

Warrnambool City Council

Asset Management Strategy



WARRNAMBOOL
CITY COUNCIL

March 2020

DRAFT - For Comment

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	Project Manager: Malcolm McKenzie
	Author: Adam Lehmann
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1 INTRODUCTION

1.1 What is Asset Management?

In its simplest terms, asset management is about the way in which we look after our assets, both on a day-to-day basis (i.e. maintenance and operations) and in the medium to long term (i.e. strategic and forward planning).

1.2 Why is Asset Management Important?

Council has over **\$830 million** in assets under its management. This includes buildings, our network of roads, footpaths, pits and pipes associated with stormwater drainage, playground equipment and other park furniture, and other assets which have been built up progressively over many years.

We budget approximately **\$19 million** per year for renewing, improving and growing our assets. We also budget around **\$12 million** each year to operate and maintain assets. These costs include staff, security, cleaning, utilities, insurance and general repairs and maintenance.

Combined, around **34 per cent** of our total annual expenditure is asset related.

These assets are predominantly used to provide services and amenity to our community. The standard to which we maintain our assets, and the extent of expansion and improvement, are key considerations in setting and delivering our Council Plan.

Given this sizeable investment and the importance of these assets to achieving community outcomes, it is vital that we are good asset managers.

1.3 What is the Purpose of the Asset Management Strategy?

The purpose of the Asset Management Strategy is to establish guiding principles and to provide a sound basis for decisions on the procurement, management, utilisation and disposal of assets in accordance with our business needs and in line with our strategic and operational plans.

The Asset Management (AM) Strategy intends to deliver sustainability by integrating service planning, asset planning, and financial planning.

The AM Strategy is an important document which supports our Asset Management Policy and outlines:

- Our current position in relation to our asset management practices;
- Our desired future asset management State;
- Our current capacity to manage our assets;
- The actions we will implement to help us improve upon our asset management practices which are consistent with our Council Plan and budget objectives; and
- Our performance monitoring processes to ensure that we are accountable.

This strategy applies to all infrastructure assets owned or controlled by Council and is supported by a **5 year** improvement road map. The AM Strategy has been developed with the view to being ready for *ISO:55000* certification when we are ready to achieve this.

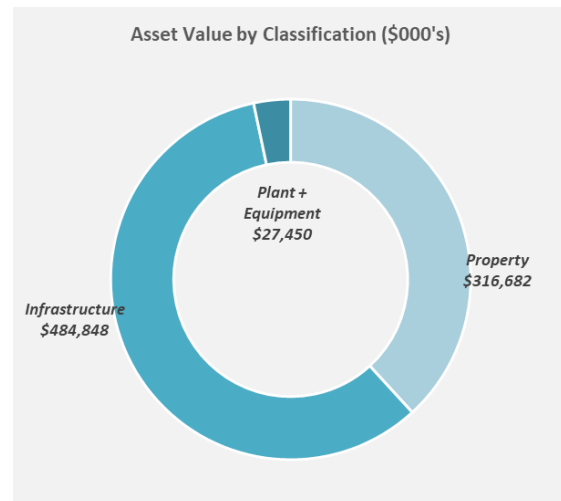


Figure 1 - Asset Value by Type

1.4 Scope

This Asset Management Strategy includes the physical assets, systems, and processes that are required for the provision of the wide range of services that we provide to our community.

This Asset Management Strategy is focused on enhancing asset management capability and has been developed in line with the Asset Management Policy. It applies to all physical assets, systems, and processes that support the delivery of services to our stakeholders and the community in accordance with the direction set in the Council Plan.

1.5 Outcomes

Strategic asset management underpins all activities related to managing our assets for optimal outcomes.

This document will provide an effective and integrated strategic and operational framework for all classes of our assets leveraging their inherent capabilities to assist us to achieve our strategic objectives and service priorities.

For this to occur, we must develop and implement strategies that match the quality, quantity, and type of assets with the defined service requirements, and a vertical perspective that ensures the decisions taken about each asset or group of assets are supported with structured methodologies and decision making tools that take into account the total life of the asset.

2 ASSET MANAGEMENT FRAMEWORK

Strategic asset management provides a framework for better practice in the planning, provision, management, and eventual disposal or adaptation of assets for a new use.

Council's asset management framework is being developed to follow the principles of the *ISO:55000* series of asset management standards with the aim of achieving the following benefits:

- Lower asset management costs over the long term;
- Alignment of strategic initiatives across the asset management framework;
- Increased engagement of our people, including leadership, communications and cross-disciplinary teamwork;
- Alignment of processes, resources, and functional contributions;
- Better understanding and use of data and information to provide consistent and informed decisions;
- Consistent, prioritised and auditable risk management; and
- Improved asset management planning.

Our asset management framework is presented in Figure 2. This framework has been developed following good practice principles and in particular the relationship between the key elements of an *ISO:55000* asset management system.

The asset management framework aims to ensure that a systematic approach to asset management delivers prudent and efficient outcomes that meet both corporate and asset management objectives.

Our asset management framework allows the organisation to develop strategies that match the quality, quantity and type of assets with the defined service need, while also making sure that decisions that are made about assets are supported with structured methodologies and decision making tools that take into account the total lifecycle of the asset.

2.1 Scope of the Asset Management Framework

Key elements of Council's Asset Management Framework include the following:

- Asset Management Leadership and Governance;
- Asset Management Policy and other related policies;
- Asset Management Strategy;
- Asset Management Plans; and
- Roles and Responsibilities.

