



# Asset management advancement program 2011–2012

A milestone based approach to the development and implementation of asset management plans in Queensland local governments.

## Guideline

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# 1. Introduction

## 1.1 Asset management plans in local government

The Commonwealth Government previously established a target to have all infrastructure asset classes managed by local governments in Australia covered by asset management plans by December 2010. To support this, the Department of Local Government and Planning established the asset management advancement program (A-MAP) 2009–10, a milestone-based statewide program.

This program was designed to support all Queensland local governments in developing asset management plans in a progressive manner during 2009 and 2010. It did not promote any specific approach to asset management planning, and encouraged councils to choose the resourcing approach that best suited individual needs and circumstances.

The Local Government Association of Queensland and the Institute of Public Works Engineering Australia were instrumental in developing the program together with the Gold Coast City Council, Sunshine Coast Regional Council and Brisbane City Council.

The existence of asset management plans for key assets is a necessary predecessor to local governments having a complete long-term financial forecast that supports planning and decision making processes. Under the asset management policy for local government there is a clear expectation that a local government's 10–year financial forecasts are underpinned by robust estimates produced from asset management plans.

Where asset management plans are not prepared, councils risk significantly underestimating future funding demands by failing to incorporate annual capital expenditure (renewal and new/upgrade), maintenance and operation requirements into short-, medium- and long-term financial planning. Ultimately, this is a risk to the ongoing sustainability of the council.

## 1.2 Local Government Reform Fund

In November 2009, the state government in conjunction with the Local Government Association of Queensland (LGAQ) lodged a formal submission with the Commonwealth Government seeking funding from the Local Government Reform Fund (LGRF). The funding proposal was to improve the capability of Queensland's local governments to manage their assets to provide better outcomes for local communities through management of assets and financial planning processes and anticipating infrastructure needs.

Funding of \$2 695 000 was approved.



The proposal meets the two main objectives (integration and collaboration) outlined by the Commonwealth Government. This significant project promotes and accelerates the implementation of integrated asset and financial management systems through the development of core asset management plans for key infrastructure assets. This will be a collaborative project between the Department of Local Government and Planning (the department), LGAQ, the Institute of Public Works Engineering Australia (IPWEA) and local governments.

While Queensland is well advanced in improving the financial sustainability of local governments, the assistance that is being made available by the Commonwealth Government is welcomed and will advance Queensland's efforts considerably.

The Commonwealth Government has agreed to provide financial assistance of \$2 695 000 to support the development of core asset management plans for the key infrastructure assets managed by 44 non-Indigenous Queensland local governments, and to assist 17 Indigenous local governments to improve their asset management capacity.

The output of this implementation plan will be a program of activities which upgrades the asset management capabilities of a total of 61 Queensland councils, comprising 44 non-Indigenous local governments and 17 Indigenous local governments. There are 12 local governments that do not receive LGRF funding under this program. The program of activities will:

- measure the asset management competence of each council
- develop action plans and asset management plans for each council and bring whole of life costing, community planning processes and asset management planning into council budgeting processes
- develop the asset management skills of councillors and council officers
- provide for specific activities, including the development of 10–year financial plans, targeted to Indigenous councils.

Queensland's approach is based on the fundamental belief that robust asset management plans for key assets are a necessary predecessor to councils having a complete long-term financial model that supports planning and decision-making processes.

It is recognised that local governments in Queensland have undertaken a significant amount of work in advancing asset management planning during 2009 and 2010. The work to be undertaken utilising the LGRF funding will recognise and incorporate work already in progress or finalised.

The Queensland Treasury Corporation will assist with the development of 10–year financial forecasts for Indigenous councils.

As a result of the amount of work to be undertaken in developing asset management plans for all asset classes, the existing A-MAP timeframe of 31 December 2010 has been extended to September 2011. It is expected that whole of life costing,



community planning processes and asset management planning will be introduced into council budgeting processes by December 2011.

The Local Government Reform Fund will greatly assist local government to deliver on the A-MAP program of work. The A-MAP program requires amendment as a direct result of the LGRF funding and the impact on previously stated milestones. A-MAP 2011 and 2012 reflects the changes in priorities and milestones for local governments in Queensland.

As a result of the LGRF project and Commonwealth Government agreement, all local governments in Queensland are now required to develop core asset management plans for all infrastructure asset classes by 30 September 2011.

