Darebin City Council

DRAFT

ASSET MANAGEMENT STRATEGY

2015-2019

Version

April 2015

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The Darebin City Council acknowledges that the general format of this strategy and some content has been developed by the Cardinia Shire Council in their 'Asset Management Strategy 2014-2017'.

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1. Introduction

The investment in and management of public assets has a direct bearing on the health and well-being of all citizens, vital for promoting active citizen participation in mainstream life and contributes to the resilience of families, neighbourhoods and communities.

Asset management is a broad term that encompasses the various actions Council undertakes to ensure that its assets are efficiently planned, designed, delivered, managed and reviewed in a cost effective and sustainable manner and that these assets remain relevant to changing community needs and expectations.

This Asset Management Strategy document has been developed to outline how the Darebin City Council will deliver its asset management policy intentions within the City of Darebin and sets the future directions and improvement actions necessary for relevant, evidence-based and flexible asset management practices and capability to achieve the asset management goals and objectives.

The primary objectives of this Asset Management Strategy are to provide a way forward for Council to meet its responsibility for the stewardship of its public assets, to ensure that all residents have equal access to all public assets and to enable the delivery of sustainable and effective services, programs and activities that contribute to Darebin's quality of life.

Adoption of this Asset Management Strategy and subsequent support for the implementation of the improvement plan is expected to enhance Council's asset management performance which includes access, adaptability and enable Council to deliver services that meet community needs and stakeholder expectations in a financially sustainably manner.

The strategy seeks to pioneer Council's asset management activities as best appropriate practice. It proposes that by increasing Council's ability to manage its assets and by improving its knowledge of those assets, Council can better match its assets with its community in a manner that adds value to economic, cultural, environmental and social values.

Asset Management is particularly important in maintaining the dignity, human rights and access to reasonable quality of life by contributing to the sustainable local economic, social, cultural and environmental outcomes. Poorly planned, designed and managed public assets have a greater impact on disadvantaged communities.

1.1   Scope

This strategy has a 4-year outlook and applies to all infrastructure assets owned or controlled by Council.

This Darebin City Council Asset Management Strategy has been prepared in line with the Asset Management Policy 2013, reflecting following six key areas relating to asset creation, acquisition, operation, use, maintenance and rehabilitation/disposal.

This Asset Management Strategy is intended to meet the definition of a Strategic Asset Management Plan under ISO 55000:2014 – being:

> "*documented information* that specifies how *organizational objectives* are to be converted into *asset management objectives*, the approach for *asset management plans*, and the role of the *asset management system* in supporting achievement of the asset management objectives"
>
> ISO 55000:2014, italics in original

1.2   Council Vision, Mission and Council Plan Goals

The Darebin City Council Plan 2013-2017 contains the following:

1.2.1 Vision

Darebin, the Place to Live

1.2.2 Mission

Working with our diverse community to build a sustainable and liveable city.

1.2.3 Council Plan Goals

The Council Plan 2013-2017 contains six goals (referred to as strategic objectives in the Local Government Act 1989) which intend to reflect the priorities of the community and were developed following consultation with the community.

The following table shows how implementation of asset management is expected to support the delivery of the Council Plan.

Linking Asset Management to the Council Plan 2013-2017

GOAL 1. VIBRANT AND INNOVATIVE ECONOMY

Objectives	Assets contribute to economic growth	Delivered through	
			Meeting service delivery demands by providing the right assets in the right location in the right amounts
			Using assets to stimulate growth and regeneration that will promote business hubs and jobs
			Encouraging asset improvements that will increase the wellbeing of citizens, promote visitation and add value to the community
			Encourage well-designed higher-density housing that is consistent with Council's Housing Strategies
			Align land use and transport policies to respond to community needs
			Manage the asset base of city's public spaces, drains, roads, footpaths, facilities, street trees, parks and other infrastructure are maintained to the highest standard and encourage the development of new infrastructure

GOAL 2. HEALTHY AND CONNECTED COMMUNITY

Objective	Assets contribute to the health, social wellbeing and community safety	Delivered through	
			Ensuring all assets promote equality, social inclusion and improve health
			Ensuring all assets are accessible to all
			Using assets to support desired affordable opportunities

GOAL 3. SUSTAINABLE AND RESILIENT NEIGHBOURHOODS

Objective	Assets can promote a balance between development and sustainability	Delivered through	
			Minimising the demand for new assets through the use of innovative service delivery alternatives
			Making all asset decisions that consider and protect the needs of future generations
			Ensuring new assets are designed with climate change in mind
			Locating assets that encourage sustainable travel and access
			Fostering that new and renewed assets to be good examples of built form and environmentally sustainable architecture
			Utilising the asset base wherever possible to leverage desired land use, water sensitive urban design (WSUD), and optimum built form by private development
			Sustainable transport initiatives

GOAL 4. THRIVING AND CREATIVE CULTURE

Objective	Assets contribute to the creative culture of the City	Delivered through	
			Fostering inspiration, celebration, innovation, creativity and diversity in Darebin's arts and culture
			Using assets to support the economic prosperity of local creative industries
			Providing assets to support cultural activities
			Promoting good design of assets and the inclusion of art in public spaces
			Preserving the cultural heritage of the city where that heritage is represented in or by assets
			Encourage property developers to support art and good urban design in public spaces

GOAL 5. EXCELLENT SERVICE

Objective	Council will optimise the service potential of its assets	Delivered through	
			Improved management of the existing assets
			Improved flexibility of assets
			Encouraging shared use and co-location of assets
			Applying best practice asset management principles
			Using economies of scale for more cost effective service delivery
			Ensuring assets are appropriately used and maintained
			Taking a measured and considered approach to the full costs of acquiring, holding, maintaining and disposing of assets throughout their lifecycle
			Developing and sustaining appropriate partnerships with other agencies and the private sector
			Creating a Reserve to sequester funds for strategic asset investment

GOAL 6. OPEN AND ACCOUNTABLE DEMOCRACY

Objective	Council will assign responsibility and accountability for its assets	Delivered through	
			Clearly defining ownership control of assets
			Determining and communicating accountability and reporting responsibilities throughout each step of the integrated approach to asset management
			Ethical decision making that promote corporate fairness, accountability and transparency in asset transactions

1.3 Asset Portfolio

The table below illustrates a summary of Council's infrastructure asset portfolio:

