

TechnologyOne
Strategic Asset Management

Murrumbidgee Council

Asset Management Strategy

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Commercial in confidence

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Planning requirements at a glance

A key part of the Asset Management Strategy is an assessment of the organisation's maturity and capability to sustainably manage its community infrastructure through effective asset management and financial planning.

Due dates/ frequency	Plan/strategy	Description/requirements	Legislative reference
For use during development of the Community Strategic Plan and councils' other planning activities.	Community Engagement Strategy	A strategy based on social justice principles for engagement with the local community when developing the Community Strategic Plan.	s402(4) (Act)
From 2012, endorsed by 30 June in year following election. Review every four years, and roll forward so remains at least 10 year horizon. Exhibit for at least 28 days, copy of plan and amendments to plan to DLG within 28 days of endorsement.	Community Strategic Plan (CSP)	Plan which identifies the main priorities and aspirations for the future of the local government area. Minimum 10 years.	s402(1)-(7) (Act)
Review in detail every 4 years as part of CSP review. Update annually when developing the Operational Plan.	Long Term Financial Planning	Included in the council's Resourcing Strategy for the provision of resources required to implement the CSP. Minimum 10 years.	s403(2) (Act)
	Workforce Management Planning	Included in the council's Resourcing Strategy for the provision of resources required to implement the CSP. Minimum 4 years.	s403(2) (Act)
	Asset Management Planning	Included in the council's Resourcing Strategy for the provision of resources required to implement the CSP. Comprises an Asset Management Strategy and Plan/s. Minimum 10 years.	s403(2) (Act)

IP&R plans in a nutshell: key components to remember

Community Strategic Plans...	<p>Address four key questions:</p> <ul style="list-style-type: none">• Where are we now?• Where do we want to be in 10 years time?• How will we get there?• How will we know we've arrived?
Long Term Financial Plans...	<ul style="list-style-type: none">• Show councillors and the community how the council will achieve financial sustainability over the long term• Incorporate easy to read commentary to explain financial information, not just spreadsheets• Include different scenarios (eg planned, optimistic, conservative), as well as a sensitivity analysis
Asset Management Policy, Strategy and Plans...	<ul style="list-style-type: none">• Demonstrate how the council's assets will enable the implementation of the Community Strategic Plan• Describe the condition of key assets, preferably using easily understandable maps or tables• Identify acceptable levels of services as discussed with the community• Determine where the council will intervene to improve assets
Workforce Plans...	<ul style="list-style-type: none">• Identify current and predicted workforce issues and explain what the council is going to do to address in order to achieve the Delivery Program
Delivery Programs...	<ul style="list-style-type: none">• Summarise the activities the council has prioritised over a four year term to achieve the Community Strategic Plan• Address the full range of the council's operations• Are the key 'go to' document for councillors
Operational Plans...	<ul style="list-style-type: none">• Show detailed actions, which are clearly linked to the related activity area in the Delivery Program• Include a Statement of Revenue Policy

CSP - Goals and Objectives for Infrastructure Services

Our Vision:

A community built by an innovative mindset delivering appropriate and reliable services.

Our Purpose:

To deliver quality services creating a friendly, welcoming and engaged community.

Our Values:

- Murrumbidgee Council values creativity, teamwork and innovation
- Council aims to reliably deliver quality services and well-maintained facilities.
- Strong, positive and trusted leadership guided by and respecting traditional principles and forward thinking will nurture who we are and recognise where we live and what we have built.
- Our Communities welcoming and energetic approach is what makes where we live an appealing place for all.

Infrastructure Assets

The asset management strategy is prepared to assist council in improving the way it delivers services from infrastructure using the following Asset Management Plans:

