

## Council Strategy

# Asset Management Plan Overview

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## 1.0 EXECUTIVE SUMMARY

### 1.1 Overview

This document provides an overview and introduction to individual City of Albany Infrastructure Asset Management Plans (AMP's). AMP's should be read in conjunction and in context with the City of Albany Asset Management Policy and Asset Management Strategy. Asset classes covered by AMP's are as follows:

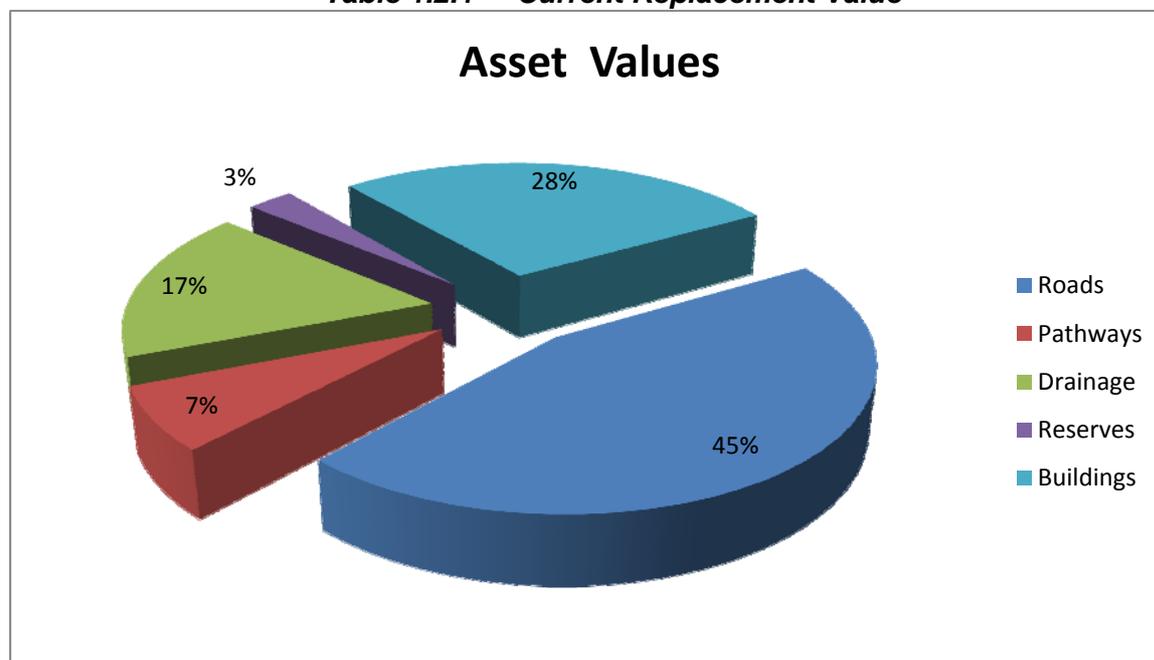
- Roads;
- Pathways;
- Drainage;
- Natural & Developed Reserves; and
- Buildings.

The objective of each AMP is to outline the financial resources required to manage and maintain the relevant asset network to an appropriate standard (or level of service). Each AMP provides an overview of the ongoing management of that asset network and acts as a tool to support the ability of Council to deliver well targeted, responsive and value for money maintenance and operational services for the community as a whole. Individual projects, renewal treatments or interventions which result from the plans are identified in the City's Long Term Financial Plan (LTFP). Note that the LTFP will be reviewed each year as the Asset Plans become more refined. The LTFP forecasts the next 10 years of asset expenditure.

### 1.2 Financial Summary

The City manages a network of road, pathway, drainage, reserve and building assets having a combined current replacement cost of \$383,142,512 (as at 1<sup>st</sup> June 2013).

**Table 1.2.1 Current Replacement Value**



### **1.3 Renewal Demand and Funding Gap**

Each AMP will identify either a shortfall in funding or over servicing where funding exceeds the renewal demand. For individual asset classes a statement will be made whether the funding arrangement provides financial sustainability. While over servicing is not identified in the early years of the LTFP, where it is identified in later years (eg. roads) it presents an opportunity to redistribute funds to areas where there are shortfalls.

