
Asset Management Strategy for Infrastructure Assets 2017 - 2021



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Executive Summary

This Asset Management Strategy has been prepared to enable Council to improve the way it delivers services from infrastructure assets¹ including roads, bridges, footpaths, stormwater drainage, buildings, streetscapes, and land improvements. These infrastructure assets at the end of the 2016/17 financial year have a replacement value of \$642,942,000².

The Asset Consumption Ratio³ for Council's infrastructure assets is predominately in the range of 68% to 73% which places them in the Stable phase of their life cycle. In this phase the majority of assets are in the early to middle portion of their life and the demand and urgency on funding i.e. capital renewal expenditure is lower relative the latter life phases. As these assets degrade further over the next few years they move into the Action phase. *It is for this very reason that Bass Coast Shire is embracing a strategy* and the improvement actions in the strategy to reduce and remove the future risks of assets deteriorating to an action phase.

It is in the Action phase where the majority of assets transition from the middle period of their life cycle to their penultimate phase. This means, the requirement for asset renewal expenditure will grow at a significantly faster rate than historical levels. The cost of repairs is four to five times the cost in the stable phase and this inherently leads to an increasing risk of future backlogs⁴. Every 10% of our assets that progressively slip into the action phase potentially pose a high likelihood risk of needing immediate replacement to the tune of 10% of the replacement value. This figure is \$60 million out of a circa \$600 million. This is our challenge and our motivation to embrace this strategy.

Moving forward, the challenge for Council is continuing to deliver expected quality services to the community from its aging and increasingly more costly infrastructure while making best use of its financial resources. To meet this challenge, Council will embark on a continuous improvement journey to build on its asset management competencies and capabilities so that it becomes a 'Better Practice' organisation. Our focus has to shift from an 'Asset Centric Focus' to a 'Service Centric Focus'. The action plans in the Strategy are aligned to achieve these competencies.

The roadmap for improvement over the next four years, to evolve into an organisation that is practicing service driven optimisation is set out in this strategy as an Improvement Plan. This comprehensive plan is summarised in Table 1 on the next page.

¹ Not including non-infrastructure assets such as information, communication and technology assets, fleet, plant and equipment.

² Source: Bass Coast Shire Council Annual Report 2016/17

³ The current life left in our assets based on a condition based assessment approach

⁴ Using Asset Genetics to Unlock Hidden Capital –McKinsey Global Infrastructure Initiative

Table 1: Asset Management Practice Improvement Actions

Ref	Improvement Action
1	Continue to review Councils Asset Management Plans.
2	Establish a Service Structure and Criticality Framework.
3	Establish Assessment Guidelines for Council's infrastructure assets.
4	Develop and document Council's Asset Accounting Policy.
5	Document comprehensive Community and Technical Levels of Service for Buildings.
6	Document comprehensive Community and Technical Levels of Service for Open Space.
7	Document comprehensive Community and Technical Levels of Service for Transportation.
8	Adopt an Integrated Service Planning approach where: a) the Long Term Financial Plan is informed by Service Planning; and b) the Long Term Financial Plan dictates the annual budgets and guides the prioritised capital works plan.
9	Formalise the annual presentation of a <i>State of the Assets Report</i> to Council and the community via Council's Asset Management program.
10	Develop Council's Asset Management skills and resources.
11	Review risk management practices in asset management.

1 Introduction

First and foremost, this Asset Management Strategy recognises that Bass Coast Shire is in the game of providing services to its community. A key issue facing us, no different to other Councils throughout Australia is the optimal management of these services now and into the future. This strategy is an enabling framework to develop an action plan for us to be:

1. In a position where we understand the core services we provide;
2. Able to adopt a process of rationalisation and optimisation; and
3. Determine the future plan i.e. which assets are in need of renewal, upgrade, replacement and disposal/relocation/redistribution of services. This is the essence of service centric asset management.

At Bass Coast Shire, our infrastructure assets such as roads, drains, bridges and public buildings present particular challenges. Their condition, functional fitness for the future and compliance with standards affects their future relevance and longevity, and therefore our ability to deliver services. Financing needs for Bass Coast in the future can be large, requiring planning for large peaks and troughs in expenditure for renewing and replacing such assets. The demand for new and improved services from these existing assets adds to the planning and financing complexity.

The creation of new assets also presents challenges in funding the ongoing operating and replacement costs necessary to provide the needed service over the assets' full life cycle. Adding to these challenges is that Bass Coast is a dual community i.e. we have a vast majority of holiday home residents.

The goal of asset management at Bass Coast is to address these challenges and provide an appropriate level of service for present and future rate payers through the management of assets in the most cost effective manner.

1.1 National Strategic Context (Australian Context)

The national frameworks on asset planning and management and financial planning and reporting, endorsed by the Local Government and Planning Ministers' Council (LGPMC), require councils to adopt a longer-term approach to service delivery and funding comprising:

- A strategic long-term plan covering, as a minimum, the term of office of the councillors and:
 - bringing together asset management and long term financial plans;
 - demonstrating how council intends to resource the plan; and
 - consulting with communities on the plan.
- An annual budget showing the connection to the strategic objectives; and
- An annual report with:
 - explanation to the community on variations between the budget and actual results;
 - any impact of such variances on the strategic longer-term plan; and
 - report of operations with review on the performance of the council against strategic objectives.

The Local Government and Planning Ministers' Council *Framework 2 - Asset Planning and Management (May 2007)*, seeks to develop a nationally consistent asset management framework to support improvement in local governments' asset management performance and sustainability.

The framework has seven elements to assist in highlighting key management issues, promote prudent, transparent and accountable management of local government assets and introduce a strategic approach to meet current and emerging challenges. The seven elements of the framework are:

- Asset management policy;
- Strategy and planning;
 - Asset Management Strategy;
 - Asset Management Plans;
- Governance and management arrangements;
- Defining levels of service;
- Data and systems;
- Skills and processes; and
- Evaluation.

As part of the framework, this Asset Management Strategy enables Council to:

- Meet the objectives set out in its Strategic Plan;
- Satisfy the service delivery needs of its community into the future;
- Comply with its Infrastructure Asset Management Policy; and
- Integrate asset management with its Long Term Financial Plan.

1.2 State Strategic Context (Victorian Context)

The Local Government Act 1989 (the Act) states that the primary objective of a council is to endeavour to achieve the best outcomes for the local community having regard to the long-term and cumulative effects of decisions.