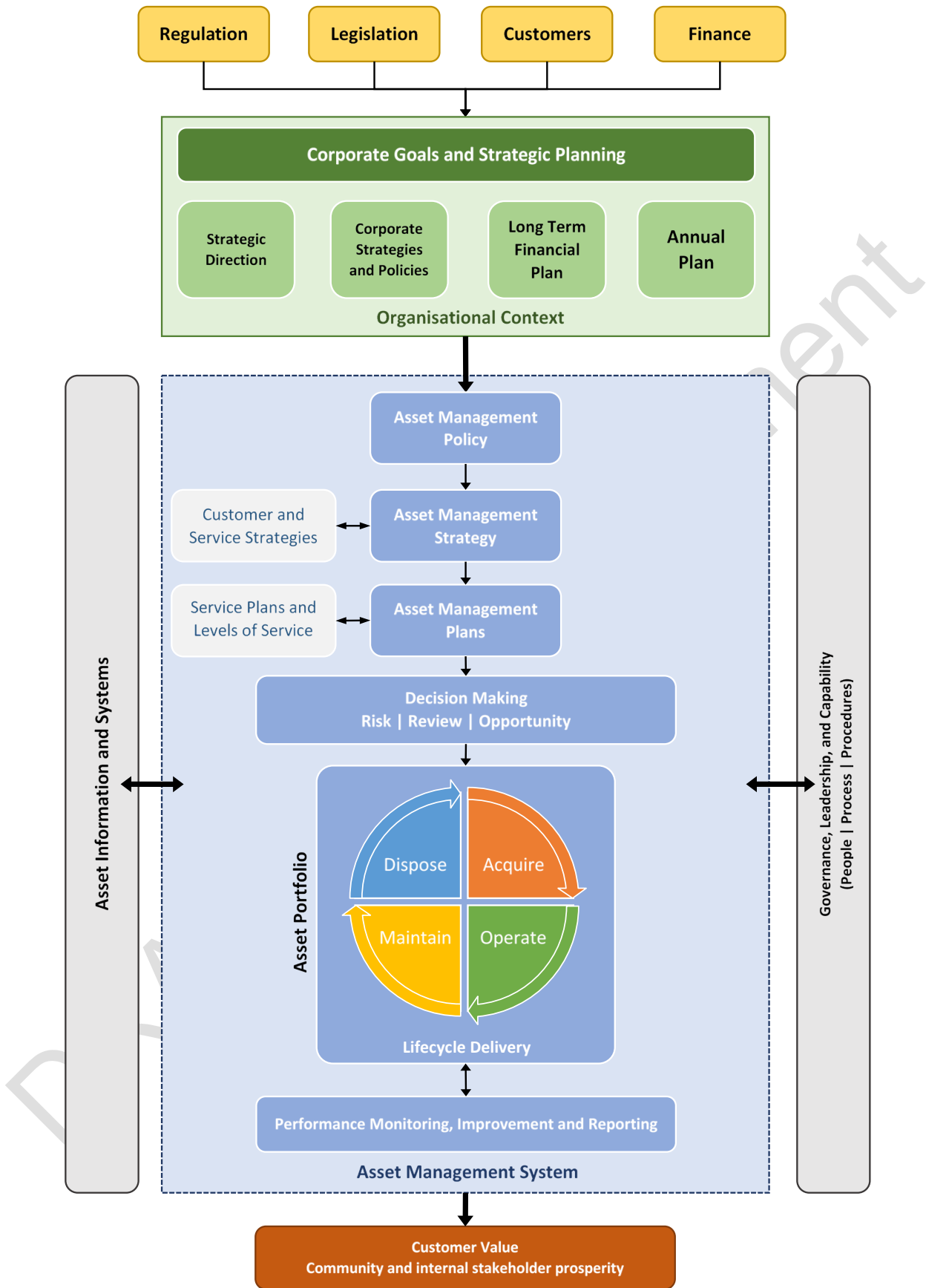


Figure 2 - Asset Management Framework

2.1.1 Leadership and Governance

The Council and executive officers are collectively responsible for leading the planning, implementation, operation and continuous improvement of asset management, including the systems and culture.

Council recognises the importance of effective integration with various stakeholders (both internal and external to Council). In doing so, it is important that all parties understand each other's expectations.

2.1.2 Asset Management Policy

To aid alignment of our asset management activities to our strategic goals, Council has adopted an Asset Management (AM) policy.

The AM policy applies to all of our assets and associated activities and is the overarching document that guides our asset management framework.

The AM policy provides a critical platform for us to deliver our vision to be a thriving organisation known for inspiring, motivating and equipping people for success.

Key aspects of the AM policy are that it:

- Is consistent with Council's vision and strategic objectives;
- Applies to all assets owned or managed by Council;
- Applies to all stages of the asset lifecycle (i.e. planning, design, construction, operation, maintenance, renewal, and disposal); and
- Is dependent on demonstrated leadership from our staff.

The AM policy and the framework that supports it will ensure that:

- We understand the services that we deliver, and the assets required to meet these services;
- All our assets are adequately documented;
- Service and asset related risks are identified and managed appropriately;
- We strive for the sustainable management of assets;
- Roles and responsibilities of Council and our staff are clearly defined;
- We comply with our legislative and regulatory requirements; and
- We give consideration to environmental impacts, including climate change when making decisions about our assets.

2.1.3 Asset Management Strategy

This AM Strategy outlines how we will deliver our asset management policy intentions.

It does so by establishing the direction and actions necessary for improvement of relevant asset management practices to achieve the Council's vision and organisational objectives.

2.1.3.1 Asset Management Vision

Our vision for asset management is:

Council will provide assets that are responsive and adaptable to demand and service needs in a manner that minimises risk and optimises value to our community.

The AM Policy establishes the core principles to achieve our asset management vision and to guide our practices.

These principles will be achieved through the following strategies that span the life cycle of our assets:

Asset Management Strategies	Objectives
<i>To provide for the service needs of our community</i>	<p>We will achieve this by:</p> <ul style="list-style-type: none"> ▪ Ascertaining service level needs through a community consultation process ▪ Focussing on outputs and outcomes with a view to continuously improving the match between service requirements and service delivery ▪ Ensuring our assets are appropriately used and maintained
<i>To optimise the service potential of our assets</i>	<p>We will achieve this through:</p> <ul style="list-style-type: none"> ▪ Effective management of our existing assets ▪ Flexibility of our asset base ▪ Rigorous planning, evaluation and budgetary processes ▪ Using economies of scale to deliver cost effective services
<i>To maximise value for money</i>	<p>We will achieve this by:</p> <ul style="list-style-type: none"> ▪ Taking account of the full costs of holding, using and disposing of assets throughout their life cycles ▪ Ensuring asset management decisions are responsive to performance measurement and monitoring ▪ Producing costed options for the delivery of asset services.
<i>To contribute to economic growth</i>	<p>We will achieve this by:</p> <ul style="list-style-type: none"> ▪ Appropriate matching of assets to meet service delivery demands ▪ Ensuring that all asset management decisions are made within the context of council's overall resource allocation and management framework
<i>To assign responsibility and accountability</i>	<p>We will achieve this by:</p> <ul style="list-style-type: none"> ▪ Clearly defining ownership and control of assets through asset information systems that meet both government and management decision making requirements ▪ Determining and communicating accountability and reporting responsibilities throughout each step of the integrated approach to asset management
<i>To promote balance between development and sustainability</i>	<p>We will achieve this by:</p> <ul style="list-style-type: none"> ▪ Balancing the demand for new assets through the use of non-asset service delivery alternatives where appropriate ▪ Making asset decisions that consider and protect the needs of future generations having regard to natural environment ▪ Considering alternative asset renewal and rehabilitation options wherever feasible

Asset Management Strategies	Objectives
<p><i>To minimise risks to the community and to Council's financial viability</i></p>	<p>We will achieve this through:</p> <ul style="list-style-type: none"> ▪ The application of risk assessment and reduction strategies ▪ Regular condition audits consistent with the criticality of the various asset categories ▪ Delivery of appropriate asset maintenance and renewal programs

Table 1 - Asset Management Strategies

2.1.4 Asset Management Plans

The majority of our asset management activities are managed at an asset category level. It is our intention to prepare AM Plans for each major asset category to assist in the management of our assets over their lifecycle and will cover a period of no less than **15 years**.

Our Asset Management Plans will demonstrate alignment with the Council Plan, the Long Term Financial Plan, Annual Budget, and our Asset Management Policy.

They will identify the performance issues and risks presented by each asset type within the category and define specific actions that must be undertaken to sustain asset performance.

The AM Plans will also summarise the asset operating and capital expenditure requirements for each asset category.

The AM Plans will be supported by detailed condition assessments and maintenance standards to ensure that our assets are appropriately maintained and the detailed condition, and associated risk, of selected assets is well defined and understood.

AM Plans are a central pillar to our asset management framework and will cover the following asset classes:

- Roads;
- Bridges;
- Footpaths and Cycle ways;
- Buildings (inclusive of major facilities (e.g. Aqua Zone, Flagstaff Hill, Aerodrome), fixtures and fittings)
- Stormwater drainage;
- Open space (includes water way infrastructure, active recreation areas);
- Ports
- Plant and Fleet;
- ICT Equipment;
- Art, Heritage, Collections and Monuments,
- Significant Trees,
- Waste Management, and
- Land

2.2 Service Planning

Delivery of our extensive range of services occurs in an increasingly dynamic environment, with ever changing community expectations, mandatory obligations, increasing costs, and ageing infrastructure.

We are committed to ongoing financial sustainability and providing services that are accessible, safe, outcome focussed, and meet the needs of the community by making efficient and effective use of our limited resources.

To do this we need to work in partnership with our community to ensure the services we provide are important to them and meet their needs, and that they are satisfied with the quality of our services.

With collaboration from the community we aim to establish levels of service which will inform our long-term asset and financial planning. This will enable us to develop, integrate, and deliver services which are affordable and sustainable.

