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Introduction

The Asset Management Strategy (AMS) is designed to provide a plan to manage Councils physical assets including setting parameters for asset selection, maintenance, inspection and renewal which plays a key role in determining the operational performance and sustainability of Council.

This Asset Management Strategy makes up a part of the Council Resourcing Strategy as required by the Local Government Integrated Planning and Reporting framework:

The Council Resourcing Strategy consists of three components:

- Long Term Financial Planning
- Workforce Management Planning
- Asset Management Planning

Our Asset Management Policy

The Asset Management Policy sets a vision for Council’s asset management activities:

_to manage and operate the appropriate mix of sustainable community infrastructure at the lowest life cycle cost that supports communities in the Mid-Western Regional Council._

Council's endorsed Asset Management Policy is attached as Appendix 1.

Asset Management

Asset management deals with the optimal management of physical asset systems and their life cycles. The objective is to minimise the whole of life cost of assets and to identify other critical factors such as risk or business continuity to be considered objectively in the decision making process. It represents a cross-disciplinary collaboration to achieve best net sustained value-for-money in the selection, design/acquisition, operations, maintenance and renewal/disposal of physical infrastructure and equipment, for the purpose of achieving the objectives of the Community Plan.

A strong and sustainable local government system requires a robust planning process to ensure that Council assets are managed in the most appropriate way on behalf of the community.

Service Delivery

The Community Plan details the service outcomes and objectives, as derived from the community consultation process, of Council. The service areas that the community identified as important were grouped around the following themes:

| Looking after our Community - Vibrant towns and villages with a rich history, a safe and healthy community, and a strong sense of community pride – a great place for families |
| Protecting our Natural Environment - Conserving and promoting the natural beauty of our region |
| Building a Strong Local Economy - A prosperous and diversified economy delivering lifestyle benefits to the community through employment, income and sustainable economic growth |
| Connecting our Region - Linking towns and villages across our region, and connecting our region to the rest of NSW |
| Good Government - A strong council that is representative of the community and effective in meeting the needs of our people |

Council utilises infrastructure assets to provide services to the community. Roads and footpaths provide transport services. Stormwater systems protect properties and roads from flooding and control water runoff quality. Park and landscape assets provide recreation services and enhance and protect the built and natural environment. Water and Sewerage services provide services essential for a town and buildings provide cultural, recreational and community services. The
Council provides a high level of service to its community due to the standard of construction and relatively young age of infrastructure assets.

Council’s existing infrastructure stock was built over the past 100 years. During this past period of infrastructure expansion, little or no analysis was done to determine a strategy to sustain this infrastructure stock by matching future maintenance and renewal expenditures with future income projections. The pattern of infrastructure construction in the past points to a future peak in infrastructure renewal over and above maintenance activities.

The Asset Management Strategy is a procedure to determine what the asset stock needs to be to achieve strategic objectives. The Asset Management Strategy is therefore an ongoing process as strategic objectives develop and change. The steps in this process are to:

- review the strategic trends;
- assess potential impacts on the asset stock;
- assess gaps in asset knowledge to enable the asset management plan and asset improvement plan to be developed.

Linking of service levels and the cost of service delivery is an essential component of strategic asset management. It is essential that council knows the true costs of service delivery and the service levels that are desired by the community and what level they are willing to pay for.

The opportunity for advanced asset management is to focus on facilitating community access to services rather than just building and maintaining assets. This can assist in reducing asset ownership below what, with hindsight, may be seen as either desirable or economically sustainable. Re-assessing what services – and, especially what level of service – the community requires, and seeking alternatives to Council service provision, can significantly reduce the future renewal funding problems Council is facing. Solutions include private provision, co-operating with neighboring Councils and the private sector in the provision of joint services, and administrative assistance to community bodies, such as sporting or social groups, where services can be provided more cost effectively.
Our Assets

Types of Assets

Council’s asset types are summarised below and are categorised by the Community Plan Themes which illustrates how these assets help meet the objectives as set out in the Community Plan:

Looking after our Community

- Streetscaping
- Community Buildings
- Swimming Pools
- Cemetery assets
- Library Books
- Parks & Reserves
- Showgrounds
- Sportgrounds
- Community Service & Program assets
- Animal Control Facilities
- Public Amenities

Building a Strong Local Economy

- Tourism Signage & Buildings
- Saleyard assets
- Investment Property & Development

Connecting our Region

- Council Roads & Bridges
- Airports
- Footpaths & Cycleways
- Communications assets

Protecting our Natural Environment

- Water Supply infrastructure
- Waste Water infrastructure
- Solid Waste Management assets
- Stormwater infrastructure
- Noxious Weeds assets
- Environment education facilities
- Sustainable energy assets
- Wetlands and other community land

Good Government

- Corporate Buildings
- Plant & Machinery
Asset Conditions

At 30 June 2012, estimated replacement value of Council assets was over $770 million, as represented below:

The state of major infrastructure as reported in the Mid-Western Regional Council Financial Statements & Schedules as at 30 June 2012 is included below:

![Asset Conditions Chart]

