



# ASSET MANAGEMENT STRATEGY

(2018/19 – 2020/21)



## Document Control

<b>Policy</b>	Asset Management Strategy 2018-2021	<b>Policy Number</b>	TBA
<b>Author/Reviewer</b>	Director Infrastructure	<b>Review Period and Date</b>	Reviewed within 12 months of election/4 yearly - September

- Asset Management Strategy shall be reviewed within 12 months of an election, and thereafter at intervals of no greater than four years. Any review will ensure this Policy continues to meet all statutory requirements and the operational needs of Hilltops Council. The Policy may also be reviewed at other times as determined by Hilltops Council.

## Document History

Date	Status	Version	Resolution	Description
May 2018	Draft	0.1		Asset Management Strategy 2018-2021 - created
9 May 2018	Draft	0.2		Presented to Council for endorsement for public exhibition 28 days
9 May 2018	Draft	0.3	EOM – 18/16	That the Asset Management Strategy be workshopped on 17 May 2018 to review the plans before public exhibition
17 May 2018	Draft	0.4		Presented to Hilltops Council Workshop for review
23 May 2018	Draft	0.5		Presented to Council for endorsement for public exhibition 28 days
23 May 2018	Draft	0.6	18/115	That the Delivery Program and Operational Plan be placed on public exhibition for 28 days
27 June 2018	Draft	0.7		Presented to Council for adoption
27 June 2018	Final	1.0	18/153	Asset Management Strategy 2018-2021 - adopted

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# 1. Introduction

This Strategic Asset Management document has been developed to improve the management of Council's infrastructure assets and ensure that assets used to support the services delivered by the Hilltops Council are sustainable and continue to function at a level of service determined by Council and accepted by the broader community.

New South Wales Councils' physical assets, comprising roads, bridges, drainage, buildings, parks and recreational facilities, represent a major investment built up over many generations as is the case of Hilltops, with infrastructure maintenance and renewal costs consuming a large part of Council's budget. Costs to maintain assets can vary significantly throughout its lifetime and can have a substantial impact on Council's budget and human and capital resource planning.

Asset Management (AM) is a systematic process to guide the planning, acquisition, operation and maintenance, renewal and disposal of assets. The objective is to maximise asset service delivery potential and manage related risks and costs over the entire asset life.

Hilltops will participate in the National Asset Management Assessment Framework (NAMAF) which aims to improve asset management knowledge and practices across all NSW Councils. As an organisation Hilltops Council plans to develop AM elements in line with NAMAF with an aim to meet core asset maturity standards by 2023.

Council is required to have a formalised approach to AM, so it can maximise the function of its assets while minimising potential risk and financial liability of ownership. Council needs to know what effect the current level of funding of asset maintenance, asset renewal and asset improvement today will have on the assets in future years.

The long-lived nature of many assets and the need for their ongoing renewal means that planning must be based on an understanding of the "whole of life" costs throughout each asset's life cycle. This then provides a basis for the management of both short and long-term continuance of the assets capacity to function and to meet the Hilltops community vision of:

*"In 2030 the Hilltops is a thriving region offering a relaxed country lifestyle and diverse economy. We value and protect our friendly community spirit, pristine natural environment, and deep cultural heritage. There are strong connections between our community, environment, economy, infrastructure and Council, making the Hilltops region a vibrant place to live, work, invest and visit for all."*

The AM Strategy aims to achieve one of the key strategic objectives contained in the "Hilltops Community Strategic Plan (CSP) 2018-2030":

*5.3.3 Manage the assets and resources of Council ethically, prudently and efficiently on behalf of the community.*

The strategies contained in this document on page 19 focuses on the key elements necessary to improve the standard of AM over the next three years and identifies key AM milestones.

This document is the first version of an AM Strategy for Hilltops Council.

## 1.1 Scope

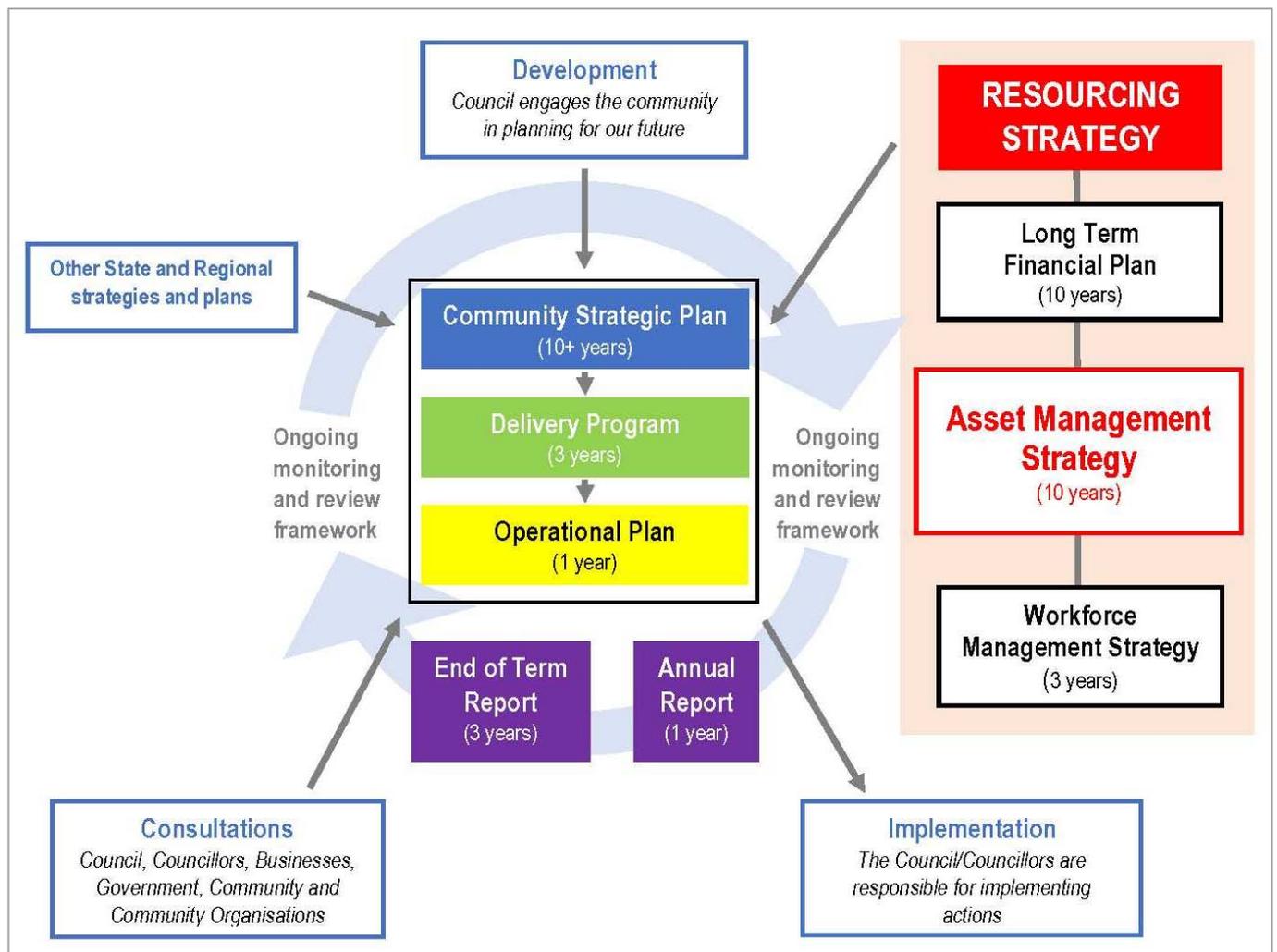
The strategy has a 10-year outlook and applies to all infrastructure assets owned or controlled by Council. The Hilltops Council AM Strategy has been prepared in line with the AM Policy 2018, reflecting the following six key areas.

