

5.6. ASSET MANAGEMENT FRAMEWORK

REPORT AUTHOR Michael Kriedemann, Executive Manager Infrastructure

MANAGER Mark Stoermer, Chief Executive Officer

DEPARTMENT Infrastructure

RECOMMENDATION

That Council resolve to:

1. **Adopt the Asset Management Framework.**

EXECUTIVE SUMMARY

Section 104 (s)(a)(ii) of the Local Government Act 2009 and Section 167 of the Local Government Regulation 2012 requires the production of a long-term Asset Management Plan.

Section 168 of the regulation outlines requirements of the Asset Management Plan. The goal of the Asset Management Plan is for Douglas Shire Council, on behalf of the community, to meet a required level of service in a way that is financially sustainable through the creation, acquisition, operation and maintenance, renewal and disposal of assets to provide for present and future customers and communities.

An Asset Management System approach is central to asset management by taking account of the total cost of an asset throughout its life. A successful asset management plan is judged through better service at an improved costing.

Council has a number of guiding documents that help inform the development of the Asset Management System. At the Ordinary Council Meeting – 28 June 2016, Council adopted the *Strategic Asset and Service Management Plan*. At the Ordinary Council Meeting – 3 December 2019, Council adopted an updated *Asset and Service Management General Policy*.

This report recommends Council adopt the *Asset Management Framework*, which will be used to ensure linkages between asset management functions and enhance the system approach.

BACKGROUND

The existing *Asset and Service Management General Policy* was adopted by Council in June 2015 and was re-adopted by Council in December 2019. Over the past 4 years this policy has been the guiding document used by Council Officers in developing long term budgets, annual capital and operational budgets together with holistic asset management activities.

At the Ordinary Council Meeting – 28 June 2016, Council adopted the *Strategic Asset and Service Management Plan*. This Plan has been the guiding document used by Council Officers in analysing the asset lifecycle, operations, maintenance, replacement, disposal, financial management, data management and risk management.

Over the past 3 months, the Asset Steering Committee has undertaken an extensive review of the Policy and Plan, including data inputs and systems associated with asset management, and has developed this Framework document to align with the principles in the Australian Standard 55000 (Asset Management Suite) and ensure linkages between strategic, tactical and operational functions.

COMMENT

The Asset Steering Committee has been meeting regularly to progress the development of various asset management strategies and initiatives. These actions have been identified through internal audits, Queensland Audit Office (QAO) recommendations and in collaboration with internal stakeholders and external subject matter experts across FNQROC member Councils.

The five principles within the *Asset and Service Management General Policy* summarise the methodical approach the Steering Committee has taken in progressing this task. Effective asset management will be achieved through:

1. Organisational maturity;
2. Asset management practices;
3. Asset planning and management plans;
4. Asset knowledge; and
5. Continuous improvement.

PROPOSAL

That Council resolve to:

1. Adopt the Asset Management Framework.

FINANCIAL/RESOURCE IMPLICATIONS

Asset management is one of the main functions of Local Government. Financial control is important to ensure renewal of assets is embedded in budgets, routine maintenance programs reduce accelerated depreciation of assets and to ensure financial sustainability through the Asset Sustainability Ratio reported by Council and audited by the QAO.

RISK MANAGEMENT IMPLICATIONS

This framework document will help mitigate risks associated with owning, operating and delivering infrastructure and services to our community. It will help to create an environment where all Council employees will take an integral part in overall management of Council assets which will reduce the risk of obsolescence, inefficient assets and facilitate prudent investment in renewal of infrastructure.

SUSTAINABILITY IMPLICATIONS

- Economic:** This framework document will ensure financial sustainability across Council and will guide Councillors and Staff in the development of long-term financial forecasts and asset renewal.
- Environmental:** This framework document will ensure Council delivers effective and efficient services, at the appropriate levels to residents, visitors and the environment.
- Social:** This framework document will ensure transparent and responsible asset management processes that align with community expectations.

CORPORATE/OPERATIONAL PLAN, POLICY REFERENCE

This report has been prepared in accordance with the following:

Corporate Plan 2019-2024 Initiatives:

Theme 1 - Celebrating Our Communities

Douglas Shire Council embraces the diversity of our communities and values the contribution that all people make to the Shire. We recognise that it is a core strength of the region. We acknowledge our past so that it may guide us in the future. We recognise the wrongs done to our Indigenous community and we actively seek to reconcile so that we may all benefit from and enjoy our Shire. We acknowledge early European settlers who forged an agricultural base for our economy and we welcome all new arrivals as part of our broader community.

Goal 1 - We will celebrate the diversity of our community and ensure that all infrastructure, programs, and services are underpinned with inclusiveness and accessibility.

Goal 2 - We will deliver programs and services that protect and enhance the liveability of our beautiful Shire.

