



ASSET MANAGEMENT STRATEGY

2018

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1. INTRODUCTION

Moirá Shire Council is responsible for an extensive range of infrastructure assets. It is faced with the ongoing dilemma of what resources and funds need to be provided to ensure these assets continue to provide the required services to its community in the most cost effective manner for the present and future.

There are a number of factors that require Council to critically assess the way in which it manages these assets. These include:

- Increased pressure from the community for improved service levels in a rate capping environment; and
- Changes in legislation requiring the identification and depreciation of infrastructure assets.
- Dealing with replacement schedules, upgrade requirements and appropriate rationalisation.

Council has adopted an Asset Management Policy that provides the vision and direction for asset management in Moirá Shire.

This strategy details how that vision and direction is being addressed now and how it will be achieved in the future.

Best Practice

This strategy links to Council's Strategic Resource Plan (SRP) 2017-21 and the Council Plan 2017-21 and seeks to implement by best practice in asset management by:

- rebalancing Moirá's asset mix with Council working in partnership with local communities to understand their aspirations and to identify changes in the asset mix required to support the community's future needs;
- ensuring asset management decisions are based on whole of life costing;
- monitoring the condition and performance of all assets;
- understanding the service level the asset is required to provide;
- understanding the remaining useful life of an asset or its components;
- understanding the current deterioration and consumption model for each asset category;
- using a condition degradation model (Moloney Model) to determine future renewal demands;
- continually seeking opportunities for multiple use of assets;
- considering any proposal to dispose of an asset, where such disposal may affect the level of service being provided;
- endeavouring to align the timing of expenditure on assets, particularly renewal or upgrade, with the actual use of the asset to avoid deferred expenditure being borne by future generations;

- participating in the National Asset Management Assessment Framework Program;
- applying the guidance provided in the resource documents published by the Department for Victorian Communities;
- applying the Australian Accounting Standards and
- referencing the Institute of Public Works Engineering Australia International Infrastructure Management Manual.

2. PURPOSE

The strategy is provided to record existing asset management practices to ensure they are applied consistently across the organisation and supported by a continuous improvement action plan.

3. ASSET REGISTER SYSTEM

All of Council's assets with a valuation greater than the capital works threshold limit (Asset Capitalisation Policy – June 2017) are recorded in the asset management register system (Conquest). Other assets associated with significant risk (road signs, street and park trees) may also be included in the register for monitoring, reporting and renewal purposes.

Conquest is used to identify financial status, i.e. depreciation, replacement cost and disposals of individual assets in any asset group. It is also used to record maintenance works required on any asset and keep a history of inspections and completed works.

The majority of Council's asset types have also been mapped on a GIS database, using Intra Maps to enable ready identification of the asset.

4. ASSET MANAGEMENT WORKING GROUP

A cross functional Asset Management Working Group (AMWG) has been re-established and will coordinate, advise and facilitate the implementation of the adopted Asset Management Strategy.

The AMWG will report on a maximum quarterly basis to the executive staff who in turn will report progress to the Council. The AMWG comprises:

- General Manager Infrastructure – Chairperson
- Manager Construction & Assets
- Manager Operations
- Manager Commercial Services
- Manager Community
- Team Leader Assets
- Administration Officer (Agenda's and Minutes)

Terms of Reference have been developed and administrative support will be provided by Councils Administrative Support Officers on a rotating basis, Other Council officers, Councillors and community members will be invited to provide expert knowledge as required.

The role of the AMWG is to:

- review the Asset Management Policy and Procedures to implement policy;
- develop and review Council's strategy for asset management, including practices to achieve best practice;
- provide linkages between the community, key stakeholders and the Council's asset managers with respect to ongoing management of Council assets;
- assist in developing asset management plans (AMPs) and capital works programs with a reporting mechanism to the Corporate Management Team (CMT) and Council; and
- facilitate appropriate work flows for the maintenance and improvement of Council's physical assets, with links to data collection systems and other asset management software systems (Conquest).

