STRATEGIC ASSET MANAGEMENT PLAN

city of
PALMERSTON

'A Place for People'

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Abbreviations:

- *AML –Assets Management Lead*
- *GMI – General Manager Infrastructure*

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EXECUTIVE SUMMARY

This Asset Management Strategic Plan has been prepared to assist Council in improving the way it delivers services from infrastructure including roads, bridges, footpaths, stormwater drainage, playgrounds and open spaces, buildings, fleet, and public lighting. These infrastructure assets have a replacement cost of $754 million in assets, as of 1st July 2021.

The Strategic Asset Management Plan is to enable City of Palmerston to:

- Enable Councils asset management policies to be achieved.
- Ensure the integration of Councils asset management practices with its long-term strategic plan.[1]
- Demonstrate that Councils Asset Management System is aligned with industry best practice and guided by the international standard for Asset Management: ISO 55001: Management System for Asset Management.
- Describe the role of the AMS in supporting achievement of the Asset Management Objectives, delivering appropriate level of service cost effectively, and meeting legislative requirements.
- Document information that specifies how organisational objectives have been realised as asset management objectives; and
- Inform the approach for developing and maintaining Asset Management Plans.

Adopting this Asset Management Strategic Plan will assist council in meeting the requirements of national sustainability frameworks, ISO 5000 alignment and best practice by demonstrating Councils approach to asset management including asset management systems, team, and planning approach.

The asset management strategies within, are prepared following a review of the Councils service delivery practices, financial sustainability indicators, asset management maturity and fit with Councils vision for the future, as outlined in the Community Plan. The risk and maturity assessment demonstrated the completeness and current levels of Councils asset management, while allowing target areas where future focus and resources are required to bring Council to a minimum 'core' level of asset maturity and competence.

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[1] LGPMC, 2009, Framework 2 *Asset Planning and Management*, p 4.

INTRODUCTION

As the second largest, and fastest growing city in the Northern Territory, the City of Palmerston (Council) has $754 million in assets, under its management as of 1ˢᵗ July 2021. As the community custodians, Council has a responsibility to effectively and efficiently manage these assets that provide services to its community in accordance with best asset management practices.

Asset Management is a systematic business practice to manage and maintain infrastructure in a sound and reliable condition and is based on minimising whole-of-life costs, it also aims to significantly reduce operating and maintenance cost, as well as long-term capital expenses. Asset Management provides the organisation with the ability to understand the immediate, medium, and long-term impacts of decisions and provide solutions on how to mitigate the risks to the organisation.

This Strategic Asset Management Plan (SAMP) is an integral part of the Councils planning framework and aims to provided clear alignment from the organisational vision and objectives outlined by the community plan to the asset management objectives to be delivered by the assets.

PURPOSE

The objective of the SAMP is to guide the planning, acquisition, maintenance, operation, and disposal of the infrastructure, essential for council to provide services to the community.

The purpose of this SAMP is to:

- Enable Councils Asset Management Policies to be achieved.
- Ensure the integration of Councils Asset Management practices with its long-term strategic plan.[2]
- Demonstrate that Councils Asset Management System (AMS) is aligned with industry best practice and guided by the international standard for Asset Management: ISO 55001: Management System for Asset Management.
- Describe the role of the AMS in supporting achievement of the Asset Management Objectives (AM Objectives), delivering appropriate Level of Service (LOS) cost effectively, and meeting legislative requirements.
- Document information that specifies how organisational objectives have been realised as AM Objectives; and
- Inform the approach for developing and maintaining Asset Management Plans (AMP).

ORGANISATIONS OBJECTIVES

The organisation's objectives play a large part in developing organisational policies and determining the allocation of organisational resources.

The Councils Community Plan sets out the vision, outcomes and objectives for our community and is the overarching strategic document. This means that it governs all the work that the Council undertakes, either through direct service delivery, collaborative activities, or advocacy on behalf of our community. The direction set through the Community Plan ensures infrastructure and service provision is focussed to meet the requirements of our community, now and into the future.