- Asset creation
- Acquisition
- Operation
- Usage
- Maintenance
- Rehabilitation/disposal

This AM Strategy is intended to meet the requirements of a Strategic AM Plan under ISO 55000:2014 – being:

*“Documented information that specifies how organizational objectives are to be converted into AM objectives, the approach for AM plans, and the role of the AM system in supporting achievement of the AM objectives”*

As part of the NSW Integrated Planning and Reporting requirements, Councils are required to adopt a Community Strategic Plan, Resourcing Strategy, Delivery Program and Operational Plan.



The Resourcing strategy has three components – a Long Term Financial Plan, a Workforce Management Strategy, and an Asset Management Strategy (supported by an Asset Management Policy and Asset Management Plans).

The Asset Management Strategy (this document) is informed by the individual AM plans, and relates these to the themes emerging from the Community Strategic Plan.

In implementing its AM Strategy, Council must ensure that strong consideration is given to appropriate funding of ongoing operations and maintenance costs whenever new capital projects are being evaluated, especially while there is a demonstrated backlog of assets in poor and very poor condition.

## 2. Overview of Council Assets

The Council over many years has built up a considerable asset base to enable it to provide services to the community.

As at 30 June 2017, these assets include:

ASSET CLASS	DESCRIPTION	REPLACEMENT VALUE (\$)
<b>Roads</b>	Pavement, formation (Bulk Earth work), Footpath, Shared Path, Kerb and Channel, Medians, Parking Lanes, Traffic Control Devices, Signs	433,130,000
<b>Bridges</b>		51,729,000
<b>Stormwater</b>	Pipes, Pits, Pump Stations	28,399,000
<b>Buildings</b>	Community Services, Leisure and Culture, Corporate, Commercial	93,424,000
<b>Open Space</b>	Irrigation systems, street furniture, park furniture, play spaces, Swimming pools	18,110,000
<b>Fleet and Plant</b>	Heavy vehicles, light vehicles, mobile garbage bins, furniture, white goods	28,270,604
<b>Furniture and Fittings (including Information Technology)</b>		80,481,000
<b>Water Mains</b>		47,672,800
<b>Water Assets (non-Mains)</b>		22,318,900
<b>Sewer Mains</b>		38,327,900
<b>Sewer Assets (non-Mains)</b>		27,263,530
<b>Other Structures</b>		7,545,000
	<b>Total Asset Value</b>	<b>876,671,734</b>

## 2.1 Drivers for Asset Management

Hilltops Council’s approach to planning, acquiring, operating, maintaining, renewing and disposing of infrastructure assets can have a significant impact on service delivery and long term financial sustainability of Council. As custodians of community assets, Council has a good appreciation of the fact that there is increased pressure on future resources – both physical and cash reserves - to continue to provide assets at desired levels of service.

Some of the other key drivers for improving the management of these assets are as follows:

- Balancing the need for services, facilities and other infrastructure between the towns, villages and rural communities.
- Increased pressure from the community for improved service delivery at the same or less cost.
- Planning and decision-making for long-term sustainability and achieving a fair balance of costs and benefits between present and future generations.
- The State Government’s focus on the widening renewal gap for NSW Councils and limitations in Hilltops Council's ability to raise funds to bridge future asset renewal gaps.
- Local Government Insurer's assessment of Council’s ability to minimise asset risks resulting in lower premiums.
- Australian Accounting Standards (Fair Value) requiring the identification, valuation and depreciation of infrastructure assets.
- The recently published International Standards for AM (ISO55000/1/2) and the potential impact on AM expectations across all levels of government.
- The IPR guidelines and reporting requirements for Councils in NSW.

Hilltops Council has a critical need to provide sound AM and ensure that the infrastructure is provided and maintained at a level, commensurate with legislative and regulatory and related requirements, resident expectations and affordability.

## 2.2 Key Stakeholders

Key stakeholders who have an interest in the management of infrastructure assets to ensure service delivery are summarised in the following table:

KEY STAKEHOLDER	INTEREST/EXPECTATIONS
<b>External Stakeholders</b>	
<b>Residents and Rate Payers</b>	Service provision, sustainable environment, good amenities, value for money
<b>Visitors and Users of Council Services</b>	Availability of services, safe environment, ease of access, good ambience.
<b>Utilities and Service Authorities</b>	Sound working relationship, continuity of work, safe work environment.
<b>Developers</b>	Responsiveness, affordable fees and charges, efficient and effective processes.
<b>Contractors and Suppliers</b>	Ethical business practice, strong and transparent governance. Service neutrality, high quality contract management.
<b>State and Commonwealth Government</b>	Good infrastructure management, annual performance reporting, equitable service provision to the community. Demonstration of sound governance practices.