Theme 2 - Fostering Sustainable Economic Growth

A robust economy is at the heart of a thriving community and enables investment in environmental protection. While our remoteness is a key attribute, it also presents challenges for attracting new business and investment. We must also meet the challenges of fierce competition in the tourism sector. Council will partner with industry to build, diversify and promote the Douglas economy. Council will design and deliver infrastructure, strategies and services that support the local economy and businesses.

Goal 1 - We will build appropriate infrastructure and deliver services that connect and support businesses.

Theme 5 - Robust Governance and Efficient Service Delivery

Strong governance and financial management are the foundations of the way in which Council will conduct its business and implement the initiatives of the Corporate Plan.

Goal 3 - We will make sound financial decisions by ensuring robust strategic planning, financial management and reporting.

COUNCIL'S ROLE

Council can play a number of different roles in certain circumstances and it is important to be clear about which role is appropriate for a specific purpose or circumstance. The implementation of actions will be a collective effort and Council's involvement will vary from information only through to full responsibility for delivery.

The following areas outline where Council has a clear responsibility to act:

Builder/Owner Council makes a significant investment every year in the infrastructure that underpins the Shire through its capital works program. Council will manage its assets with appropriate frameworks and deliver its projects through robust project management.

CONSULTATION

Internal: Consultation has been undertaken with the following internal stakeholders:

- Asset Management Officer;
- Chief Financial Officer;
- Manager People and Community Services;
- Manager Water and Wastewater;
- Team Leader Management Accounting; and
- Manager Environment and Planning.

External: Nil

COMMUNITY ENGAGEMENT

No community engagement has been completed as this is an internal framework document. In the future, it is expected that community engagement will occur when individual asset management plans are reviewed.

ATTACHMENTS

1. A M 03 Asset Management Framework Douglas Shire [5.6.1 - 12 pages]

Douglas Shire Council – Asset Management Framework



Contents

Intent.....	3
Scope	3
Reference / Linkages.....	3
Legislation:.....	3
Other:.....	3
Document Control.....	3
Introduction	4
1. Framework Overview.....	5
2. Council Objectives.....	6
3. Asset Objectives.....	7
4. Managing our Assets.....	8
4.1. Whole-of-life Approach	8
4.2. Asset Knowledge	9
4.3. Asset Management Enablers.....	10
5. Monitoring, Evaluation & Improvement	10
5.1. Performance and Risk Management	10
5.2. Continuous Improvement & Benchmarking	11

Intent

This document provides an overarching framework to ensure the sustainable management of the Asset portfolio and services for Douglas Shire Council (Council) to deliver on the principles of local government.

A key outcome of the Asset Management Framework is to move the emphasis from the technical, financial and scheduling activities going on inside Council to the whole of Community context for asset utilisation and optimisation as well as delivery of value-add services.

Scope

This framework applies to Council's current and future utilisation and optimisation of its Assets and associated services, whether the processes are controlled by Council's internal asset custodians and support areas or external service providers.

Reference / Linkages

Legislation:

- *Local Government Act 2009*
- *Local Government Regulation 2012*

Other:

- Enterprise Risk Management Framework Guideline (Document ID: 428359)
- Strategic Asset and Service Management Plan (Document ID: 770327)
- Australian Standard AS ISO 55000:2014 Asset Management – Principles and Guidelines).
- Australian Standard AS ISO 31000:2018 Risk Management – Principles and Guidelines).
- Australian Accounting Standards issued by the Australian Accounting Standards Board (AASB);
- Corporate Plan; Operational Plan; and Annual Budget;
- Asset Management Policy (Document ID 809829);
- Asset Capitalisation General Policy (Document ID: 809840);
- Revaluation of Non-Current Assets General Policy (Document ID: 815031);
- Long Term Financial Forecast;
- Long Term Capital Works Program (Document ID: 888851);
- Financial Management (Sustainability) Guideline (DILGP).
- State Infrastructure Plan 2016

Document Control

DOCUMENT OWNER	Executive Manager Infrastructure
FINAL ENDORSEMENT BY AM Steering Committee:	16/12/2019
REVIEWED BY CEO:	16/01/2020
ORIGINALLY ADOPTED:	21/01/2020
CURRENT ADOPTION:	21/01/2020
DUE FOR REVISION:	21/01/2024
REVOKED/SUPERSEDED:	N/A

Introduction

Council is responsible for the stewardship of a diverse infrastructure and non-infrastructure asset portfolio on behalf of the Douglas Community. This responsibility is guided by specific legislation that centres on asset management.

The *Local Government Act 2009* Section 4(2) defines that Local Government is responsible for delivery of the *sustainable development and management of assets and infrastructure, and delivery of effective services*, which must be achieved while also ensuring;

- *transparent and effective processes, and decision-making in the public interest;*
- *Democratic representation, social inclusion and meaningful community engagement;* and
- *Good governance and ethical and legal behaviour.*

The *Local Government Regulation 2012* further specifies the following requirements in relation to Council's Long-term Asset Management Planning, being:

- Section 167 Preparation of long-term asset management plan
 1. A local government must prepare and adopt a long-term asset management plan.
 2. The long-term asset management plan continues in force for the period stated in the plan unless the local government adopts a new long-term asset management plan.
 3. The period stated in the plan must be 10 years or more.