Asset Class	Description	Replacement Value (30 June 2014)
Roads	Pavement, Right of Way, Footpath, Shared Path, Kerb & Channel, Medians, Parking Lanes, Traffic Control Devices, Bridges, Traffic Signals, Signs, Street Lighting	$385,000,000
Stormwater	Pipes, Pits, Pump Stations	$170,218,000
Buildings	**Community Services:** Aged Care Facility, Children care Centres, Preschools/Kindergartens/MCH Centres, Neighbourhood Houses, MCH Centres, Libraries, Senior Citizens Centres, Customer Service Centres, Civic Centres, Emergency Services Sheds, Public Toilets, Community Halls and Miscellaneous.	$319,504,000
	Leisure & Culture: Pavilions, Aquatic & Leisure Centres, Darebin Arts & Cultural Centre, Bundoora Park Buildings, Shelters, Shade & Sails, Scoreboards, Park Sheds, Digital Arts Centre, Ticket & Coach Boxes, Bundoora Homestead	
	Corporate: Municipal Offices, Depot Buildings, Transfer Station	
	Commercial: Golf Course Buildings, Tenanted Properties, Darebin Arts Centre	
Open Space	Irrigation systems, street furniture, park furniture, playspaces, paths, trees & other living assets	$79,660,000
Fleet & Plant	Heavy vehicles, light vehicles, mobile garbage bins, furniture, whitegoods	$28,429,000
Information Technology	Hardware, software	$19,316,000
Cultural Collections	Library materials, public art, art	$7,939,000

1.4   Drivers for Asset Management

Some of the key drivers for improving the management of these assets are as follows:

- Rate capping
- Community demand for improved services – safer roads, better parks, and new sporting facilities at lesser cost
- Ageing asset base
- *Asset Management and Maintenance by Councils* – Victorian Auditor- General Report February 2014
- *Disability Discrimination Act 2006*
- *Road Management Act 2004*
- *Management of Roads by Local Government* - Victorian Auditor- General Report February 2002
- *Local Government Act 1989*
- *Facing the Renewal Challenge* – Department of Infrastructure Report 1988
- *Planning & Environment Act 1987*
- *Occupational Health & Safety Act 1985*
- Australian Accounting Standards
- National Asset Management Assessment Framework (NAMAF)
- ISO 55001:2014 – Asset Management
- Our community is changing

1.5   Key Stakeholders

Council's key stakeholders with respect to managing its assets are detailed in the table below along with a short analysis of their expectations:

Key Stakeholder	Expectations
External Stakeholders	
Residents & Ratepayers	Service provision, value for money, sustainable environment, good amenities, inclusion, transparency, consultation
Visitors & users of Council Services	Safe environment, availability of services, ease of access, good ambience
Utilities & Service Authorities	Sound working relationships, 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
State and Commonwealth Governments	Abiding by laws, rules and regulations, environmentally sustainable, transparency, good governance, financially sustainable, needs and interests of local communities are protected and advanced
State Government Agencies	Co-operation, co-ordination, regional transport, road maintenance, Land development process, flood management, standards & specifications, guidelines, standard drawings, management of parking, support for public transport, management of assets, availability of road network
Municipal Association of Victoria	STEP Program, a framework for understanding current and desired performance of asset, the financial implications and the development of asset strategy and plans
Local Government Insurer	Effective management of infrastructure risk and public liability
Internal Stakeholders	
Employees and Volunteers	Continuity of employment, job satisfaction, safe work environment
Councillors/CEO/ Directors	Stewardship of service provision, representation of community issues

1.6   Benefits of Asset Management

This Asset Management Strategy is expected to enhance Council's asset management performance and, in turn, facilitate Council's delivery of services to meet community needs and stakeholder expectations in a financially sustainable manner.

The key benefits of asset management are summarised as follows:

- Implementing processes for improved asset management and financial planning (*consistency, efficiency, effectiveness*)

- Demonstrating sound governance of Council's assets, obtaining consistent and reliable data across all asset groups (*good governance)*

- Optimising asset life cycle costs, understanding the costs of maintaining assets and ensuring cost effective solutions for the management and delivery of assets (*financial sustainability, affordability, efficiency*)

- Responding to changing drivers within the industry (*adaptability*)

- Adapting asset based service delivery to environmental concerns (*environmental sustainability*)

- Establishing accountabilities for asset management, monitoring asset performance (*accountability*)

- Ensuring long term sustainability in delivering adopted levels of service (*accountability, responsiveness, efficiency, effectiveness*)

2. Current Status of Asset Management

2.1 National Asset Management Assessment Framework

Darebin participates in the Municipal Association of Victoria (MAV) Step Asset Management Program using National Asset Management Assessment Framework (NAMAF). Through this program, each participating council undertakes self-assessment of their asset management activities and renewal funding on an annual basis and the results are used for state-wide benchmarking benchmarking.

The Municipal Association of Victoria (MAV) Step Program was established in 2003 to assist Victorian councils to improve their asset management capabilities, step by step. Since 2010, this program has utilised the National Asset Management Assessment Framework (NAMAF) to assess councils' asset management maturity. The NAMAF was based on the Local Government Financial Sustainability Nationally Consistent Frameworks established in 2009 by the Local Government Planning Ministers Council, to assist local government to better understand and plan for managing community infrastructure and the associated long term financial commitments.

The key aspects of the NAMAF are as follows:

- It has a series of questions for 11 key asset management elements ranging from knowledge, systems and processes from operational to strategic level, enabling a council to assess and score its own level of asset management maturity.

- It contains assessment components for two levels asset management practice:

    1. '*Core*' maturity (78 questions, which require basic asset management capabilities, systems and procedures)

    2. '*Advanced*' maturity (additional 67 questions, which require more advanced asset management capabilities and stronger linkages between service and asset management planning and long-term capital works funding.)

- The questions reflect current best practice and are consistent with the International Infrastructure Management Manual.

- The assessment provides a gap analysis to assist in targeting areas of improvement to achieve the required maturity level.

The MAV Step Program sets targets and monitors each council's progress towards achievement of core maturity and then progression to advanced maturity. A council is deemed to have achieved core maturity when it obtains an aggregate score of at least 1000 out of a possible 1100 for the 11 key assessment elements.

2.2 Current Maturity Assessment

Each year Council assesses its progress against the NAMAF and has used the results to continually drive improvements in asset management. The charts below indicate Council's core maturity scores against the 11 elements (as at the last assessment in November 2014).