State Government Agencies	Co-operation, co-ordination, regional transport, road maintenance, Land development process, flood management, standards and specifications, guidelines, standard drawings, management of parking, support for public transport, management of assets, availability of road network around working relationship, responsiveness, good decision-making, efficient and effective processes.
Local Government Insurer	Effective management of infrastructure risks.
<b>Internal Stakeholders</b>	
Employees and Volunteers	Continuity of employment, job satisfaction, safe work environment.
Councillors/GM/Directors	Stewardship of service provision, representation of community issues.

## 2.3 Benefits of Asset Management

By implementing this strategy, Council aims to improve the AM practices to provide a more sustainable service delivery process. The key benefits are:

- Implementing processes that will allow improved AM and financial planning.
- Demonstrating sound governance of Council's assets.
- Optimising the life of Council's assets.
- Responding to the changing drivers within the community.
- Allowing for environmental pressures without compromising service delivery.
- Monitoring asset performance and responding accordingly.
- Improving accountabilities for AM performance.
- Ensuring cost effective solutions for the management of the assets.
- Obtaining consistent and reliable data across asset groups.
- Ensuring long term sustainability in delivering adopted levels of service.

## 3. Overview of Council's Asset Management Policy

On March 2018, Council adopted the AM Policy to provide direction on how Hilltops infrastructure assets will be managed within an AM framework. (Appendix1)

The HilltopsAM Policy has been developed to ensure sound stewardship of physical assets and is a core function of Council operations.

The key objective of this policy is to ensure that assets used to support the services delivered by the Hilltops Council are sustainable and continue to function at a level of service determined by Council and accepted by the broader community. This policy establishes the guiding principles, commitments and responsibilities for managing Council's infrastructure assets for present and future generations.

With its continuing implementation and more formalised approach to AM principles and methodology, Council will achieve significant benefits including:

- Integration of resources and knowledge.
- Better and more informed decision-making.
- Greater resource efficiency through the use of integrated systems.
- Improved efficiency and reduction of capital funds and asset operation costs.
- Ability to plan for present and future generations.

In developing the AM policy, Council has ensured that the policy considers:

- Compliance with Legislative and regulatory requirements.
- Corporate responsibility and the need for resources.

- Community consultation.
- Management of assets is undertaken in a structured and coordinated way.
- Council’s Risk Management Policy and risk appetite.
- Financial, social and environmental sustainability.
- Customer Service and continuous improvement.

## 4. Risk Management

### 4.1 Relationship between Risk and Asset Management Systems

Council’s AM Policy identifies three perspectives to consider in relation to providing the ‘best possible value’ to the community: performance, sustainability and risk/resilience (these inform in the Service Level Plans).

The AM Policy identifies that it is vital that risk and AM systems are integrated. Risks identified at the corporate level are used to prioritise operational and capital programs. Detailed technical analysis and planning (section 6.3.3) is used to quantify and manage risk.

Operational risk management is achieved by Operations and Maintenance Management Systems (this is in many ways the ‘front line’ of risk management) e.g. identifying and repairing defects on the road network and playgrounds or managing the storage, treatment and distribution of drinking water as described in the Drinking Water Management System.

Other risks can only be treated adequately by undertaking capital works. Where a project is included in the Capital Works Program for reasons related to risk, this will be noted in the justification.

### 4.2 Managing Critical Assets

The Integrated Planning and Reporting (IP&R) Guidelines require that the AM Strategy identify assets that are critical to Council operations and outline appropriate risk management strategies for these assets.

ISO 55000:2014 defines a critical asset as an asset having potential to significantly impact on the achievement of the organisation’s objectives. Assets can be critical due to safety, environmental or performance reasons (this can relate to legal, regulatory or statutory requirements) or because they provide services to critical customers or residents. In one sense, all of Council’s assets are critical as they underpin the community’s general health, wellbeing and amenity.

Risk management strategies for the primary asset categories are below.

CRITICAL ASSET	PRIMARY RISKS	MANAGEMENT STRATEGIES
<b>Sewerage</b>	Release of untreated sewage or effluent to the environment due to a loss of power or failure of infrastructure.	Critical analysis undertaken on all assets and condition assessments underway with opportunities to improve redundancy and resilience identified (e.g. backup pumps and generators, storage time in pump stations and at water reclamation plant), pollution incident response plans in place.
	Failure of Sewage Treatment Facilities to achieve the required effluent discharge quality	Regularly monitor the sewage treatment processes by sampling and testing the quality of the discharged treated effluent and comparing this this discharge permit’s performance parameters.

	as specified within the existing licences/permits.	
<b>Water Supply</b>	Supply problems due to drought. Failure of critical infrastructure (e.g. pumps) or loss of power leads to loss of supply.  Potable water failure to comply with the Australian Drinking Water Guidelines 2011	Drought Management Plan and Drinking Water Management System in place. Critical analysis undertaken on all assets and condition assessments underway with opportunities to improve redundancy and resilience identified (e.g. backup pumps, storage in reservoirs).  Monitor, sample and test treated water samples at throughout the reticulation network, include network extremities and dead ends, and Water Treatment plants to ensure full compliance with the Guidelines.
<b>Roads, Bridges and other Transport</b>	Safety issues arising from asset failures and/or other issues such as fallen trees, washed out bridges, flooded roads.	Inspection systems in place with additional inspections undertaken where necessary (e.g. after a major storm event) to identify and respond to defects.
<b>Buildings</b>	Business continuity in the event of a problem with the building.	Business continuity plans in place. Appropriate maintenance carried out.
<b>Playgrounds</b>	Safety issues from damaged or broken equipment.	Inspection system in place to identify and respond to defects.
<b>Aquatic Centres</b>	Safety of users.	Appropriate maintenance carried out, grounds closed when unsuitable to use.
<b>Sports-grounds</b>	Safety of users.	Appropriate maintenance carried out, grounds closed when unsuitable to use.
<b>Plant and Equipment</b>	Safety for workers and others on Council worksites.	Maintenance programs, timely inspections, trained operators.

## 5. Strategic Asset Management

### 5.1 Overview

The objective of this Strategy is to describe how Council will meet its commitments to AM as documented in the Hilltops Community Strategic Plan (CSP) and AM Policy.

It establishes a framework for the ongoing enhancement of AM practices to meet developing community needs and will assist Council to maximise the return on investment in asset maintenance, asset renewal and other capital expenditure and to provide the community with safe infrastructure.

In developing the AM Strategy, the following have been considered:

- The current status of AM systems, practices and funding.
- Required improvements to AM procedures, systems and training.
- Future renewal expenditure requirements.
- Systems for asset performance measurement and ongoing monitoring.

