

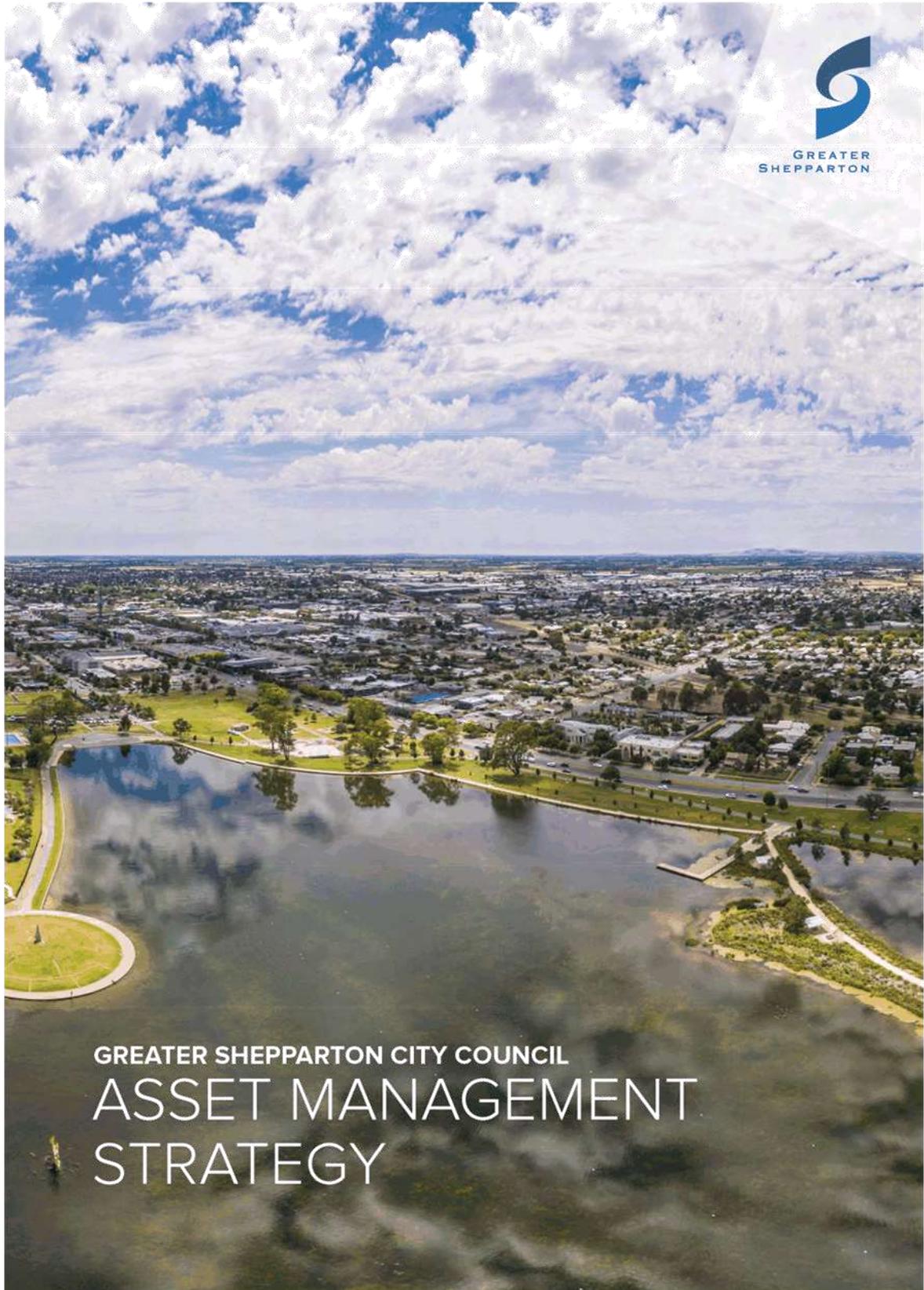
ATTACHMENT TO AGENDA ITEM

Ordinary Meeting

17 December 2019

Agenda Item 8.5 Asset Management Strategy Review

Attachment 1 Asset Management Strategy 127



Greater Shepparton City Council

Asset Management Strategy

Document Revisions

Version #	Summary of Changes	Date Adopted
1	Initial Release	April 2004
2	Update	October 2007
3	Updated with Asset Management Policy version 3	December 2010
4	Updated strategy to align with Asset Management Policy	December 2019