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3 ORGANISATIONAL CONTEXT

The needs of our community, local business, and industry all place demands on us for better services, higher quality infrastructure, value for money services, and innovative solutions. The challenge for us is to balance expectations with the best use of our limited resources.

Our capacity to respond to the demands for services depends largely on our financial resources. As part of our budget processes, resources are allocated to achieve the objectives and priorities according to our strategic priorities that are set in response to these demands.

Strategic asset management is the concept of aligning our assets with service delivery needs and guides decision-making processes over the entire life of the asset.

The challenge for us is to balance expectations with the best use of our limited resources while considering growth and changing service delivery models and needs.

3.1 Relationship with Organisational Strategic Objectives

Our Council Plan 2017 - 2021 defines the overarching goals and specific targets to direct organisational focus and resources towards the broad objectives that we wish to see achieved for the city.

In order to effectively contribute to these outcomes, our assets must meet the current and future needs of the wider communities with which we engage.

This Asset Management Strategy has been prepared under the direction of Council's vision and strategic objectives.

Council's Vision:

'A cosmopolitan city by the sea'

Council's Strategic Objectives:

The objectives that support achieving Council's vision are:

- Sustain and enhance the natural environment
- Foster a healthy city that is socially and culturally rich
- Maintain and improve the physical fabric of the city
- Develop a modern economy with diverse and sustainable employment
- Practice good governance through openness and accountability

3.2 The Regulatory Framework

The principal legislation in Victoria governing the establishment and operation of councils is the *Local Government Act 1989*, along with various Regulations made under that Act. This defines the purposes and functions of local government as well as providing the legal framework for establishing and administering Councils.

As well as the general powers and responsibilities given under the Local Government Act, local councils are responsible for a wide range of services and functions under various other Act of Parliament. In fact we have responsibilities under more than 120 different Victorian pieces of legislation.

Examples of Victorian Acts and Regulations which our operations are subject to include (without limitation):

- *Local Government Act 1989*
- *Local Government (General) Regulations 2015*
- *Local Government (Planning and Reporting) Regulations 2014*
- *Planning and Environment Act 1987*
- *Public Health and Wellbeing Act 2008*
- *Occupational Health and Safety Act 2004*
- *Public Records Act 1973*
- *Victorian Charter of Human Rights and Responsibilities Act 2006*
- *Freedom of Information Act 1982*
- *Building Act 1993*
- *Disability Act 2006*

3.3 Other Strategies

Other strategies and plans which we rely upon to help inform future asset planning and community expectations through their implementation include:

- Warrnambool 2040;
- Open Space Strategy;
- City Wide Housing Strategy;
- Various Growth Area Structure Plans;
- Eastern Activity Precinct Structure Plan;
- Strategic Framework Plans;
- Municipal Strategic Statement;
- City Centre Structure Plan; and
- Development / Infrastructure Contributions Plan(s).

3.4 Stakeholder Requirements

Key stakeholders with respect to managing our assets to ensure sustainable service delivery are summarised in Table 2.

Key Stakeholder	Expectation/Requirements
State Government	<p>The State expects Council to:</p> <ul style="list-style-type: none"> ▪ Comply with legislative and regulatory responsibilities; ▪ Maintain public assets as a reliable and sustainable system; ▪ Be cost effective with capital delivery (that facilitates community growth); ▪ Performance – demonstrate that we meet the needs of our community; and ▪ Be honest and open in our dealings.
Community	<p>The Community expects that Council will:</p> <ul style="list-style-type: none"> ▪ Be a cost effective service provider; ▪ Make prudent decisions and be financially responsible; ▪ Be transparent and provide information on Councils activities and outcomes; and ▪ Provide safe, reliable and responsible services (measured by a community that has confidence in us).

Key Stakeholder	Expectation/Requirements
Business and Developers	Business and Developers expect Council to: <ul style="list-style-type: none"> ▪ Be responsive and timely in providing advice; ▪ Be transparent and provide information on Councils activities and outcomes; ▪ Be timely with capital delivery (that facilitates growth and development); and ▪ Provide safe, reliable and responsible services.

Table 2 - Stakeholder Summary

To achieve stakeholder requirements, we have developed the following strategic goals:

- Understand our customers by making them central to all we do;
- Enable our people to deliver value;
- Care for our assets, delivering safe and reliable services; and
- Deliver sustainable outcomes.

3.5 Stakeholder Engagement

We recognise that decision making, and service provision are enhanced when the community has an opportunity to provide input and express its expectations, aspirations and ideas.

We work with our stakeholders to:

- Understand the issues we face;
- Help to identify options to address these issues;
- Influence what changes we make to our assets, facilities and service delivery;
- Help to clarify the decisions we must make; and
- Gain support for the decisions that we make.

We have a broad group of stakeholders who have many different contact points across our organisation. We have yet to define customer levels of service for our assets and facilities, although we have acknowledged that we need to define these so that we are able to reflect demand and to balance asset standards with the expectations of our stakeholders and financial resources.

Our Community Engagement Policy provides the framework when we talk to and involve our stakeholders in guiding our decision making.

4 ASSET MANAGEMENT INFORMATION SYSTEM

Our Asset Management Information System (AMIS) is a combination of people, processes, information, and the technology applied to provide the essential outputs for effective asset management.

These outputs include; reduced risk; enhanced performance; enhanced compliance; effective knowledge management; effective resource utilisation; and optimum infrastructure investment.

AMIS is a tool that interlinks asset management processes through the entire asset lifecycle (refer Figure 7).

4.1 Our Systems Environment

Table 3 provides an overview of the various applications and solutions which we use in the strategic, tactical, and operational management of Council's assets.

Component	Supporting System
Customer request	Open Office
Financial/Accounting	TechnologyOne - Finance1
Records management	TechnologyOne – ECM
Mapping (GIS)	<ul style="list-style-type: none"> ▪ Exponare (corporate) ▪ MapInfo and QGIS (business unit analytics)
Asset register	<ul style="list-style-type: none"> ▪ Conquest (Infrastructure) ▪ TechOne Assets (Fleet)
Strategic asset management	<ul style="list-style-type: none"> ▪ SPM Assets (Buildings) ▪ Assetic MyPredictor (Roads)
Mobile solutions	Fulcrum and inhouse produced mobile app (Trassetto)
Maintenance management	<ul style="list-style-type: none"> ▪ Conquest ▪ Fulcrum ▪ Trassetto

Table 3 - Asset Management Information System

4.2 AMIS Objectives

The key objectives of the AMIS are to assist us in sustaining and improving, where needed, overall performance of our asset portfolio, in order that our organisational and asset management objectives are achieved, by undertaking the following activities:

- Ensuring holistic asset information is collected, maintained and readily accessible to support evidence-based asset management decision making;
- Enhancing the visibility of, accessibility to, and trust in asset information across the organisation; and
- Developing effective AMIS improvement practices that support the life cycle asset management business functions in accordance with *ISO:55000* and the *International Infrastructure Management Manual*.

Subsequently, addressing these is expected to result in significant improvements across the following aspects:

- Enhance asset performance;
- Reduce asset related risk;
- Improve asset knowledge management;
- Enhance regulatory compliance;
- Optimise resource use; and
- Optimise infrastructure investment.

Successfully achieving these objectives will enable compliance with the requirements of the Council Plan and Asset Management Policy by significantly improving the quality, completeness, integrity and consistency of asset information, systems and processes at all levels.

4.3 Asset Data

One of the underpinning principles of good asset management is the creation, maintenance and analysis of accurate asset data.

Good quality asset data will enhance evidence-based asset management planning and decision making but even if data is not fully accurate or complete it still contributes to the planning process.