AM Element in NAMAF	Core Competency Score (Nov 2014)	Status
Strategic Longer Term Plan	100	Excellence
Annual Budget	100	Excellence
Annual Report	100	Excellence
Asset Management Policy	100	Excellence
Asset Management Strategy	83	Excellence
Asset Management Plans	76	Proficient
Governance & Management	96	Excellence
Levels of Service	69	Proficient
Data & Systems	81	Excellence
Skills & Processes	90	Excellence
Evaluation	75	Proficient
Total	**970**	
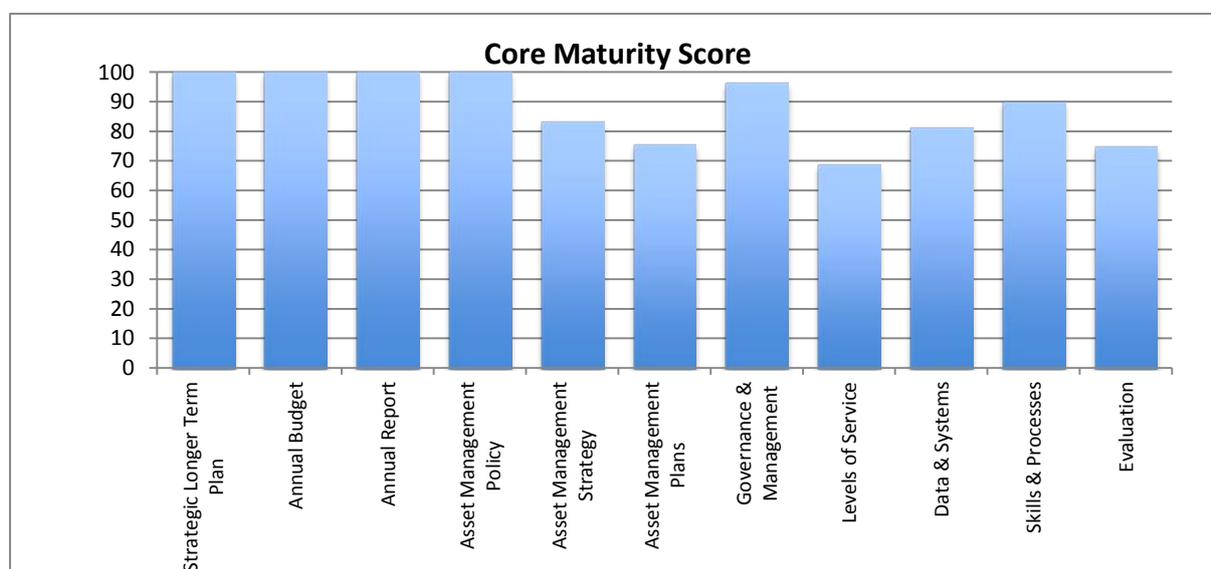
Figure 1 – NAMAF Core Maturity Scores – Darebin City Council

Note: Darebin requires an additional 30 points to achieve the 'core' competency. It is proposed that this would be achieved by December 2015 through the addition of 17 points from the adoption of a revised Asset Management Strategy and further point increases in the areas of Asset Management Plans, Data & Systems, Skills & Processes and Evaluation

A summary of the current maturity levels with respect to key asset management aspects and related issues are outlined in the table below:

Asset Management Aspect	Current Status & Key Issues
Strategic Long Term Plan	• Council has a strategic long term plan (Council Plan) • Community were consulted as part of the Council Plan and it reflects their needs • The Council Plan incorporates priorities and performance measures • Council has a long term financial plan (Strategic Resource Plan) • Strategic Resource Plan has been prepared taking into account the Council Plan and the asset management plans • The Council Plan and Strategic Plan are reviewed on an ongoing basis
Annual Budget	• The annual budget contains explanation on the performance and financial position of the Council and is prepared based on the resource requirements and strategic objectives detailed in the Strategic Resource Plan, the Council Plan and the asset management plans • The annual budget reflects Council's strategic objectives • The annual budget is adopted following community consultation • The annual budget includes resources required to implement the strategies outlined in the Council Plan
Annual Report	• The Annual Report complies with all statutory requirements • The Annual Report is independently audited • The Annual Report reviews the performance of Council against the strategic objectives in the Council Plan • The Annual Report includes financial statements in accordance with the Australian Accounting Standards
Asset Management Policy	• The Asset Management Policy was adopted by Council in 2013 • The Asset Management Policy links with the Council Plan and the Strategic Resource Plan • The Asset Management Policy details an asset management framework which includes the development of asset management plans in consultation with the community • The Asset Management Policy defines asset management roles, responsibilities and reporting framework • The Asset Management Policy notes that training will be provided to staff and Councillors in regard to asset management

Asset Management Strategy	• Council's current Asset Management Strategy was approved in 2005 and requires review to:
	    o Show how the asset portfolio can meet the service delivery needs of the community
	    o Define a future vision of asset management practices
	    o Document the current status of asset management practices
	    o Identify actions required to implement the Asset Management Policy (including resources, timeframes and accountabilities)
	• Council's current Asset Management Strategy is linked to the Asset Management Policy and is integrated into the Council Plan and annual budget processes

Asset Management Plans	• First generation Asset Management Plans were developed between 2007 and 2010 for key infrastructure assets such as Roads, Buildings, Open Space and Drainage • All Asset Management Plans are scheduled to be reviewed to update 10-year long-term financial forecasts and to ensure consistency with best practice and the requirements of the NAMAF
Governance & Management	• Development and implementation of the Asset Management Strategy and Asset Management Plans are overseen by an internal Asset Management Steering Group • An asset management Responsibility Matrix has been developed. • Staff position descriptions clearly define asset management responsibilities and skill requirements • Capital works submissions are evaluated using a clearly defined process driven by the Council Plan, Strategic Resource Plan, risk management and taking into account whole of life costs • All departments are involved in asset management • The Asset Management Steering Group has cross-functional representation and clearly defined and documented terms of reference and is focussed upon the co-ordinating the linkages between service delivery and asset management implementation • Asset management is internally promoted across the organisation
Levels of Service	• Council has service plans for each service • Levels of service are yet to be fully defined, quantified, documented and costed for many services to a detailed level • The Asset Management Plans contain some description of levels of service • Technical levels of service are incorporated into service agreements, contracts and procurement arrangements
Data & Systems	• Council utilises the Infor Public Sector suite of asset management software to manage its asset management activities in addition to Intramaps GIS and the Infor Pathway customer request system • Council has up to date asset registers for the major asset classes (roads, stormwater, buildings, fleet) • An asset hierarchy has been developed for all asset classes • Asset condition surveys and defect identification assessments are undertaken and recorded for most assets • Financial reporting of assets includes audit trails, depreciation, reporting thresholds and records of acquisitions and disposals • Systems and procedures for asset management are capable of enabling benchmarking with similar councils • The asset management information systems have functionality to generate maintenance and renewal programs • As part of the periodic asset revaluation process a revaluation methodology document is prepared that contains details of replacement unit rates which are used in various systems to calculate the asset valuations • Council has a processes for operations, maintenance, renewal and upgrade planning for it assets

