



# ASSET MANAGEMENT

for SMALL, RURAL or REMOTE COMMUNITIES

Practice Note

**IPWEA – NAMS.AU**

INSTITUTE OF PUBLIC WORKS ENGINEERING AUSTRALIA



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# Foreword

## Margaret Reynolds, Chair ACELG



There are many small rural and remote communities throughout Australia. They contribute greatly to the fabric and wealth of the nation. Like their larger and more closely settled counterparts, they need effective systems to manage the infrastructure assets that are the foundation for community service delivery and sustainability.

*Asset Management for Small Rural or Remote Communities* is designed to give local councils the ability to develop appropriate Asset Management Plans. The templates and tools provided can be tailored for individual council needs. By being able to review and update their own plans for sustainable infrastructure and service delivery, councils can manage their assets with much greater knowledge, understanding and commitment.

This Practice Note is a product of the partnership between the Institute of Public Works Engineering Australia (IPWEA) and the Australian Centre of Excellence for Local Government (ACELG). I commend the Institute for its initiative and efforts in developing and promoting asset management

processes that help to guide local government along the path to sustainability. Our partnership will continue to provide councils with the support needed to make informed decisions to balance community needs and priorities, levels of service delivery, potential risks, and available funding and human resources.

I would also like to acknowledge the funding support provided by the federal government for both ACELG programs in general and this project in particular.

Together with the associated website, templates, tools, processes and associated training programs, the Practice Note forms part of a package of resources for asset management practitioners throughout much of regional Australia. We hope it meets your needs and would welcome your ideas for additional material or improvements.



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## PRACTICE NOTE 4

# ASSET MANAGEMENT FOR SMALL, RURAL OR REMOTE COMMUNITIES GUIDELINES

### Note to Readers

While information contained in these Practice Notes is believed to be correct at the time of publication, the Australian Centre of Excellence for Local Government, the Institute of Public Works Engineering Australia and its NAMS.AU Group, Working Parties and other contributors to these Practice Notes, do not accept any liability for its contents or for any consequence arising from its use.

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### Acknowledgements

The provision of documentation and information used during the compilation of these Practice Notes is acknowledged with much appreciation by IPWEA. Our aim has been to tap into the most up-to-date practical experience being demonstrated by users around Australia. Their willingness to make their data and systems readily available means all users of these Guidelines will benefit from their collective wisdom. The sources of material reproduced in the Guidelines are noted throughout the document.

We are also indebted to those who have willingly given their time to review and provide comment as these Guidelines have been developed, to ensure we are always reflecting best practice in the field. Those who have been part of the Review Team and have provided comment are acknowledged as follows:

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## PRACTICE NOTE 4

# ASSET MANAGEMENT FOR SMALL, RURAL OR REMOTE COMMUNITIES GUIDELINES

## Preamble

These Asset Management for Small, Rural or Remote Communities (AM4SRRC) Guidelines are part of a series of Practice Notes being developed by the National Asset Management Strategy Group (NAMS.AU) of the Institute of Public Works Engineering Australia (IPWEA) to assist practitioners in small, rural and remote communities apply a basic level of asset management practice and develop a 'core' asset management plan for their major asset infrastructure categories. The aim is to foster a national approach and encourage consistency of data and outputs. These will be living documents, subject to review and update as further and better information comes to hand.

The Practice Notes are available through the IPWEA web site [www.nams.au.com](http://www.nams.au.com) for:

Condition Assessment and Asset Performance Guidelines

- Preamble Document
- Practice Note 1 – Footpaths and Cycleways (Nov 2007)
- Practice Note 2 – Kerb and Channel/Gutter (June 2008)
- Practice Note 3 – Buildings (June 2009)

Practice Notes are in development for:

- Stormwater Drainage
- Water and Sewerage
- Long term financial planning

Suggestions for further Guidelines development is welcome and may be made to [national@ipwea.org.au](mailto:national@ipwea.org.au).

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## Scope of these Guidelines

The Guidelines are designed to provide a tool for small, rural or remote communities who provide services from infrastructure and have limited financial resources and financial/technical skills. These communities use services from infrastructure assets including roads, stormwater drainage, recreation, buildings, water supply and sewerage.

