



KIAMA  
MUNICIPAL  
COUNCIL

## Asset Management Strategy 2017 - 2027

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# Executive Summary

## Purpose of the Asset Management Strategy

The Strategic Asset Management Plan (SAMP) is used to ensure that Council has a long term vision for Infrastructure Asset management for the municipality and that Asset Renewals, Additions and Maintenance are financially sustainable.

## Objectives of the Asset Management Strategy

The objective of the asset management strategy is to define a structured set of actions aimed at enabling improved asset management by the organisation.

This strategy contains:

- Current asset position
- Current status of asset management practices
- Asset Management Funding
- Future vision of asset management
- Asset management improvement program to facilitate the vision

This strategy document is fully integrated into Councils suite of Integrated Planning and Reporting publications and contains data derived from the following Asset Management Plans:

- Roads
- Stormwater
- Buildings
- Footpaths and Cycleways
- Recreation
- Other Assets
- Holiday Parks

# Current Asset Position

## Asset Valuation

Kiama Municipal Council services a population of 21,505 with assets exceeding \$480 million dollars comprising:

Asset Category	Cost \$'000	Accumulated Depreciation \$'000	Written Down Value \$'000	Remaining Life
<b>Infrastructure</b>				
- Buildings Non Specialised	19,755	8,214	11,541	58%
- Buildings Specialised	89,327	37,581	51,746	58%
- Other Structures	17,588	7,734	9,854	56%
- Roads	133,791	51,894	81,897	61%
- Bridges & Culverts	14,324	6,669	7,655	53%
- Shared Pathways	12,469	4,280	8,189	66%
- Earthworks	22,711		22,711	
- Stormwater	34,284	9,005	25,279	74%
<b>Land</b>				
- Operational Land	44,061		44,061	
- Community Land	59,927		59,927	
- Land Under Roads	28		28	
- Land Improvements Non Depreciable	2,928		2,928	
- Land Improvements Depreciable	3,003	1,343	1,660	55%
<b>Other Assets</b>				
- Plant & Equipment	17,747	9,996	7,751	44%
- Office Equipment	3,127	2,330	797	25%
- Furniture & Fittings	2,627	2,219	408	16%
- Library Books	1,735	1,298	437	25%
- Other	1,142	31	1,111	97%
<b>Depreciable Total</b>	<b>350,919</b>	<b>142,594</b>	<b>208,325</b>	<b>59%</b>
<b>Non Depreciable Total</b>	<b>129,655</b>	<b>0</b>	<b>129,655</b>	<b>100%</b>
<b>TOTAL</b>	<b>480,574</b>	<b>142,594</b>	<b>337,980</b>	<b>70%</b>

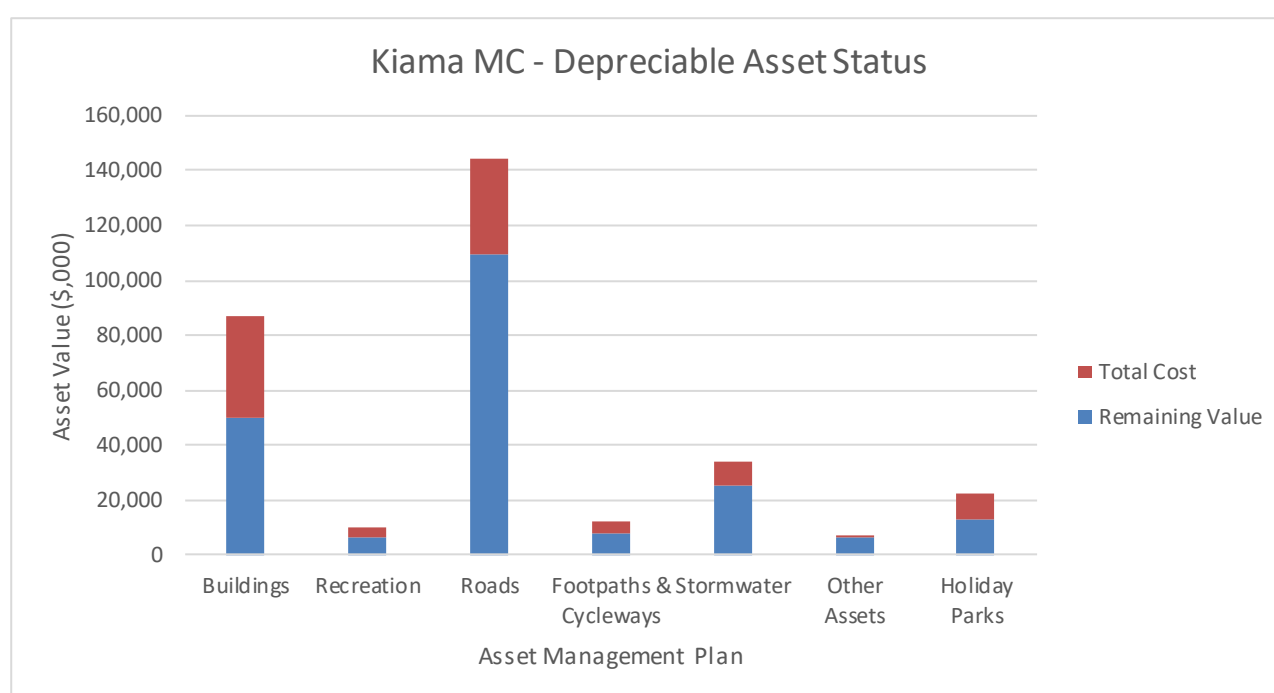
Source: Financial Statements 30<sup>th</sup> June 2016

Council infrastructure assets are recorded at Fair Value and revalued in accordance with the NSW Division of Local Governments accounting guidelines and timetable for asset class revaluations.

