



Asset management advancement program 2009–10

A milestone based approach to the development and implementation of asset management plans in Queensland local governments.



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1. Introduction

1.1 Sustainability and reporting

The Commonwealth government has set a target to have all infrastructure asset classes managed by councils covered by asset management plans by December 2010. To help achieve this, the Department of Infrastructure and Planning is establishing the asset management advancement program 2009–10, a milestone-based statewide program.

This program is designed to support councils in developing asset management plans in a progressive manner during 2009 and 2010. It does not promote any specific approach to asset management planning, and encourages councils to choose the resourcing approach that best suits its needs and circumstances.

The Local Government Association of Queensland and the Institute of Public Works Engineering Australia have been instrumental in developing the program. The department also notes the contribution of the Gold Coast City Council, Sunshine Coast Regional Council and Brisbane City Council.

This program is part of the sustainability and reporting process developed by the Department of Infrastructure and Planning, which emphasises sustainable communities and councils. It will assist in achieving a consistent approach to assessing the financial sustainability and support requirements of councils.

The measurement and reporting of the sustainability of local government is a key component of Queensland's local government reform program. The financial stability of councils is fundamental to the sustained delivery of local government services.

The sustainability and reporting process includes the implementation of the national frameworks for sustainability, a national initiative to improve the ongoing sustainability of local governments throughout Australia. The chairperson of the Local Government and Planning Ministers' Council (LGPMC) informs the chairperson of the Council of Australian Governments (COAG) on the progress of the initiative and its implementation within each state and territory.

Queensland is complementing the national frameworks with additional state-specific evaluations of governance and community engagement. Spanning the four sustainability elements of asset management, community engagement, governance and long term financial planning, the sustainability and reporting process evaluates the financial sustainability of councils, and informs the development of specific strategies where support may be needed.

Strategies for sustainability help councils to deliver services over the long-term without unplanned and unreasonable increases in revenue raising. Achieving sustainability for all Queensland councils is a focus of the department. The objective is for councils to have capacity to maintain the required level of service into the future.

The existence of asset management plans for key assets is a necessary predecessor to councils having a complete long term financial plan that supports planning and decision making processes. Under the asset management policy for local government there is a clear expectation that a council's ten year financial plans are underpinned by robust estimates produced from asset management strategies and asset management plans.

The *2008–09 Annual Return on the Status of Asset Management* (the return) was issued to 58 councils (all non-Indigenous councils and Torres Strait Island Regional Council) in December 2008. The survey allowed the department to identify areas where local governments need assistance in asset management.



Where asset management plans are not prepared, councils risk significantly underestimating future funding demands by failing to incorporate annual capital expenditure, maintenance and operation requirements into short, medium and long-term financial planning.

Failure to fully and properly account for the full cost of operating, maintaining and replacing assets in long-term financial models does not enable local governments to strategically manage the asset portfolio within the council's known and projected funding sources. Ultimately, this is a risk to the ongoing sustainability of the council.

2. Asset management policy

2.1 Asset management policy for local government

2.1.1 Objective

The sustainable management of community infrastructure by local government.

2.1.2 Policy

All Queensland local councils are to develop and maintain long term financial plans based on sound infrastructure asset management plans for the infrastructure asset classes and sub-classes described in the associated schedule 1.

These long-term financial plans should cover a forward planning horizon of at least ten years and the asset management plans on which they are based should desirably cover a 20 year period¹.

Each Queensland local council will include disclosures in its annual report consistent with the requirements of the *Local Government Act 2009* and supporting regulations.

¹ **Legislation for Sustainable Management of Community Infrastructure in Australia. Institute of Public Works Engineering Australia, National Asset Management Strategy. May 2008**



Schedule 1—Infrastructure asset classes and sub-classes

The minimum requirements for asset management plans would apply to depreciating assets of significant value with long estimated useful lives. The following assets and sub-assets fall into this category.

