



Part 4 - Asset Management Policy & Strategy

Contents

Part 4	Asset Management Policy & Strategy	1
4.1	<i>Executive summary</i>	5
4.1.1	Document purpose	5
4.1.2	Strategic outlook	5
4.1.3	Asset management strategies	6
4.2	<i>Asset Management Policy</i>	7
4.3	<i>What is the current situation?</i>	7
4.3.1	Council’s current asset stock	7
4.3.2	Critical assets	10
4.3.3	Condition of the Council’s current assets	10
4.3.4	Value of Council’s assets	12
4.4	<i>Current and forecast needs</i>	15
4.4.1	Council and Community – current needs	15
4.4.2	Council and Community – future needs	17
4.5	<i>Funding base for operations, maintenance and renewal</i>	20
4.5.1	Asset funding gap	20
4.6	<i>Asset management practices</i>	25
4.6.1	Asset management core competencies	25
4.6.2	Asset management structure and responsibilities	27
4.7	<i>Where do we want to be?</i>	28
4.7.1	Alignment with <i>Sustainable Blue Mountains 2025</i>	28
4.7.2	Applying appropriate asset management practices and procedures	28
4.8	<i>How will we get there?</i>	29
4.8.1	Increase income	29
4.8.2	Adjust services	36
4.8.3	Management of risk	36
4.8.4	Asset management improvement plan	38
4.9	<i>Asset Management Policy</i>	42

List of Tables

Table 4-1:	Assets that support services	8
Table 4-2	BMCC critical assets	10
Table 4-3:	Description of condition assessments	10
Table 4-4:	Cost of built assets	13
Table 4-5:	Measuring need	15
Table 4-6:	Projected funding base over the next 10 years	20
Table 4-7:	Projected change in service levels for built assets	22
Table 4-8:	Projected change in service levels for natural assets	22
Table 4-9:	Core asset management competencies	25
Table 4-10:	Funding available over next 10 years to ‘Improve’ service levels	30
Table 4-11:	Funding available over next 10 years to ‘Maintain’ service levels	31
Table 4-12	Renewal and maintenance as a percentage of asset value	36

Table 4-13: Key risks and responses	37
Table 4-14: Asset management improvement plan	39

List of Figures

Figure 4-1: Current condition of assets	11
Figure 4-2: Current condition of all assets by service	11
Figure 4-3: Value of built assets by service.....	13
Figure 4-4: Current function of built and natural assets	16
Figure 4-5: Current function of all assets by service.....	16
Figure 4-6: Current capacity of built and natural assets.....	17
Figure 4-7: Current capacity of all assets by service.....	17
Figure 4-8: Change in method of travel to work.....	19
Figure 4-9: Projected and required operating and capital costs to 2034	22
Figure 4-10: Projected change in service levels for built assets	23
Figure 4-11: Projected change in service levels for natural assets	24
Figure 4-12: Asset management maturity assessment	26
Figure 4-13: Asset management structure and responsibilities	27
Figure 4-14: Projected condition under each option: built assets.....	32
Figure 4-15: Projected function under each funding option: built assets	32
Figure 4-16: Projected capacity under each funding option: built assets	33
Figure 4-17: Projected condition under each funding option: natural assets	33
Figure 4-18: Projected function under each funding option: natural assets	35
Figure 4-19: Projected capacity under each funding option: natural assets	35

List of Acronyms

Asset Management (AM)
Asset Management Improvement Program (AMIP)
Asset Management Plans (AMPs)
Asset Management Strategy (AMS)
Asset Protection Zones (APZ)
Blue Mountains City Council (BMCC)
Executive Leadership Team (ELT)
Governance and Risk Steering Group (GRSG)
Levels of Service (LOS)
Local Government and Planning Ministers' Council (LGPMC)
Long Term Financial Plan 2014-2024 (LTFP)
Rural Fire Service (RFS)
Strategic Asset Management Steering Committee (SAMSC)
Workforce Management Strategy (WMS)

4.1 Executive summary

4.1.1 Document purpose

The *Local Government Act 1993* Integrated Planning and Reporting Framework (see *Part 1, Section 1.1*) requires Councils to prepare a *Resourcing Strategy* that includes an integrated *Asset Management Policy (AMP)*, *Asset Management Strategy (AMS)* and *Asset Management Plans (AMPs)* for various classes of physical assets which they manage.

This *AMS* includes the overarching council endorsed *AMP*. It sets the broad framework for undertaking asset management in a structured and coordinated way, outlines why and how asset management will be undertaken and provides key principles that underpin asset management at Blue Mountains City Council (BMCC).

In resourcing the implementation of the City's community strategic plan – *Sustainable Blue Mountains 2025*, this *AMS* shows how the Council's existing asset portfolio will contribute to the service delivery requirements of the community both now, and into the future. In particular it:

- Sets out the affordable level of asset service provision over the next 10 years, given projected available funding;
- Outlines how the Council's assets will be effectively managed to achieve agreed levels of affordable service;
- Outlines the risks associated with the provision of the affordable level of service and how they will be responsibly managed;
- Outlines the requirements to ensure this *AMS* is achieved including implementation of an *Asset Management Improvement Program (AMIP)* that details the tasks required to achieve an appropriate level of asset management maturity; and
- Ensures the integration of the Council's asset management with its long term community strategic plan - *Sustainable Blue Mountains 2025*, *Resourcing Strategy* and four-year *Delivery Program*.

Section 4.3.2 defines the Council's critical assets as those that have a high community need and/or those that have a high risk profile. Risk management strategies for these are identified in Section 4.8.3 Management of risk.

Section 4.8.4, Asset management improvement plan, outlines the specific actions required to improve Council's Asset Management (AM) capability. This is in response to the identified gaps in service provision, identification of improvements to risk management and to ensure that funds are appropriately allocated.

In summary, implementing this *AMS* will ensure facilities and infrastructure are provided in the most cost effective manner, through the creation, acquisition, maintenance, operation, renewal, rehabilitation and disposal of assets for present and future consumers, while managing risk.

It is intended that this Strategy be reviewed and updated on an annual basis to effectively guide the activities and decision making of BMCC into the future.

4.1.2 Strategic outlook

The BMCC Local Government Area is unusual in that it has a very high ratio of infrastructure per resident compared to other urban councils due to factors such as urban development limited to a ribbon of 100 kilometres of ridge top within a mountainous World Heritage area. Furthermore,

there are a number of challenges and constraints for asset management including natural disaster events and difficult to access terrain including steep gullies and cliff tops, which prove costly for construction and maintenance work.

For many years, maintenance and renewal funding for assets has been below the required level; consequently, there has been a widespread and gradual deterioration in asset condition to an extent where service levels will become unacceptable unless the Council increases investment and / or reduces service levels. This will require a rebalancing of service levels over the next 10 years, while managing risk and engaging the community on service level trade-offs.

The current focus is on renewal and maintenance of critical assets ahead of providing any new and upgraded assets. Any new and upgraded assets are to be largely funded through external sources; for example, grants.

This *AMS* assumes the achievement of a more favourable outlook through the implementation of the *LTFP* and its *Six Strategies for Financial Sustainability* (see *Part 3 LTFP, Section 3.4*).

What this means for the Council's assets is that:

- Over the next 10 years there will be a period of service level adjustment including asset rationalisation with some targeted key replacements and renewals, risk mitigation, community consultation and developing partnerships to improve opportunities; and
- For the subsequent years beyond 2023, and possibly sooner, there will be a period of gradual asset condition improvements and targeted service enhancements (if required), funded from the benefits reaped from implementing Council's disciplined financial approach and dependent on obtaining additional operating revenues.

The Council will implement an improvement plan to raise AM maturity to an appropriate level and to align with the National Asset Management Framework. This *AMIP* will assist council to respond to key risks relating to renewal and maintenance of ageing infrastructure, increasing standards and legislative changes, increase in asset base and natural disasters and other natural events. The *AMIP* targets more than 20 actions to:

- improve data confidence levels and measurement;
- build in-house AM capability;
- report to Council on current and future service levels, lifecycle costs and risks to inform decision making;
- enable *AMPs* to better inform and guide Council on asset needs and funding; and
- better consult with the community on AM priorities

4.1.3 Asset management strategies

The Council is committed to responsibly managing its assets to:

- Align assets with service provision through *Sustainable Blue Mountains 2025*;
- Provide value for money services within available resources – using a risk based approach;
- Improve AM planning, practices and systems; and
- Ensure that assets are fit for purpose and meet established priority community need including reference to the spatial allocation of assets.

To achieve this, the AM strategies to be implemented over the next 10 years are:

1. Ensure that BMCC's services and infrastructure are provided in a sustainable manner:
 - Consider the risks and consequences of actions and inaction when prioritising asset renewal or maintenance and when allocating funding
 - Prioritise renewal and maintenance strategies that reduce lifecycle costs, reduce risk while maintaining asset function
2. Safeguard BMCC assets, including physical assets and employees by implementing AM strategies and directing appropriate resources to:
 - Develop employee capability, capacity and competency in AM practice
 - Promote employee and Councillor stewardship and governance of AM
 - Collaboratively identify and consistently apply criteria to prioritise funding of projects throughout BMCC
 - Annually allocate appropriate and sufficient financial & operational resources to implement AM strategies
3. Demonstrate transparent and responsible asset management processes that align with best practice and statutory requirements and standards
 - Meet legislative requirements for asset management including maintenance of compliant *AMP, AMS, AMPs*
 - Achieve and sustain a target level of AM maturity across BMCC
 - Review and update all AM plans annually
 - Consult with community on AM priorities
 - Align the community strategic plan –*Sustainable Blue Mountains 2025, AMS, Delivery Program* and budgets and assess BMCC financial health and inform decision makers.

4.2 Asset Management Policy

The *AMP* sets the framework for the preparation of the Council's Strategy and Plan/s, while the Strategy supports and implements the Council's Policy.

The *AMP* is developed by the Council's Strategic Asset Management Committee (SAMSC). It is subsequently reviewed and endorsed by Council's Governance and Risk Steering Group (GRSG) and then adopted by the Council.

The *AMP* is provided in *Section 4.9*.

4.3 What is the current situation?

4.3.1 Council's current asset stock

Currently BMCC is responsible for built assets valued at \$1 billion and of approximately 10,000 hectares of natural area assets, whose value is in the process of being assessed. As shown in Table 4-1 the Council's built and natural assets support the delivery of a wide range of services, facilities and infrastructure to the community.

Table 4-1: Assets that support services

Service	Assets that Support Services
Aquatic & Leisure Centres	<ul style="list-style-type: none"> • 5 Leisure and Aquatic Centres across the City
Burials & Ashes Placement Service	<ul style="list-style-type: none"> • 9 Cemeteries with associated infrastructure including fencing, garden beds, signage, pathways, car parks and buildings
Commercial Activities	<ul style="list-style-type: none"> • 2 Caravan Parks • Approximately 20 buildings leased as residential and commercial properties some containing multiple shops
Community Development	<ul style="list-style-type: none"> • 15 Public Halls and meeting places • 15 Childcare centres and Preschools • 20 Welfare Centres • Associated other buildings e.g. sheds, shelters, toilets etc.
Cultural Development	<ul style="list-style-type: none"> • Blue Mountains Cultural Centre • 4 Buildings used purely for Cultural Development plus • 20 sculptures • 25 Cenotaph/war memorials • 16 Obelisks • 7 Artefacts • Numerous smaller Cultural Physical Assets • This service is also supported by numerous other assets in other services <ul style="list-style-type: none"> ○ Cultural Heritage assets that provide other services e.g. heritage listed bridges, walking tracks, play equipment ○ Buildings and facilities that can be used for cultural development and events e.g. sports grounds, halls
Economic Development & Tourism	<ul style="list-style-type: none"> • 2 Visitor Information Centres • Echo Point Concourse and associated buildings
Emergency Management	<ul style="list-style-type: none"> • 26 Emergency buildings comprising <ul style="list-style-type: none"> ○ The Katoomba Emergency Services Centre ○ 24 Rural Fire Service (RFS) Buildings ○ 1 Stand-alone State Emergency Service Building • RFS Vehicle Fleet • 300 Asset Protection Zones (APZ) and 63km Fire Trails
Libraries & Information	<ul style="list-style-type: none"> • 6 Libraries across the city
Natural Environment	<ul style="list-style-type: none"> • Aquatic Ecosystems <ul style="list-style-type: none"> ○ 19ha of open water bodies

Service	Assets that Support Services
	<ul style="list-style-type: none"> ○ 317km creek lines ● Approximately 10,000 ha Terrestrial Ecosystems
Sport & Rec – Natural Area Visitor Facilities (NAVF)	<ul style="list-style-type: none"> ● Approximately 120km Walking tracks ● Approximately 85 Lookouts ● 5 Campgrounds ● Numerous shelters, pit toilets, toilets and other buildings
Sport & Rec - Recreation Facilities	<ul style="list-style-type: none"> ● 72 sporting amenities, club houses and public toilet buildings plus approximately 75 shelters and sheds across: <ul style="list-style-type: none"> ○ 105 Parks ○ 22 Sports Grounds ○ 6 Skate Parks ○ 66 Sports Courts ● with 54 play equipment settings
Town Centres	<ul style="list-style-type: none"> ● 7 Town Centre Public Toilets plus ● This service is also supported by numerous assets in other services e.g. roads, footpaths, tourism signage, parks, drainage, carparks etc.
Transport & Public Access	<ul style="list-style-type: none"> ● 681 km sealed road pavement ● 65 km unsealed road pavement ● 175km footpaths ● 523km Kerb and gutter ● 31 bridges ● >73,000sqm sealed carparks ● 151 bus shelters ● 18,097m guardrails ● 13680 signs ● 68 marked crossings ● 19 roundabouts ● 41 pedestrian refuges ● 33 wombat crossings
Waste Resource Management	<ul style="list-style-type: none"> ● Katoomba Waste Management Facility (WMF) ● Blaxland WMF ● A fleet of Compaction trucks
Water Resource Management	<ul style="list-style-type: none"> ● 153km Pipes ● 7,935 Pits ● 53km Open Channels ● 2,686 Headwalls ● 204 Stormwater Quality Improvement Devices
Good Governance	<ul style="list-style-type: none"> ● Fleet ● Operational buildings

Service	Assets that Support Services
	<ul style="list-style-type: none"> • Office equipment • IT equipment

4.3.2 Critical assets

Critical assets are those assets that are likely to result in a more significant financial, environmental and social cost in terms of impact on organisational objectives¹. In relation to BMCC these are those assets that support services that have a high community need and/or a high risk profile.

Table 4-2 BMCC critical assets

Council's Critical Assets	High Community Impact	High Risk
Transport assets i.e. roads and bridges		✓
Stormwater assets		✓
Assets supporting Council's emergency services activities	✓	✓
Waste management assets including landfills		✓
Natural area visitor facilities		✓
Council's natural assets		✓
Recreation assets e.g. sports fields	✓	

Risk management strategies for each of these are documented in *section 4.8.3 Management of risk* and in the attached *Service Dashboards* that form an integral part of this *Resourcing Strategy*.