Once the confidence level in the data is improved, these redistributions can occur across asset classes in future plan reviews.

## **2.0 INTRODUCTION**

### **2.1 Background**

Each individual AMP seeks to target activities and programs in the LTFP which provide best value for money outcomes and ensure that the assets meet appropriate levels of service. This is achieved through informed decision making, based on the following analysis;

- Asset condition surveys;
- Asset performance (ie. rate at which the asset is deteriorating);
- Lifecycle costs;
- Risk costs; and
- Treatment options.

This approach means considering all management options and strategies as part of the asset lifecycle, from planning to disposal. The objective is to obtain the lowest long-term cost (rather than short-term savings) when making asset management decisions.

### **2.2 Core and Advanced Asset Management**

The current AMP's have been prepared as '*core*' plans in accordance with the Department of Local Government Guidelines. Each has been prepared to meet minimum legislative and organisational requirements to enable sustainable service delivery and long term financial planning and reporting. Core asset management is a 'top down' approach where analysis is applied at a 'network' level.

Future revisions of these AMP's will move towards 'advanced' asset management using a 'bottom up' approach for gathering asset information for individual assets to support the optimisation of activities and programs to meet required service levels. This will ultimately be reflected in ongoing reviews of the LTFP and AMP's.

### **2.3 Plan Framework**

Key elements of the plan are:

- Service Levels – specifies level of service of the asset class which is utilised in the financial forecasts. Where information about community and stakeholder service level expectation is not fully developed (which is the current situation across all infrastructure assets) then it is assumed the current service level should be maintained.
- Future demand – how this will impact on future service delivery and how this is to be managed.
- Life Cycle Management Plan – how City of Albany will manage its existing and future assets to provide the required level of service.
- Financial summary – what funds are required and what will be provided and what is the gap? How is the gap going to be managed?

### **3.0 SERVICE LEVELS**

#### **3.1 Community Consultation**

The City will carry out quality community consultation over the next review period. This is an approach which will be required consistently across all asset classes. The purpose of the consultation will be to ascertain the community and stakeholder expectations in respect to levels of service. This will allow future reviews of the asset plans to incorporate these expectations into financial modelling. Stakeholders will include, but are not necessarily limited to:

- Council
- Internal working groups (ie Asset Management Working Group)
- General community
- Main Roads Western Australia (Road funding)
- Department of Transport (Cycling facility funding)
- Department of Water (Natural Reserves)
- South Coast NRM (Natural Reserves)
- User groups and Progress Associations.

#### **3.2 Current Levels of Service**

Level of service relates to how the community receives the service in terms of safety, quality, quantity, reliability, responsiveness, cost/efficiency and legislative and standards compliance. It also, in many respects has a direct relationship with the condition of the asset.

Supporting the service levels are operational or technical measures of performance developed to ensure that the minimum standards are met. These technical measures relate to service criteria such as:

- Quality – Reliability and aesthetics (eg. materials having better durability or appearance)
- Quantity – Adequate capacity (eg ability for a road to carry certain volume or type of traffic)
- Availability and Effectiveness – Distance from key community facilities (eg location of playground equipment)
- Safety – Number of injury accidents (eg road geometry)

In the financial modelling conducted thus far, it is assumed that the current levels of service in relation to the four (4) areas above are adequate. Therefore the condition of the asset is considered as being the major driver in forecasting expenditure requirements. Consequently if the forecasted renewal expenditure meets the predicted renewal demand, the City is in a financially sustainable position in the management of that particular asset.

#### **3.4 Desired Levels of Service**

In the absence of thorough consultation, the desired level of service assumed in the financial modelling across all asset classes is the current level of service. As a general rule any increase in the level of service requires additional financial resources from the City. In order to facilitate new or upgraded infrastructure external funding will be sought.

## 4.0 FUTURE DEMAND

### 4.1 Demand Forecast

Factors affecting demand include population change, changes in demographics, seasonal factors, community expectations, economic factors, etc.