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Asset Category</th>
<th>Depn. Rate (%)</th>
<th>Depn. Expense ($)</th>
<th>Cost</th>
<th>Valuation</th>
<th>Accum. Depreciation &amp; Impairment</th>
<th>Carrying Amount (WDV)</th>
<th>Asset Condition</th>
<th>Estimated cost to bring up to a satisfactory condition / standard</th>
<th>Required Annual Maintenance</th>
<th>Current Annual Maintenance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>Council Offices</td>
<td>1.7%</td>
<td>319</td>
<td>13,930</td>
<td>2,061</td>
<td>11,869</td>
<td>3</td>
<td>57</td>
<td>207</td>
<td>188</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Council Works Depot</td>
<td>1.7%</td>
<td>162</td>
<td>11,420</td>
<td>1,804</td>
<td>9,616</td>
<td>3</td>
<td>320</td>
<td>75</td>
<td>60</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Council Halls</td>
<td>1.7%</td>
<td>243</td>
<td>14,800</td>
<td>3,211</td>
<td>11,589</td>
<td>3</td>
<td>1,339</td>
<td>151</td>
<td>86</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Council Houses</td>
<td>1.7%</td>
<td>77</td>
<td>7,014</td>
<td>640</td>
<td>6,374</td>
<td>2</td>
<td>128</td>
<td>70</td>
<td>41</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Museum</td>
<td>1.7%</td>
<td>18</td>
<td>1,023</td>
<td>168</td>
<td>855</td>
<td>2</td>
<td>5</td>
<td>8</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Library</td>
<td>1.7%</td>
<td>19</td>
<td>1,754</td>
<td>287</td>
<td>1,467</td>
<td>2</td>
<td>3</td>
<td>30</td>
<td>24</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Childcare Centre(s)</td>
<td>1.7%</td>
<td>15</td>
<td>1,579</td>
<td>307</td>
<td>1,272</td>
<td>2</td>
<td>31</td>
<td>21</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Amenity/Toilets</td>
<td>1.7%</td>
<td>352</td>
<td>20,006</td>
<td>2,035</td>
<td>17,971</td>
<td>3</td>
<td>2,128</td>
<td>376</td>
<td>256</td>
<td></td>
</tr>
<tr>
<td></td>
<td>sub total</td>
<td></td>
<td>1,205</td>
<td>-</td>
<td>71,041</td>
<td>10,513</td>
<td>61,528</td>
<td>4,009</td>
<td>938</td>
<td>664</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Assets not included in Buildings</td>
<td>2.5% - 5%</td>
<td>508</td>
<td>23,118</td>
<td>8,631</td>
<td>14,487</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td></td>
<td>sub total</td>
<td></td>
<td>508</td>
<td>-</td>
<td>23,118</td>
<td>8,631</td>
<td>14,487</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Public Roads</td>
<td>Sealed Roads</td>
<td>4.0%</td>
<td>3,727</td>
<td>132,269</td>
<td>40,736</td>
<td>91,523</td>
<td>3</td>
<td>11,639</td>
<td>1,545</td>
<td>1,197</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Unsealed Roads</td>
<td>3.12%</td>
<td>1,006</td>
<td>23,790</td>
<td>11,115</td>
<td>12,675</td>
<td>3</td>
<td>7,105</td>
<td>2,314</td>
<td>1,779</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Bridges</td>
<td>1.2%</td>
<td>364</td>
<td>29,151</td>
<td>11,965</td>
<td>17,186</td>
<td>3</td>
<td>315</td>
<td>54</td>
<td>55</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Footpaths</td>
<td>1.2%</td>
<td>106</td>
<td>7,123</td>
<td>3,548</td>
<td>3,575</td>
<td>3</td>
<td>280</td>
<td>66</td>
<td>54</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cycle ways</td>
<td>1.2%</td>
<td>6</td>
<td>490</td>
<td>62</td>
<td>428</td>
<td>2</td>
<td>25</td>
<td>10</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Kerb &amp; Gutter</td>
<td>1.2%</td>
<td>415</td>
<td>31,962</td>
<td>12,619</td>
<td>19,343</td>
<td>3</td>
<td>1,818</td>
<td>20</td>
<td>22</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Parking Areas</td>
<td>4.8%</td>
<td>59</td>
<td>2,207</td>
<td>367</td>
<td>1,840</td>
<td>3</td>
<td>534</td>
<td>24</td>
<td>22</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Culverts &amp; Causeways</td>
<td>1.2%</td>
<td>67</td>
<td>5,528</td>
<td>2,296</td>
<td>3,232</td>
<td>3</td>
<td>1,043</td>
<td>300</td>
<td>101</td>
<td></td>
</tr>
<tr>
<td></td>
<td>RTA Regional Roads</td>
<td>4.8%</td>
<td>2,331</td>
<td>71,024</td>
<td>22,350</td>
<td>48,674</td>
<td>3</td>
<td>9,933</td>
<td>767</td>
<td>580</td>
<td></td>
</tr>
<tr>
<td></td>
<td>RTA Bridges</td>
<td>1.2%</td>
<td>308</td>
<td>25,821</td>
<td>11,399</td>
<td>14,422</td>
<td>3</td>
<td>1,992</td>
<td>23</td>
<td>20</td>
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<td></td>
<td>sub total</td>
<td></td>
<td>8,385</td>
<td>-</td>
<td>328,785</td>
<td>116,216</td>
<td>212,569</td>
<td>34,476</td>
<td>5,123</td>
<td>3,830</td>
<td></td>
</tr>
</tbody>
</table>
### Asset Management Strategy

