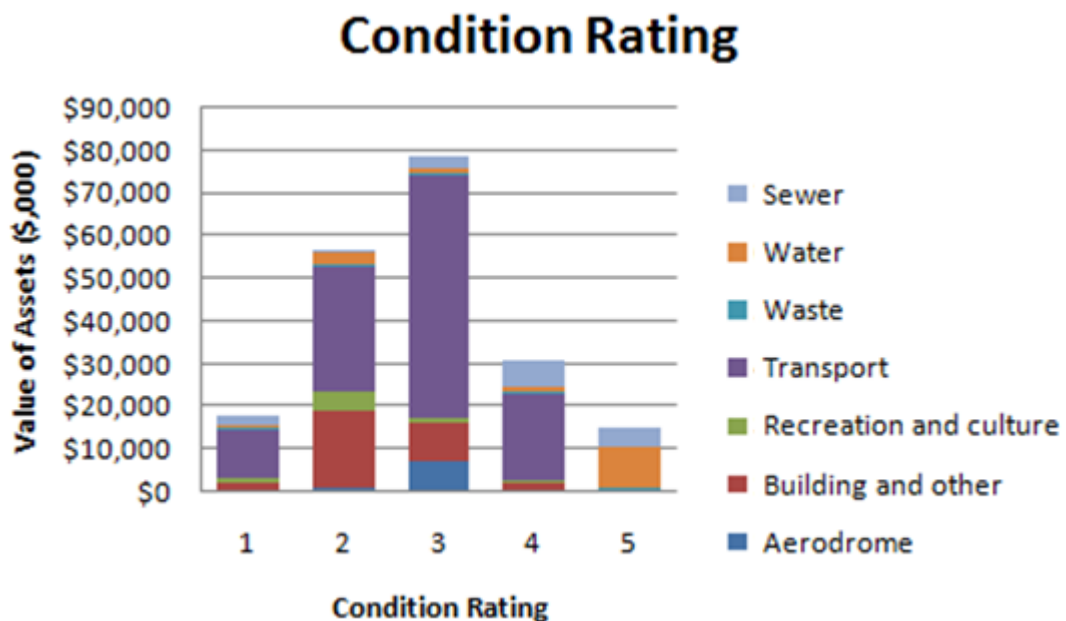
Figure 1: Asset Replacement Values

The asset consumption ratios of Council’s assets (average proportion of ‘as new’ condition left in assets) are shown in Figure 2.



**Figure 2: State of the Assets**

With the exception of Buildings and other equipment, the remaining asset classes show near 50%, or greater, consumption of the asset. At these levels Council can expect fair-poor levels of service from these assets and service failures would not be uncommon under these conditions.



**Figure 3: Asset Condition Profile**

Council’s assets are generally in a satisfactory condition to provide the existing levels of service.

### 3.2 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 asset management plan is shown in Table 3.

**Table 3: Life Cycle Cost for Council Services**

Service	2011/2012 Year Expenditure		Depreciation Exp	Life Cycle Cost (\$/yr)
	Operations	Maintenance		
1. Water	\$882,000	\$309,000	\$229,000	\$1,422,000
2. Sewerage	\$809,000	\$125,000	\$357,000	\$1,255,000
3. Waste	\$900,000	\$19,000	\$67,000	\$988,000
4. Aerodromes	\$106,000	\$92,000	\$180,000	\$378,000
5. Recreation & Community	\$771,000	\$164,000	\$171,000	\$1,111,000
6. Transport	\$433,000	\$1,405,000	\$3,141,000	\$4,979,000
7. Buildings and other equipment	\$394,000	\$302,000	\$411,000	\$1,107,000
<b>TOTAL</b>	<b>\$4,295,000</b>	<b>\$2,416,000</b>	<b>\$4,556,000</b>	<b>\$11,240,000</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 year or preferably averaged over the past 3 years. Life cycle expenditure will vary depending on the timing of asset renewals. The life cycle expenditure at the start of the plan is shown in Table 4.

**Table 4: Life Cycle Expenditure for Council Services**

Service	2011/2012 Year Expenditure		Cap Renewal Exp (\$/yr)	Life Cycle Exp (\$/yr)
	Operations	Maintenance		
1. Water	\$882,000	\$309,000	\$1,088,000	\$2,282,000
2. Sewerage	\$809,000	\$125,000	\$530,000	\$1,464,000
3. Waste	\$900,000	\$19,000	\$20,000	\$939,000
4. Aerodromes	\$106,000	\$92,000	\$20,000	\$218,000
5. Recreation & Community	\$771,000	\$164,000	\$155,000	\$1,090,000
6. Transport	\$433,000	\$1,405,000	\$2,637,000	\$4,363,000
7. Buildings and other equipment	\$394,000	\$302,000	\$1,377,000	\$2,073,000
<b>All Services</b>	<b>\$4,295,000</b>	<b>\$2,416,000</b>	<b>\$5,827,000</b>	<b>\$12,384,000</b>

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 organisations in providing service to their communities in a financially sustainable manner. This is the purpose of the Asset Management Plans and Long Term Financial Plan.