4.3.3 Condition of the Council's current assets

Asset condition is a measure of an assets physical integrity². It is critical to understanding required renewal and maintenance and levels of risk. Condition doesn't always directly reflect the capacity of the asset to provide the service. For more information on service levels provided by Council's assets, see *Section 4.4.1: Council and Community – current needs*.

The Council's built and natural assets have been assessed as being in good, fair or poor condition as described in *Table 4-3*.

Table 4-3: Description of condition assessments

Overall rating	Description
Good	Minor maintenance only required
Fair	Significant maintenance required
Poor	Renewal required

¹ IPWEA, International Infrastructure Management Manual – 2011 Glossary

² IPWEA, International Infrastructure Management Manual – 2011 Section 2.5

As shown in *Figure 4-1* , currently it is estimated that:

- 21% of the Council’s built assets are in poor condition, 51% in fair condition and 28% in good condition
- 17% of the natural assets managed by Council are in poor condition, 34% fair and 49% good condition.

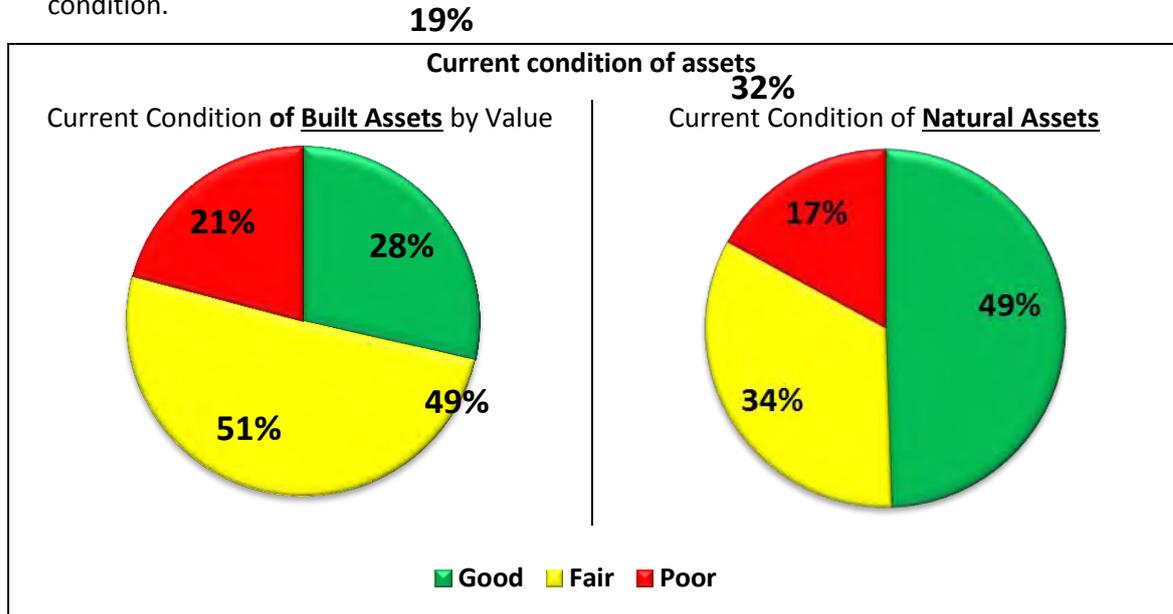


Figure 4-1: Current condition of assets

Figure 4-2 illustrates the current condition of all assets by each of the Council’s services.

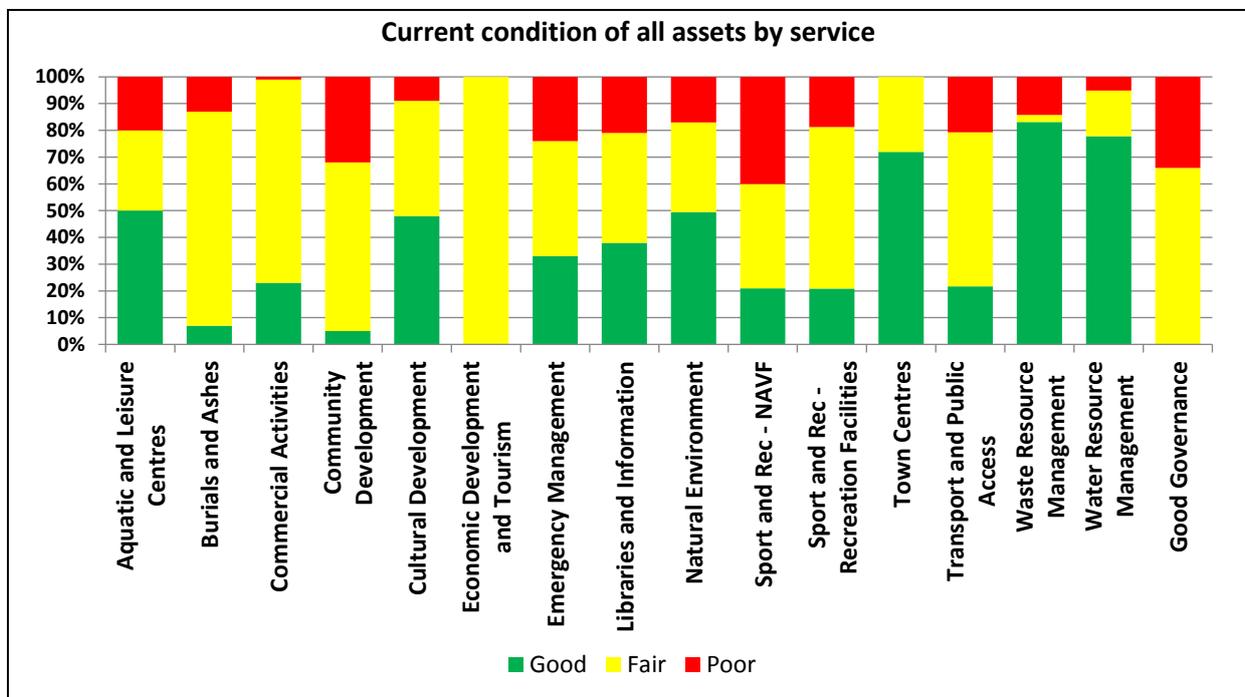


Figure 4-2: Current condition of all assets by service

4.3.4 Value of Council's assets

The value of physical assets which the Council manages is determined by Local Government standards in asset valuation. The following sub-sections explain the valuation methodology; describe the current value of built assets; and the approach to valuing and managing natural assets.

A. Built asset valuation methodology and depreciation

Council's noncurrent assets are progressively revalued to fair value in accordance with a staged implementation as advised by the Office of Local Government or where there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date.

On initial recognition, an asset's cost is measured at its fair value, plus all expenditure that is directly attributable to the acquisition. Where infrastructure, property, plant and equipment assets are acquired for no cost or for an amount other than cost, the assets are recognised in the financial statements at their fair value at acquisition date – being the amount that the asset could have been exchanged between knowledgeable willing parties in an arm's length transaction.

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight line method in order to allocate an assets cost (net of residual values) over its estimated useful life.

Where appropriate and evidence based, sub-components of assets are separately depreciated in accordance with real world experience.

In 2012-2013 Council reviewed its depreciation as a result of improved asset and financial data relative to useful life and fair valuation. Depreciation amounts, which form a significant part of the Council's current deficit operating result, were materially reduced because of this review.

All asset residual values and useful lives are reviewed and adjusted (where appropriate), at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Built asset value

Figure 4-3 shows the value of the Council's built assets expressed as a percentage of the \$1 billion total built asset value.

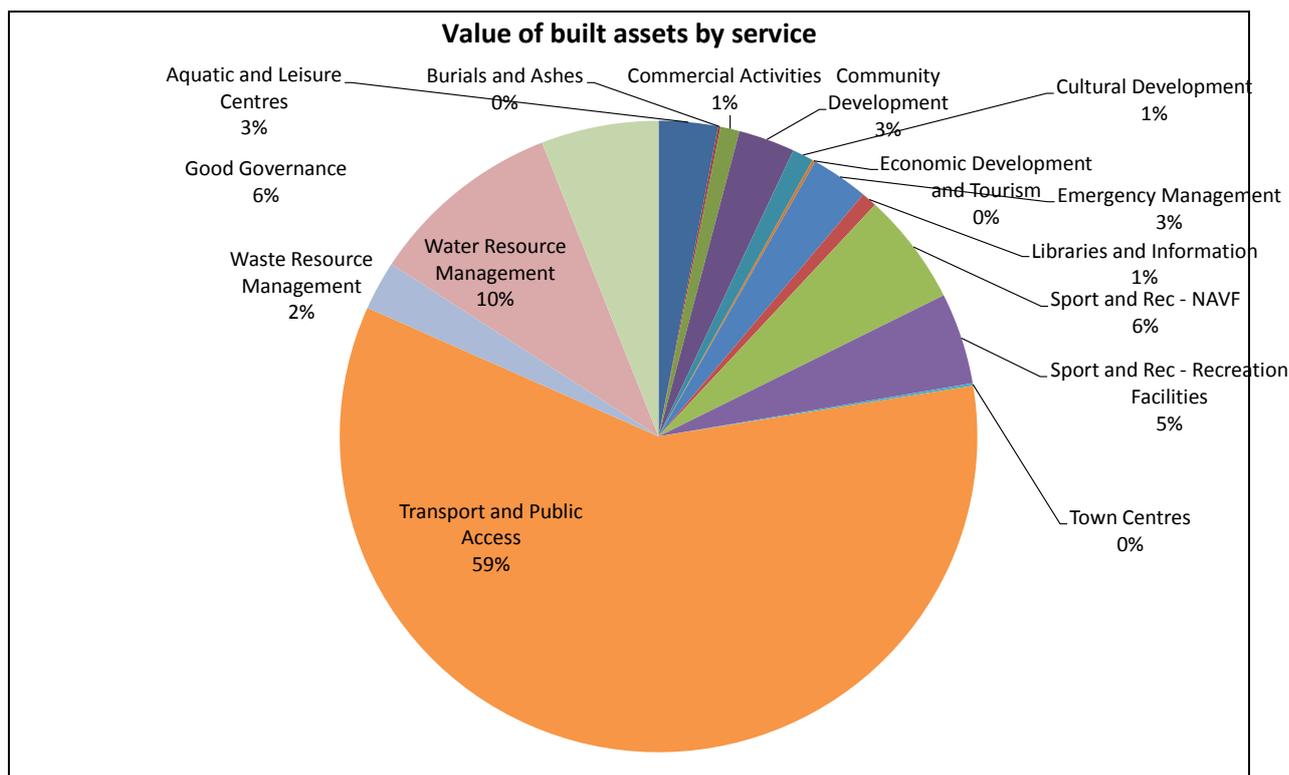


Figure 4-3: Value of built assets by service

Civil infrastructure associated with roads, transport and stormwater makes up 69% of the total asset value. Specialist buildings have been assigned to the various services but overall are 14% of built asset value.

Figure 4-1 shows that 21% of the value of BMCC built assets are in poor / very poor condition, in other words, approximately \$210 million of assets in poor or very poor condition.

The current replacement value and depreciation of Council's built assets is shown in Table 4-4.

Table 4-4: Cost of built assets

Service	Current Replacement Cost \$'000	Depreciated Replacement Cost \$'000	Depreciation 2012-13 \$'000
Aquatic & Leisure Centres	30,040	18,119	447
Burials & Ashes Placement	1,222	553	24
Commercial Activities	9,734	4,831	105
Community Development	28,692	12,386	341
Cultural Development	10,755	6,026	109
Economic Development & Tourism	1,589	639	16
Emergency Management	29,256	24,362	143
Libraries & Information	7,879	3,597	358
Sport & Rec - NAVF	57,556	38,285	585
Sport & Rec - Recreation Facilities	46,915	21,003	1,024
Town Centres	1,276	802	18
Transport & Public Access	594,130	373,938	6,811

Service	Current Replacement Cost \$'000	Depreciated Replacement Cost \$'000	Depreciation 2012-13 \$'000
Waste Resource Management	25,213	18,324	720
Water Resource Management	98,761	74,824	888
Good Governance	59,762	14,060	4,215
Total	1,002,780	611,746	15,804

Note: the data in *Table 4-4* does not perfectly align with the Council's *LTFP 2014-2024* asset depreciation and current replacement cost due to the following:

- The *LTFP* includes the value of land, this *AMS* does not; and
- Issues in data maturity, which will be improved in future versions of the *AMS*. This work has been included in the *AMIP*. The difference in depreciation and valuation figures once land has been removed is less than 1% and is deemed not material.

Depreciation will continue to be reviewed annually as asset data and knowledge improves

B. Natural asset value

The Blue Mountains is an area of outstanding natural value. Its World Heritage status and inclusion into the National Landscapes program (Tourism Australia) is recognition of the iconic nature of the area, the natural antiquity of the area, the biological and geological diversity, exceptional beauty, and cultural and spiritual values it holds. The majority of Council's natural assets also form a buffer zone between the urban areas and the Greater Blue Mountains World Heritage Area.

The Council manages a range of natural assets that underpins the identity of the region and is a significant driver of the local recreation and tourism industry as well as contributing to community health and wellbeing. There is a strong expectation that these assets will be managed to have a high level of natural integrity and will be in a healthy, biologically functional condition. Furthermore, the condition of these assets is inextricably linked with the cultural values vested in these landscapes by the Gundugurra and Darug peoples.

The natural assets are comprised of natural bushland made up of terrestrial and aquatic ecosystems. This includes streams and creeklines, open freshwater bodies, Endangered Ecological Communities and other rare, Threatened or Scheduled vegetation.

Although not explicitly required by legislation, the Council has committed to managing all its assets, both built and natural, under a consistent approach within the national asset management framework³. The inclusion of natural assets into our asset planning is formative, innovative and necessary given the impact our natural assets have on the City of Blue Mountains. However, it is recognised that there are as yet no definitive national standards for natural areas.

While the processes around the valuation of the built assets is to recognise national standards, the Council has also attempted to estimate the replacement value of its natural area assets based on a similar approach to that used for built assets. Considerable work is currently underway by Council to establish a fair value for these complex assets comprising diverse ecosystems, habitats and catchments. Quantification of the value and defining the replacement cost for natural assets

³ Local Government and Planning Ministers' Council 2009, "Local Government Financial Sustainability Nationally Consistent Frameworks"

however, is an emerging science. In the absence of an agreed national standard methodology for valuing natural area assets, work will continue on developing a suitable formula for recognising the real value of this important asset group, which underpins the amenity, environment, community wellbeing and economy of the Blue Mountains.

At present, natural assets are not formally valued or depreciated. While this is a work in progress, figures relating to valuation or depreciation have not been included in this version of the AMS.