Issues & recommendations considered by the AMWG will be provided to CMT as required.

5. SERVICE PLANS

Service Plans should be prepared over the next two years and include community consultation that will assist Council understanding the community level of service expectations.

The service plans will be used to inform Council's asset management plans of what assets are required in order to deliver the service requirements, what minimum condition intervention level standards will be required and what the cost is to the Council and the community to undertake the service.

6. ASSET MANAGEMENT PLANS

AMPs are based on the guidelines documented in the International Infrastructure Management Manual (IIMM) and are written with the following structure:

1. introduction;
2. levels of service;
3. future demand;
4. asset portfolio;
5. risk management (routine maintenance plan);
6. acquisition plan;
7. operations and maintenance;
8. renewals/replacements;
9. disposals;
10. financials; and
11. monitoring and improvement program.

Levels of service described in the initial AMPs are general, predominantly proposing that the status quo remains.

The unit replacement costs in AMPs will be reviewed on a two-year basis to incorporate changes to asset replacement costs. A detailed review of the AMPs will be undertaken via

the AMWG every four years to identify changes to Council's requirements for any asset or group of assets.

As AMPs are reviewed, general features of each asset type will be identified and public comment will be sought to determine whether the features that the public expect in the asset are available.

7. CONDITION INSPECTIONS

A significant part of asset management is the identification of the remaining life of an asset (condition assessment) and hence it's written down value; this leads to the determination of renewal funding (for budgetary purposes) to ensure each asset remains operational and fit for purpose. Methodologies are in place to determine the condition of the following assets on a repeatable basis:

- sealed wearing course;
- sealed pavements;
- gravel pavements;
- footpaths;
- kerb and channel;
- playgrounds
- bridges & Culverts
- drainage pits & pipes; and
- buildings.

In order to accurately determine the condition of the above assets, operations department prepare an annual inspection programme and timetable known as Operations Calendar of Events.

Condition of all other assets is determined on age, unless other information is available.

8. PROJECT PRIORITISATION

Council has limited funds to meet the desires and expectations of the community. In order to ensure that funds are well directed to the renewal and upgrade of existing assets and the creation of new assets, Council uses a CAPEX Evaluation tool and the results are used to determine what capital projects provide best value for money based on:

- Council's explicit vision;
- maintaining existing assets;
- reduction of risk (based on Council's Risk Management Strategy); and
- overall costs (including whole of life costs and external funding).

The results of CAPEX are presented to Council for consideration as part of the annual budget process.

The CAPEX Evaluation Tool provides SRP CAPEX Summary Outputs by asset class and project identifier, asset type (renewal, upgrade, expansion and new) including funding splits across funding sources.

9. LONG TERM FINANCIAL PLAN (LTFP)

Council has a long term financial plan that enables it to review its borrowing strategy, capital investment, notional reserves; capital works program, the range and level of services provided and the revenue raising strategy. This is a financial tool maintained by the Finance Department. Asset management provides input into the LTFP through:

- renewal demands over the next 10 years (based on asset condition);
- capital projects identified through the CAPEX evaluation tool;
- prioritisation of capital projects over years one to, and;
- inclusion of any other capital upgrade or expansion project identified in an AMP.

These inputs are reviewed yearly, as part of the annual budget process.

10. ASSET VALUATION AND RE-VALUATION

Council in accordance with relevant Australian Accounting Standards and other State Government requirements undertake financial valuations of non-current assets on an annual basis.

Asset valuation and re-valuation reports are produced following the completion of capital works processing at the end of each financial year. Asset revaluations by asset class occur every three to five years following a cyclical condition inspection program schedule. A valuation unit rates report is also completed on an annual base. This report presents the methodology and details regarding the valuation and revaluation of non-current physical assets held by Council for the financial year. This report also contains information regarding construction costs incurred by Council and is considered to be “commercial in confidence.”