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EXECUTIVE SUMMARY

This Asset Management Strategy describes how Greater Shepparton City Council will meet its objectives outlined in the Asset Management Policy towards its \$1.4 billion worth of assets. This strategy builds on the previously adopted revisions of this strategy from 2004, 2007 and 2010 and adopts a best practise approach with a target to achieve core competency under the National Asset Management Assessment Framework in the short term while aligning with ISO55000 over the long term.

Supporting this strategy are individual Asset Management Plans for the 24 classes of assets which makeup the asset portfolio at Greater Shepparton City Council. The number of Asset Management Plans has increased since the last adopted strategy, providing a more comprehensive plan for managing each asset class. Ultimately a mature asset management system will move away from the current depreciation-based reporting to inform annual and the long-term financial plans with condition-based modelling linked to demand and service level information.

This strategy provides measures to address the impacts of climate change, which will have a significant impact on the asset's Greater Shepparton City Council manage and the services they provide. This strategy and accompanying Asset Management Plans will consider how to manage our existing assets given the climate change impacts, and also how to create resilience to climate change in any new works or acquisitions.

1 INTRODUCTION

Asset Management at Greater Shepparton City Council (GSCC) aligns closely to the International Standard, ISO55000, which defines Asset Management as "The coordinated activity of an organisation to realise value from assets." Good asset management ensures that GSCC maximises the value from its assets. This Asset Management Strategy describes how GSCC will meet its objectives outlined in the Asset Management Policy, adopted by Council December 2010 and reviewed in December 2017.

2 SCOPE

The Asset Management Strategy establishes the approach, methodology and direction of asset management, together with the activities necessary to implement GSCC's Asset Management Policy, and achieve its objectives.

This strategy concerns the physical assets GSCC are responsible for, which as of July 2019 have a replacement value of \$1.4 Billion and are contained in the asset register.

The asset management Policy defines "Asset" as a physical asset built or constructed..." As such the Asset Management Strategy strives to provide and support appealing relevant infrastructure that makes Greater Shepparton an attractive, liveable regional city. Specifically the objectives relating to this strategy are:

- Objective 4.4 - Quality infrastructure is provided and maintained to acceptable standards.
- Objective 4.5 - Assets are well managed and their renewal is being planned through long term renewal strategies.

The measures of success as defined in the 2017-2021 Council Plan are presented in Table 1 along with current performance and targets.

Table 1 – Asset Management Objectives & Success Criteria

MEASURE	SOURCE	BASELINE	TARGET	WHEN MEASURED
Infrastructure asset defects addressed within relevant intervention period by class of asset	Inspection Service Level Plan, Road Management Plan	90%	90%	Quarterly
Community satisfaction with condition of sealed local roads	Community Satisfaction Survey for local governments results	51	55	Quarterly
Maturity of Council's asset management practices and processes	National Asset Management Assessment Framework	907	1100	Annually

The below documents support this strategy as stated in the 2017-2021 Council Plan:

- *Asset Management Policy*
- *Asset Management Plans*
- *Service Plans*
- *Road Management Plan*
- *Roadside Management Strategy*
- *Infrastructure Design Manual*
- *Greater Shepparton 2030 Strategy*
- *Asset Capitalisation Policy*
- *Depreciation Policy*
- *Land Under Roads Policy*
- *Asset Valuation and Revaluation Policy*

This strategy assists with long-term sustainable management of council assets and services so that existing assets are fully utilised over their life. It describes asset management within GSCC, from the present to the future, by considering:

- What is our current situation;
- Where do we want to be; and,
- How will we get there?

3 ASSET MANAGEMENT PRINCIPLES

Council will adopt principles consistent with ISO55000 and the National Asset Management Assessment Framework (NAMAF) and maintain Asset Management Plans for individual asset classes to direct annual and long-term expenditure plans that measure the value of investment to meet community expectations.