According to the City of Albany Community Profile, population in the City of Albany municipality has increased from 31,574 in 2006 to 33,648 in 2011. Population growth has therefore been relatively modest. Demand for new infrastructure and acquisitions of infrastructure through subdivision in the short term are not seen to be a significant factor. More detailed analysis of this will form part of the next asset management plan review.

### 4.2 New Assets from Growth

The new assets required to meet growth are acquired from land developments and the City's own construction. Acquiring these new assets will commit the City to fund ongoing operations and maintenance costs for the period that the service provided from the assets is required. Through continuing data collection and validation, these future costs need to be identified and considered in developing forecasts of future operating and maintenance expenditures.

## 5.0 LIFECYCLE MANAGEMENT PLAN

### 5.1 Physical Parameters

City of Albany assets have been grouped by like components. The useful life of an asset is defined as a period over which a depreciable asset is expected to be fully utilised, however, this period can be significantly impacted by maintenance practices.

The data collected on the assets is stored in various databases. These systems operate as inventory capture and asset management tools. They are used to forecast replacement upgrade requirements on a long term basis.

### 5.2 Asset Condition

Condition for the purpose of financial modelling is measured using a 0 – 10 rating system and summarised in Table 5.2.1. This aligns with the modelling software the City has used in generating the financial forecasts. This software is referred to as the "Maloney" model. In the case of Roads, the conditions are rated 1 – 5, however this is simply converted to a 1 – 10 scale in order to achieve consistency across asset classed when modelling.

**Table 5.2.1 – Maloney Asset Condition Rating Scale**

CONDITION RATING	DEFINITION
0	A new asset or an asset recently rehabilitated back to new condition
1	A near new asset with no visible signs of deterioration often moved to condition 1 based upon the time since construction rather than observed condition decline.
2	An asset in excellent overall condition. There would be only very slight condition decline but it would be obvious that the asset was no longer in new condition.
3	An asset in very good overall condition but with some early stages of deterioration evident, but the deterioration still minor in nature and causing no serviceability problems.
4	An asset in good overall condition but with some obvious deterioration evident, serviceability would be impaired very slightly.
5	An asset in fair overall condition, deterioration in condition would be obvious and there would be some serviceability loss.
6	An asset in fair to poor overall condition. The condition deterioration would be quite obvious. Building serviceability would now be affected and maintenance cost would be rising.

CONDITION RATING	DEFINITION
7	An asset in poor overall condition, deterioration would be quite severe and would be starting to limit the serviceability of the building. Maintenance cost would be high.
8	An asset in very poor overall condition with serviceability now being heavily impacted upon by the poor condition. Maintenance cost would be very high and the asset would be a point where it needed renewal.
9	An asset in extremely poor condition with severe serviceability problems and needing renewal immediately. Could also be a risk to remain in service.
10	An asset that has failed, is no longer serviceable and should not remain in service. There would be an extreme risk in leaving the asset in service.

### **5.3 Risk Management Plan**

An assessment of risks associated with service delivery from infrastructure assets has identified critical risks to Council. The risk assessment process identifies credible risks, the likelihood of the risk event occurring, the consequences should the event occur, develops a risk rating, evaluates the risk and develops a risk treatment plan for non-acceptable risks.

Risks, being those requiring corrective action identified in the risk management plan are summarised in individual AMPs in a tabular format.

### **5.4 Routine Maintenance Plan**

Routine maintenance is the regular on-going work that is necessary to keep assets operating, including instances where portions of the asset fail and need immediate repair to make the asset operational again.

Maintenance is work undertaken to ensure that City of Albany assets continue to meet the required performance and standard throughout its useful life.

Maintenance includes reactive, planned and cyclic maintenance work activities. Reactive maintenance is unplanned repair work carried out in response to service requests and management/supervisory directions. Assessment and prioritisation of reactive maintenance is undertaken by City staff using experience and judgement.

**Preventive maintenance** – the actions performed to retain an item or asset in its original condition as far as practicable by providing systematic inspection, detection and prevention of incipient failure. Preventive maintenance is normally programmed by the relevant business unit responsible for the asset. In most cases, the programs are developed from historic information or through the experience of the relevant co-ordinators within the business unit.