The guidelines are based on the *International Infrastructure Management Manual* (IIMM) and *Australian Infrastructure Financial Management Guidelines* (AIFMG). The expenditure projections modelling (**for up to 5,000 assets**) is developed from IPWEA *NAMS.PLUS Asset Management* ([www.ipwea.org.au/namsplus](http://www.ipwea.org.au/namsplus)) which provides tools and templates to assist infrastructure owner organisations develop their asset management plans in accordance with the IIMM.

The *Asset Management for Small, Rural or Remote Communities* (AM4SRRC) Guidelines is specifically designed to assist small, rural or remote councils or infrastructure owner organisations who are in a predominately *steady operating state* and/or do not have the data, resources, skills or expertise to develop Asset Management Plans using the IIMM or NAMS.PLUS resources. The aim of the Guidelines is to assist small, rural or remote organisations develop their first asset management plans at a *basic* or *core* level and provide expenditure projections for the organisation's long term financial plan.

A *core* asset management plan includes:

- Documentation of existing services and of service levels,
- A *core* infrastructure risk management plan,
- Expenditure projections for operations, maintenance, capital renewal, upgrade and new assets for the next 10 years for input into the organisations 10 year financial plan,
- Asset valuation and depreciation projections for the next 10 years,
- An improvement plan.

The Guidelines include templates for:

- **Information needs for the AM4SRRC asset management plan,**
- **Asset management plan** using the format recommended in Appendix A of the IIMM,
- **Infrastructure risk management plan,**
- **Infrastructure risk register,**
- **Asset register,**
- **Expenditure template,**
- **Asset management policy,**
- **Asset management strategy,**
- **Core asset management maturity assessment.**

The AM4SRRC templates are available through the IPWEA NAMS.PLUS web site ([www.namsplus.org.au](http://www.namsplus.org.au)). To access the templates, enter your organisation username and password to Login. Your organisation's username and password are located on the frontispiece of this Practice Note. Section 8 of the Practice Note details how to access and download the AM4SRRC

Small, rural and remote communities are encouraged to use the guidelines to develop their first asset management plans and use the process to inform and educate their staff, management, councillors and community on asset management principles and practices and improve the service delivery outcomes.

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## 1. Background

These *Asset Management for Small, Rural or Remote Communities* Guidelines were developed to assist small, rural or remote communities develop asset management plans and long term financial plans to assist their organisations to improve their asset and financial management and planning.

In May 2009, the Local Government and Planning Ministers Council (LGPMC) agreed to the enhancement of existing nationally consistent frameworks on local government asset and financial management to assist councils improve their asset and financial management and planning and committed to the acceleration of the implementation of the frameworks.<sup>1</sup>

### 1.1 National frameworks elements

Three Frameworks have been developed by the LGPMC:

- Assessing local government financial sustainability,
- Asset planning and management, and
- Financial planning and reporting.

#### *Asset management and planning*

The enhanced National Framework for asset planning and management identifies seven elements.

1. Development of a State Government Asset Management Policy/Statement – providing high level guidance to councils,
2. All councils to have strategic asset management plans addressing current holdings, forecasts, alignment to strategic plans, defined levels of services and information on assets and subject to performance review,
3. Councils to assign roles and responsibilities for asset management between CEO, Council and senior managers to improve governance and ensure high level oversight and accountability,
4. States and Territories to develop mechanisms to ensure councils define the levels of service they expect to provide from their asset base,
5. Enhance collection of asset management data to enable the identification of infrastructure gaps and allow for benchmarking within the sector and council groups,
6. Provision (to councils) of a best practice framework to enable continuous improvement of asset management practices, including help in target setting, training, tools and guides,
7. The Asset Management framework is to contain an evaluation component.

#### *Financial planning and reporting*

The Planning and Reporting National framework should be given effect through three elements:

- Strategic longer term plan,
- Annual budget, and
- Annual report.

These documents provide a framework that covers the council's direction setting, monitoring and resource allocation.

