

IPWEA ARTICLE – ASSET MANAGEMENT PLANNING

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To say “there is plenty of activity in the area of Local Government Asset Management” would be a big understatement ... and the activity is growing at a fast rate, in particular, around the preparation of Asset Management Plans. Whilst there is no doubt that this interest has been stimulated by legislative requirements and prospective legislationmost staff in councils have jumped at the opportunity to get involved ...primarily because they really believe that the asset management process assists them to communicate what they have always believed is a “common sense” approach to management of council’s infrastructure.

JRA is a specialist consulting firm with a particular focus on assisting council's with developing their asset management knowledge and expertise. From this role JRA has had the opportunity to work closely with numerous councils, and through have seen many of the issues that have either promoted or inhibited the development of asset management practices within these organisations. We have learnt a great deal from those councils and some of their experiences are ones that we can probably all relate to and learn from.

Some of the significant areas that have impacted on these councils asset management development have been:

Area 1 Be Clear on the Crucial Components for Good Asset Management

If we were to summarise what most have found to be the 3 key areas crucial to the preparation of good asset management plan we would start with:

- An asset register (data)
- Service Levelswhat we can provide ...and what we can't
- Riskwhat are the consequences of what we can/can't provide ...and how do we manage this from a risk perspective.

For most of us these 3 crucial areas have posed quite a challenge. To assist us get started approach this at a “Core or Network Level”. This is particularly helpful for developing service levels and risk for asset management plans. This approach allows the “big picture” view to be taken and assists in focusing attention on the issues which impact on the overall delivery of the services being provided by infrastructure assets.

.....but what about the data?

There is no doubt that preparing and maintaining good data in the asset register is essential to good asset management. This will require having a planned improvement strategy, some hard work, resourcing, and a committed corporate approachbut it is essential. Not only is a good

register required to prepare asset management plans but it will also be required to produce council's financial reports on assets. It is also fair to say that the data behind both the Asset Management Plans and the Annual Financial reports should be coming from the same place ie from a single asset register. There is more than one way to achieve this ... but essentiallyOne Asset Register!

Area 2 Asset Management is a Corporate Role

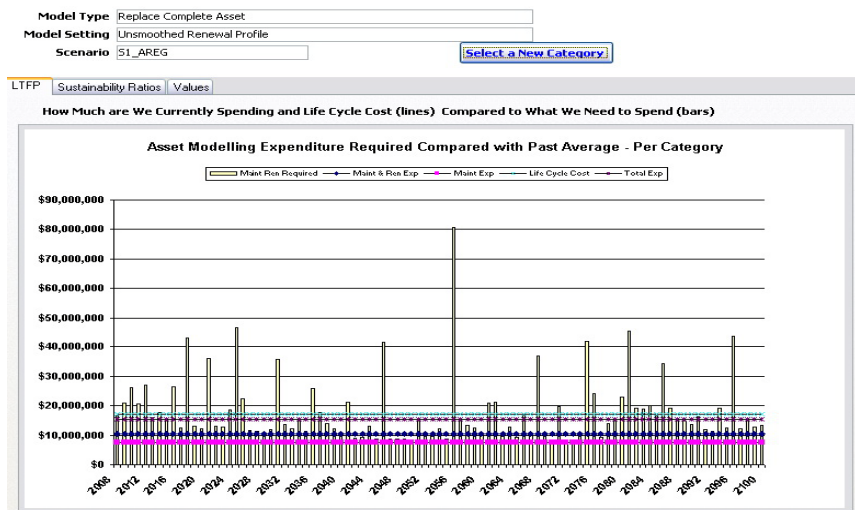
Asset Management is not the sole responsibility of any one area of council. To be effective the technical, operational, financial, risk, IT and corporate areas of council will all need to be involved.....