Asset data is stored in a number of systems including Conquest (infrastructure) and TechOne Assets (plant and fleet).

We are committed to continuously improving the accuracy and completeness of asset data to support the achievement of our corporate and asset management objectives.

4.4 Future Strategies for AMIS

Future strategies to manage the AMIS include, but are not limited to:

- Developing a road map for improving our current systems, tools, applications and processes to enable our transition to greater asset management maturity and capability;
- Develop asset information management and analysis capabilities across the organisation to enable effective evidence-based decision making;
- Identifying the system and process improvements that are required to realise the full functionality of Conquest to generate future works programs and cash flows;
- Continue to work closely with the organisation to understand emerging and future asset management requirements and ensuring sound governance over AMIS development and utilisation; and
- Developing a data management strategy to ensure that our asset information supports the achievement of our business objectives.

5 ORGANISATIONAL ROLES AND RESPONSIBILITIES

This chapter discusses the organisational management structure and their roles and responsibilities.

5.1 Organisational Structure

Figure 3 shows our organisational management structure.



Figure 3 - Organisational Structure

5.2 Roles and Responsibilities

Asset management requires a whole-of-organisation approach. The roles and responsibilities of the key stakeholders involved in managing assets are shown in Table 4.

Group	Roles and Responsibilities
Councillors	<ul style="list-style-type: none"> Act as stewards for infrastructure assets on behalf of the community. To ensure appropriate resources and funding for asset management activities are made available to integrate policies, strategies and plans into the Council governance framework. Provide consistent and transparent decision making based on adopted criteria.
Executive Management Team (Chief Executive and Directors)	<ul style="list-style-type: none"> To continually promote AM across the organisation and with Council and the community. To validate and challenge proposals to ensure they meet the Council Plan objectives. To adequately budget funding of asset renewal in accordance with the Policy
All Directorates	<ul style="list-style-type: none"> Develop and implement strategies and plans that deliver the outcomes required by Council; Deliver safe, reliable, responsive and affordable services to the community; and Support the community

Group	Roles and Responsibilities
All Employees	<ul style="list-style-type: none"> To provide the correct technical and professional advice to Council so that they may make the best decisions. Implementation of the Strategy and AMP. Continually seek innovative ways of meeting service needs. Identify "levels of service" for implementation. To develop and implement maintenance and refurbishment capital works programs in accordance with AMP. Ensure the asset database is maintained and updated. Provide reports to Council. Promote and raise awareness of asset management to Council and staff.

Table 4 - Organisational Responsibilities

5.2.1 Asset Management Steering Committee

We have established an Asset Management Steering Committee (AMSC) to ensure that there is a coordinated and integrated approach to asset management across the organisation. The AMSC is also responsible for promoting an understanding of asset management issues across the organisation and to make sure that investment into physical infrastructure supports Council's strategic planning objectives.

The AMSC will also take responsibility for the development and implementation of the Asset Management Improvement Plan.

The AMSC will monitor and report on the progress of the asset management improvement actions to the Executive Management Team as set out in the AMSC Terms of Reference.

5.3 Service Driven Asset Planning

We are striving to realise greater integration between the way we plan our services and assets which underpin them.

To create a stronger nexus, and to provide clarity within our organisation, we have established a *Services and Assets Relationship Framework* as described in Figure 4. This assists us to clearly define the parts of our organisation that are responsible for determining levels of service and for managing the assets through the delivery lifecycle.

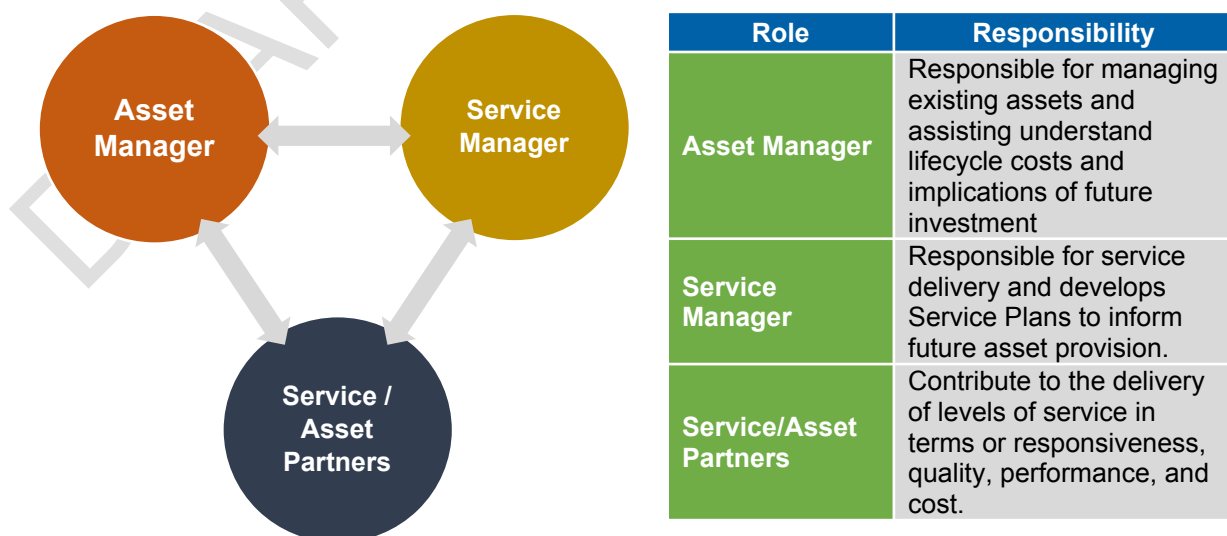


Figure 4 - Services and Assets Relationship Framework

5.4 Leadership and Culture

Building a high-performance culture and high levels of employee engagement is essential to supporting the achievement of our strategic objectives and to enable us to be sustainable.

To drive our culture, we invest in the development of our people at all levels to build self-awareness and leadership capability, focusing on communication, teamwork, business improvement, and change.

We offer professional development through our *Staff Learning and Development Policy*.

Our capacity to implement the AM Strategy and framework will rely on the continued leadership, commitment, and involvement of our management and staff. Leadership will form the major influence in the development and application of this AM Strategy together with strategic and operational continuous improvement plans.

To ensure success and a positive change in our asset management practices, leadership will be paramount across the entire organisation.

The CEO, management team, and all leaders aim to champion our ongoing commitment to sustainable asset management in their actions and messages to our staff, as well as effective mentoring.

5.5 Training and Developing our People

To ensure that Council's asset management capabilities are best appropriate practice, we are committed to:

- Clearly defining asset management roles, and continuously recruit staff accordingly;
- Continuously encourage innovation to improve the way we manage our assets;
- Reviewing skills and development needs in asset management related areas as part of employee performance planning and providing appropriate development opportunities;
- Providing relevant staff with appropriate briefings in relevant asset and financial management principles, practices, and processes; and
- Providing and allocating resources for training to support asset management across the organisation.

6 RISK MANAGEMENT

The effective management of risk is central to the core business and efficient management of Council.

Our approach to risk management involves managing to achieve an appropriate balance between realising opportunities for gains while minimising adverse impacts. Risk management is viewed as an integral part of good management practice and an essential element of good corporate governance.

An integral part of how we operate is the identification and treatment of risk, so our stakeholders prosper. Our ability to deliver quality assets and services is significantly influenced by the effectiveness of our management of risk. We aim for risk management to become part an integral part of culture, embedded into our operating philosophy, business practices and processes.

Our *Risk Management Policy* is the overarching document that provides guidance on risk management practices. It is a high-level document that clearly establishes expectations in relation to risk management.