#### Water

<table>
<thead>
<tr>
<th>Asset Category</th>
<th>Dep't Rate (%)</th>
<th>Dep't Expense ($)</th>
<th>Valuation</th>
<th>Accum. Depreciation &amp; Impairment</th>
<th>Carrying Amount (WDV)</th>
<th>Asset Condition</th>
<th>Estimated cost to bring up to a satisfactory condition / standard</th>
<th>Required Annual Maintenance</th>
<th>Current Annual Maintenance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treatment Plants</td>
<td>1.4%</td>
<td>685</td>
<td>20,651</td>
<td>6,513</td>
<td>14,138</td>
<td>2</td>
<td>2,562</td>
<td>257</td>
<td>387</td>
</tr>
<tr>
<td>Bore</td>
<td>-</td>
<td>-</td>
<td>1,554</td>
<td>1,172</td>
<td>382</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Reservoirs</td>
<td>1.2%</td>
<td>119</td>
<td>14,176</td>
<td>5,621</td>
<td>8,549</td>
<td>2</td>
<td>1,964</td>
<td>57</td>
<td>106</td>
</tr>
<tr>
<td>Dams</td>
<td>1.2%</td>
<td>148</td>
<td>13,134</td>
<td>7,583</td>
<td>5,551</td>
<td>2</td>
<td>-</td>
<td>10</td>
<td>-</td>
</tr>
<tr>
<td>Pump Station</td>
<td>1.2%</td>
<td>153</td>
<td>4,638</td>
<td>1,567</td>
<td>3,041</td>
<td>2</td>
<td>2,160</td>
<td>68</td>
<td>64</td>
</tr>
<tr>
<td>Recirculation Mains</td>
<td>1.3%</td>
<td>371</td>
<td>29,971</td>
<td>10,652</td>
<td>19,099</td>
<td>3</td>
<td>11,978</td>
<td>456</td>
<td>459</td>
</tr>
<tr>
<td>Main Delivery</td>
<td>1.3%</td>
<td>133</td>
<td>10,229</td>
<td>3,962</td>
<td>6,247</td>
<td>3</td>
<td>4,956</td>
<td>67</td>
<td>217</td>
</tr>
<tr>
<td>Sub total</td>
<td></td>
<td>1,609</td>
<td>-</td>
<td>94,323</td>
<td>37,376</td>
<td>56,947</td>
<td>22,922</td>
<td>906</td>
<td>1,233</td>
</tr>
</tbody>
</table>

#### Sewerage

<table>
<thead>
<tr>
<th>Asset Category</th>
<th>Dep't Rate (%)</th>
<th>Dep't Expense ($)</th>
<th>Valuation</th>
<th>Accum. Depreciation &amp; Impairment</th>
<th>Carrying Amount (WDV)</th>
<th>Asset Condition</th>
<th>Estimated cost to bring up to a satisfactory condition / standard</th>
<th>Required Annual Maintenance</th>
<th>Current Annual Maintenance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pump Station</td>
<td>1.4%</td>
<td>96</td>
<td>6,377</td>
<td>3,524</td>
<td>2,853</td>
<td>2</td>
<td>554</td>
<td>137</td>
<td>162</td>
</tr>
<tr>
<td>Treatment Works</td>
<td>2.0%</td>
<td>495</td>
<td>19,630</td>
<td>15,329</td>
<td>3,702</td>
<td>4</td>
<td>6,867</td>
<td>194</td>
<td>438</td>
</tr>
<tr>
<td>Recirculation Mains</td>
<td>1.3%</td>
<td>650</td>
<td>46,313</td>
<td>14,202</td>
<td>32,111</td>
<td>4</td>
<td>23,483</td>
<td>398</td>
<td>377</td>
</tr>
<tr>
<td>Rising Mains</td>
<td>1.7%</td>
<td>143</td>
<td>12,417</td>
<td>3,371</td>
<td>9,046</td>
<td>4</td>
<td>2,394</td>
<td>57</td>
<td>47</td>
</tr>
<tr>
<td>Sub total</td>
<td></td>
<td>1,384</td>
<td>-</td>
<td>84,137</td>
<td>38,425</td>
<td>47,712</td>
<td>33,288</td>
<td>786</td>
<td>1,024</td>
</tr>
</tbody>
</table>

#### Total - All Assets

<table>
<thead>
<tr>
<th>Asset Category</th>
<th>Dep't Rate (%)</th>
<th>Dep't Expense ($)</th>
<th>Valuation</th>
<th>Accum. Depreciation &amp; Impairment</th>
<th>Carrying Amount (WDV)</th>
<th>Asset Condition</th>
<th>Estimated cost to bring up to a satisfactory condition / standard</th>
<th>Required Annual Maintenance</th>
<th>Current Annual Maintenance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drainage Infrastructure</td>
<td>1.2%</td>
<td>167</td>
<td>13,538</td>
<td>7,944</td>
<td>5,594</td>
<td>3</td>
<td>2,193</td>
<td>207</td>
<td>406</td>
</tr>
<tr>
<td>Sub total</td>
<td></td>
<td>167</td>
<td>-</td>
<td>13,538</td>
<td>7,944</td>
<td>5,594</td>
<td>2</td>
<td>2,193</td>
<td>207</td>
</tr>
<tr>
<td>TOTAL - ALL ASSETS</td>
<td></td>
<td>13,261</td>
<td>-</td>
<td>610,442</td>
<td>217,105</td>
<td>393,337</td>
<td>96,889</td>
<td>7,959</td>
<td>7,157</td>
</tr>
</tbody>
</table>

**Notes:**

(1) Satisfactory refers to estimated cost to bring the asset to a satisfactory condition as deemed by Council. It does not include any planned enhancements to the existing asset.

