



# Long-Term Asset Management Plan

2011-2021

towards  
**2031**

vibrant  
progressive  
connected  
sustainable

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## Introduction

A common theme through Council's vision to 2031 is **Sustainability**.

The principles underpinning the Local Government Act 2009 enforce the sustainability theme with "sustainable development and management of assets and infrastructure, and delivery of effective services" being two key goals identified in Council's Community Plan.

In order for Council to achieve its vision and comply with legislation it will actively facilitate effective and sustainable Asset Management. Given that, the costs associated with the maintenance, operations and replacement of existing assets form the majority of Council's annual expenditure. As the Bundaberg region is identified for significant population growth, Council must also plan for new infrastructure and major upgrades.

Managing approximately \$2 billion worth of Assets in a growing region requires reliable data and significant planning. Council identifies the need to plan for tomorrow's infrastructure requirements today, and promote best practice asset management and financial sustainability.

Asset management is core business for Council and will be approached from a whole of organisation perspective, including elected members and professional officers at all levels. The whole-of-organisation approach to asset management within Council will include the political, policy, strategic, professional, technical and operational levels.

Council's first Long Term Asset Management Plan (LTAMP) outlines the Goals and Strategies aimed at ensuring the sustainable management of community's infrastructure and financial capital. The LTAMP covers a period of ten (10) years and through these goals and strategies aims to forecast the Whole of Life Costs (WoLC) of existing and planned assets.

Council will ensure WoLC are considered when making strategic decisions with regard to future capital investments.



## A shared vision

The Bundaberg regional community has a shared vision: that, in 2031, the spirit of the Bundaberg region is measured by its:

**Community**, which is vibrant, inclusive and caring; its

**Environment**, which is sustainable, managed and healthy; its

**Economy**, which is strong and sustainable; and its

**Governance**, which is responsive, cohesive, sustainable, ethical and accountable.

Council has made a commitment that each decision will consider this vision, and each planning document identifies how the vision will be achieved by the development, implementation and review of that plan.

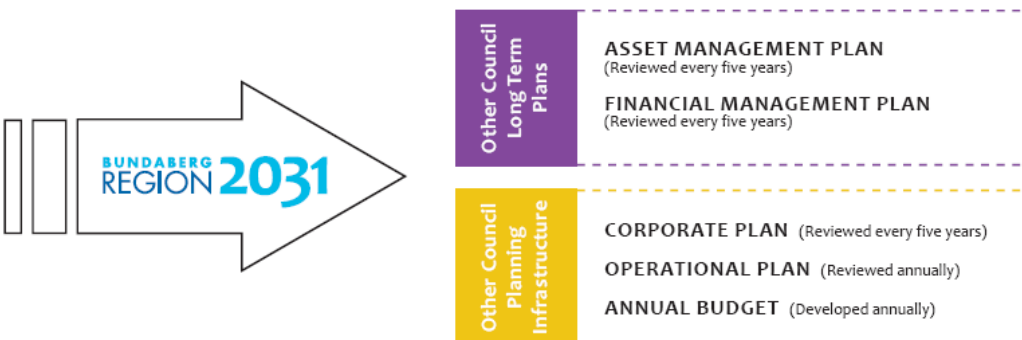
## Strategic planning to achieve our goals

Council's long-term Community Plan (*Bundaberg Region 2031*) is the overarching strategic planning document for the organisation. Council uses *Bundaberg Region 2031* to guide and inform its planning and decision making processes for the next twenty years covered by the plan.

Council has identified a number of planning documents and processes which will help achieve our community's desired outcomes. This Plan is supported by other legislated financial management and planning documents including:-

- Financial Plan
- Long Term Asset Management Plan
- Long Term Financial Forecast
- 5 year Corporate Plan
- Annual Operational Plan
- Annual Budget

*Bundaberg Region 2031* considers a number of challenges facing Council in the delivery of its plans. Further, Council must deal with costs increasing at a greater rate than CPI, the replacement of aging infrastructure, provision of new and additional services, increasing community expectations, and compliance with ever increasing legislation and government requirements.



