



# Asset Management Strategy

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**Engineering Services**

**October 2017**

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1.0	5/5/16	First Edition	N/A	Les Morgan	Ashley Wielinga
1.1	16/10/17	Revision 1	Section 5.1. Expansion of infrastructure categories to enable kerb and gutter to be separated into its own class. Section 5.2. Update of Note 9a and Special Schedule 7. Addition of ratios required by IP&R. Section 5.4. Update of Asset Condition Charts and extension of "Fair Value" program. Section 5.5. Update of Asset Maturity Audit. Section 7.0. Review and Update of Improvement Plan Improvement Plan. Update of 16/17 Plan and addition of Operating Performance ratio	Les Morgan	Glenn Wilcox

Signed:



Les Morgan  
Manager Engineering Services  
18<sup>th</sup> October 2017

Approved:

  
Glen Wilcox  
General Manager  
18<sup>th</sup> October 2017

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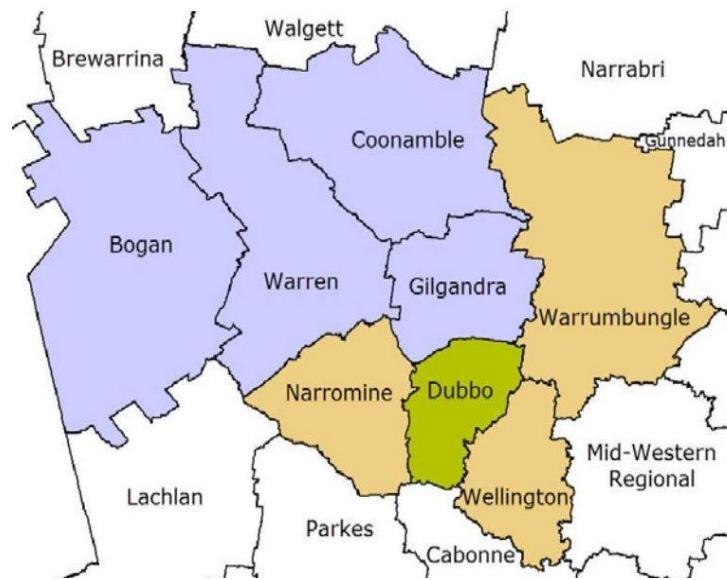
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## 1. OVERVIEW OF WARREN LOCAL GOVERNMENT AREA

Warren Local Government Area is located in Central Western NSW and covers an area of 10,860 square kilometres. The total estimated population for the Shire as at 2015 is 2,901 (ABS) and the population in Warren is approximately 1,645 (ABS).

Warren Shire is composed of the town of Warren and the villages of Nevertire and Collie. The main centre of Warren is situated on the banks of the Macquarie River and is located 120km from the regional centre of Dubbo and 540km from Sydney. As shown on the map below Warren Shire is part of the Orana Region of Council's

The Shire is economically dependent on agriculture, particularly sheep and cattle grazing, as well as wheat, oat and cotton growing. Aside from those directly employed by the agriculture industry, there are also significant flow-on economic benefits from this industry to other related enterprises. The first European settlers moved into the area in the early 1830s taking up land, or "squatting" in the surrounding district, and Warren was gazetted as a town in June 1861. Prior to this settlement the sole owners and occupants had been the traditional custodians of the country, the Wayilwan / Weilwan tribe.



The area covered by the Warren Shire sits at the convergence of the territories of two Aboriginal language groups, the Wiradjuri to the southeast and the Wayilwan/Weilwan to the north and northwest. Prominent features within the landscape usually defined tribal boundaries and an area from within the Barwon River to the north, the Bogan River to the west and the Castlereagh River to the east is regarded as the Wayilwan territory. Smaller local groups of the Wayilwan lived within the region, including the Waiabara, who lived near the Barwon River and the Kamwabari/Kawambarai who lived in the area south of Quambone extending towards the Castlereagh River. In the 2011 Census 13.31% of people in the Warren Shire were identified as being indigenous. This is an increase in the percentage of indigenous people from the last Census in 2006 (12.4%).

## 2. INTRODUCTION

To enable its community to access and enjoy the services and facilities that Warren Shire Council has to offer, Council owns and maintains a large portfolio of infrastructure assets, with a current replacement cost of over \$330 million. The efficient management of these assets is vital to maintain safe, reliable and efficient services that help achieve the strategic priorities and goals of Council. Failure to plan for the replacement / renewal of assets and the creation of new assets will result in the needs of the community not being met, both now and into the future.

This Strategy is required by Council's Asset Management Policy and is an integral part of Council's goal to reach Asset Management Maturity and contemporary best practice Asset Management.

This Strategy gives a clear course of action for managing Council's infrastructure and supports Warren Shire Council's Community Strategic Plan. This Strategy is also the basis for outlining and monitoring Key Performance Indicators (KPI's) with respect to Asset Management. The KPI's in this strategy are intended to provide Council with the ability to monitor, measure and report on asset management maturity, as well as to act as a tool to implement action plans to improve maturity. This Strategy outlines the following:

- Council's position with Asset Management practice now.
- Council's future Asset Management needs.
- Council's current asset management maturity level.
- An Improvement Plan on how Council will achieve future needs.
- A Performance Monitoring Process.

## **2.1 Purpose of the Strategy**

The objective of this Strategy is to develop actions aimed at enabling Council to improve its asset management capability and practices to support Council's Asset Management Policy and guide the development of Asset Management Plans. This Strategy and the Asset Management Plans also provide Council with detailed information to assist with its service delivery planning, and optimised informed decision making.

## **2.2 Key Benefits of the Strategy Implementation**

Warren Shire Council is committed to asset management. This is reflected in two values within Council's Community Strategic Plan:

*"A shire that has quality and well maintained infrastructure."*

*"A Council that provides quality and cost effective services..."*

The following vision for asset management is included in the Asset Management Policy and has been derived from the above vision and complements its intent:

*"That within its financial constraints, Warren Shire Council will responsibly plan, provide, maintain and manage its publicly owned infrastructure, facilities and services efficiently and effectively on a whole of life basis, with due regard given to the sustainability of its practices and the current and future needs of its community."*

It is important that Council's infrastructure is provided and maintained at a reasonable level<sup>1</sup>, commensurate with resident expectations and affordability to support Council's vision. As infrastructure is subject to deterioration, it's necessary that we have a long term strategy in place to enable determination of options for planning, acquiring, refurbishing, upgrading maintaining, operating and disposing of assets. By implementing this Asset Management Strategy, Council's asset management practices will improve to provide a more sustainable service delivery. The key benefits are:

- Ability to provide better outputs with fewer resources by aligning resources and needs.
- Ability to understand what condition our assets are in and to monitor the effect actions are having on them.
- Having actions that allow management of assets into the future at lowest life – cycle cost.
- Be able to assign levels of funding in line with the respective service level targets.
- Being able to clearly define what service levels we can deliver.