1. Buildings
2. Land Improvements
3. Sewerage
4. Stormwater
5. Transport
6. Water

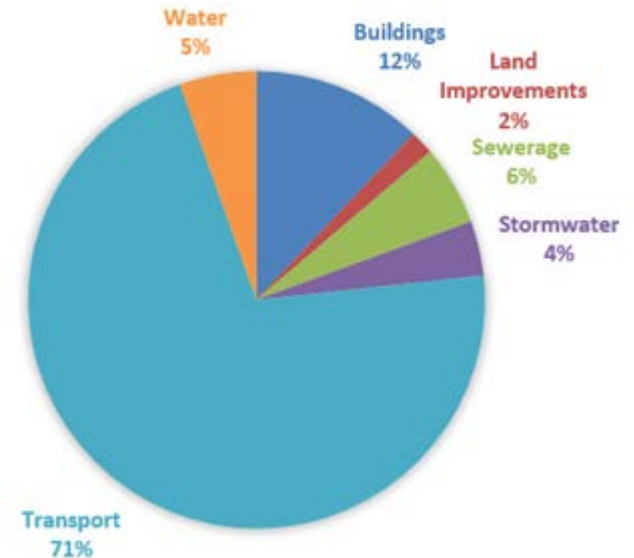
These infrastructure assets have a combined replacement value of \$322,848,839¹

¹Sourced from the 2017 consolidated Asset Register

Infrastructure Asset Values

At the end of June 2017, the total replacement cost of council controlled assets is calculated at \$323M with a Depreciated Replacement Cost of \$257M and an Annual Depreciation Expense currently at \$3.6M (1.1% per year).

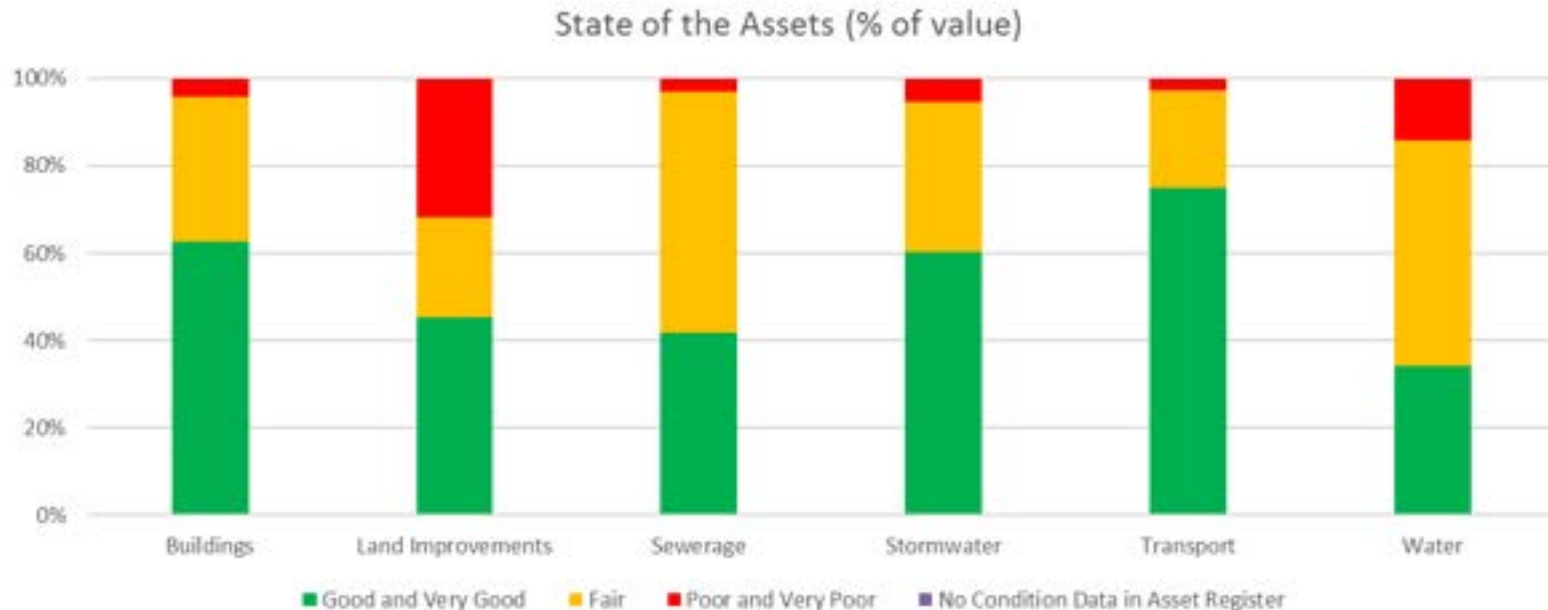
Asset Class	Replacement Cost (\$'000)	Depreciated Replacement Cost (\$'000)	Depreciation Expense (\$'000)
Buildings	\$38,982,500	\$28,160,237	\$415,474
Land Improvements	\$5,468,275	\$2,694,496	\$214,624
Sewerage	\$18,275,122	\$10,872,618	\$216,289
Stormwater	\$12,519,735	\$8,694,507	\$149,377
Transport	\$230,007,849	\$196,658,034	\$2,406,831
Water	\$17,595,358	\$9,725,928	\$243,841
TOTAL	\$322,848,839	\$256,805,821	\$3,646,436



