

Asset Management Strategy

March 2024



Asset Management Strategy (revised March 2024)

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1. EXECUTIVE SUMMARY

This Asset Management Strategy has been developed by Council to provide clear direction on how it plans to improve the way it delivers services from its infrastructure assets to ensure financial sustainability and existing and future customer satisfaction. The Asset Management Strategy is to enable Council to:

- Show how its asset portfolio will meet the service delivery needs of its community into the future;
- Enable Council's asset management policies to be achieved; and
- Ensure the integration of Council's asset management planning with its long-term strategic and financial planning.

This Asset Management Strategy will assist Council in meeting the requirements of national sustainability frameworks, Local Government Act 2009 and providing services needed by the community in a financially sustainable manner.

This Asset Management Strategy has been prepared following a review of the Council's service delivery practices, financial sustainability indicators, asset management maturity and fit with Council's vision for the future outlined in its 2022-2027 Corporate Plan.

The strategy includes an Asset Management Improvement Plan detailing a program of tasks to be completed and resources required to achieve Council's desired level of asset management maturity and competence.

As at 30 June 2023, Council's assets had a total replacement value of \$519,613,006.27 and an annual depreciation expense of \$8,643,724.56.

A review of Council's Asset Sustainability Ratio forecasted for the next 10 years identified renewal expenditure being below the minimum target of 90%. Council will be cyclically reviewing its asset condition data to ensure its accuracy and to enable reliable renewal modelling to be performed, with the objective of ensuring accuracy of renewal funding and ensuring realistic cost effective, long lives from its infrastructure assets.

An Improvement Plan identifying actions and resources required to enhance Council's asset management maturity and achieve desired asset management strategies has been developed and is displayed in Section 6. The Improvement Plan will be monitored and reported on by the Directors through the Asset Management Steering Committee.

This strategy will have a life of 5 years including an annual internal review to be reviewed or updated as per Council's Corporate Plan.



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2. INTRODUCTION

Assets deliver important services to communities. A key issue facing local governments throughout Australia is the management of ageing assets in need of renewal and replacement.

Infrastructure assets such as roads, bridges, footpaths, drainage, water and waste water and public buildings present challenges. Their condition and longevity can be difficult to determine. Financing needs 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 adds to the planning and financing complexity.

The creation of new assets or the upgrading of existing assets also presents challenges in funding the ongoing operating and replacement costs necessary to provide the needed service over the assets' full life cycle.

The Local Government Financial Sustainability Nationally Consistent Frameworks on Asset Planning and Management, and Financial Planning and Reporting, developed 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 Corporate Plan, as a minimum, the four-year 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.
- Annual Budget showing the connection to the strategic objectives.
- 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 on operations with review on the performance of the Council against strategic objectives.

The National Framework has eleven 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. Council's maturity assessment for the core elements was most recently carried out by the Department of Housing, Local Government, Planning and Public Works as part of the Advancing Asset Management Program in 2023

Purpose

This Asset Management Strategy is to enable Council to:

- Show how its asset portfolio will meet the service delivery needs of its community into the future;
- Enable Council's asset management policies to be achieved;
- Ensure the integration of Council's asset management planning with its long-term strategic plan and financial modelling and planning;
- Implement a framework to guide the planning, construction, maintenance and operation of the infrastructure essential for Council to provide services to the community; and



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- Show how it plans to achieve the goal of asset management, which is to ensure that services are provided in the most cost effective manner for present and future consumers, through the creation, acquisition, maintenance, operation, rehabilitation and disposal of assets.

Asset Management Planning Process

Asset management planning is a comprehensive process to ensure that assets are managed and maintained in a way that enables affordable services from infrastructure to be provided in an economically optimal way.