4.4 Current and forecast needs

4.4.1 Council and Community – current needs

Council provides assets in order to meet the needs of the City and Community. Council has also been assigned responsibility by other levels of government to own assets e.g. emergency services buildings or manage assets e.g. parks or walking tracks and lookouts on crown (NSW State Government) owned land. As shown in *Table 4-5*, current needs are assessed in 2 ways: (a) Function and (b) Capacity/Utilisation.

Table 4-5: Measuring need

Measure	Description
Function	Does the asset do what it is provided to do
Capacity/ Utilisation	Is the asset an appropriate size for the usage it has

Function

As shown in *Figure 4-4* and *Figure 4-5*, - 26% of built assets currently have poor function. This represents the percentage of assets that don't meet Australian Standard or community need, the resilience of council and council assets to manage and respond to natural disasters etc.

Management s of natural assets includes service activities pertaining to clean creeks and waterways, and protection and restoration of bushland. Poor function for Council's natural assets represents the degree of management intervention required to maintain or improve condition. This can relate to the degree of degradation, the environmental sensitivity and/or conservation value or natural assets. Currently 17% of Council's natural assets have poor function.

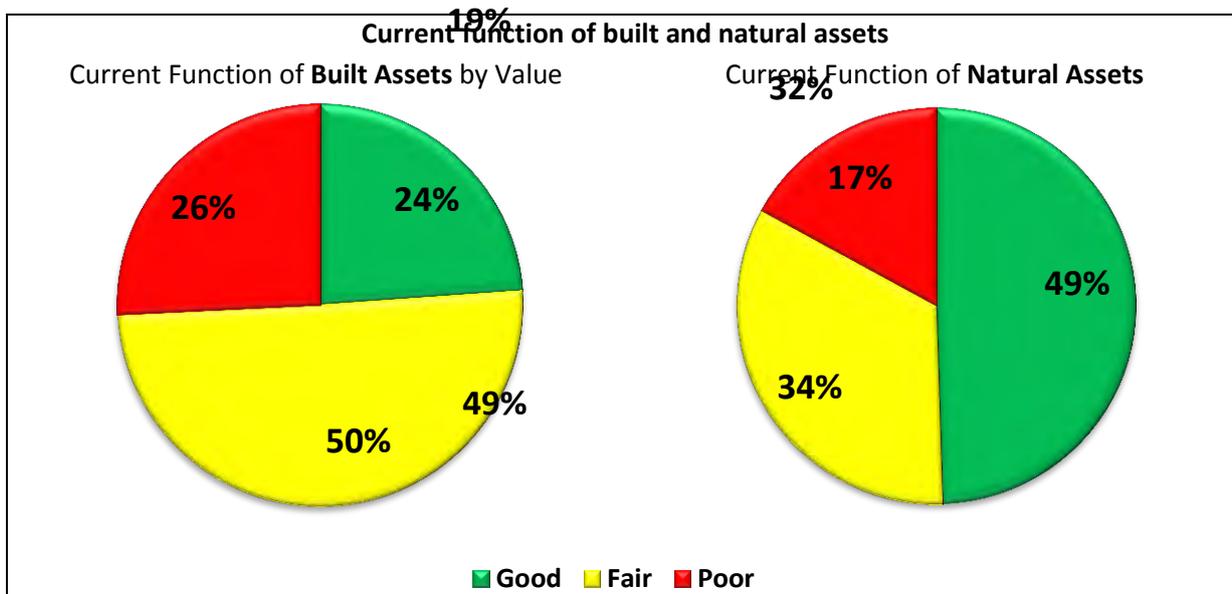


Figure 4-4: Current function of built and natural assets

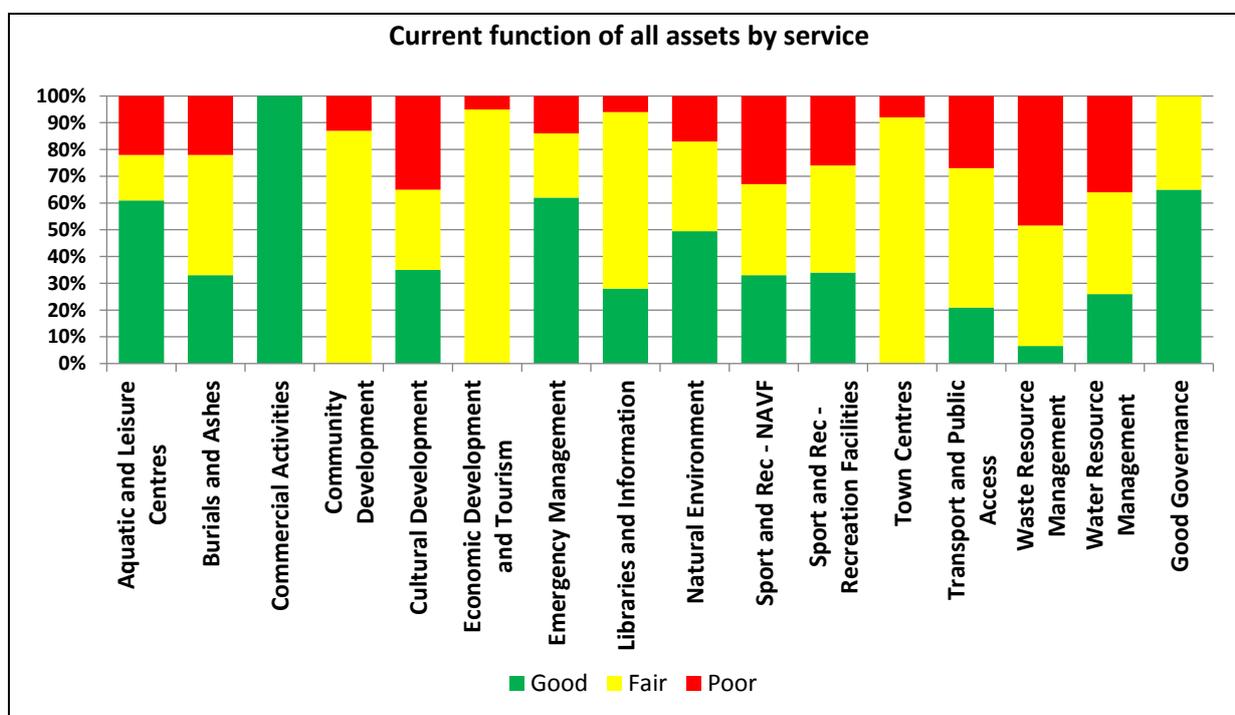


Figure 4-5: Current function of all assets by service

Capacity / utilisation

As shown in *Figure 4-6* and *Figure 4-7*, - 22% of built assets currently have poor capacity/ utilisation. This represents a number of factors including low utilisation of Blackheath Pool, underutilisation of recreation facilities in the upper mountains, under capacity recreation facilities in the lower mountains, the lack of extent and capacity of the stormwater network etc.

Poor capacity in Council's natural assets relates to the condition of the ecosystem. The better the condition, the greater the capacity in terms of resilience and the ability to act as an environmental sink for stormwater and other urban impacts and to respond to anthropogenic change such as increased frequency of bushfire or other changed environmental conditions associated with climate change.

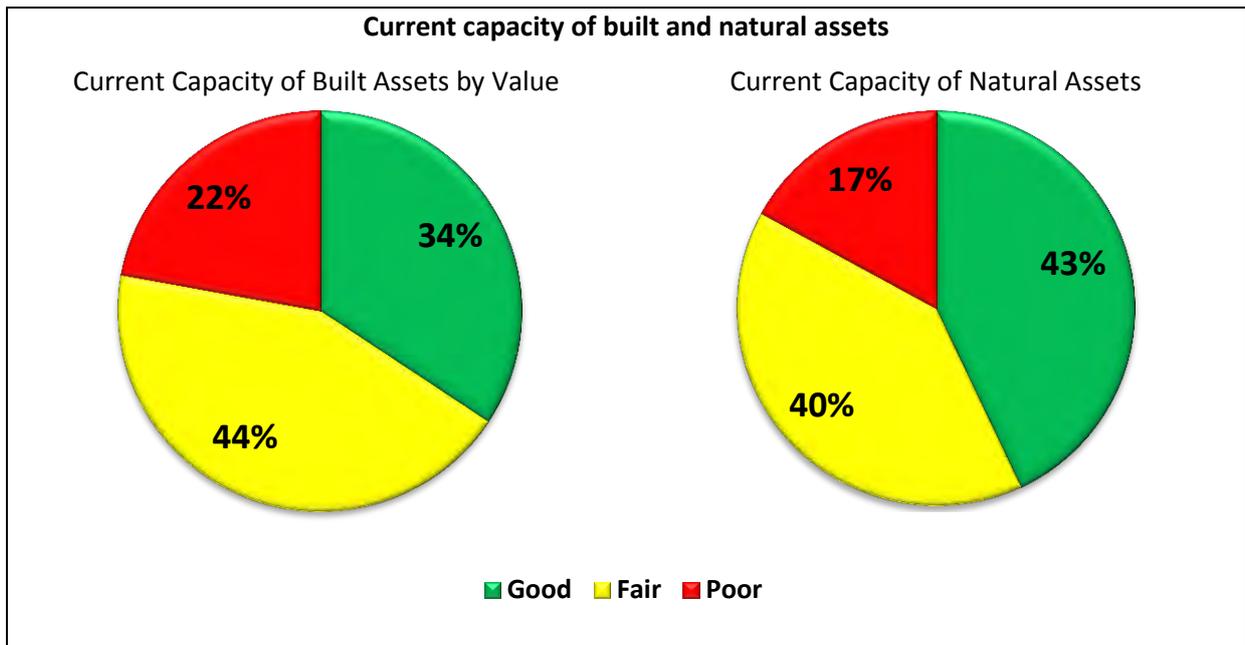


Figure 4-6: Current capacity of built and natural assets

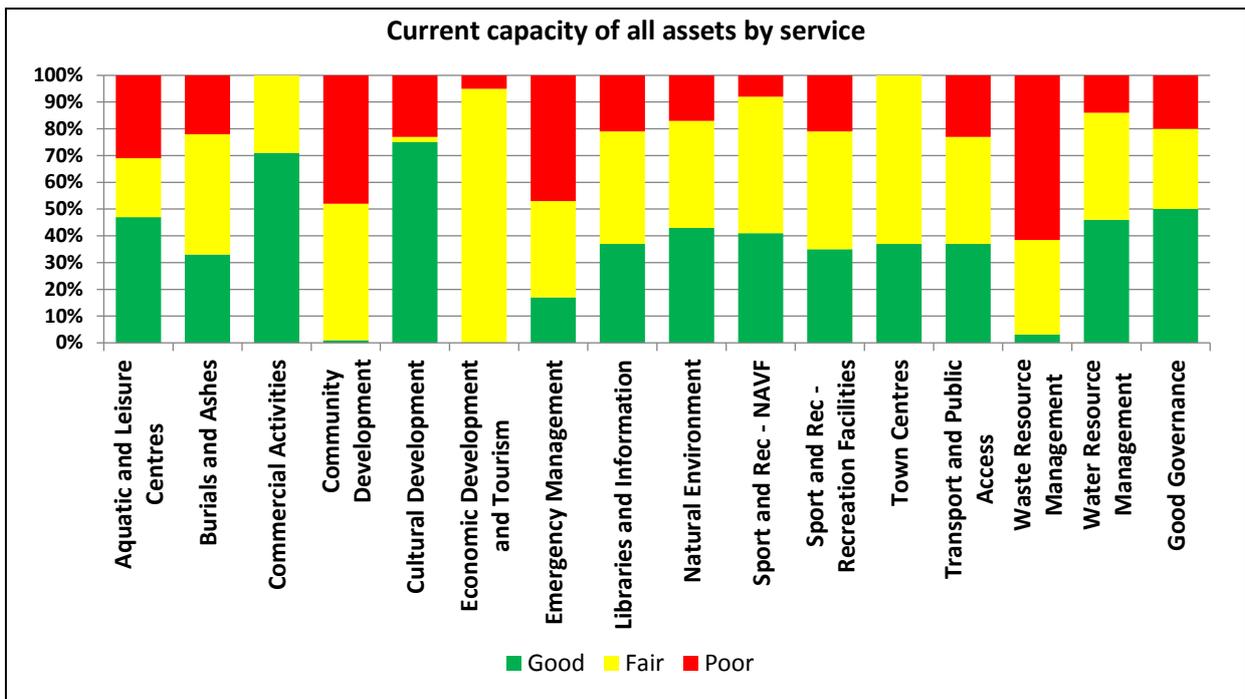


Figure 4-7: Current capacity of all assets by service

4.4.2 Council and Community – future needs

A number of factors detailed below will affect the future needs of the city and community. The impacts of these will be assessed and monitored on an ongoing basis to ensure that projected changes are incorporated into future iterations of this Strategy.

Changing demographics

The present population is predicted to remain relatively static over the next 10 – 20 years. However, as discussed in *Part 2* of the *Resourcing Strategy*, changes in population growth and visitation

numbers may occur with the State government's plans to grow population and employment opportunities in Parramatta and Penrith, and the Federal government's announcement for a second airport in the next 15 years at Badgerys Creek. The *2013 Local Environment Plan* also enables an increase in medium density housing around town centres which can place increasing pressure on public domain management.

The overall trend of an increasingly older population and those with disabilities will result in an increased demand for localised facilities with good accessibility. There will be a need to develop resilience and linkages of facilities for disaster response and recovery to ensure that vulnerable and at risk members of the community are able to access safe areas. There have also been increasing numbers of residents reporting that they need help in their day to day life due to disability⁴.

Changing patterns of use of services

The Blue Mountains City is located at the western fringe of the Sydney Metropolitan area and the increasing population trend for Sydney will likely have flow-on impacts to the Blue Mountains. The Blue Mountains receives a high level of local tourism from these areas. These factors will result in increased demand on tourism facilities and other assets such as pathways, roads and car parks.

The Blue Mountains has historically been a hub for nature-based recreation and tourism, with activities such as bushwalking having taken place since the early 1900's. In addition, an increasing trend of uptake in extreme sports such as rock climbing and mountain biking has been occurring and eco-tourism has become more popular over time. This will increase use on existing assets sometimes accelerating wear and tear and may also lead to creation of unauthorised assets on council owned or managed land.

Figure 4-8 shows a clear preference for travel by car which places increased pressure on Council-managed roads.