The Act sets out that local government in Victoria:

- Is a distinct and essential tier of government and must provide governance and leadership for the local community.
- Must be accountable to their local communities in the performance of functions and the exercise of powers and the use of resources.
- Has a statutory requirement that councils prepare and report on medium and short-term plans in order to discharge their duties of accountability and transparency to their communities.

1.3 Bass Coast Shire Context - Council's Vision, Priorities and Objectives (Local Context)

Council has stated its vision for the Shire as:

Bass Coast Shire will be known as a region that supports a sustainable and healthy community, and values and protects its natural assets.

In support of that vision, Council has set a mission:

We will engage with and advocate for our community to ensure equity and balance between liveability and environmental protection and be accountable for our financial management in realising the community's vision.

Council's Council Plan and Municipal Public Health and Wellbeing Plan 2017-21⁵ sets out seven Key Strategic Objectives together with a number of strategies to guide achieving each of the objectives. Sound infrastructure asset management is closely intertwined with the delivery of Council's strategic objectives and thus becomes an implied strategic objective itself. The Key Strategic Objectives from the *2017-21 Council Plan* are set out in Table 2 below together with linkages to Council's strategic asset management activities.

Table 2: Linkages between Council's Themes⁵ and Strategic Asset Management

Theme	Measure	Linkages to Infrastructure Assets
Advocacy	Representing the community	Council's assets are designed and maintained to service the community and represent its needs
Economic Development	Expanding, attracting and retaining business and investment	Council's assets support the efficient operation of local businesses and, when mutually beneficial, Council will engage local business to support its asset management activities
Environment	Maintain and protect the natural environment	Council's assets are designed and maintained to protect the natural environment and to provide access in a controlled manner
Governance	We are responsive, open, transparent and financially sustainable	Council will adopt best practice strategic asset management philosophies
Health and Wellbeing	We are a healthy and active community	Council's assets enhance community health and wellbeing while promoting a sense of community pride
Liveability	Enjoying the place we live	Council's assets are designed and maintained to fit with landscape, lifestyle and climate for enjoyment of the place we live
Our Character	Celebrating the uniqueness of our townships	Council's assets are maintained to celebrate the uniqueness of our townships

⁵ Source: Bass Coast Council Plan and Municipal Public Health and Wellbeing Plan 2017-21.

2 Council's Assets and their management

2.1 Victorian Asset Management Planning and Accountability Framework

Soundly executed, asset management planning, based on a service centric philosophy will provide significant community benefit to our Shire in terms of:

- Transparency – an open and consistent decision-making environment based on pre-determined criteria and standards.
- Accountability – an open management environment where actions and outcomes are reported to the community.
- Quality of Service – identification and delivery of a balance between the service levels the community desires from its public infrastructure in terms of core performance, aesthetics, and access and inclusion and the service levels it can afford and is willing to pay for.
- Responsiveness – timely delivery of new and upgraded infrastructure assets required to match increasing and/or changing service level demands and the timely provision of maintenance support to enable the ongoing delivery of services to the community and the minimisation of any risks.
- Value for Money – optimising the cost of asset provision, the cost and timing of asset renewal and the on-going costs of operating and maintaining assets to achieve the lowest total life-cycle cost in order to deliver the best possible service to the community at the lowest cost.

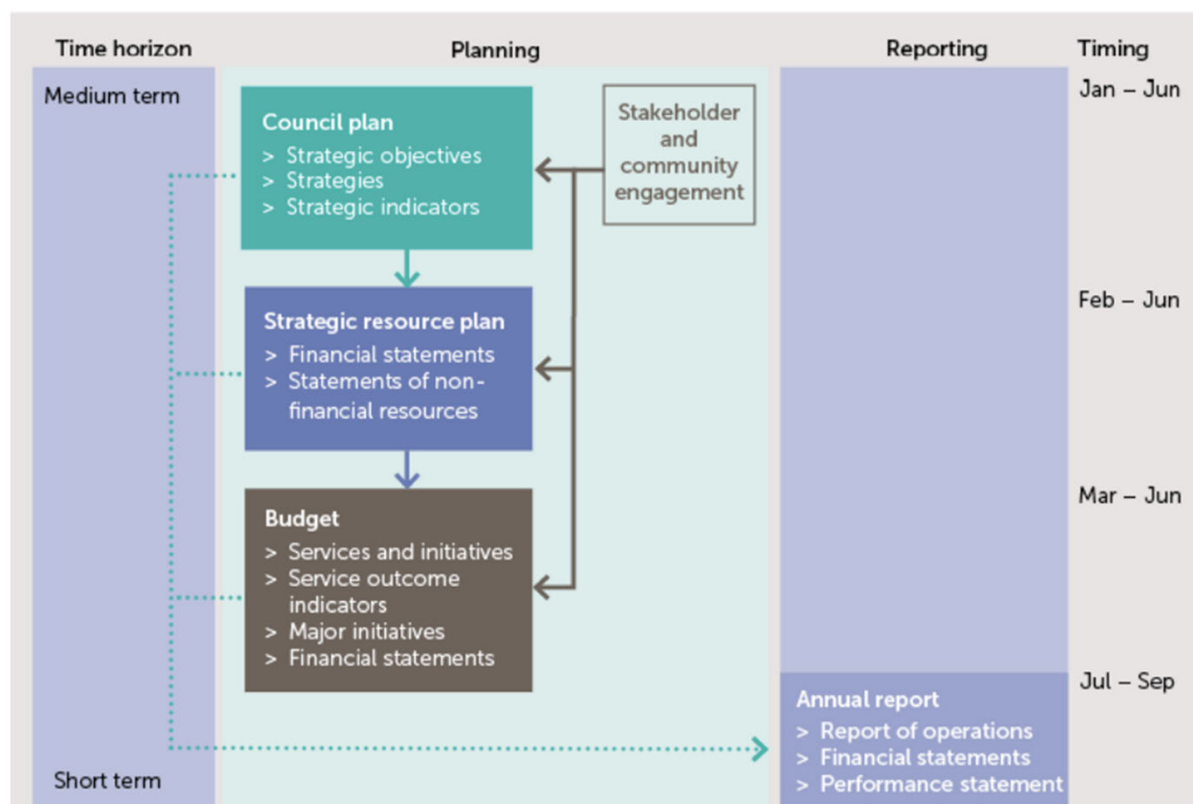
As shown in Figure 1 on the next page, the asset management planning process draws its broad directions of the community requirements and expectation from Council's Vision and Strategic Plan. The philosophies and frameworks for asset management practice are detailed in a suite of documents comprising:

- Asset Management Policy – sets out the broad objectives, responsibilities and accountabilities for asset management;
- Asset Management Strategy – sets out the broad scope of asset management as it applies to Council with a focus on improving Council's asset management processes (this document);
- Service Delivery Plans – separate documents for each service delivery function which detail the processes Council uses to track the changing levels and types of services required by the community together with processes used to translate the community expectations into funded and agreed development plans;
- Asset Management Plans – separate documents for each asset class which detail the processes Council uses to manage its infrastructure assets and the funding scenarios required to deliver defined levels of service to the community.