**Cyclic maintenance** – preventative maintenance works undertaken on a regular cyclical timetable.

**Reactive maintenance** – the actions performed, as a result of failure, to restore an item or asset to its original condition, as far as practicable. Reactive maintenance may or may not be programmed. Reactive maintenance is generated from customer service requests. The targeted response time to these requests is 10 working days, however this is dependent on the type of request. In many cases, the request can be integrated with programmed preventative maintenance.

### **5.5 Renewal/Replacement Plan**

Renewal expenditure is major work which does not increase the asset's design capacity but restores, rehabilitates, replaces or renews an existing asset to its original service potential. Work over and above restoring an asset to original service potential is upgrade/expansion or new works expenditure.

Assets requiring renewal are identified from estimates of remaining life obtained from the asset register. Candidate proposals are inspected to verify accuracy of the remaining life estimate and to develop a preliminary renewal estimate. Verified proposals are ranked by priority and available funds and scheduled into the LTFP. Where AMP's are sufficiently advanced priority ranking criteria for the asset class are detailed. Where the AMP's are yet to reach this level, this information is not provided.

Renewal will be undertaken using 'low cost' renewal methods where practical. The aim of 'low cost' renewals is to restore the service potential or future economic benefits of the asset by renewing the assets at a cost less than replacement cost.

### **5.6 Creation/Acquisition/Upgrade Plan**

New works are those works that create a new asset that did not previously exist, or works which upgrade or improve an existing asset beyond its existing capacity. They may result from growth, social or environmental needs. Assets may also be acquired at no cost to the Council from land development. These new assets will be progressively included into the asset inventory so that they are considered in each annual AMP review.

### **5.7 Standards and specifications**

Standards and specifications for new assets and for upgrade/expansion of existing assets are the same as those for renewal and will be the subject of a future revision. Generally, Australian Standards are the minimum applied.

## **6.0 FINANCIAL SUMMARY**

### **6.1 Financial statements and projections**

The financial projections are shown in each AMP for planned renewal, upgrade and new expenditure. Operational expenditure is detailed in the LTFP.

Financial projections will be improved in future reviews by:

- Service level expectations being collated and analysed.
- Data collection which allows a more detailed approach to understanding how assets are performing (ie, are assets deteriorating at the rate that we think?)

### **6.2 Sustainability of service delivery**

In essence, if the City is meeting the renewal demand expenditure, it should consider that it is in a financially sustainable position. Where this is not the case (as is the case with some assets) an understanding of how this will be managed is detailed in the AMP under a section headed "Managing the Gap".

### **6.3 Funding Strategy**

The funding strategy is detailed in the City's LTFP.

### **6.4 Valuation Forecasts**

Asset values are forecast to increase as additional assets are added to the asset base from construction and acquisition by Council and from assets constructed by land developers and others and gifted to Council.

## 7.0 ASSET MANAGEMENT PRACTICES

### 7.1 Information Flow Requirements and Processes

The key information flows **into** the AMP's are;

- The asset register data on condition, value, remaining life of City of Albany assets;
- The unit rates for categories of work/material;
- The adopted service levels;
- Projections of various factors affecting future demand for services;
- Correlations between maintenance and renewal, including deterioration models; and
- Data on new assets acquired by the City of Albany.

The key information flows **from** the AMP's are;

- The estimated renewal demand and trends;
- The resulting expenditures which feed into the LTFFP.

## 8.0 PLAN IMPROVEMENT AND MONITORING

### 8.1 Improvement Plan

The Asset Management Strategy identifies specific improvement plans for each asset class.

### 8.2 Monitoring and Review Procedures

Each individual AMP will be reviewed prior to the annual budget preparation and amended to recognise any changes in service levels and/or resources available.

## 9.0 ASSET MANAGEMENT PLANS

### 9.1 Supporting Documents

For more detailed information on individual asset classes please refer to the following Asset Management Plans:

**Asset Management Plan – Roads;**

**Asset Management Plan – Pathways;**

**Asset Management Plan – Drainage;**

**Asset Management Plan – Reserves (Natural);**

**Asset Management Plan – Reserves (Developed);**

**Asset Management Plan – Buildings; and**

**Adopted City of Albany Long Term Financial Plan – For more detailed information on individual projects**

### Version Control

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