¹Sourced from the 2017 consolidated Asset Register

State of the Assets

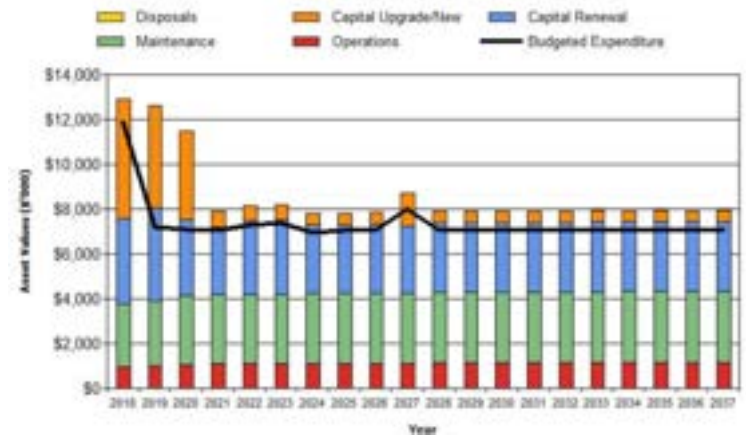
- The overall condition of council's assets are in a fair to very good condition with 4% of value reported in poor to very poor condition.



What does it Cost?

- The projected operating, maintenance, renewal and upgrade outlays required necessary to deliver services from infrastructure assets over the next 10 years is \$93.4M.
- The forecast funding for the same period is estimated in the order of \$76.9M which is 82% of the cost to deliver services.

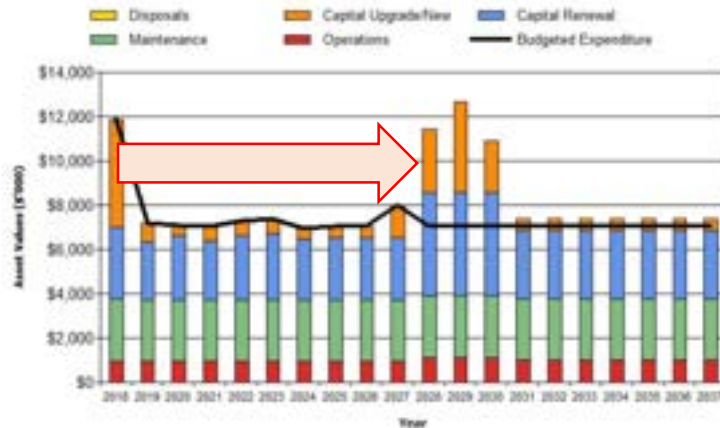
Murrumbidgee Council - Projected Operating and Capital Expenditure ()



There is potentially a \$16.5M funding shortfall deliver services over the next 10-years.

What cannot be done...

Murrumbidgee Council - Projected Operating and Capital Expenditure ()