The GSCC owns or manages assets for the express purpose of providing community services. This Asset Management Strategy will support the Asset Management Policy by:

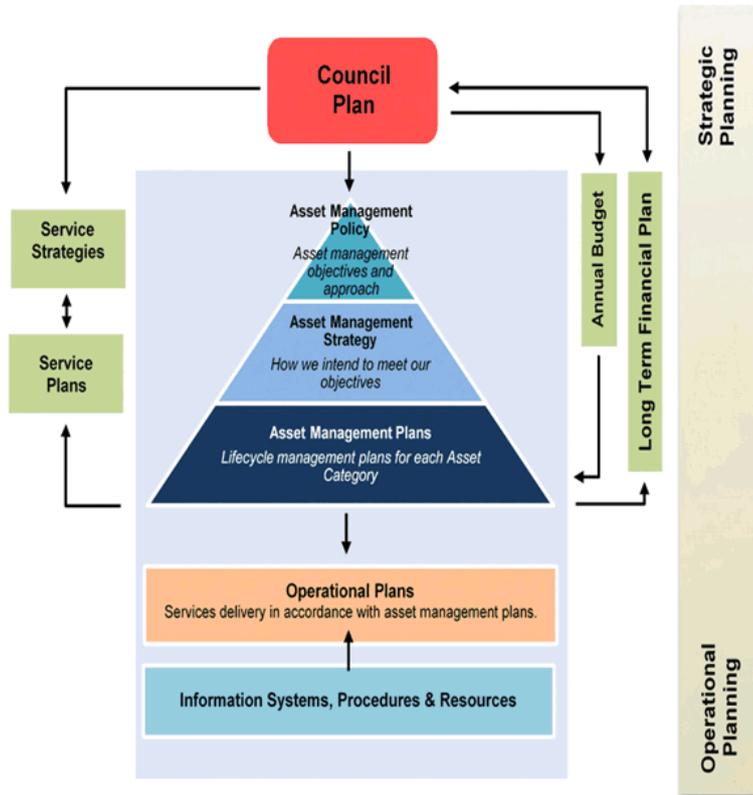
- Establishing framework to maintain assets so they are fit and safe for the purpose for which they have been provided
- Ensuring assets are replaced at optimum time as required subject to agreed prioritisation
- Ensuring assets are financially sustainable (considering whole of life cost)
- Minimise detrimental impact on the natural environment
- Meeting the service levels agreed with the community
- Documenting the level of service to be delivered by each asset class
- Determining which renewal, upgrade, expansion and new projects are funded.
- Committing to regularly review this asset management strategy

4 ASSET MANAGEMENT FRAMEWORK

Asset Management works with and supports other strategic frameworks by ensuring appropriate infrastructure is developed and maintained, enabling the delivery of programs, services and activities to the community.

This Asset Management Strategy is part of a suite of council publications that provides consistent messages on asset management to the community. This strategy is part of the wider Asset Management Framework as depicted in Figure 1 – which details the connection between the Council Plan through to individual Asset Management Plans and their relationship to other strategic and operational documentation.

Figure 1 – Greater Shepparton City Council's Asset Management Framework



Further details on the key elements of the Asset Management Framework are as follows:

- Asset Management Policy outlines longer term goals and principles to be adopted in managing community assets to support the delivery of sustainable services for the community.
- Asset Management Strategy provides approaches and methods to be used that will achieve the goals and principles established by Council in the asset policy. It details how the competing requirements of each asset class will be balanced against Council's financial, service level and resource objectives and constraints.
- Asset Management Plans articulate how the core assets of the Council will be managed in the short to medium term. Details the optimised management regime for each asset class and associated financial implications. They form the basis for maintenance, operating and capital programs.
- The Long-Term Financial Plan demonstrates the Council's financial commitment to developing and maintaining community assets and services.
- Operational plans assist in the ongoing operation and maintenance of the Council's infrastructure.
- Service Plans help local government clarify the needs of their communities. GSCC use these plans to determine potential changes to make to service delivery, and provide the benefits to all impacted stakeholders.
- Information Systems are used to record asset's condition in a central database.