- Section 168 Long-term asset management plan contents, must
 - a. provide for strategies to ensure the sustainable management of the assets mentioned in the local government's asset register and the infrastructure of the local government; and
 - b. state the estimated capital expenditure for renewing, upgrading and extending the assets for the period covered by the plan; and
 - c. be part of, and consistent with, the long-term financial forecast.

The achievement of its responsibility must be undertaken within the context of the Queensland State Government's overall strategy for Infrastructure and services, to build communities that are "great places to live, work and play" [State Infrastructure Plan 2016].

Council recognises that a structured and consistent approach for management of the Asset Portfolio and setting clear and concise strategic objectives will allow Council to manage its asset-based services and associated management activities in alignment with desired community and organisational outcomes.

This significance of asset management is further articulated by the specific initiative within the 2019-2024 Corporate Plan, being:

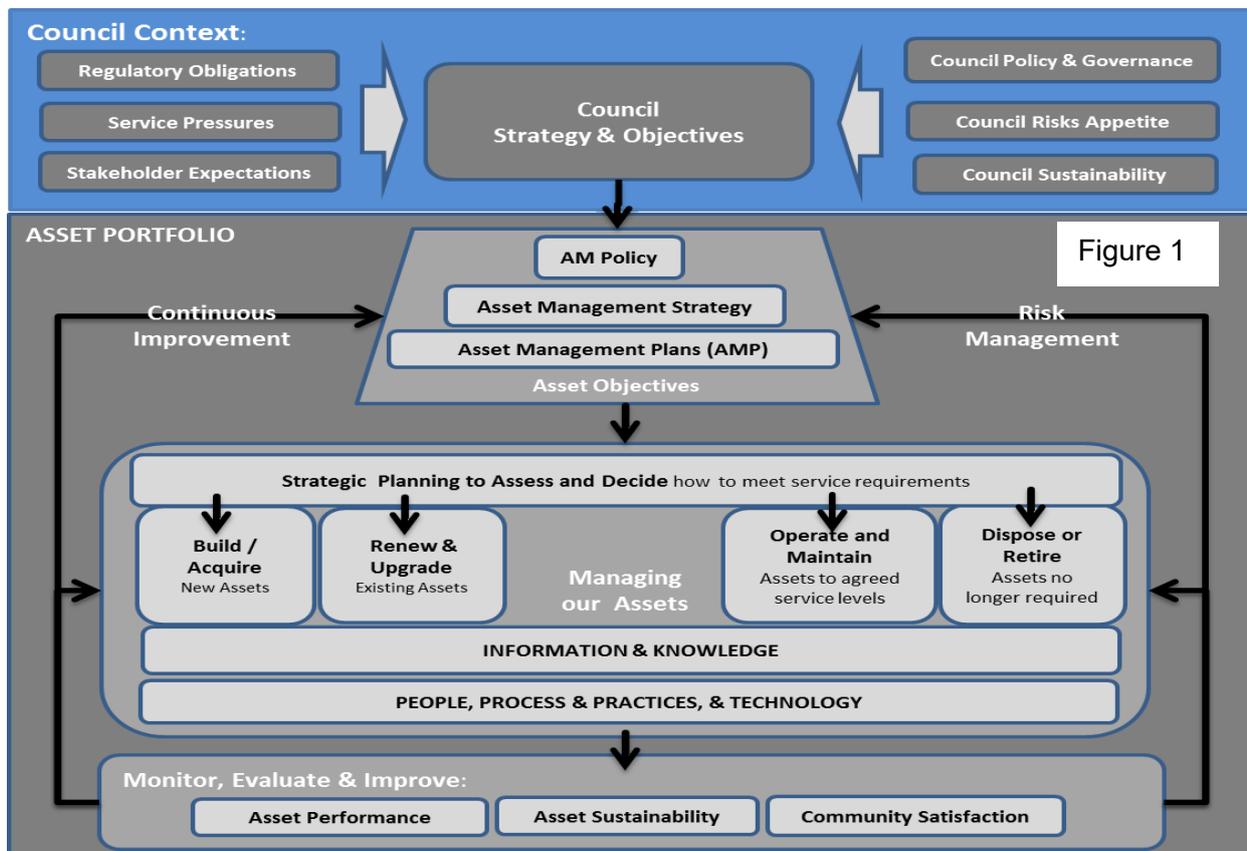
- Theme 5 "Robust Governance and Efficient Service Delivery", Goal 3.1 states, "Prepare Asset Management Plans for all Council assets.

To build the required core business capability and capacity of Asset Management needed to fully realise benefits in service delivery for the Douglas Shire community, Council will develop and maintain an Asset Management Framework that aligns to AS ISO 55000:2014 Asset Management.