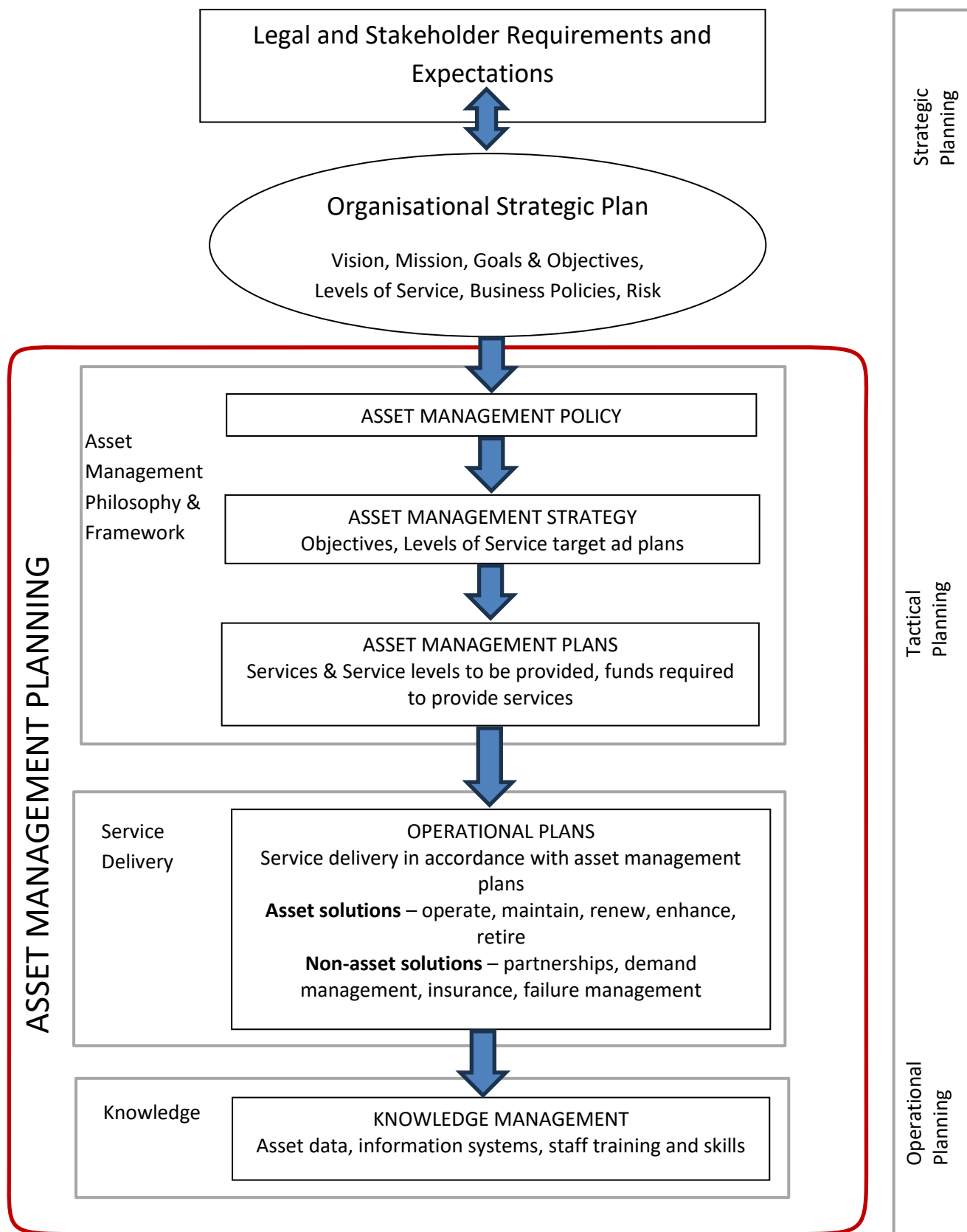
In turn, affordable service levels can only be determined by assessing Council's financial sustainability under scenarios with different proposed service levels.

The Asset Management Planning Process (and documentation hierarchy) is shown in Figure 1 below.

Asset management planning commences with defining stakeholder and legal requirements and needs, incorporating these needs into the organisation's strategic plan, developing an asset management policy, strategy, asset management plan and operational plans, linked to a long-term financial plan.