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<sup>1</sup> Levels of service as documented in the Asset Management Plans.

### 3. BACKGROUND

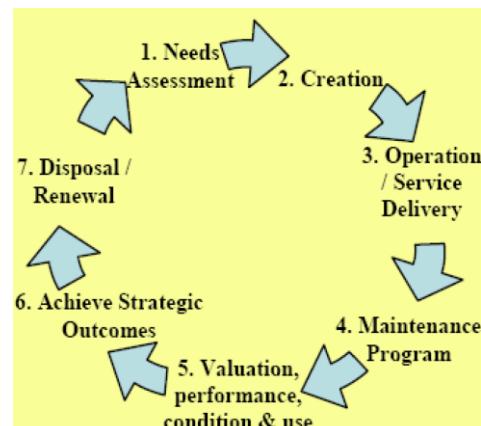
#### 3.1 What is Asset Management?

Asset management is about the way in which Council looks after its assets, both on a daily basis and in the medium to long term. Its objective is to maximise service delivery, manage risks and costs over the asset's life.

Diagram 1 to the right shows the typical life – cycle of an asset and asset management functions from the creation of an asset through to its disposal including audit and performance review.

Infrastructure assets consume resources to acquire or create them and to keep them in operational condition over their whole of life. Because of the significant ramifications all assets must be assessed and reported in terms of their life – cycle. The general phases that an asset passes through during its life are as follows:

- The needs assessment phase, where the need for a new asset is planned, options assessed and life – cycle costs considered
- The creation phase where an asset is donated, constructed, purchased or hired
- The operation / service delivery phase where the asset is used for its intended purpose
- The maintenance phase including any repair and risk management
- The valuation stage including performance, condition, usage and financial reporting
- The review of the achievement of outcomes phase including audits and identified improvement
- The disposal / renewal phase, when the life of the asset has expired, or when there is no longer a need for the service provided by the asset.

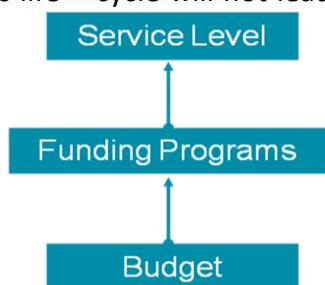


**Diagram 1 - Asset Life – cycle**

Decisions taken about an asset in one phase can affect its performance in others. For example, poor maintenance can increase costs by accelerating the need for repairs or shorten the life of the asset and can also increase Council's exposure to risk or litigation. Conversely, good management of assets over their whole life can reduce costs through extending their life and avoiding the need for new acquisitions.

Life – cycle costing aids understanding of the above, and helps staff and Councillors to reach decisions about assets in a context that presents all costs related to the asset and associated service delivery. This enables the effects of a decision on future generations to be considered. Limiting the information to anything less than all the phases in an asset's life – cycle will not lead to sound long term decisions.

In General, the traditional approach to asset management has been "last year's budget plus CPI" meaning asset management decisions are budget driven. This is illustrated by Diagram 2 to the right which shows that the resultant service level delivered by the asset is an outcome of the budget allocation. This approach leads to a lack of coordination between desired service delivery and financial planning.

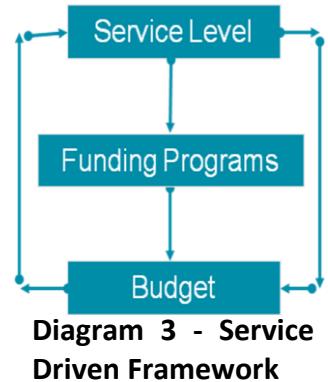


**Diagram 2 - Budget Driven Framework**

Warren Shire Council, in adopting this strategy has a clear focus on Strategic Asset Management ensuring that the assets are capable of providing services, of a set quality, in a sustainable manner, for present and future generations. This is not merely a matter of spending more money but instead spending money more wisely in a targeted manner. Council's Asset Management System delivers long term prediction of service levels to enable the results of a service-centric system to be developed and delivered.

Diagram 3, to the right shows the framework for Strategic Asset Management using Council's Strategic Asset Management system. The three noteworthy differences are:

1. Budget and Service Level form a feedback loop as each is dependent on the other.
2. Strategic Asset Management allows the optimal Service Level to be adopted for the available Budget with an understanding of the predicted outcomes.
3. The adopted Service Level drives the required Funding Programs and thus remains connected to the Budget.

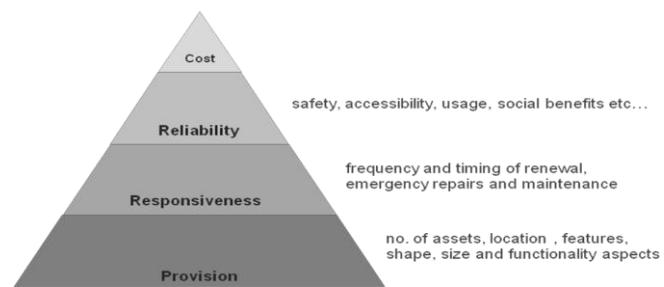


In line with the recent Local Government National Asset Management Framework and State-wide Guidelines, Council is committed to the seven key elements:

1. Development of an asset management policy
2. Strategy and Planning
3. Governance and Management Arrangements
4. Defining Levels of Service
5. Data and Systems
6. Skills and Processes
7. Evaluation

The Strategic Actions outlined in this document demonstrate Council's direction in achieving the above outcomes. The KPI's described in Section 8 demonstrate how Warren Shire Council intends to measure the success of these actions.

In line with the National Framework, this Strategy is a commitment to adopting a service centric approach based on Strategic Asset Management. The key to Strategic Asset Management is layers of knowledge and decisions making. This is illustrated by the Strategic Asset Management Pyramid shown in Diagram 4 to the right:



**Diagram 4 - Strategic Asset Management Pyramid**

#### **Layer 1 – Asset Provision.**

Asset Management means understanding the asset's attributes, condition and function. Council's Asset Management System has data that forms the base of the asset stock used in service delivery.

**Layer 2 – Service Responsiveness:** Council's decision matrix is the determinant of the responsiveness layer. This matrix consists of planned actions to retain the assets at the desired level of usability over their life. The key focus is on the type of intervention (minor repair, renewal etc) and the trigger for action (condition, functionality, etc). This information is available within Council's Asset Management Plans.

**Layer 3 – Service Reliability:** The decision matrix in the responsiveness layer will determine asset performance outcomes which are characterised by the reliability layer. This is the asset performance as seen and experienced by those using the assets. Reliability will be measured in terms of performance standards (safety, condition, functionality etc). This information is also available in Council's Asset Management Plans.