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 plan.

The life cycle gap and sustainability indicator for services covered by this asset management plan is summarised in Table 5.

**Table 5: Life Cycle Sustainability Indicators**

Service	Life Cycle Cost (\$/yr)	Life Cycle Expenditure (\$/yr)	Life Cycle Gap * (\$/yr)	Life Cycle Sustainability Index
1. Water	\$1,423,000	\$1,194,000	-\$229,000	83.90%
2. Sewerage	\$1,291,000	\$934,000	-\$357,000	72.30%
3. Waste	\$986,000	\$919,000	-\$67,000	93.20%
4. Aerodromes	\$378,000	\$198,000	-\$180,000	52.40%
5. Recreation & Community	\$1,106,000	\$935,000	-\$171,000	84.50%
6. Transport	\$4,979,000	\$4,395,000	-\$584,000	88.30%
7. Buildings and other equipment	\$1,107,000	\$696,000	-\$411,000	62.90%
<b>All Services</b>	<b>\$11,270,000</b>	<b>\$9,271,000</b>	<b>-\$1,999,000</b>	<b>78.44%</b>

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

#### **Water Supplies:**

The current situation of the water supply for Narromine Shire looks relatively good. The present programme of asset replacement will need to accelerate in the next few years as the assets need replacement.

Whilst Council has a significant amount of funds reserved for this, it is noted that these reserves are being called on in 2011/2012 for maintenance. If this continues there will not be sufficient funds to fund renewals as they arise. An increase of 5% annual/access charges and a 10 cent increase in user charges has been proposed in 2012/13.

Condition assessments are currently been undertaken and may impact the outcomes of this Asset Management Plan once completed.

**Sewerage Services:**

The position of the sewerage system looks reasonably good. The lower sustainability (than water) reflects lower need to replace assets at present. It is forecast this will change in the next few years and significant mains replacement will be required. The cost of this is offset, to a large extent, by the current reserves. It is noted that these reserves are being called on in 2011/2012 for maintenance. If this continues there will not be sufficient funds to fund renewals as they arise. An increase of 5% annual/access charges and a 10 cent increase in user charges has been proposed in 2012/13. Condition assessments are currently being undertaken and may impact the outcomes of this Asset Management Plan once completed.

**Waste:**

The Waste Management Assets are almost sustainable at the existing assets and with the current EPA Requirements. Assessment of future asset requirements needs to be undertaken which will affect this position and will have to be factored into future long term plans. This assumption does not include remediation of the existing sites. The remaining useful life at the Narromine Site is approximately 20 years and the Trangie Site is 40 years plus.

**Aerodrome:**

The aerodromes are not sustainable at present without an increase in funding. Council has proposed borrowing funds for infrastructure renewal. The term of any loan should not be greater than the life of the asset. Council has already endeavoured to seek usage fees from recreational aviators and aerodrome businesses to no avail. Council proposes to close Runway 04/22 from 1 February 2013 with the removal of the surface taking place in 2013/14 .

The Sullivan Report and its review in 2004 (the Bennett Review) have proposed various approaches to address potential developments at the Aerodrome. An overall feasibility or economic model of options (Aerodrome Masterplan) is currently being undertaken.

**Recreation and Community:**

Recreation and Community Assets are sustainable in the short term at the current level; however, Council needs to consider operational maintenance and long term replacement costs when creating new assets as this may exacerbate the decline in financial sustainability beyond 10 years.

**Transport:**

Transport is nearly sustainable at the current level of expenditure and asset mix (sealed/unsealed). Council has received large amount of funding through Flood Damage in recent years and this has provided additional funding and brought forward the maintenance of many roads.

**Buildings and Other Equipment:**

The buildings are not sustainable at present without an increase in funding. Most of Council's buildings are reaching the end of their economic life. Until Council undertakes a comprehensive review of its building needs and from an OHS, risk management and a commercial viability perspective, the true costs cannot be fully discovered.

Other Equipment has a short term life expectancy and is usually depreciated over a short period, eg 5 years or more.