The infrastructure requirements from the Service Delivery Plans inform the expansion and upgrade requirements for Council's infrastructure assets which, with the asset renewal requirements identified through the Assets Management Plans, inform the funding scenarios in the Asset Management Plans which, in turn, inform the development of Council's Long Term Financial Plan (LTFP). The management processes from the Asset Management Plans and adopted funding levels

in the LTFP then combine to set the operational plans that Council follows in delivering its services to the community.

Figure 1: Victorian Asset Management Planning and Accountability Framework



2.2 What Assets do we have?

Council uses infrastructure assets to provide services to the community. The range of infrastructure assets and the services provided from the assets is listed in Table 3 below.

Table 3: Assets used for providing services

Asset Class	Description	Services Provided
Roads & Footpaths	Public roads & footpaths	Transportation access into and throughout the municipality
Bridges	Vehicle & pedestrian bridges	Transportation access across rivers and waterways
Drainage	Underground pipe network, culverts & channels	Collection of stormwater and discharge into natural waterways and the sea
Buildings	Civic buildings, administrative & operational buildings, community & recreational facilities	Accommodation for community-based activities and services, accommodation for Council to deliver its services
Land Improvements	Reserves, gardens, sporting fields, playgrounds, natural environments	Aesthetic and functional public open spaces for active and passive recreation

2.3 State of the Assets

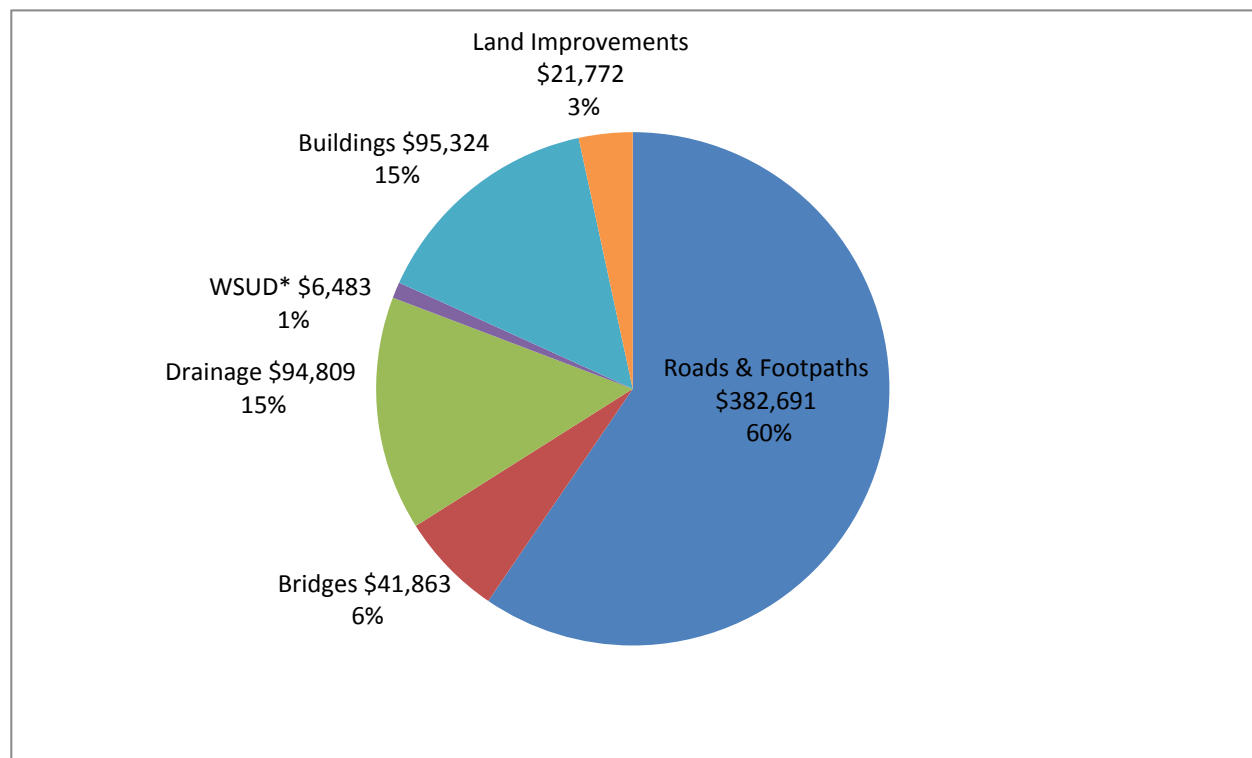
The financial status of Council's assets is shown below in Table 4 below. The figures are as recorded in the *Financial Statements* accompanying the *Bass Coast Shire Council Annual Report 2016/17* (Note 23). Figure 2 below shows the distribution of the replacement values of Council's infrastructure assets.

Table 4: Financial Status of the Assets⁶

Asset Class	Replacement Cost (\$000)	Depreciated Replacement Cost (\$000)	Annual Depreciation Expense (\$000)
Roads & Footpaths	382,691	260,336	7,424
Bridges	41,863	29,962	514
Drainage	94,809	79,779	962
WSUD*	6,483	5,140	151
Buildings	95,324	65,910	2,845
Land Improvements	21,772	14,630	489
Total	642,942	455,757	12,385

*WSUD - Water Sensitive Urban Design

Figure 2: Asset Replacement Values showing Replacement Cost and Percentage of Total Asset Portfolio for each Asset Class



⁶ Source: *Bass Coast Shire Council Annual Report 2016/17*

2.4 Asset Condition and Asset Consumption Ratio

The Asset Consumption Ratio for infrastructure assets is the depreciated replacement cost divided by the current replacement cost. This ratio is a high-level indicator of the average proportion of 'serviceable-condition' left in assets. When taken at a portfolio level, the Asset Consumption Ratio indicates the management phase that the portfolio is in and characterises the management actions required. The three management phases are set out in Table 5 below.