**Layer 4 – Cost of Delivery:** The top of the pyramid is Cost and this is determined by decisions in the layers below. Application of the service driven framework results in an active pyramid where the provision, responsiveness and reliability are tuned to give optimal outcomes for an affordable cost, which drives financial plans.

### 3.2 Legislative Control of Asset Management

In addition to using asset management as a tool to manage the community's assets and provide services to the community, there are also legislative requirements that Council must comply with in relation to the management of its assets and these are as follows:

#### 3.2.1 NSW Office of Local Government Integrated Planning Framework

On the 4 August 2006, the Local Government and Planning Ministers' Council (LGPMC) agreed to a nationally consistent approach to asset management, financial planning, reporting and assessing financial sustainability. On 20 October 2006 the LGPMC endorsed the draft National Framework for Financial Sustainability as a basis for consultation. Then on the 21 March 2007 the LGPMC endorsed the Frameworks for implementation. The National Frameworks consists of three (3) main parts:

- Framework 1 - Criteria for Assessing Financial Sustainability
- Framework 2 - Asset Planning and Management
- Framework 3 - Financial Planning and Reporting

These reforms replace the Management Plan and Social Plan with an integrated framework. The components of the framework and how they fit together are shown in Diagram 5 below.



Diagram 5 – Warren Shire Council Planning Process

### ***3.2.2 Local Government (General) Regulations 2005***

The Local Government Regulations require a statement containing a detailed estimate of the council's income and expenditure to be included in the operational plan.

### ***3.2.3 Australian Accounting Standards***

The following Australian Accounting Standards apply to Local Government assets:

- AASB 116 Property, Plant & Equipment
- AASB 136 Impairment of Assets
- AASB 138 Intangible Assets
- AASB 1051 Land Under Roads
- AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors
- Local Government Code of Accounting Practice and Financial Reporting (Guidelines)
- Integrated Planning and Reporting Guidelines

There are other legislative requirements, which are considered in each Asset Management Plan.

## **3.3 Community Consultation**

Warren Shire Council's Community Engagement Strategy – 2011, encourages the community to be informed and to participate in decision making processes that guide the development of service provision across the LGA.

In line with the Engagement Strategy, eight forums and consultation meetings were held across the LGA, involving 113. These included:

- Warren Interagency meeting
- Council Staff workshop
- Macquarie Local Aboriginal Land Council meeting
- Warren Chamber of Commerce
- Collie community
- Marra community
- Nevertire Community
- Warren Community

Additionally, a hard copy, online survey was conducted and regular information updates were provided via a variety of mediums such as the local newspaper, Council Website, Warren Shire Council Facebook page. In total 320 responses were received.

### ***3.3.1 Community Expectations***

The key values and issues derived from the above consultation, that are relevant to this strategy are as follows:

- A shire that has quality and well maintained infrastructure.
- A Council that provides quality and cost effective services, and that partners with the community in decision making.
- Infrastructure and services across the shire need to be of an adequate standard to support local business and the community – e.g. local and rural roads, water supply, waste management and drainage.

The need for good transport networks including Shire roads and the maintenance of this important asset is a key challenge. This invokes the need for the introduction of long term

planning into asset management procedures to ensure that future and current needs can be planned for in a sustainable cost effective manner.

### **3.3.2      *Strategy to Address Community Expectations***

Warren Shire Council is committed to meeting this challenge as shown the development of an Infrastructure strategy detailed in the Community Strategic Plan and provided:

<b>Community Strategic Plan – Objective 3.1: Good Quality Transport Infrastructure</b>			
<b>Strategy</b>	<b>Responsibility</b>	<b>Support</b>	<b>Timing</b>
Ensure local roads and bridges are maintained / constructed to acceptable community standards in a cost effective, efficient and safe manner.	Council, Government	Government, Community	Ongoing
Ensure Regional Roads and Highways are maintained to acceptable community standards	Council, RMS	Government	Ongoing
Maintain and enhance the local aerodrome and promote its use	Council	Government	Ongoing

<b>Community Strategic Plan – Objective 3.2: Good Quality Community Infrastructure and Facilities</b>			
<b>Strategy</b>	<b>Responsibility</b>	<b>Support</b>	<b>Timing</b>
Maintain parks, gardens and reserves in a safe and attractive condition	Council	Government	Ongoing
Monitor Pool management and implement maintenance and upgrades	Council	Government, Community	Ongoing
Provide a high quality library service that meet the needs of the community	Council	Community	Ongoing
Maintain community facilities to an appropriate standard	Council	Community	Ongoing
Maintain and service the villages of Collie and Nevertire	Council	Community	Ongoing
Construction of a heavy vehicle inspection station & upgrade existing Council works depot	Council		2012-2017
Upgrade and refurbishment of Warren Shire Council Chambers to comply with legislation	Council		2012-2018

<b>Community Strategic Plan – Objective 4.1: Management of Local Environment</b>			
<b>Strategy</b>	<b>Responsibility</b>	<b>Support</b>	<b>Timing</b>
Maintain high levels of maintenance and services in the area of public cemeteries	Council		Ongoing
Management of noxious plants	County Council's Council	Government, Landowners	Ongoing

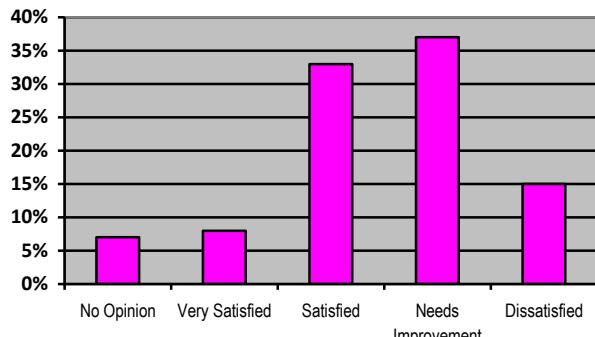
<b>Community Strategic Plan – Objective 4.1: Management of Local Environment</b>			
<b>Strategy</b>	<b>Responsibility</b>	<b>Support</b>	<b>Timing</b>
Maintain rate of landfill through waste management minimisation and collection methods	Council	Community	Ongoing
Ensure the efficient and cost effective operation of Council's road making material (e.g. Mount Foster Quarry and gravel pits)	Council		Ongoing

<b>Community Strategic Plan – Objective 4.2: Management of Water / Wastewater</b>			
<b>Strategy</b>	<b>Responsibility</b>	<b>Support</b>	<b>Timing</b>
Manage environmentally responsible drainage works in accordance with Council's program	Council	Government	Ongoing
Provide Warren, Collie and Nevertire with an adequate and safe water supply that is appropriately priced for all consumers	Council	Government	Ongoing
Provide Warren and Nevertire with an adequate and environmentally acceptable sewerage scheme that is appropriately priced for all consumers	Council	Government	Ongoing

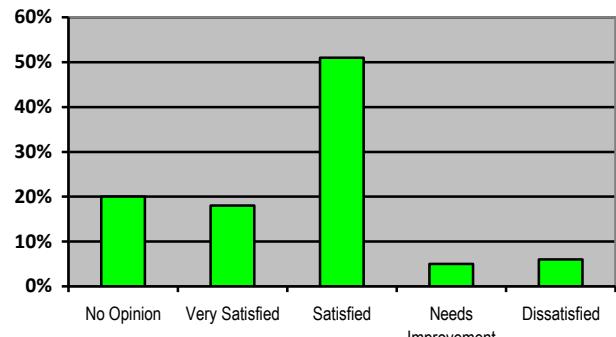
Each of the above strategies are addressed in greater detail in their respective Asset Condition Rating and Valuation Manuals and Asset Management Plans.