This Strategy forms the basis for developing more specific Asset Management Plans for each category of assets. This document also identifies roles and responsibilities for all asset management activities across the organisation.

Figure 1: Asset Management Planning Process





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3. COUNCIL'S ASSETS AND THEIR MANAGEMENT

3.1 Value of the Assets

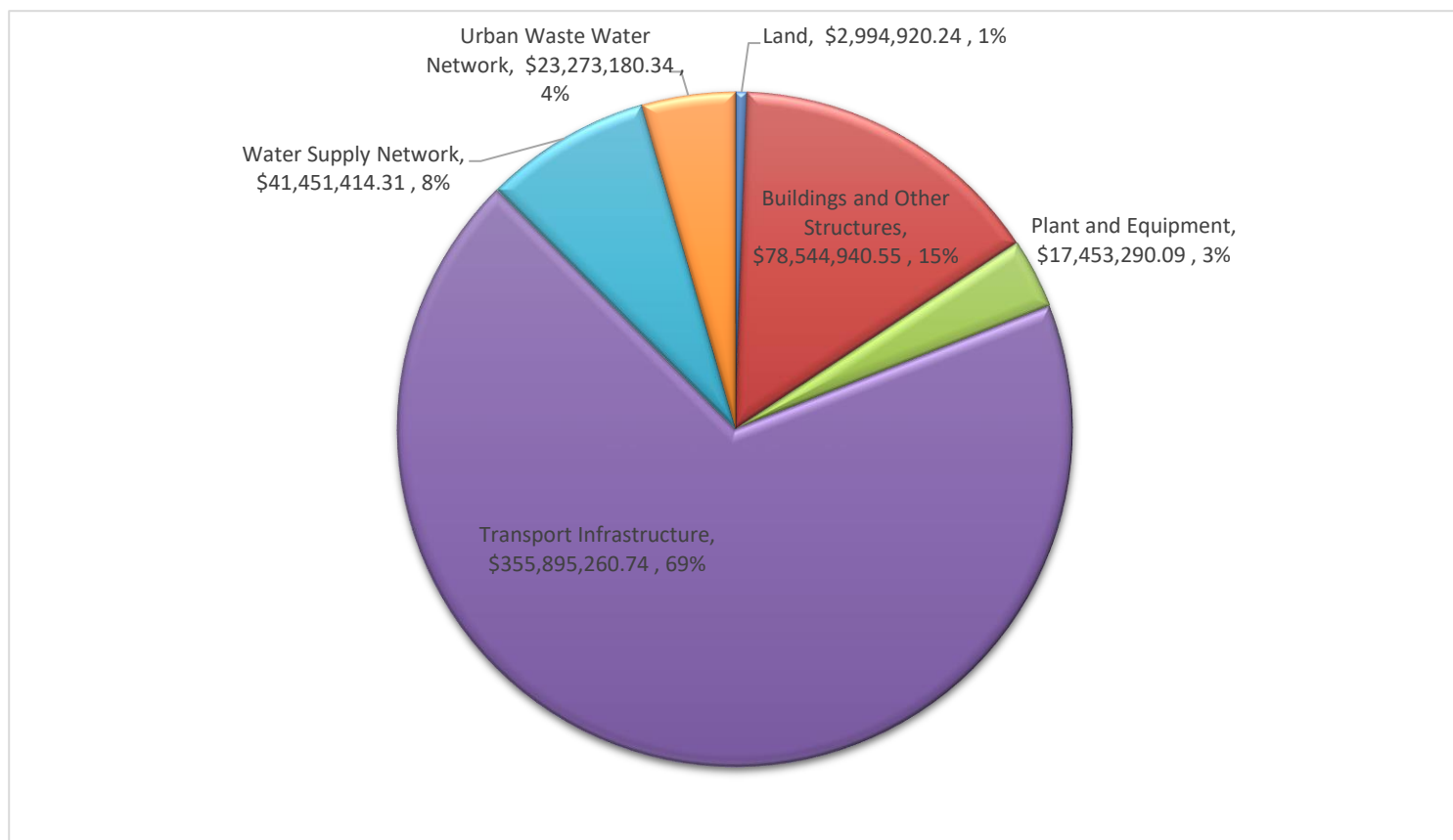
The financial status of Council's assets as at 30 June 2023 is shown in Table 1 below.