## 5.2 Relationship with other Council Strategies, Plans and Policies

Integrated AM planning requires the interaction of Council's Delivery Program and Operational Plan, Service Level Plans, AM Policy, AM Strategy, Long Term Financial Plan and all the other key elements of asset data management systems. This includes accounting, asset condition and performance, maintenance, renewal, replacement and disposal including final documentation of all key activities in AM Plans.

AM planning process is driven by identifying and agreeing the appropriate service level and then determining the required assets to provide that level of service.

AM Plans are influenced by other documents including but not limited to:

- CBRJO Regional Growth Plan
- Hilltops Economic Action Plan
- State Government plans, strategies and priorities

## 5.3 Community Consultation

Council's ongoing community consultation contributes significantly to the development of AM Policy, AM Strategy and the establishment of AMplans and budgets.

The need to more closely monitor and benchmark the impact of AM improvements on community satisfaction has been identified as an important future initiative.

# 6. Current Asset Management Status

## 6.1 Asset Management Roles and Responsibilities

Best practice AM is a whole of organisation activity that impacts on and involves staff from across the organization to deliver services supported by Council's assets.

As such the adopted team structure, outlined below, reflects senior management roles and includes designated staff from a variety of service areas. The Council, it's Executive Management Team (EMT), and key management staffs have defined roles, responsibilities and commitments within the Council's AM Policy.

### Council

- Overall custodianship of assets;
- Adoption of policies and AM plans incorporating levels of service;
- Allocation of budget resources.

### Executive Management Team (EMT)

- Educate and promote awareness of the AM function to staff, councillors and the community.
- Support the Strategic AM Committee.
- Ensure all Managers are aware of their responsibilities and comply with the Policy, Strategy and Plans
- Integrate AM into Council's Long Term Financial Plan (LTFP) and corporate planning

## General Manager:

- Oversee and implement AM policy, strategy and plans with agreed resources.

## Strategic Asset Management Committee (SAMC)

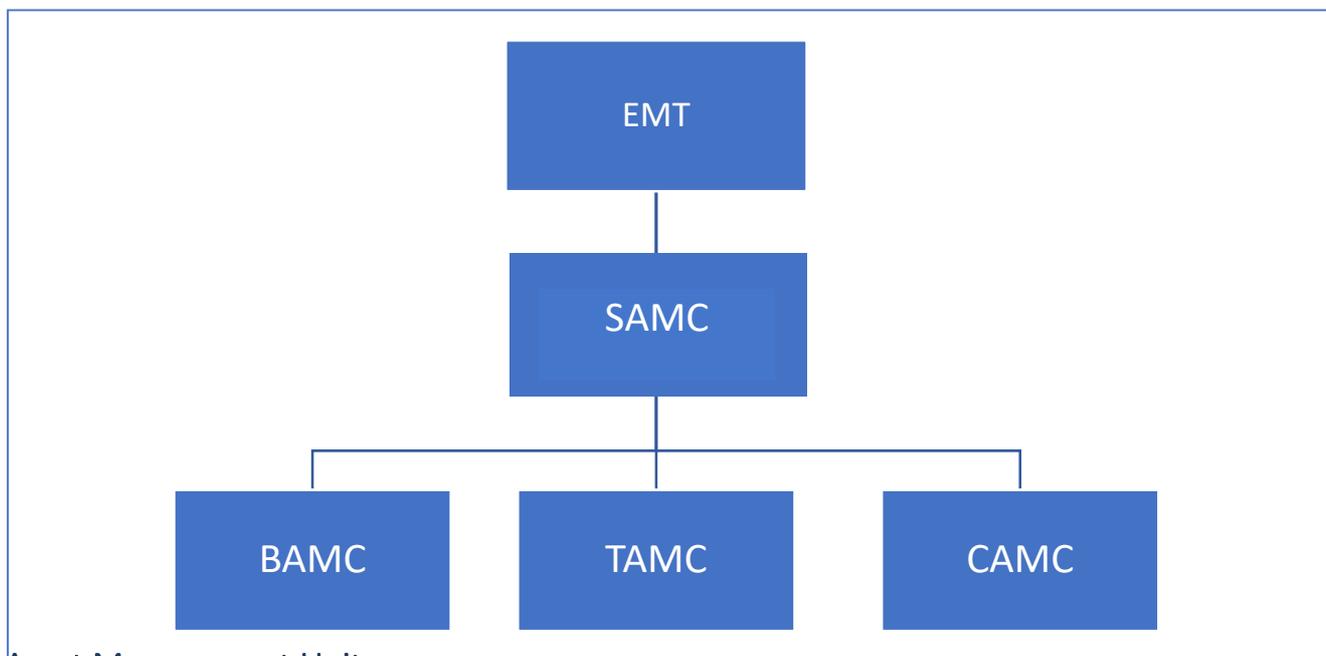
It is envisaged that a cross-functional multi-disciplinary Strategy AM Committee (SAMC) will be established. Sub-groups may be formed to address specific issues pertaining to individual asset classes. The SAMC will be primarily focused on corporate assets management issues and will provide coordination and overseeing of any sub-groups.

The Strategic Asset Management Committee (SAMC) comprises the following representatives:

- Chief Financial Officer (CFO)
- Asset Engineer
- Works Engineers
- Risk Officer
- Senior Strategic Planner
- Land Use Planner
- Water and Sewer Systems Engineer
- Water and Sewer Projects Engineer
- Community Services Manager
- Manager Engineering Services
- Development and Design Engineer

It is envisaged that initially 3 sub-groups will be established:

- BAMC-Building Asset Management Committee
- TAMC- Technical Asset Management Committee
- CAMC- Cultural Asset Management Committee



## Asset Management Unit

Council's AM Unit is responsible for providing AM support and direction across the organisation and for the direct management of the Council's assets data in a systematic and sustainable manner. The Unit provides guidance and team support and training to each Management Committee and undertakes

financial modeling (in conjunction with the Chief Financial Officer) on the long term financial impacts of maintaining and renewing infrastructure assets.

## 6.2 Council's Asset Management System

The following systems are used to assist in the management of Council's assets.

### 6.2.1 General Systems

#### *Technology One Asset Management System*

Council is in the process of implementing the corporate LGIS system Technology One including the AM module. Council currently has road, building, drainage, bridges and open space assets recorded in three different systems Civic view, Authority, Fujitsu. Currently asset data from the three legacy systems is being reviewed and put into the new system.