Skills & Processes	• Asset Management Strategy to be reviewed and adopted by Council on a five year cycle
	• Asset Management Plans are to be reviewed and adopted by Council on a 3-4 year cycle
	• Operational risks, responsibilities and monitoring of risk treatments are recorded within the risk register
	• Financial forecasts for all assets classes are reviewed annually and the information is used to update the Strategic Resource Plan
	• Skills and knowledge requirements to perform asset management tasks are assessed, a skills matrix has been prepared and training needs are managed corporately
	• Valuation methodologies for assessing remaining and useful lives, depreciation and residual value (all in accordance with accepted accounting standards) are documented each as part of each re-valuation of each asset class
	• Council has some processes in place for the collection and recording of asset data within the asset management information system upon the creation/receipt of new assets
	• Council has a formal process for the handover of assets to asset owners/custodians
	• Council uses several communication channels to advise stakeholders of the financial implications of asset management plans
	• Training programs on key asset management topics are available for Councillors, management and staff
Evaluation	• Council has a documented evaluation process by which asset management improvements are identified, timeframes established, resources allocated, actioned, monitored and reported to the Executive Management Team and/or Chief Executive as necessary
	• Technical levels of service are monitored and performance is reported internally for some assets
	• Community levels of service are monitored and performance is reported internally for some assets

2.3. VAGO Audit Findings

In February 2014 the Victorian Auditor General released a performance audit entitled '*Asset Management and Maintenance by Councils*'.

The report refers to the warning to government in an earlier 1998 report that unless steps were taken to address councils' asset renewal gaps, the budget councils require for renewal would more than double by 2012. VAGO claim that these predictions have materialised and that their data shows the renewal gap for all Victorian councils has almost doubled as a proportion of total asset value over the past 16 years.

The VAGO audit has recommended several areas of improvement for Councils as listed below:

- Accelerate efforts to review and update asset management frameworks, policies and strategies to meet better practice standards

- Implement comprehensive asset management plans covering all major asset categories

- Develop a strategy for more effectively reducing asset renewal gaps

- Improve asset management information systems and knowledge of asset portfolios to ensure up to date information on all assets

- Identify and review the skills and resources required to effectively manage infrastructure assets, including developing a skills matrix and action plan to address identified skill and resource requirements and gaps

- Improve the provision of information to, and engagement with, the community on asset management

- Develop and implement comprehensive asset management monitoring, reporting and evaluation systems and publicly report progress and performance against plans and strategies, including against capital works budgets.

The Auditor General notes that the asset renewal gap for Victorian Councils was estimated to be $225.3M in 2012 with the cumulative asset renewal gap predicted to grow to almost $2.3bn by 2026.

2.4. Asset Renewal Gap Closure Strategy

As an inner metropolitan council with a reasonable level of financial sustainability, the Darebin City Council has access to sufficient funding to cover its asset renewal needs. In practice, balancing the need for replacement of existing assets with expectations for improvements to asset based services can reduce the funding allocated to asset renewal creating a 'renewal gap'.

Council's expenditure on assets can be classified into several categories depending upon its impact. The table below describes the various categories and gives examples for a vehicle:

Expenditure Type	Description	Vehicle Analogy
Maintenance /Operations	Required for day to day operation of the asset and necessary for the asset to reach its design life	Servicing, oil changes, petrol, replacing the tyres, carwash
Renewal	Replacement of an existing asset with a similar asset	Replacing an old base model sedan with a new base model sedan
Upgrade	Adding extra to an existing asset to increase the level of service provided or extending an existing asset service to new customers	Adding roof racks, installing a GPS, replacing a sedan with a station wagon
New	Acquisition of an entirely new asset	Second car

Renewal expenditure usually results in a reduction in maintenance costs since it is replacing an older, generally more maintenance intensive asset with a newer efficient one. Capital expenditure on upgrades and new assets will generally result in increased maintenance costs as additional assets are being created.

Renewal of assets is vital to ensure continuity of existing services that rely upon assets for their delivery.

Council's annual asset renewal gap could be estimated at approximately $4.9M by comparing the annual depreciation. Depreciation, which is lifetime average of renewal requirements, is not an accurate reflection of current renewal needs at any given time. A more accurate reflection of Council's renewal gap is expressed in terms of 'renewal need' which is condition based.

Based on the analysis provided in Appendix B, Council's actual 'renewal gap' based on a condition based assessment of 'Renewal Need' is estimated to be $1.6M (based on 2013/14 expenditure and condition data).

The Council Plan 2013-2017 sets a target for asset renewal expenditure as **greater than 69%** of the depreciation amount for all assets.
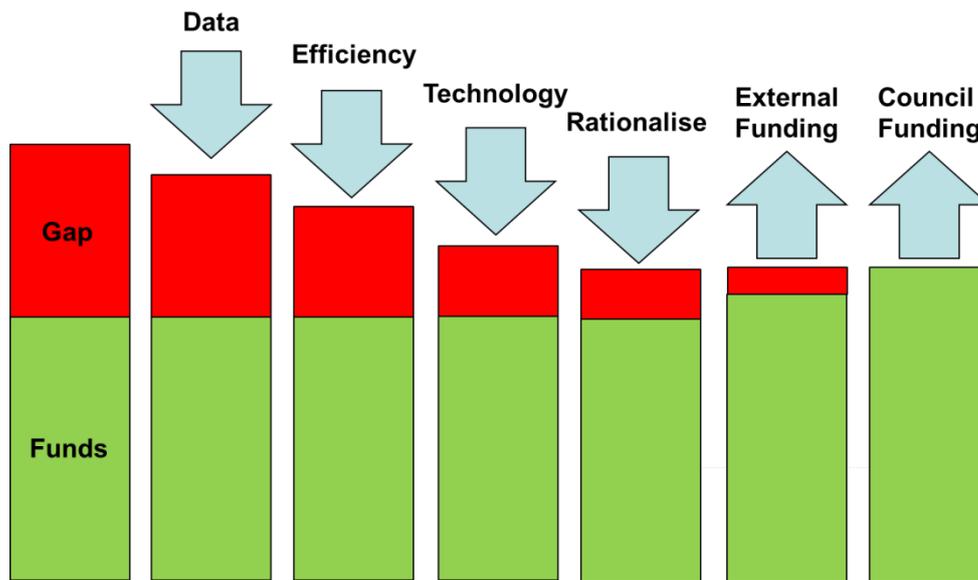
2.4.1 Renewal Gap Closure Strategy

Figure 2 – Asset Renewal Gap Closure Strategies

Council has many options available to it to reduce an asset renewal gap, as illustrated in Figure 2, above.