Effective asset management will enable Council to achieve its medium and longer term strategic and financial sustainability objectives, while balancing the management of its existing asset portfolio with future community growth and service expectations.

1. Framework Overview

The objective of the Asset Management Framework [figure 1] is to enable Council to realise value from its assets in the achievement of its organisational objectives, while balancing financial, environmental and social costs, asset and service risk, service quality and asset performance.



The focus of this framework is to define the Asset Management approach for Council that enables:

- improved financial sustainability, while preserving the value of the current asset portfolio and not sacrificing realisation of strategic and operational objectives;
- Informed asset investment decisions for improved decision making to balance service sustainability, risks, opportunities and performance;
- Improved management of risk to achieve a balanced approach to delivering Council's asset and service objectives as well as reducing liabilities such as insurance premiums, fines and penalties;
- Improved services and outputs through improved management and performance of assets that consistently meet or exceed the expectations of customers and stakeholders;
- Demonstrated socially responsible and ethical business practices and asset stewardship;
- Demonstrated transparent compliance with legal, statutory and regulatory requirements, as well as asset management better practice standards;
- Enhanced reputation, through improved customer and stakeholder engagement, satisfaction, awareness and confidence;
- Improved organisational financial and operational sustainability, and
- Improved efficiency and effectiveness: reviewing and improving processes, procedures and asset performance can improve efficiency and effectiveness, and the achievement of organisational objectives.

2. Council Objectives

Council exists to deliver long-term sustainable services to the Douglas community.

The Corporate Plan outlines the strategic priorities for Council, the Plan provides the framework for the delivery of services that the community has identified as most important. This strategic blueprint shapes Council's annual Operational Plans over the next five (5) years, where annually Council balances the desired delivery of identified goals and levels of service, with the available levels of funding (annual budget).

The Asset Portfolio must align and support Council's long-term community strategy by balancing the current and future capabilities of assets with satisfying the on-going business demand to achieve desired outcomes for the community

This critical alignment between managing the organisation (Strategy and Services) and management of the Asset Portfolio is shown pictorially;

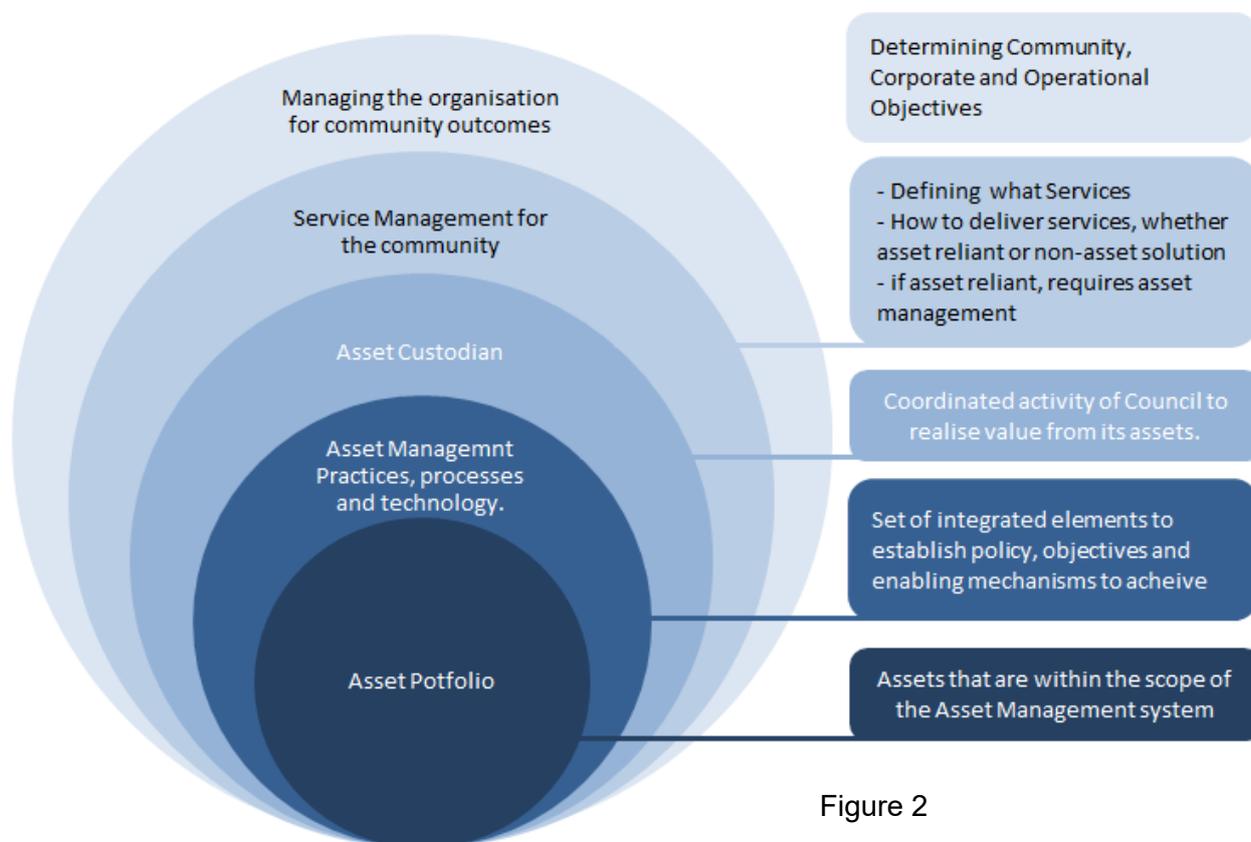


Figure 2

This alignment will be achieved by Council when;