(2) Required Annual Maintenance is what should be spent to maintain assets in a satisfactory standard.

(3) Current Annual Maintenance is what has been spent in the current year to maintain assets.

# Asset Condition “Key” as per the DLO Integrated Planning & Reporting Manual

1. Excellent - No work required (normal maintenance)
2. Good - Only minor maintenance work required
3. Average - Maintenance work required
4. Poor - Renewal required
5. Very Poor - Urgent renewal/upgrading required
Targets of Council Asset Management

There is a recognised backlog in asset renewal activities of over $96 million (see estimated cost to bring up to a satisfactory condition above), and a recognised gap in required maintenance expenditure of $800,000 (see gap in current and required annual maintenance above). Because of this, Council is working on closing the gap in asset renewal expenditure with 10 year projection of capital expenditure included in the draft Long Term Financial Plan as follows:

The imbalance between the rates of renewal and asset consumption has developed because renewal has a ‘delay function’; most of Council’s assets have been built by developers or with the assistance of State and Federal funding over the last 30, 40 or more years. Renewal is lumpy; unlike depreciation, which averages the renewal costs, actual payments for renewal are periodic, and for any given asset group renewal can be far less, or much more, than depreciation.

Only sound long term renewal forecasting will let Council know where it stands in preparing for the renewal challenge. Renewal is not associated with increased funding. Instead, it has to compete with many other demands on Council, and recently these demands – for social and environmental reasons as well as for increased services – have themselves been increasing. Revenue increases have not kept pace with these extra demands; a limited revenue base and community sensitivity to tax (property rates) increases have been the main reasons. Renewal is exacerbated where maintenance is under-funded.
Asset Management Plans

Asset Management Plans (AMPs) are long-term plans that outline the asset activities for each service. The International Infrastructure Management Manual (IIMM) defines an Asset Management Plan as "...a written representation of the intended asset management programs for one or more infrastructure networks based on the controlling organisation’s understanding of customer requirements, existing and projected networks, and asset conditions and performance."

An AMP will be developed for each major asset group. AMPs will incorporate, as a minimum, the following factors:

- Council will establish and monitor prescribed levels of service for each asset related service. The levels of service will be determined by Council in accordance with the Community Plan and corresponding Delivery Plan and Operating Plan.
- Existing levels of service and associated cash flow projections for maintenance, renewal and upgrade will be documented.
- The asset management plan will include the service provider, service levels, performance targets, asset custodian, life cycle cash flows and risk profiles for each service.
- The capital works program will be developed from each asset management plan and will identify all works needed to achieve target service levels.
- Council will have a funding model for all asset related services extending out at least 10 years into the future and a matching Funding Strategy which addresses the need for funds the peaks and troughs in this need and how the funds will be sourced.

Asset Management Plans currently in place or programmed for development are:

- Roads Asset Management Plan, incorporating associated infrastructure such as bridges and footpaths
- Water Supply Network Asset Management Plan
- Sewerage Network Asset Management Plan
- Buildings Asset Management Plan, incorporating Other Structures
- Stormwater Drainage Asset Management Plan
- Waste Asset Management Plan

Water Supply, Waste Water Supply and Waste AMPs

There are specific asset management planning requirements for water supply, sewerage and waste management. They require compliance with the *Best-Practice Management of Water Supply and Sewerage Guidelines 2007* and the *NSW Reference Rates Manual for Valuation of Water Supply, Sewerage and Stormwater Assets*. These requirements include the need to prepare an Asset Register, a 20 to 30 year Operation Plan, Maintenance Plan and a Capital Works Plan which identifies the required renewals, works for improved levels of service and works for serving new growth. Councils must continue to meet these asset management planning requirements for their water supply and sewerage infrastructure. Waste assets also meet this 30 year requirement.
Our Asset Management System

In order to capture the necessary data to create accurate and meaningful Asset Management Plans, Council requires an up to date asset management system which collects the following information:

- Asset registers;
- Asset ownership/custodianship;
- Asset condition assessments;
- Asset attributes (physical and lifecycle);
- Asset maintenance and management systems;
- Strategic planning capabilities;
- Predictive modelling;
- Deterioration modelling; and
- Lifecycle costing.

Council currently uses an integrated asset management system that captures and provides the above data in order to complete fair value financial modelling as required on a 5 year cyclical rotation for each major asset category.

This asset management system captures actual data for capital works and operating costs, which is then used to model Asset Management Plans and long term financial asset planning.
Measuring Asset Expenditure

An understanding of expenditure trends is fundamental to managing assets. Assets that are allowed to deteriorate beyond their optimum renewal period will start requiring high levels of reactive maintenance in order to control risk and correctly separating recurrent or reactive maintenance cost from asset renewal enables better asset planning and the reduction of lifecycle costs.