6.1 Risk Management Procedure

The responsibilities, structures and processes established to ensure we achieve our risk management objectives are detailed within our *Risk Management Procedure*. This provides us with the principles and processes to make sure we consistently apply good risk management practice to our assets.

The risk management framework sets out our management of the effects that uncertainty has on achieving our vision and strategic objectives. The framework also facilitates compliance with legislation, rules, codes, guidelines and various industry standards.

6.2 Operational Risk Management

In accordance with *AS/NZS ISO:31000 Risk Management – Principles and Guidelines*, Figure 5 shows the operational process we undertake when managing risk.

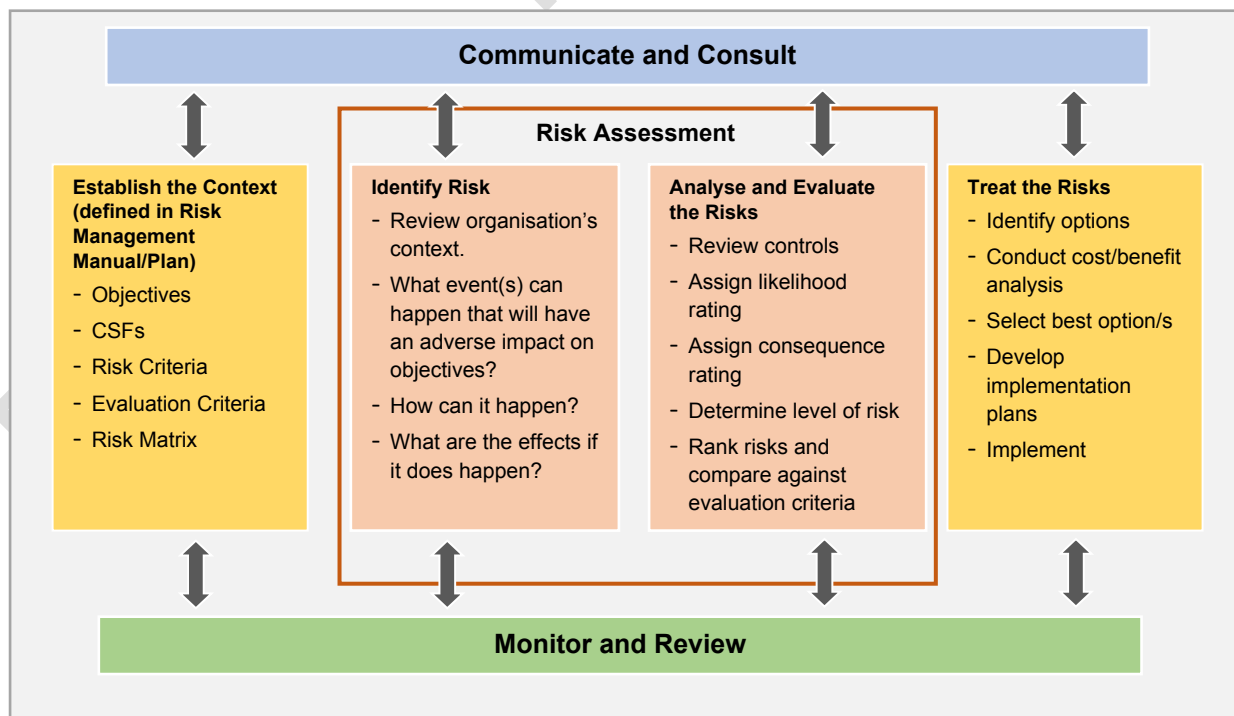


Figure 5 - Risk Management Operational Process

6.3 Asset Condition and Risk

Our assets are ageing and are at various stages of their lifecycle. A key focus for us is to manage the associated asset risk due to poor condition effectively to achieve our asset management, service, and cost performance objectives.

Regarding asset condition and risk, we will continue to set service-based targets for assets to balance the risk of asset failure and the associated reliability impacts with cost. We are also pursuing strategies to:

1. Implement the use of condition-based risk management across key asset categories; and
2. Develop and implement processes for capturing, registering, assessing, and tracking asset related risks and associated risk controls and treatments to better match service performance with our stakeholder requirements.

7 FUTURE DEMAND

We face a number of challenges and opportunities that have the potential to significantly impact service delivery and asset management.

Challenge	What does this mean for asset management?
<p>Population Change</p> <p>Population will change at different rates across Victoria over the coming decades. Population growth will be minimal for small shire councils and is forecast to decline in many of the local government areas in Victoria's west. These councils will face challenges in maintaining revenue raising capacity in the future.</p>	<p>Convergence of populations to regional centres such as Warrnambool increases pressure on our assets and service provision.</p> <p>Warrnambool continues to provide services to the broader areas, many of which are experiencing population decline.</p>
<p>Diminishing Own Source Income</p> <p>We are experiencing a significant reduction of our own source revenue. This had previously contributed to the consolidated revenue of Council and was able to be utilised for the cross-subsidy of other services or had minimised the impact of the net cost to the community.</p>	<p>Loss of own source income due to commercial competition and changed patterns of use has materially affected Council's financial sustainability. This will impact the manner in which we invest in our assets and services in the future.</p>
<p>Ageing Infrastructure</p> <p>One of the biggest financial challenges facing us is the cost of renewing our ageing infrastructure. Council's assets have been built and developed in the past. Many years on, this period of development has created a large peak in the need to invest in asset maintenance and renewal.</p>	<p>There is a critical need to introduce systems and processes to ensure that our spending on our existing assets is optimised.</p> <p>As our assets continue to age, more investment in maintenance and renewal expenditure will be required to ensure that the current levels of service enjoyed by the community continue to be delivered.</p>

Challenge	What does this mean for asset management?
<p>Climate Change</p> <p>We are already experiencing the impacts of climate change. In the future, we can expect; increased flooding of coastal properties and public facilities; storm damage to infrastructure; beach erosion; decreased water quality and security of water supply; reduced summer outdoor activities; and hotter urban spaces.</p>	<p>Ageing infrastructure that is not designed for climate extremes, and higher density urban environments, are especially vulnerable to increasing natural strains. This will have an impact on Council services and assets.</p>
<p>Rapid Technological Change</p> <p>The world is becoming more connected. People, businesses and governments are increasingly moving online to connect, deliver and access services, obtain information and to perform day to day activities. These changes will affect how we deliver services and how we manage our assets.</p>	<p>We will also have the capability to share our data on our assets to others enabling them to interact with our services digitally. We will also be able to enable a more mobile workforce.</p>
<p>Legislative and Policy Influence</p> <p>We operate in a complex legislative and policy environment that directly influences the way we do business:</p> <ul style="list-style-type: none"> ▪ There is an expectation that Council will continue to deliver services, even when State and Federal government funding is withdrawn ▪ The cap on rate increases means our ability to control revenue is constrained ▪ Compliance and reporting requirements are increasing 	<p>We need to meet our statutory obligations while being conscious of maintaining affordability and financial sustainability. This requires good decisions to be made to manage competing funding demands across a broad range of projects, programs, and services.</p>

Table 5 - Future Challenges

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7.1 Investment Forecasts

Current projections indicate that Council has an asset renewal gap of over **\$19 million**.

Many major assets are reaching the end of their useful life and no longer meet the needs of a growing and aspirational Regional City.

Our Long Term Financial Plan indicates that without assistance, our asset renewal shortfall will grow from the current figure to be in excess of **\$40 million** over the coming decade.

Our imperative is to reduce this renewal backlog and to sustainably fund the renewal of our assets in the future. This is to reduce the impact to our community of the costs of unsustainable asset provision by proactively renewing and maintaining our assets.

The growing asset renewal gap facing us was the major driver behind us applying to the Essential Services Commission for a variation to the current council rate cap. Our application was approved in part.