### **3.3.3      *Community Satisfaction with Existing Services***

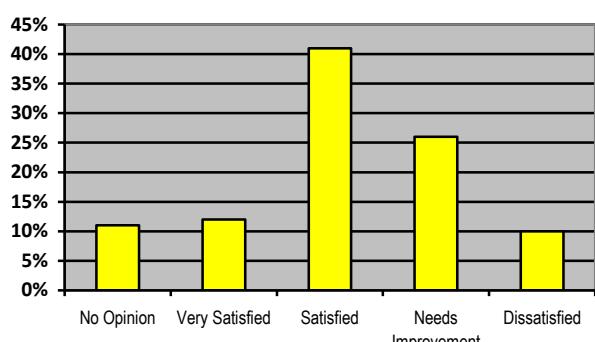
The following charts depict the level of satisfaction that the community has with various Council service provision.



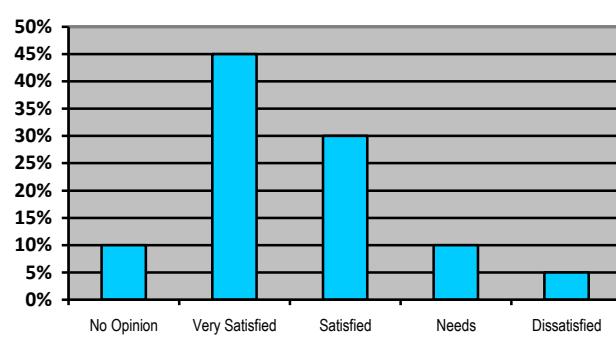
**Rural Roads**



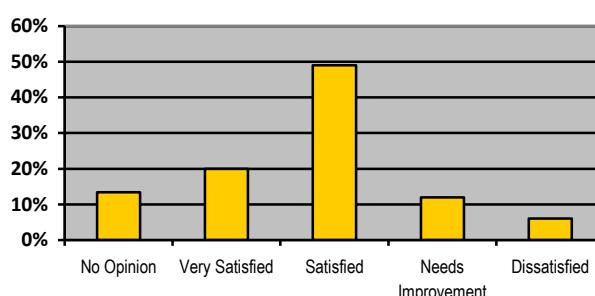
**Sewerage Services**



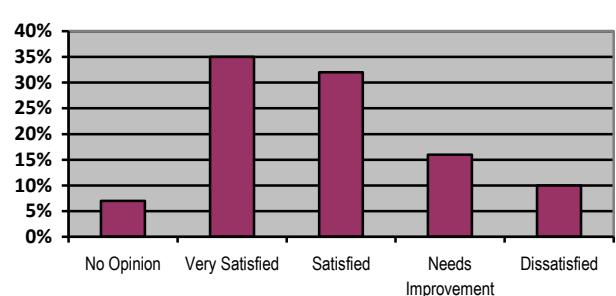
**Drainage and Stormwater**



**Sportsgrounds and Facilities**



**Water Supply**



**Parks and Playground Facilities**

## **4. STRATEGIC ASSET MANAGEMENT SYSTEM**

Warren Shire Council has implemented a spreadsheet based Asset Management System. The objectives of the systems are to:

- Provide accurate inventory and condition information
- Facilitate efficient day-to-day management
- Enable long-term planning based on a sound knowledge of the current state of the asset
- Allow the adoption of Consumption Based Depreciation.

The Asset Management system has been developed to specifically meet the needs of Council for the following classes:

- Road Network (Roads, K&G, Airport pavement, Traffic Devices and Roadside Furniture)
- Pathways
- Bridges and Major Waterway Structures (>6m measured along the centerline)
- Parks and Recreational Facilities
- Buildings – Non Specialised and Specialised
- Other Structures
- Stormwater Drainage
- Water Supply Network
- Sewerage Network

All other non-infrastructure assets i.e. IT Equipment, Office Furniture, Plant & Fleet, are recorded and reported in Council's Corporate Financial Management System.

Warren Shire Council has collected some inventory and condition assessment data. The data collection task is ongoing and will be continually updated annually. Condition assessment of Council's Infrastructure assets is an ongoing process and as new data becomes available, it will be quality-checked and imported into the asset management system.

## **5. CURRENT POSITION AND STATUS OF OUR ASSET PLANNING**

### **5.1 Council's Asset stock**

This strategy takes into account all of Council assets. Assets are described as the physical objects owned, controlled or maintained by Council to support the community's social and economic activities. Assets provide the basis on which the community carries out its everyday activities and contribute to their quality of life.

Warren Shire Council manages a broad range of assets that have been grouped into seven (10) key asset categories as set out in the following table, which will have Asset Condition Rating and Valuation Manuals, and Asset Management Plans formulated for each. The challenge for asset management is to understand the manner in which Council's assets perform over time and whether they can be maintained in a "fit for purpose" condition, given that many cannot be seen and/or were built many years ago.

**Table 1 – Asset Categories**

<b>Asset Category</b>	<b>Includes assets such as</b>
Road Network	Sealed Roads, Unsealed Roads, Airport pavement, Carparks, Traffic Management Devices and Roadside Furniture
Kerb and Gutter	All types of kerb and gutter used for roadside drainage
Pathways	Footpaths and Cycleways in roadways and open spaces such as parks and reserves
Bridges	Vehicular Bridges, Major Culverts, and Footbridges
Parks and Recreational facilities	Parks, Playgrounds, Cemeteries, Irrigation, Park Furniture, Shelters, Fencing assets, Swimming Pools
Buildings	Community and Recreation Buildings, and Facilities. Specialised and Non-Specialised
Other Structures	Racecourse facilities, toilets, grandstands
Stormwater Drainage	Pits, Pipes, Headwalls and Minor Culverts
Water Supply Network	Bore water assets, river water assets
Sewerage Network	Sewerage treatment plants

## Warren Shire Council – Asset Management Strategy 2017

### 5.2 Asset Replacement Costs

The value, condition and expenditure on assets are reported each year in Council's Annual Report. The values are documented in Note 9 of the Financial Statements, and the condition and expenditures are documented in Special Schedule 7.