Some suggestions that have been made by council's that have made substantial progress:

- Formalise an asset management reference group (AMRG)
- Have representation on the AMRG from senior executive
- Document roles of the AMRG
- Regular reporting from AMRG to senior executive

Area 3 Plotting/Graphing of Renewal Plan

Plotting of the renewal plan, for inclusion in the Long Term Financial Plan provides an important way of improving data. "A picture speaks a thousand words"Numerous councils have found that when they view their data in a graphical form they will often identify peaks and troughs in age, years for renewal and cost of renewal. This graphical view in itself has highlighted which areas of data should be checked and has led to data improvements for many organisations.



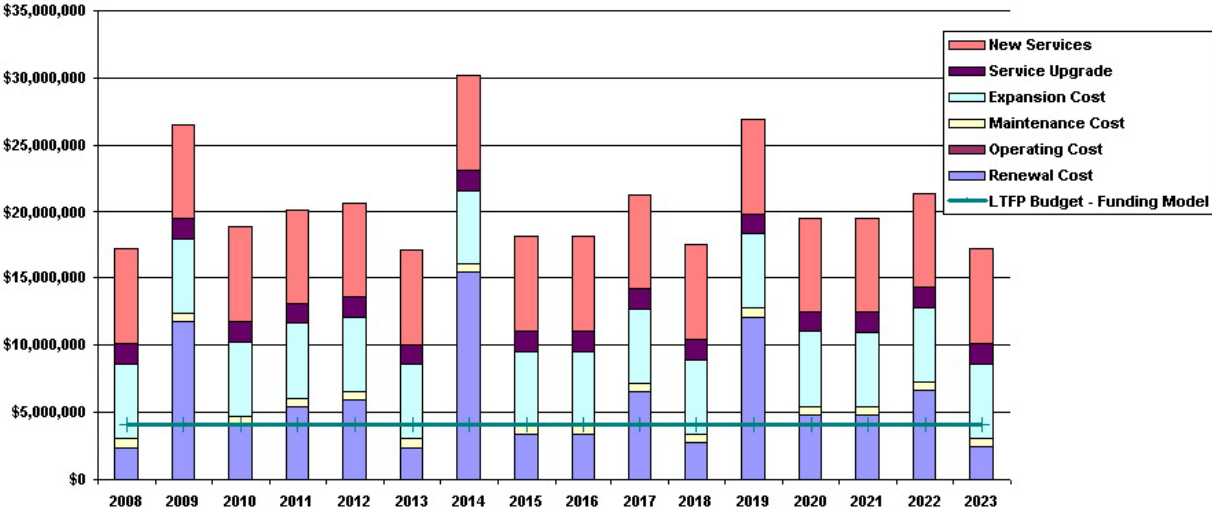
The example shows a graphical output of the renewal profile for an asset group. A quick review of this reveals peaks in the council's data where more detailed review is warranted.

Area 4 The “Big Picture”

There have been plenty of times when we’ve all asked “why are we doing this?”

Don’t lose sight of the big picture ...ultimately we are aiming at balancing our expenditures on infrastructure assets with a council long term financial plan. (Many of our long term financial plans have previously considered income projections, without a comprehensive review of the expenditure required) The asset management planning process gives us the opportunity of assessing what expenditure is required on infrastructure for the term of the financial plan, and bringing this into balance with the long term financial plan. It is likely that the need for funds will be more than the available funding.....so the process of considering alternative scenarios, the impact on service levels, organisational priorities, and risk becomes one of the important steps in our asset management process. A sample graphical output of the required infrastructure expenditure for consideration in the Financial plan is shown following.

Long Term Financial Plan



Area 5 Knowledge of Current Expenditure

If a substantial role of our asset management and long term financial planning is to compare what we should be providing (funding) to deliver a designated level of service, to what we can currently fund (expenditure). If we are not able to reliably measure expenditure against assets, and know the detail of how this expenditure is allocated to operations, maintenance, capital renewal and capital upgrade/new we really have no way of measuring how sustainable this service is. This detailed knowledge of expenditure on assets has posed a challenge for many organisations.

Summary Comment

Documenting the decisions around future expenditure on infrastructure...what we will do...what we won't do...and the consequences with respect to service levels and risk now brings a new level of transparency to how we manage the community's infrastructure assets.....This documentation is our Asset Management Plan.