\$16.5M Shortfall

Transport

- Total cost \$47.49M
- LTFP \$44.27M
- Shortfall \$ **3.22M (93%)**

Buildings

- Total cost \$ 7.65M
- LTFP \$ 3.76M
- Shortfall \$ **3.89M (49%)**

Land Improvements

- Total cost \$12.34M
- LTFP \$ 7.92M
- Shortfall \$ **4.42M (64%)**

Stormwater

- Total cost \$ 4.53M
- LTFP \$ 3.86M
- Shortfall \$ **0.67M (85%)**

Water

- Total cost \$14.34M
- LTFP \$11.41M
- Shortfall \$ **2.93M (80%)**

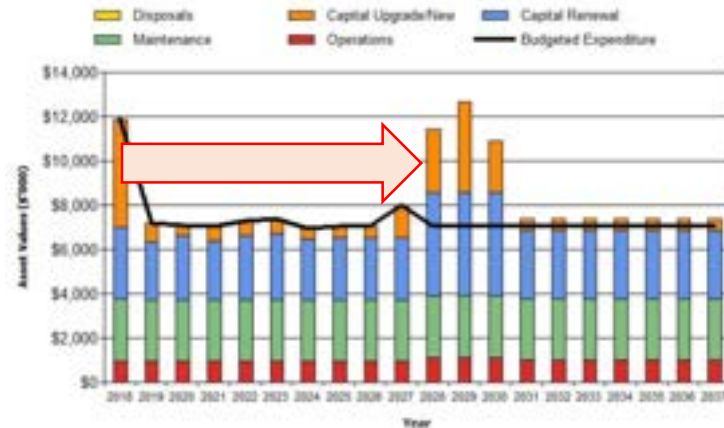
Sewerage

- Total cost \$ 7.06M
- LTFP \$ 5.70M
- Shortfall \$ **1.36M (81%)**

What does it mean?

- The aim is to achieve the Organisation's AM Objectives
- While balancing costs, risks, opportunities and performance

Murrumbidgee Council - Projected Operating and Capital Expenditure ()



Projections based on outlays to deliver services and the LTFP



Deferral of activities and programs



Possible reduction in service level performance and/or expectations



Generation of additional service risks

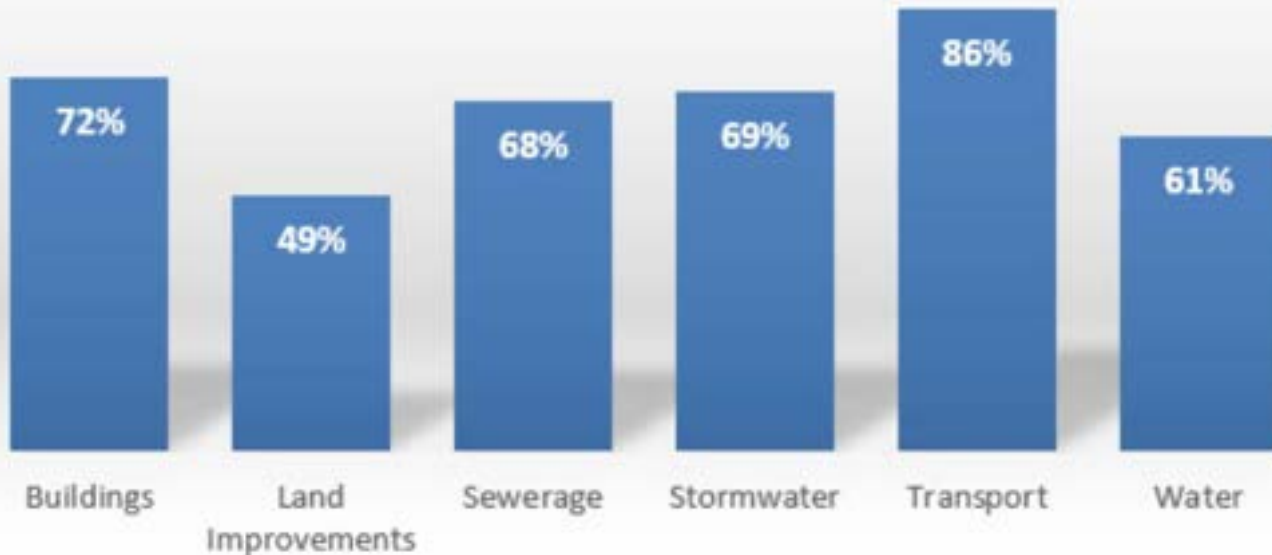
Forecast Expenditure

- The forecast expenditure to operate, maintain, replace, upgrade and add new infrastructure over the next ten years is estimated at \$93.4M¹. This is aligned with the aspirational revenue scenario detailed in the Long Term Financial Plan and the desired service delivery model identified in each of the Asset Management Plans.
- The LTFP suggests assets are funded at 84% of the life cycle cost, 4% by value are in a poor to very poor condition and overall capital/life remaining in assets is at 81% (asset consumption ratio) based on asset register, condition data, AM Plans and LTFP.