It is also important to differentiate between capital expenditure on the existing asset stock and capital expenditure on expanding the asset stock.

Expenditure on public works assets may be split into four categories, maintenance, capital renewal, capital upgrade and capital expansion.

- **Maintenance** - expenditure on an asset, which maintains the asset in use but does not increase its service potential or life
- **Capital Renewal** - expenditure on renewing an existing asset or a portion of an infrastructure network, which increases the service potential or extends the life
- **Capital Upgrade** - expenditure on upgrading the standard of an existing asset or infrastructure network to provide a higher level of service to users, e.g. widening the pavement and sealed area of an existing road, replacing drainage pipes with pipes of a greater capacity, building a grandstand at a sporting facility, replacing an existing bridge with one having a greater carrying capacity, replacing a chain link fence with a wrought iron fence.
- **Capital Expansion** - expenditure on extending an infrastructure network, at the same standard currently enjoyed by existing residents, to a new group of users, e.g. extending a drainage or road network, the provision of an oval or park in a new suburb.
Risk Management

Management of risk and liability through a risk assessment process is fundamental in assisting Council to allocate resources and meet community expectancies. The following asset categories have been identified as critical to this process, and although further and continuous work in this area is required, Council is committed to reducing risk in Council assets as demonstrated in the table below.

### Identifying Risk

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Risk Identified</th>
<th>Possible Causes</th>
<th>Risk Matrix Rating</th>
<th>Risk Treatment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roads</td>
<td><strong>Motor vehicle accidents causing injury/fatality/damage to property</strong></td>
<td>Road deterioration, design flaws, missing safety signage, vandalism of safety signage</td>
<td>High</td>
<td>Australian Standards, RTA regulations, asset condition testing, public liability insurance</td>
</tr>
<tr>
<td></td>
<td><strong>Increased infrastructure deterioration</strong></td>
<td>Design flaws, reduced material quality, reduced work quality, heavy vehicle movements, excessive weather events, poor maintenance</td>
<td>High</td>
<td>Annual maintenance program, reactive maintenance, public liability insurance</td>
</tr>
<tr>
<td>Playgrounds/</td>
<td><strong>Damage to assets (outside of normal effective life)</strong></td>
<td>Natural disasters, vandalism, accidental damage</td>
<td>High</td>
<td>Identify high risk areas and use proactive means eg levee banks, security cameras, education programs</td>
</tr>
<tr>
<td>Sportsgrounds</td>
<td><strong>Damage to sportsgrounds</strong></td>
<td>Overuse</td>
<td>High</td>
<td>Management of use of grounds and parks</td>
</tr>
<tr>
<td></td>
<td><strong>Inadequate amenities</strong></td>
<td>Underestimated use or capacity</td>
<td>Med</td>
<td>Review and upgrade where required</td>
</tr>
<tr>
<td></td>
<td><strong>Injury/fatality to users</strong></td>
<td>Unmaintained infrastructure, mis-use of assets, component failures, poor design, inadequate safety signage</td>
<td>High</td>
<td>Maintenance programs and AMP’s, public liability insurance, safety signage</td>
</tr>
<tr>
<td>Stormwater</td>
<td><strong>Reticulation Risk</strong></td>
<td>Flood events or continued heavy rainfall</td>
<td>High</td>
<td>Regular asset condition monitoring, Hazard reporting, education programs</td>
</tr>
<tr>
<td>Drainage</td>
<td><strong>Structural failure</strong></td>
<td>Poor design or quality of materials used</td>
<td>High</td>
<td>Regular asset condition monitoring, Australian standards, Hazard reporting</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Category</th>
<th>Risk Description</th>
<th>Severity</th>
<th>Action Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Blockages</strong></td>
<td>Environmental conditions, roots leaves</td>
<td>High</td>
<td>Regular asset condition monitoring, Hazard reporting, maintenance programs</td>
</tr>
<tr>
<td><strong>Injury/fatality from inadequate infrastructure</strong></td>
<td>Blocked access escape paths during natural disaster event, drowning, health, odours, mosquitoes</td>
<td>High</td>
<td>Public liability insurance, Australian standards, Legislation compliance eg WHS Acts, Hazard reporting, education programs</td>
</tr>
<tr>
<td><strong>Damage to property</strong></td>
<td>Attempted vehicle access through flooded assets, inadequate reticulation causing flooding on private property</td>
<td>High</td>
<td>Regular asset condition monitoring, public liability insurance, Australian standards, Hazard reporting, education programs</td>
</tr>
<tr>
<td><strong>Buildings</strong></td>
<td>Injury/fatality to users Unmaintained infrastructure, mis-use of assets, component failures, poor design, inadequate safety signage</td>
<td>High</td>
<td>Maintenance programs and AMP’s, public liability insurance, safety signage, adequate emergency access</td>
</tr>
<tr>
<td><strong>Damage to property</strong></td>
<td>Natural disasters, vandalism, accidental damage</td>
<td>High</td>
<td>Identify high risk areas and use proactive means eg security cameras, education programs, planning &amp; development legislation</td>
</tr>
<tr>
<td><strong>Water Supply/Sewerage</strong></td>
<td>Reticulation Risk Poor design or quality of materials used, aged infrastructure</td>
<td>High</td>
<td>Australian standards, asset condition testing, maintenance programs, AMPs</td>
</tr>
<tr>
<td><strong>Blockages</strong></td>
<td>Environmental conditions, roots leaves</td>
<td>High</td>
<td>Regular asset condition monitoring, Hazard reporting, maintenance programs</td>
</tr>
<tr>
<td><strong>Health of community</strong></td>
<td>Insufficient or inadequate infrastructure, non-functioning infrastructure, leakage</td>
<td>High</td>
<td>Regular asset condition monitoring, Hazard reporting, maintenance programs, EPA legislation, public liability insurance</td>
</tr>
<tr>
<td><strong>Solid Waste Management</strong></td>
<td>Health of community, injury/fatality Sharps or incorrectly dumped waste treatment eg illegal asbestos dumping</td>
<td>High</td>
<td>Public liability insurance, Legislation compliance eg WHS Acts, Hazard reporting, education programs, EPA Legislation</td>
</tr>
</tbody>
</table>
Risk Management Strategies