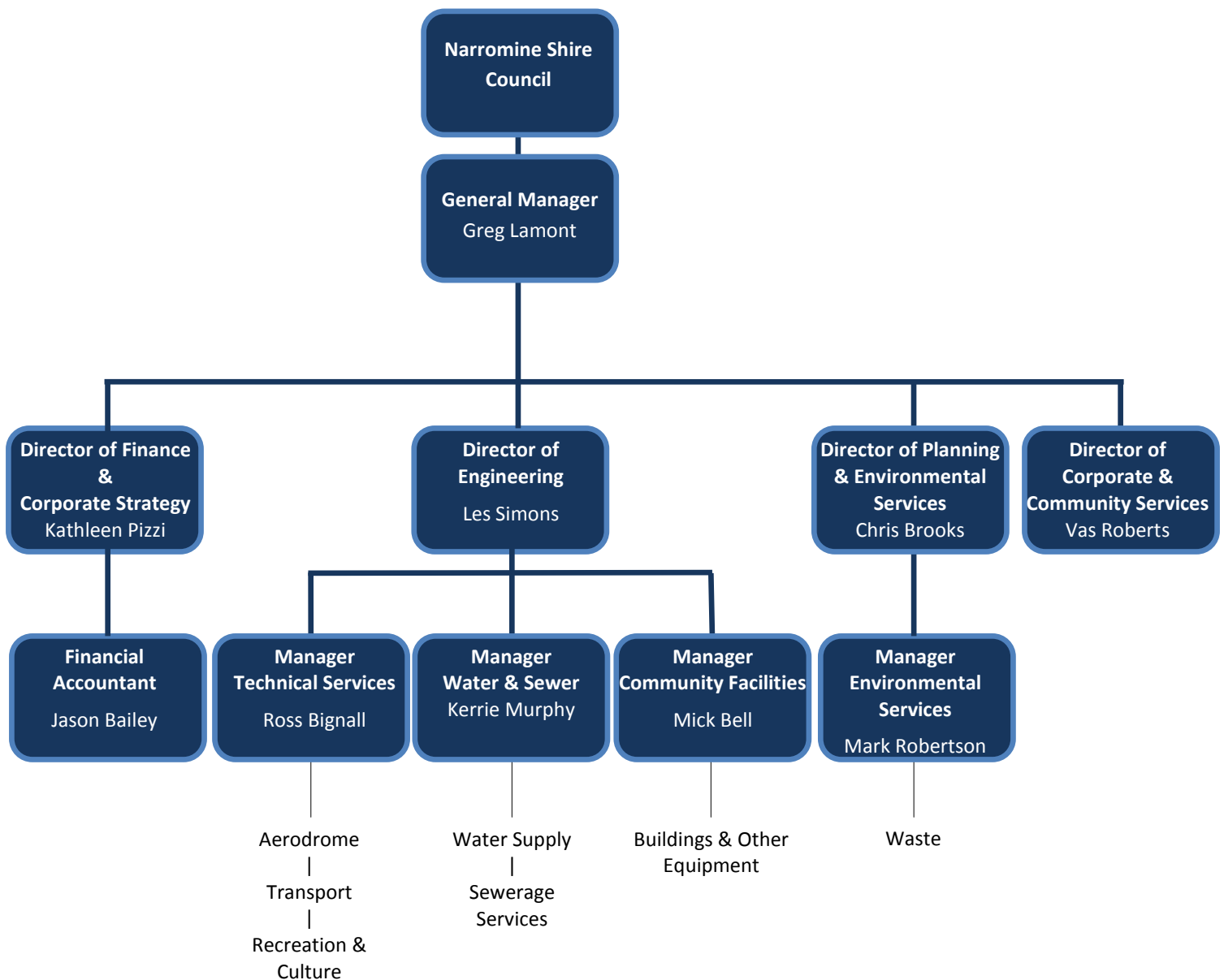
**Overall:**

The overall position indicates a steady decline in all assets which will require Council to reallocate its service delivery levels to protect all assets within its financial capability and/or make some critical resource allocation decisions.

Council must critically look at whole of life costs when considering its asset base and when considering acquisition of new assets.

**3.3 Asset Management Structure**

The Director of Finance and Corporate Strategy and the Director of Engineering are directly responsible to the General Manager for maintaining the asset management data. The Directors are responsible for providing details of capital works proposed and/or undertaken.



### **3.4 Corporate Asset Management Team**

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

- Demonstration of corporate support for sustainable asset management,
- Encouragement of corporate buy-in and responsibility,
- Coordination of strategic planning, information technology and asset management activities,
- Promotion of uniform asset management practices across the organisation,
- Information sharing across IT hardware and software,
- Pooling of corporate expertise,
- Championing of asset management process, and
- Wider accountability for achieving and reviewing sustainable asset management practices.