⁴ (Australian Bureau of Statistics, Census of Population and Housing, 2006 and 2011 (Usual residence data))

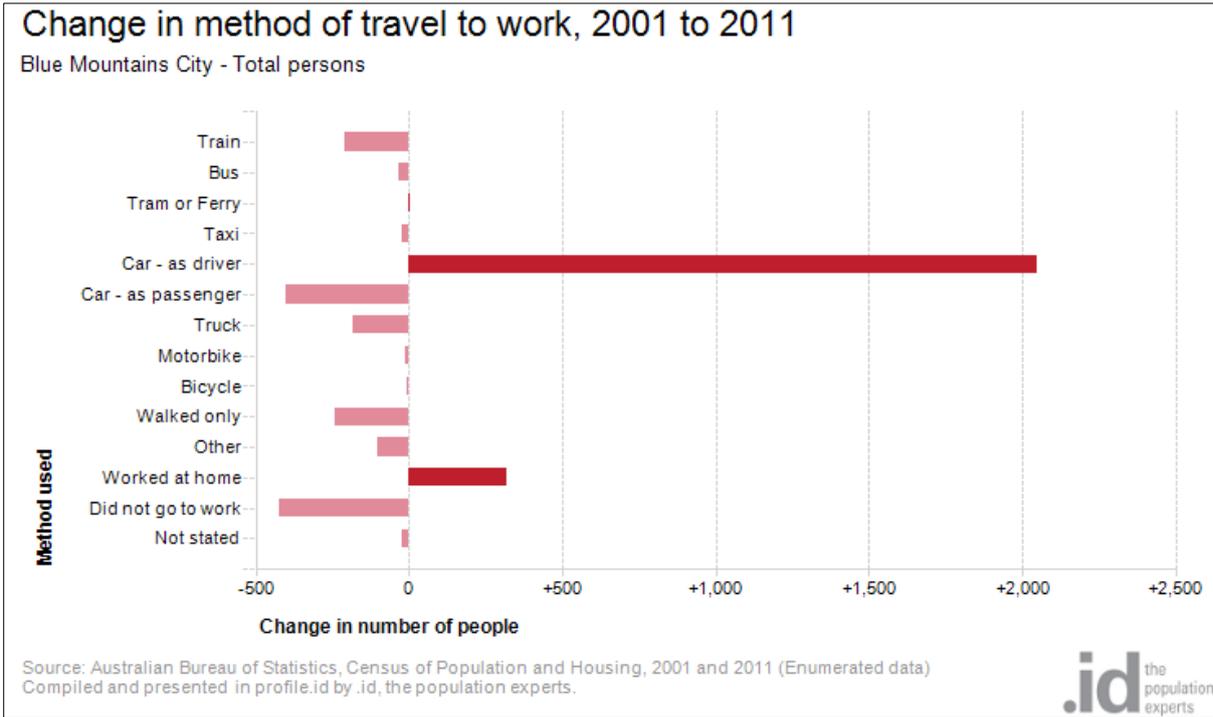


Figure 4-8: Change in method of travel to work

Natural disasters and other natural events

Australia is exposed to both frequent and large natural disasters. There has been an upward trend in both the number and cost of natural disasters in Australia and around the world⁵.

The Intergovernmental Panel on Climate Change report on Climate Change (2007) states that *“Heatwaves and fires are virtually certain to increase in intensity and frequency (high confidence). Floods, landslides, droughts and storm surges are very likely to become more frequent and intense, and snow and frost are very likely to become less frequent (high confidence)”*⁶.

These disasters have the potential to impact essential infrastructure causing problems for asset managers. These include changing engineering standards, increased legislative requirements on council emergency activities, direct impacts to assets; for example, landslips or windstorms destroying council assets or the requirements to create new assets to provide transport linkages in the event of a disaster.

Technology

Technological advances and associated community expectations can impact upon the assets provided to the community. For example, the development of e-books, audiobooks, Wi-Fi and the internet has changed the structure of the Library facilities and the subsequent provision of services.

Other changes to technology may impact upon the way we build, inspect and manage our assets. For example, the ability to remotely access and inspect infrastructure such as subterranean pipes using CCTV allows Council to do so in a manner that is efficient, cost effective and does not put staff in a potentially unsafe situation.

⁵ Latham, C. McCourt, P. & Larkin, C. 2010. Natural Disasters in Australia: Issues of funding and insurance. Prepared for the Institute of Actuaries of Australia’s (Institute) 17th General Insurance Seminar.

⁶ Hennessy, K., B. Fitzharris, B.C. Bates, N. Harvey, S.M. Howden, L. Hughes, J. Salinger and R. Warrick, 2007: Australia and New Zealand. *Climate Change 2007: Impacts, Adaptation and Vulnerability. Contribution of Working Group II to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change*, M.L. Parry, O.F. Canziani, J.P. Palutikof, P.J. van der Linden and C.E. Hanson, Eds., Cambridge University Press, Cambridge, UK, 507-540.

Changing legislation and standards

Changes to legislation and technical standards to will dictate the provision of particular assets (i.e. disability access infrastructure, fire and flood management controls) and the technical standards to adhere to when renewing existing or creating new assets.

There are also a number of State and Regional Plans which outline objectives, goals and priority areas that will guide the development and management of particular assets.

4.5 Funding base for operations, maintenance and renewal

This *AMS* puts forward a 10-year strategy for managing assets which aligns with the Council's *LTFP 2014-2024*. The *LTFP* identifies the available funding for assets and the *AMS* identifies service levels that are affordable and achievable, given the available funding. The Council is committed to ensuring it is not living beyond its available funding by managing its assets cost effectively and responsibly, within available funding and by managing risk consequences arising from affordable levels of service. The *AMS* and *LTFP* aim to ensure investment of community wealth in infrastructure is well managed and sustainable over the long term.

4.5.1 Asset funding gap

As shown in *Table 4-6*, \$1.3 billion is required to maintain current service levels, meet required standards on renewal and manage risk over the next 10 years. Current projections in the *LTFP* show available funding for assets will be \$1.1 billion which is a shortfall of \$238 million over 10 years. *Table 4-6* also shows the risk rating for each service. This shows which services and assets have high or very high rated residual risks. Further detail on risk management can be found in *Section 4.8.3 Management of risk*.

Table 4-6: Projected funding base over the next 10 years

Service	Funding required \$'000	Available Funding \$'000	% of required funding available	Funding Gap \$'000	Risk Profile
Aquatic and Leisure Centres	102,713	90,060	88%	12,653	High
Burials and Ashes	12,224	12,039	98%	185	Low
Commercial Activities	42,656	33,749	79%	8,907	Low
Community Development	42,529	36,752	86%	5,777	High
Cultural Development	36,304	35,281	97%	1,023	Moderate
Economic Development and Tourism	48,324	47,030	97%	1,294	Moderate
Emergency Management	69,757	60,638	87%	9,119	Very High
Libraries and Information	47,726	44,269	93%	3,457	High
Natural Environment	79,708	34,190	43%	45,518	Very High
Sport and Rec - NAVF	60,582	15,411	25%	45,171	Very High
Sport and Rec - Recreation Facilities	55,761	39,086	70%	16,675	Very High
Town Centres	39,205	38,173	97%	1,032	Moderate
Transport and Public Access	190,170	132,963	70%	57,207	Very High
Waste Resource Management	250,924	250,924	100%	-	Very High

Service	Funding required \$'000	Available Funding \$'000	% of required funding available	Funding Gap \$'000	Risk Profile
Water Resource Management	54,045	33,462	62%	20,583	High
Good Governance	189,544	180,097	95%	9,447	High
Total	1,322,172	1,084,124	82%	238,048	Very High

While Council delivers a balanced cash budget each year Council only has approximately 82% of the funding required over the next 10 years for asset based services to maintain current service levels and manage risk. This is caused by increases in service levels in targeted areas to meet community need, cost shifting from state and federal governments, reductions in the level of grant funding available to fund ongoing operating, renewal and maintenance costs and increases in governance requirements. *Figure 4-9* shows the gap between available funding and required funding for all Council services. Under the current available funding this gap is increasing over time.

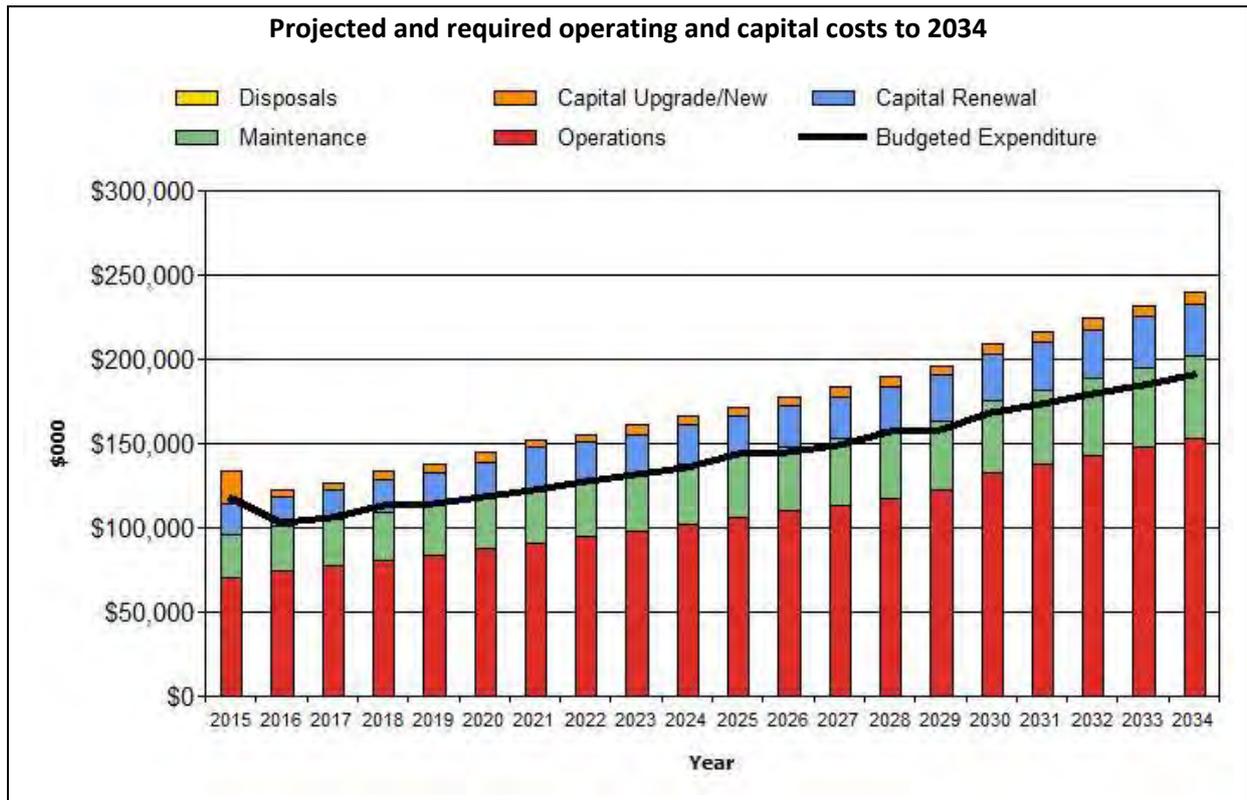


Figure 4-9: Projected and required operating and capital costs to 2034

This shortfall in funding has implications for the condition of Council’s assets and the ability of the Council to deliver services to the levels required. *Table 4-7 and Table 4-8* show 10-year projections of condition, function and capacity of the Council’s asset based services. Over the next 10 years, the percentage of assets in poor condition and the percentage providing a poor level of functionality and capacity will increase substantially. At current funding levels asset rationalisation to reduce risk and ensure financial sustainability will be required.

Table 4-7: Projected change in service levels for built assets

Measure	% Poor 2014	% Poor 2024	Change in % Poor
Condition:	21%	37%	76% ↑
Function:	26%	36%	38% ↑
Capacity:	22%	31%	41% ↑

Table 4-8: Projected change in service levels for natural assets

Measure	% Poor 2014	% Poor 2024	Change in % Poor
Condition:	17%	22%	29% ↑
Function:	17%	22%	29% ↑
Capacity:	17%	22%	29% ↑

Figure 4-10 and Figure 4-11 show the current and predicted service levels for built and natural assets.

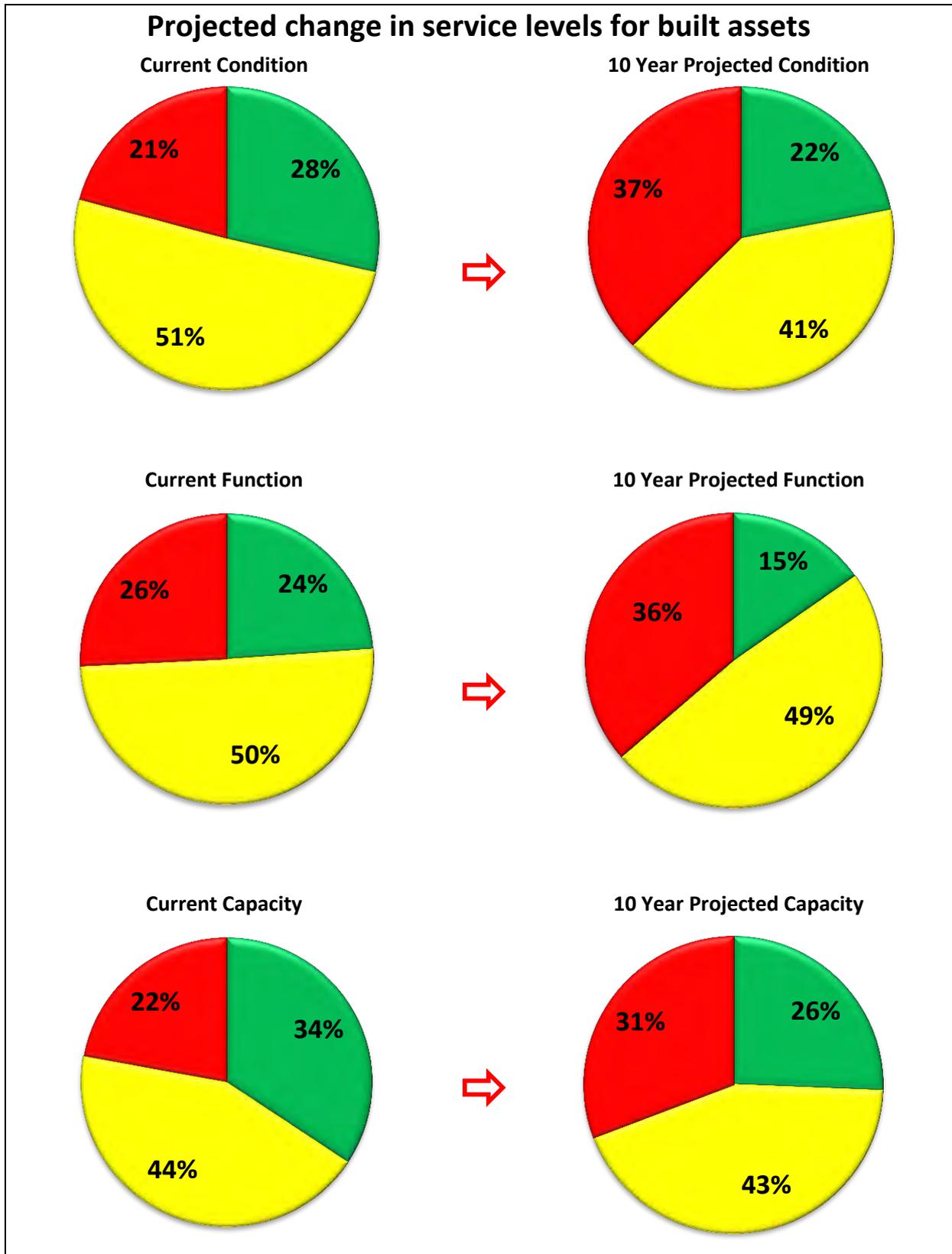
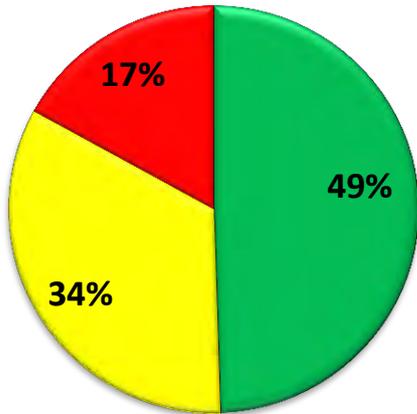