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[2] LGPMC, 2009, Framework 2 *Asset Planning and Management*, p 4.

OUR VISION

'A Place for People'.

Palmerston is a welcoming vibrant family city that fosters diversity and unity.

In Palmerston, everyone belongs.

In Palmerston, everyone is safe.

The community outcomes and the organisational objectives to meet these are displayed in Figure 1:

Figure 1 Community outcomes and organisational objectives

ASSET PROFILE

Our Customers and Community

We provide services to a range of customers and community users. These include:

- Residents
- Visitors staying in the area
- Businesses and industry within the area, and
- Business and industry users and visitors passing through the area.

Council uses infrastructure assets to provide services to the community. The range of infrastructure assets and the types of services provided from the assets is shown in Figure 2.

Figure 2 Community link to assets

As of 1ˢᵗ July 2021, Council owns, operates, and maintains assets with a replacement value of $754 million, with $620 million forming the infrastructure assets covered by the core asset portfolios for which AMP's are developed and maintained, an analysis on values of the asset portfolios is outlined in Figure 3.
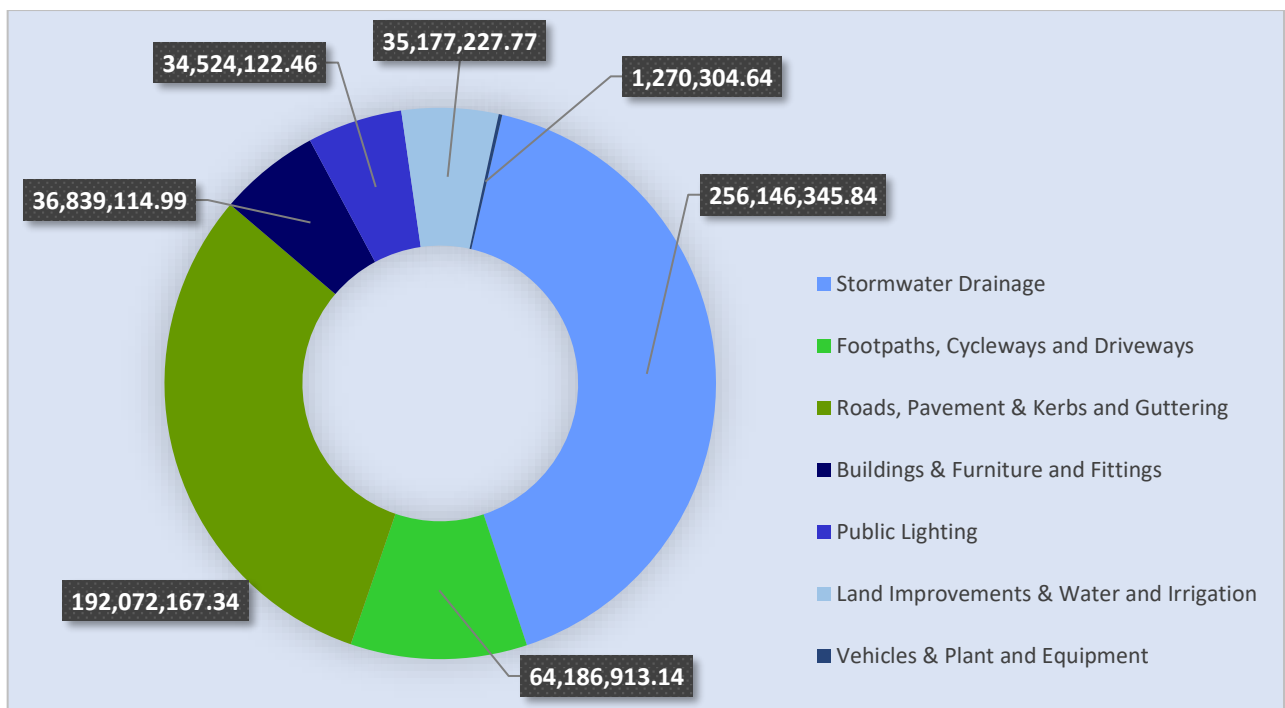