## Asset Condition

Councils uses assets that would cost \$480 million to replace to deliver services to the community. Of these assets \$351 million degrade through use and time and will need to be replaced, these are Councils depreciable assets.

These depreciable assets have lives ranging from a few years to 150 years, and on average have 59% of their life remaining before they need replacement. Analysis by Asset Management Plan category of the remaining values for the depreciable assets is shown in the graph below:

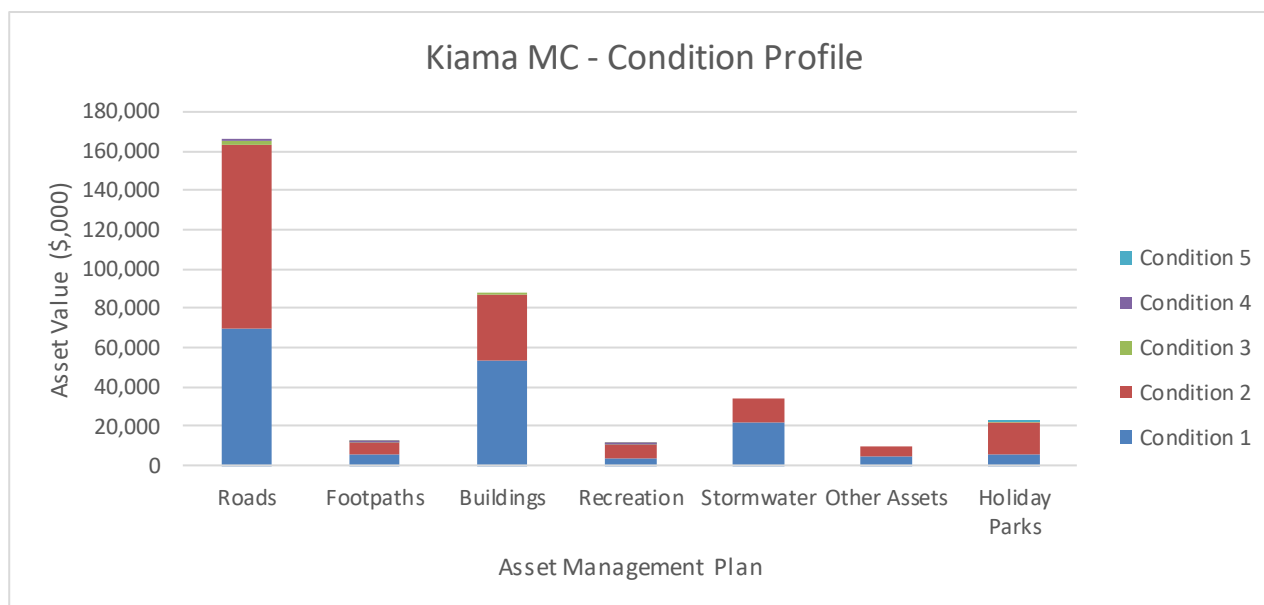


Council uses straight line depreciation so that the consumption of assets is evenly spread across generations. This ensures that current rate payers do not pay too little or too much for the infrastructure in the region. The remaining life of each individual asset is based on condition assessment of the asset and future development plans.

Council rates its assets condition using a 1 to 5 rating scale as follows:

- 1 Very Good: only planned maintenance required
- 2 Good: minor maintenance required plus planned maintenance
- 3 Fair: significant maintenance required
- 4 Poor: significant renewal/rehabilitation required
- 5 Very Poor: physically unsound and/or beyond rehabilitation

The following graph shows the current condition of assets in each Asset Management Plan.



Using condition levels from physical inspections and risk assessment all of the estimated asset renewals for the next ten years are detailed in each Asset Management Plan, these then feed into the Long Term Financial Plan.

## Current Status of Asset Management Practices

Kiama Municipal Council has adopted the best appropriate Asset Management Practices using the Institute of Public Works Engineering Australia International Infrastructure Manual as its basis. The current status of the major practices are:

### Asset Management Framework

The Asset Management Strategy derived from Asset Management Plans for asset categories is the corner stone of Councils asset management framework. The plan is fully integrated with all the Integrated Planning and Reporting documents. The key aspects of the 10 year capital renewal schedule and 10 year new capital items schedule ensures that there is full integration of the asset management capital requirements in future budgets.

To support the Asset Management Strategy Council has an adopted Asset Management Policy (appendix 1)

The foundation of Asset Management at Kiama are Councils Asset Management Plans. These provide an additional level of detail to various asset categories and are fully integrated with all Integrated Planning and Reporting documents.

Councils Asset Management Plans are:

- Stormwater
- Roads
- Buildings
- Recreation
- Footpaths and Cycleways
- Other Assets
- Holiday Parks

### Asset Management Information Registers

Council's asset data is all stored in its corporate Asset Management Information System (Authority).

The financial data is stored in the Authority financial management information system and is linked to the inventory records which contain the condition data.

Infrastructure is fully integrated with Geographical Information System (GIS) layers to improve the navigation to inventory records.

### Asset Inventory Data

Council has followed the guidelines for the fair value accounting of Infrastructure Assets resulting in the formation and auditing of key asset inventory data. The result of these processes is that all inventory records have been validated and key attribute data of location, dimensions, materials, condition, current replacement cost and remaining life have been reviewed.

### Risk Management

Council minimises the risk of asset failure and injury to staff and the community by conducting condition assessments. This is supported by the Customer Action Request System to support incidents and failures that have occurred between scheduled inspections.

Council manages risk via appropriate insurance, inspection, maintenance and renewal. Risk analysis is documented for assets in each Asset Management Plan.