5 ASSET SYSTEMS

GSCC use several systems to enable asset financial reporting, evaluations, renewal forecasting, and asset condition data capture. The current systems used to store and manage asset data are:

- Confirm – Corporate Asset System
- Geocortex – Graphical Geospatial Information System
- CAMMS – Project Management System
- Authority – Financial Management System
- Pathways – Customer Service System
- Assetic Predictor – Data modelling for roads, kerb and channel, bridges, and building assets
- TRIM – Document and Records Management System
- MS Excel – Spread sheets to analyse recorded asset data
- Traffic counters – collection of traffic data

6 CONDITION ASSESSMENT + MONITORING

GSCC manages the condition surveys on Council's sealed road network, bridges, buildings and drainage pipes. In addition, regular condition surveys of footpaths, shared paths, kerb & channel, rural roads, playgrounds, and street & park furniture are undertaken. Council collect defect information across all asset categories to enable a more effective & targeted repair and works program. The Asset Depreciation Policy documents each asset class's useful life, and the asset condition rating guidelines are defined in Table 2, and are applicable to all asset categories.

Once new assets are constructed or gifted to GSCC, they are recorded in the Asset Systems as mentioned in Section 5 and are included in the Condition Monitoring program. The process for making capital evaluation investment decisions is outside the scope of this strategy. This is captured in internal procedures within the Projects Department.

Table 2 – Asset Condition Rating Guidelines

Rating		% Useful Life Remaining	Wear
1	Excellent	100%-80% useful life remaining	As new - No need for intervention. No risk to public safety.
2	Good	80%-50% useful life remaining	Some sign of wear and tear - No immediate intervention required. Note for review at next inspection. No risk to public safety
3	Moderate	50%-30% useful life remaining	Some isolated defects -Generally able to be addressed through routine/scheduled maintenance. Some risk to public safety and amenity.
4	Poor	30%-10% useful life remaining	Poor condition -Extensive wear and tear Requiring replacement of parts/sections. Significant risk to public safety and amenity.
5	Very Poor	10%-0% useful life remaining. Risk to public/ Replace immediately. Not considered safe	Significant defects -both in terms of severity and extent. Requires full replacement. High risk to public safety and amenity.
6	Failed	0% useful life remaining. Out of Service	Failed is no longer serviceable and should not remain in service

7 ROLES AND RESPONSIBILITIES

Council assets are fundamental in supporting the GSCC's overall service delivery for the community. Asset management requires a whole of organisation approach and is the responsibility of the council, executive and staff. GSCC have a governance structure in place to oversee the Asset Management Framework, as shown in Figure 2.

Figure 2 – Greater Shepparton City Council's Governance Hierarchy



Councillors act as stewards for community assets and have a key role as asset custodians who ensure that assets and services are managed for current and future generations. Council does this by;

- Approve Council's Asset Management Strategy and levels of service and monitor their outcomes.
- Approve Council's Long Term Financial Plan and allocate appropriate resources for Asset Management activities.

Executive and staff have a corporate responsibility to provide professional and technical advice for informed investment, operational and service decision-making. The Executive Leadership Team will provide support to the Asset Management Steering Committee (AMSC) – which will report Asset Management and Service Planning status to Council.

The AMSC steering committee consists of the following senior management and key practice leaders:

- Director Infrastructure
- Manager Strategic Assets (Chair)
- Manager Finance and Rates
- Manager Works and Waste
- Manager Parks, Sport and Recreation
- Manager Projects
- Manager Active Living
- Team Leader Assets (Secretary)
- Team Leader Asset Information Services
- Team Leader Corporate Planning
- Team Leader Building Maintenance
- Asset Accountant
- Grant's Co-ordinator

The AMSC will oversee and promote best practice Asset Management throughout council by continuously reviewing and improving as necessary the Asset Management Policy, Asset Management Strategy, Asset Management Plans and Service Plans. The terms of reference for the AMSC are defined in the Asset Management Steering Committee – Terms of Reference document.

The Director of Infrastructure will provide leadership and direction to support:

- Implementation of adopted Asset Management Plans for individual asset classes.
- Implementation of capital works programs in accordance with Asset Management Plans, the Long Term Financial Plan and the Annual Budget.
- Reporting to the council, Audit Committee and Chief Executive with respect to ongoing asset management performance.