Table 1: Financial Status of the Assets

ASSET CLASS	ASSET VALUE	ASSET%
Land	\$ 2,994,920.24	0.58%
Buildings and Other Structures	\$ 78,544,940.55	15.12%
Plant and Equipment	\$ 17,453,290.09	3.36%
Transport Infrastructure	\$ 355,895,260.74	68.49%
Water Supply Network	\$ 41,451,414.31	7.98%
Urban Waste Water Network	\$ 23,273,180.34	4.48%
TOTAL	\$ 519,613,006.27	100.00%

Figure 2 below shows the replacement values of Council's assets by class as at 30 June 2023.

Figure 2: Asset Replacement Values





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3.2 State of the Assets

It is important to know the current condition of assets to enable reliable renewal modelling to be performed. Council is currently reviewing its asset condition data to ensure its accuracy, with the transport network currently being inspected. The collected data will be used to inform comprehensive valuations and preparation of the Transport Asset Management Plan.

This review will be part of the Asset Management Improvement Plan detailed in Section 6. On completion, asset condition profiles will be generated and included for the relevant Asset Classes in Asset Management Plans.

3.3 Service Sustainability

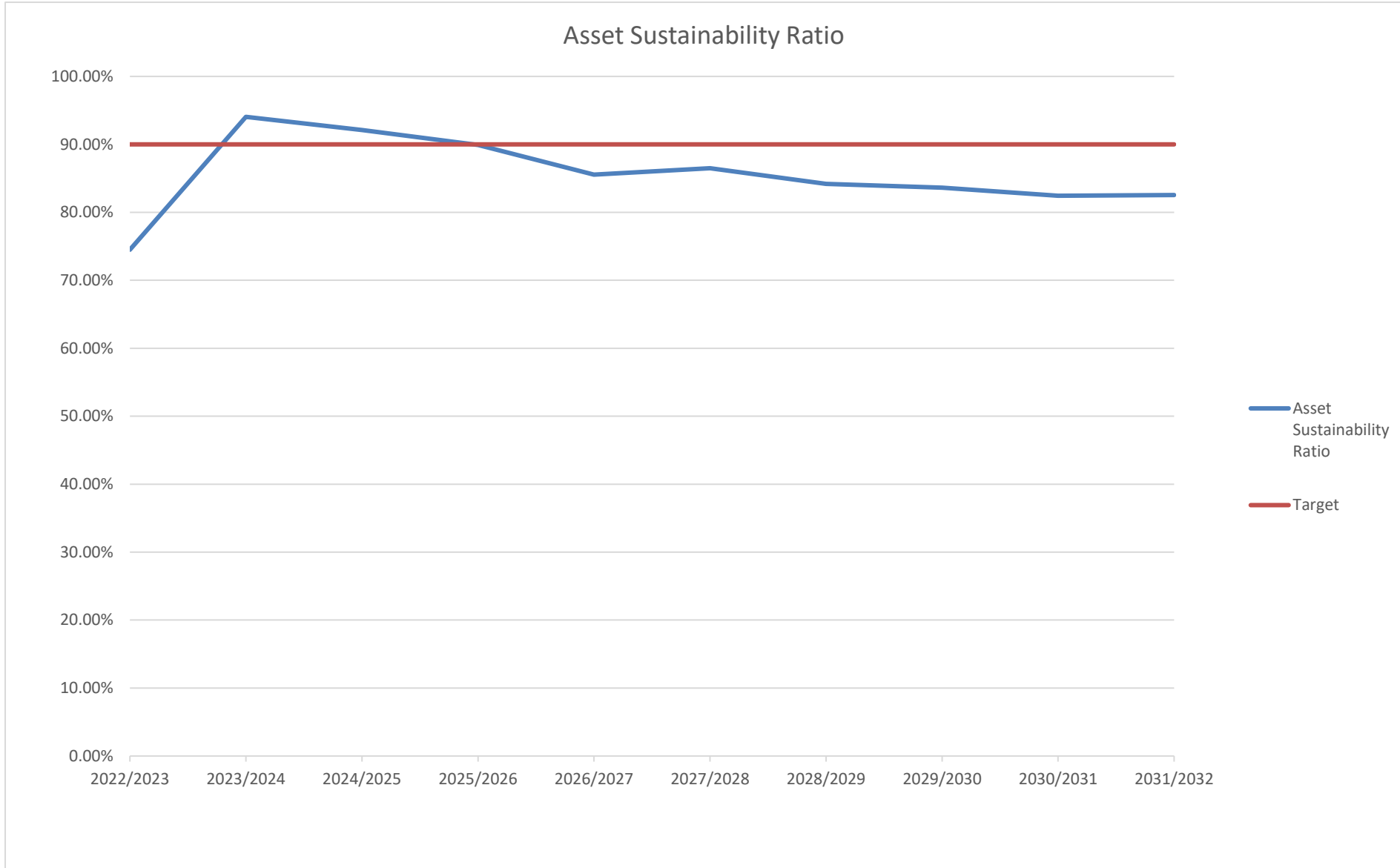
Life Cycle Costs (or whole-of-life costs) are the average costs that are required to sustain the service levels over the longest asset life. Life Cycle Costs include operating and maintenance expenditure and asset consumption (depreciation expense).