Figure 3 Assets portfolio and value summary

Each asset type has an assumed useful life which varies based on factors including the materials used, exposure to weather and frequency of use. The following table provides a summary on the amount of life remaining for each asset class, with a high remaining life being an indicator that assets in that class are generally young in terms of their useful life.
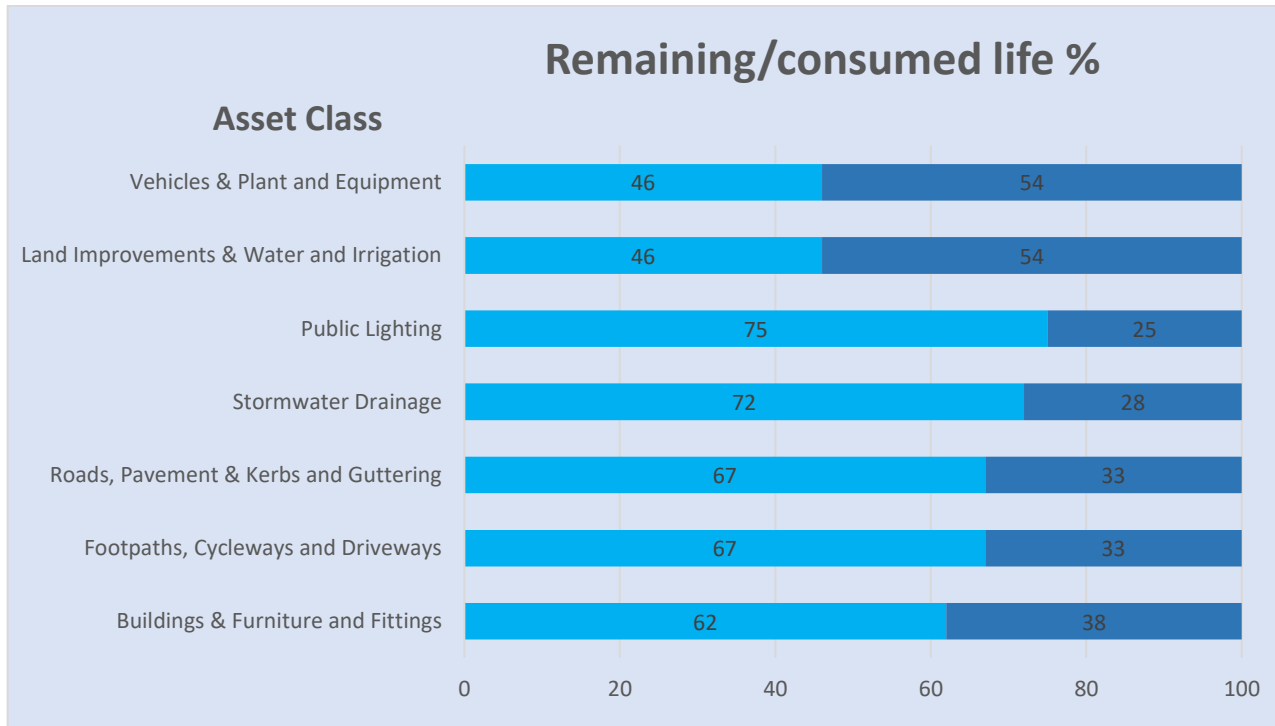
Figure 4 Remaining vs Consumed asset life

ASSET MANAGEMENT STRUCTURE AND PLANNING FRAMEWORK

Council has used the International Infrastructure Management Manual (IIMM) 2015 and industry best practice to align its asset management with International Asset Management Standards ISO 55000,

The principal objective of asset management is to enable Council to realise value from its assets in the achievement of its organisational objectives, while balancing financial, environmental and social costs, asset and service risk, service quality and asset performance. Our Asset Management structure comprises three core levels of documentation.

- Asset Management Policy, The Policy AM01 sets the Councils direction for asset management and prescribes that by managing risk, maximising value, and delivering service outcomes, asset management shall ensure safety, environmental responsibility, and financial sustainability for current and future stakeholders.