- Levels of service for asset based services are defined considering community expectations; legislative and technical requirements; the cost of service and economic, environmental and social sustainability;
- Decisions are evidence based and utilise available asset information to ensure consideration of holistic asset risks and life-cycle benefits for the community;
- Performance of assets is managed in a systematic and sustainable manner based on agreed levels of service; and
- Minimum asset sustainability targets are met.

Asset management planning is an integral part of Council's corporate, financial, operational and budgetary planning to ensure that Council can sustainably deliver on the strategic objectives desired by the community.

3. Asset Objectives

To cascade Council objectives into day to day operations of service areas, Council utilises its corporate planning process [figure 3] to identify the asset objectives that drive delivery of strategic outcomes, being:

- Levels of Service;
- Sustainability targets;
- Service strategies and asset programs of work;
- Program budgets, and
- Performance targets.

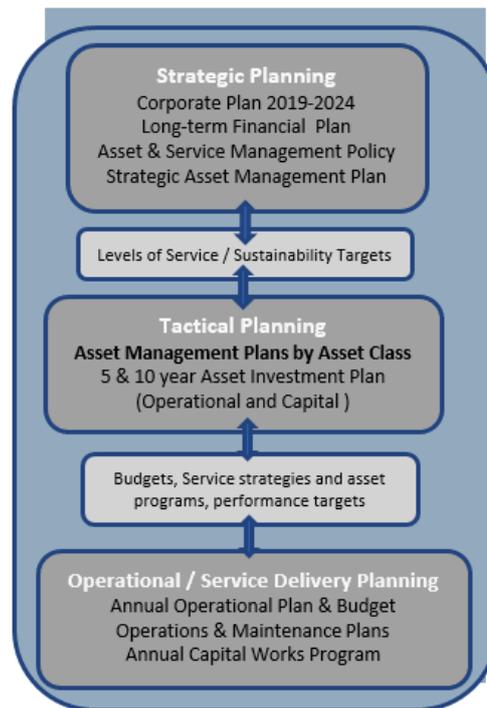


Figure 3

Within the Framework, the asset management objectives will be reflected within:

- Asset Management Policy (Policy);
- Strategic Asset Management Plans (SAMP);
- Asset Management Plan (AMP) for each individual asset class;
- 10 year Asset Resourcing Plan, and
- Annual operation, maintenance and capital programs.

From a service perspective, Council's AM objectives as defined by community needs and associated services (refer to Figure 4 below).

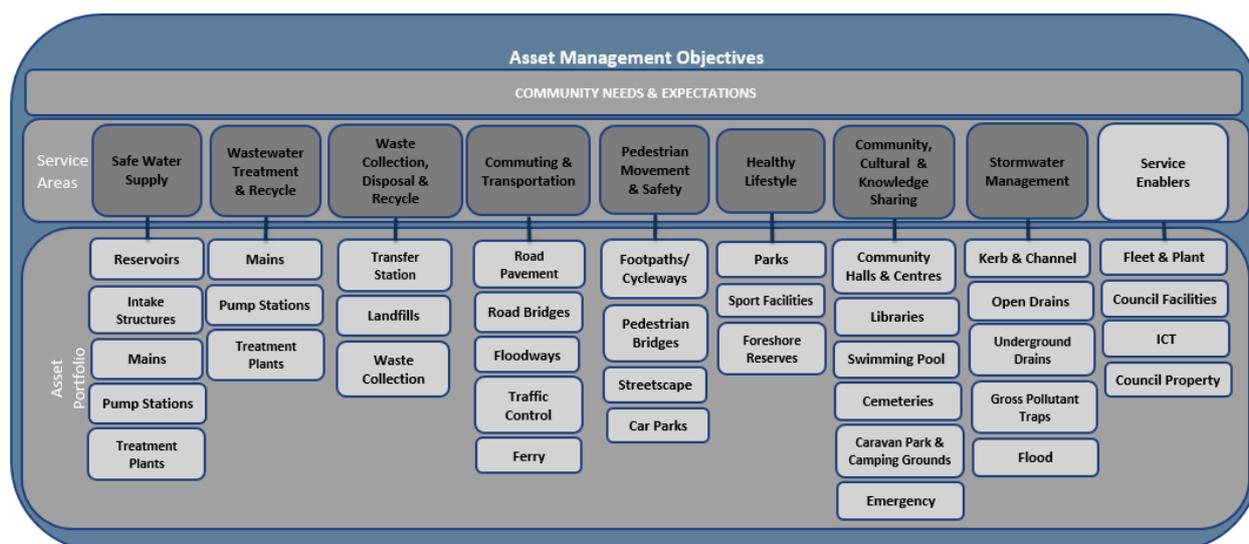


Figure 4

In establishing its AM objectives, Council will seek to undertake community consultation through:

- Specifically designed customer surveys and workshops; and
- Interaction via various media channels, including a feedback link on the public website, reviewing publicly available reports and various other publications on the Council website.