## 1.3 Affected local governments

### LGRF local governments (non-Indigenous)

Balonne	Cook	Mount Isa
Banana	Croydon	Murweh
Barcaldine	Diamantina	North Burnett
Barcoo	Etheridge	Paroo
Blackall-Tambo	Flinders	Quilpie
Boulia	Fraser Coast	Richmond
Bulloo	Gladstone	Scenic Rim
Bundaberg	Goondiwindi	Somerset
Burdekin	Gympie	South Burnett
Burke	Hinchinbrook	Southern Downs
Carpentaria	Isaac	Tablelands
Cassowary Coast	Lockyer Valley	Western Downs
Central Highlands	Longreach	Whitsunday
Charters Towers	Maranoa	Winton
Cloncurry	McKinlay	

### LGRF local governments (Indigenous)

Aurukun	Northern Peninsula Area Regional Council
Cherbourg	Palm Island
Doomadgee	Pormpuraaw
Hope Vale	Torres Shire Council
Kowanyama	Torres Strait Island Regional Council
Lockhart River	Woorabinda
Mapoon	Wujal Wujal
Mornington	Yarrabah
Napranum	



## 1.4 Unaffected local governments

### Non-LGRF local governments

Brisbane City Council

Cairns Regional Council

Gold Coast City Council

Sunshine Coast Regional Council

Ipswich City Council

Logan City Council

Mackay Regional Council

Moreton Bay Regional Council

Redland City Council

Rockhampton Regional Council

Toowoomba Regional Council

Townsville City Council



## 2. Asset management policy

### 2.1 Asset management policy for local government

#### 2.1.1 Objective

The sustainable management of community infrastructure by local government.

#### 2.1.2 Policy

All Queensland local councils are to develop and maintain long-term financial plans based on sound infrastructure asset management plans for the infrastructure asset classes and sub-classes described in the associated schedule 1.

These long-term financial plans should cover a forward planning horizon of at least 10 years and the asset management plans on which they are based should desirably cover a 20 year period<sup>1</sup>.

Each Queensland local council will include disclosures in its annual report consistent with the requirements of the *Local Government Act 2009* and supporting regulations.

#### Schedule 1—Infrastructure asset classes and sub-classes

The minimum requirements for asset management plans would apply to assets of significant value/service potential with long estimated useful lives. The following assets and sub-assets fall into this category.

<b>Buildings</b>	Community facilities—including libraries, community centres, halls, public toilets Corporate real estate—including administration buildings
<b>Recreation facilities</b>	Pools, sporting stadiums, tennis courts, park facilities
<b>Infrastructure</b>	Roads network (sealed, gravel, reseals, formed)—including pavement, seal, kerb and channel, drainage, traffic management, furniture and signs, lighting and paths Stormwater drainage network—including open channel stormwater drains Flood mitigation network Water supply network Sewerage network Bridges (timber and concrete) Wharves, piers and jetties, pontoons Bus/road tunnels Waste landfill Retaining walls, sea and river walls, canals
<b>Other assets</b>	Off road footpaths, bikeways, beaches, natural reserves, urban parks and streetscapes

<sup>1</sup> *Legislation for Sustainable Management of Community Infrastructure in Australia*, Institute of Public Works Engineering Australia, National Asset Management Strategy, May 2008.

### 3. Minimum requirements for asset management plans

Under the asset management policy for local government, there is a clear expectation that 10–year financial forecasts are underpinned by robust estimates produced from asset management plans. It is not intended that councils create a new plan if the required information currently exists and is up to date.

The asset management plans provide the detail of actions required to manage the asset base in order to provide the desired levels of service over the timeframe of the plan.

The *International Infrastructure Management Manual* developed by the Institute of Public Works Engineering Australia provides councils with a basis for asset management planning including a road map for preparing an asset management plan.

councils that are seeking to further improve asset management processes, practices and outcomes can refer to a number of relevant sources, including:

- Local Government Association of Queensland's local government asset program
- Institute of Public Works Engineering Australia *International Infrastructure Management Manual*
- Institute of Public Works Engineering Australia National Asset Management Committee (NAMS.AU)
- Institute of Public Works Engineering Australia NAMS.PLUS asset management program
- Main Roads and Local Government Association of Queensland roads alliance (for road assets)
- Department of Environment and Resource Management (for water assets).

#### 3.1 Notes

Asset management plans will necessarily include a number of assumptions such as the service potential of assets, the future demand for those services and the costs to maintain those assets into the future. Inaccurate assumptions therefore pose a significant risk. This risk can be managed by clearly identifying assumptions and considering their importance and reliability. Where significant risks are identified, mitigation strategies would be expected.

The definitions for specific terms used in this document can be found in the glossary to the Institute of Public Works Engineering Australia *International Infrastructure Management Manual*, version 3.0, 2006.

## 3.2 Asset management plans—minimum

To ensure that asset management plans are sufficient, the following are required:

### **Introduction and overview**

- the classes and sub-classes of assets included in the plan
- quantitative data with respect to the asset classes and sub-classes

### **Service levels (derived from service planning)**

- the expected or required service levels for the included assets
- the actual service levels being achieved for the assets

### **Future demand (derived from corporate planning and service planning)**

- future requirements associated with corporate plans or operational plans
- known or possible areas for expansion
  - asset classes and potential acquisition dates
  - cost estimates
  - impact on service levels, asset lifecycle and financial considerations

### **Risk management**

- identification of risks
- identification of risk mitigation strategies

### **Lifecycle management and financial considerations**

- condition assessment and useful life
  - estimated useful life for each asset class and sub-class
  - estimated remaining useful life for each asset class and sub-class
  - annual depreciation expense per asset class and sub-class
- valuation of each asset class and sub-class
  - valuation
  - date of valuation and valuation methodology employed
- maintenance activities
  - description of program
  - timing of program
  - maintenance expense per asset class and sub-class
- renewal/replacement plan
  - renewals capital expenditure
- acquisition

- new or upgrade capital expenditure
- disposal
  - proposed timing of asset retirement or disposal
  - estimated residual values at retirement or disposal

#### **Asset management practices**

- information systems to be used and the standards and guidelines used to make decisions on asset management

#### **Improvement and monitoring**

- identification of any known issues with the quality of the data, forecasts, estimates etc
- actions taken to mitigate the known issues
- commentary on the reliability of the estimates contained within the plan
- an improvement plan—a forward looking action plan for monitoring, reviewing, improving the asset management process.