#### Warren Shire Council

##### Notes to the Financial Statements

for the year ended 30 June 2017

##### Note 9a. Infrastructure, property, plant and equipment

Asset class \$ '000	as at 30/6/2016			Asset movements during the reporting period						as at 30/6/2017		
				Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation increments to equity (ARR)			
	Gross carrying amount	Accumulated depreciation and	Net carrying amount							Gross carrying amount	Accumulated depreciation and	Net carrying amount
Capital work in progress	1,606	–	1,606	386	263	–	–	(1,525)	–	730	–	730
Plant and equipment	10,093	6,306	3,787	201	75	(63)	(941)	–	–	9,782	6,723	3,059
Office equipment	164	88	76	42	3	–	(19)	3	–	213	108	105
Furniture and fittings	138	51	87	57	–	–	(10)	–	–	195	61	134
<b>Land:</b>												
– Operational land	1,167	–	1,167	–	–	(5)	–	–	292	1,454	–	1,454
– Community land	1,163	–	1,163	–	–	–	–	–	–	1,163	–	1,163
<b>Infrastructure:</b>												
– Buildings – non-specialised	8,687	4,890	3,797	83	–	–	(99)	7	–	8,778	4,990	3,788
– Buildings – specialised	11,443	5,907	5,536	–	3	–	(170)	–	–	11,446	6,077	5,369
– Other structures	11,878	5,648	6,230	2	–	–	(140)	–	–	11,880	5,788	6,092
– Roads	130,142	15,097	115,045	3,043	–	(663)	(1,462)	864	–	132,653	15,826	116,827
– Bridges	18,496	6,276	12,220	–	–	–	(177)	–	–	18,496	6,453	12,043
– Footpaths	4,194	1,774	2,420	45	–	(32)	(47)	–	–	4,186	1,800	2,386
– Stormwater drainage	3,907	1,717	2,190	–	86	–	(39)	–	–	3,993	1,756	2,237
– Water supply network	14,063	7,696	6,367	25	204	–	(177)	651	605	15,729	8,054	7,675
– Sewerage network	13,835	9,637	4,198	–	–	–	(217)	–	3,661	13,988	6,346	7,642
– Swimming pools	1,631	1,490	141	–	–	–	(37)	–	–	1,631	1,527	104
– Other open space/recreational assets	1,857	1,199	658	66	–	–	(26)	–	–	1,922	1,224	698
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>234,464</b>	<b>67,776</b>	<b>166,688</b>	<b>3,950</b>	<b>634</b>	<b>(763)</b>	<b>(3,561)</b>	<b>–</b>	<b>4,558</b>	<b>238,239</b>	<b>66,733</b>	<b>171,506</b>

Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Refer to Note 27. Fair value measurement for information regarding the fair value of other infrastructure, property, plant and equipment.

## Warren Shire Council

### Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	2016/17 Required maintenance <sup>a</sup>	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
							1	2	3	4	5
<b>Buildings</b>	Buildings – non-specialised	40	40	48	3,788	8,778	50%	45%	5%	0%	0%
	Buildings – specialised	20	60	94	5,369	11,446	0%	70%	30%	0%	0%
	<b>Sub-total</b>	<b>60</b>	<b>100</b>	<b>142</b>	<b>9,157</b>	<b>20,224</b>	<b>21.7%</b>	<b>59.1%</b>	<b>19.1%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Other structures</b>	Other structures	30	25	47	6,092	11,880	8%	85%	7%	0%	0%
	<b>Sub-total</b>	<b>30</b>	<b>25</b>	<b>47</b>	<b>6,092</b>	<b>11,880</b>	<b>8.0%</b>	<b>85.0%</b>	<b>7.0%</b>	<b>0.0%</b>	<b>0.0%</b>
	Sealed roads	450	950	990	93,577	106,769	50%	45%	5%	0%	0%
<b>Roads</b>	Unsealed roads	250	650	1,494	23,250	25,884	40%	50%	10%	0%	0%
	Bridges	80	15	15	12,043	18,496	80%	20%	0%	0%	0%
	Footpaths	60	20	34	2,386	4,186	70%	20%	10%	0%	0%
	<b>Sub-total</b>	<b>840</b>	<b>1,635</b>	<b>2,533</b>	<b>131,256</b>	<b>155,335</b>	<b>52.4%</b>	<b>42.2%</b>	<b>5.4%</b>	<b>0.0%</b>	<b>0.0%</b>

## Warren Shire Council

### Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000											
Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	2016/17 Required maintenance <sup>a</sup>	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
							1	2	3	4	5
<b>Water supply network</b>	Water supply network										
	Bores	–	4	10	209	384	75%	25%	0%	0%	0%
	Mains	100	50	148	3,022	8,963	10%	55%	25%	10%	0%
	Reservoirs	–	5	3	3,613	4,963	90%	10%	0%	0%	0%
	Pumping Stations	15	15	47	831	1,419	80%	15%	5%	0%	0%
	<b>Sub-total</b>	<b>115</b>	<b>74</b>	<b>208</b>	<b>7,675</b>	<b>15,729</b>	<b>43.1%</b>	<b>36.5%</b>	<b>14.7%</b>	<b>5.7%</b>	<b>0.0%</b>
<b>Sewerage network</b>	Sewerage network										
	Mains	100	60	62	4,248	6,949	40%	40%	20%	0%	0%
	Pumping Stations	10	15	51	1,156	2,135	75%	20%	5%	0%	0%
	Treatment Plant	55	20	5	2,238	4,904	0%	10%	90%	0%	0%
	<b>Sub-total</b>	<b>165</b>	<b>95</b>	<b>118</b>	<b>7,642</b>	<b>13,988</b>	<b>31.3%</b>	<b>26.4%</b>	<b>42.3%</b>	<b>0.0%</b>	<b>0.0%</b>

## Warren Shire Council

### Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000											
Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	2016/17 Required maintenance <sup>a</sup>	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
							1	2	3	4	5
<b>Stormwater</b>	Stormwater drainage	35	15	25	2,237	3,993	80%	15%	5%	0%	0%
	<b>Sub-total</b>	<b>35</b>	<b>15</b>	<b>25</b>	<b>2,237</b>	<b>3,993</b>	<b>80.0%</b>	<b>15.0%</b>	<b>5.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Open space/recreational</b>	Swimming pools	25	15	17	104	1,631	0%	15%	65%	20%	0%
	Other Recreational	10	25	50	698	1,922	25%	60%	15%	0%	0%
	<b>Sub-total</b>	<b>35</b>	<b>40</b>	<b>67</b>	<b>802</b>	<b>3,553</b>	<b>13.5%</b>	<b>39.3%</b>	<b>38.0%</b>	<b>9.2%</b>	<b>0.0%</b>
	<b>TOTAL – ALL ASSETS</b>	<b>1,280</b>	<b>1,984</b>	<b>3,140</b>	<b>164,861</b>	<b>224,702</b>	<b>45.2%</b>	<b>44.1%</b>	<b>10.2%</b>	<b>0.5%</b>	<b>0.0%</b>

#### Notes:

a Required maintenance is the amount identified in Council's asset management plans.