Buildings	Community facilities - (including libraries, community centres, halls, public toilets) Corporate real estate (including administration buildings)
Recreation facilities	Pools, sporting stadiums, tennis courts, park facilities
Infrastructure	Roads network (sealed, gravel, reseals, formed) including pavement, seal, kerb and channel, drainage, traffic management, furniture and signs, lighting and paths Stormwater drainage network, including open channel stormwater drains Flood mitigation network Water supply network Sewerage network Bridges (timber and concrete) Wharves, piers and jetties, pontoons Bus/road tunnels Waste landfill Retaining walls, sea and river walls, canals
Other assets	Off road footpaths Bikeways Beaches Natural reserves Urban parks and streetscapes

3. Minimum requirements for asset management plans

Under the proposed asset management policy for local government, there is a clear expectation that ten year financial plans are underpinned by robust estimates produced from asset management strategies and asset management plans. It is not intended that councils create a new plan if the required information currently exists and is up to date.

Asset management strategy must align with the council's corporate plan, goals and objectives, includes a gap analysis of the current and expected future infrastructure asset status and an assessment of the activities to be undertaken to achieve that future state.

The asset management plans provide the detail of actions required to manage the asset base in order to provide the desired levels of service over the timeframe of the plan.

The International Infrastructure Management Manual developed by the Institute of Public Works Engineering Australia provides councils with a basis for asset management planning including a road map for preparing an asset management plan.



Councils that are seeking to further improve asset management processes, practices and outcomes can refer to a number of relevant sources, including:

- Local Government Association of Queensland's local government asset program
- Institute of Public Works Engineering Australia International Infrastructure Management Manual
- Institute of Public Works Engineering Australia National Asset Management Committee (NAMS.AU)
- Institute of Public Works Engineering Australia NAMS.PLUS asset management program
- Main Roads and Local Government Association of Queensland roads alliance (for road assets)
- Department of Environment and Resource Management (for water assets)

3.1 Notes

Asset management plans will necessarily include a number of assumptions such as the service potential of assets, the future demand for those services and the costs to maintain those assets into the future. Inaccurate assumptions therefore pose a significant risk. This risk can be managed by clearly identifying assumptions and considering their importance and reliability. Where significant risks are identified, mitigation strategies would be expected.

The definitions for specific terms used in this document can be found in the glossary to the Institute of Public Works Engineering Australia International Infrastructure Management Manual, version 3.0, 2006.

3.2 Asset management plans—minimum

To ensure that asset management plans are sufficient, the following are required:

Introduction and overview

- the classes and sub-classes of assets included in the plan
- quantitative data with respect to the asset classes and sub-classes.

Service levels (derived from service planning)

- the expected or required service levels for the included assets
- the actual service levels being achieved for the assets.

Future demand (derived from corporate planning and service planning)

- future requirements associated with corporate plans or operational plans
- known or possible areas for expansion
 - asset classes and potential acquisition dates
 - cost estimates
 - impact on service levels, asset lifecycle and financial considerations.

Lifecycle management and financial considerations

- useful life
 - estimated useful life for each asset class and sub-class
 - estimated remaining useful life for each asset class and sub-class
 - annual depreciation expense per asset class and sub-class
- valuation of each asset class and sub-class
 - valuation
 - date of valuation and valuation methodology employed
- maintenance activities
 - description of program
 - timing of program
 - maintenance expense per asset class and sub-class
- renewal/replacement plan
 - renewals capital expenditure
- acquisition
 - new or upgrade capital expenditure



- disposal
 - proposed timing of asset retirement or disposal
 - estimated residual values at retirement or disposal
- risk management
 - identification of risks
 - identification of risk mitigation strategies.

Asset management practices

- information systems to be used and the standards and guidelines used to make decisions on asset management.

Improvement and monitoring

- identification of any known issues with the quality of the data, forecasts, estimates etc
- actions taken to mitigate the known issues
- commentary on the reliability of the estimates contained within the plan.

4. Asset management advancement program 2009–10

There are a number of asset management activities involved in developing asset management plans that meet the expectations of the national frameworks for sustainability.

Asset management plans are needed with forward priorities and ten year financial plans indicating all forward expenditure including operations, maintenance, refurbishments/renewals as well as upgrade and new works.