## 4. Asset management advancement program—LGRF local governments

The table below is drawn from the project implementation plan agreed with the Commonwealth Government to govern the LGRF project.

### Project milestones agreed with the Commonwealth Government

Project milestone	Milestone date
<b>Project initiation</b>	10 Dec 2010
<b>Stage 1</b> <u>Project implementation</u> Non-Indigenous component <ul style="list-style-type: none"> <li>Initial assessment of asset management competence against national sustainability framework completed for 44 councils.</li> <li>Action plans and asset management plans for individual asset classes under development for 44 councils (anticipate approximately 13 plans for each council).</li> </ul> Indigenous component <ul style="list-style-type: none"> <li>Indigenous sensitivity training for consultants completed and Indigenous specific asset management templates developed.</li> <li>Development of 10–year financial models for Indigenous councils commenced.</li> <li>Initial assessment of asset management competence against national sustainability framework completed for 17 councils.</li> <li>Action plans and asset management plans for individual asset classes under development for 17 councils (anticipate approximately 13 plans for each council).</li> </ul>	31 Jan 2011
<b>Stage 2</b> Indigenous and non-Indigenous <ul style="list-style-type: none"> <li>Completion of asset management plans for individual asset classes.</li> <li>Individual council asset management plans completed.</li> </ul>	30 June 2011 30 Sep 2011
<b>Stage 3</b> <ul style="list-style-type: none"> <li>Asset management skills of councillors and council officers developed against individual improvement plans.</li> <li>Whole of life costing, community planning processes and asset management planning introduced into council budgeting processes.</li> </ul>	30 Sep 2011 31 Jan 2012
<b>Project completions</b> <ul style="list-style-type: none"> <li>Project completed.</li> <li>Independent project evaluation complete.*</li> </ul>	29 Feb 2012 30 Mar 2012
<b>Project finalisation</b> <ul style="list-style-type: none"> <li>Submission of final project report by the state government .</li> <li>Acceptance of final project report by the Commonwealth Government.</li> </ul>	30 Apr 2012 31 May 2012

\* The independent project evaluation report will be a stand-alone document that can be used for public information dissemination purposes regarding the project. The report will describe the conduct, benefits and outcomes of the project as a whole and evaluate the project. The evaluation will assess the extent to which the objective in this implementation plan has been achieved and explain why any aspects were not achieved. The report will also include a discussion of any other matters relating to the project, limited to the minimum necessary for the effective evaluation of the project, which the Commonwealth Government notifies the state government should be included in the independent project evaluation report at least 30 days before it is due.

Note—the table above is the agreed project timetable with the Commonwealth Government. Due to the events of late December 2010 and early 2011, the project commencement has been delayed. It is expected that the project will ultimately run to schedule.

## **5. Asset management advancement program—non-LGRF local governments**

Local governments not part of the LGRF process are required to complete 'core' asset management plan/s for all infrastructure asset classes (as listed in schedule 1) by 30 September 2011. The 'core' asset management plan/s should be developed as per the *International Infrastructure Management Manual* approach.

The Department of Local Government and Planning acknowledges that in many cases the first version of asset management plans will include a number of assumptions and be based on imperfect data. This is the start of an ongoing improvement process, where subsequent iterations of the asset management plans will drive improvements in the quality of the data and the forecasts.

The extent of asset management plan advancement should be determined by Local governments on a cost/benefit basis, giving consideration to the following:

- scale, relative value/service potential and risk profile of the assets
- requirements for informed investment decision making and budgeting processes
- level of resources available and required to support the planning process.

The above approach supersedes the requirements previously specified in the *Asset Management Advancement Program 2009 and 2010*.

## **6. Council adoption of asset management plans**

It is expected that whole of life costing, community planning and asset management planning will be introduced into local government budgeting processes by January 2012 in preparation for the 2012–13 annual budget.

Asset management plans must underpin the 2012–13 budget for Queensland local governments. For local governments that have not previously done so, the asset management plans will need to be formally adopted in conjunction with the formal adoption of the 2012–13 budget.

## **7. Enhanced national framework on asset planning and management**

At the inaugural meeting of the Australian Council of Local Government, the Commonwealth Government gave particular emphasis to the need for councils to develop nationally consistent asset management and financial management plans.

A copy of the *Enhanced national framework on asset planning and management* (as agreed by the LGPMC on 8 May 2009) is available at [www.aclg.gov.au](http://www.aclg.gov.au)