Risk Assessments have identified that the Council Administration Building and associated assets (in particular Councils Information Systems) are a critical asset to Council operations. The result is that this risk is mitigated by appropriate maintenance, inspection, insurance and ensuring that an alternate site can be established to continue Council Operations in the event of asset failure.



## Asset Management Confidence Levels

Asset Management confidence levels are reflective of an organisations Asset Management journey. Current confidence levels for each of Councils Asset Management Plan are:

<b>AM Plan</b>	<b>Confidence Level</b>
Stormwater	Medium
Roads	Medium
Buildings	Medium
Recreation	Medium
Footpaths and Cycleways	Medium
Other Assets	High
Holiday Parks	Medium

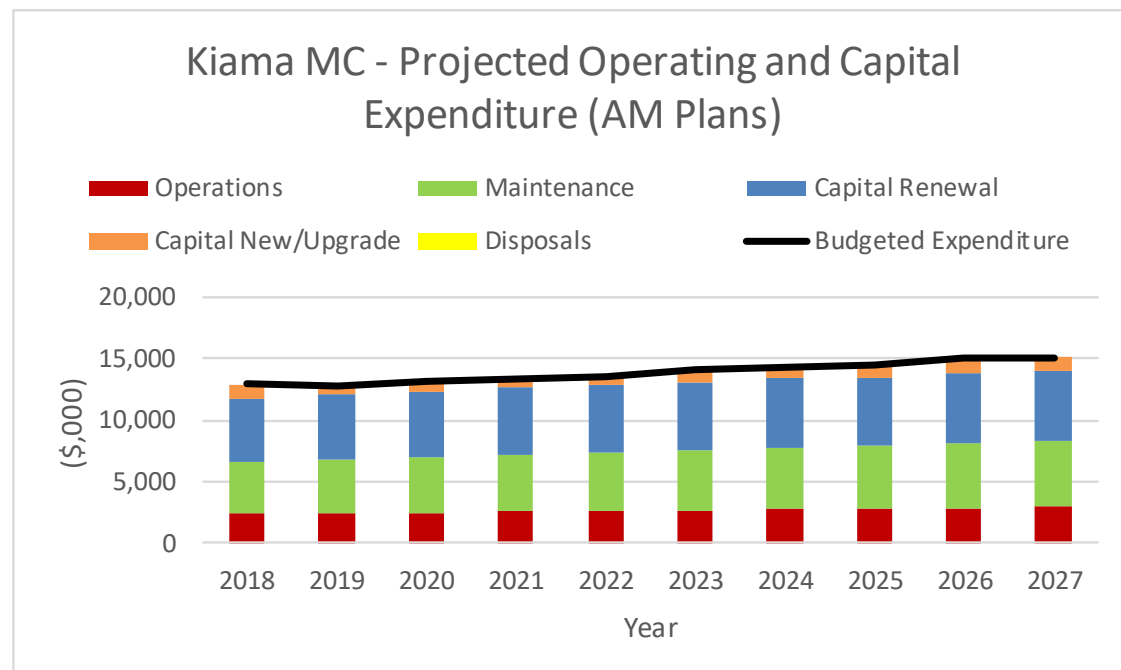
## Asset Management Funding

The following expenditure contained within the asset management plans are fully funded in the 10 year financial plan as follows:

### Projected Asset Expenditure (AM Plans)

Year	Operations	Maintenance	Capital Renewal	Capital New/Upgrade	Disposals
2018	\$2,351	\$4,263	\$5,073	\$1,232	\$0
2019	\$2,410	\$4,369	\$5,218	\$830	\$0
2020	\$2,470	\$4,479	\$5,255	\$907	\$0
2021	\$2,532	\$4,591	\$5,619	\$620	\$0
2022	\$2,595	\$4,705	\$5,454	\$786	\$0
2023	\$2,660	\$4,823	\$5,542	\$1,031	\$0
2024	\$2,727	\$4,944	\$5,761	\$908	\$0
2025	\$2,795	\$5,067	\$5,488	\$1,071	\$0
2026	\$2,865	\$5,194	\$5,717	\$1,166	\$0
2027	\$2,936	\$5,324	\$5,696	\$1,124	\$0