#### Infrastructure asset condition assessment 'key'

1	<b>Excellent</b>	No work required (normal maintenance)	6	<b>Condition</b>	Description here...
2	<b>Good</b>	Only minor maintenance work required	7	<b>Condition</b>	Description here...
3	<b>Average</b>	Maintenance work required	8	<b>Condition</b>	Description here...
4	<b>Poor</b>	Renewal required	9	<b>Condition</b>	Description here...
5	<b>Very poor</b>	Urgent renewal/upgrading required	10	<b>Condition</b>	Description here...

## Warren Shire Council

### Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2017

\$ '000	Water 2017	Sewer 2017	General <sup>(1)</sup> 2017
<b>Infrastructure asset performance indicators by fund</b>			
<b>1. Infrastructure renewals ratio</b>			
Asset renewals <sup>(2)</sup>	<b>14.12%</b>	<b>40.09%</b>	<b>164.18%</b>
Depreciation, amortisation and impairment	prior period: 68.75%	11.27%	154.52%
<b>2. Infrastructure backlog ratio</b>			
Estimated cost to bring assets to a satisfactory standard	<b>1.50%</b>	<b>2.16%</b>	<b>0.67%</b>
Net carrying amount of infrastructure assets	prior period: 1.79%	3.91%	0.62%
<b>3. Asset maintenance ratio</b>			
Actual asset maintenance	<b>2.81</b>	<b>1.24</b>	<b>1.55</b>
Required asset maintenance	prior period: 1.66	1.19	1.14

#### Notes

(1) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

(2) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

### 5.3 Levels of Service

Warren Shire Council has set strategic Levels of Service to guide the management of its assets. For each asset category, the Levels of Service define a number of Service Level Performance Outcomes and Measures, KPI's and Targets for achievement. Council's Current Levels of Service are detailed in the respective Asset Management Plans. Future revisions of these plans will include and account for Council's desirable levels of service.

### 5.4 Asset Condition

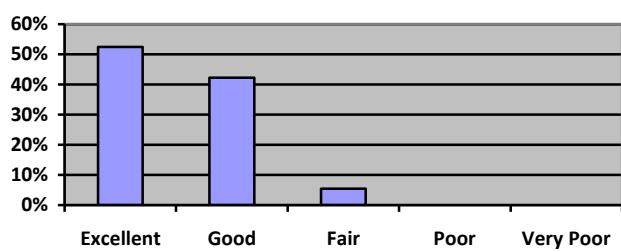
By knowing the condition of assets and the distresses that affect them, Council can maintain the desired level of service (within the constraints in the Resource Strategy), provide intergenerational benefits and minimise risk of asset failure. The consequences of asset failures will result in loss of service delivery and possibly legal liability. Table 2 below provides a general description of the condition ratings, and asset characteristics across the range of Council assets. These condition indexes will be more specific for each asset class in the Asset Management Plans.

**Table 2 – General Asset Condition Rating Matrix for all Assets**

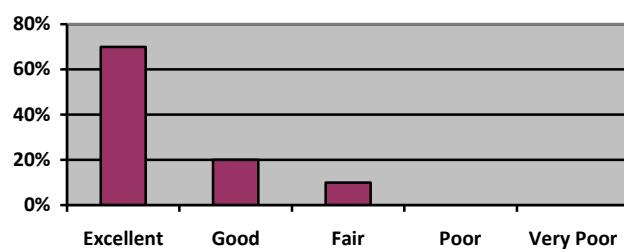
Condition Index	Visual Condition	Condition Description	Works that May Be Needed
1	Excellent	No visible signs of deterioration or an asset that has been recently been renewed back to an "as new" condition (useful life restored to original)	None
2	Good	Some early stages of deterioration evident. Functionality, performance and serviceability are minimally impaired, if at all.	Routine Maintenance
3	Fair	Obvious condition deterioration. Functionality, performance, and serviceability would be affected and maintenance costs rising.	Routine Maintenance/Renewal
4	Poor	Severe deterioration that would limit serviceability. Maintenance costs and risk associated with deterioration would be increasing significantly.	Renew / Replace
5	Very Poor	Asset condition with severe serviceability problems and requiring remediation immediately or no longer serviceable and provides extreme risk.	Reconstruct / Renew/Replace

Council's confidence in the accuracy and completeness of asset condition data at a component level varies between each asset category. The level of confidence is detailed in each Asset Management Plan and where this confidence is considered low, there is a corresponding improvement plan action to elevate this confidence.

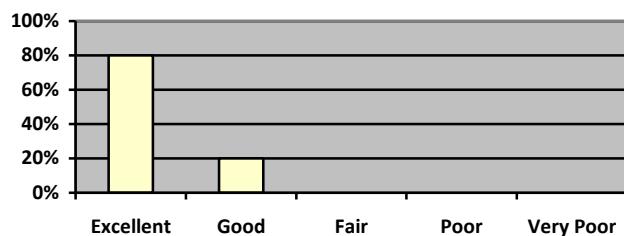
The condition of assets in each asset category is detailed in each of the Asset Management Plans. An overview of the condition of our assets as of June 2015 is given below:



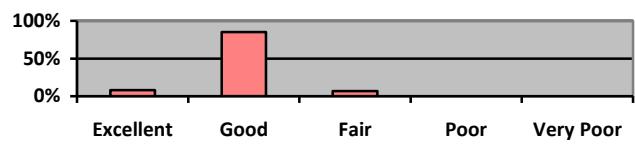
**Condition of Road Network**



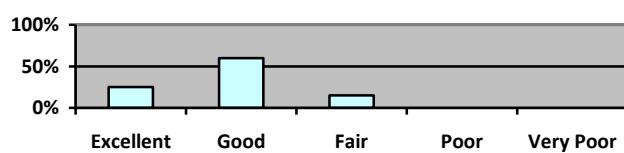
**Condition of Footpath / Cycleway Network**