Table 5: Asset Consumption Ratio and Portfolio Phase Relationship

Portfolio Phase	ACR Range	Portfolio Characteristics
Stable	65% - 100% (typically 65-80% for Australian LGA)	<ul style="list-style-type: none"> • Vast majority of assets are in the early to middle phase of their lives and only requiring regular maintenance to ensure that the planned asset lives are achieved. • A small number of assets will be approaching or at the end of their useful life and require renewal. • Annual budgets for Capital Renewal are manageable for the foreseeable future (short term 5-10 years).
Action	40% - 65%	<ul style="list-style-type: none"> • Majority of assets are transitioning from the middle phase of their lives to the final phase where the rate of deterioration and the cost of maintaining and renewing those assets is increasing. • Increasing numbers of assets will be at the end of their useful lives and renewal is necessary to avoid asset failure. • Annual budgets for Capital Renewal are increasing and must be funded to prevent the portfolio descending into the Critical phase.
Critical	0% - 40%	<ul style="list-style-type: none"> • Vast majority of assets will be near or at the end of their useful lives and renewal is required to avoid asset failure. • Annual budgets for Capital Renewal will be very high and will be a considerable impost on the community.

Asset portfolios that comprise a large proportion of new or recently renewed assets will, by default, fall into the upper end of Stable phase. Within a portfolio in the Stable phase, there still will be assets that require renewal as they reach the end of their useful lives and so even in this phase, sound asset management practices are required. This is to avoid the issue of future creep⁷.

Infrastructure asset portfolios are rarely ever a homogeneous collection of assets evenly distributed in time across the life-cycle range. As a consequence, an organisation must expect its asset portfolios to fall into the Action phase at some point as attempting to avoid this phase altogether wastes asset capacity and unnecessarily increases asset expenditure. The key with the Action phase is how an organisation responds with timely increases in Capital Renewal funds.

Failing to adequately respond to the Action phase will inevitably lead to the Critical phase where assets are failing and causing pain for the community. This pain is exacerbated by the significant increases in funding required to return service levels to acceptable levels.

⁷ Infrastructure Creep and Backlog –McKinsey Global Infrastructure Initiative

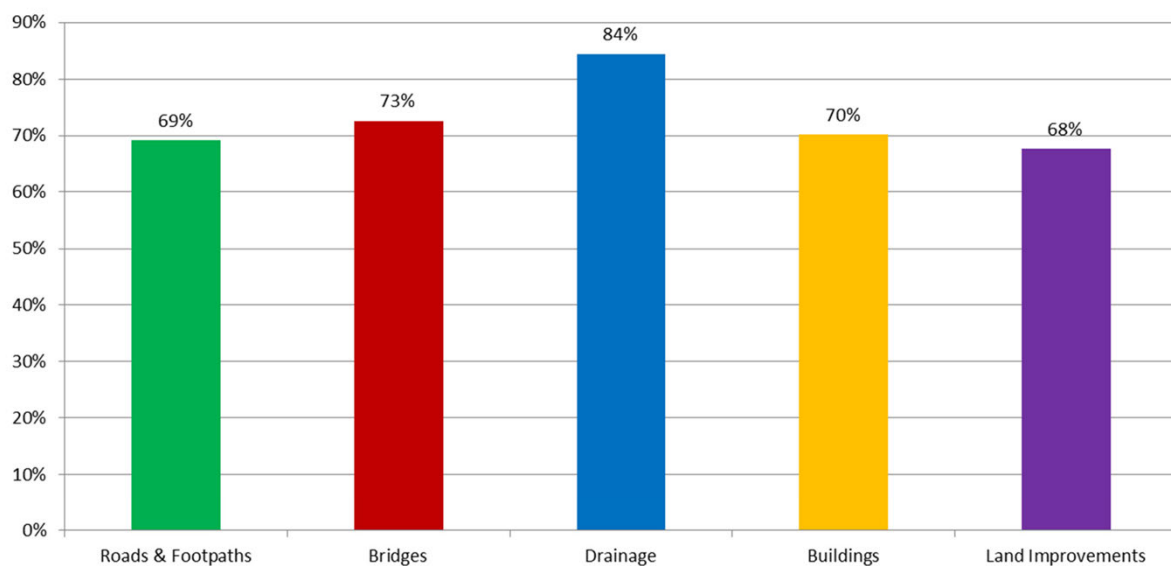
The target for all organisations is to appropriately respond to the Action phase to return their asset portfolios to the Stable phase.

The Asset Consumption Ratios shown in Figure 3 below indicate that the Drainage assets are comfortably in the Stable phase as is common for this asset class.

Although still in the Stable phase, all other asset classes are close to transitioning into the Action phase. As a consequence, for these classes of assets, Council will experience:

- An increasing rate of asset deterioration as they experience further use;
- Increasing numbers of assets requiring renewal, upgrades and transition to a different way to provide the services;
- The cost of renewal projects rising as the extent of work required increases.

Figure 3: Asset Consumption Ratios



Looking to the future, if Council is to honour its obligations to the community by delivering the desired services from its infrastructure assets now and into the future, it is essential that it:

- Maximises the benefit gained from the available funding and resources through science and optimisation (better practice asset management);
- Adopts a service-centric focus based on prioritisation driven by asset criticality;
- Focuses on the whole-of-life cost of owning assets;
- Puts caring for existing infrastructure assets ahead of constructing new ones; and
- Plans for the on-going additional costs of ownership when new assets are constructed.

Put simply, Council must adopt Better Practice Asset Management.