Council aims to improve its risk management processes in regard to Asset Management and will incorporate information from the Asset Management System with the following risk management strategies to develop an ongoing risk management plan within the next 12 months.

The main elements of risk management as defined in AS/NZS 4360 are:

- Establish Risk Management Context,
- Determine Risk Evaluation Criteria,
- Identify Risks,
- Analyse Risks
- Evaluate Risks,
- Treat Risks (or Manage Risks),
- Monitor and Review

Establish the Context

The risk management context is established in three areas, strategic, organisational and risk management. The Strategic Context involves identifying:

- the relationships between the council and the environment;
- strengths, weaknesses, opportunities and threats (SWOTs), including the financial, operational, competitive, political (public perception/image) social and legal aspects of the council’s functions; and
- the stakeholders.

The purpose of the strategic context is to identify and determine the crucial elements that might support or impair the council’s ability to manage the risks associated with its operation.

Organisational Context

The purpose of this stage is to develop an understanding of the council and its capabilities, as well as its goals and objectives and the strategies that are in place to achieve them.

Risk Management Context

The purpose of this stage is to develop the criteria against which risk is to be assessed. This may depend on operational, technical, financial, legal, social, humanitarian, or other criteria.

Risk evaluation criteria can include

- financial loss of up to a certain amount,
- injury to a person requiring hospitalisation,
- number of incidents not to exceed a certain amount.

Risk Identification
Risk identification seeks to identify the risks and elements at risk that may need to be managed. A well structured systematic process is crucial, because a potential risk not identified at this stage is excluded from further analysis. All risks should be identified, whether or not they are under the control of the council.

The risks are identified in three stages:

- What can happen. The aim is to generate a comprehensive list of events which might affect each element of the council’s service delivery.
- How and why it can happen. It is necessary to consider possible causes and scenarios. There are many ways and event can be initiated. It is important that no significant causes are omitted.
- Are risks credible? An assessment of credibility of all risk is undertaken to ensure that credible risks receive proper and due consideration.

Risks should be defined as a statement of risk. For example: There is a risk of injury to people from tripping on a paved footpath.

Risk Analysis

Risk is analysed by combining estimates of likelihood and consequences in the context of existing control measures. The objective of a risk analysis is to separate the minor acceptable risks from the major risks and to provide data to assist in assessment and treatment of risk.

The level of risk is determined by considering two aspects against existing controls:

- how likely it is that things may happen (likelihood, frequency of probability), and
- the possible consequences (impact or magnitude of the effect) if they do occur.

The risk analysis process is to:

- identify the existing management controls, technical systems and procedures to control risk,
- evaluate the likelihood of events occurring and their consequences in the context of these existing controls,
- combine the evaluation of likelihood and consequences to produce a level of risk.

Risk Evaluation

Risk evaluation involves comparing the level of risk found during the analysis process with previously established risk criteria and deciding whether the risks can be accepted.

Options should be evaluated on the basis of the extent of risk reduction and the extent of benefits or opportunities created, taking into account the criteria developed in Risk Context. In general, the adverse impact of risks should be made as low as reasonably practicable irrespective of any absolute criteria. A combination of options may give the optimum risk reduction outcome. If the risks fall into the acceptable or low categories, they may be accepted with minimal further treatment. Acceptable or low risks should be monitored and periodically reviewed to ensure they remain acceptable. If the risks do not fall into the acceptable or low category, they should be managed using one of the options below.
The output of risk evaluation is a prioritised list of risks for further action.

**Risk Matrix**

<table>
<thead>
<tr>
<th>Likelihood</th>
<th>Consequences</th>
</tr>
</thead>
<tbody>
<tr>
<td>Almost certain</td>
<td>H</td>
</tr>
<tr>
<td>Likely</td>
<td>H, H, M, M, S</td>
</tr>
<tr>
<td>Moderate</td>
<td>H, H, M, S, L</td>
</tr>
<tr>
<td>Unlikely</td>
<td>H, M, L, L</td>
</tr>
<tr>
<td>Rare</td>
<td>M, L, L, L</td>
</tr>
</tbody>
</table>

H – High Risk; detailed research and management planning is required at senior levels.