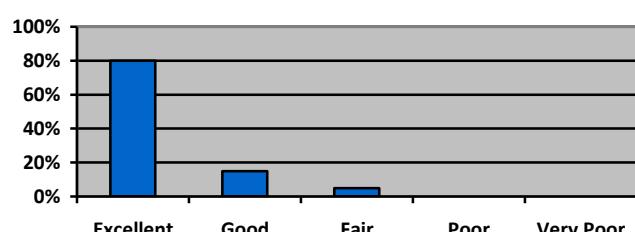
**Condition of Bridges and Major Culverts**



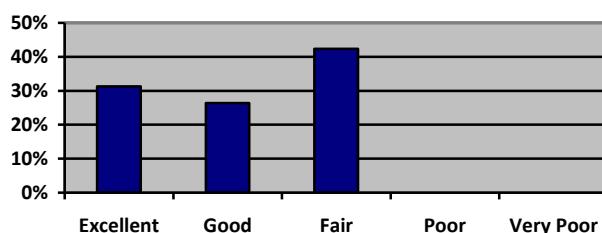
**Condition of Other Structures**



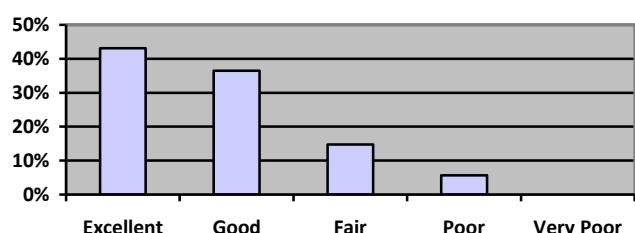
**Condition of Parks and Recreation Assets**



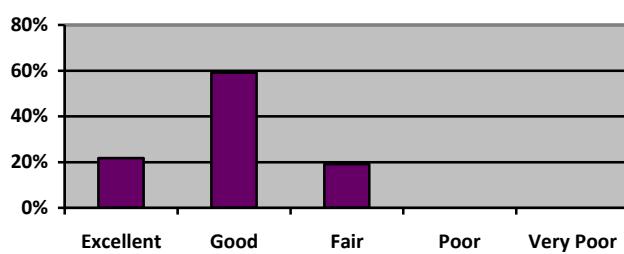
**Condition of Stormwater Drainage**



**Condition of Sewerage Infrastructure**



**Condition of Water Infrastructure**



**Condition of Buildings**

There are many reasons why Council assets fail or deteriorate and do not meet performance standards, such as:

- Inadequate maintenance funding and practices.
- Undertaking maintenance reactively, instead of proactively. Proactive maintenance often results in defects being repaired before they can impact on other assets. For example, resealing roads before the seal deteriorates to the point that it allows water into the pavement resulting in the need for renewal works at significantly higher cost than the cost of the original reseal if it had been done at the optimum time. This also increases maintenance costs.
- Council should maintain its assets at the optimum time and not when the issue has deteriorated to the point that the public deems it necessary to bring it to Council's attention. By this time costs may have increased vastly, Council's image may have deteriorated and safety issues may have arisen that expose Council to litigation.
- Suitability of the asset to meet changing demographics.

The table below shows when each of Council's asset classes will be revalued and accordingly when new condition assessments will be carried out on them.

**Asset Condition and Revaluation Year**

Asset Category	Condition and Revaluation Year										
	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28
Roads			✓					✓			
Pathways			✓					✓			
Kerb and Gutter			✓					✓			
Roadside Furniture			✓					✓			
Airport Runway			✓					✓			
Carparks			✓					✓			
Traffic Devices			✓					✓			
Bridges & Major Waterway Structures			✓					✓			
Stormwater Drainage			✓					✓			
Non Specialised Buildings	✓						✓				✓
Specialised Buildings	✓						✓				✓
Other Structures				✓						✓	
Parks and Recreational Facilities				✓						✓	
Water Assets					✓						✓
Sewer Assets					✓						✓

## 5.5 Asset Management Maturity

Diagram 6 below shows the levels in Asset Management maturity as defined by the IIMM (International Infrastructure Management Manual 2015).



**Diagram 6 – Asset Management Maturity Scale**

In March 2016, an independent assessment was undertaken of Warren Shire Council's Asset Management Maturity. Asset Management Maturity refers to the level of capability of Council to manage its assets. This audit and level of maturity has been reviewed internally in 2017. The results of the 2016 and 2017 audit are shown below:

ID	Details	Maximum Score	March 2016 Score	March 2016 Result	October 2017 Score	October 2016 Result
1	<b>Strategic Long Term Planning</b>	20	15	75%	18	90%
2	<b>Annual Budget</b>	16	15	94%	15	94%
3	<b>Annual Report</b>	20	18	90%	18	90%
4	<b>Asset Management Policy</b>	20	11	55%	20	100%
5	<b>Asset Improvement Strategy</b>	12	4	33%	12	100%
6	<b>Asset Plans</b>	88	45	51%	65	74%
7	<b>Governance and Management</b>	28	17	61%	22	79%
8	<b>Levels of Service</b>	16	6	38%	12	75%
9	<b>Data and Systems</b>	32	16	50%	24	75%
10	<b>Skills and Processes</b>	40	23	58%	30	75%
11	<b>Evaluation</b>	12	4	33%	10	67%
	<b>Overall</b>	<b>304</b>	<b>174</b>	<b>57%</b>	<b>246</b>	<b>81%</b>

“Core” maturity enables basic technical outputs such as current levels of service, forward programs and cash flow projections and may include:

- Identification of assets critical to risk management.
- Asset registers with a low level of component breakdown.
- Good asset condition and performance data for critical assets, but for non – critical assets a desk top assessment by staff with a good knowledge of the assets.
- Simple cost/benefit analysis for capital decisions.
- Levels of service based on historical performance.

“Advanced” maturity displays the following features:

- Asset Management Policy, Strategy and Plans derived from the Community Strategic Plan.
- Optimisation of whole of life costs, risk and performance.
- Objectives and performance measures are aligned.
- Systems are integrated, used and understood.
- Competencies / training aligned with roles, responsibilities and collaborative requirements.
- We know what we have care and control of.
- Assets are in a register to an identifiable level and valuations reported at component level.
- We monitor condition, functionality, performance and costs and use this data to give cost and performance outputs.
- We have recorded current levels of service in terms of reliability, repeatability and quality of service as well as responsiveness to asset failures.
- We realise future levels of service based on population growth, demographic changes and community expectations.
- We understand the life – cycle funding needs to meet customer expectations for capital and maintenance expense.
- We monitor and report on the condition, performance and functionality of assets against service levels and regulations.
- We have uniform organisational processes for the analysis of capital works, maintenance and operations investments.
- We develop needs based budgets using a consistent method.
- We regularly report and compare actual performance against planned – costs, responsiveness and service levels.
- Budget process has moved from historically based, to predictive analysis based budgeting.