The higher rate cap variation will slow the growth of the renewal gap and see it halt in around 10 years' time, increasing funding further will see this happen sooner and begin to close the renewal gap so that our assets remain safe and are able to support the delivery of quality services.

Asset Renewal Gap

In simple terms, this is the difference between the current level of actual expenditure on replacing existing assets and the level of funding necessary to maintain our assets to meet minimum levels of service.

Council Rate Cap

The Minister for Local Government sets local council rate caps. The cap is the maximum amount a council can increase its general rates and municipal charges within a financial year. The current rate cap is 2.5%

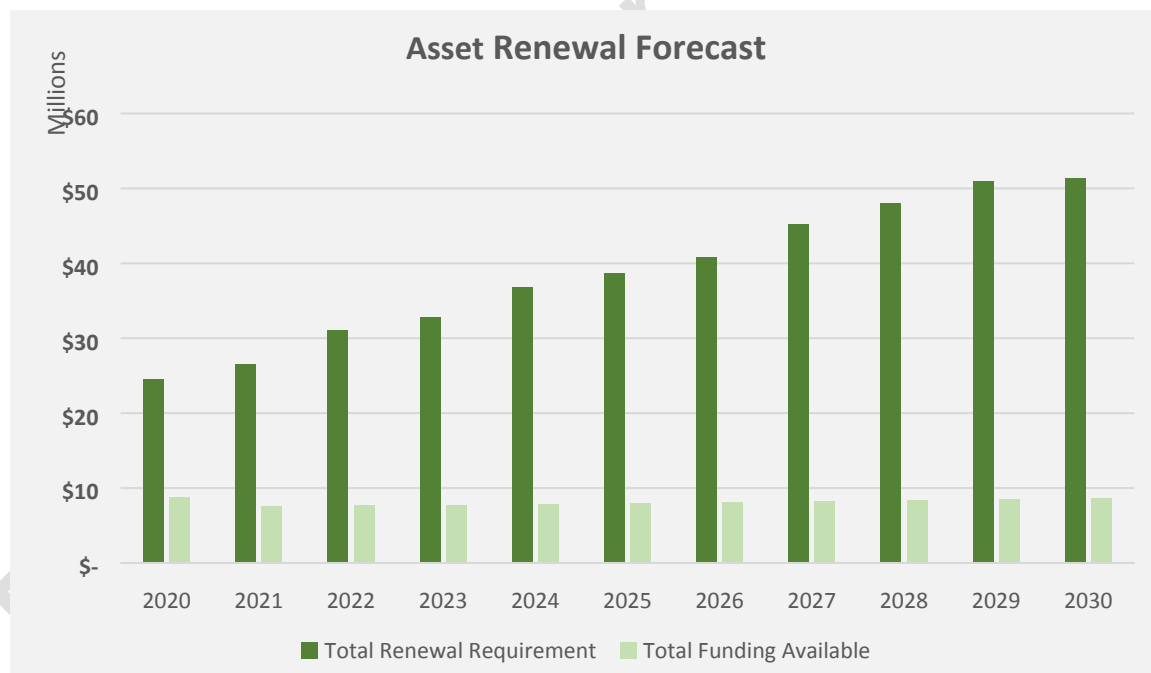


Figure 6 - Asset Renewal Forecasts (includes backlog).

7.1 Investment Evaluation

As an organisation which relies on assets to deliver our services, we have developed a *Capital Evaluation Framework* that:

- Ensures that capital investment for infrastructure assets aids in the achievement of our strategic objectives;
- Aids the development of a service needs directed long-term capital works program, to better inform Council's Long-Term Financial Plan;
- Ensures capital investment delivers best value;
- Ensures that capital investment is financially sustainable, and in accordance with asset management principles for the whole life cycle costs of our infrastructure;
- Builds a robust capital infrastructure asset investment system, that is impartial and priority-based for allocating Council resources; and
- Enhances transparency and public confidence in our capital investment decision-making process.

7.2 Timing and Deliverability of Works Program

We attempt to optimise our proposed works program in terms of capital and maintenance tasks.

In particular, the optimisation of the timing and sequencing of asset renewal projects considers a number of factors, including the costs and benefits of aligning asset renewal with improvement projects or with maintenance activities. Were possible, we try to coordinate our works to:

- Take full advantage of our asset investment;
- Ensure the achievement of our strategic goals;
- Maintain performance, safety, and compliance of our assets;
- Ensure an acceptable risk profile across all assets; and
- Ensure delivery of the works program.

Timely delivery of the capital works program is essential to minimising the likelihood of additional operating expenditure to sustain our assets beyond their expected service lives where run-to-failure is not employed.

8 LIFECYCLE STRATEGIES

This section discusses our lifecycle approach to asset management and the resulting key asset strategies aimed at achieving our asset management objectives and corresponding corporate goals.

8.1 Lifecycle Approach

The goal of asset management is to meet a required level of service in the most cost-effective manner, through the prudent and efficient management of assets for present and future customers.

The key elements of infrastructure asset management are:

- Adopting a life-cycle approach;
- Developing cost-effective management strategies for the long term;
- Providing defined and agreed levels of service;
- Monitoring performance;
- Understanding and meeting the impact of changing service needs through demand management and infrastructure investment;
- Managing risk associated with asset failures;
- Sustainably using physical resources; and
- Continually improving asset management processes and practices.

Ageing and potentially unreliable assets are managed as part of our overall asset management planning. The focus of this planning is to ensure that replacement of assets is determined on asset condition and risk rather than age alone.

In developing strategies in relation to potentially unreliable assets we take a holistic approach to asset renewals, improvements, and disposal across our asset portfolio. We aim ensure that our asset management plans align with our service plans to drive the most efficient outcome with a balance between cost, risk, and performance.

A formal approach to the management of assets is essential to providing our services in the most cost-effective manner. This enhances our ability to demonstrate our approach to asset management to our stakeholders

Our approach to asset management is centred on asset lifecycle management. There are five stages in the asset lifecycle as shown in Figure 7.

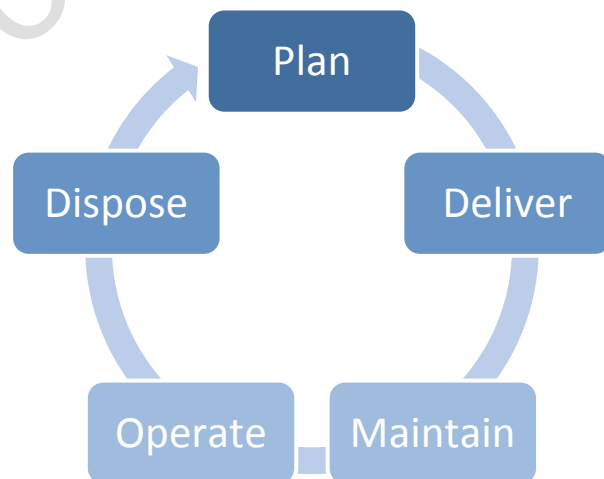


Figure 7 - Asset Management Lifecycle

8.2 Lifecycle Strategies

Each phase of the lifecycle has a corresponding lifecycle strategy, which describes our approach to the particular activities in that stage, objectives relevant to that stage, and strategies for providing performance to required levels.

The five lifecycle strategies (Planning, Delivery, Maintenance, Operations, and Disposal) are summarised in Table 6.

Lifecycle Phase	Strategy Description
Planning	Covers CAPEX planning, from need identification, evaluation and approval, through to handover to delivery for implementation.
Delivery	Covers implementing capital works (including detailed design, procurement, installation, and commissioning) and the dismantling and disposal of assets.
Maintenance	Covers our approach to maintaining assets, including the types of maintenance employed and a discussion of how the work is managed.
Operations	Covers operation of the assets, including operational control, situational awareness, and contingency planning.
Disposal	Covers activities relating to the disposal and divestment of assets and the disposal of waste material.