2.5 Measuring Council's Asset Management Competencies

Bass Coast Shire's financial and asset management competencies have been assessed using an assessment tool that tests Council's current capabilities in the following 13 categories:

- Levels of Service – this tests if Council has a defined process for determining current and target levels of service and costs;

- Asset Data – this tests if Council has appropriate data structures for its infrastructure assets;
- Condition Assessment – this tests if Council has a rigorous asset condition assessment methodology and is routinely applying that methodology with appropriate data quality checks;
- Service Capacity Assessment – this tests if Council has a rigorous methodology to assess the capacity demands on its infrastructure assets and if it is routinely applying that methodology with appropriate data quality checks;
- Asset Functionality Assessment – this tests if Council has a rigorous methodology to assess its infrastructure assets are fit for purpose and if it is routinely applying that methodology with appropriate data quality checks;
- Asset Inspections – this tests if Council has appropriate regimes in place for the conduct regular risk and maintenance inspections of its assets;
- Capital Works Planning & Annual Budgeting – this tests if Council has suitable processes in place to ensure that capital works programs are developed to deliver the agreed Levels of Service and that budgets are developed in line with the forecast long-term service delivery and asset renewal requirements;
- Maintenance Planning – this tests if Council has suitable processes in place to ensure that maintenance programs are developed to deliver the agreed Levels of Service and the expected useful lives of the infrastructure assets;
- Asset Accounting – this tests if Council’s asset accounting practices are line with the Australian Accounting Standards;
- Staff Skills – this tests if Council staff with relevant skills to manage its infrastructure asset portfolio;
- Resource Levels – this tests if Council has the appropriate number of skilled staff;
- Resource Morale – this tests if there is a positive culture among the relevant asset management staff;
- GIS Functionality – this tests if Council is maximising the value of its GIS capability in the management of its infrastructure assets.

Collectively, the above categories assess an organisation’s Advanced Asset Management Competency. Each of the above categories is assessed with multiple questions aimed at identifying where Council is on its journey to *Better Practice Asset Management*. While a score of 100% indicates that Better Practice has been achieved in a particular assessment category, a score of 80% indicates that Good *Practice Asset Management* standard has been achieved. It is generally accepted that the organisational target should be to achieve a *Good Practice Asset Management* standard across all categories before aiming higher.

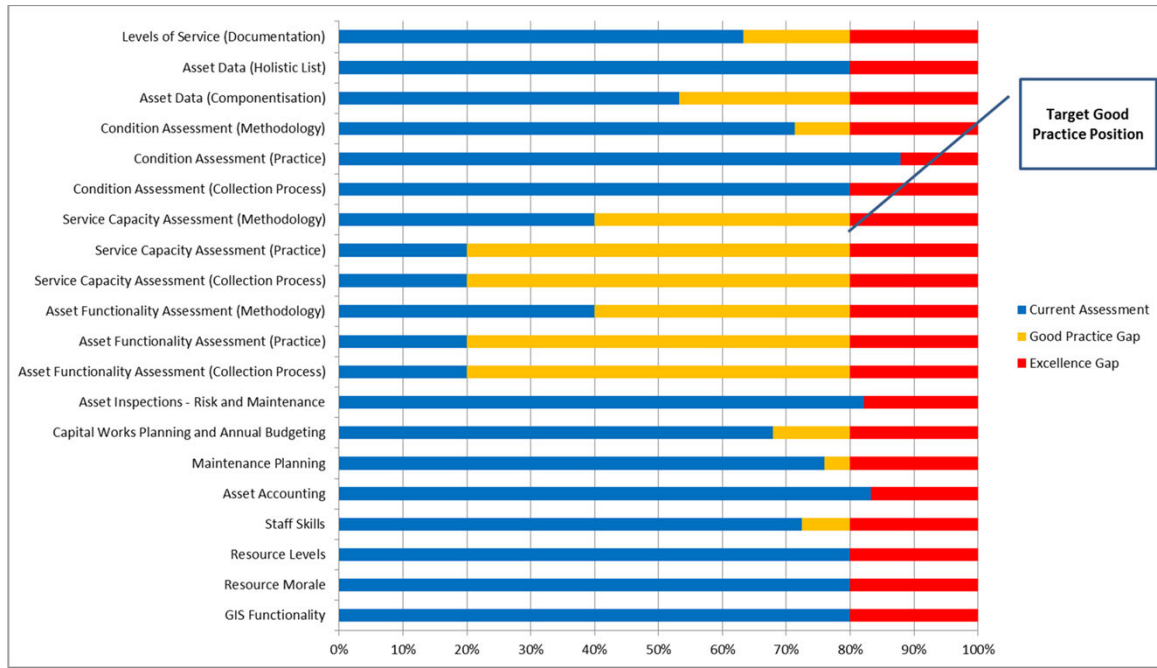
The results for an assessment of Bass Coast Shire Council undertaken in 2016 are shown in Figure 4 on page 12 by the blue bars. As marked by the red bars in Figure 4, our Council is operating a “good practice” level in eight of twenty detailed areas of assessment. Although not fully at a “good practice” level, our Council scored well in six other detailed areas of assessment.

The areas requiring the greatest level of improvement are those involving the capacity and functionality assessment of Council’s infrastructure assets which are characteristics of advanced asset management maturity and a service oriented framework to manage assets.

If these particular areas of assessment are set aside, the assessment actually shows that our Council is operating at close to the “good practice” level of Core Asset Management Competency.

The adoption of this Asset Management Strategy will see Council rise towards the ‘good practice’ level of Advanced Asset Management Competency and then continue on towards ‘Better Practice’.

Figure 4: Asset Management Competency Assessment Progress



3 Where do we want to be?

The Asset Management Competency assessment revealed that, for all practical purposes, Council is operating at the Good Practice level of Core Competency. However the asset management competency journey should not end there. Recognising that we are entering the second phase of the Action for the life cycle for many of the infrastructure assets means we must continue to develop our asset management competencies. To do this, we now need to adopt advanced maturity practices (service based planning) and keep moving towards better practice.

Council's asset management objectives are to:

- a. Achieve Good Practice in all aspects of Advanced Asset Management Competency;*
- b. Continue developing on the pathway to Better Practice.*

Achieving these objectives will:

- ensure that the Council's infrastructure services are provided in an economically optimal way, with the appropriate level of service to residents, visitors and the environment determined by reference to Council's financial sustainability;
- safeguard Council's assets including physical assets and employees by implementing appropriate asset management strategies and appropriate financial resources for those assets;
- embed the long term financial plan as the basis for all service and budget funding decisions;
- meet legislative requirements for all Council's operations;
- ensure resources and operational capabilities are identified and responsibility for asset management is allocated; and
- provide high level oversight of financial and asset management responsibilities through Audit Committee/CEO reporting to Council on development and implementation of Asset Management Strategy, Asset Management Plan and Long Term Financial Plan.