#### *Geographical Information System (GIS)*

Hilltops Council currently has two GIS systems called MapInfo in Eastern and Western Office and Intramaps in Southern Office. Council will be implementing a corporate GIS system using the Intramaps product as part of the Technology One implementation. The AM Unit manages the infrastructure layers within this software.

### 6.2.2 Assets – Processes and Systems

Roads, footpaths, kerb and channel, buildings, bridges and open space assets have been incorporated into Council's AM system.

Other details recorded in the system are traffic counts, overall condition summaries, strategic route details, defect inspection histories and details, defects and completed work actions. Response times to defects and actions are automated in the new AM system.

Key performance Indicators (KPI) can be implemented, measured and reviewed on the completion of service planning.

### 6.2.3 Identified Improvements

Ongoing improvements of Asset Register entry into Technology One and recording of inspections and updating of condition data on a regular, scheduled basis.

In future, Council plans to acquire and implement the Strategic AM Module which will enable Council to undertake forecasting of asset renewal demand in accordance with service level requirements and allocated funding resources. It will enable Council to analyse the future asset condition level required for 10-20 years based on following scenarios.

- Scenario 1 – Maintain current funding levels
- Scenario 2 – Increase funding by 15%
- Scenario 3 – Decrease funding by 15%

# Asset Condition Forecasts

**Current Status – Renewal demand 15% underfunded**

Option 1 – Maintain current funding levels

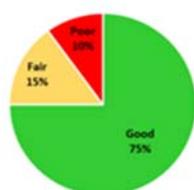
Option 2 – Increase funding by 15%

Option 3 – Decrease funding by 15%

2015/16

Public	IIMM	Moloney
Good	1	1
	2	2
	3	3
	4	4
	5	5
Fair	3	6
	7	7
Poor	4	8
	5	9
		10

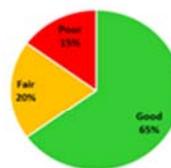
Road Condition - 2015/16 - Current Status



10 Year Impact

2025/26

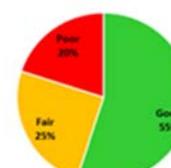
Road Condition - 2025/26 - Option 1



Road Condition - 2025/26 - Option 2



Road Condition - 2025/26 - Option 3



## 6.3 Asset Management Plans

### 6.3.1 Role and Function of the Asset Management Plan

The role and function of an AM Plan includes the following:

- Details the community's expected level of service.
- Specifies the capital expenditure for renewing, upgrading or extending assets.
- Presents cash flow forecast for acquisition, operation, maintenance and capital expenditure and for revenue where relevant.
- Justifies the contribution of each asset in terms of value for money for the Council.
- Establishes the targets and measures that will be used for monitoring progress with its implementation.
- Provides rational for the divestment of assets.

### 6.3.2 Asset Management Plan Structure

The Council will progressively develop and adopt second generation AM plans for nominated asset groups under the umbrella of the AM Plan Part A (General Information Plan) dealing with issues common to all asset groups. These plans will then be updated and reviewed at least every four years in line with Council elections.

### 6.3.3 Technical Analysis, Planning and Management of Infrastructure

There is a need for detailed technical analysis and planning to support the high-level summary information contained in the Service Level planning documents.

The AM Information Register identifies key information that underpins the AM system.

This information includes specification of activities, resources and timescales required to achieve Council's AM (i.e. the performance objectives and targets) linked with the Delivery Program and Operational Plan.

The detailed technical planning and analysis assists Council to ensure that the objectives are set using "SMART" principle (specific, measurable, achievable, realistic and time bound). The technical processes and systems then provides assurance of these results being achieved.

Basic categories of technical analysis, planning and management documentation are described below.

- All must be periodically reviewed, and many are associated with opportunities for improvement.
- Asset registers are the building blocks for the AM system, identifying all assets (sometimes in component parts) as well as location, quantities, materials, condition, age, etc.
- Asset hierarchies are a means of prioritizing resources and effort to those assets that are more critical (e.g. differentiating between very busy roads and those serving only a few properties).
- Asset condition assessments use a variety of methods from visual inspections of buildings to automated laser/video assessments of roads to assess the condition of assets to determine how far it is through its useful service life.
- Needs analysis and strategies identify both the needs of the community and the performance that is required from infrastructure assets to meet these (usually expressed in terms of quality or condition, functionality and capacity). This considers deterioration of assets, growth in demand, changes in community needs and expectations. Many of these may be formally adopted by Council.
- Performance modelling predicts the expected deterioration in performance of assets over time. Asset valuations consider both the 'fair value' of an asset (what it would be worth to sell on the open market – as required by accounting standards) and the expected service life. This information coupled with asset condition information enables Council to determine the current fair value of its assets and annual depreciation (how much of this value is being consumed each year).
- Capital works programs identify the priorities for future works based on the priorities established by Council in the Service Level Plans and draw on a range of data on the assets including the asset hierarchy (the importance ranking of assets in a category e.g. main road versus local streets). A short justification for the works is identified. The cost of undertaking works is also estimated.
- Operations and Maintenance Management Plans/Systems are how Council ensures assets are providing 'best value' (performing appropriately, being managed sustainably – avoiding premature failure and appropriately managing risks).
- Procedural documents are how Council controls critical processes in the AM system such as the way projects are planned and executed, the way data is collected and stored in computer systems and methodologies for calculations related to performance of Council's infrastructure.

### 6.3.4 Aligning Infrastructure and Financial Planning

The way assets are managed is critical to Council's financial sustainability. It derives several key inputs that contributes to Fit for the Future ratios. It is thus critical to ensure clear alignment between infrastructure and financial planning in this AM strategy and the Long Term Financial Plan (LTFP) respectively.

Three key areas are discussed below:

- Asset Valuation and Consumption (Depreciation)

The valuation of assets is based on 'fair value' (what an asset is worth on the open market). Asset condition identifies how far the asset is through its life (how much value has been consumed). The cost of asset consumption (depreciation) is calculated based on the value lost each year as the asset deteriorates (as life is used up), i.e. the asset value divided by its service life.

Assumptions about fair value, condition and service life of infrastructure assets determine a large proportion (around \$14 M/p.a.) which equates to approximately 24% of Council's annual operating expenses.