Table 6 - Asset Management Lifecycle Strategies

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9 PERFORMANCE MONITORING AND EVALUATION

A key element of this AM Strategy is to review the current status of asset management practices in order to identify key gaps and opportunities for improvement.

9.1 Asset Management Maturity

We use the National Asset Management Assessment Framework (NAMAF) to measure our asset management maturity.

The framework is a self-assessment against 11 elements (refer to Appendix 1). This benchmark is used to evaluate our current practices and to understand the improvements that we need to make.

The objective of the maturity assessment was to determine the current level of our asset management process and system sophistication.

9.2 Assessment Findings

The assessment enabled a baseline competency level to be established for our organisational approach to our asset management functions.

Our current level of maturity is approaching 'Core' capability, with a score of **744**.

Figure 8 shows how we score on each of the maturity elements. 'Core' maturity is recognised as having a score of 1,100 as assessed under the NAMAF.

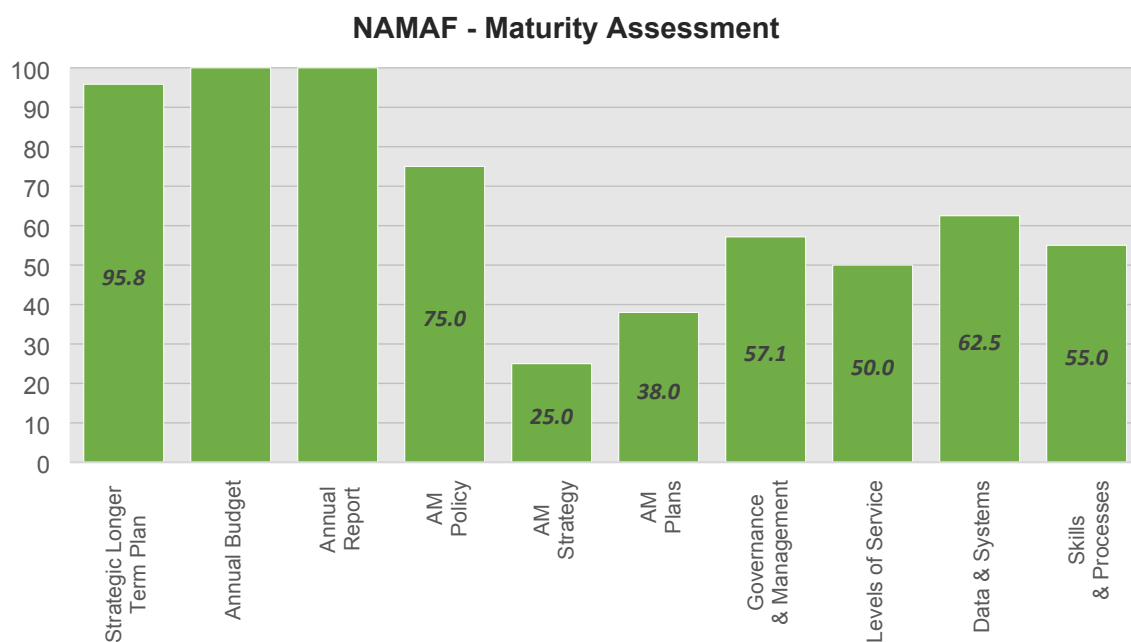


Figure 8 - Asset Management Maturity

9.3 Our Desired Asset Management Future

In moving forward, we desire greater consistency and improved skills with respect to our asset management practices. Our particular areas of focus will be to:

- Further develop a whole of organisational approach to asset management by integrating asset management workflows across the business.

- Preparing our asset management practices, systems, tools, and processes to achieve certification under *ISO:55000*.
- Making asset management service driven using asset information to support the optimisation of activities and programs to meet agreed service levels.
- Implementing systems to enhance capability and to support asset and service management related decisions.
- Document and implement supporting asset management processes.
- Comply with external drivers.
- Facilitate a strong connection between this strategy and operational activity.

9.3.1 Asset Management Improvement Program

The asset management improvement program elements and activities have been structured to ensure alignment with the NMAF and using ISO:55000 as good practice guidance.

In moving forward, we desire greater consistency and improved skills with respect to our asset management practices.

Our goal is to reach 'Core' maturity by **December 2024**.

We will assess our maturity each year to track and report on the progress we are making towards achieving our goal.

Reaching a 'Core' level of asset management maturity will mean that quality systems, processes, and data will support the development of long-term cash flow predictions and will drive our decision making.

9.4 Performance Monitoring and Reporting

Implementation of actions under this strategy will be monitored by the AMSC and reported back to the Management Executive Group on an annual basis.

9.5 Review

A comprehensive review of this AM Strategy should be completed no later than December 2024.

Intermediary reviews of the strategy may be undertaken from to time as improvements are implemented and to make sure that it retains consistency with our strategic goals and objectives.

APPENDIX 1: NATIONAL ASSET MANAGEMENT ASSESSMENT FRAMEWORK

There are eleven core elements of asset management under the National Asset Management Assessment Framework (NAMAF). These elements are defined as:

Strategic Planning	Council's process of defining its strategy, or direction, and making decisions on allocating its resources to pursue this strategy; including its capital and people.
Annual Budget	Council's budget prepared for a 12-month period. The Annual Budget outlines both the income and expenditures that are expected to be received and paid over the coming year.
Annual Report	A comprehensive report on Council's activities throughout the preceding year. Local Government annual reports are intended to give ratepayers and other interested parties information about the Council's activities and financial performance.
Asset Management Policy	A high-level document that describes how Council intends to approach asset management within the organisation.
Asset Management Strategy	A strategy for the implementation and documentation of asset management practices, plans, processes and procedures within an organisation.
Asset Management Plans	Plans developed for the management of one or more infrastructure asset classes with a view to operating, maintaining and renewing the class in most cost-effective manner possible, whilst providing a specific level of service
Governance and Management	A set of rules and policies designed to ensure that responsibilities within an organisation are well defined, and that the business runs smoothly. While Management are the staff in charge of authorising and delivering such rules. It is very important that Asset Management is intertwined into this framework.
Levels of Service	Defined as the service quality for a given activity. Levels of Service are often documented as a commitment to carry out a given action or actions within a specified time, or the provision of infrastructure to meet a desired level.
Data and Systems	Asset Data is qualitative and/or quantitative information used to identify and describe an asset group or group of assets. The Systems are the framework in which the data is processed and stored.
Skills and Processes	The level of skill and knowledge within the organisation in regards to Asset Management, along with a set of interrelated tasks that endeavour to increase awareness and learning.
Evaluation	How Council internally evaluates and monitors its performance in Asset Management.