The Director of Infrastructure will recruit and manage the Strategic Assets department.

The Manager of Finance and Rates will:

- Work with the Manager of Strategic Assets to align the asset management and financial management practices within council.
- Support the development and implementation of the Capitalisation, and Asset Valuation Policies.
- Work with the Strategic Assets Manger where asset management and financial management requirements overlap.

8 STAKEHOLDERS / CONSULTATION

The key stakeholders of GSCC are:

- Community
- Ratepayers
- Businesses
- Councillors
- Staff
- Users of council services
- Visitors to the Municipality
- Government Departments and Agencies.

Other stakeholders with a vested interest in the performance of GSCC are:

- Utility Providers
- Developers
- Community Groups & Volunteers
- Contractors & Suppliers
- Insurance Providers

Where appropriate, stakeholders will be invited to:

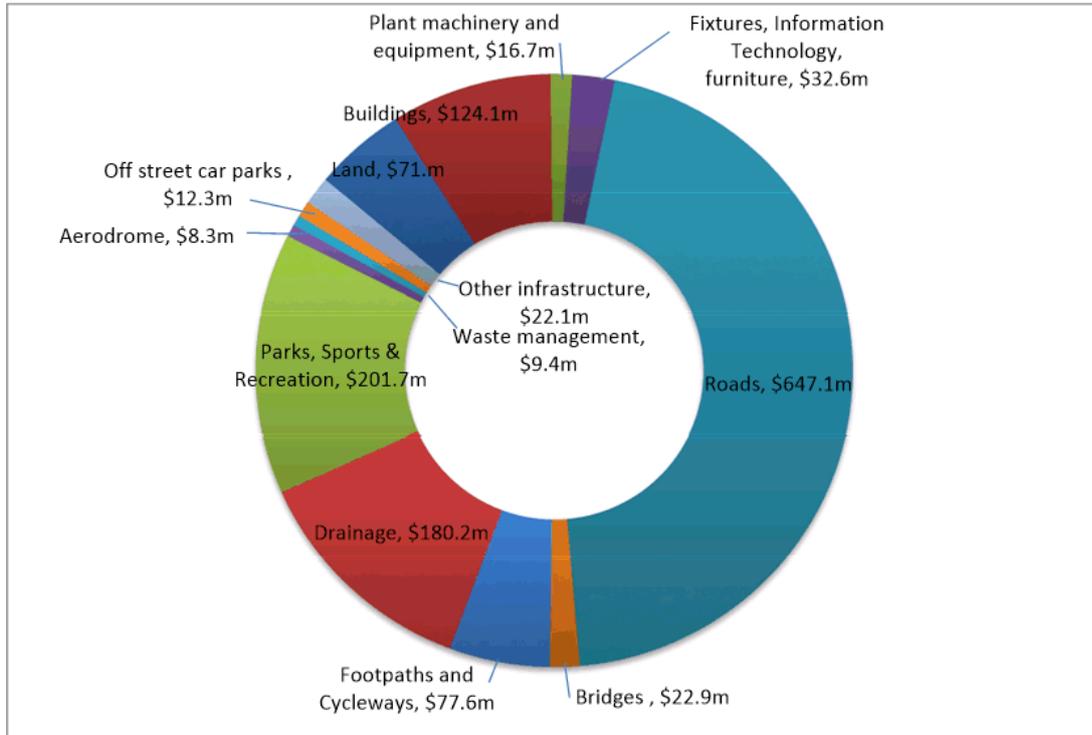
- Participate in community surveys
- Participate in council facilitated workshops (eg: input to development of levels of service)
- Provide comments on key documents including Council Plans, Policies and Strategies, Road Management Plan, Asset Management Plans, Service Levels and Annual Budgets
- Provide service delivery feedback via Council's customer service system.

As we move to a more advanced / mature asset management system stakeholders will have the opportunity to have input to the outcomes & costs associated with asset management.

9 WHAT IS OUR CURRENT SITUATION?

GSCC is responsible for the management of a wide range of assets as depicted below in Figure 3. As of July 2019, these assets have a replacement value of \$1.43 Billion. The average lifespan of these assets is 60 years. A significant portion of these assets are infrastructure assets and are the focus of this strategy.