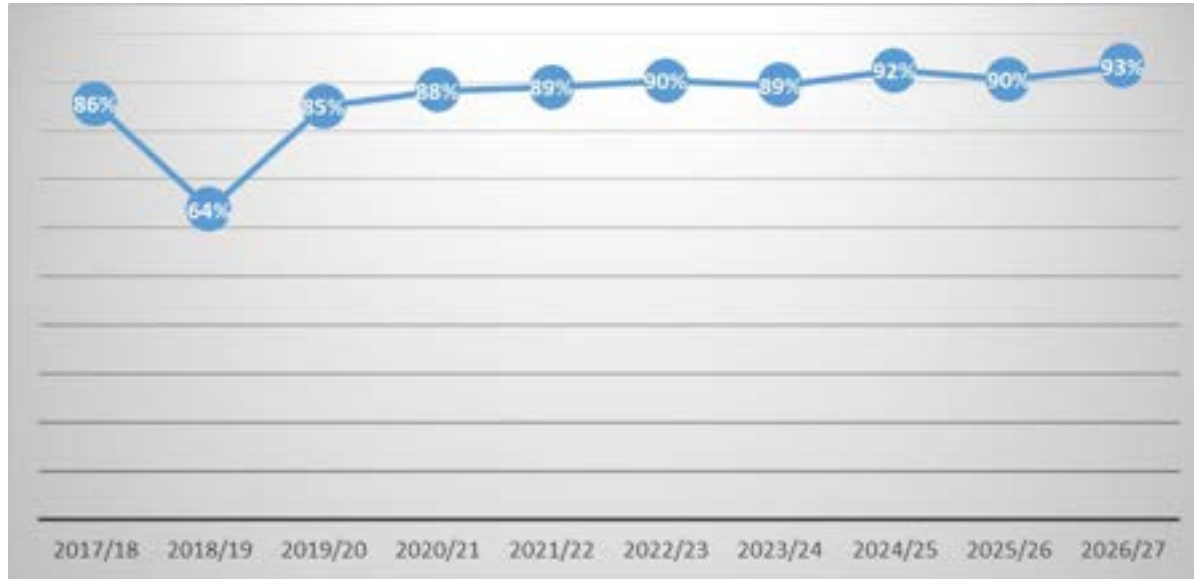
¹Aggregated from each AM Plan

Asset Consumption Ratio

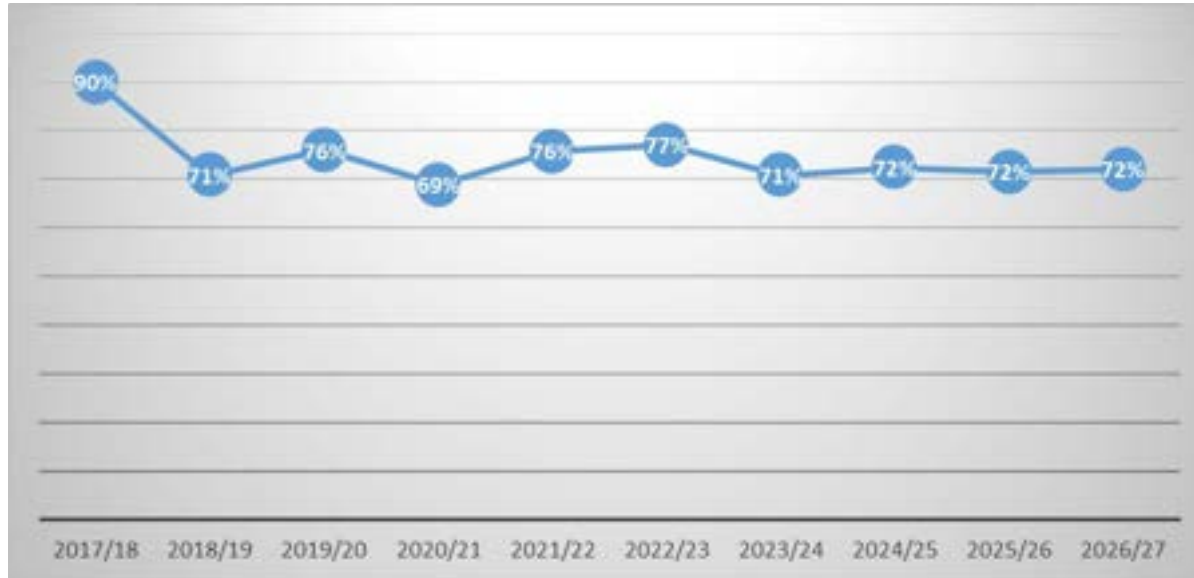
Average proportion
of 'as new condition' left in assets



Asset Renewal Funding Ratio



Asset Sustainability Ratio



Risks Critical to Operations

1. Data confidence (acquisition year, useful life, dimension and replacement costs) plus fragmented systems of monitoring asset performance is diminishing confidence and rigor in the financial operating position and level of sustainability.
2. Consequently, Council may not be able to fund current infrastructure life cycle costs at current levels of service under existing financial operating conditions over the long-term.
3. Reducing capital grants and contributions will make it difficult to maintain existing service levels.
4. Asset management capability (governance, data and service level reporting) remains below core level however improvements have been made.
5. Asset condition and performance data is fragmented particularly for most infrastructure classes except roads and is not readily available for corporate reporting.