The Assets Sustainability Ratio is an indicator of Service Sustainability and is determined by the amount of capital expenditure on the replacement of assets (renewals) divided by the depreciation expense expressed as a percentage.

This ratio approximates the extent to which the infrastructure assets managed by Council are being replaced as these reach the end of their useful lives.

Figure 3 below displays Council's actual and forecasted Asset Sustainability Ratio for 10 years with a minimum target level of 90%.

Figure 3: Asset Sustainability Ratio from 2022 Ten-Year Forecasts <https://www.balonne.qld.gov.au/downloads/file/1847/12-ten-year-forecast-ratios>





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Knowing the extent and timing of any required increase in outlays and the service consequences if funding is not available will assist Council in providing services to its communities in a financially sustainable manner. This is the purpose of the Asset Management Plans and Long-Term Financial Plan.

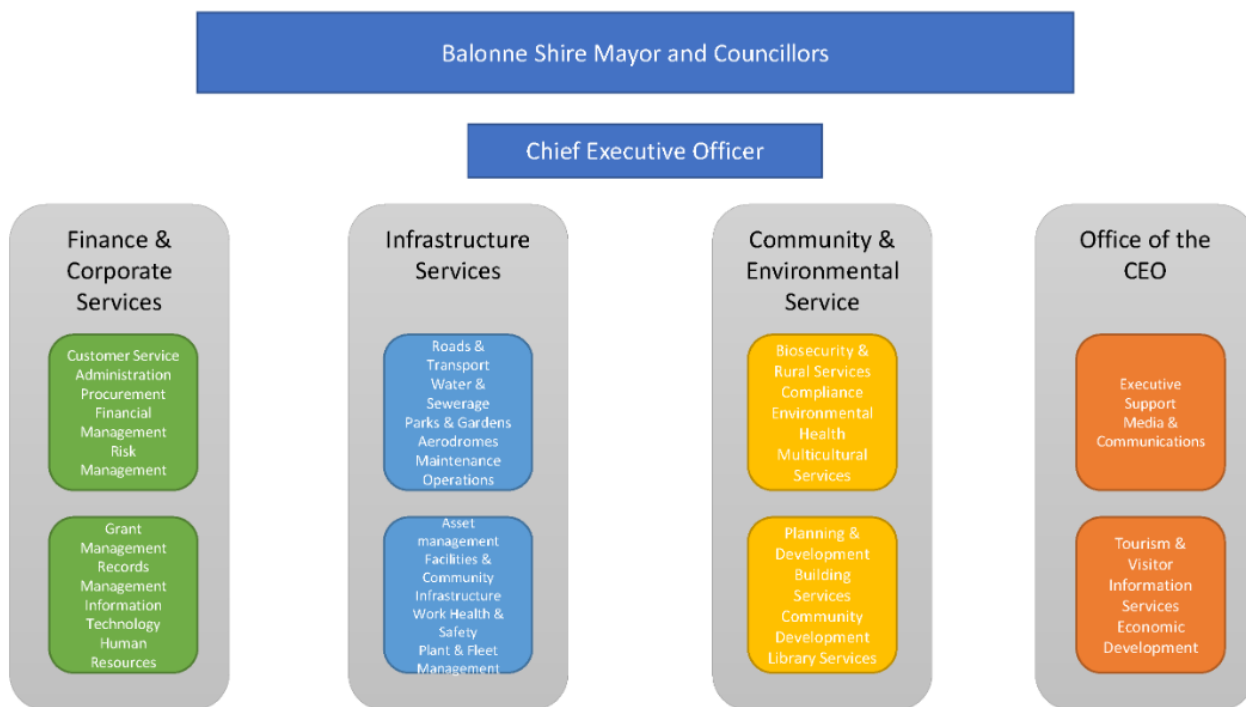
Any shortfall below 90% in the Asset Sustainability Ratio, gives an indication of the renewal gap to be addressed in the asset management and long-term financial plans. Council as part of its Improvement Plan is reviewing its asset condition data to ensure its accuracy and to enable reliable renewal modelling to be performed.