Internally, as part of Council's annual planning cycle, workshops are held with Councillors and Management Team, as well as with asset custodians and service teams to review the current AM objectives and service standards.

4. Managing our Assets

4.1. Whole-of-life Approach

Council takes a risk based, whole-of-life approach to the management of its Asset Portfolio and the related services to the community. This approach is underpinned by Council's understanding of its asset based service provision within the context of Council's asset management objectives, particularly:

- Balancing community need verses wants;
- Delivery options, including design, innovation, funding and non-asset solutions;
- Level of service reviews to confirm affordability, sustainability and equity;
- Assessment of asset performance and service risks; and
- Funding priority to renew existing assets before investing in new assets.

This information underpins the key decisions within the lifecycle of an asset, graphically shown as:

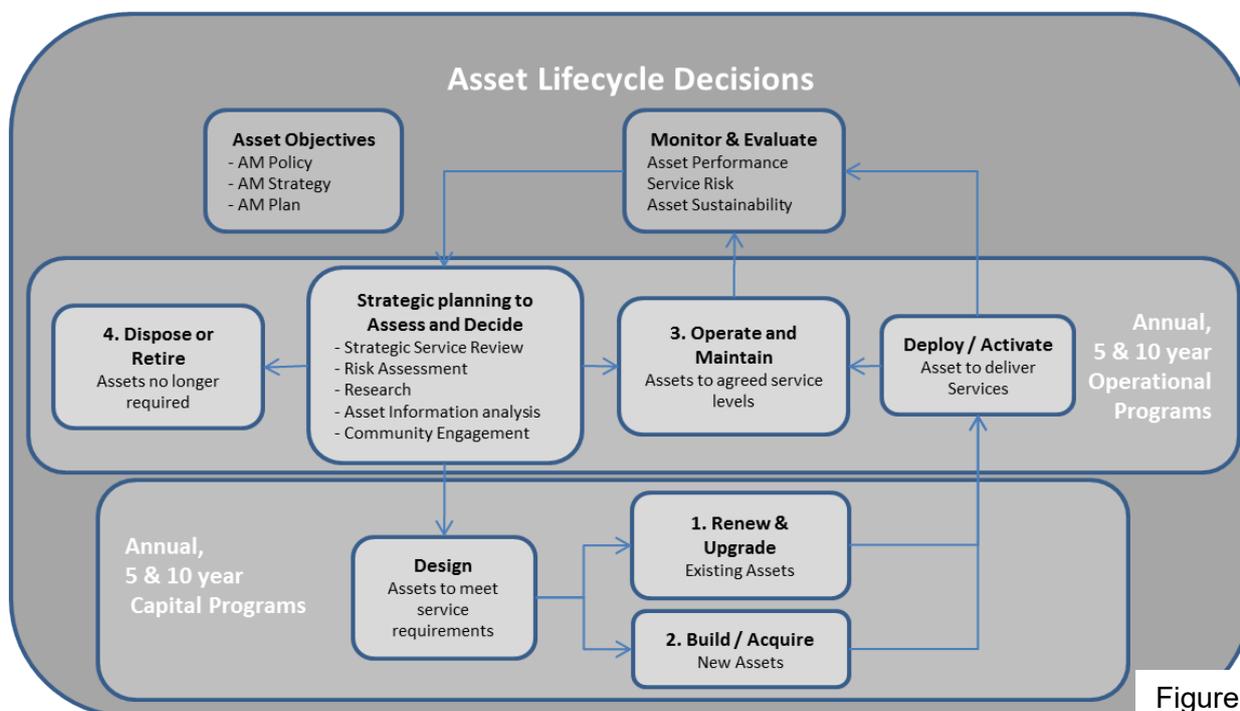


Figure 5

As the asset lifecycle continues as long as the service requirement remains, Council recognises and understands that its asset decisions have subsequent future financial consequences, principally those decisions to:

- Commit capital funding to procure or build a new asset is always made with an understanding of the commitment to ongoing operating and maintenance costs as well as future capital costs required throughout its entire useful life;
- Not fund an asset or to defer operating and maintenance costs, or to defer funding for renewing an asset potentially commits Council to greater future costs to upgrade or replace the asset;
- Increase either the level of service or function of an asset commits Council to greater future operational and capital costs; and
- Accepting new contributed assets or introducing a new service and acquiring enabling assets commits Council to greater future operational and capital costs.