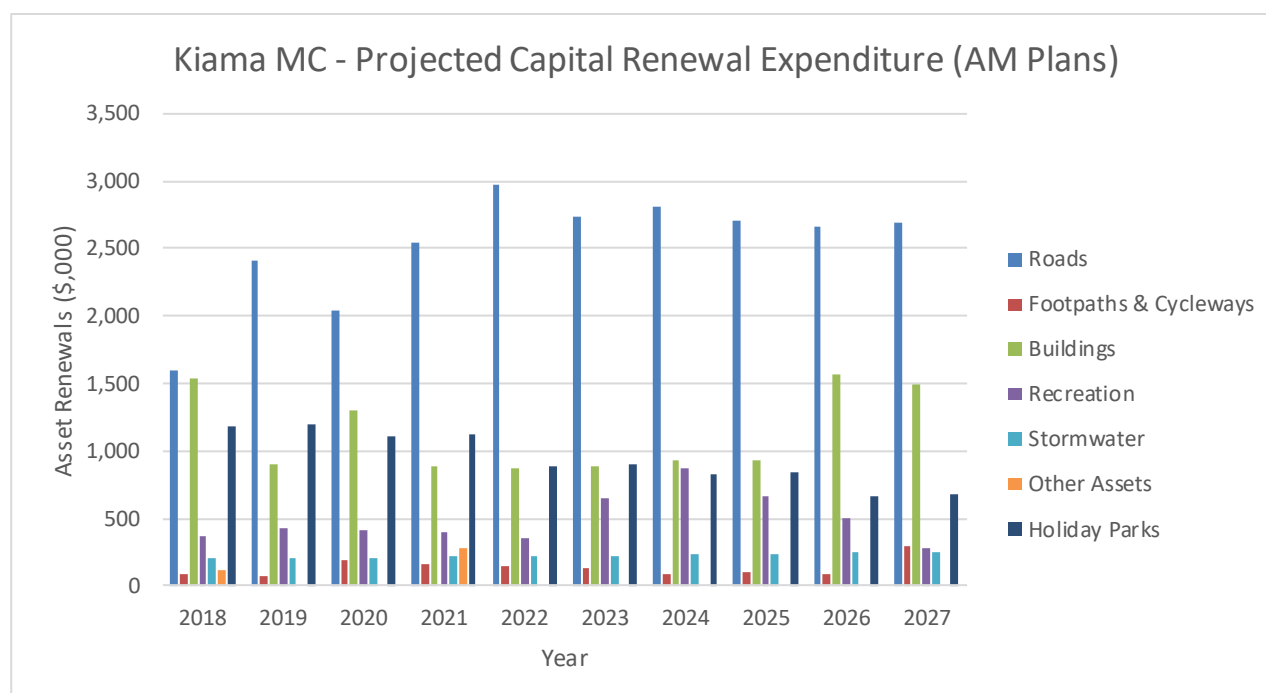
# All figures are in \$,000



## 10 Year Capital Renewal Program

The Capital Renewal program has been developed using condition assessments to determine the remaining life of assets. All assets identified as having a remaining life less than 10 years have been included in the relevant Asset Management Plan based on their current replacement cost.

Year	Roads	Footpaths & Cycleways	Buildings	Recreation	Stormwater	Other Assets	Holiday Parks	Total
2018	1,593,220	80,409	1,544,450	360,195	200,000	120,000	1,175,000	5,073,274
2019	2,416,722	76,875	894,632	431,887	205,000	0	1,192,500	5,217,616
2020	2,033,841	189,669	1,297,863	417,417	210,126	0	1,105,615	5,254,531
2021	2,549,333	160,409	889,903	400,543	215,378	279,538	1,124,360	5,619,464
2022	2,979,426	145,620	869,991	351,680	220,762	0	886,260	5,453,739
2023	2,731,455	132,053	890,505	655,255	226,282	0	906,345	5,541,895
2024	2,813,643	91,288	925,832	873,735	231,938	0	824,630	5,761,066
2025	2,706,948	94,732	935,587	666,384	237,736	0	846,140	5,487,527
2026	2,664,681	91,380	1,563,517	495,205	243,680	0	658,405	5,716,868
2027	2,698,262	299,958	1,487,099	279,638	249,772	0	681,450	5,696,179

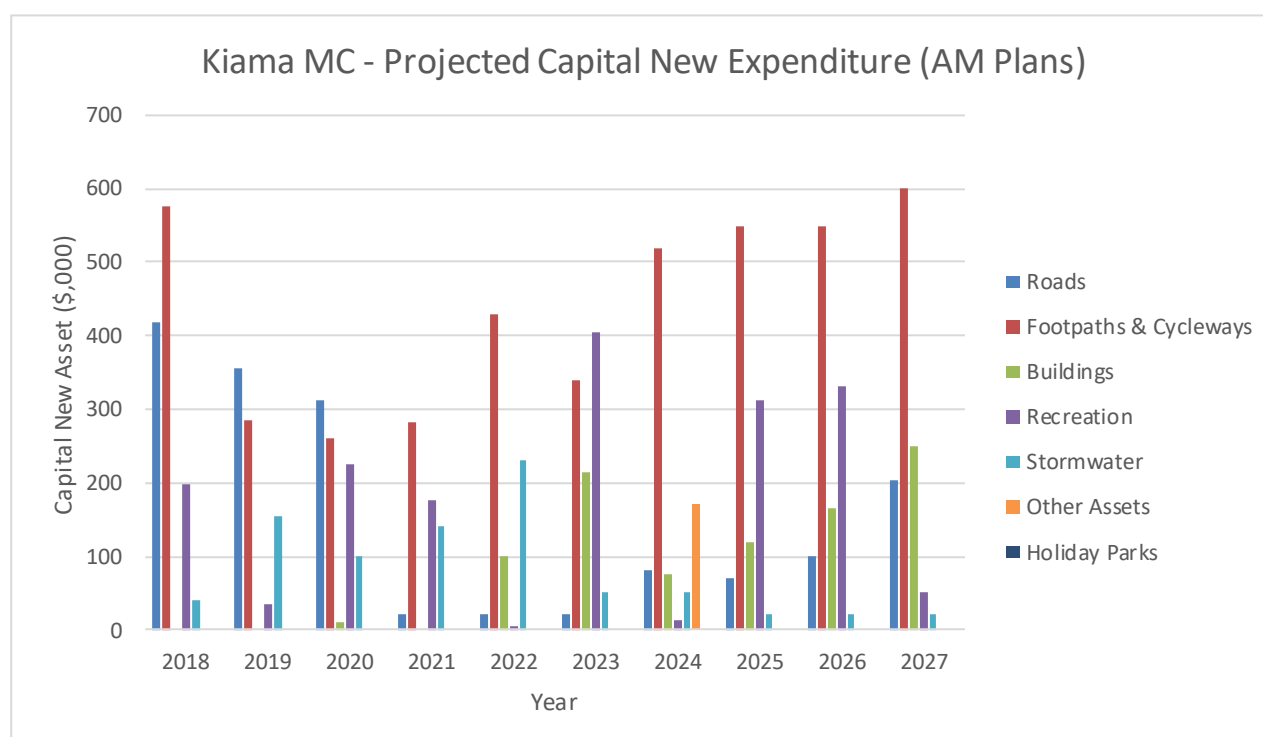


Each Asset Management Plan contains detailed listings of the asset renewal items for the next 10 years.