The objective is to better estimate the timing for renewals and thus Life Cycle Costs too. As a result, Council will be well informed to optimise renewal funding expenditure in any one year and obtain more cost-effective, longer lives from its assets.

3.4 Operational Structure

Council's organisational structure and senior management reporting lines are detailed in Figure 4 on the following page.

Figure 4: Organisational Structure





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3.5 Asset Management Responsibilities

Councillors adopt the policy and provide leadership and stewardship of asset management principles and long-term planning. The Chief Executive Officer has overall responsibility for developing asset management business processes, systems, organisational policies and procedures and reporting on the status and effectiveness of asset management within Council. The Directors are responsible for developing Asset Management Plans, implementing asset management business processes, financial reporting, systems, organisational policies and procedures.

Employees with management or supervisory responsibilities will be held accountable for the management of assets within their areas of responsibility as determined under the Asset Management Plans and policy.

Employees will be tasked based on the relevant Core Asset Management Plans and will be responsible for the timely completion of allocated activities.

Asset management is the responsibility of all employees, including the reporting of asset condition, completed works and maintenance.

3.6 Asset Management Steering Committee

A 'whole of organisation' approach to asset management has been established by the development of an Asset Management Steering Committee.

The Objectives of the Asset Management Steering Committee are to:

- Demonstrate whole of organisation support for sustainable asset management;
- Coordinate strategic planning, information technology and asset management activities;
- Promote uniform asset management practices across the organisation;
- Information sharing across IT hardware and software;
- Pooling of corporate expertise;
- Championing of asset management processes;
- Wider accountability for achieving and reviewing sustainable asset management practices; and
- Overview of implementation of Asset Management Strategy and Improvement Plan.

The key outcomes of the Asset Management Steering Committee are to:

- Work towards compliance with AS ISO55001
- Capital Project Prioritisation and the development of draft capital budgets for review by Council
- Provision of advice on Council's long term financial sustainability with a focus upon renewal and replacement and equity between current and future generations
- Endorsement of Asset Management Plans including service levels and funding requirements for presentation to Council for approval.
- Endorsement of Strategic Asset Management Plan including asset management objectives and governance structure
- Endorsement of Asset revaluations
- Review of performance assessment of asset service delivery
- Inform Asset Insurance Portfolio



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- Developed Maintenance Programs
- Oversee integration of the and asset management & financial management system