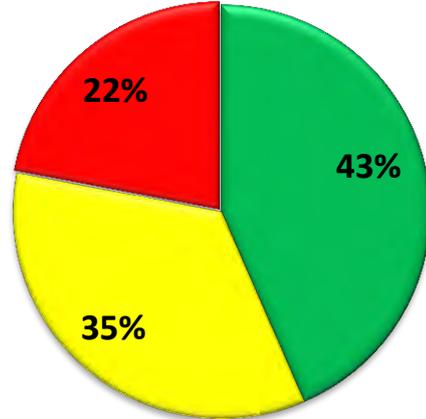
Figure 4-10: Projected change in service levels for built assets

Projected change in service levels for natural assets

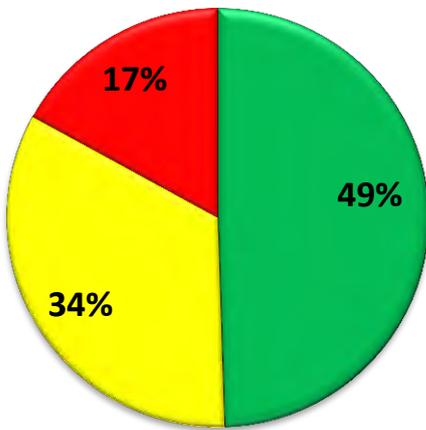
Current Condition



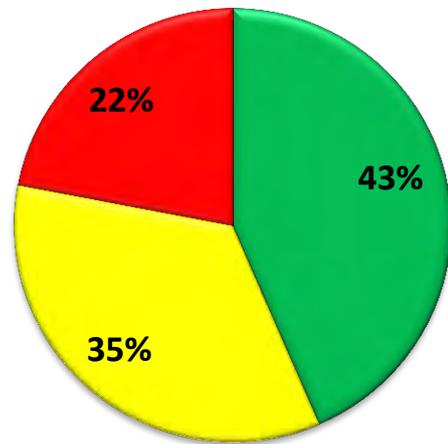
10 Year Projected Condition



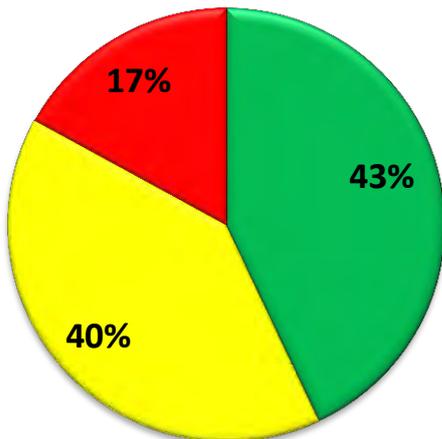
Current Function



10 Year Projected Function



Current Capacity



10 Year Projected Capacity

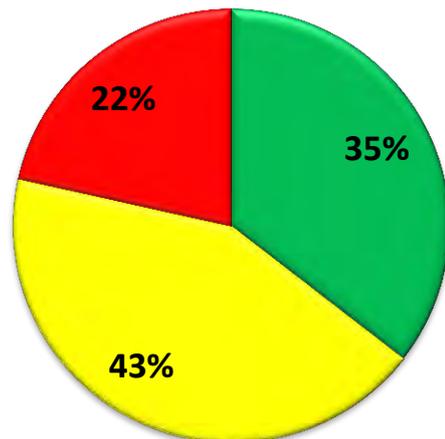


Figure 4-11: Projected change in service levels for natural assets

4.6 Asset management practices

Within BMCC, the facilitation of the asset planning processes and systems is centralised. Individual *AMPs* are developed by relevant experts with input from relevant staff across Council.

The structure for Asset Planning and Delivery within BMCC is shown in Section 4.6.2.

The *SAMSC* is Council’s core committee responsible for AM. The *SAMSC* is responsible for:

- Prioritisation of objectives and outcomes identified in the *AMIP*;
- Ensuring allocation of appropriate budget so that effort, expenditures and charges are appropriate to stakeholder expectations;
- Risk management strategies to address potential threats to the success of *AMPs* have been identified, estimated and approved, and that the risks are regularly re-assessed;
- Providing a regular risk report to BMCC’s *GRSG* based on the risk management plans outlining significant residual risks resulting from asset based services. The risk report will be quarterly or as needed; high risks will be given immediate attention; and
- Providing a regular service level progress report to the Executive Leadership Team (ELT) on the achievements or progress against service level targets set in the AM planning portion of Council’s *Resourcing Strategy*.

This is a cross organisational team that reports directly to the ELT and the *GRSG*. The role of the *SAMSC* will evolve as organisational maturity increases.

At this time, approximately 26% by value of built assets are still recorded in various subsidiary databases with poor linkages with financial and other systems. To resolve this Council is currently implementing an AM Information System for all Council’s infrastructure and natural assets and provide links with Council’s financial systems. This task forms part of the *AMIP*.

4.6.1 Asset management core competencies

The National Financial Sustainability Frameworks⁷ on Financial Planning and Reporting, and Asset Planning and Management, endorsed by the Local Government and Planning Ministers’ Council (LGPMC), require councils to adopt a longer-term approach to service delivery and funding. The National Assessment Frameworks define 10 key elements. Eleven core competencies have been developed from these elements to assess “core” competency under the National Financial Sustainability Frameworks. The core competencies are listed in *Table 4-9*:

Table 4-9: Core asset management competencies

Financial Planning and Reporting	Asset Planning and Management
<ul style="list-style-type: none"> • Strategic Longer Term Plan • Annual Budget • Annual Report 	<ul style="list-style-type: none"> • Asset Management Policy • Asset Management Strategy • Asset Management Plans • Governance & Management • Levels of Service • Data & Systems • Skills & Processes • Evaluation

⁷ Champion, C. & Patterson, L. 2012. National Assessment Frameworks For Local Government Asset Management and Financial Planning Implementation Proposal Paper

An external provider will complete a maturity assessment of core competencies every four years and a self-assessment will be completed annually. To date, two assessments have been completed by JRA Associates (2011 and 2013) and internal assessments have been completed twice (2012 and 2014). The Council’s maturity assessment for core competencies is summarised below in *Figure 4-2*. The assessment score ranges from 0-5 with a score of 3 indicating achievement of core maturity, and a score of 5 indicating advanced maturity. The Council is generally scoring close to core maturity level with further development required in a few key areas as outlined in the *AMIP* in section 4.8.4.

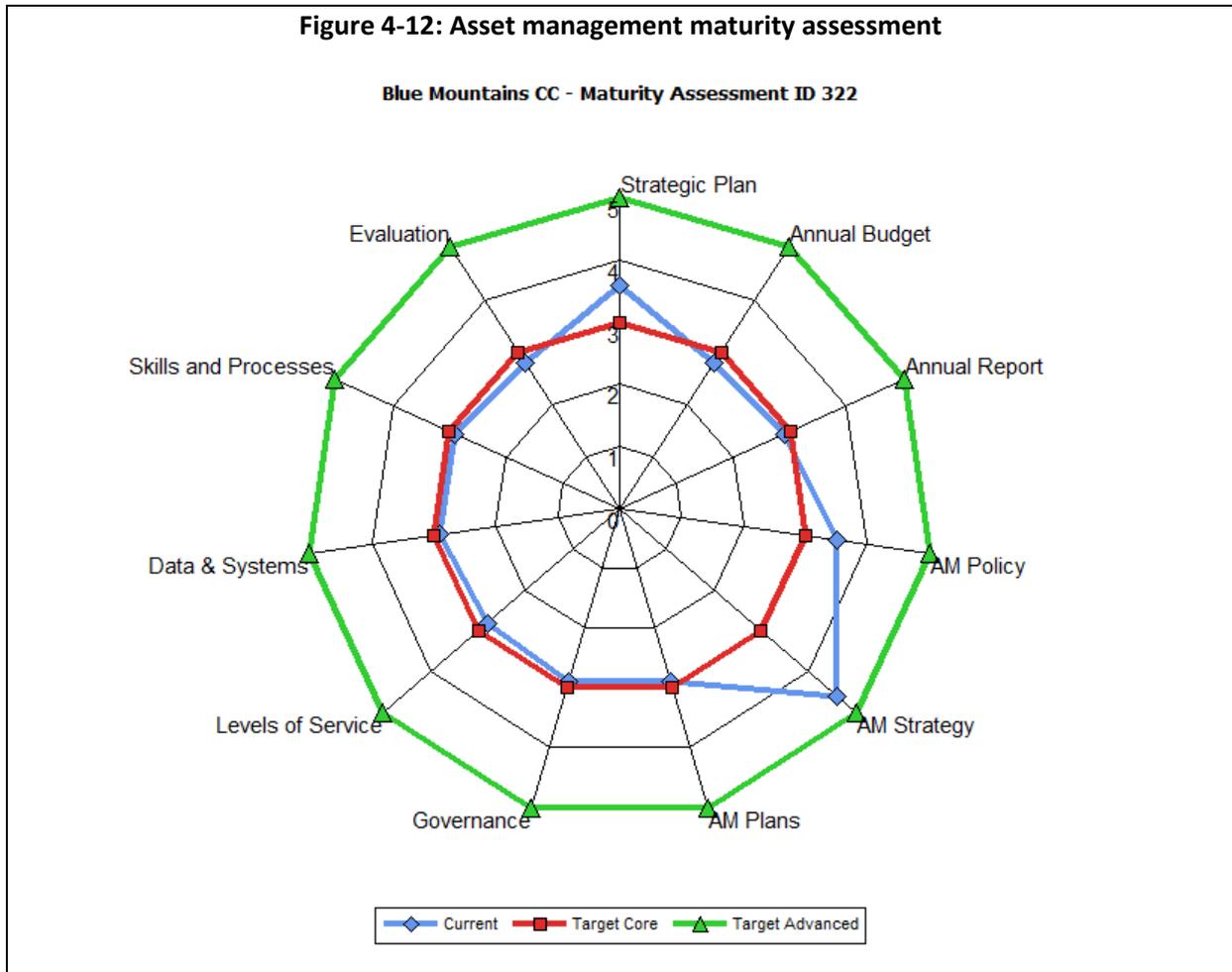


Figure 4-12: Asset management maturity assessment

The NAMS.PLUS Maturity Assessment uses a series of questions that have been developed around asset management maturity competencies linked to the 10 key elements of the LGPMC Financial Sustainability Frameworks. The questions have been agreed between stakeholders to facilitate a nationally consistent evaluation of implementation.

4.6.2 Asset management structure and responsibilities

The structure for Asset Planning and Delivery within BMCC is represented in Figure 4-13 below.

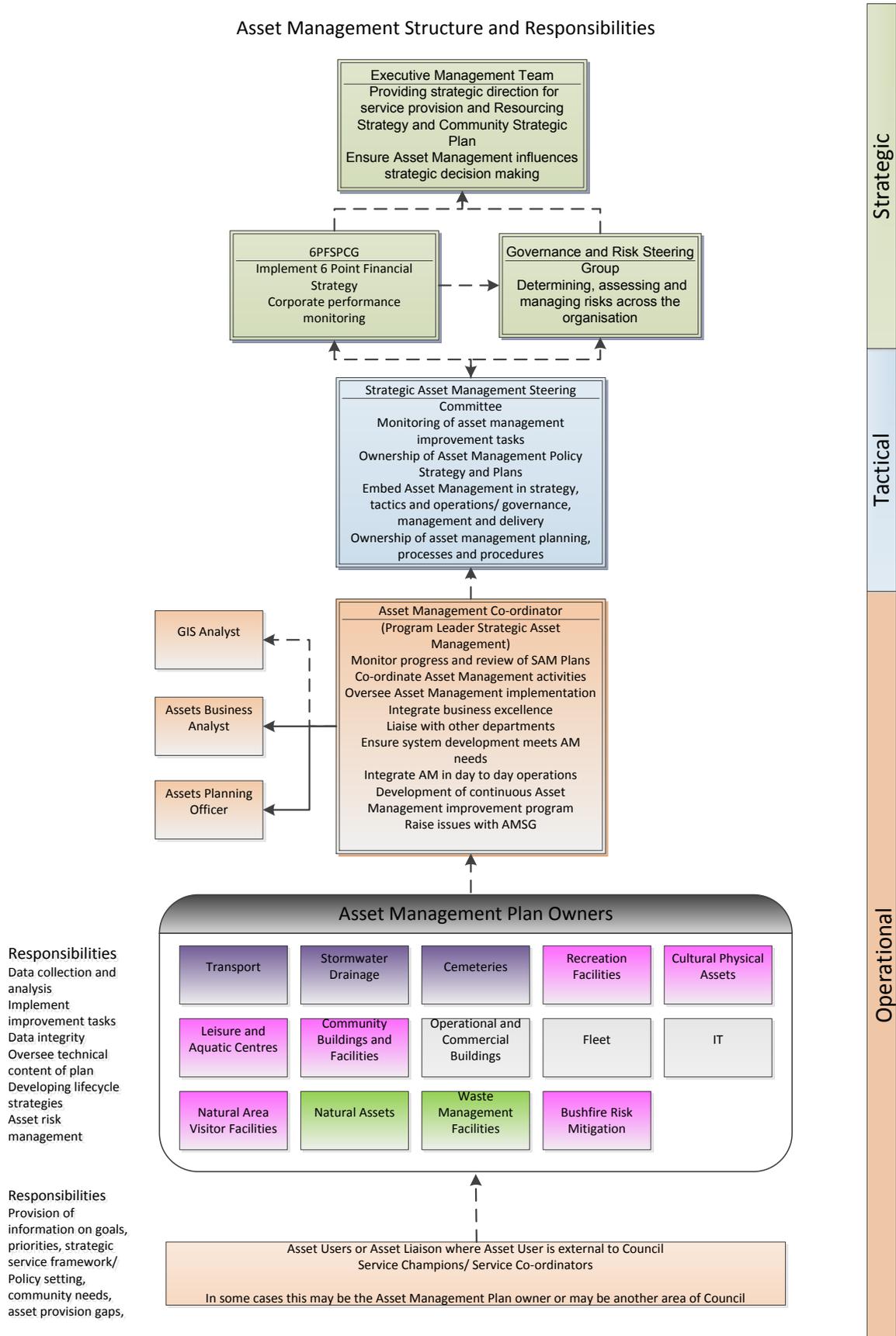


Figure 4-13: Asset management structure and responsibilities

4.7 Where do we want to be?

The Council's *AMS* must fit within the vision and objectives of its community strategic plan – *Sustainable Blue Mountains 2025*. Similarly, the Council's response to, *Sustainable Blue Mountains 2025* is through the *Resourcing Strategy* and *Delivery Program / Operational Plan*. As such, the Council's response must be within its financial and asset management realities.