## 10 Year Capital Additions Program

The Capital Additions Program or Capital New has been developed as part of each Asset Management Plan encompassing new asset requirements contained in the Community Strategic Plan. Council has fully funded the Capital New Plan as summarised below from the Asset Management Plans.

Year	Roads	Footpaths & Cycleways	Buildings	Recreation	Stormwater	Other Assets	Holiday Parks	Total
2018	417,500	576,000	0	198,247	40,000	0	0	1,231,747
2019	356,103	285,000	0	33,600	155,000	0	0	829,703
2020	313,000	260,047	10,000	224,000	100,000	0	0	907,047
2021	20,000	282,858	0	177,600	140,000	0	0	620,458
2022	20,000	430,000	100,000	6,039	230,000	0	0	786,039
2023	20,000	340,000	214,874	406,000	50,000	0	0	1,030,874
2024	80,000	520,000	75,627	12,000	50,000	170,000	0	907,627
2025	69,394	550,000	120,000	312,000	20,000	0	0	1,071,394
2026	100,000	550,000	165,798	330,000	20,000	0	0	1,165,798
2027	203,973	600,000	250,000	50,000	20,000	0	0	1,123,973
Total	1,599,970	4,393,905	936,299	1,749,486	825,000	170,000	0	9,674,660

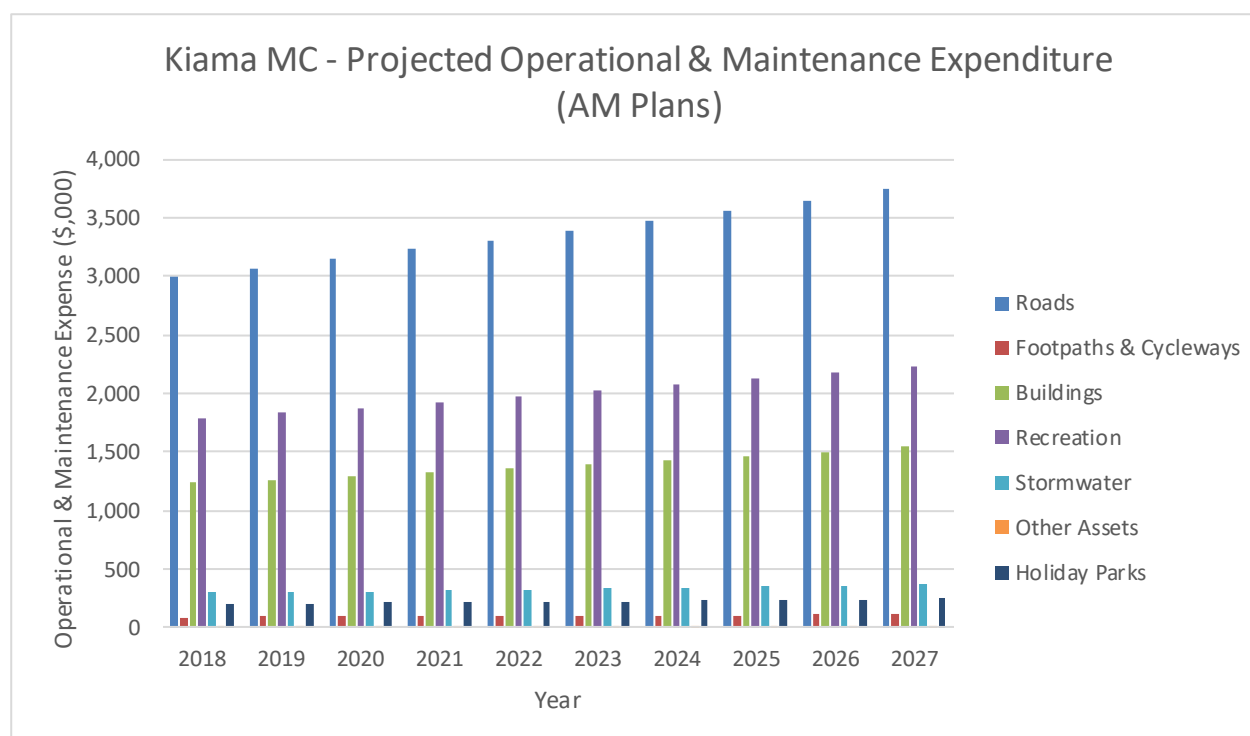


Each Asset Management Plan contains detailed listings of the New Asset capital items for the next 10 years.

## 10 Year Operational & Maintenance Program

The Operational and Maintenance Program has been developed as part of each Asset Management Plan encompassing the asset requirements contained in the Community Strategic Plan. Council has fully funded the Operational and Maintenance Program as summarised below from the Asset Management Plans.