The Asset Valuation and Revaluation documents fully comply with relevant State Government Legislation and Guidelines and with Australian Accounting Standards, including:

Australian Accounting Standards Board (AASB) Standards;

- AASB 13 Fair Value Measurement
- AASB 102 Inventories
- AASB 116 Property, Plant and Equipment;
 - Fair Value
 - Costs of an Asset
 - Depreciation
- AASB 117 Leases
- AASB 140 Investment Property
- AASB 141 Agriculture
- AASB 1041 Revaluation of Non-Current Assets;
- AASB 136 Impairment of Assets;
- AASB 1051 Land Under Roads;
- AASB 138 Intangible Assets
 - Valuation
 - Amortisation
- AASB 5, Assets Held for Sale and Discontinuing Operations

State Government Guidelines;

Department of Treasury and Finance - Financial Reporting Directions and Guidance Notes

- FRD 100A, Financial Reporting Directions – Framework – 2016
- FRD 103F, Non-Current Physical Assets - 2015
- FRD 106A, Impairment of Assets - 2016
- FRD 109A, Intangible Assets - 2016
- FRD 118C, Land Under Declared Roads – 2016

The methodology to be adopted is set out in Fair Value measurement of non-financial physical assets, Guidance Notes, Valuer General Victoria July 2015, and FRD 103F Non-Financial Physical Assets (June 2015).

11. ASSET DISPOSALS

Guidelines for the disposal of assets have been developed as per Council’s asset management policy. These guidelines should be used when disposal is being considered; however, Council will determine when an asset is to be formally disposed.

Levels of service must be taken into account when considering asset disposal.

12. RISK MANAGEMENT

One of the first requirements of any group of assets is that they are safe to use. A significant part of asset management is the control of risks associated with an asset, especially the risks that emerge as the asset is used and gets older. These risks are generally controlled by maintenance activities. To ensure these activities are carried out in a timely manner, risk management is included in each of the sub asset plans that feature:

- asset registers;
- asset classification;
- inspection frequencies (to determine defects and risk);
- defect identification and risk assessment methodology; and
- response times.

13. STAFF ROLES AND RESPONSIBILITIES

Asset management involves the participation of and is the responsibility of the council, executive and all Council staff.

The roles and responsibilities are to be reviewed by the AMWG and upon agreement clearly detailed as per the examples shown in the following table:

Party/Parties	Roles and Responsibilities
Council	Ensure Council’s legal obligations are met Represent the community as an asset owner

	<p>Act as stewards for infrastructure assets and ensure assets and services are maintained for present and future generation at an equitable cost</p> <p>Adopt Asset Management Policy and Strategy</p> <p>Consider service delivery needs and asset management in the Council Plan</p> <p>Adopt asset management plans</p> <p>Promote and raise asset management awareness</p>
<p>Chief Executive Officer/ Corporate Management Team</p>	<p>Responsible for achieving asset management objectives</p> <p>Lead the Asset Management Working Group</p> <p>Oversee the Asset Management Policy and Strategy and asset management plans</p> <p>Recommend service provision solutions, levels of service and risk mitigation actions</p> <p>Ensure appropriate asset management resources are allocated</p> <p>Ensure services are delivered to agreed levels of service</p> <p>Monitor and manage asset management resources</p> <p>Ensure accurate and reliable service delivery asset information is presented to Council for decision making</p> <p>Manage the performance of the Asset Management Working Group</p>
<p>Team Leader Construction & Assets</p>	<p>Develop and implement business processes to support asset management</p> <p>Provide and manage the asset management information system</p> <p>Manage asset condition assessments</p> <p>Provide asset valuations</p> <p>Provide accurate and reliable asset renewal information to Council for evidenced based decision making</p> <p>Develop and implement improved business planning for asset management</p> <p>Assist in developing Asset Management plans and capital works programs with a reporting mechanism to CMT and Council;</p> <p>Facilitate appropriate systems and processes for the maintenance and improvement of Council's physical assets, with links to data collection systems and other Asset Management software systems (Conquest)</p> <p>Promote and raise staff asset management awareness</p>