The SAMC reviews the basic assumptions about valuation and service life across the main asset categories, including benchmarking against similar councils where possible. Note 1 of Council's Annual Financial Statements includes further details on service life and Asset Valuation Procedure includes details of methodologies for Fair Value Measurement.

- 10 Year Expenditure Projections

Council forecasts its revenues and expenditure over 10 years via the Long Term Financial Plan (LTFP). It is critical that the financial information in the AM Plans aligns with the LTFP. The first four years aligns with figures in Service Level Plans. Figures relating to years 5 to 10 are based on continuing the priorities for the programs identified in the Service Level Plans over the longer term, as well as drawing on information in technical documents where these are available (e.g. the 30-year financial plan for water and sewerage assets in the Integrated Water Cycle Management Plan, the 30-year financial plan for the bridge assets management plan).

- Asset Maintenance Shortfall and Renewal Backlog

NSW Government's Local Government Code of Accounting Practice and Financial Reporting defines the method to calculate infrastructure performance measures that must be reported in Special Schedule 7 (SS7) of Council's annual financial statements. These are important Fit for the Future benchmarks. Auditing of these measures has been flagged for several years. Council is planning to develop a procedure outlining its calculations, which is included on the AM Information Register kept under review by the SAMC who also reviews reported results as part of preparation of the annual financial statements. If a shortfall in funding continues, Council will need to engage with the community and how this is managed in the future (i.e. decreasing levels of service or increasing funding).

## 6.4 Asset Management Maturity

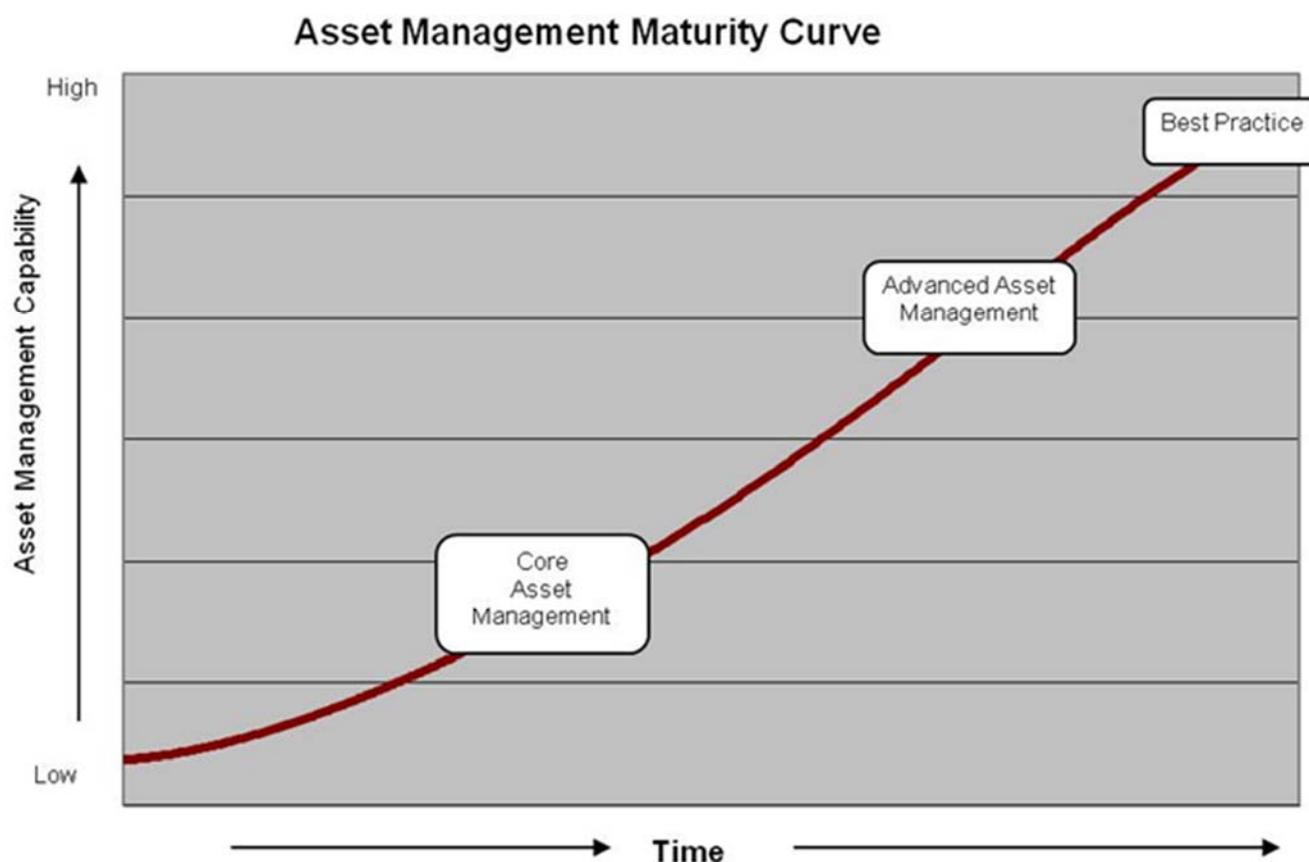
In 2010 the Federal Government introduced AM on a national level with funding being prioritised to Councils demonstrating high levels of AM capacity. The National Asset Management Assessment Framework (NAMAF) was put in place with the framework covering:

- Asset Planning and Management
- Financial Planning and Reporting
- Criteria for assessing Financial Sustainability

The NAMAFA is a self-assessment tool to be used by all local governments to measure their AM maturity. The NAMAFA has two assessment components as follows:

1. 'Core' maturity and
2. 'Advanced' maturity.

Hilltops is beginning its AM capability journey and is seeking to reach 'core' maturity by 2023.



The 11 key elements for 'Core' Maturity are:

1. Strategic Longer-Term Plan (Hilltops Community Strategic Plan)
2. Annual Budget
3. Annual Report
4. Asset Management Policy
5. Asset Management Strategy
6. Asset Management Plans
7. Governance and Management
8. Levels of Service
9. Data and Systems
10. Skills and Processes
11. Evaluation

## 7. Asset Management Strategies

High level Strategies to assist Council in progressing to 'core' asset maturity is detailed in the table below.

The Strategies will be delivered through the implementation of a range of improvement actions. Such actions have been identified in the AM Maturity Audit Initial Assessment and within the AM Plans.