Year	Roads	Footpaths & Cycleways	Buildings	Recreation	Stormwater	Other Assets	Holiday Parks	Total
2018	2,998,508	89,000	1,233,260	1,788,404	296,395	8,600	200,000	6,614,167
2019	3,073,471	91,225	1,264,092	1,833,114	303,805	8,815	205,000	6,779,522
2020	3,150,308	93,506	1,295,695	1,878,941	311,400	9,035	210,126	6,949,011
2021	3,229,066	95,844	1,328,087	1,925,914	319,185	9,261	215,380	7,122,737
2022	3,309,792	98,240	1,361,289	1,974,062	327,164	9,493	220,764	7,300,804
2023	3,392,537	100,696	1,395,322	2,023,414	335,343	9,730	226,284	7,483,326
2024	3,477,350	103,213	1,430,205	2,073,999	343,727	9,973	231,942	7,670,409
2025	3,564,284	105,793	1,465,960	2,125,849	352,320	10,222	237,740	7,862,168
2026	3,653,391	108,438	1,502,609	2,178,995	361,128	10,478	243,684	8,058,723
2027	3,744,726	111,149	1,540,174	2,233,470	370,156	10,740	249,776	8,260,191
Total	33,593,433	997,104	13,816,693	20,036,162	3,320,623	96,347	2,240,696	74,101,058

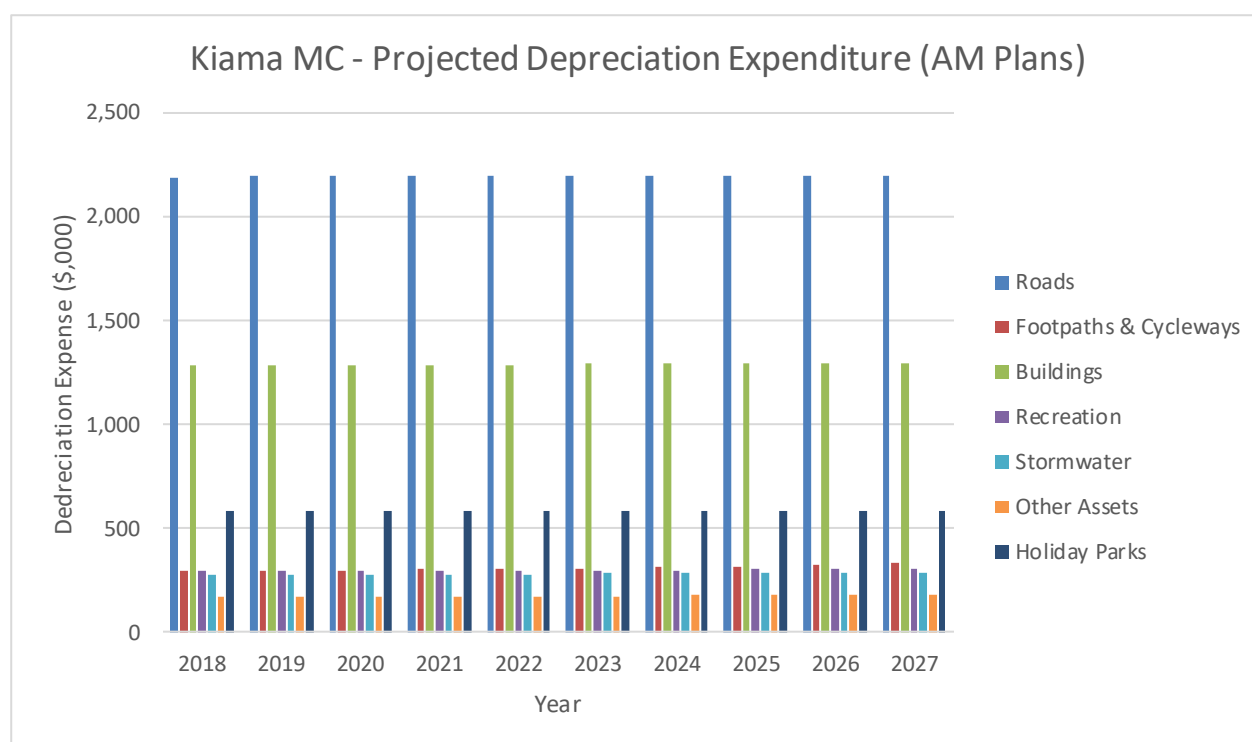




## 10 Year Depreciation Expense

The Depreciation Expense has been developed as part of each Asset Management Plan encompassing new asset requirements, disposals and renewals contained in the Community Strategic Plan. Council has fully funded the Depreciation Expense as summarised below from the Asset Management Plans.

Year	Roads	Footpaths & Cycleways	Buildings	Recreation	Stormwater	Other Assets	Holiday Parks	Total
2018	2,189,085	293,031	1,287,601	291,056	274,961	174,943	585,015	5,095,690
2019	2,192,646	295,881	1,287,601	291,392	276,511	174,943	585,015	5,103,987
2020	2,195,776	298,481	1,287,701	293,632	277,511	174,943	585,015	5,113,058
2021	2,195,976	301,310	1,287,701	295,408	278,911	174,943	585,015	5,119,262
2022	2,196,176	305,610	1,288,701	295,468	281,211	174,943	585,015	5,127,123
2023	2,196,376	309,010	1,290,850	299,528	281,711	174,943	585,015	5,137,431
2024	2,197,176	314,210	1,291,606	299,648	282,211	176,643	585,015	5,146,508
2025	2,197,870	319,710	1,292,806	302,768	282,411	176,643	585,015	5,157,222
2026	2,198,870	325,210	1,294,464	306,068	282,611	176,643	585,015	5,168,880
2027	2,200,910	331,210	1,296,964	306,568	282,811	176,643	585,015	5,180,119
Total	21,960,861	3,093,662	12,905,993	2,981,535	2,800,857	1,756,226	5,850,146	51,349,280