The Local Government Association of Queensland and Institute of Public Works Engineering Australia suggest the following milestones for the implementation of processes that support asset management in local government. The completion of asset management plans should be undertaken in conjunction with the completion of the following activities.

The Department of Infrastructure and Planning acknowledges that in many cases the first version of asset management plans will include a number of assumptions and be based on imperfect data. This is the start of an ongoing improvement process. By following the suggested activities, future improvements to quality will be able to be made.

Subsequent iterations of the planning process will further improve the quality of the data and the forecasts.

4.1 Asset management plan completion priorities

Councils are required to complete a 'core plan' as per the International Infrastructure Management Manual approach as stage one by 31 December 2010, with an 'advanced plan' to be completed as stage two by 30 June 2012.

Councils should also assess the relative cost benefit associated with the development of an asset management plan for all managed asset classes. Considerations of scale and relative value are important in determining the level of resource applied to the planning process.

Where formal asset management plans are not prepared for an asset class, forward projections of required funding should still be prepared for inclusion in the long term financial plans of council.



The table below provides a perspective on the relative priorities for the development of asset management plans.

Asset management planning priorities
Water, wastewater, roads, bridges, bus/road tunnels, buildings (corporate and community).
Stormwater drainage, flood mitigation network, waste landfill.
Recreational facilities, off-road footpaths and bikeways, wharves/piers.
Beaches, natural reserves, urban parks and streetscapes, retaining/sea/river walls.

4.2 Asset management targets—core plan

Action	Target date	Description
Develop and adopt a draft asset management policy	31 Dec 09	A draft asset management policy allows councils to develop asset management plans with a supporting process and guiding principles that inform the asset management planning process determined by council.
Establish consistent asset hierarchies for all data sets	31 Dec 09	This creates a framework for allowing the evaluation and migration of existing data registers.
Collect asset maintenance data	31 Dec 09	Undertake a desktop/field validation of current data sets and refinement/realignment of data sets.
Collect asset condition assessments	31 Mar 10	Develop the process and types of condition monitoring and collection methods that council will require to improve the ongoing maintenance and renewal of assets. The core plan requires a basic level of field validation in this stage, with a full monitoring process included as part of the stage two, advanced plan development. This process includes simple to complex applications from visual inspections to heat sensing and computerized laser/video recording and assessment.
Identify backlog requirements for all asset classes	30 Jun 10	Implement a process that identifies the backlog of assets and prioritises the capital maintenance or replacement of these assets using a service risk management approach. This would be repeated in the advanced plan stage, with more accuracy.
Link asset data to long-term financial plans	30 Sep 10	Develop a process that continually feeds information from asset management plans to the ten year financial plan each time there is a condition review or an asset management plan change.
Complete priority asset management plans	31 Dec 10	All asset management plans to be completed.
Integrate asset management priorities to corporate planning and the annual budget cycle	2011–12 budget cycle	The integrated financial management cycle uses the information from the asset management plans and the long-term financial plans.



5. Detailed activities

5.1 Completion of core asset management plans by December 2010

The following tables provide additional detail to identify, plan and implement tasks to be completed in each step along the asset management pathway.

5.2 Asset planning and data

Step	Task	Date completed or progress made
1. Introduction to asset management planning	Key people in sustainable asset management program have been identified.	
2. Establish corporate sustainable service delivery team	Corporate sustainable service delivery team established (e.g., with representatives of top management, service managers and service providers, information technology, finance, risk management).	
	Program for asset management plan preparation developed.	
	Staff resource, funding and training needs for asset management plans preparation identified.	
	Resources and responsibilities for preparation of asset management plans allocated.	
	Staff training program adopted and in place.	
3. Review of asset register data commenced	Review completeness and accuracy of asset register.	
	Establish new/consistent asset data hierarchies.	
	Establish dates of acquisition (where not available) for all assets.	
	Review remaining/useful life of assets.	
	Complete remaining/useful life of assets report.	
4. Commence asset management plan	Update asset register.	
	Source and input text data for asset management plan template.	
	Reference documentation, asset summary, stakeholders and their role in service delivery.	
	Vision, mission, goals and objectives, how goals are met in the asset management plan.	
	Community satisfaction data.	
	Legislation.	
	Demand Forecasts.	
	Changes in technology.	
	Demand management plan.	
	Physical parameters.	
	Known service deficiencies.	
	Asset valuation data.	
Standards and specifications.		
Renewal ranking priority.		
Renewal standards.		