- SAMP, The Strategy is a document that translates the direction set by community and Council through the Community Plan and Policy into asset management focused objectives, overarching levels of service and improvement opportunities across all asset classes.

- Asset Management Plans, The Plans are operational documents for each asset class that detail specific approaches to the management of that particular class of asset, levels of service, funding required and improvement actions.

How these documents fit within the Councils overall planning and delivery is shown in Figure 5

Figure 5 Asset Management Planning Framework

ASSET MANAGEMENT SYSTEM

The AMS is "all the functions, people, processes, information and tools that deliver AM Objectives"[3] and links into many other systems and processes within the organisation.

The purpose of the AMS Model is to articulate the key components of an asset management system and how they inter-relate. The AM Objectives are the results to be achieved from the AMS. AM Objectives are guided by organisational objectives and the AM policy and drive AM practices undertaken by the organisation.[4]

The AM system structure includes:

- AMPs for the asset portfolios
- Integration of AM processes, activities and data with other organisational functions including service delivery, quality, accounting, risk management, safety, and human resources
- Reporting of AM Objectives and resources to achieve the objectives in annual budgets
- Reporting of AM Objectives achievements in annual reports
- Measuring asset performance against organisational objectives

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[3] IPWEA, 2015, IIMM, Sec 2.1.1, p 2|3.
[4] IPWEA, 2015, IIMM, Sec 2.1.3, p 2|13.

Figure 6 Asset Management System Model

The above model links into a range of systems, teams and organisational plans who all play a part in the organisations asset management processes, Figure 7 highlights the major teams, systems and documents in Council that form the AMS.

Figure 7 Asset Management System participants.

ASSET MANAGEMENT ROLES

The community, Elected Council and the City of Palmerston all play a role in Asset Management. Without community, municipal infrastructure would not be required. The community sets service expectations and requirements to be fulfilled. Council staff are responsible for the implementation of asset management processes. Implementation of asset management is an organisation wide responsibility, connecting high level, strategic planning to on-ground, operating processes.

Internal Stakeholders - Specific internal stakeholders of the AMS and their respective roles and responsibilities are outlined in Figure 8 and, in general, these stakeholders fall into the following key areas:

Figure 8 Internal asset management roles.

External Stakeholders - The residents and visitors to the community are the primary external stakeholders in the AMS and also the main beneficiaries of the services. They also contribute the bulk of the operating funds through rates, charges and fees.

There are other groups with external stakeholder interests including:

- Goods and services providers to Council;
- The Northern Territory Government;
- Financial Institutions, Insurers, Regulatory Authorities;
- Developers;

ASSET MANAGEMENT VISION AND OBJECTIVES

AMPs are formulated and documented to achieve the AM objectives. This includes documentation of decision-making criteria, processes for managing the complete life cycle of assets, addressing risks and opportunities, activities to be undertaken, resources, responsibilities, timelines, performance criteria and financial implications.

AM objectives are to be specific, measurable, achievable, relevant and time bound (SMART) and incorporate Councils desire to ensure that infrastructure assets are managed in an efficient and sustainable manner and asset cost is optimised over the asset's lifecycle. AM objectives transform the required outcomes (product or service) to be provided by the assets, into activities typically described in the asset management plans.

Table 1 shows the alignment of the AM objectives developed in order to achieve the organisational objectives.

Table 1 Asset Management Objectives

Strategic Outcomes	Objective	How Outcomes and Objectives are addressed in the AM Plans
A Future Focus	Infrastructure is fit for purpose	Assets are measured through a community satisfaction survey to be fit-for-purpose and address community expectations
Governance	Ensure we have leading governance model	Being accountable by outlining key financial and asset management details
Governance	Ensure we have leading governance model	Managing risks through a logical process for the selection of treatment plans and management actions of assets
Vibrant Economy	Palmerston's economic future is bright	To ensure financial sustainability of assets, funding for new, upgrade, and renewal projects are balanced through grants, loans, and rate funds.