## Towards 2031



### A long-term vision, communicated by our community

The Bundaberg regional community has clearly communicated to its civic, business and social leaders their preferred vision for this region, one where Council, as the leader in delivery of services on behalf of its constituents, uses 'best practice' methodology and strategic planning resources to provide cost effective and efficient management of its assets. This vision is clearly announced within the single overarching long-term planning document written, designed, developed and endorsed by our community, *Bundaberg Region 2031*.

### How the community told us of this need

*Bundaberg Region 2031* defines and strategically plans the Bundaberg region's community vision for the future, covering the Bundaberg Regional Council local government area, and reflecting the uniqueness and diversity of our many distinct local communities.

The plan defines a long term vision for our region with ambitious aspirations, in keeping with the Queensland Local Government Act 2009, requiring local government to develop long-term community plans covering at least ten years. Expanding on the long term overarching vision, *Bundaberg Region 2031* details seven community outcome areas that are considered vital for the future of the region. For each of these outcome areas, various priorities, goals and catalysts are identified, designed to achieve the community's preferred vision for our future – *Bundaberg region: vibrant, progressive, connected and sustainable*.

This plan is a blueprint for residents, businesses, governments, organisations and Council to work together for a better region. It provides for ongoing planning by other governments, community and local industry in order to maintain the reasons we enjoy living here, and enhance the unique qualities of the region for future generations. *Bundaberg Region 2031* was developed by more than 3,000 local community, business, industry and government leaders who participated in various information and feedback processes.

A diverse Stakeholder Engagement Program was developed to guide the plan from its methodology through its various stages, resulting in at least 40 different engagement activities including the 'Your 2031' community survey, regional visioning workshops, key community group briefings, Community Connect and School Connect newsletters and constant dialogue ensured the community was part of the plan.

We considered numerous emerging issues relevant to our region's future, including our ageing population, changing lifestyles, the pressure on natural resources and our environment, the need to support a safe and healthy community, create positive employment outcomes for local people and improving our connections within and outside our region.

Drawing on this vast array of over 776 visions, ideas, suggestions and opinions, Council developed a draft plan. This draft plan was released for further public consultation and then refined in response to various items of community feedback, culminating in *Bundaberg Region 2031*, a document developed by our community outlining our community's desired twenty-year vision. *Bundaberg Region 2031* provides an opportunity for Council, our community and government to develop and deliver a Vision together.

## **The result : A call for integrated asset management within Council**

Through extensive engagement undertaken throughout long-range community visioning as part of the community planning project, the Bundaberg regional community has provided Council with a clear and distinct desired outcome – effective and ethical governance.

In this regard, our community responded positively to the concept of this being a responsive and responsible Council, informing us that they believe a priority is responsible financial management and efficient operations, where informed decisions are made responsibly, based on consistent and correct information.

When engaged to help determine catalyst projects and initiatives that would deliver this goal, the community declared that they believe the development and implementation of a long-term asset management plan that achieves strategic outcomes would be necessary.

In this regard, the development of this plan is a timely and meaningful exercise.

## Long Term Asset Management Goal

The Long Term Asset Management Goal identifies the elements required to successfully achievement Council's long-term vision for the region.

The emphasis for managing assets lies in the "Provision of appropriate infrastructure that meets the region's current and future needs in the most cost effective and sustainable manner".

The key elements of this goal are:

- Cost-effective management strategies for the long term;
- Defined level of service;
- Defined key performance indicators
- Performance reports and reviews;
- Whole of Life Cost approach to Capital Investment;
- Demand management (renewal, upgrade and new);
- Risk management of asset failure;
- A system of continual improve in asset management practices;
- Inter-generational equity; and
- Maintained service capacity of financial and infrastructure capital in the long term.

## Long Term Asset Management Strategies

The Long Term Asset Management Strategies provide Council and the community with future direction and guidance for developing a strategic framework for sustainable asset management.