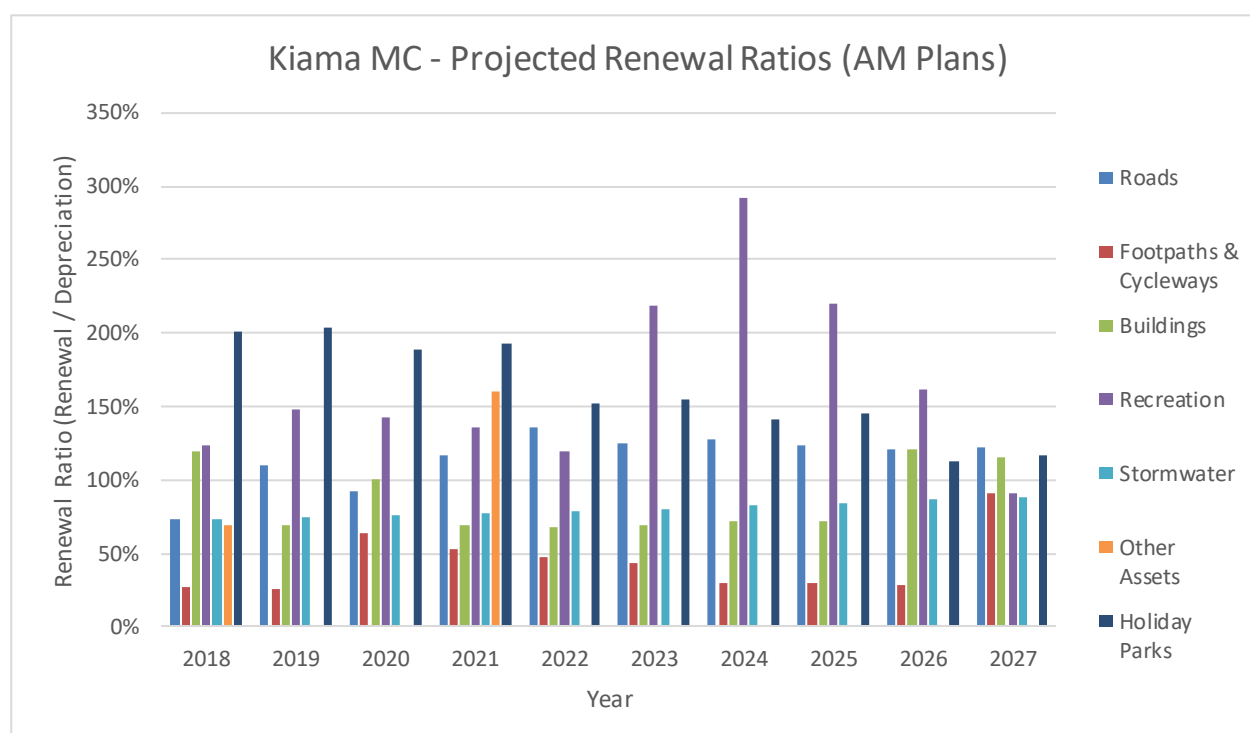


## 10 Year Projected Renewal Ratios

The Projected Renewal Ratios has been developed as part of each Asset Management Plan.

There will be periods in the future where Councils Renewal Ration falls below 100% due to the timing of long duration assets and periods where it is in excess of 100% to compensate.

Year	Roads	Footpaths & Cycleways	Buildings	Recreation	Stormwater	Other Assets	Holiday Parks	Total
2018	73%	27%	120%	124%	73%	69%	201%	100%
2019	110%	26%	69%	148%	74%	0%	204%	102%
2020	93%	64%	101%	142%	76%	0%	189%	103%
2021	116%	53%	69%	136%	77%	160%	192%	110%
2022	136%	48%	68%	119%	79%	0%	151%	106%
2023	124%	43%	69%	219%	80%	0%	155%	108%
2024	128%	29%	72%	292%	82%	0%	141%	112%
2025	123%	30%	72%	220%	84%	0%	145%	106%
2026	121%	28%	121%	162%	86%	0%	113%	111%
2027	123%	91%	115%	91%	88%	0%	116%	110%
Total	115%	44%	88%	165%	80%	23%	161%	107%



## Future Vision of Asset Management

The challenge for Kiama Municipal Council is to facilitate the provision of sustainable assets used in the effective delivery of services to the community for both current and future generations.

Council is the custodian of over \$480 million of physical assets. Kiama's vision is that via the effective management of current and future assets Council delivers sustainable services to the community.

The resources required to deliver services are finite and to facilitate the most effective use of these resources an effective asset management system and processes must be in place to provide the necessary information to make informed decisions.

The following items form part of this asset management vision:

- Generational equity in consumption of infrastructure assets
- Service levels defined for all of councils services
- Budgets for defined service levels inclusive of all life cycle costs
- Conduct regular condition assessments on assets to reduce organisational and community risk
- Asset Management Information System used to:
  - Provide a central source of asset related data
  - Forecast renewal expenditure
  - Determine standard unit rates for life cycle costs associated with new proposals
  - Facilitate operations management via scheduled work orders
- Community consultation used to prioritise and set service levels
- Proposals to alter service levels are accompanied by life cycle cost estimates and a funding method
- Asset Management remains fully aligned with Councils Integrated Planning and Reporting documents.

# Asset Management Improvement Program

The following improvement program has been identified to enable Kiama to achieve and maintain its vision for asset management:

## Asset Management Framework

The Asset Management Plans are the corner stone of Councils asset management framework. Each plan is fully integrated with all of the Integrated Planning and Reporting documents.

To support the Asset Management vision council will:

Transform from Asset Management Plans based on asset classes to Service based Asset Management Plans by 2021. This will include:

- Individual Asset Management Plans for Service Areas ie Community Services, Waste Services, Blue Haven etc
- Implementation of Activity based costing for assets.

Review the existing asset management annually and in detail when the assets in the plan are revalued.

## Asset Management Information Registers

Council's asset data has been centralised in a corporate asset management information system with valuation linked to the inventory.

With the consolidation of existing infrastructure data complete into a single register, integration with other business processes is now the focus.

Implementation Schedule:

### **2018/19**

Geographical Information System (GIS) Integration to fixed assets  
Work Order integration

### **2018/19**

Customer Service Integration

## Asset Inventory Data

Ongoing reviews of the inventory data will be conducted over the coming 4 years to improve the quality of non core asset management information.