Council's core competency assessment

The result of an assessment carried out during August 2017 by a cross functional panel recommends the adoption and implementation of delegated improvement tasks in the Asset Management Improvement Plan.

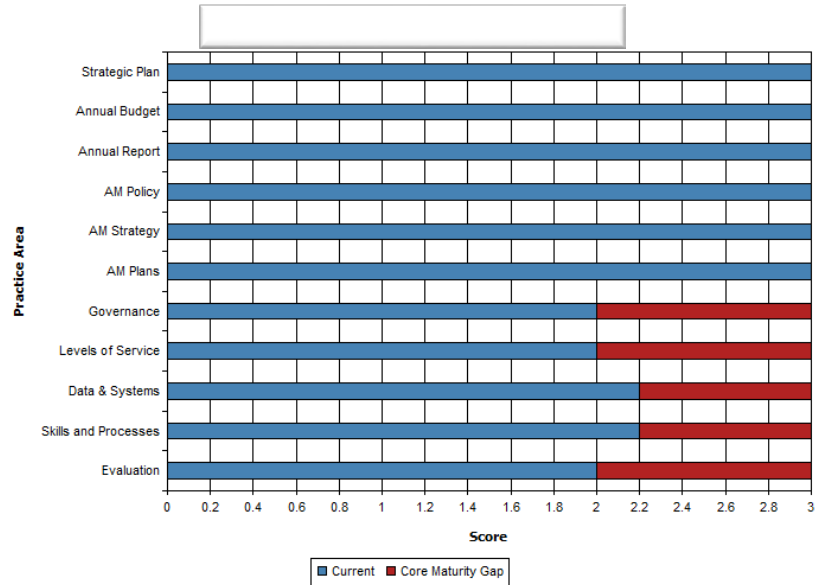
The assessment found that Council is well placed to satisfy the qualifications for core maturity and is making good progress however improvements are required in the following practice areas:

- Governance
- Data & Systems
- Levels of Service monitoring and reporting
- Skills and Processes
- Evaluation

Maturity Score Outputs

Current maturity or core competency is shown by the blue bars.

The maturity gap to be overcome for Council to achieve a core financial and asset management competency is shown by the red bars.

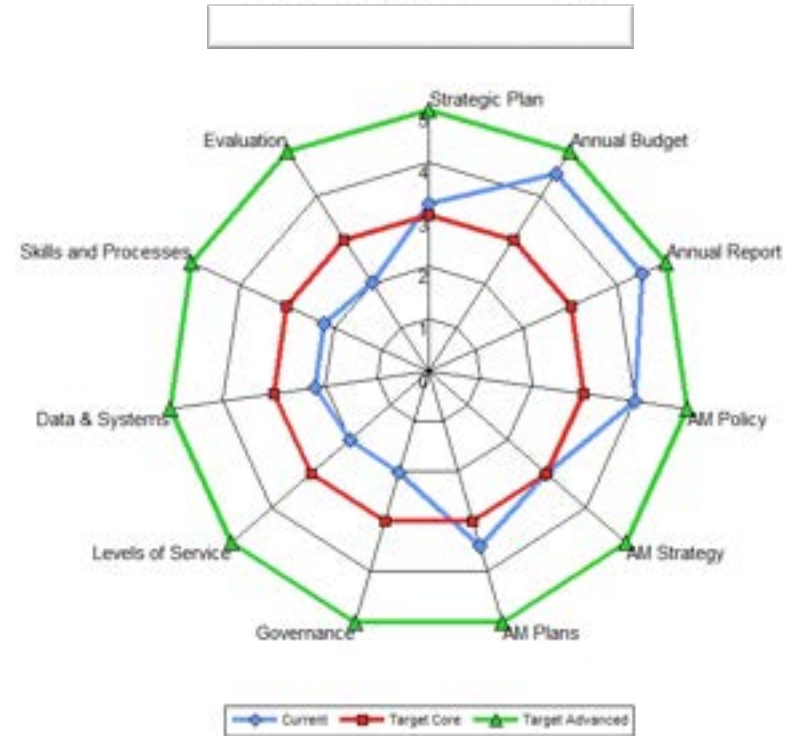


Core (0 - 3)