4.7.1 Alignment with *Sustainable Blue Mountains 2025*

The Council has adopted a community vision for the future in the community strategic plan – *Sustainable Blue Mountains 2025*:

“A more sustainable Blue Mountains by 2025, environmentally, socially and economically.”

The guiding principles that underpin *Sustainable Blue Mountains 2025* are

- Improving our decision making processes at every level;
- Strengthening our assets;
- A partnership approach;
- Social justice; and
- Sustainable city.

The community strategic plan – *Sustainable Blue Mountains 2025* – sets strategic objectives to be achieved over the long term and strategies for achieving them. Many of these strategic objectives directly or indirectly relate to the Council's asset profile.

The Council is continuing a process to improve forecasting service delivery needs and the capacity to meet them on a short, medium and long-term basis through:

- Establishing a consistent methodology to define current Levels of Service (LOS) for all Council services;
- Implementation of Best Value Service Reviews on a regular basis to ensure they are providing value for money, and are relevant in meeting community needs and priorities; and
- Engaging with the community to achieve affordable and acceptable levels of service.

The following progress measures in *Sustainable Blue Mountains 2025* will assist in tracking LOS for assets:

- Condition of assets and their fitness for purpose; and
- Resident satisfaction and importance ratings for assets.

It will be important to set targets for these progress measures that are based on agreed priorities as endorsed by the Council that can be achieved within available revenue.

4.7.2 Applying appropriate asset management practices and procedures

In order to ensure that Council is accountable and transparent in resource allocation and that the vision and objectives set out in the *Sustainable Blue Mountains 2025* are met, asset management improvements will be made so that Council:

- Meets as a minimum core asset maturity and advanced AM maturity as required;
- Makes decisions that align with *AMP*, *AMS* and *AMPs*;
- Achieves its financial ratios and targets relating to assets; and
- Manages risks effectively and communicates residual risk to Council.

The Council has committed in its overarching *AMP* that it will meet and apply the requirements for 'core asset management maturity', and to continuous improvement of its *AMS*.

The following progress measures have been agreed by the *SAMSC* to track progress against these objectives:

- Meeting occurrence and attendance;
- Implementation of AMIP;
- Operating Result from Continuing Operations;
- Asset Gaps;
 - Buildings and Infrastructure Renewals Ratio
 - Asset Renewal Funding Ratio
- Risk Management
 - % of 'very high' risks on Corporate Risk Register
 - % of High risks on Corporate Risk Register
- Gap between affordable and acceptable service levels;
- % of AMPs that have service standards in place;
- % of Risk Registers reviewed annually; and
- Council decisions align with AMP and AMS.

These measures will evolve as organisational maturity increases.

4.8 How will we get there?

In order to ensure Council meets its strategic objectives a number of actions need to be undertaken. These are outlined in the following sections.

Implementing Council's strategic objectives

Council will ensure achievement of *Sustainable Blue Mountains 2025* objectives through implementation of the adopted financial strategy and effective management of risk.

Implementation of Financial Strategy

To drive the 10-year targets for financial sustainability through all of Council business, the *LTFP* has six key financial strategies. These are detailed in *Part 3* of this *Resourcing Strategy*. Going forward, the two key financial strategies that will have impact on assets are:

- Strategy 4. Increase income
- Strategy 5. Adjust services

4.8.1 Increase income

As detailed in *section 3.3*, service levels cannot be maintained under current funding levels. Council will shortly be consulting with the community on proposed changes to rating income to reduce, maintain or improve service levels.

Full details of the proposed changes and how Council will be engaging with community can found in a separate plan titled "*Resourcing our Future*"- *Community Engagement Strategy 2014*.

Council will be consulting on 3 options:

- Option 1** Service Levels Improved Environment Levy reinstated in 2015/16, followed by three additional increases of 9.6% each (including rate peg) from 2016/17 to 2018/19. Service levels are improved, with the proportion of built assets in poor condition targeted to reduce from 21% to 17% by 2024.
- Option 2** Service Levels Maintained Environment Levy reinstated in 2015/16, followed by three additional increases of 7.4% each (including rate peg) from 2016/17 to 2018/19. Service levels are maintained with the proportion of built assets in poor condition targeted to be maintained at 21% by 2024.
- Option 3** Service Levels Reduced Rates increase by rate peg only. There is a significant reduction in service levels with deterioration in built assets from the current 21% to 37% in poor condition by 2024.

Option 1 funding levels

Under *Option 1: Service Levels Improved* - asset condition, function and capacity will improve overall in the next 10 years. Council can invest in strategies to reduce lifecycle costs as well as improvements to key services. Despite less than 100% of funding being available to maintain service levels and reduce risk (*Table 4-10*), improvements to the allocation of funding will ensure that service levels are improved in the long-term.

Table 4-10: Funding available over next 10 years to 'Improve' service levels

Service	Funding required '000	Available Funding '000	% of required funding available	Funding Gap \$'000
Aquatic and Leisure Centres	102,713	96,549	94%	6,164
Burials and Ashes	12,224	12,208	100%	16
Commercial Activities	42,656	34,945	82%	7,711
Community Development	42,529	41,933	99%	596
Cultural Development	36,304	36,304	100%	-
Economic Development and Tourism	48,324	48,415	100%	-91
Emergency Management	69,757	65,956	95%	3,801
Libraries and Information	47,726	47,276	99%	450
Natural Environment	79,708	43,536	55%	36,172
Sport and Rec - NAVF	60,582	22,444	37%	38,138
Sport and Rec - Recreation Facilities	55,761	42,911	77%	12,850
Town Centres	39,205	41,212	105%	-2,007
Transport and Public Access	190,170	163,746	86%	26,424
Waste Resource Management	250,924	250,924	100%	-
Water Resource Management	54,045	41,237	76%	12,808
Good Governance	189,544	188,352	99%	1,192
Total	1,322,172	1,177,948	89%	144,224

Option 2 funding levels

For *Option 2: Service Levels Maintained* -asset condition, function and capacity will be maintained in the next 20 years overall. In the next 10 years the deterioration in asset condition will decrease as Council is able to invest in strategies to reduce lifecycle costs in the long term. Despite less than 100% of funding being available to maintain service levels and reduce risk (*Table 4-11*), improvements to the allocation of funding will ensure that service levels are maintained in the long term.

Table 4-11: Funding available over next 10 years to ‘Maintain’ service levels

Service	Funding required \$'000	Available Funding \$'000	% of required funding available	Funding Gap \$'000
Aquatic and Leisure Centres	102,713	96,179	94%	6,534
Burials and Ashes	12,224	12,208	100%	16
Commercial Activities	42,656	34,945	82%	7,711
Community Development	42,529	39,895	94%	2,634
Cultural Development	36,304	36,181	100%	123
Economic Development and Tourism	48,324	48,224	100%	100
Emergency Management	69,757	63,469	91%	6,288
Libraries and Information	47,726	45,397	95%	2,329
Natural Environment	79,708	43,239	54%	36,469
Sport and Rec - NAVF	60,582	19,499	32%	41,083
Sport and Rec - Recreation Facilities	55,761	39,086	70%	16,675
Town Centres	39,205	40,623	104%	-1,418
Transport and Public Access	190,170	154,130	81%	36,040
Waste Resource Management	250,924	250,924	100%	-
Water Resource Management	54,045	37,912	70%	16,133
Good Governance	189,544	187,822	99%	1,722
Total	1,322,172	1,149,733	87%	172,439

Option 3 funding levels

For an overview of *Option 3: Service Levels Reduced* - please refer to *Section 4.5* Funding base for operations, maintenance and renewal.

Summary

The impact of each of these funding options on condition, function and capacity of Council’s assets is detailed in *Figure 4-15* through to *Figure 4-19* below. Each option with increased funding aims to increase or maintain service levels in key areas where capacity or function is poor as well as reduce risk, minimise lifecycle costs and increase community satisfaction. This will ensure that services in the future can be maintained or improved and Council remains efficient.