## Risk Management

Condition inspection plays a major part in the risk management process and Council will conduct condition inspections in line with the asset risk profile for an asset class.

**2017/18** - Implement work management processes in the Asset Management Information system to conduct risk and condition assessments.

## Asset Management Integration to Corporate Decision Making

With the adoption of Kiama's Integrated Planning and Reporting Documents full integration of asset management requirements is now completed. Asset capital requirements in the asset management strategy are reflected in the 10 year financial plan.

**2017/18** - Develop processes to ensure that plans are incrementally updated to ensure integration and alignment as changes in plans or funding occur.

**2017/18** - Establishment of a Funding allocation process incorporating whole of life costs to ensure informed decisions can be made for all proposed projects.

## Asset Service Levels

**2018/20** - Review community engaged service levels for all assets for use in the preparation of the Integrated Planning and Reporting process for the reporting period commencing 1<sup>st</sup> July 2021. These service levels are identified and documented in the individual asset management plans for asset categories.



## Asset Management Strategy Review

This document will be reviewed and updated annually to reflect changes to the ongoing 10 Year Financial Plan and supporting Asset Management Plans.

This document was last reviewed as at the 5<sup>th</sup> May 2017.

## Appendix 1 Asset Management Policy



# ASSET MANAGEMENT POLICY

- 1.0 Purpose** To set guidelines for implementing consistent asset management processes throughout Kiama Municipal Council. In delivering services Council uses physical assets, this policy provides a framework for the management of physical assets required to deliver safe, efficient, reliable services which are utilised by current and future generations.
- 2.0 Objective** To ensure adequate provision is made for the long-term replacement of major assets by:
- Ensuring that Council's services and infrastructure are provided in a sustainable manner, with the appropriate levels of service to residents, visitors and the environment.
  - Safeguarding Council assets including physical assets and employees by implementing appropriate asset management strategies and appropriate financial resources for those assets.
  - Creating an environment where all Council employees take an integral part in overall management of Council assets by creating and sustaining an asset management awareness throughout the Council.
  - Meeting legislative requirements for asset management.
  - Ensuring resources and operational capabilities are identified and responsibility for asset management is allocated.
  - Demonstrating transparent and responsible asset management processes that align with demonstrated best practice.
  - Maintaining alignment of Councils Asset Management plans with the
    - Community Strategic Plan
    - Delivery Program
    - Operations Plan
    - 10 year Financial Plan
- 3.0 Scope** This policy applies to all Council activities that use or manage physical assets. Physical assets include, but are not limited to, roads, footpaths, cycle ways, kerb and gutter, street furniture, signage, bridges, land, parks, open space, buildings, drainage, waste and recycling facilities, plant, vehicles, telecommunications and information technology.

## Appendix 1 Asset Management Policy

### 4.0 Policy

#### 4.1 Background

- 4.1.1 Council is committed to implementing a systematic asset management methodology in order to apply appropriate asset management best practices across all areas of Council. This includes ensuring that assets are planned, created, operated, maintained, renewed and disposed of in accordance with Council's priorities for service delivery.
- 4.1.2 Council owns and uses approximately \$372 million of non-current assets to support its core business of delivery of service to the community.
- 4.1.3 Asset management practices impact directly on the core business of Council and appropriate asset management is required to achieve our strategic service delivery objectives.
- 4.1.4 Asset management relates directly to the Community Strategic Plan and is fully integrated in the 10 year financial plan.

#### 4.2 Principles

- 4.2.1 A consistent Asset Management Strategy must exist for implementing systematic asset management and appropriate asset management best-practice throughout all Departments of Council.
- 4.2.2 All relevant legislative requirements together with political, social and economic environments are to be taken into account in asset management.
- 4.2.3 Asset management principles will be integrated within existing planning and operational processes.
- 4.2.4 An inspection regime will be used as part of asset management to ensure agreed service levels are maintained and to identify asset renewal priorities.
- 4.2.5 Asset renewals required to meet agreed service levels and identified in infrastructure and asset management plans and long term financial plans will be fully funded in the annual budget estimates.
- 4.2.6 Service levels agreed through the Community Strategic Plan and defined in Asset Management Plans will be fully funded in the 10 Year Financial Plan, Delivery Program and Operations Plan.
- 4.2.7 Asset renewal plans will be prioritised and implemented progressively based on agreed service levels and the effectiveness of the current assets to provide that level of service.
- 4.2.8 Systematic and cyclic reviews will be applied to all asset classes and are to ensure that the assets are managed, valued and depreciated in accordance with appropriate best practice and applicable Australian Standards.
- 4.2.9 Future life cycle costs will be reported and considered in all decisions relating to new services and assets and upgrading of existing services and assets.
- 4.2.10 Future service levels will be determined in consultation with the community.

## Appendix 1 Asset Management Policy

4.2.11 Council will implement and maintain an Asset Management Information System to facilitate the provision of accurate asset data for informed decision making.

### 5.0 Legislation

Local Government Act 1993  
Chapter 3 Section 8 Councils Charter  
Chapter 13 Part 2 Strategic Planning

### 6.0 Related Documents

Integrated Planning and Reporting

- Community Strategic Plan
- Delivery Program
- Operations Plan
- 10 Year Financial Plan
- Strategic Asset Management Plan

Asset Management Plans

### Responsibility

**Councillors** are responsible for adopting the policy and ensuring that sufficient resources are applied to manage the assets.

The **General Manager** has overall responsibility for developing an asset management strategy, plans and procedures and reporting on the status and effectiveness of asset management within Council.



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**Asset Management Strategy 2017-2027**