NO	STRATEGY	DESIRED OUTCOME
1	Move from Annual Budgeting to Long Term Financial Planning.	The long-term implications of Council services are considered in annual budget deliberations.
2	Develop and annually review Asset Management Plans covering at least 10 years for all major asset classes (80% of asset value).	Identification of services needed by the community and required funding to optimise 'whole of life' costs.
3	Develop Long Term Financial Plan covering 10 years incorporating Asset Management Plan expenditure projections with a sustainable funding position outcome.	Sustainable funding model to provide Council services.
4	Incorporate Year 1 of Long Term Financial Plan revenue and expenditure projections into annual budgets.	Long term financial planning drives budget deliberations.
5	Review and update Asset Management Plans and Long Term Financial Plans after adoption of annual budgets. Communicate any consequence of funding decisions on service levels and service risks.	Council and the community are aware of changes to service levels and costs arising from budget decisions.
6	Report Council's financial position at fair value in accordance with Australian Accounting Standards, financial sustainability and performance against strategic objectives in Annual Reports.	Financial sustainability information is available for Council and the community.
7	Ensure Council's decisions are made from accurate and current information in asset registers, on service level performance and costs and 'whole of life' costs.	Improved decision making and greater value for money.
8	Report on Council's resources and operational capability to deliver the services needed by the community in the Annual Report.	Services delivery is matched to available resources and operational capabilities.
9	Ensure responsibilities for asset management are identified and incorporated into staff position descriptions.	Responsibility for asset management is defined.
10	Implement an Improvement Plan to realise 'core' maturity for the financial and asset management competencies within 18 months.	Improved financial and asset management capacity within Council.
11	Report six monthly to Council on development and implementation of AM Strategy, AM Plans and Long Term Financial Plans.	Oversight of resource allocation and performance.

Hilltops Council has made significant improvements in AM practices over the past twelve months. Council has invested in modern advanced AM tools in the form of the Technology One AM software system and their Strategic Asset Management system (SAM).

It is vital that Council capitalises on its efforts to date and continuously improves its AM activities. By adopting the following strategic actions, the Council will move closer to the 'Core' Maturity of the Local Government AM Framework.

The following strategies are a series of linked steps that will enable the Council to produce advanced AM Plans that will guide the long-term financial planning for council's assets.

## 7.1 Individual Strategies

### Strategy 1: Service Levels Review and Monitoring

Hilltops Council is developing Strategic Service Levels for its key infrastructure asset categories. Moving forward, Council should:

ACTIVITY	RESPONSIBILITY	TARGET
<b>Develop Strategic Service Levels</b> to ensure they provide adequate guidance for the strategic decisions required for effective asset management and all have measurable performance targets.	Strategic Asset Management Committee	<b>Dec 2018</b> (Ensure strategic levels of services are developed one year from the adoption of this strategy)
<b>Develop Operational Service Levels</b> that provide Performance Outcomes, Measures and Targets for day-to-day asset management activities and decision making. The targets set should be consistent with delivering the desired Strategic Service Levels.	Strategic Asset Management Committee	<b>March 2019</b> (To be determined following on from the development of the desired strategic levels of service)
<b>Annually monitor Council's performance</b> with respect to the Strategic and Operational Service Levels and recommend changes to practices or Service Levels if necessary.	Strategic Asset Management Committee	Annually each September

### Strategy 2: Advanced Condition Management

Hilltops can improve the quality of its asset decision making and prediction through adopting more advanced asset condition assessment practices:

ACTIVITY	RESPONSIBILITY	TARGET
<b>Determine the appropriate range of condition, capacity and functionality measures</b> for each asset category that will provide a cost-effective measure of the condition of each asset.	Strategic Asset Management Committee in conjunction with the relevant key staff from each asset category.	December 2019
<b>Develop cost-effective assessment tools for each condition, capacity and functionality measure</b> and document in Asset Assessment Manuals for each asset category.	Strategic Asset Management Committee in conjunction with the relevant key staff from each asset category.	<b>December 2019</b> (to be done in conjunction with above strategy)
<b>Update asset condition assessment scores</b> using Advanced Condition Management tools.	Strategic Asset Management Committee	<b>Each June</b> (in line with end of year financial valuations)
<b>Undertake Community Satisfaction Surveys</b> to gauge the Community's satisfaction with the current levels of service being delivered	Strategic Asset Management Committee	<b>June 2020</b> then bi-annually each June.

### Strategy 3: Enhanced Long-Term Modelling

The Advanced Condition Management practices will allow Council to undertake enhanced long-term modelling of its asset portfolios and thus generate more robust financial projections:

ACTIVITY	RESPONSIBILITY	TARGET
<b><u>Develop enhanced model cost parameters</u></b> to match the advanced condition management practices.	Strategic Asset Management Committee in conjunction with the relevant key staff from each asset category	<b>Review annually each March</b> (in time to prepare modelling outputs for budget preparations)
<b><u>Generate enhanced long-term financial projections</u></b> from SAM and Technology One using the scores obtained through Strategy 2.	Strategic Asset Management Committee in conjunction with the relevant key staff from each asset category	As required

### Strategy 4: Linking Long Term Financial Planning with Asset Management

Developing long-term financial projections for infrastructure assets is of little value unless the process is linked in to the long-term financial process of the Council. This step is critical for success:

ACTIVITY	RESPONSIBILITY	TARGET
<b><u>Integrate the asset long-term financial projections into the Council's Long-Term Financial Plan</u></b> , adjusting Service Levels and/or funding source models as necessary to achieve asset portfolios that are both affordable and sustainable in the long-term.	Strategic Assets Section and Finance	<b>Review annually each April</b> (in time to prepare modelling outputs for budget preparations)

### Strategy 5: Asset Management Plans for Major Asset Categories

The key AMplans for Council's major asset categories will be:

- The Transport Asset Management Plan (incorporating road pavement, Carparks, airport pavement, footpaths, kerb and gutter, roadside furniture, etc)
- Bridge Asset Management Plan
- Building Asset Management Plan
- Stormwater Drainage Asset Management Plan
- Water and Sewer Asset Management Plan
- Open Space Asset Management Plan

Council will need to:

ACTIVITY	RESPONSIBILITY	TARGET
<b><u>Prepare and document Asset Management Plans and link with the Operational Plan Key Performance Objectives (KPI's)</u></b>	Strategic Asset Management Committee in conjunction with the relevant key staff from each asset category.	<b>June 2019</b> (as per the Integrated Planning and Reporting requirements)
<b><u>Annually review Council's asset management plans</u></b> and update as needed to incorporate changes in policy, practices and community expectations.	Strategic Asset Management Committee in conjunction with the relevant key staff from each asset category	<b>Annually</b> Each September/October following on from the End-of-Year reports and financial statements

# Appendix 1: Asset Management Policy



# Asset Management Policy



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## Document Control

<b>Policy</b>	Asset Management Policy	<b>Policy Number</b>	107
<b>Author/Reviewer</b>	Manager Engineering Services	<b>Review Period and Date</b>	Reviewed within 12 months of election/4 yearly - September

- This Asset Management Policy (Policy) shall be reviewed within 12 months of an election, and thereafter at intervals of no greater than four years. Any review will ensure this Policy continues to meet all statutory requirements and the operational needs of Hilltops Council. The Policy may also be reviewed at other times as determined by Hilltops Council.