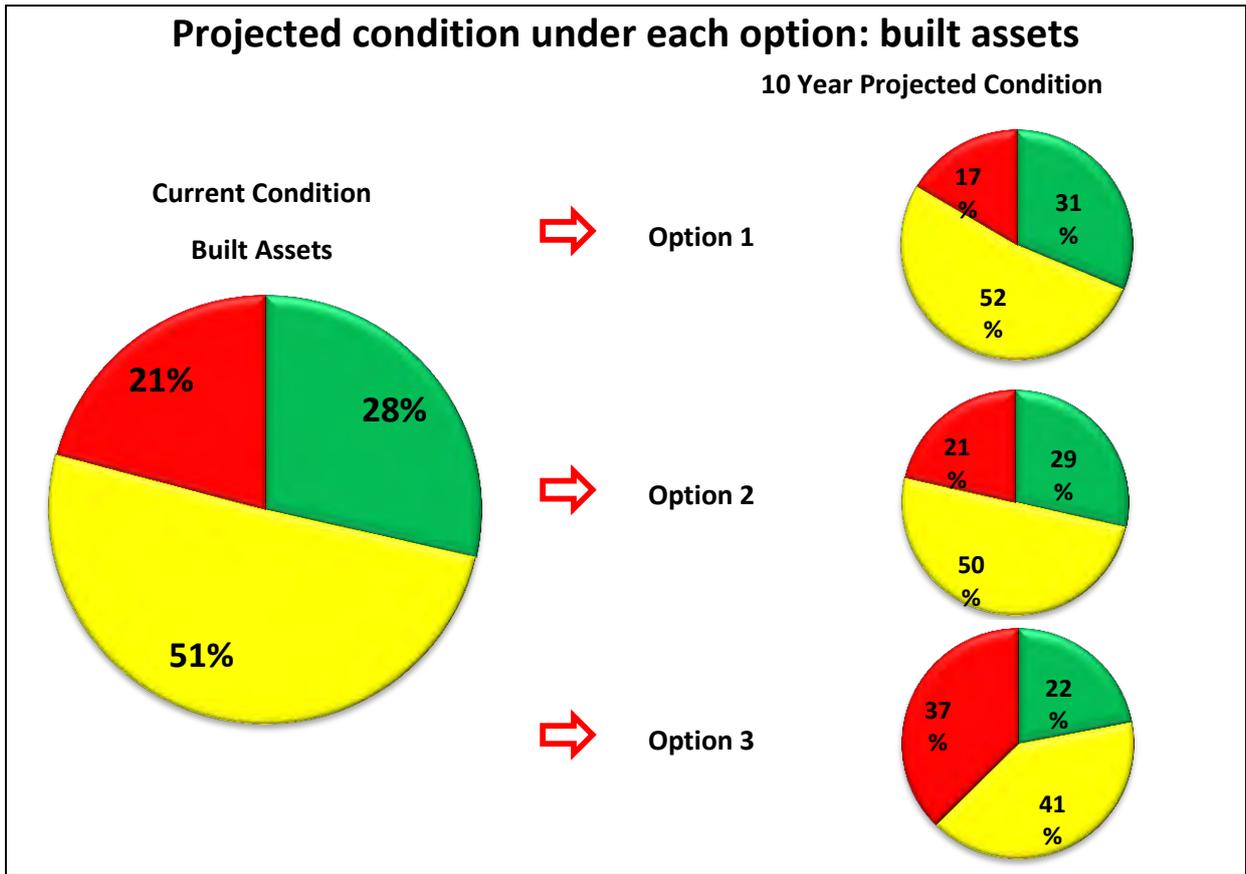


Figure 4-14: Projected condition under each option: built assets

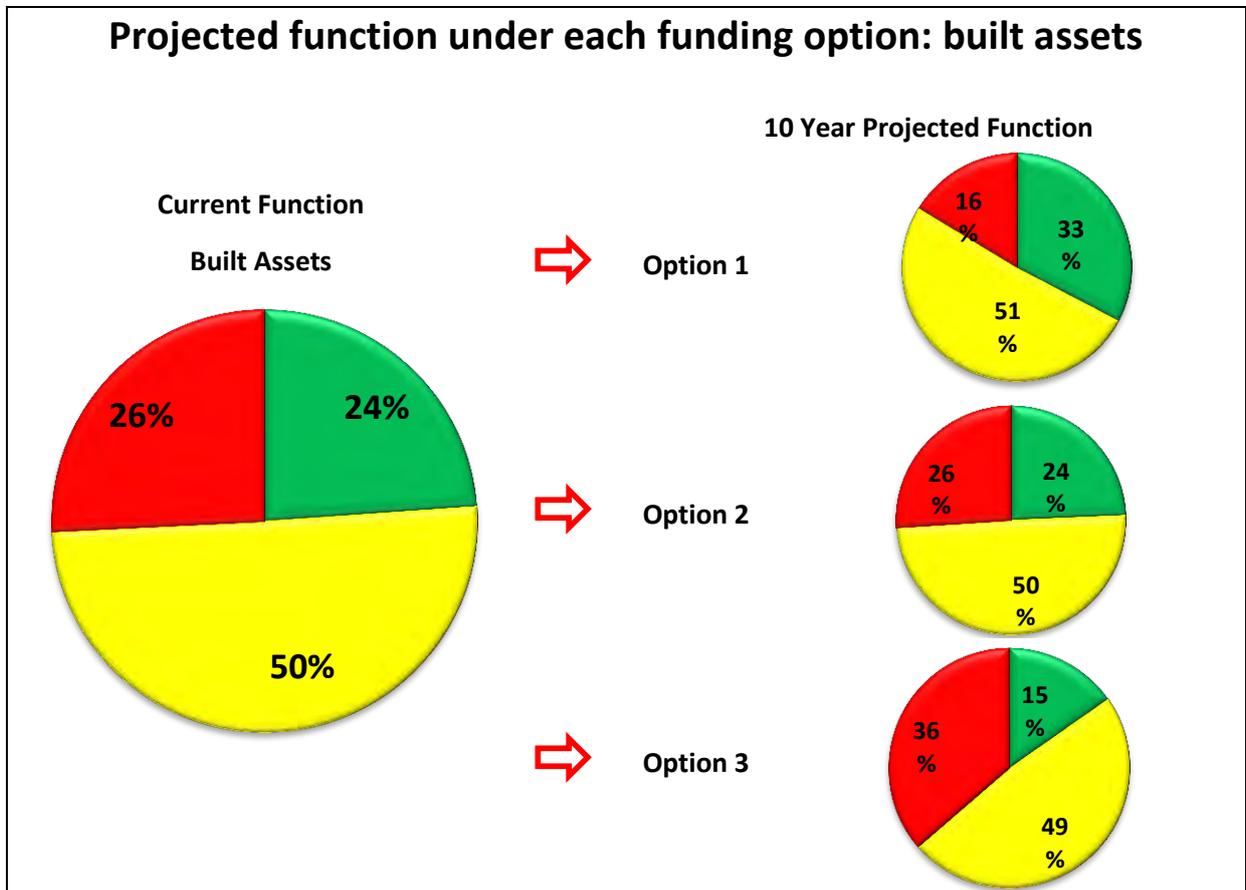


Figure 4-15: Projected function under each funding option: built assets

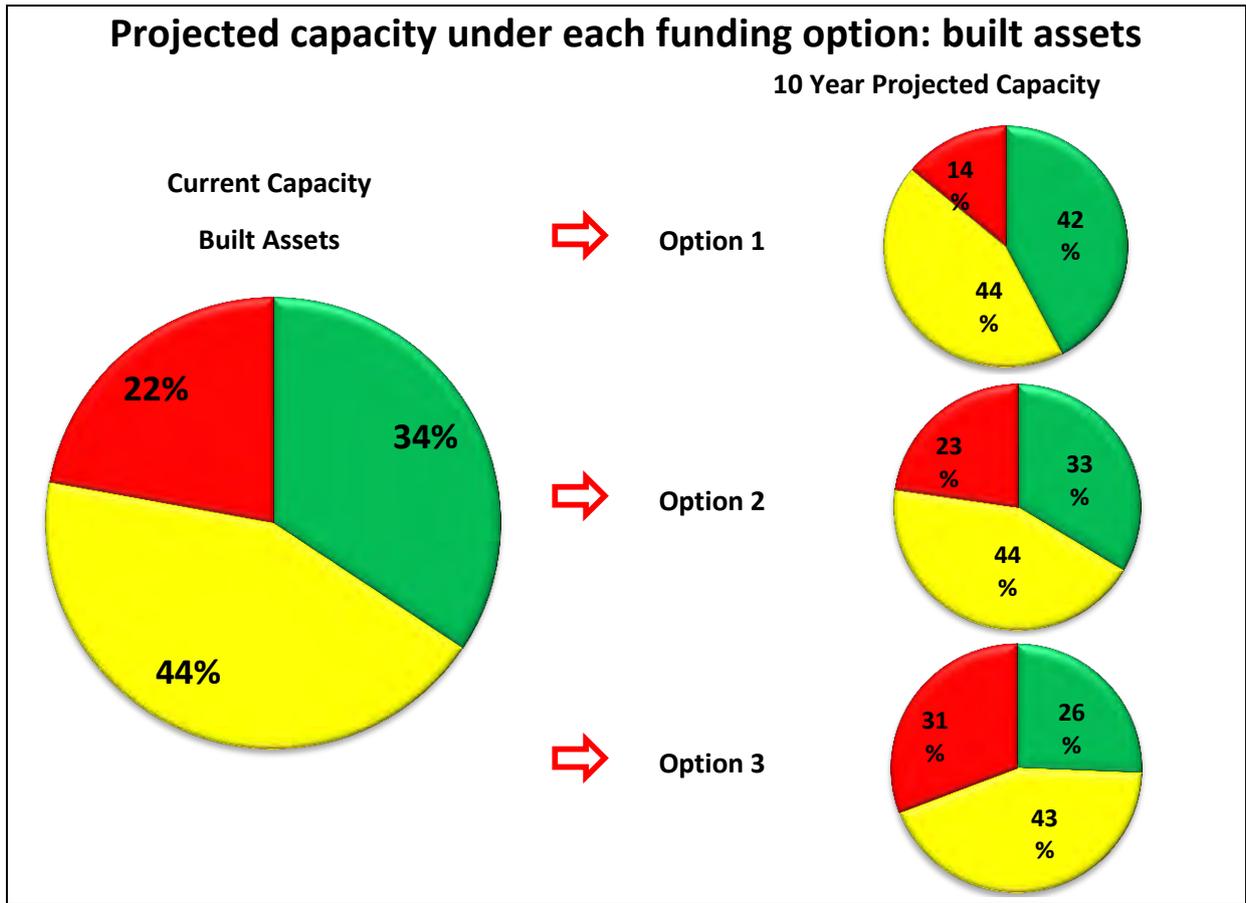


Figure 4-16: Projected capacity under each funding option: built assets

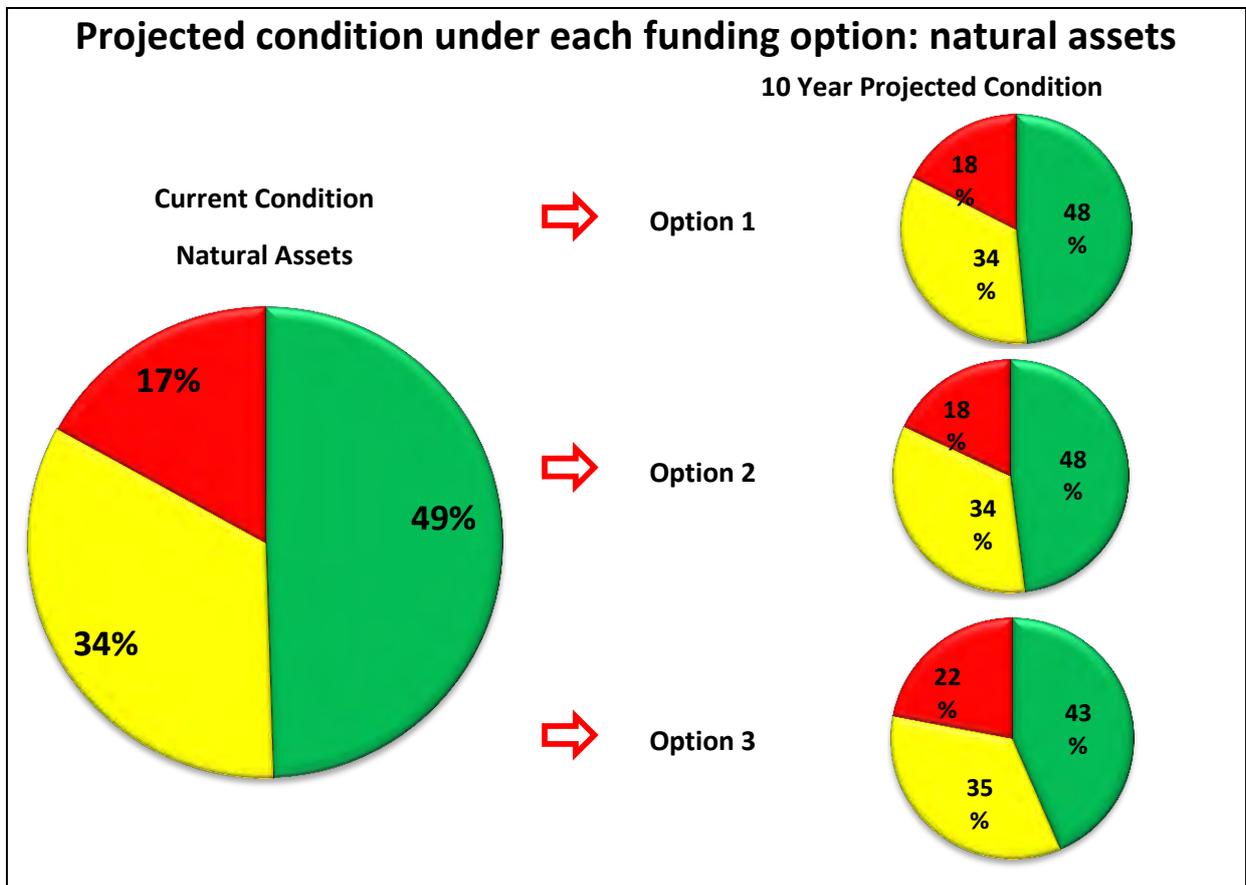


Figure 4-17: Projected condition under each funding option: natural assets

Projected function under each funding option: natural assets

10 Year Projected Function

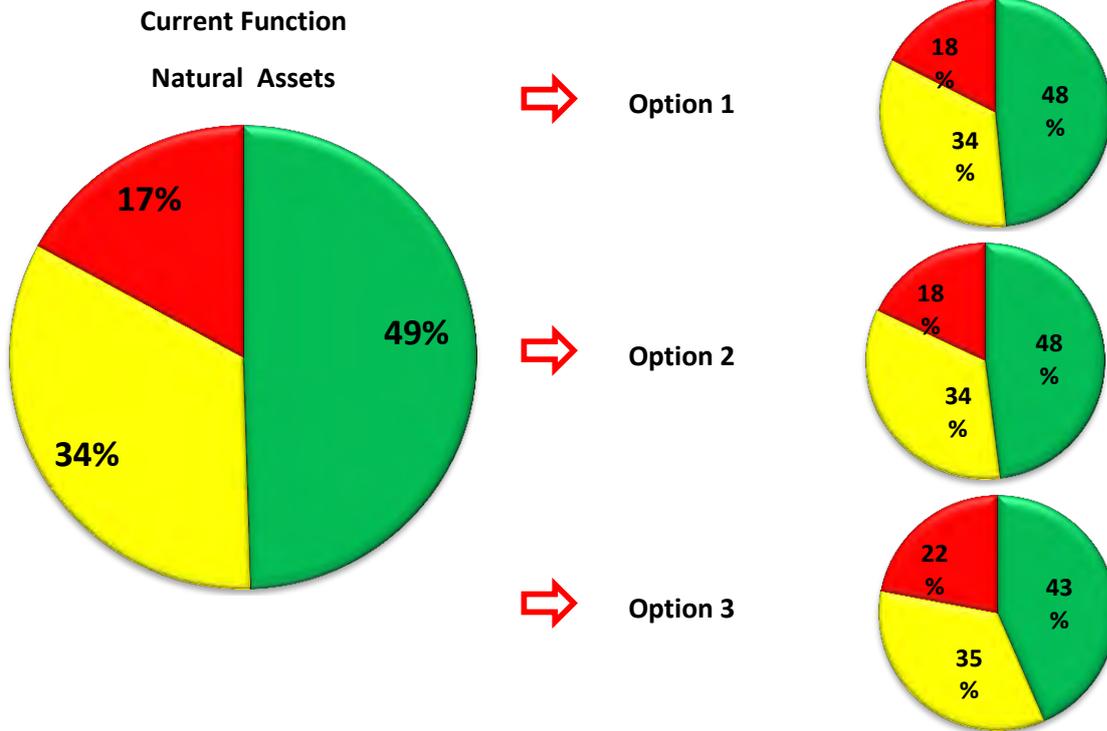


Figure 4-18: Projected function under each funding option: natural assets

Projected capacity under each funding option: natural assets

10 Year Projected Capacity

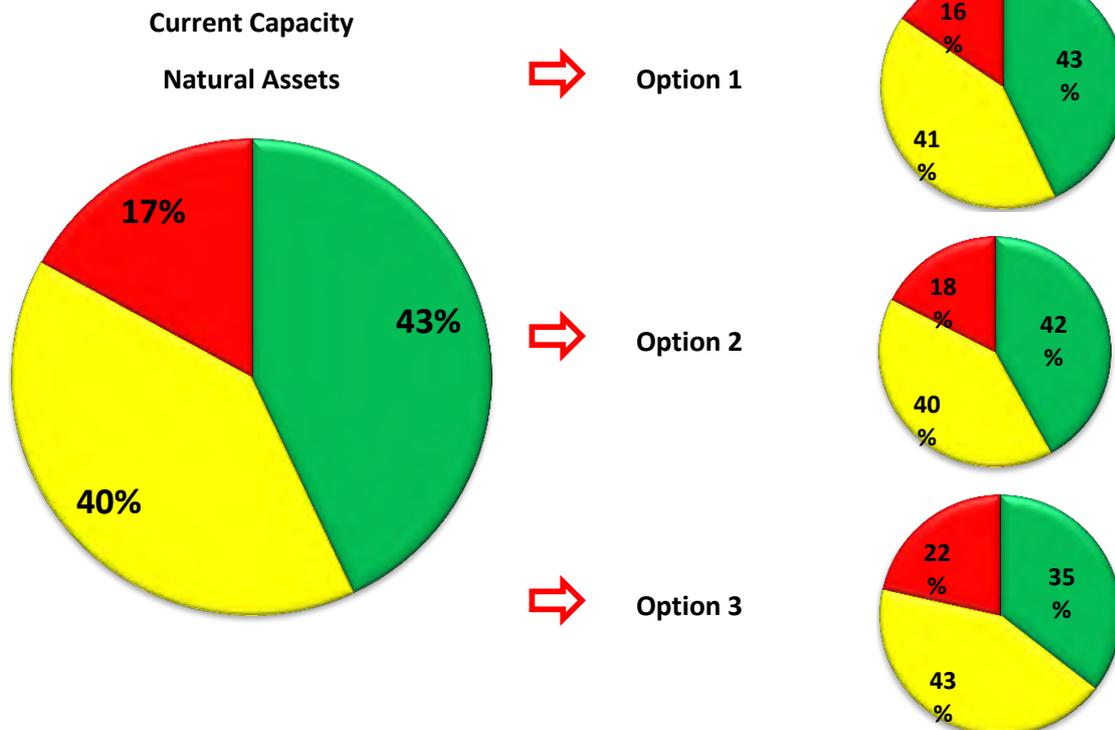


Figure 4-19: Projected capacity under each funding option: natural assets

The service level projections outlined in *Figure 4-14* through *Figure 4-19* above align with the comparison of projected renewal and maintenance as a percentage of asset value to the industry standard in *Table 4-12*. This also aligns with the Asset Renewal Ratio projections in the *LTFP* and shows that BMCC can fund approximately half the renewal and maintenance to maintain current service levels using existing practices.

Table 4-12 Renewal and maintenance as a percentage of asset value

	Industry standard	LTFP 14/15*	10 Year Projected		
			No SV*	4.4 SV*	6.6 SV*
Renewal ratio	2%	1.13%	0.98%	1.16%	1.72%
Maintenance ratio	4%	1.75%	1.77%	1.92%	2.01%

This shows that in order to improve service levels and reduce risk, Council needs to implement all six of the financial strategies outlined in the *LTFP*. It also shows that we need to invest in maintenance and renewal strategies that reduce lifecycle costs, reduce risk and improve asset function.

4.8.2 Adjust services

Council has committed to a program of ongoing service reviews assessing need and affordability to ensure that the services Council provides are appropriately targeted and provide best value for money.

4.8.3 Management of risk

Given that the Council must live within its available funding, any asset funding gap needs to be considered in the context of the affordable levels of asset service provision and the need to responsibly manage risk.

Asset management requires ongoing assessment of risks and prioritisation of available funding to address required action including possible closure of assets.