Element	Description	Council Action
Data	By understanding how many assets Council has, what condition they are in, how long they last for and how they are used; more confidence can be given to any assessment of the renewal gap. Similarly, by clearly defining the service levels required of the assets, Council is able to better estimate and understand future renewal needs. Without clearly defined levels of service, it is possible that 'service level creep' will occur where the level of service provided is slowly eroded over time.	Improving data quantity and quality requires ongoing investment in data capture and maintenance.
Efficiency	By reviewing processes Council can gain efficiencies that reduce the overall costs associated with how we manage our assets, from day to day maintenance, construction, replacement and longer term planning. Efficiency can also refer to getting full use from existing assets, ensuring that they operate efficiently.	Improving efficiency is part of Council's ongoing commitment to continuous improvement and innovation.
Technology	Through the introduction of new asset technologies Council can extend the lives of existing assets and reduce the cost of replacing them.	Introducing new technologies requires monitoring of new developments, willingness to take a risk on new technologies and being open to innovation.

Rationalise	As the services that rely on assets change, so can their need for the assets themselves. Opportunities exist for rationalisation of Council's assets including combining services in multi-purpose facilities and disposal of unnecessary assets.	Rationalisation opportunities are dependent upon the use of the assets themselves and often require extensive consultation with the community to achieve an acceptable outcome.
External Funding	Seeking additional funding from external bodies. This could range from grants from other levels of government, contributions from users/sports clubs or contributions from developers.	Council employs a Grants Seeking Officer to identify external funding opportunities and to assist staff to make funding applications to State and Commonwealth government funding bodies. Additionally, Council has an Advocacy Plan which seeks to engage with decision makers in the State and Commonwealth governments to leverage funding opportunities. Darebin was the first Council in Victoria to introduce a municipal-wide Development Contribution Plan to obtain additional funding from developers to compensate for additional use of existing assets.
Council Funding	Ultimately, the responsibility to address the funding gap rests with Council and is dealt with through the annual budget process.	Provision of additional Council funding should, in most cases, be seen as a last resort to addressing the renewal gap. It is something that would follow reasonable attempts to address the gap through the other abovementioned measures. As shown in the earlier section on capital expenditure, Council has access to sufficient capital funds to address its renewal requirements – at the expense of reducing expenditure on upgrades and new assets.

3. Future State of Asset Management

3.1 Asset Management Vision & Objectives

3.1.1 – Asset Management Vision

The Asset Management Policy (adopted by Council in November 2013) lists the following vision for Council's management of its assets:

> *Darebin City Council's vision for asset management is to support Council's service delivery through the efficient and effective supply of assets in a safe, responsive, sustainable and inclusive manner with the intention of exceeding regulatory obligations and customer expectations.*

3.1.2 – Asset Management Objectives

As outlined in section 1.2.2, asset management objectives have been derived from the Council Plan goals. These objectives are generally consistent with the requirements for asset management objectives as contained within section 6.2.1 of ISO 55002:2014:

- Assets contribute to economic growth
- Assets contribute to health, social wellbeing and community safety
- Assets can promote a balance between development and sustainability
- Assets contribute to the creative culture of the City
- Council will optimise the service potential of its assets
- Council will assign responsibility and accountability for its assets

Further work is required to develop specific, measurable, achievable, realistic and time bound ('SMART') performance measures to assess progress toward achievement of these objectives. ISO 55002:2014 notes that these could include both "quantitative measurements (e.g. mean time between failure) and qualitative measurements (e.g. customer satisfaction).

3.2   Asset Management Framework

Council's Asset Management Framework (referred to as an Asset Management System in ISO 55001:2014) is shown in Figure 3, below.

The Standard defines an asset management framework as:

> "a set of interrelated and interacting elements of an organization, whose function is to establish the asset management policy and asset management objectives, and the processes, needed to achieve those objectives."

<div align="right">ISO 55000:2014, p.4</div>

The elements of the asset management framework should be viewed as a set of tools that includes policies, plans, business processes and information systems which are integrated to provide assurance that asset management activities will be delivered in a manner that supports the vision, mission and goals within the Council Plan.
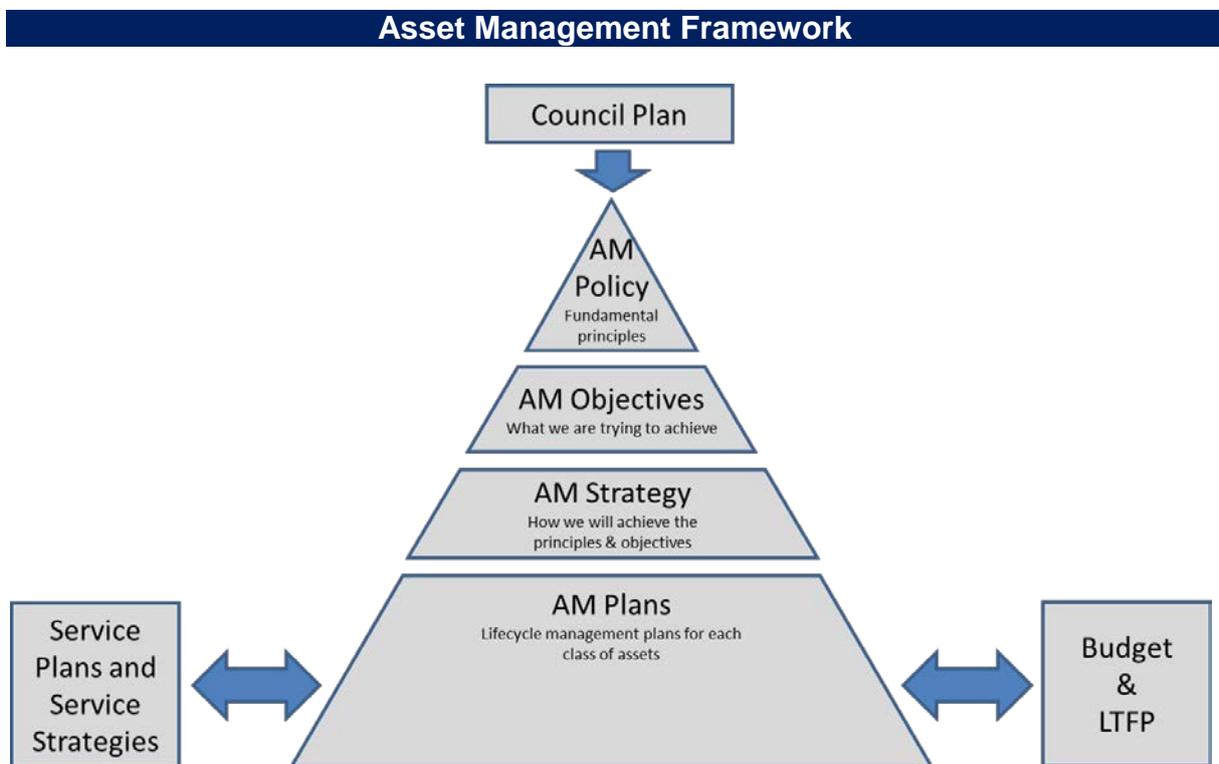
Asset Management Framework