## Document History

<b>Date</b>	<b>Status</b>	<b>Version</b>	<b>Resolution</b>	<b>Description</b>
February 2017	Draft	0.1		Asset Management Policy - created
28 March 2018	Draft	0.2		Presented to Council for endorsement, public exhibition for 28 days
28 March 2018	Draft	0.3	18/70	Endorsed policy for 28 day public exhibition from 2 April 2018 – 30 April 2018
30 April 2018	Final	1.0	18/70	Public exhibition 28 days - no submissions received – policy adopted



## 1. PURPOSE

To provide a framework to achieve sustainable asset management, that is based on service delivery needs and integrated into Council's corporate and financial planning processes.

## 2. OBJECTIVE

To ensure that assets used to support the services delivered by Hilltops Council are sustainable and continue to function at a level of service determined by Council and accepted by the broader community.

## 3. SCOPE

This policy provides guidance to Council, councillors, management and staff, members of special committees (Section 355 Committees) who are involved in the operation, maintenance, renewal, upgrade, development or disposal of a Council asset.

## 4. POLICY

4.1 Asset management is a major responsibility of Council in undertaking its primary objective of endeavouring to achieve the best outcomes for the local community, having regard to the long term and cumulative effects of decisions Asset Management Policy.

4.2 As custodian of a variety of assets, including a large infrastructure network, Council will embrace the following principles:

- 4.2.1 Sustainability, preserving Council's assets (maintaining their overall condition) for future generations.
- 4.2.2 Liability management, ensuring that existing assets are safe for use by the current generation.
- 4.2.3 Incorporating responsible asset management principles into long term financial and corporate planning, including the Community Strategic Plan and the Delivery Plan.
- 4.2.4 Give preference to funding the renewal of existing utilised assets over the upgrade of existing assets or creation of new assets.
- 4.2.5 Consider the whole of life cost of any proposed upgrade to an existing asset or the creation of a new asset prior to the adoption of a project; these costs include operational, maintenance and renewal costs over the life of the asset.
- 4.2.6 Account for all infrastructure and asset expenditure in financial reporting under the categories of operations; maintenance; renewal; upgrade; expansion and new.
- 4.2.7 Implement and regularly review the Asset Management Strategy, which identifies improvement opportunities and leads to best practice in asset management.
- 4.2.8 Operate a cross-functional Strategic Asset Management Committee to oversee asset management responsibilities and to co-ordinate, advise on, and facilitate the implementation of the adopted Asset Management Strategy.



- 4.2.9 Prepare and adopt Asset Management Plans:
- 4.2.10 Ensure that Councillors and staff, with asset management responsibilities, are trained in asset and financial management principles, practices and processes.
- 4.2.11 The roles and responsibilities for asset management are:

**Council:**

Overall custodian of assets; adopt policy and asset management plans incorporating level of service; allocate budget resources; and integrate into Council's long term financial and corporate planning.

**Executive Team:**

Educate and promote awareness of the Asset Management function to staff, councillors and the community.

Support the Strategic Asset Management Committee.

Ensure all Managers are aware of their responsibilities and comply with the Policy, Strategy and Plans

**General Manager:**

Oversee and implement asset management policy, strategy and plans with agreed resources. Ensure appropriate resources are available for asset management activities.

**Strategic asset management Committee:**

Develop and implement asset management policy, strategy and plans. Educate and promote awareness of the Asset Management function to staff and contractors.

Ensure reports comply with the IP&R guidelines and National Asset Management Framework prior to General Manager submission for endorsement to authorities.

Review quarterly reports for submission to Executive Team.

Monitor and review implementation of the Policy, Strategy and Plans.

Provide advice and guidance to the Asset Management Unit.

Assess asset and financial management skills across the organisation and recommend further training to Human Resources where required

## 5. RELATED LEGISLATION

- NSW Local Government Act 1993
- Local Government Amendment (Planning and Reporting) Act 2009
- Civil Liability Act 2002
- Local Government (Finance and Reporting) Regulations 2014
- NSW Local Government (General) Regulation 2005
- Commonwealth Work Health and Safety Act 2011

## 6. RELATED POLICIES

Policy Development Guidelines  
Risk Management Policy  
Budget Preparation and Financial Reporting



## 7. REFERENCES

- Australian Accounting Standards
- Local Government and Planning Ministers' Council, Local Government financial sustainability nationally consistent frameworks, Framework 2 – Asset planning and Management (May 2009)
- Australian Centre of Excellence for Local Government – National Assessment Framework
- Australia Local Government Association – State of the Assets 2015
- NSW Integrated Planning Reforms
- The Local Government & Municipal Knowledge Base – Asset Management International Infrastructure Management Manual

Hilltops Council

- Asset Management Strategy
- Community Strategic Plan, Council Budget & Strategic Resource Plan

## 8. REVIEW

This policy will be reviewed two years from the date of adoption, with operational amendments as required, in accordance with Council's approval.

## 9. DEFINITIONS

### Asset Management

Asset Management is the combination of management, financial, economic, engineering and other practices applied to physical assets with the objective of providing the required level of service in the most cost-effective manner. It includes the management of the whole life cycle (design, construction, commissioning, operating, maintaining, repairing, modifying, replacing and decommissioning /disposal) of physical and infrastructure assets.

### Asset

A physical asset built or constructed to provide a service to the community and requires life cycle management by Council. Physical assets include land, buildings, plant and equipment, roads, bridges, footpaths and bicycle paths, parks, sporting and leisure facilities, playgrounds and passive recreational reserves, art works, stormwater drains and associated structures.