Family and Community	The wellbeing of our community is a focus for all our work	The community are the focus of asset management, maintenance and renewal of key community infrastructure that provide services for all, residents, visitors, and businesses
Environmental Sustainability	Reduce our footprint on the environment	To ensure environmental impacts are investigated and minimised in conjunction with financial sustainability practices for new, upgrade, and renewal projects.
A Future Focus	We support and foster innovation	Innovative practices are used for monitoring and maintaining assets as well as new, upgrade, and renewal projects
Governance	Ensure we have a leading governance model	Asset systems, plans and data align with ISO 55000 and are maintained, allowing for transparent and information driven decisions that follow best practices

LEVELS OF SERVICE

Levels of Service (LOS) define the standard to which the Council aims to provide assets. They must consider what provision, maintenance and renewal of assets is appropriate and possible within budgetary constraints. A higher level of service may see more assets provided and kept to a higher maintenance standard; however, this would come at a significantly higher cost. LOS for the major asset classes are within individual AMPs with the overarching outcome for all AMP to meet the strategic objectives of the Community Plan and principles set in the AM policy.

OPERATION AND MAINTENANCE STRATEGIES

Operation activities affect service levels including quality and function, such as cleanliness, appearance, etc., through street sweeping and grass mowing frequency, intensity and spacing of street lights and cleaning frequency and opening hours of building and other facilities.

Maintenance includes all actions necessary for retaining an asset as near as practicable to an appropriate service condition including regular ongoing day-to-day work necessary to keep assets operating, e.g. road patching but excluding rehabilitation or renewal.

Where maintenance expenditure levels are such that will result in a lesser level of service, the service consequences and service risks have been identified and service consequences highlighted in the respective AM Plan and service risks considered in the Infrastructure Risk Management Plan.

We will operate and maintain assets to provide the agreed level of service and approved in budgets in the most cost-efficient manner. Proposed operation and maintenance strategies in this SAMP are:

- Scheduling operation activities to deliver the defined level of service in the most efficient manner.
- Undertaking maintenance activities through a planned maintenance system to reduce maintenance costs and improve maintenance outcomes. Undertake cost-benefit analysis to determine the most cost-effective

split between planned and unplanned maintenance activities (50 – 70% planned desirable as measured by cost).
- Maintain a current infrastructure risk register for assets and present service risks associated with providing services from infrastructure assets and reporting Very High and High risks and residual risks after treatment to management and Council/Board.
- Review current and required skills base and implement workforce acquisition, training and development to meet required operation and maintenance needs.
- Review asset utilisation to identify underutilised assets and appropriate remedies, and over utilised assets and customer demand management options.
- Maintain a current hierarchy of critical assets and required operation and maintenance activities.
- Develop and regularly review appropriate emergency response capability.
- Review management of operation and maintenance activities to ensure we are obtaining best value for resources used.

RENEWAL/REPLACEMENT STRATEGIES

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

Renewal and replacement strategies proposed under this SAMP are:

- We will plan capital renewal and replacement projects to meet level of service objectives and minimise infrastructure service risks by:
    - Planning and scheduling renewal projects to deliver the defined level of service in the most efficient manner.
    - Undertaking project scoping for all capital renewal and replacement projects to identify.
    - The service delivery 'deficiency,' present risk and optimum time for renewal/replacement.
    - The project objectives to rectify the deficiency.
    - The range of options, estimated capital and life cycle costs for each option that could address the service deficiency.
    - Eevaluate the options against evaluation criteria adopted by Council/Board, and
    - Select the best option to be included in capital renewal programs.
    - Using optimal renewal methods (cost of renewal is less than replacement) wherever possible.
    - Maintain a current infrastructure risk register for assets and service risks associated with providing services from infrastructure assets and reporting Very High and High risks and Residual risks after treatment to management and Council/Board.
    - Review current and required skills base and implement workforce training and development to meet required construction and renewal needs.
    - Maintain a current hierarchy of critical assets and capital renewal treatments and timings required.
    - Review management of capital renewal and replacement activities to ensure we are obtaining best value for resources used.
    - Renewal ranking criteria.
- Renewal ranking criteria was developed from consideration of renewal/replacement need for assets that:
    - Have a high consequence of failure.
    - Have a high utilisation and subsequent impact on users would be greatest.
    - The total value represents the greatest net value to the organisation.
    - Have the highest average age relative to their expected lives.
    - Are identified in the AM Plan as key cost factors.
    - Have high operational or maintenance costs, and.
    - Where replacement with modern equivalent assets would yield material savings.
    - Criteria used for ranking renewal and replacement proposals is documented in the applicable AM Plans.