The role of the asset management team will evolve as the organisation's maturity level increases over several phases, as follows:

#### Phase 1

- Strategy development and implementation of asset management improvement program.

#### Phase 2

- Asset management plan development and implementation
- 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
- Ongoing asset management plans review and continuous improvement

The current positions on Council's asset management team are:

Director Finance and Corporate Strategy	Kathleen Pizzi
Director Engineering	Les Simons
Financial Accountant	Jason Bailey
Manager Community Facilities	Mick Bell
Manager Water & Sewer	Kerrie Murphy

### **3.5 Financial & Asset Management Core Competencies**

The National Frameworks on Asset Planning and Management and Financial Planning and Reporting define 10 elements. 11 core competencies have been developed from these elements<sup>8</sup> to assess 'core' competency under the National Frameworks. The core competencies are:

Financial Planning and Reporting:

- Strategic Long 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 and Systems
- Skills and Processes
- Evaluation

### **3.6 Strategy Outlook**

1. Council is unable to maintain current service levels over the next ten years at current funding levels.
2. Council is not able to fund current infrastructure life cycle cost at current levels of service and available revenue.
3. Council's current asset management maturity is below 'core' level and investment is needed to improve information management, lifecycle management, service management and accountability and direction.

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<sup>8</sup> Asset Planning and Management Element 2 *Asset Management Strategy and Plans* divided into Asset Management Strategy and Asset Management Plans competencies.



## 4. Where do we want to be?

### 4.1 Council's Vision, Mission, Goals and Objectives

Council has adopted a Vision for the future in the Council Strategic Plan.

***In 2022, Narromine Shire will be: A highly desirable place to live, work and conduct business, and where shire residents care for one another and the natural environment.***

Council's purpose or reason for existence is set out in the adopted mission statement.

***To enhance our Shire's image, lifestyle and environment through effective leadership, community involvement and commitment to service.***

The Strategic Plan sets goals and objectives to be achieved in the planning period. The goals set out where Council wants to be. The objectives are the steps needed to get there. Goals and objectives relating to the delivery of services from infrastructure are shown in Table 6.

**Table 6: Goals and Objectives for Infrastructure Services**

<b>Goals</b>	<b>Objectives</b>
Asset Sustainability	Develop a funding model to address the need for sustainable/renewal of infrastructure, identifies all asset life costs.
Asset Maintenance	Improve the information on the relationship between the service levels and cost, to better inform community groups, when undertaking consultation practises.
Develop Asset hierarchy	Conduct & implement hierarchy of all asset classes, to ensure asset components and asset classes is used when planning financial models.
Risk Management	Develop Risk Delivery Programs, for all major Asset Classes.

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

## **4.2 Asset Management Policy**

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

## **4.3 Asset Management Vision**

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, processes, systems and data in order to provide the level of service the community needs at present and in the future, in the most cost-effective and fit-for-purpose manner.***

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

- Ensure that the Council's infrastructure services are provided in an economically optimal way, with the appropriate level of service to residents, visitors and 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,
- Adopt the long term financial plan as the basis for all service and budget funding decisions,
- Meet legislative requirements for all of Council's operations,
- Ensure resources and operational capabilities are identified and responsibility for asset management is allocated, and
- Provide a high level oversight of financial and asset management responsibilities through Audit Committee/CEO reporting to council on development and implementation of Asset Management Strategy, Asset Management Plan and Long Term Financial Plan.

Strategies to achieve this position are outlined in Section 5.

## 5. How will we get there?

The Asset Management Strategy proposes strategies to enable the objectives of the Strategic Plan, Asset Management Policy and Asset Management Vision to be achieved.

**Table 7: Asset Management Strategies**

No	Strategy	Desired Outcome
1	Move from 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 and 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	Ensure Council's decisions are made from accurate and current information in asset registers, on service level performance and costs and 'whole of life' costs.	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 2 years.	Improved financial and asset management capacity within Council.
11	Report bi-annually to Council by Audit Committee/GM on development and implementation of Asset Management Strategy, AM Plans and Long Term Financial Plans.	Oversight of resource allocation and performance.

## 6. Asset Management Improvement Plan

The tasks required to achieve a 'core' financial and asset management maturity are shown (in priority order) in Table 8.

**Table 8: Asset Management Improvement Plan**

Ref	Task	Responsibility	Target Date	Budget
	Maturity Assessment Report	Finance	2013/14	