M – Major Risk; Senior management attention is required.

S – Significant Risk; Management responsibility must be specified.

L – Low Risk; Manage by routine procedures.

**Manage the Risks**

Risks need to be managed appropriately to the significance of the risk and importance of the affected item/asset to the region. As a general guide:

- low levels of risk can be accepted and additional action may not be needed; these risks should be monitored,
- major or significant levels of risk should be managed with actions to reduce or eliminate the risk,
- high levels of risk require close management and the preparation of a formal plan to manage the risks.

Options for managing risk are shown below. The optimum solution may involve a combination of options.

- Avoid the risk by deciding not to proceed with the activity that would incur the risk, or choose an alternative course of action that achieves the same outcome,
- Reduce the level of risk by reducing the likelihood of occurrence or the consequences, or both;
  - the likelihood may be reduced through management controls, organisational or other arrangements which reduce the frequency of, or opportunity for errors, such as alternative procedures, quality assurance, testing, training, supervision, review, documented policy and procedures, research and development.
  - the consequences may be reduced by ensuring that management or other controls, or physical barriers, are in place to minimise any adverse consequences, such as contingency planning, contract conditions or other arrangements.
- Transfer the risk by shifting the responsibility to another party (such as an insurer), who ultimately bears the consequences if the event occurs. Risks should be allocated to the party, which can exercise the most effective control over those risks.
- Accept and retain the risks within the organisation where they cannot be avoided, reduced or transferred, or where the cost to avoid or transfer the risk is not justified, usually because the risk is acceptable or low. Risks can be retained by default, i.e. Where there is a failure to identify and/or appropriately transfer or otherwise manage risks.
- The cost of managing risks needs to be commensurate with the benefits obtained, the significance of the event and the risks involved.

**Risk Management Plans**

Plans should document how the chosen options are to be implemented. The plan should identify responsibilities, schedules, the expected outcomes of treatment, budgeting, performance measures and the review process to be set in place.

The successful implementation of the risk management plan requires an effective management system which specifies the methods chosen, assigns responsibilities and individual accountabilities for actions and monitors them against specified criteria.

**Monitoring and Review**

Monitoring and review is an essential and integral step in the process of managing risk. It is necessary to monitor risks, the effectiveness of any plans, strategies and management systems that have been established to control implementation of risk management actions. Risks need to be monitored periodically to ensure changing circumstances do not alter the risk priorities.

**Risk Management Process Improvement**

The process improvement covers 3 steps and identifies further issues to be addressed.

- Improve risk management process and link to assets,
- Link work history for scheduled and reactive work to assets,
- Monitor costs on important scheduled and reactive jobs.
Definitions

Asset Class - Grouping of like asset categories, eg all pavement, seal, kerb & gutter are all part of the asset class of roads.

Asset Condition Assessment - The process of continuous or periodic inspection, assessment, measurement and interpretation of the resultant data to indicate the condition of a specific asset so as to determine the need for some preventative or remedial action.

Current Replacement Cost - The cost of replacing the service potential of an existing asset, by reference to some measure of capacity, with an appropriate modern equivalent asset.

Depreciation - Depreciation is a measure of the average annual consumption of service potential over the life of the asset. Depreciation is not a measure of required expenditure in any given year.

Fair Value - The amount for which an asset could be exchanged or liability settled, between knowledgeable, willing parties, in an arms length transaction, normally determined by reference to market or comparable prices. Generally, there is no market for Council’s infrastructure assets and Fair Value is current replacement cost less accumulated depreciation.

Infrastructure Assets - These are typically large, interconnected networks of or portfolios of composite assets such as roads, drainage and recreational facilities. They are generally comprised of components and sub-components that are usually renewed or replaced individually to continue to provide the required level of service from the network. These assets are generally long lived, are fixed in place and often have no market value.

Level of Service - The defined service quality for a particular Primary Service (eg roads, child care services) against which service performance may be measured. Service levels usually relate to quality, quantity, reliability, responsiveness, environmental, acceptability and cost (eg the number of accidents on local roads).

Maintenance and Renewal Gap - Difference between estimated budgets and projected expenditures for maintenance and renewal of assets, totaled over a defined time (eg 5, 10 and 15 years).

Materiality – The concept of materiality referred to in accounting standards has been amplified in these guidelines. An asset is material if its omission would result in misleading the reader of the financial report. The convention of an asset being material if greater than 10 – 15 % of asset value is only partly useful for road assets because of historic variability in practice in measuring value. The overriding principle is that financial reports present a true and fair picture of the financial position of the council.

Operating Expenditure - Expenditure on providing a service, which is continuously required including staff salaries and wages, plant hire, materials, power, fuel, accommodation and equipment rental, on-costs and overheads. Operating expenditure excludes maintenance and depreciation.
Remaining Life - The time remaining until an asset ceases to provide the required service level or economic usefulness. Remaining life is economic life minus age.

Risk Management - The allocation of probability and consequence to an undesirable event and subsequent actions taken to control or mitigate that probability and/or consequence.

Service Level Target - Target set for level of service to be achieved in the next reporting period (e.g., to retain, increase or reduce the number of accidents on local roads).