These strategies include:

1. Set up a multi-discipline cross-functional asset management team to drive and promote asset management in Council.
2. Develop an Asset Management Plan for each class of infrastructure assets.
3. Establish links between the Asset Management Plans and other corporate plans.
4. Set Asset Hierarchies.
5. Adopt affordable service levels in consultation with our stakeholders and community.
6. Continuously refine service levels, estimates and assumptions to meet various future demands.
7. Assess the capacity of infrastructure to meet our levels of service and future demands.
8. Maintain assets to a defined level of service.
9. Implement a Capital Investment Strategy to evaluation and prioritisation capital projects. The strategy to consider a critical needs analysis and whole of life costs before the allocation of funds.
10. Develop a prioritised Capital Expenditure Program consisting of Renewals; Upgrades; and New. Program estimates based on service levels, condition assessments, intervention levels, remaining useful life, and current service and maintenance levels.
11. Develop Unit Rates for asset valuation and capital expenditure forecasting.
12. Identify funding sources for the Capital Expenditure Program.
13. Use of debt to fund the expansion of business activities that are expected to generate an operating surplus over time.
14. Limit the use of debt for social infrastructure.
15. Integrate with and inform the Long Term Financial Forecast and budget process.
16. Ensure assets are maintained to a safe and acceptable condition.
17. Consider the cost / benefit of asset management complexities.
18. Monitor and report against Sustainability Ratios, KPIs and Levels of Service.

Council is in the early stages of developing and implementing long term management systems and as such expects the Long Term Asset Management Plan and associated

expenditure programs to change significantly over the next five years as these systems mature and better information becomes available.

It should be noted that Council has made significant advances in the reliability of the base data (quantity, location, condition and value) since amalgamation.

### **Asset Management Assumptions**

Asset management relies on numerous assumptions to deliver forecast capital work programs. Applying rigour to these assumptions will consume time and resources, requiring commitment from Council, Management and Staff to the process. Importantly, Council must document and continuously review these assumptions.

These assumptions include:

- The relationship between condition and remaining useful life;
- Future demands in accordance with the
  - Wide Bay Burnett Regional Plan
  - Strategic Land Use Plan;
- Future technology advances;
- Demographics predictions;
- Climates Change; and
- Government policies and legislation.

Council acknowledges that asset management is not an exact science and a change in any assumption may have a significant impact on Council and the community i.e. introduction of an emissions trading scheme or a natural disaster.

Council intends to use asset management to undertake various “What if Analysis” and “Predictive modelling” to provide options and a range of scenarios to ensure informed decisions are based on the best information available at the time.

It is therefore appropriate that Council uses asset management as a guide to sustainability and as a risk management tool.



## Short term Plan / Schedule

Council acknowledges it will take several years to implement effective asset management and sets a short term plan to focus its development.

In line with the Long Term Asset Management Goal and Strategies, Council has identified the following improvement opportunities for the next 2 years.

Priority	Improvement Opportunities	Date
	Finalise the core AMPs for all infrastructure assets with “first cut” renewal plans based on existing condition and remaining useful life	Aug 2011
	Review the 2011 LTFF against forecast renewal expenditures of the AMPs	Sept 2011
	Use the forecast renewal expenditure of the AMPs to inform the 2012 LTFF	Nov 2011
	Include upgrades of existing assets into the AMPs' CapEx Program	Nov 2011
	Review the LTCP and other corporate plans to ensure all proposed new infrastructure asset and major upgrades are identified in the AMPs' Future Demands. Include these new assets in the appropriate CapEx Programs inform the LTFF and budget process	Nov 2011
	Establish WoLC forecasts (Maintenance and Operating Programs) with operational processes to manage identified risks and incorporate into the LTFF	Dec 2011
	Implement a Capital Investment Strategy to evaluate and prioritise the CapEx Program considering; <ul style="list-style-type: none"> <li>• Project drivers;</li> <li>• Linkage to corporate planning objectives and strategies;</li> <li>• Project Classification (Renewal, Upgrade, New);</li> <li>• Business plan requirements;</li> <li>• Risk Management / Identify Risks and costs</li> <li>• Funding sources; and</li> <li>• WoLCs</li> </ul>	March 2012
	Set suitable AM KPIs in the Operational Plan for progress monitoring and reporting	March 2012
	Develop condition assessment schedules to define associated risks	May 2012
	Incorporate the responsibilities for sustainable AM into the position descriptions of appropriate employees	June 2012