Figure 3 – Greater Shepparton City Council’s Asset Value (as of July 1st 2019)



Greater Shepparton as a regional centre continues to grow, with a population of more than 65,000 and a current growth rate of 0.8%. Facilities and infrastructure continue to expand to meet the community demand, with assets increasing at 1% per annum.

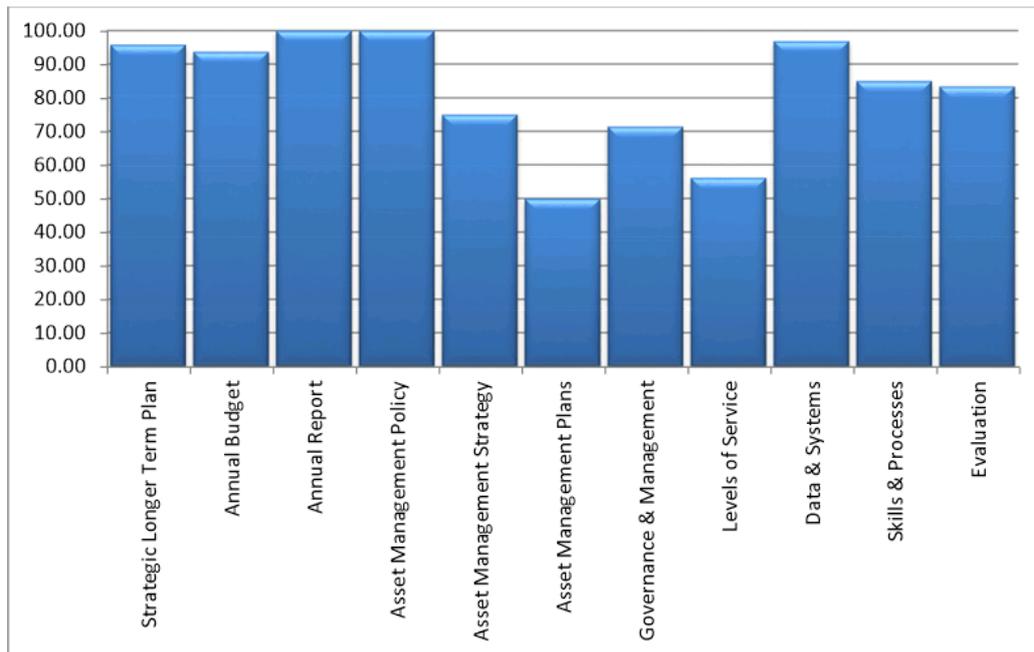
GSCC has an adopted Asset Management Policy which outlines its commitment to manage and care for its assets to enable the delivery of services to the community. This asset management strategy details the framework, stakeholders, asset systems, and the roles and responsibilities necessary to implement GSCC’s Asset Management Policy.

Asset modelling is conducted on condition data to prioritise and identify the level of reinvestment required to renew & maintain each asset class. The modelling calculates the desired level of asset renewal or reinvestment funding required to maintain safe, functional, and fit for purpose assets. Depreciation of each asset class is used to determine the funding required to renew that class of asset.

GSCC measure its performance against the NAMAf, which assesses against 11 competencies, as determined by the Planning Minister and the National Local Government Sustainability framework. GSCC benchmark its organisational asset management performance by using the NAMAf indicator.

Achieving core competency in asset management is reached at 1100 points. GSCC is currently achieving a score of 907. Figure 4 below shows the competency categories and their corresponding score out of 100. The lower columns highlight the areas of focus necessary to achieve core competency.