The Council has assessed the risks associated with its built and natural assets using the fundamentals of *International Standard ISO 31000: 2009 Risk Management* and *NAMS PLUS2* templates and methodologies. There is a process to ensure that all risks assessed as High or Very High are highlighted to Council’s Governance and Risk Steering Group. This group has responsibility for assessing these risks and, where appropriate, highlighting them to the Council’s independent external Audit Committee and to the Council.

Risks identified with a rating of ‘high’ or ‘very high’, relative to the management of the Council’s assets, are included in the associated *Service Dashboards*, which form an integral part of this *Resourcing Strategy*.

The key risks facing all council asset based services are detailed in *Table 4-13*. [Table 4-13](#)

Table 4-13: Key risks and responses

Category	Risk	Response
Inadequate maintenance and renewal	<ul style="list-style-type: none"> • Personal or property damage • Poor amenity impacting on local community and economy • Reduction in matching grant funding exacerbating impact • Short or long term closure of assets 	<ul style="list-style-type: none"> • Undertake inspections • Prioritise available funding to reduce risk, minimise lifecycle costs and maximise service levels • Closure of assets that pose an unacceptable threat of property or personal damage
Natural disasters and other natural events	<ul style="list-style-type: none"> • Available funding for Council services negatively impacted by increases in statutory contributions to state government agencies • Cost to Council of response and recovery for natural disasters e.g. fires or storms impact on funding available for other Council services • Council emergency management activities not adequately funded to reduce impact on council and community of natural disasters 	<ul style="list-style-type: none"> • Advocate to state government against cost shifting • Include conservative forecast cost increases in LTFP. If statutory contributions increase greater than projections in LTFP, identify and communicate service reductions and/ or risks for other services to ensure continuation of Council's own emergency management activities • Prioritise asset renewal or upgrade that mitigate impact of natural disasters • Ensure natural disaster claims are made in a timely manner
Increasing standards and legislative changes	<ul style="list-style-type: none"> • Available funding for Council services negatively impacted by increases in funding required to meet compliance requirements due to changing standards • Short or long term closure of assets that do not meet legislative compliance requirements 	<ul style="list-style-type: none"> • Include forecast cost increases in LTFP to avoid future financial shocks • Prioritise available funding to reduce risk, minimise lifecycle costs and maximise service levels • Closure of assets that pose an unacceptable risk

Category	Risk	Response
Increase in asset base	<ul style="list-style-type: none"> Available funding for Council services negatively impacted by increases in asset base from Assets provided by other levels of Government e.g. Crown Lands, Civil assets from NSW Roads and Maritime Services, Emergency Management assets such as Rural Fire Service buildings and Asset Protection Zones 	<ul style="list-style-type: none"> Advocate to state government against cost shifting Ensure assets provided by other agencies meet minimum asset standards to reduce lifecycle costs

Within available resources, the Council will prioritise and manage identified risks through appropriate funding allocations, inspections and condition assessments, ensuring risks are communicated to the audit committee and through asset closure or removal where required.

4.8.4 Asset management improvement plan

Implementing the *AMIP* actions involves significant resources, but has strategic and corporate significance to the Council. The Council needs to ensure that sustainable management of assets is a 'whole of council' responsibility, and that this is recognised at all levels within the Council.

To ensure it meets core asset maturity Council will implement the *AMIP* across all its asset classes. The *AMIP* can be found in *Table 4-14*. A project plan to implement the *AMIP* will be developed annually. *SAMSC* will continue to track and monitor the implementation of the *AMIP* and will report on progress to Council's ELT.

The *AMIP* targets more than 20 actions to:

- Improve data confidence levels and measurement;
- Build in-house AM capability;
- Report to Council on current and future service levels, lifecycle costs and risks to inform decision making;
- Enable *AMP's* to better inform and guide Council on asset needs and funding; and
- Better consult with the community on AM priorities

Table 4-14: Asset management improvement plan

Improvement Area	ID	Action	Responsibility	Timeline	Funding Stream
Strategic Longer Term Plan		No action necessary to meet Core Maturity.			
Annual Budget	1	Improve linkages between annual budget and allocations in LTFP, AMP and CSP	IPF	December 2015	Funded Operationally
Annual Report	2	Incorporate Level of Service reporting for condition in annual report	Asset Planning	December 2015	Funded Operationally
	3	Incorporate Level of Service reporting for function and capacity in annual report	Asset Planning	June 2016	Funded Operationally
	4	Report implications of budget variations and functional changes on implementation of AMS and CSP as part of Special Schedule 7	Asset Planning	December 2015	Funded Operationally
Asset Management Policy	5	Draft document meets Core Maturity. Adopt draft document	Council	December 2014	Funded Operationally
Asset Management Strategy	6	Draft document meets Core Maturity. Adopt draft document	Council	December 2014	Funded Operationally
Asset Management Plans	7	Finalise service plans and service reviews and incorporate results iteratively into AMPs.	IPF/ Asset Planning	Ongoing	Funded Operationally
	8	Include consideration of possible effects of climate change on asset useful lives and maintenance costs in future versions of AMPs	Asset Planning	June 2016	Funded Operationally
	9	Develop methodology for each asset class to effectively measure asset performance and utilisation. Incorporate targets linked to levels of service	Asset Planning	June 2016	Funded Operationally
	10	Develop standards for maintenance, operations and renewal that meet	Asset	June 2015	Funded

Improvement Area	ID	Action	Responsibility	Timeline	Funding Stream
		required service standards	Planning		Operationally
Governance and Management	11	Report to Council impacts on delivery of CSP, Service Plans AMP/AMS when planning for New or Upgrade of assets or changes to service levels	Asset Planning	June 2015	Funded Operationally
	12	Document process for making capital investment decisions linked to CSP, LTFP, AMS, AMPs and service plans	Asset Planning	June 2016	Funded Operationally
	13	Develop SAMSC endorsed schedule and compliance program for Strategic Asset Management linked to roles and responsibilities	Asset Planning	June 2015	Funded Operationally
	14	Develop communication plan to communicate information on infrastructure service delivery issues and Councils management of these issues to external stakeholders	Asset Planning	June 2016	Funded Operationally
Levels of Service	15	Continue program of detailed community consultation and update service levels as required.	IPF	Ongoing	Funded Operationally
	16	Report LOS and progress against target LOS.	Asset Planning	June 2016	Funded Operationally
	17	Develop linkages between target community LOS and technical LOS	Asset Planning	June 2016	Funded Operationally
Data and Systems	18	Continue implementation of Asset Management System for remaining asset classes	Asset Planning	September 2014	1 EFT - funded
	19	Improve method to allocate and report on operating and maintenance costs for all assets and services	Finance	June 2016	Funded Operationally
	20	Continue program to improve data confidence levels for current	Asset	June 2016	Funded

Improvement Area	ID	Action	Responsibility	Timeline	Funding Stream
		service levels	Planning		Operationally
Skills and Processes	21	Develop procedures to update, reconcile and link asset data across systems	Asset Planning	June 2016	Funded Operationally
	22	Continue development of procedures so that asset condition assessments drive maintenance and renewal strategies	Asset Planning	June 2016	Funded Operationally
	23	Improve risk communication methodology to ensure technical and management decisions are based on consistent risk assessments	Governance and Risk	June 2016	Funded Operationally
Evaluation	24	Report progress against AMIP and SAMSC performance measures 6 monthly to ELT/ GRSG and as required by exception	Asset Planning	June 2016	Funded Operationally

4.9 Asset Management Policy

ASSET MANAGEMENT POLICY

Document Status and Version Control

Ownership and Version Control

Responsible Directorate/Group:	<i>City and Community Outcomes</i>
Contact Position:	<i>Program Leader Strategic Asset Management</i>
GRSG Meeting Date:	<i>TBA</i>
Council Meeting Date:	<i>TBA</i>
Minute No:	<i>Enter Minute No.</i>
Policy Ref. No:	<i>This information (number) is from the Pathway Policy Register.</i>
TRIM Record No:	<i>F08036</i>
Distribution: <i>(Consultation may be required)</i>	<i>Public</i>
Status:	<i>Draft Stage Awaiting Adoption</i>
Lifespan:	<i>The Policy will be reviewed every four years or following significant changes to internal or external context of the Blue Mountains City Council to ensure the policy is current, effective and continuously improved.</i>
Scope:	<i>This policy applies to all Council activities</i>

Version History

Version	Adoption Date	Reason for Change
2.0	TBC	Update to Resourcing Strategy in line with BMCC standard Policy format

PREAMBLE

The Blue Mountains City Council is responsible for more than \$1.2 billion of built and natural assets that support its delivery of a range of services to the community. For a population of approximately 78,000 residents, the Council has an extensive and aging asset portfolio with many service duplications due to the ribbon-like development of the city.

Council is on a journey to build a strategic integrated planning approach for asset management to deliver the highest affordable level of service through its management of assets. This will provide positive outcomes for:

- Members of the public and staff;
- Council's financial position;
- The ability of Council to deliver the expected level of service and infrastructure;
- The political environment in which Council operates; and
- The legal liabilities of Council.

Blue Mountains City Council has measured its ability to meet Core Asset Management Maturity. Details of the assessment can be found in the Asset Management Strategy. The Asset Management Strategy also details an Asset Management Improvement Plan that shows how Council will move towards core maturity. Once core maturity is reached each part of this Policy will be being implemented in its entirety.

Adopting sound asset management principles will assist Council in achieving its Strategic Longer-Term Plan and Long Term Financial objectives.

This overarching Council endorsed Asset Management Policy forms part of the adopted Resourcing Strategy and is developed to meet essential elements of the NSW Integrated Planning and Reporting Guidelines.

Related Documents

This document should be read in conjunction with:

- Community Strategic Plan: Sustainable Blue Mountains 2025

This document forms part of the Blue Mountains City Council Resourcing Strategy which includes the following:

- Long Term Financial Plan;
- Asset Management Strategy;
- Asset Management Policy;
- Asset Management Plans; and
- Workforce Management Strategy

Related Legislation

- *Local Government Act 1993*
- *Local Government Amendment (Planning and Reporting) Act 2009*
- *Local Government (General) Regulation 2005*

PURPOSE

To ensure that the city's assets are managed to be fit for purpose, safe and sustainably funded and support the delivery of services to the community through a comprehensive and integrated planning framework.

OBJECTIVES

To ensure resources are allocated by Council in a sustainable manner to provide agreed services to meet current and future needs through:

1. Managing Council assets, including physical assets and employees, by implementing appropriate and prioritised asset management strategies;
2. Ensuring all staff and persons working on behalf of Council are aware of and take part in sustainable asset management practices by implementing actions in accordance with the Asset Management Strategy;
3. Meeting legislative requirements for asset management;
4. Demonstrating transparent and responsible asset management processes that aligns with best affordable practices; and
5. Maximising value for money through the adoption of lifecycle costing, combined with performance measurement, risk assessments and prioritised community needs.

DEFINITIONS

Asset Management: The systemic and coordinated activities and practices of an organisation to optimally and sustainably deliver on its objectives through cost-effective lifecycle management of assets⁸

Asset Management System: Organisational structure, policies, plans, roles, responsibilities, processes, procedures, Asset Management Information System, etc. that assist the Council to provide needed services from its assets⁹

Asset Management Maturity: Organisation's maturity in adopting the core asset management competencies set out in the Local Government and Planning Ministers' Council Local Government Financial Sustainability Nationally Consistent Frameworks (LGPMC Financial Sustainability Frameworks 2009)¹⁰

Core Asset Management Maturity: The Asset Management Maturity level required to implement the LGPMC Financial Sustainability Frameworks. The National Assessment Framework includes a 'core' and 'advanced' maturity assessment. The 'core' maturity questions have been developed to meet the LGPMC Financial Sustainability Frameworks maturity level¹¹.

⁸ International Infrastructure Management Manual Edition 4.0 2011 produced by Institute of Public Works Engineering (IPWEA) and NAMS New Zealand

⁹ ISO 55000:2014 Asset Management – Overview, principles and terminology

¹⁰ IPWEA NAMS.PLUS2Asset Management A Guided Pathway to Asset Management Planning version 2.8, 2013 produced by Institute of Public Works Engineering (IPWEA)

¹¹ Champion, C. & Patterson, L. 2012. National Assessment Frameworks For Local Government Asset Management and Financial Planning Implementation Proposal Paper

Lifecycle cost: The total cost of an asset throughout its life including planning, design, construction, acquisition, operation, maintenance, rehabilitation and disposal costs¹²

RESPONSIBILITIES

The Council is responsible for ensuring that organisational resources are appropriately utilised to address the organisation's strategic plans and priorities by:

1. Adopting this policy;
2. Providing high level oversight of the delivery of the organisation's assets management strategy and plans; and
3. Maintaining accountability mechanisms.

The **General Manager** has overall accountability for the development of this Policy and the related Asset Management Strategy and Plans and reporting on the status and effectiveness of asset management to Council.

The **Strategic Asset Management Steering Committee** has responsibility for development and implementation of this Policy and the related Asset Management Strategy and Plans.

All staff or persons working on behalf of Council are required to adhere to the Policy Statements, Strategies and Procedures outlined in this Policy and associated Strategies and Plans.

POLICY STATEMENT

The Council is committed to implementing an Asset Management System that ensures assets are planned, created, operated, maintained, renewed and disposed of in accordance with Council's priorities for service delivery and risk management, in particular:

1. Asset management will be based on risk and best value service delivery and will consider the full lifecycle cost and benefit of assets and services;
2. Affordable service levels meeting assessed community needs will be determined in consultation with the community;
3. Asset Management Plans will be developed and maintained for major service and asset categories and will be informed by Sustainable Blue Mountains 2025, community consultation and financial planning and reporting;
4. All relevant legislative requirements and industry standards together with political, social, economic, environmental and governance requirements will be taken into account in asset management;
5. The provision of resources to deliver asset management and agreed service levels will be integrated with corporate and business planning, budgetary and reporting processes;
6. An inspection regime will be used as part of asset management to mitigate risks, ensure agreed service levels are maintained and to identify asset renewal priorities;
7. Systematic and cyclic reviews will be applied to all asset classes to ensure that the assets are managed, valued and depreciated in accordance with appropriate best practice and applicable Australian Standards;

¹² Australian Infrastructure Financial Management Guidelines Edition 1.0 2009 produced by Institute of Public Works Engineering (IPWEA)

8. Future life cycle costs will be reported and considered in all decisions relating to new services and assets and upgrading of existing services and assets;
9. Council will meet and apply the requirements for Core Asset Management Maturity and commits to continuous improvement of its Asset Management System to achieve this;
10. Training in asset and financial management will be provided for councillors and relevant staff;
11. Asset and Asset Management performance including risks and service levels will be reported to Council.

This Policy is designed to follow the requirements of NSW Integrated Planning and Reporting Guidelines, the International Infrastructure Management Manual 2011 and ISO55000, ISO55001 and ISO55002 and is adopted from the NAMS Asset Policy Template