ASSET ACQUISITION STRATEGIES

New works are those works that create a new asset that did not previously exist, or works which upgrade or improve an existing asset beyond its existing capacity. They may result from growth, social or environmental needs. Assets (donated or gifted assets) may also be acquired at no cost to the organisation from land development or arising from government grants.

Strategies for acquisition and creation of new assets and upgrade of existing assets proposed in this SAMP are:

We will plan capital upgrade and new projects to meet level of service objectives by:

- Planning and scheduling acquisition of assets and upgrades to deliver the defined level of service in the most efficient manner.

Undertake project scoping for all capital acquisition projects to identify

- The service delivery 'deficiency,' present risk and required timeline for delivery of the asset acquisition
- The project objectives to rectify the deficiency including value management for major projects
- The range of options, estimated capital and life cycle costs for each option that could address the service deficiency
- Mmanagement of risks associated with alternative options
- Evaluate the options against evaluation criteria adopted by Council/Board, and
- Select the best option to be included in capital programs

Review current and required skills base and implement staff acquisition, training and development to meet required construction and project management needs

Review management of capital project management activities to ensure we are obtaining best value for resources used.

Proposal for Acquisition of Assets by construction - Criteria

- Acquisition of new assets and upgrade/expansion of existing assets are identified from various sources such as councillor or customer/community requests, proposals identified by strategic plans or partnerships with other organisations.
- Candidate proposals are inspected to verify need and to develop preliminary CAPEX and OPEX estimates.
- Verified proposals are ranked by priority and available funds and scheduled in future works programmes.
- The priority ranking criteria is detailed in the respective asset management plans.

DISPOSAL PLAN

Disposal includes any activity associated with disposal of a decommissioned asset including sale, demolition or relocation. Disposals must adhere to Councils Disposal Policy FIN15.

Assets identified for possible decommissioning and disposal are shown in the respective asset management plans summarised in this strategic asset management plan.

RISK MANAGEMENT

Strategic Risks Our approach to asset management must address or contribute to the mitigation of strategic risks. Strategic risks are those risks that apply to the City as a whole and could adversely affect the achievement of our strategic outcomes and/or damage the City's reputation. Appropriate asset management will contribute to mitigating the following strategic risks.

City of Palmerston Strategic Risk:

1. Fails to effectively regain the trust from all stakeholders
2. Is not sustainable into the long term
3. Fails to attract, value, retain and develop the right people with the desired culture
4. Fails to effectively design and implement contemporary governance practices
5. Fails to make informed and timely decisions
6. Fails to create and deliver the strategic vision for the City
7. Fails to be agile to respond to growth opportunities
8. Fails to develop effective relationships and manage expectations of relevant parties
9. Fails to appropriately respond to material events impacting business continuity

These risks are summarised Table 2 as operational risks that link to the strategic risks face by Council.

Table 2 Operational Risk Register

Risk Description	Possible Triggers	Strategic Risks	Controls	Rating	Further Action
Lack of Asset Management strategic direction & framework structure causing future miss management of assets	Inaccurate budgeting and forward planning	Deliver the strategic vision for the city	Developing Strategic Asset Management Plan & Asset Management Framework	**High**	Draft Asset Management Strategy & Asset Management Framework
Asset Management plans not meeting industry best standards or containing up to date information	Failure to meet review timeframes	Be sustainable into the long term	KMPG have assessed the AMP structure to industry best standards and review schedule in place for all 7 AMP's	**Moderate**	Continue to improve the quality of asset management plans.
Asset register/system (Assetic) data not meeting the requirements of LG Act (General) Regulations 2021 - Division 9 Assets	Low quality asset inputs with no controls or procedures	Make informed and timely decisions	Effective Asset recording through industry standard asset management and GIS systems.	**Moderate**	Continue to improve the quality of asset data. Data capture and data management procedures to be drafted.