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<sup>1</sup> LGPMC, 2009.

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How key elements of the asset planning and management and financial planning and reporting frameworks are addressed in these guidelines is detailed below.

### **1.1.1 Asset management policy**

Element 1 requires States and Territories to develop an asset management policy statement setting out the policy framework for local government asset management and provides high level guidance to assist councils to develop their own asset management policy. The policy/statement shall encourage councils to develop their own asset management policy which:

- Establishes the objectives for asset management providing a platform for service delivery,
- Integrates asset management with council corporate and financial planning,
- Assigns accountability and responsibility for service delivery together with asset management,
- Broadly takes account of whole of life costing, service levels and financing options, and
- Requires the adoption of an asset management plan informed by community consultation and local government financial reporting, and which is supported by training in financial and asset management.

The AM4SRRC asset management policy template follows this framework. Appendix F includes guidelines on use of the asset management policy template.

### **1.1.2 Strategic asset management plans**

Element 2 requires councils to develop an asset management strategy and asset management plans.

#### ***Asset management strategy***

Council's asset management strategy should support and implement its asset management policy. The development of an asset management strategy by councils will enable councils to show how their asset portfolio will meet the service delivery needs of their communities into the future, enable councils' asset management policies to be achieved and ensure the integration of councils' asset management with their long term strategic plans.

The Asset Management Strategy/Strategic Plans will address the following:

- What assets do we currently have?
- What is the current situation with regard to council's assets and their management including current & forecast future needs and adequacy of funding?
- Where do we want to be, including fit with goals and objectives of the council plan?
- How will we get there including a comparison between the current situation and the proposed future to highlight where strategies will need to be developed to cater for any changes?

The AM4SRRC asset management strategy template follows this framework. The AM4SRRC web site contains a *How To* Guide for using the template to develop an asset management strategy.

#### ***Asset management plans***

Under Element 2, the Asset Management Plans will:

- Include all assets on an asset register,
- Provide information about assets, including particular actions required to provide a defined level of service in the most cost-effective manner,

- 
- Incorporate risk management strategies,
  - Include financial information such as capital expenditure for renewing, upgrading and extending assets,
  - Include consideration of non asset service delivery solutions (leasing, private/public partnerships),
  - Recognise changes in service potential of assets,
  - Be subject to a performance review,
  - Outline an improvement program, and
  - Have clear linkages to other council strategic documents.

The AM4SRRC asset management plan template follows this framework and includes options for developing projected renewal expenditures from network condition modelling systems and average network renewals/defect repairs as well as from the organisation's financial asset register.

Instructions on developing an asset management plan using the template are shown in Appendix B.

### **1.1.3 Defining levels of service**

Element 4 is aimed at assisting councils define the levels of service they expect to provide from their asset base. This would include ensuring that councils:

- Establish service delivery needs and define service levels in consultation with the community,
- Establish quality and cost standards for services to be delivered from assets, and
- Regularly review their services in consultation with the community to determine the financial impact of a reduction, maintenance or increase in service.

Levels of service are an integral part of an asset management plan and form Section 3 of the AM4SRRC asset management plan template.

### **1.1.4 Strategic longer-term plan**

The strategic longer term plan is to be for a fixed period. As a minimum it covers the term of office of the councillors as well as reflecting the needs of the community for the foreseeable future. The plan brings together the detailed requirements in the council's longer term plans such as the asset management plan and the longer term financial plan and details what council expects to do in the longer term. It also demonstrates how council intends to resource the plan.

Public consultation with communities should be central to the development of strategic, longer term planning by councils. The plan should include:

- Where the council is at that point in time – current position,
- Where it wants to get to – vision and strategic objectives of the council,
- How it is going to get there – strategies for achieving those objectives,
- Mechanisms for monitoring the achievement of the objectives, and
- How the plan will be resourced.

Section 6.1.2 of the AM4SRRC asset management plan template documents the expenditure projections for the long term financial plan providing the linkage between the asset management and financial plans and for consideration of the organisation's present position as input into the strategic longer-term plan.