4 How will we get there?

The pathway to being 'Better Practice' is a journey of continuous improvement of Council's asset management policies, practices and procedures. It will require developing world-class competencies in all Council staff engaged across the spectrum of asset management activities through:

- Training and skills development;
- Exposure to best-of-breed industry expertise;
- Transformational Strategic Asset Management Optimisation Technology;
- Significant overhaul of asset data and asset condition profiles.
- A major shift from asset centric to service centric.

It is about being in a position where we can predict what is likely to happen and fix it before its cost triples in just a few years.

4.1 Improvement Actions

The next step on the journey to 'Better Practice' is to lift Council's asset management competencies to that of Good Practice across all measures. With the objective of lifting all assessment scores to 4 or more within the life of this strategy, Table 6 (commencing on the following page) sets out an extensive program of Improvement Actions.

Completion of these Tasks will provide Council with:

- Increased knowledge and understanding of its infrastructure assets;
- Improved ability to forecast future funding requirements for its asset portfolios;
- Linkages between the LTFP and the service levels delivered;
- Improved asset management practices;
- Asset Management competencies approaching Better Practice.
- A true service centric model.

4.2 Monitoring Progress

The Asset Management Strategy and the Asset Management Improvement Plan (Table 6) should be reviewed every year to ensure that it remains relevant in the context of industry development and unforeseen events acting on Council and the region.

Table 6: Better Asset Management Practice Improvement Plan

Note: Implementation Plans will be developed for each improvement action. All improvement actions will be completed by the end of the life of the Strategy.

Ref	Improvement Action	Purpose	Tasks (to be completed over the life of this Strategy)	Timeline	Resource Level of Effort
1	Continue to review Councils Asset Management Plans	To demonstrate the responsive management of infrastructure assets (to provide services from the infrastructure assets), compliance with regulatory requirements, and to communicate funding needed to provide the required levels of service.	a) Complete Councils Open Space Asset Management Plan	Start July 2016	2 years
			b) Review Councils Road Asset Management Plan	Start July 2017	2 years
			c) Review Councils Drainage Asset Management Plan	Start July 2018	2 years
			d) Review Councils Building Asset Management Plan	Start July 2019	2 years
2	Establish a Council endorsed Service Structure and Criticality Framework.	<p>The first fundamental aspect of True Asset Management is knowing what services we provide, which services are primary and which are secondary.</p> <p>By doing Tasks 2(a) to (c), we will be in a position of uniquely identifying and attributing each asset to a key service and criticality.</p>	a) Document a comprehensive service framework that outlines service classification, financial classification and the mandatory attributes of each asset type that will form the basis of measuring the service	Start July 2017	60 person days
			b) Develop a matrix of 'must have' attributes and 'nice to have' attributes for each asset type. These should be implemented as part of the asset DNA for gifted assets handover.	Start July 2017	Included in the 2(a)
			c) Develop and document the asset family tree showing the relationship between parent, child and grandchild asset. This relationship should be service based i.e. a pathway belonging to a public hall should be a child asset related to the hall.	Start July 2017	Included in the 2(a)

Ref	Improvement Action	Purpose	Tasks (to be completed over the life of this Strategy)	Timeline	Resource Level of Effort
3	Establish Council endorsed Assessment Guidelines for Council's infrastructure assets.	Knowing the current condition and functionality of assets is required to provide appropriate reporting on asset valuations, fair value, depreciation as well as accurate forecasts for future renewal prediction and capital works programs.	a) Develop an industry specific condition assessment guideline for each asset class with a consistent rating method across the board. The guideline must be asset class specific i.e. not a "one size fits all" method. For example, roads may be based on Austroads, Drainage may be based on National Asset Management Assessment Framework practice notes, Buildings based on Facilities Management guidelines.	In line with AM Plan Reviews 1(a)to(d)	5 person days
		In the modern era of asset management where accountability is the primary driver and financial reporting is mandatory, the use of condition data to calculate the health and remaining lives has become the core focus.	b) Document condition manuals with each assessment criteria clearly defined : Distress/failure modes Method of assessment Rating scale Photographic evidence of rating scale	In line with AM Plan Reviews 1(a)to(d)	45 person days
		Condition data has to be reliable (accurate) and repeatable (methodology must be such that the assessment is objective and not dependent on the person doing the rating)	c) Develop a functionality assessment framework that enables assessments of asset functionality separate to asset condition. In combination with asset condition, the asset management process should then enable us to articulate the service potential embodied in each asset as well as the network of assets in each class/sub-class e.g. buildings/public toilets.	In line with AM Plan Reviews 1(a)to(d) and linked with (8)	115 person days

Ref	Improvement Action	Purpose	Tasks (to be completed over the life of this Strategy)	Timeline	Resource Level of Effort
4	Develop and document Council's Asset Accounting Policy.	<p>The mandates for AASB 116 and more importantly now, disclosure requirements since 2014 around asset valuations mean our financial audits for infrastructure are increasingly scrutinised.</p> <p>While having a robust register of assets per (2) and (3) above is a sound foundation block, the organisation needs to endorse a policy for how to account and capitalise long life infrastructure to comply with AASB 116, 13, 108 and 136.</p> <p>This is extremely crucial to be able to report on sustainability and renewal ratios per the VAGO requirements in future.</p>	<p>a) Develop an Asset Accounting Policy for internal review that encompasses the following as Shire specific guidelines:</p> <ul style="list-style-type: none"> • Depreciation method that reflects the pattern of consumption of assets. • AASB 13 disclosures for unobservable inputs documented into an asset accounting manual to incorporate unit rate method, useful life evidence and any demonstrable evidence around any adopted residual values⁸. This must be done per asset class. • Document thresholds for asset recognition, asset capitalisation and asset revaluation. • Clearly identify what 'nature' of expenditure is to be capitalised vs expensed. • Allocate a revaluation frequency per asset class that is reasonable and achievable but also ensures that there is least risk of material misstatements. 	Start January 2018	20 person days
			<p>b) Document asset component matrix i.e. per class what the asset accounting components will be e.g. road class = pavement base, pavement sub-base, formation and surface.</p>	Start January 2018	Included in the above

⁸ Whilst residual as a term is banned in LGA now, the use of a non depreciable component may still be considered.