Figure 3: Asset Management Framework

Asset management interacts with many functions of the Council and the Council's assets themselves can support more than one function and more than one functional unit. The Asset Management Framework provides a means for co-ordinating the contributions and interactions between functional areas, assets and asset management activities.

3.3 Strategic Asset Management Initiatives

Several initiatives have been identified in this strategy to address issues in the current asset management environment and position Council to reach core competency in the NAMAF and also to make significant progress towards advanced competency.

Asset Management Aspect	Future Initiatives
Strategic Long Term Plan	**Core** – *Current Score 100 (Excellence)* • No further action required **Advanced** – *Current score 93 (Excellence)* • Develop a strategic longer term plan with a 20 year horizon (Community Plan) • Political decision making is fully informed by optimised life cycle costings • Long term financial plan includes sensitivity analysis and scenario modelling to support optimised decision making
Annual Budget	**Core** – *Current Score 100 (Excellence)* • No further action required **Advanced** – *Current Score 100 (Excellence)* • No further action required
Annual Report	**Core** – *Current Score 100 (Excellence)* • No further action required **Advanced** – *Current Score 100 (Excellence)* • No further action required
Asset Management Policy	**Core** – *Current Score 100 (Excellence)* • No further action required **Advanced** – *Current Score 100 (Excellence)* • No further action required
Asset Management Strategy	**Core** – *Current Score 83 (Excellence)* • Adoption of revised asset Management Strategy **Advanced** – *Current Score 88 (Excellence)* • Action
Asset Management Plans	**Core** – *Current Score 76 (Proficient)* • Various actions to improve asset management for each asset class **Advanced** – *Current Score 74 (Proficient)* • Various actions to improve asset management for each asset class
Governance & Management	**Core** – *Current Score 96 (Excellence)* • Develop and implement an asset management communications plan to internally promote asset management within the organisation

	Advanced – *Current Score 90 (Excellence)*
	• Adoption of Asset Management Strategy (to establish asset management objectives)
	• Monitoring and reporting on Community and Technical levels of service to Council
	• Annual 'State of the Assets' reports provided to Council
Levels of Service	**Core** – *Current Score 69 (Proficient)* • Develop levels of service in consultation with the community for all asset classes that define, quantify, document and cost community and technical levels of service • Define levels of service within asset management plans • Incorporate technical levels of service within service agreements and maintenance/operational/capital procedures **Advanced** – *Current Score 56 (Proficient)* • Identify costs associated with levels of service • Community levels of service are developed in consultation with the community, demographics, trend analyses and customer feedback • Develop a communication plan to communicate infrastructure issues to the community and other external stakeholders • Cost of maintenance and operational activities are reported against adopted levels of service • Regularly review community and technical levels of service in consultation with the community, determine financial impacts of any changes and incorporate changes within asset management plans and long term financial plan
Data & Systems	**Core** – *Current Score 81 (Excellence)* • Improve asset register data quality and coverage • Document data framework for asset information • Document condition survey and defect identification assessment methodologies for all asset classes • Collect information in a manner that allows for benchmarking against other Councils • Asset management system to generate renewal and maintenance programs and produce cash flow forecasts • Define and document procedures for determining asset management replacement and treatment unit rates **Advanced** – *Current Score 75 (Proficient)* • Asset data to be made available to operations, design and planning staff across the organisation to assist with planning and undertaking works • Improve documentation of analysis and management of risk associated with assets within an appropriate system • Asset condition surveys and defect assessments to be recorded against individual assets/components within the asset management system • Asset management system to be upgraded to predict of asset life

	• Asset management system to be integrated to the financial management system and property information system
	• Asset management system to hold/generate future maintenance and capital works programs for all asset classes
	• Asset management system to be capable of reporting on asset performance (requires definition and collection of asset performance data, e.g. service levels)
	• Development of asset data standards for all asset classes
	• Operating and maintenance costs are monitored via the asset management system
	• Establishment and documentation of procedures for using asset performance information to inform asset management and long term financial planning
	• Asset data and systems to be used to support service planning
Skills & Processes	**Core** – *Current Score 93 (Excellence)* • Review and adopt asset management plans on maximum four yearly cycle • Develop and implement processes for all asset classes for the collection and recording of asset data within the asset management information system upon the creation/receipt of new assets • Develop formal handover processes following asset creation **Advanced** – *Current Score 87 (Excellence)* • Asset management plans to be updated after each annual budget cycle • Develop process for incorporating research on asset condition and consumption into the determination of asset lives for all asset classes • Asset disposal policy/ies to be developed for all asset classes • Process to be developed for assessment of asset impacts of service reviews • Asset failures and causes of failures are recorded and analysed to trends and rectification strategies • Optimised decision making framework to be developed
Evaluation	**Core** – *Current Score 83 (Excellence)* • Technical levels of service to be developed for all asset classes and then monitored and performance reported to Council • Community levels of service to be developed for all asset classes and then monitored and performance reported on **Advanced** – *Current Score 78 (Proficient)* • Document process to evaluate asset management improvements • Community levels of service to be developed, monitored and reported against targets • Technical levels of service to be developed, monitored and reported against targets

3.4   Implementation Aspects

3.4.1 – Responsibility for Implementation of the Asset Management Strategy

The Asset Management Steering Group (refer to the Asset Management Policy for further detail) will take responsibility for driving the implementation of the Asset Management Improvement Plan (provided at **Appendix A**).