Useful Life - The period from the acquisition of an asset to the time when the asset, while physically able to provide a service, ceases to be the lowest cost alternative to satisfy a particular level of service. The economic life is at the maximum when equal to the physical life, however obsolescence will often ensure that the economic life is less than the physical life.
References

Strategic Asset Management Strategy (MWRC), Jeff Roorda and Associates, August 2005

Integrated Planning & Reporting Guidelines & Manual, Department of Local Government, January 2010

International Infrastructure Management Manual, IPWEA, 2011

Best-Practice Management of Water Supply and Sewerage Guidelines, IPWEA, 2007

2011/12 Mid-Western Regional Council Financial Statements & Special Schedules, MWRC, 2011
Appendix 1 - Asset Management Policy
OBJECTIVE

To set guidelines for implementing consistent asset management processes throughout Mid-Western Regional Council. This policy applies to all Council activities.

POLICY

Background

Council is committed to implementing a systematic asset management methodology in order to implement appropriate asset management best practice across infrastructure / assets managed by Council. This includes ensuring that assets are planned, created, operated, maintained, renewed and disposed of in accordance with Council's priorities of service delivery at the lowest life cycle cost.

Council is responsible for a significant community investment in infrastructure assets to support its core business of delivery of services to the community.

Asset management practices impact directly on the core business of Council and appropriate asset management is required to deliver the Council’s asset management vision.

To manage and operate the appropriate mix of sustainable community infrastructure at the lowest life cycle cost that supports the Mid-Western Regional Council.

Asset management relates directly to the objectives of Council’s Community Plan and will ensure that Council delivers the highest appropriate level of service through its assets. This will provide positive impact on:
- Members of the public
- Council’s financial position
- The ability of Council to deliver the expected level of service
- The legal liabilities of Council

Purpose

That Councils Asset Management Systems provide a framework that:

1. Ensures that Council’s services and infrastructure are provided reliably, with the appropriate quality levels of service to residents, visitors and the environment.
2. Safeguards Council assets including physical assets and employees by implementing appropriate asset management strategies and appropriate financial treatment of those assets.
3. Creates an environment where all Council employees take an integral part in overall management of Council assets (create and sustain an asset management awareness throughout the Council).
4. Meets and surpasses legislative requirements for asset management.
5. Ensures resources and operational capabilities are identified and responsibility for asset management is allocated.
Asset Management

6. Demonstrates transparent and responsible asset management processes that align with best practice.

Principles

- A consistent framework must exist for implementing systematic asset management and appropriate asset management best practice throughout all departments of Council.
- The asset management framework should incorporate an Asset Management Strategy (AMS) and Asset Management Plans (AMP's) for each class of Council assets.
- The AMS and AMP's should cover a minimum period of 10 years and have a focus on long term sustainability for the benefit of current and future generations.
- The AMS and AMP's should be reviewed annually and modified as required based on community consultation feedback and objectives as part of the Community Plan process.
- The asset management framework must rely on an up to date Asset Management System which should incorporate the following information:
  - Asset registers;
  - Asset condition assessments;
  - Asset maintenance and management systems;
  - Strategic planning capabilities;
  - Predictive modelling;
  - Deterioration modelling; and
  - Lifecycle costing.
- Relevant legislative requirements and political, social and economic environments are to be taken into account in asset management.
- Asset management is to be integrated with existing planning and operational processes.
- Asset renewal plans will be prioritised and implemented progressively based on the level of service required and the effectiveness of the current assets to provide that level of service.
- Systematic and cyclic renewal reviews will be applied to all asset classes to ensure that the assets are managed, valued and depreciated in accordance with appropriate best practice, applicable Australian Standards and legislative requirements.
- Councils financial asset information shall be audited annually as a part of the external financial audit, and Councils Asset Management Systems shall be reviewed and internally audited, at least annually, to ensure data; modelling and planning is accurate and relevant to Council and community needs.

Roles and Responsibilities

Councillors adopt the policy and ensure sufficient resources are applied to manage the assets.

The General Manager has overall responsibility for developing asset management systems, policies and procedures and reporting on the status and effectiveness of asset management within Council.

Group Managers and Managers are responsible for implementing asset management systems, policies and procedures.

Employees with management or supervisory responsibility are responsible for the management of assets within the area of responsibility as determined under asset management plans.

Employees will be tasked under implementation plans, and will be responsible for the timely completion of those activities contained within those plans, and shall be familiar with asset management and how it is applied within the Mid-Western Regional Council.
DEFINITIONS

Asset
A physical component of a facility which has value, enables services to be provided and has an economic life of greater than 12 months. Council’s assets include roads, bridges, footpaths, parks, buildings, drainage, plant and heritage items. These assets are generally called infrastructure assets. The policy principles in this report apply to all assets. The financial modelling and conclusions only apply to infrastructure assets.

Asset Management
The process applied to assets from their planning, acquisition by Council, operation, maintenance, renewal and disposal, to ensure that the assets meet Council’s priorities for service delivery.

Appropriate Best Practice
The application of best practice processes in asset management, taking into account the costs and systems that are appropriate to meet the required service levels.

Related Documents
This Asset Management Policy is supported by Council’s Asset Management Strategy and associated Strategic Asset Management Plans.