	Continue to develop AMPs to consider CapEx Programs based on existing levels of service	June 2012
	Develop a detailed Disposal / Decommission Strategy and target the disposal proceeds for Capital Investment	Oct 2012
	Monitor "planned versus actual" expenditures and compare with planned service delivery goals	Oct 2012
	Continue to identify and document technical levels of service for all stakeholders. Ensure all stakeholders are aware of these standards in order to provide a consistent response to community enquires and inform internal processes and decision-making.	Feb 2013
	Identify funding strategies	March 2013
	Monitor levels of service against guidelines set out in AMPs	Oct 2013
	Continue to progress towards advanced AMPs for all major infrastructure assets	Oct 2013

## Asset Management Team

Council has formed an organisational-wide Asset Management Team to develop and promote sustainable asset management. The team is lead by the Manager Assets and the Manager Financial Accounting and is supported by selection of dedicated staff across all branches of council. The team meets quarterly and reports direct to the Chief Executive Officer and Directors.

### Self Assessment

With Council's strategy for continuous improvement in Asset Management, the Asset Management Team periodically undertakes a self assessment of its progress and future improvement opportunities.

Since amalgamations in 2008, Council's achievements include:

- Consolidation of the former Council Asset registers;
- Formation of an Asset Management Team;
- Setting of Asset Hierarchies, structure and definitions;
- Alignment of existing data with the new hierarchies;
- Completion of stock takes and network re-segmentations;
- Annual asset valuations;
- Developing core Asset Management Plans for all major infrastructure assets;
- Providing supporting information and notes to the Annual Financial Statements;
- Providing "first cut" renewal plans based on existing condition and remaining useful life; and
- Promoting asset management across Council.



## Asset Management Plans

Council's Long Term Asset Management Plan is supported by six (6) detailed second-tier Asset Management Plans, tailored to each class of infrastructure asset (Refer Appendix 1 – 6).

These Asset Management Plans seek to guide asset management actions into the future by addressing Long Term Asset Management Plan's goal and strategies.

Council has developed an Asset Management Plan for each class of major infrastructure, being:

- Roads & Transport
- Sewerage
- Water
- Buildings & Structures
- Drainage
- Parks & Recreation

Waste Management facilities are currently dealt with under the Buildings & Structures Asset Management Plan, however Council plans to develop a separate plan specifically for Waste Infrastructure.

Council has developed each Asset Management Plan using a consistent framework. The framework is based on the IPWEA's International Infrastructure Management Manual and includes:

1. Asset Hierarchies.
2. Service Levels, including Strategic/Community Service Levels and Maintenance Service Levels.
3. Future Demand. Future requirements associated with corporate plans or operational plans, known or possible areas for expansion, new subdivisions, population growth, changes in Land Use, known changes to government policy and regulations, impact of future demand on service levels, asset lifecycle and financial considerations, changes in technology and construction techniques.
4. Lifecycle management and financial considerations. These include consideration of useful life, condition, valuations, maintenance, renewal, replacement and disposal plans, as well as risk management.
5. Asset management practices, including management systems.
6. Continuous improvement and monitoring.
7. References.
8. Feedback, including reporting in Annual Report, Community Financial Report and Budget.

## Monitoring and Reporting

To assist in monitoring the goal of sustainability, Council will adopt the ratios and targets recommended by the Department of Local Government and Planning in its Financial Management Guideline 2011. Council will report against these indicators in the Community Finance Report, Budget and Long Term Financial Plan. Together, these corporate management and planning documents cover a period of five (5) years in history and ten (10) years in forecast.

Financial sustainability requires the maintenance of Infrastructure Capital and Financial Capital whilst balancing the provision of a reliable level of service to the current community with the need to plan for future growth and changing needs.

### Infrastructure Capital

Ratio	Purpose	Target
Asset Sustainability	This ratio compares the amount spent on renewing existing assets to the amount of depreciation expense, indicating the re-investment in existing assets.	> 90%
Asset Consumption	This ratio highlights the aged condition of non-current assets by comparing the written down value of the assets to its replacement costs.	40% - 80%
Asset Renewal Funding	This ratio is pending the development of advanced long term asset management plans.	TBA
Interest Coverage	Measures the level of operating revenue committed to funding interest expenses on current loans and leases. This ratio may be used in conjunction with the Net Total Liability to determine debt capacity.	0% - 5%

## Abbreviations

AM	Asset management
AMP	Asset management plan
CapEx	Capital Expenditure
CPI	Consumer price index
IPWEA	Institute of Public Works Engineering Australia
KPI	Key performance indicator
LOS	Level of Service