3.7 Financial and Asset Management Core Competencies

Financial Planning and Reporting

1. Strategic Longer Term Plan
2. Annual Budget
3. Annual report

Asset Planning and Management

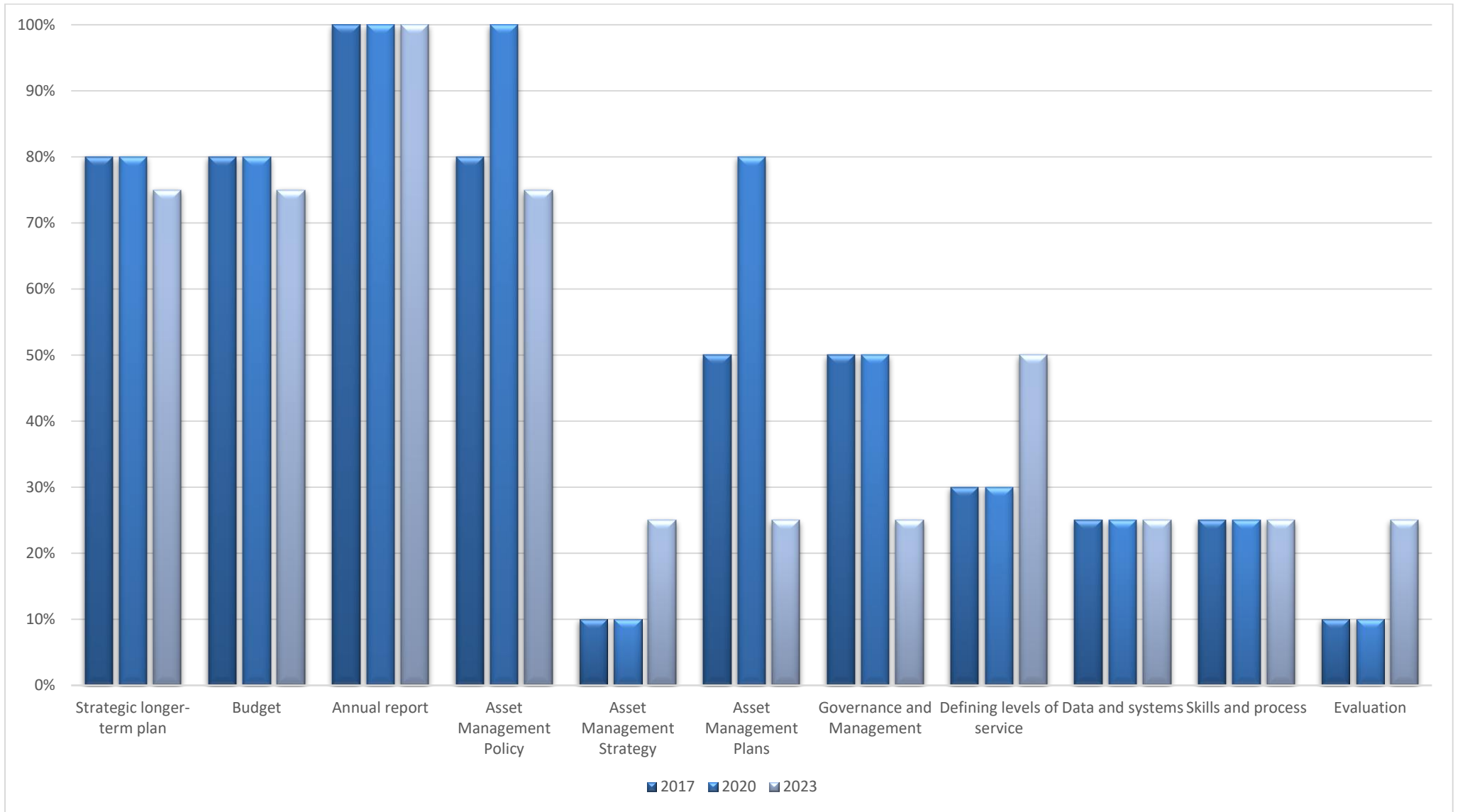
4. Asset Management Policy
5. Asset Management Strategy
6. Asset Management Plan
7. Governance and Management
8. Levels of Service
9. Data and Systems
10. Skills and processes
11. Evaluation

Maturity Assessment

Council's maturity assessment for the core elements was most recently carried out by the Department of Housing, Local Government, Planning and Public Works as part of the Advancing Asset Management Program in 2023. In previous years the same assessment has been conducted in an Asset Management Review and reported on in the Asset Management Review Report. A summary of the review outcome is shown in Figure 5 on the following page.