Figure 4 – Greater Shepparton City Council - NAMAF Core Competency Scores 2018-19



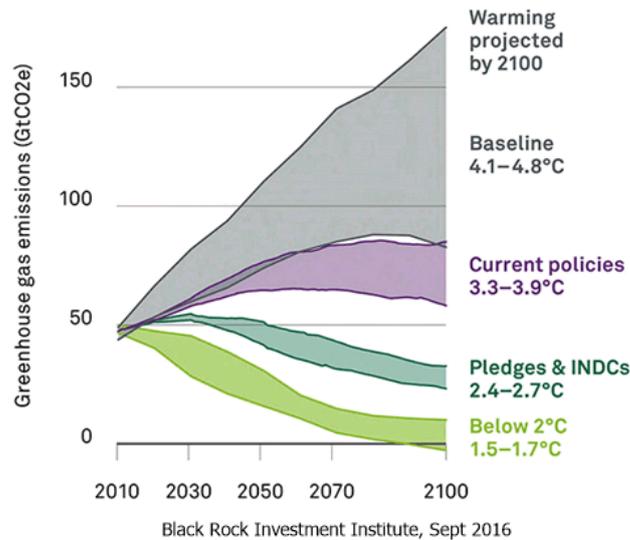
10 WHERE DO WE WANT TO BE?

GSCC recognises that sound asset management is essential for delivering and maintaining quality assets for the benefit of the community. GSCC will continue to benchmark its performance against NAF with a target of achieving core competency by 2021.

11 CLIMATE CHANGE

Climate change has evolved from predominantly an environmental and ethical issue into one that presents material risks and opportunities to GSCC. Figure 5 shows the projected global warming pathways to 2100, and possible scenarios of temperature rises resulting from the CO₂ emissions. Current Intended Nationally Determined Contributions (INDCs) and pledges arising from the Paris Agreement (which seeks to hold the increase in global average temperature to well below 2°C, to pursue efforts to limit the increase to 1.5°C, and to achieve net zero emissions in the second half of this century) will see projected warming between 2.4°C – 2.7°C.

Figure 5 – Potential Climate pathways to 2100



These increased greenhouse gas emissions will result in increased temperatures, rainfall variations, and increased extreme weather events.

The impacts of climate change will have a significant impact on the assets we manage and the services they provide. In the context of the asset management strategy, climate change can be considered as both a future demand and a risk. How climate change will impact on assets can vary significantly depending on the location and the type of services provided, as will the way in which GSCC respond and manage those impacts.

As a minimum GSCC will consider both how to manage our existing assets given the potential climate change impacts, and then also how to create resilience to climate change in any new works or acquisitions.

12 HOW WILL WE GET THERE?

GSCC will continue to progress the improvement actions identified as a result of the NAMAF assessment which will enable GSCC to reach core competency. These actions are presented in Table 3 and have been prioritised in order of importance. The top priorities are to update and review all Asset Management Plans, and Complete Service Plans, and expand the condition monitoring program to all asset classes.

Table 3 – Asset Management Improvement Actions

Council Asset Management Improvement Actions	
Action 1:	Update and Review Asset Management Plans
Action 2:	Complete Service Plans and incorporate community and technical levels of service in Asset Management Plans.
Action 3:	Expand the condition monitoring program to all asset classes.
Action 4:	Develop a Condition Rating Assessment Manual for applicable asset classes.
Action 5:	Expand the use of asset condition data for renewal programs.
Action 6:	Integrate renewal demand data into the 10 year capital works program and Long Term Financial Plan.

GSCC's Asset Management Plans will be updated to better capture its assets. The proposed Asset Management Plans are detailed as follows:

1. Sealed Roads
2. Unsealed Roads
3. Kerb & Channel
4. Footpaths
5. Shared Paths
6. Bridges
7. Traffic Control
8. Playgrounds
9. Park Furniture
10. Street Furniture
11. Bus Shelters & Seats
12. Sport & Recreation Furniture
13. Wetlands & Lakes
14. Trees
15. Park & Open Spaces
16. Sport Fields
17. Buildings & Facilities
18. Pumps & Valves
19. Pipes & Pits
20. Levy Banks
21. Basins
22. Passenger Vehicles
23. Plant
24. Aquatics

13 PLAN IMPROVEMENTS AND MONITORING

Once this strategy is approved, a review will be conducted every four years to ensure the strategy remains current and supports the adopted Asset Management Policy.

Medium term GSCC will strive to mature the AMP's, have detailed modelling tools / data, and integrated service / cost models. Long term GSCC will seek ISO 55000 compliance, and optimising expenditure models.

The Asset Management Steering Committee will meet regularly and discuss changes required to the Asset Management Strategy, and serve to keep the Executive Leadership Team informed of any updates.