Table 7 - NAMAF Assessment Elements

APPENDIX 2: ASSET MANAGEMENT IMPROVEMENT PROGRAM

Ref.	Improvement Opportunities	Priority	By Whom	Resource Implications	By When	Cost (\$)
1	Strategic Long Term Plan					
1.05	<p>To enhance the future funding projections in Council's Long Term Financial Plan it must:</p> <ul style="list-style-type: none"> Complete the development of Asset Management Plans for all key asset classes Develop service plans which identify future costs that are based on agreed service levels Ensure that future Strategic Plans include costed and prioritised initiatives for direct input Incorporate whole of life costs that are associated with approved capital works projects and gifted assets. 	High	EMT	Existing with external support	December 2024	Costs included in various other actions below
4	Asset Management Policy					
4.01	Include linkage to Council Plan and LTFP in updated AM Policy	High	MIS	Existing	In progress June 2020	\$7,000
4.02	Include adoption of AM Plans which are informed by community consultation as a statement within AM Policy	High	MIS	Existing	In progress June 2020	Included in above
4.03	Review and update roles and responsibilities to reflect current business practices and incorporate into AM Policy	High	MIS	Existing	In progress June 2020	Included in above
4.04	Include Council commitment to training and professional development in financial and asset management practices as a statement within AM Policy	High	MIS	Existing	In progress June 2020	Included in above
4.05	Include linkage to Council Plan and LTFP in updated AM Policy	High	MIS	Existing	In progress June 2020	Included in above
5	Asset Management Strategy					
5.01	Prepare new AM Strategy with organisational vision for AM, current status, desired future state, and improvement plan	High	MIS	External	In progress June 2020	\$16,000
5.02	Include linkage to AM Policy and Council Plan in new AM Strategy	High	MIS	External	In progress June 2020	Included in above
5.03	Document current organisational systems, processes, and practices in new AM Strategy	High	MIS	External	In progress June 2020	Included in above
6	Asset Management Plans					

Ref.	Improvement Opportunities	Priority	By Whom	Resource Implications	By When	Cost (\$)
6.01	Document Asset Management Plans for all significant asset categories following a good practice approach and to meet NAMA requirements	High	MIS	Existing with external support	December 2022	\$150,000
7	Governance and Management					
7.01	Prepare a communication framework which outlines AM reporting and organisational engagement requirements	High	MIS AMSC	Existing	December 2020	
7.02	Document roles and responsibilities for asset management and service planning	High	AMSC	Existing	In progress June 2020	
7.03	Review current PDs for asset management functions and update accordingly to articulate responsibility for asset management.	Medium	MOD	Existing	June 2021	
7.05	Continue to promote the importance and benefits of good asset management, service, and financial planning practices as opportunities arise	High	EMT AMSC	Existing	Ongoing	
7.06	<ul style="list-style-type: none"> ▪ Re-establish the Asset Management Steering Committee including Terms of Reference ▪ Ensure suitable meeting frequency is defined and adhered to 	Very High	MIS	Existing	Complete	
7.07	Prepare and implement communication strategy to raise corporate awareness of the fundamentals and importance of good asset management.	Medium	MIS AMSC	Existing	Dec 2021	
8	Levels of Service					
8.01	<ul style="list-style-type: none"> ▪ Document and confirm the list of services provided by Council. 	High	EMT	Existing with external support	June 2023	\$100,000
	<ul style="list-style-type: none"> ▪ Develop service plans to document present levels of service based on existing Council plans, strategies, etc to facilitate further engagement with the community 	High	EMT	Existing with external support	June 2023	Included in above
8.02	Include review process within service plans to define, quantify and document current community levels of service and technical levels of service, and costs of providing the current levels of service.	Medium	EMT	Existing with external support	June 2023	Included in above
8.03	Include community and technical levels of service within relevant AMPs	High	MIS	Existing	Dec 2024	

Ref.	Improvement Opportunities	Priority	By Whom	Resource Implications	By When	Cost (\$)
8.04	Technical levels of service, once developed, to be embedded into service agreements and other relevant asset management planning procedures.	High	EMT	Existing	Dec 2024	
9	Data and Systems					
9.01	<ul style="list-style-type: none"> Document standard operating procedures for data maintenance activities 	Medium	MIS	Existing	June 2023	
	<ul style="list-style-type: none"> Complete a comprehensive data health check to measure the accuracy and completeness of Council's existing asset data and develop strategy to improve any identified gaps. 	Medium	MIS	Existing with external support	Dec 2020	\$10,000
	<ul style="list-style-type: none"> Develop and implement asset management system training for key Council staff to leverage greater benefit from Council's AM data and to ensure data is maintained and improved ongoing. 	Medium	MIS	Existing with external support	June 2020	\$25,000
9.02	<ul style="list-style-type: none"> Review asset data structure in Conquest to align with the asset hierarchies documented in Council's Asset Management Plans 	Medium	MIS	Existing	Dec 2020	
	<ul style="list-style-type: none"> Establish and document business rules for asset data entry to preserve the accuracy of Council's asset information. This should include using system controls where possible to promote greater consistency in data entry. 	Medium	MIS	Existing	Dec 2021	
	<ul style="list-style-type: none"> Consider undertaking a comprehensive review of both the asset hierarchies and General Ledger to identify opportunities for greater alignment to improve analysis and reporting of asset costs. 	Medium	MIS	Existing	Dec 2024	
9.03	Formalise condition inspection methodologies in AMPs. Where relevant, make reference to IPWEA Practice Notes or relevant documents which are used for condition assessments for specific asset classes.	High	MIS	Existing	June 2022	
9.04	Establish asset handover process to ensure that asset disposals are captured and reflected in the asset register	High	MFP	Existing	Dec 2020	
9.05	Review AM benchmarking requirements against business needs and best practice	High	MIS	Existing	June 2023	

Ref.	Improvement Opportunities	Priority	By Whom	Resource Implications	By When	Cost (\$)
9.06	▪ Clarify roles and responsibilities for developing capital works program	High	EMT	Existing	March 2020	
	▪ Improve information flow between assets, works, and engineering units in relation to capital works projects and planning to promote greater transparency in decision making	High	DCI	Existing	March 2020	
	▪ Formalise prioritisation process for renewal programs	High	MIS	Existing	October 2020	
	▪ Identify system and process improvements required to realise full functionality of Conquest to generate future works programs and cash flows	Medium	MIS	Existing	June 2021	
9.07	Include relevant renewal costs in Conquest for capital works planning	Medium	MIS/MF	Existing	June 2021	
9.08	Define and document process for CAPEX and OPEX planning in Asset Management Plans	High	MIS	Existing	In line with AMP development	
10	Skills and Processes					
10.01	Include statement within the AM Strategy which explains the document review process and frequency	High	MIS	External	In progress June 2020	Included in action 5.01
10.02	▪ Prepare (or update) AMP's for all other asset classes (e.g. minor asset classes) and present to Council	Medium	MIS	Existing with external support	Dec 2024	\$150,000
	▪ Ensure timeframes, reporting requirements and responsibilities are included in AMP's	High	MIS	Existing	In line with AMP development	
10.03	Provide linkage from AMP's, strategies and policies to the corporate risk register where required.	High	MRG	Existing	March 2021	
10.04	Document the process for the review and update of asset financial forecasts for input into the Long Term Financial Plan.	Medium	MF	Existing	October 2020	
10.05	▪ Complete a capability assessment to determine current organisational skills and competencies to perform key asset management functions.	Medium	AMSC	Existing	March 2022	
	▪ Develop a staff training and development program	Medium	AMSC	Existing	March 2022	
	▪ Seek adequate budget for training needs across the organisation	Medium	AMSC	Existing	March 2022	

Ref.	Improvement Opportunities	Priority	By Whom	Resource Implications	By When	Cost (\$)
10.07	Reinforce project handover process across Council staff responsible for managing capital works projects	High	MIS	Existing	June 2020	
10.08	Develop and implement a process for the handover of assets to asset custodians	High	MIS	Existing	June 2020	
10.09	Explore opportunities to communicate State of the Assets report to a broader audience	High	DCI	Existing	October 2020	
10.10	Develop a formalised plan or ongoing program to promote good asset management practices across the organisation.	Medium	AMSC	March	2022	
11	Evaluation					
11.01	Develop prioritisation, monitoring and reporting framework for asset management improvement initiatives and incorporate into new AM Strategy.	High	MIS	Existing with external support	In progress June 2020	Included in action 5.01
11.02	Develop levels of service monitoring and reporting framework.	Medium	EMT	Existing with external support	June 2023	Included in action 8.01

Table 8 - Asset Improvement Program

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