3.4.2 – Resourcing the Asset Management Improvement Plan

Appropriate resources, timeframes and priorities need to be allocated Asset Management Improvement Plan items to ensure that the identified strategic initiatives are undertaken to achieve the desired levels of asset management maturity.

Appendix A provides high level estimates for resources required over the next four years to enable implementation of this Asset Management Strategy. The proposed works are generally estimated to be able to be competed within existing or planned allocations. More detailed cost estimates and resource requirements and project timings will need to be developed based on a detailed implementation plan which will be prepared by the Asset Management Steering Group prior to consideration by Council through annual budgetary processes.

3.4.3 – Asset Management Strategy Progress Reporting

The Asset Management Steering Group will need to monitor and report on the progress of the asset management improvement actions (as contained in **Appendix A**) to the Executive Management Team and Council on a quarterly basis. This reporting can be facilitated through the Interplan business reporting software used by Council. Development of this reporting will need to be one of the first actions implemented from the plan.

3.4.4 – Asset Management Strategy Review

A comprehensive review of this Asset Management Strategy should be completed no later than June 2019.

Consideration should be given to review of the Asset Management Objectives and links to the Council Plan following development of the new Council Plan in 2016/17.

Asset Management Improvement Plan
Asset Management Strategy 2015-2019

Aspect	Item	Description	2015/16 Q1	Q2	Q3	Q4	2016/17 Q1	Q2	Q3	Q4	2017/18 Q1	Q2	Q3	Q4	2018/19 Q1	Q2	Q3	Q4	Responsibility	Resources
Strategic Long Term Plan	1.1	Council Plan	■			■													MG&P	Within existing
	1.2	Plan Darebin 2030 (Long term community plan framework)																	DCD	Within existing
Annual Budget	2.1	Budget	■				■				■				■				CFO	Within existing
	2.2	Long Term Financial Plan	■				■												CFO	Within existing
Annual Report	3.1	Annual Report	■				■				■				■				MG&P	Within existing
Asset Management Policy	4.1	Review of Asset Management Policy					■												MA&P	Within existing
Asset Management Strategy	5.1	Review of Asset Management Strategy													■				MA&P	Within existing
Asset Management Plans	6.1	Road Asset Management Plan																	MA&P	Within existing
	6.2	Stormwater Asset Management Plan			■	■													MA&P	Within existing
	6.3	Building Asset Management Plan																	MA&P	Within existing
	6.4	Open Space Asset Management Plan																	ML&PR	Within existing
	6.5	Fleet and Plant Asset Management Plan		■															MCW	Within existing
	6.6	Information Technology Asset Management Plan				■		■											CIO	Within existing
	6.7	Cultural Collections Asset Management Plan																	MCC	Within existing
Governance & Management	7.1	Communications Plan	■				■				■								MA&P	Within existing
	7.2	Annual State of the Assets report																	MA&P	Within existing
Levels of Services	8.1	To be further developed as part of each asset management plan	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	Various	Annual budget process
Data & Systems	9.1	Asset data collection	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	Various	Annual budget process
Skills & Processes	10.1	Develop process manual																	MA&P	Within existing
Evaluation	11.1	To be further developed as part of each asset management plan	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	Various	Annual budget process

CFO   Chief Financial Officer
CIO   Chief Information Officer
DCD   Director Community Development
MA&P   Manager Assets and Properties
MCC   Manager Creative Culture
MCW   Manager City Works
MG&P   Manager Governance and Performance
ML&PR   Manager Leisure and Public Realm

Appendix B   Calculating the Asset Renewal Gap

Capital Expenditure Profile

Council's budget documents for 2013/14 show the following capital expenditure profile:
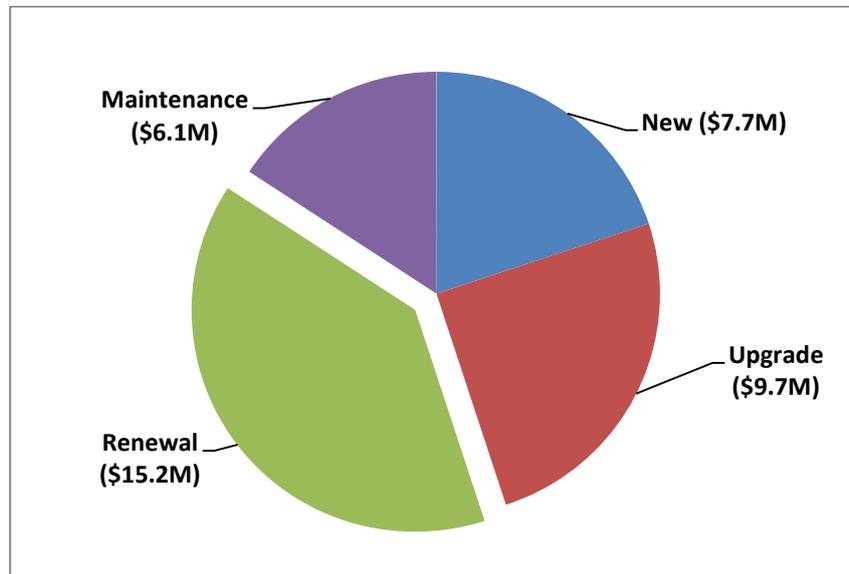

Figure 1 –2013/14 Capital Budget by Expenditure Classification

The graph at Figure 1 shows that renewal expenditure is the largest category of capital expenditure at $15.2M (39% of total expenditure). The graph includes the budgeted carry forward projects (Keon Park, Reservoir Library and Preston Nursery). n.b. the renewal expenditure component for the Reservoir Library redevelopment has been adjusted from the budget figures as this project contains new and renewal components.