Inability to predict and forward plan long term budget allocation for asset renewal and upgrades	Insufficient asset condition and routine inspection data	Be sustainable into the long term	Periodic asset condition & routine maintenance inspections	**High**	Program and allocate ongoing budget funds for periodic condition inspections. Integrate routine inspections into operational contracts or internal staff responsibilities.

An assessment of risks associated with service delivery from infrastructure assets conducted for each relevant asset management plan identified critical risks that will result in loss or reduction in service from infrastructure assets or a 'financial shock' to the organisation. The risk assessment process identifies credible risks, the likelihood of the risk event occurring, the consequences should the event occur, develops a risk rating, evaluates the risk and develops a risk treatment plan for non-acceptable risks. As such each AMP has identify the asset specific risks for the asset class and these are aimed that mitigating the overall operational risks identified in Table 2.

FINANCIAL & ASSET MANAGEMENT MATURITY

The National Frameworks on Asset Planning and Management and Financial Planning and Reporting define 10 elements. 11 practice areas have been developed from these elements[5] to assess maturity under the National Frameworks. The core competencies are:

- Strategic Longer-Term Plan
- Annual Budget
- Annual report
- Asset Management Policy
- Asset Management Strategy
- Asset Management Plan
- Governance & Management
- Levels of Service
- Data & Systems
- Skills & processes
- Evaluation

Councils' maturity assessment for the core competencies summarised in Figure 9. The current maturity level is shown by the blue bars. The maturity gap to be overcome for Council to achieve a core financial and asset management competency is shown by the red bars.

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[5] Asset Planning and Management Element 2 *Asset Management Strategy and Plans* divided into Asset Management Strategy and Asset Management Plans practice areas.
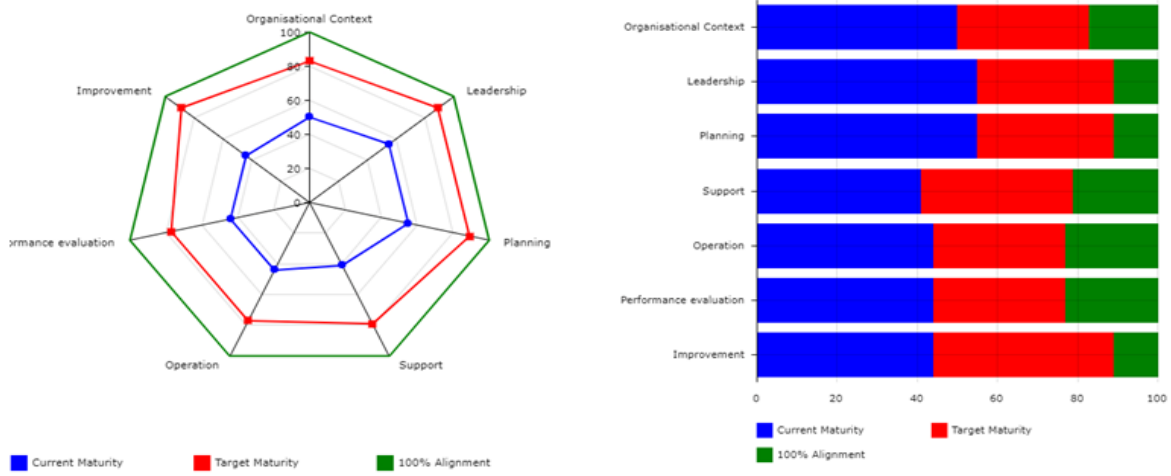
Figure 9: Financial and Asset Management Maturity

Council has a generally low level of asset management maturity across most asset classes when assessed against the ISO 55001 criteria