Ref	Improvement Action	Purpose	Tasks (to be completed over the life of this Strategy)	Timeline	Resource Level of Effort
5	Document comprehensive Community and Technical Levels of Service for Buildings.	Community Levels of Service provide Council with high-level measures and KPIs to assess effectiveness of service based planning. Technical Levels of Service provide Council with detailed measures and KPIs to guide business processes and assess effectiveness of service plans at a tactical level.	a) Develop a set of high-level measures that will be used as Community Levels of Service to assess the effectiveness of AM actions e.g. community satisfaction, appearance of buildings, compliance with standards and regulations, project delivery and financial management performance.	In line with AM Plan Reviews 1(d)	20 person days
			b) Develop a set of detailed measures that will be used as Technical Levels of Service to guide processes and assess performance e.g. functional fitness, minimum capacity, threshold condition and response to defects.	In line with AM Plan Reviews 1(d)	25 person days
			c) Determine Council's current performance against each measure (Current Levels of Service).	In line with AM Plan Reviews 1(d)	Ongoing and continuous monitoring
			d) Document a target level of performance for each measure that is considered to be both reasonable in terms of service quality and deliverable within Council's existing systems and resources (draft Desired Levels of Service).	In line with AM Plan Reviews 1(d)	Included in the above
			e) Present the Levels of Service to Council (as a proxy for community consultation) for adoption.	Linked to the above 5(d) with a lag time of 1 month	5 person days

Ref	Improvement Action	Purpose	Tasks (to be completed over the life of this Strategy)	Timeline	Resource Level of Effort
			f) Publish the adopted service levels in a Level of Service Manual which records each Level of Service, its KPI and the method of assessing performance.	Linked to the above 5(e) with a lag time of 1 month	Included in the above
			g) Develop a plan to engage with relevant community sectors to undertake a review of the Community Levels of Service.	Linked to start 1 month post item (8)	60 person days
6	Document comprehensive Community and Technical Levels of Service for Open Space.	Community Levels of Service provide Council with high-level measures and KPIs to assess effectiveness of service based planning. Technical Levels of Service provide Council with detailed measures and KPIs to guide business processes and assess effectiveness of service plans at a tactical level.	a) Develop a set of high-level measures that will be used as Community Levels of Service to assess the effectiveness of AM actions e.g. community satisfaction, appearance of parks, compliance with standards and regulations, project delivery and financial management performance.	In line with AM Plan Reviews 1(a)	10 person days
			b) Expand the current 'BSC Horticultural Levels of Service' into a set of detailed measures that will be used as Technical Levels of Service to guide processes and assess performance e.g. planned and programmed mowing, asset provision based on a service hierarchy, scheduled safety actions and reactive responsiveness.	In line with AM Plan Reviews 1(a)	10 person days
			c) Determine Council's current performance against each measure (Current Levels of Service).	In line with AM Plan Reviews 1(a)	Ongoing and continuous monitoring

Ref	Improvement Action	Purpose	Tasks (to be completed over the life of this Strategy)	Timeline	Resource Level of Effort
			d) Document a target level of performance for each measure that is considered to be both reasonable in terms of service quality and deliverable within Council's existing systems and resources (draft Desired Levels of Service).	In line with AM Plan Reviews 1(a)	Included in the above
			e) Publish the adopted service levels in a Level of Service Manual which records each Level of Service, its KPI and the method of assessing performance.	In line with AM Plan Reviews 1(a)	5 person days
			f) Develop a plan to engage with relevant community sectors to undertake a review of the Community Levels of Service.	Linked to start 1 month post item (8)	60 person days
7	Document comprehensive Community and Technical Levels of Service for Transportation.	Community Levels of Service provide Council with high-level measures and KPIs to assess effectiveness of service based planning. Technical Levels of Service provide Council with detailed measures and KPIs	a) Develop a set of high-level measures that will be used as Community Levels of Service to assess the effectiveness of AM actions e.g. community satisfaction, ride comfort on roads, appearance of footpaths, compliance with standards and regulations, project delivery and financial management performance.	In line with AM Plan Reviews 1(b)	2 person days

Ref	Improvement Action	Purpose	Tasks (to be completed over the life of this Strategy)	Timeline	Resource Level of Effort
		to guide business processes and assess effectiveness of service plans at a tactical level.	b) Expand the current Technical Levels of Service into a set of detailed measures that will be used to guide processes and assess performance e.g. response time to fault reports, routine inspection intervals, and intervention levels at which action is triggered.	In line with AM Plan Reviews 1(b)	5 person days
			c) Determine Council's current performance against each measure (Current Levels of Service).	In line with AM Plan Reviews 1(b)	Ongoing and continuous monitoring
			d) Document a target level of performance for each measure that is considered to be both reasonable in terms of service quality and deliverable within Council's existing systems and resources (draft Desired Levels of Service).	In line with AM Plan Reviews 1(b)	Included in the above
			e) Publish the adopted service levels in a Level of Service Manual which records each Level of Service, its KPI and the method of assessing performance.	In line with AM Plan Reviews 1(b)	5 person days
			f) Develop a plan to engage with relevant community sectors to undertake a review of the Community Levels of Service.	Linked to start 1 month post item (8)	60 person days

Ref	Improvement Action	Purpose	Tasks (to be completed over the life of this Strategy)	Timeline	Resource Level of Effort
8	Adopt an Integrated Service Planning approach where: a) the LTFP is informed by Service Planning; and b) the LTFP dictates the annual budgets and guides the prioritised capital works plan.	Ensures the funding levels set in the LTFP are adequate to deliver agreed service levels and that the agreed service levels are affordable. This is the true essence of our service centric better practice goal.	a) Develop an Optimisation Framework for each Asset Class using the best available condition and life-cycle data to forecast the following scenarios: 1. expected future asset portfolio condition for the funding levels in the adopted LTFP; 2. funding levels necessary to achieve and maintain the desired service levels; and 3. alternatives when Scenario 2 is not affordable in the short-term.	In line with AM Plan Reviews 1(a) to (d) as the above tasks include some of the work needed for this	350 person days
			b) Adopt a service planning framework to trade off between services and use this mechanism to determine five year budgets.	In line with the above 8(a)	Included in the above
			c) Develop a process called service based budgeting: the Executive Management Team and Council engaged discussion of the options presented in the Service Plans to determine funding options and preferred long-term asset management plan.	In line with the above 8(a)	Included in the above
			d) Engage the community in a discussion of the options for funding the management of the community assets into future.	Following the above 8(c)	30 person days
			e) Use the planning framework model: Operations and Maintenance Expenditure and Capital Renewal, New, Expansion and Upgrade Expenditure submissions based on the optimised service planning with EMT, Council and community consultation as part of the process for setting the LTFP.	In line with AM Plan Reviews 1(a) to (d)	Included in the above