14. STRATEGY REVIEW

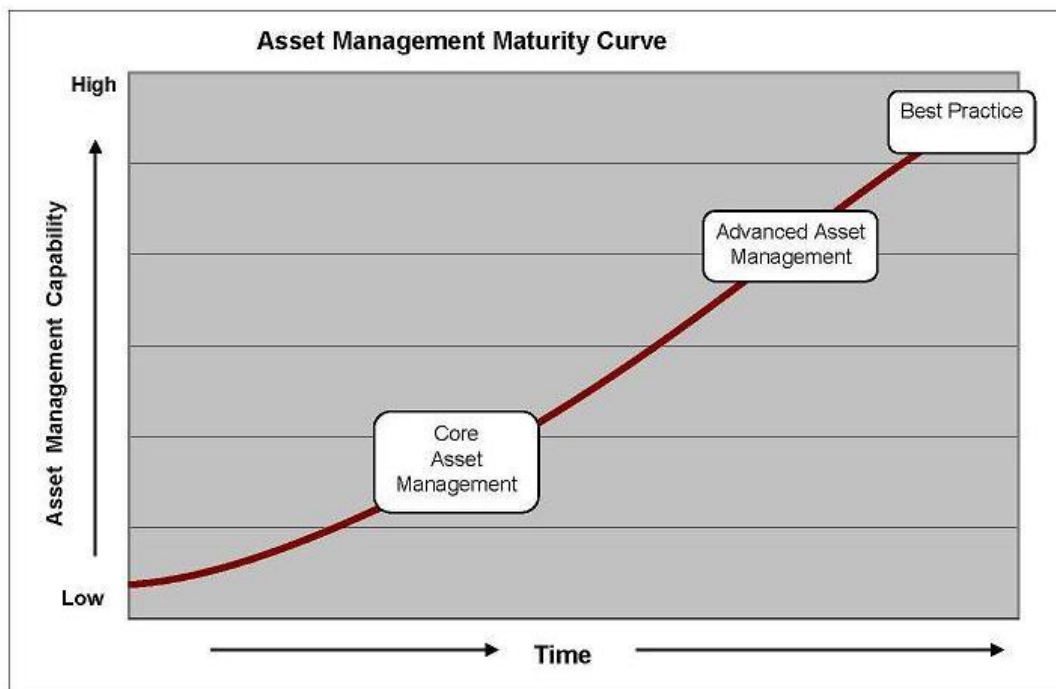
The improvements and action plans listed in this strategy are designed to achieve core asset management competency by December 2018. The AMWG will undertake a review of this strategy in May 2018 and recommendations will be submitted to the EMT.

The updated strategy will then be submitted to Council by the nominated expiry date for consideration and adoption.

15. IMPROVEMENT AND ACTION PLAN

The Federal Government has adopted a National Asset Management Assessment Framework (NAMAF) to enable Councils to undertake an assessment of their asset management maturity.

The MAV, as part of the MAV STEP Program, has established that Council reviews its asset management progress annually against NAMAf to improve its asset management outcomes and gauge progress being made towards obtaining a “Core” level of maturity.



To achieve this, the following five actions were identified as the immediate priorities.

Action 1:	Submit reviewed Asset Management Policy to CMT and Council for adoption
Action 2:	Develop and adopt an Asset Management Strategy
Action 3:	Develop Service Plans and review the initial Asset Management Plans during the next 24 months to ensure all core level requirements are included, especially upgrades identified in strategic documents
Action 4:	Develop a Roles and Responsibilities matrix for all asset categories
Action 5:	Revitalise the Asset Management Working Group with regular meetings; review the terms of reference within the new Asset Management Strategy Document

Over the last four years to 30 June 2017, Council has identified the renewal funding required to ensure assets at intervention eight remain in service.

Council’s Asset Management Policy of capital renewal projects before upgrade and new projects should ensure this adequate level of funding continues. Ongoing monitoring will be carried out to assess Council’s sustainability using the various best practice tools.