## 5.6 Asset Management Issues Facing Warren Shire Council

The Federal Government is driving asset management with State Governments showing compliance through legislation (IP&R, Fair Value etc). Accordingly, soon Council’s will have to show Asset Management performance to receive grant funding. This is reflected in the Prime Ministers address to the “Australian Centre of Excellence for Local Government (ACELG).”

- *“Councils that plan & manage their assets effectively are councils that can deliver value for \$ to communities”*
- *“We need to know what we’ve got, what condition it is in, whether it needs to be repaired and how much it costs to maintain. This is the most basic level of information”.*
- *“The Commonwealth will also consider making its future infrastructure investments linked to the implementation of nationally consistent asset management systems”*

The following is an assessment of the issues Council will need to address:

- Adoption of sustainable asset practices so that future generations don’t pay for services used by the current generation.

- Moving to consumption based predictive funding and optimised budgeting methods
- Being able to predict asset condition in 10 years' time at the current rate of expenditure
- Ensuring sound risk management and mitigation associated with Council's assets
- Community education/involvement and understanding of levels of service and the relationship between funding and service delivery
- Life – cycle costing to justify new assets; and
- Future maintenance needs for new infrastructure and managing sustainability.

## **6. LONG-TERM FINANCIAL PROJECTIONS**

Council uses assets to provide services to the community. However, assets may not reach their useful life due to unforeseen factors such as changing demographics. Council is committed to responsible financial management, in a changing environment. To enable Council to make sound financial decisions it's vital to understand and plan for the future so that there is funding available to properly manage assets in accordance with Council's Strategies.

Council is committed to using asset performance and life – cycle models, which simulate the behaviour of the asset in real life. The life – cycle models will be capable of infrastructure modelling to take account of:

- Different service level objectives for the assets
- Different asset management practices; and
- Different financial strategies for funding maintenance, renewal and upgrade.

By adjusting expenditure, together with actions identified in this Strategy, such as levels of service that will be provided to the community, Council will be in a better position to maximise the use of its assets and allow Council to better manage its assets and meet its goals for the community.

## **7. IMPROVEMENT PLAN**

Warren Shire Council is committed to implementing and advancing sustainable asset management to the overall advantage of the organisation, the community and other relevant stakeholders and will undertake the action plan outlined in this document which includes the following:

- Implement an Asset Management Steering Committee
- Undertake Annual Asset Management Maturity Audits
- Developing Asset Management Plans that:
  - Address the improvement plan in this strategy
  - Cover at least 10 years
  - Are linked to The Asset Management Policy and Strategy, Community Strategic Plan, Long Term Financial Plan, Resourcing Strategy, Operational Plan, Delivery Plan and Any other relevant Council Policy objectives
  - Include asset inventory data
  - Document the asset hierarchy within each asset class
  - Document the current condition, useful lives, valuation procedures and the methodology used to calculate each
  - Include risk assessments of criticality assets and services
  - Include costs to provide a defined level of service
  - Include a demand forecast
  - Address life – cycle costs, including cash flow forecasts for all facets the asset's life.
  - Address asset performance and utilisation measures and associated targets linked to levels of service
  - Include an asset rationalisation / disposal program

- Include an asset management improvement plan
- Consider non asset service delivery solutions
- Are informed by the local government financial reporting frameworks
- Recognise changes in service potential of assets through projections of asset replacement costs, depreciated replacement cost and depreciation expense
- Optimise resource use and maximise service delivery to ensure that Council's assets are responsibly managed in a financially sound manner, to enable provision of appropriate levels of service delivery to the community, within the constraints of available resources
- A process to monitor, audit and review the asset portfolio to ensure it's responsive to service delivery needs and meets the goals/targets set by Council
- Minimise Council's exposure to risk due to asset failures by implementing a risk management process that identifies, manages, and controls risk.
- Ensure future full life – cycle costs will be reported and considered in all decisions relating to new services and assets and upgrading of existing services and assets

The following updated improvement plan for 2017/2018 includes the initial improvement plan developed in 2016 and includes any progress since its inception.

#### **Improvement Plan, 2017 to 2018**

<b>Step</b>	<b>Key Milestone</b>	<b>Responsibility / Resources</b>	<b>Progress</b>	<b>Target Date</b>
1	Develop Asset Condition Rating & Valuation Manuals	APE	Sealed Roads, Footpaths, K&G, and Playgrounds Completed	Feb 18
2	Develop an Access/Excel based Asset Management System	MES	Currently being developed	Mar 18
3	Model and Analyse Service Level Options	APE/MES	Sealed Roads, Footpaths, K&G, and Playgrounds Completed	Feb 18
4	Identify operational and financial KPI's for inclusion in Asset Management Plans	MES / MFA	To be developed	Jan 18
5	Develop target Financial KPI's.	MES / MFA	Sustainability Index = 100% (1:1) Asset Renewal Ratio = 100% (1:1) Asset Consumption Rate = 50% min Asset Backlog Ratio = <2% Asset Maintenance Ratio = 100% (1:1) Operating Performance Ratio = 0 Asset Condition Index = 5% Asset Health Index = 50% min Life Cycle funding Gap <5%	Jan 18
6	Do 10-Year Financial Model for each asset class to identify impact of budget on condition. Define budget needed to maintain current condition for inclusion in AMP's	MES	Sealed Roads, Footpaths, K&G, and Playgrounds Completed	Feb 18
7	Link Asset Management Plans & LTFP	MES	Sealed Roads, Footpaths, K&G, and Playgrounds Completed	Feb 18
8	Develop Asset Management Plans	APE	Core of the Asset Management Plans developed for Sealed Roads, Footpaths, K&G, and Playgrounds.	Mar 18
9	Brief Council on Asset Management, Policy, Strategy, Plans	MES		Apr 18
10	Asset Management Maturity Audit	APE	To be carried out Annually	Oct 18
ONGOING AND CONTINUOUS IMPROVEMENT				

## 8. KEY PERFORMANCE INDICATORS

In simple terms, Council's Asset Management Strategy outlines how Council will manage its asset management functions and responsibilities. The measure of this is Council's Asset Management Maturity.

KPI	Measurement Method	Current Maturity	Target
Asset Management Maturity	Maturity Audit	80%	90% by Oct 2018

### Key Performance Indicator of Asset Management Practice

KPI's for specific assets, in terms of community expectations, operational service levels and financial indices will be detailed within each Asset Management Plan.

## 9. STRATEGY REVIEW

Any Strategy must be a dynamic document, reflecting and responding to changes over time. This Asset Strategy will be reviewed within 1 year of each new Council's term of office.

## 10. REFERENCES

- Warren Shire Council Financial Statements – 2014/15
- Warren Shire Council Asset Management Policy – 2016
- Warren Shire Council Annual Report – 2014/15
- Warren Shire Council Community Strategic Plan – 2012
- Warren Shire Council Community Engagement Strategy – 201