Step	Task	Date completed or progress made
	New assets ranking priority.	
	Accounting/financial systems.	
	Asset management systems.	
	Information flow processes.	
	Standards and guidelines (including council's policies).	
5. Maintaining the corporate approach	Workshop with council on: <ul style="list-style-type: none"> organisational issues relating to sustainable service delivery the organisation's program to complete asset management plans for all asset categories resource implications an outline of inputs required from council during the program for service levels and risk evaluation criteria. 	

5.3 Service levels and risk

Step	Task	Date completed or progress made
6. Document existing service levels	Levels of service documented for each asset category.	
7. Infrastructure risk management plan	Infrastructure risk management team established.	
	Organisational risk context identified and documented.	
	Risk evaluation criteria workshopped with council/board and adopted.	
	Risks identified.	
	Risks analysed.	
	Risk evaluated.	
	Risk treatment plans developed.	
	Risk treatment action plan developed.	
	Infrastructure risk management plan adopted by council/board.	
3. (continued) Review of asset register data completed	Review completeness and accuracy of asset register.	
	Establish dates of acquisition (where not available) for all assets.	
	Review remaining/useful life of assets.	
	Complete remaining/useful life of assets report.	
	Update asset register.	

5.4 Expenditure projections

Step	Task	Date completed or progress made
8. New assets from growth	Current and 20 year population estimates sourced and adopted.	
	Current and estimated population densities (persons per dwelling) sourced and adopted.	
	Estimated growth population distribution to residential lot category (percentage of small/large lots and high density units) sourced and adopted.	



Step	Task	Date completed or progress made
	Industrial lot growth rates (lots/1,000 population) sourced and adopted. Develop unit rates (\$/lot) for donated and constructed assets for each residential lot category. Develop unit rates (\$/lot) for donated and constructed assets for each industrial lot category.	
9. Renewal planning	Unique asset numbers allocated to assets where applicable. Year acquired calculated from available data where applicable. Asset replacement values updated to current (first year of planning period) values. Asset renewal cost developed. Useful life estimates reviewed and updated. Remaining life calculated. Projected renewal year calculated.	
10. Expenditure projections	Prepare estimates for expenditure for operation, maintenance, planned renewal, planned capital upgrade/expansion and planned disposals for 20 year planning period.	

5.5 Completing the asset management plan

Step	Task	Date completed or progress made
11. Managing a funding gap	Any shortfall in capital renewal funding identified. Draft renewal program reviewed and useful lives revised and amended in asset register worksheet. Changes to useful lives documented in remaining/useful life template. Surplus or low use assets identified for disposal. Capital program reviewed to increase renewal funding and expenditure projections worksheet revised. Asset management team is satisfied that the funding gap appears sustainable.	
12. Complete the asset management plan	Asset management plan template completed. Asset management plan template figures screen captured, saved and inserted into template. Draft renewal program included in asset management plan template.	
13. Improvement plan	Areas for improvement identified in completion of asset management plan template. Asset management capability gap analysis completed and areas for improvement identified and prioritised. Asset management improvement plan completed with tasks, responsibility, resources required and timeline documented in the asset management plan template.	
14. Links to long-term financial plan	Expenditure projections for operations, maintenance capital renewal, capital upgrade/expansion and asset disposals transferred to long-term financial plan.	



Step	Task	Date completed or progress made
15. Finalise and Adopt Asset management Policy	Workshop the original draft asset management policy with council. Asset management policy adopted by council.	

5.6 Long term financial plan

Step	Task	Date completed or progress made
16. Long-term financial plan	Expenditure projections from asset management plan incorporated into long-term financial plan.	
	Revenue options fully explored.	
	Service level options fully explored (see step 11).	
	Funding plan developed for long term financial plan.	



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