In principle, Council aims to fund asset renewals from own source funding, with upgrades and new assets being funded either partially or in full from external funding sources or from contributed assets provided to Council at no initial cost.

4.2. Asset Knowledge

Core to better managing the Asset Portfolio, is the effective and efficient management of Council's asset information. Better informed strategic and operational planning will enable value-adding asset-based service provision to the community.

Asset information is managed in accordance with Council's information management and asset management standards, policies and practices.

Assets under the control of Council are identified and recorded in Council's Financial and Engineering registers with the level of detail and accuracy being based on:

1, Information required to meet legislative requirements pertaining to Council's assets, primarily being Local Government Act and regulation, Water Supply Act, Australian Accounting standards.

2. Information required to manage Council's Assets, including but not limited to:
Asset condition, performance standards, environmental factors, Performance KPIs

3. Information required to understand and deliver agreed level of services, including but not limited to:
Customer segment, service definition, asset service criticality, level of service, continuity thresholds, Service KPIs

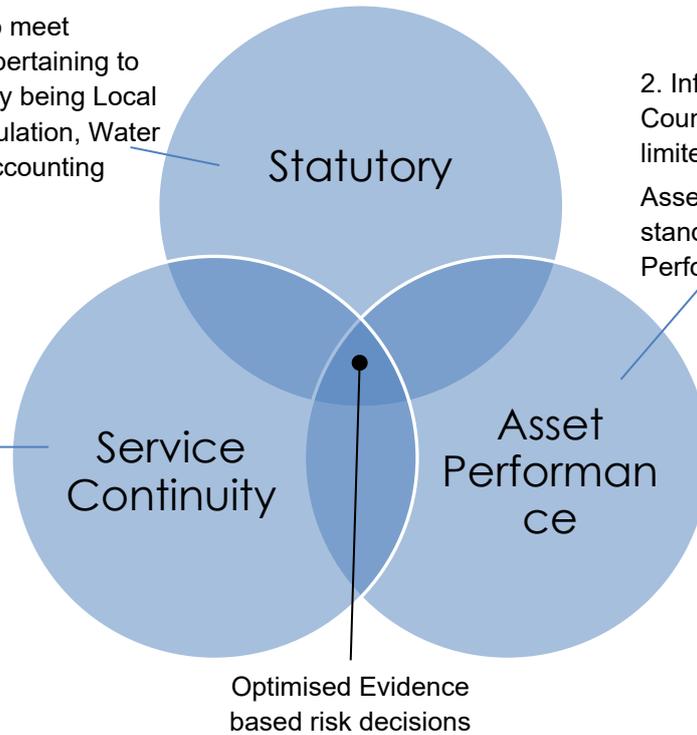


Figure 6

Council's objective is to establish a level of Asset Information and knowledge that enables evidence-based decision-making to optimise the value of its asset-based services in meeting the community expectations.

4.3. Asset Management Enablers

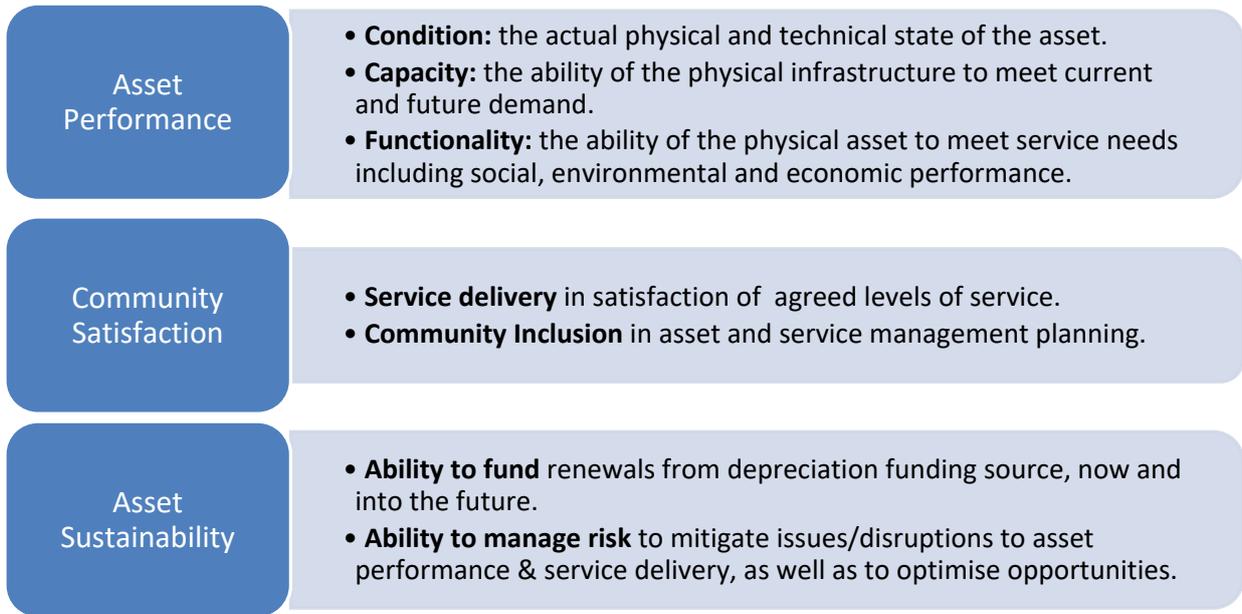
To successfully achieve building the core capabilities for asset management, Council recognises that this requires adequately resourced and well-managed business enablers, being:

People	<ul style="list-style-type: none"> • Competencies and capabilities, roles & organisation, levels of satisfaction and pride, work conditions, development opportunities and staff relationships that make asset management happen.
Processes and practices	<ul style="list-style-type: none"> • Processes, procedures and practices that make asset management run smoothly and compliant.
Technology	<ul style="list-style-type: none"> • ICT applications, equipment and hardware that support and enable both office and remote based asset management activities

5. Monitoring, Evaluation & Improvement

5.1. Performance and Risk Management

With such a significant investment and the provision of multiple asset-based services to our community, Council understands the importance of being able to monitor the effectiveness and performance of all assets in meeting expected and required service levels. As such, Council monitors the Asset Portfolio in terms of:



Council will continue to provide sustainability, accountability and transparency in relation to its annual asset funding decisions through a combination of its Operational Plan, Capital Works Program and annual budgeting process, together with its internal and external reporting processes.

5.2. Continuous Improvement & Benchmarking

Council is continually looking to enhance the way in which the Asset Portfolio adds value to the organisation and community by optimising the benefits of new and emerging advancements in technology, materials, management practices, standards and business process.

Council will actively benchmark the maturity of its approach [figure 7] and asset management capability [figure 8] against the International Asset Management Standard (ISO55000), the International Infrastructure Management Manual, and the National Sustainability Framework.

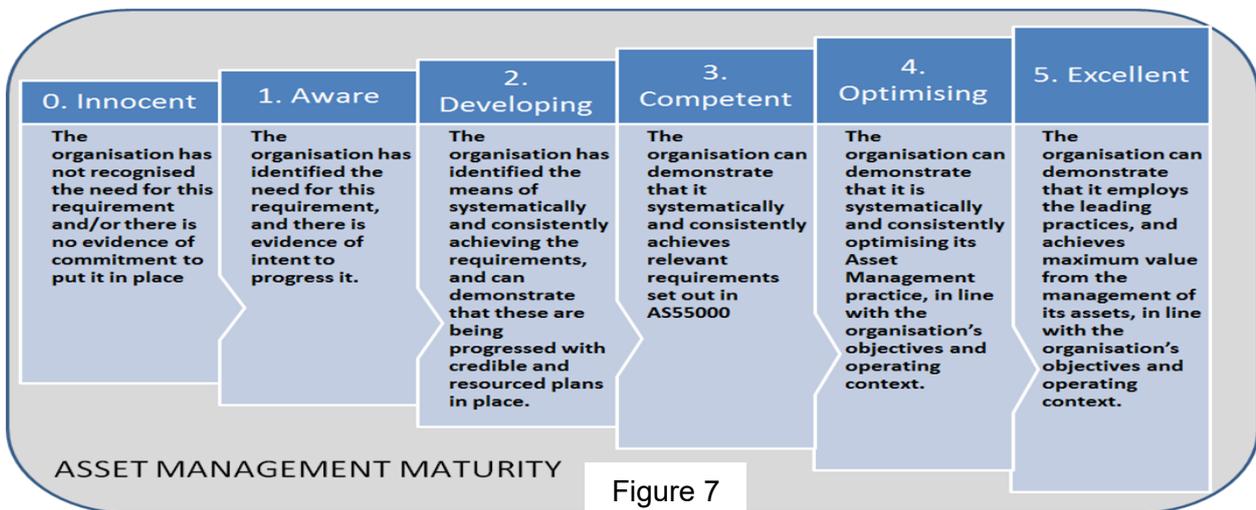


Figure 7



Figure 8

The objectives of Council's continuous improvement roadmap focus on:

Better Data & Processes

- Enhancing capability to ensure more consistent, complete, accurate and timely data is available.
- Optimising collection, analysis and management of data from our assets, community and service partners.

Right Information

- Being innovative in engaging, collaborating and aligning with our community and service partners.
- Establishing design standards, service levels, performance targets and report on our asset performance.

Right Decisions

- Creating an evidence-based risk decision-making approach, that is agile and predictive.
- Optimising asset solutions to better inform asset custodians, service teams and the community of asset decisions, plans and performance.
- Future proofing asset management and service delivery by enabling the right changes, at the right time, in the right way.