Ref	Improvement Action	Purpose	Tasks (to be completed over the life of this Strategy)	Timeline	Resource Level of Effort
			f) Repeat Tasks above with each LTFP cycle.	Following the above 8(e)	Ongoing task
9	Formalise the annual presentation of a <i>State of the Assets Report</i> to Council and the community via Council's Asset Management program.	Provides an aggregated record of the current state of Council's infrastructure assets and asset management practices to the Council and the community on an annual basis in a single document called State of the Assets Report. Ensure an annual internal audit of asset management practices and performance. Includes all financial ratios	a) Review a process of handover so that asset registers are updated with the current data of any asset that has been the subject of any significant works or significant deterioration during the previous Financial Year.	Start October 2017	10 person days
			b) Develop consistent formulae and metrics for relevant VAGO financial indicators and ratios and include in the State of the Assets Report.	Start October 2017	10 person days
			c) Adopt the maturity assessment framework, re-assess the maturity levels and improvement actions from the previous financial year as recorded in the AM Strategy and the AM Plans and publish each year changes in the State of the Assets Report.	Start October 2017	4 person days
			d) Summarise Capital works program results for previous financial year and document status of key projects for each service stream in the State of the Assets Report.	Start October 2017	Ongoing outcome of above
			e) Summarise 10-year funding required for adopted scenarios from each AM Plan and the committed funding in the current LTFP for each service stream in the State of the Assets Report.	In line with AM Plan Reviews 1(a) to (d)	Included in the above

Ref	Improvement Action	Purpose	Tasks (to be completed over the life of this Strategy)	Timeline	Resource Level of Effort
			f) Record any gaps between the funding required and the LTFP funding and forecast the impact of the identified gaps in the State of the Assets Report.	Start October 2017	Ongoing task
10	Develop Council's AM skills and resources	Ensures Council has the capacity to be at the forefront of AM better practice. This means adopting a service centric approach to asset management.	a) Undertake a Gap Analysis of Council's current Asset Management resource capacity and capability.	Start August 2017	30 person days
			b) Undertake a Gap Analysis of Council's current Project Management resource capacity and capability.	Start August 2017	20 person days
			c) Identify capacity shortfalls and develop a strategy to close the gaps using internal and/or external resources.	Start August 2017	Included in the above
			d) Identify capability shortfalls and develop a training and development strategy to close the gaps.	Start August 2017	Included in the above
			e) Ensure responsibilities for Asset Management are identified and incorporated into all relevant staff position descriptions across the breadth of Council.	Start August 2017	4 person days
11	Review risk management practices in asset management.	Ensure consistent practices across the whole of Council.	a) Review risk management practices to ensure that they are aligned with Council's broader risk management policies.	Start July 2018	10 person days

5 References

1. Local Government and Planning Ministers' Council *Framework 2 - Asset Planning and Management*
2. Victorian Government *Local Government Act 1989*
3. Victorian Auditor-General's Office *Asset Management and Maintenance by Councils 2015*
4. Bass Coast Shire Council *2017-21 Strategic Plan*
5. Bass Coast Shire Council *Asset Management Policy*
6. Bass Coast Shire Council *2017-21 Annual Report & Financial Statements*
7. ACEAM Asset Management Competency assessment tool
8. ISO 55000 – International ISO standards for Asset Management.
9. Department of Environment, Land, Water and Planning- Better Practice Guide and Asset Planning and Accountability Framework for Local Government.
10. Asset Genetics and Unlocking Hidden Capital – McKinsey Report Global Infrastructure Initiative 2016.

Definitions

Asset:	A physical item which has value, enables services to be provided and has an economic life of greater than 12 months. Items considered to be assets include Plant, Equipment, Property, Buildings, Facilities, Infrastructure, Commercial Investments, Natural and Heritage Items owned or administered by Council.
Community Asset:	An asset that is used to enable a service or to provide a service to the community, e.g. community centres, swimming pools, libraries and sports complexes.
Infrastructure Assets:	Stationary systems forming a network and serving whole communities where the system as a whole is intended to be maintained indefinitely by continuing replacement and refurbishment of its components, e.g. roads, traffic facilities, footpaths, drains, parks and sports fields.
Operational Asset:	An asset utilised to administer and facilitate the operations of the council, e.g. plant & equipment and Council administration facilities.
Natural or Heritage Asset:	Bushland, wetlands, foreshores, river frontages and/or historical buildings and facilities of significance which Council seeks to preserve for future generations.
Asset Management Plan:	A document outlining the full physical and financial life cycle of an asset. This includes details of the asset components, asset values, depreciation rates, lifecycle expectations, maintenance and renewal plans for the whole of the life of the asset and its separable components together with any necessary plans for the ultimate sale or disposal of the asset.
Capital Expenditure:	Expenditure for new infrastructure and for the renewal or upgrade of existing assets that enhances the service potential of the assets.
Routine Maintenance:	Expenditure which does not meet the definition of Capital Expenditure but is incurred to ensure that the asset continues to provide its pre-determined service capacity and quality and achieves its expected useful life. Routine maintenance expenditure is of a regular and an on-going nature.
Community Capital:	The natural, human, social, and built capital from which a community receives benefits and on which the community relies for continued existence.

Long Term Financial Plan:	A Financial Plan based on a Service Level Target that produces a year by year forecast of the investment needed in capital renewals, capital upgrades, new infrastructure and ongoing maintenance.
Financial Ratios:	Reporting ratios in Bass Coast Financial Statements. From Assets perspective include: sustainability ratio, renewal ratio and consumption ratio.
Service Planning:	Planning methodology for infrastructure that uses a service defined approach based on primary and secondary services that Council provides. Service Planning ensures that Council's focus is on delivering an outcome and assets simply become a means to an end.
Service Centric:	An approach where the characteristics, locations, condition and functional fitness of future assets is defined by the services that council intends to provide and the levels at which these services are targeted.
Financial Sustainability:	The financing of the full life cycle costs of Council's assets so as to not unreasonably burden future generations or unreasonably reduce the asset choices of future generations.