The graph at Figure 2 displays renewal expenditure ($15.2M) in relation to the total capital budget for 2013/14 ($38.7M). Despite how the renewal gap is calculated (refer to next section), it is clear that Darebin has sufficient access to capital funding to fund its current renewal needs through rebalancing the capital expenditure profile.
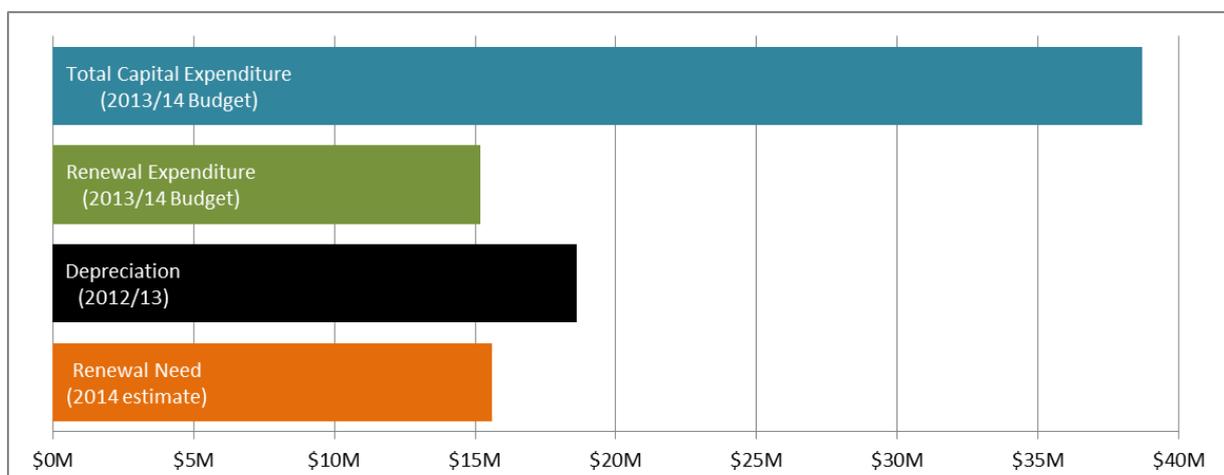

Figure 2 – Capital Expenditure, Renewal and Depreciation

Calculating Darebin's Renewal Gap

Council's annual asset renewal gap could be estimated at approximately $4.9M by comparing the annual depreciation (a financial measure of how much of the value of an asset is used up in a year) to the annual amount of capital works expenditure directed towards replacing existing assets. Refer to the table below:

Asset Group	Replacement Cost ($M, 2012/13)	Depreciation ($M, 2012/13)	Renewal Expenditure ($M, 2013/14)	Gap ($M)
Roads	385.0	6.5	4.3	2.2
Drains	158.7	1.3	0.2	1.1
Open Space	44.4	1.0	2.1	0.0
Buildings	327.1	4.8	3.9	0.9
Plant & Equip	78.3	5.0	4.7	0.7
Total	**993.5**	**18.6**	**15.2**	**4.9***

* Total asset renewal gap has been calculated by adding the gaps from each asset group, not by the subtraction of total renewal expenditure from total depreciation.

Depreciation, which is a lifetime <u>average</u> of renewal requirements, is not necessarily an accurate reflection of current renewal needs at any given time. A more accurate reflection of Council's renewal gap could be expressed in terms of 'renewal need' which is based on an assessment of the current condition of the assets and their individual requirements for replacement.

Asset Group	Depreciation ($M, 2012/13)	Renewal Need^ ($M)	Renewal Expenditure ($M, 2013/14)	Gap ($M)
Roads	6.5	5.5	4.3	1.2
Drains	1.3	0.3	0.2	0.1
Open Space	1.0	1.8	2.1	0.0
Buildings	4.8	3.0	3.9	0.0
Plant & Equip	5.0	5.0	4.7	0.3
Total	**18.6**	**15.6**	**15.2**	**1.6**

^ Renewal Need has been assessed based on the condition of assets identified as requiring replacement as part of the 2014/15 capital works program. Renewal needs for each asset class have been identified by appropriately qualified and experienced asset professionals based on available data and knowledge of Council's assets.

It is worth noting that the Victorian Auditor General's concerns about Victorian councils' ability to close the asset renewal gap are based on an analysis of depreciation, not the actual renewal needs of each council.

Limitations to the data

As noted above, depreciation is a financial measure of asset renewal needs that is based on the average consumption of the assets. Depreciation is calculated by dividing the replacement cost of the asset by its life. Depreciation assumes that all assets in a given class:

- are constructed the same way
- receive the same level of use
- lose value evenly over their life

- have no value or serviceability at the end of their life
- will all last for their stated life (not shorter or longer).

Unfortunately this is not the case as assets:

- vary in construction materials, methods and quality over time
- vary in their level of use
- rapidly lose most of their value (service potential) towards the end of their life
- often may still continue to provide some functionality even after they have 'failed'
- will only achieve their design life under the conditions they were designed for.

Depreciation is a convenient and relatively consistent method for oversighting bodies (e.g. VAGO and the Local Government Victoria) to measure the renewal gap of local government as all councils have a requirement to report on depreciation and renewal expenditures via annual reports.

Due to the limitations of using depreciation instead of condition, the indicators can sometimes provide an incomplete picture. Examples below highlight some of the key limitations of using depreciation, emphasising the need to move to a condition based assessment of 'renewal need' across all asset groups:

- <u>Drainage</u> – Council depreciates is drainage assets over a 120 year period. This assumes that at the end of 120 years, the drainage asset would require replacement. In reality, and under certain conditions, most of our drains appear to be capable of lasting much longer than this, perhaps remaining functional for over 200 years. Council has conducted closed circuit television (CCTV) condition assessments of several 100+ year old drains and found almost all to be in serviceable condition. In this case, depreciation is over-estimating the current renewal needs for these assets.

- <u>Open Space</u> – the use of depreciation in the area of Open Space assets underestimates the renewal needs. This is due to insufficient quantity and cost information being available for all open space assets. Isolated types of assets (e.g. playgrounds) are well understood, but others (e.g. park furniture) are not, however they still require replacement and renewal expenditure. Council is working towards identifying these assets and capturing information on their quantities, replacement costs and condition.

- <u>Buildings</u> – Depending on which buildings are nearing the end of their life, the depreciation figure for buildings can show an asset renewal gap or that Council is over-renewing its building assets in any given year. Council has over 330 buildings with a replacement value of around $330M. On average each building would be worth about $1M each and we would replace five buildings a year. In actuality, buildings vary greatly in value. If Council replaces an aquatic centre for $30M in one year, this would be a renewal expenditure that is six times the depreciation for that year. Officers are improving Council's understanding of the condition of its buildings which will assist with being able forecast asset renewal needs.

The best way to measure Council's actual asset renewal need at any given time is through a physical condition assessment of each asset with reference to agreed levels of service for that asset. Once the condition of the asset falls below the agreed level of service it would need replacement. Unfortunately, few councils (including Darebin) are sufficiently advanced with the collection of asset condition data to produce more accurate forecasts of asset renewal need.