LTAMP Long term asset management plan  
 WoLC Whole of life costs

## Glossary

Term	Description
Asset class	Grouping of assets of a similar nature and use in an entity's operations. Reported in the annual financial statements.
Asset condition assessment	The process of continuous or periodic inspection, assessment, measurement and interpretation of the resultant data to indicate the condition of a specific asset. The condition is used to inform Depreciation and Remaining Useful Life calculations; and CapEx and Maintenance programs.
Asset management	The combination of management, financial, economic, engineering and other practices applied to physical assets with the objective of providing the a sustainable level of service in the most cost effective manner. It includes the management of the whole life cycle (design, construction, commissioning, operating, maintaining, repairing, modifying, replacing and decommissioning / disposal) of physical and infrastructure assets.
Assets	Future economic benefits controlled by the entity as a result of past transactions or other past events. Property, plant and equipment (including infrastructure) with benefits expected to last more than 12 month.
Capital expenditure / Capital Investment	Expenditure, which has benefits, expected to last for more than 12 months. Capital expenditure includes renewal, upgrade and new.
Capital funding	Funding to pay for capital expenditure. Sources of funds include loans, reserves, grant and subsidies, asset disposal proceeds and general revenue.
Capital new	Expenditure which creates a new asset providing a new service to the community that did not exist beforehand. As it increases service potential it may impact revenue and will increase future operating and maintenance expenditure.

Capital renewal	Expenditure on an existing asset, which returns the service potential or the life of the asset up to that which it had originally. It is periodically required expenditure, material in value compared with the value of the components or sub-components of the asset being renewed. As it reinstates existing service potential, it has no impact on revenue, but may reduce future operating and maintenance expenditure if completed at the optimum time, e.g. resurfacing or resheeting a material part of a road network.
Capital upgrade	Expenditure, which enhances an existing asset to provide a higher level of service or expenditure that will increase the life of the asset beyond that which it had originally. Upgrade expenditure is discretionary and often does not result in additional revenue unless direct user charges apply. It will increase operating and maintenance expenditure in the future because of the increase in the council's asset base, e.g. replacing drainage pipes with pipes of a greater capacity.
Infrastructure assets	Physical assets of the entity that contribute to meeting the community's need for access to major economic and social facilities and services, e.g. water, sewerage, transport and drainage. These are typically large, interconnected networks or portfolios of composite assets. The components of these assets may be separately maintained, renewed or replaced individually so that the required level and standard of service from the network of assets is continuously sustained. Generally the components and hence the assets have long lives. They are fixed in place and are generally have no market value.
Level of service	The defined standard for a particular service against which performance may be measured. Service levels usually relate to quality, quantity, reliability, responsiveness, environmental, acceptability and cost. Legislation i.e. Water Supply (Safety & Reliability) Act 2008, may set minimum service levels for specific services.
Maintenance expenditure	Recurrent expenditure, which is periodically or regularly required as part of the anticipated schedule of works required to ensure that the asset achieves its useful life and provides the required level of service. It is expenditure, which was anticipated in determining the asset's useful life.
Operating Surplus	The operating surplus or deficit for a financial year is the difference between the recurrent revenue and the recurrent expenditure.
Remaining useful life	The time remaining until an asset ceases to provide the required service level or economic usefulness. Age plus remaining life is economic life.

Risk management	The application of a formal process to the range of possible values relating to key factors associated with a risk in order to determine the resultant ranges of outcomes and their probability of occurrence.
Segmentation	A self-contained part or piece of an infrastructure asset.
Whole of Life Costs	The Whole of Life Costs (WoLC) is the cost to provide the service over the asset's useful life. It comprises annual operating, maintenance and lost opportunity costs / return on capital. WoLC must be considered before investing in capital.

## Appendix

Appendix 1 - Roads & Transport Infrastructure Asset Management Plan

Appendix 2 - Sewerage Infrastructure Asset Management Plan

Appendix 3 - Water Infrastructure Asset Management Plan

Appendix 4 - Buildings & Structures Asset Management Plan

Appendix 5 - Drainage Asset Management Plan

Appendix 6 - Parks & Recreation Asset Management Plan