It is evident the biggest gaps exist in the key areas of Asset Management Strategy, Level of Service, Governance and Management, Data and Systems, Skills and Processes and Evaluation. Accordingly, the Asset Management Improvement Plan in Section 6 will target these key elements.

Figure 5: Asset Management Maturity





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4. WHERE WE WANT TO BE

4.1 Council's Vision, Mission, Goals and Objectives

Council has adopted the following vision statement for the future in its Corporate Plan:

" Welcoming, connected and innovative communities, where economies are strong and opportunities are abundant."

Our Mission:

" To invest in people, ignite ideas, meet our challenges and grow in prosperity."

We are committed to our core values, which will enable us to achieve our vision and mission:



Our Values:

Our Customers

" Our customers are the centre of everything we do; we aim to get things done with speed, conviction and agility."

Our People:

" We value teamwork and interdependence; we value each other and seek benefit from diverse people and perspectives."

Our Reputation:

" Our reputation is our most valuable asset; we act honestly and consistently in our behaviours, actions and decisions."

Council's Corporate Plan sets five foundation areas to be achieved in the planning period of 2022 to 2027. They are Community, Economy, Environment, Infrastructure & Planning, and Governance.

4.2 Asset Management Policy

Council's Asset Management Policy defines the vision and service delivery objectives for asset management in accordance with the Corporate Plan, legislative requirements, community needs and affordability.



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4.3 Asset Management Vision

To ensure the long-term financial sustainability of Council, it is essential to balance the community's expectations for services with their ability to pay for the infrastructure assets used to provide the services. Maintenance of service levels for infrastructure services requires appropriate investment over the whole of the asset life cycle.

To assist in achieving this balance, Council aspires to:

- Develop and maintain asset management governance, skills, processes, systems and data in order to provide the level of service the community needs at present and in the future, in the most cost-effective and fit for purpose manner.

In line with the vision, the objectives of the Asset Management Strategy are to:

- Ensure that 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;
- Adopt the long-term financial plan as the basis for all service and budget funding decisions;
- Meet legislative requirements for all Council operations;
- Ensure resources and operational capabilities are identified and responsibility for asset management is allocated including appropriately upskilling of employees at all levels to understand significance of and responsibilities in Asset Management; and
- Provide high level oversight of financial and asset management responsibilities through the Chief Executive Officer reporting to Council on development and implementation of Asset Management Strategy, Asset Management Plans and Long-Term Financial Plan.



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5. HOW WE WILL GET THERE – ACTIONS

The Asset Management Strategy proposes strategies, as outlined in Table 3 below, to enable the objectives of the Corporate Plan, Asset Management Policy and Asset Management Vision to be achieved.

Table 2: Asset Management Actions & Desired Outcomes

	ACTION	DESIRED OUTCOME
1	Continue to 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	Ensure Long-Term Financial Plan expenditure forecasts are linked to relevant Asset Management Plans expenditure projections and show a sustainable funding position outcome.	Sustainable funding model to provide Council services.
4	Incorporate Year One 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 achieve above Asset Management Strategies and objectives	Improved financial and asset management capacity within Council.
11	Report six monthly to Council on development and implementation of Asset Management Strategy, Asset Management Plans, Long-Term Financial Plans and Improvement Plan.	Oversight of resource allocation and performance.



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6. ASSET MANAGEMENT IMPROVEMENT PLAN

An Improvement Plan to achieve the Asset Management Strategy objectives has been developed by the Asset Management Steering Committee and is shown in Appendix A.

The Improvement Plan will be monitored by the Directors and progress reported to the Asset Management Steering Committee.