Current Maturity Assessment against Core and Advanced

The core and advanced maturity score spider (or radar) graph shows the level of maturity assessed for each element against the 'core' competencies required by the NAF and the advanced target maturity competency desired and selected by the organisation at the time of the assessment.

Current maturity is represented by the blue line, red is the national 'core' level target and the green line is the advanced target set by the organisation. The closer to the centre of the chart the blue line is the lower the level of maturity for that element and where the blue line extends past the red line 'core' level maturity has been achieved.



Asset & Financial Management Improvement Plan

Practice Area	Task	Responsibility	Target Date	Resources
Governance and Management	1. Implement an Asset Management Steering Committee, with cross functional representation and clearly defined and documented terms of reference, focused on coordinating the linkages between service delivery and asset management requirements.	Corporate (Technical & Financial)	Jun 2018	Staff time & operational budget
	2. Implement state of the assets reporting and include as part of the annual report.		Jun 2018	
	3. Implement a continuous improvement strategy to assess and report on the performance of controlled assets.		Jun 2018	

Asset & Financial Management Improvement Plan

Practice Area	Task	Responsibility	Target Date	Resources
Data & Systems	1. Assess the Remaining Life of assets on a priority basis and align with up to date performance data and knowledge.	Corporate (Technical & Financial)	Jun 2018	Staff time & operational budget
	2. Prepare and implement a consistent condition rating assessment process in line with the IIMM.		Jun 2018	
	3. Review and update data for the year of acquisition or date of last renewal and replacement cost in the asset register for those assets written off in the register.		Jun 2018	
	4. Adopt and implement an Infrastructure Asset Hierarchy as a basis for consistent reporting across the organisation.		Jun 2018	
	5. Ensure asset inventory, valuation and performance data is kept up to date.		Ongoing	

Asset & Financial Management Improvement Plan

Practice Area	Task	Responsibility	Target Date	Resources
Levels of Service	1. Develop and confirm current and desired customer/community and technical levels of service to understand and report on a sustainable service delivery model.	Corporate (Technical & Financial)	Jun 2018	Staff time & operational budget
	2. Implement state of the assets reporting throughout all strategic planning and reporting documents that show service level trends and targets.		Jun 2018 & Ongoing	
	3. Ensure service levels show what is achievable with available funding in the LTFP and be included in the CSP update.		Ongoing	

Asset & Financial Management Improvement Plan

Practice Area	Task	Responsibility	Target Date	Resources
Skills & Processes	<ol style="list-style-type: none">1. Assess the skills and knowledge required to perform asset data management activities, conduct financial reporting valuations and develop Asset Management Plans.2. Develop and adopt an asset management responsibility matrix.3. Identify staff training needs and training scheduled.	Corporate (Technical & Financial)	Jun 2018	Staff time & operational budget

Asset & Financial Management Improvement Plan

Practice Area	Task	Responsibility	Target Date	Resources
Evaluation	<ol style="list-style-type: none">1. Implement a knowledge management strategy via an Asset Management Governance Group ensuring data, information and knowledge updates are reported on an annual basis via the State of the Assets Report.2. Monitor and report community and technical levels of service performance.	Corporate (Technical & Financial)	Jun 2018	Staff time & operational budget

Next Steps

It is recommended that as part of the consideration of this report, Council's Asset Management Steering Committee (or equivalent) review and adopt the Asset Management Improvement Plan.

The key improvement task is the development (and ongoing maintenance) of Asset Management Plans (AM Plans) and Service Levels for key asset categories demonstrating alignment with the long-term financial plan (LTFP) and communicate risk consequences for aspirational and affordable service levels.

In addition, review, update and report on an annual basis the effectiveness of the following to the Executive Management Team via the State of the Assets Report:

1. Asset Management Improvement Plan.
2. Service level trends.
3. High to Very High infrastructure risks (via the Risk Management process).

Making Life Simple...

