



**3.1 DRAFT ENTERPRISE ASSET MANAGEMENT PLAN**

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**1. PURPOSE**

1.1 For Council to endorse the draft Enterprise Asset Management Plan for consultation.

**2. EXECUTIVE SUMMARY**

- 2.1 Council is the custodian of \$3.6 billion (gross value) \$3.2B (net value) worth of community assets. This includes parks and open space; land and buildings; infrastructure assets such as roads, footpaths, piers and jetties, underground drainage pipes; and other, art, library books, information technology equipment and other assets that have been acquired over many years.
- 2.2 These assets provide direct benefit to the community or enable key services to be delivered. A significant portion of the Council budget each year is spent on looking after, operating, improving, and growing assets. Given this, as well as being a growing City, rates capping, climate change and an urban coastal environment, Council must be great at asset management.
- 2.3 Over the past five years, we have undertaken a significant program to improve Council's asset management capability and practice. The transformation program has included the development of an updated Asset Management Policy, an Asset Management Strategy, an Operating Model review, implementation of a new integrated asset management system as part of a wider technology uplift across council, developing asset management plans for key asset classes, and significant uplift of the data that is relied on to forecast required expenditure on assets over time.
- 2.4 This Enterprise Asset Management Plan (EAMP) is a new community-facing document that describes our approach to asset management, summarises the state of our assets, and provides a consolidated 10-year asset management plan infrastructure assets. While important in its own right, the plan responds to the Local Government Act 2020 requirement for Council to adopt an asset management plan.
- 2.5 The EAMP responds to our eight long-term challenges, as well as the Covid19 Pandemic, to help achieve the Community Vision for Port Phillip- "Proudly Port Phillip - a liveable and vibrant City that enhances the wellbeing of our community".
- 2.6 The projected operational and capital expenditure detailed in the EAMP has informed the draft Budget 2022/23 and 10-Year Financial Plan. It will be updated to reflect any changes made to the final Budget. The proposed expenditure on our assets is designed to achieve Council's Asset Management Policy outcomes of assets that: are fit for purpose, provide community benefit, respond to environmental sustainability targets, are financially sustainable, and achieve advanced asset management practice.



- 2.7 This EAMP demonstrates Council's commitment to aligning its system for managing assets to the international Standard ISO 55001: Management System - Asset Management and the National Asset Framework (NAF). Our aim is to achieve a 'Advanced' Maturity measured by National Asset Framework (NAF) and all requirements to meet ISO55000 for asset management activities by 2025 and continue maturity improvement where the benefits exceed the costs.
- 2.8 The information used for the EAMP is based on a medium level of confidence. All assets are now contained in the One Council integrated asset and financial system, which was brought online in 2020. The works management component has been configured to capture operational, maintenance and capital costs. This provides an integrated system where all works to assets is uploaded directly into the system, providing real time data on the state of our assets and what has been spent on maintenance, renewal and upgrades.
- 2.9 Continuous improvement is occurring to the One Council system to unlock its full potential by creating further efficiencies, enhanced customer experience and advanced modelling capabilities. Asset and Financial modelling that informs Council's asset plans, will occur within the system by 2022/23 and by 2024/25 Council will have the high level of confidence in our data, with our processes and people optimizing the full functionality of the system. The continuous improvement actions resulting from this Plan are listed in the improvement plan in Section 8.
- 2.10 Ongoing development and review of this EAMP will promote the viability and long-term use of assets in line with Council's organisational objectives.

### 3. RECOMMENDATION

That Council:

- 3.1 Notes that the draft *Enterprise Asset Management Plan* documents Council's approach to looking after and growing the approximately \$3.6 billion worth of community assets including parks and sports fields, roads, drains, children's centres, community facilities and much more. It complies with the requirements in the Local Government Act 2020 for Council to adopt an asset management plan.
- 3.2 Authorises the draft *Enterprise Asset Management Plan* (Attachment 1) to be released for community consultation.
- 3.3 Notes that the consultation period for the draft *Enterprise Asset Management Plan* aligns with the consultation on the draft *Budget 2022/23* and that the draft Plan will be updated to align with any changes to the *Budget 2022/23* that occurs as a result of the community consultation prior to being brought back to Council for adoption.

### 4. KEY POINTS/ISSUES

- 4.1 Council is the custodian of \$3.6 billion (gross value) or \$3.2 billion (net value) worth of community assets. This includes parks and open space; land and buildings; infrastructure assets such as roads, footpaths, piers and jetties, underground drainage



pipes; and other, art, library books, information technology equipment and other assets that have been acquired over many years.

- 4.2 A significant portion of the Council budget each year is spent on looking after, operating, improving, and growing assets. Given this, as well as being a growing City, rates capping, climate change and an urban coastal environment, Council must be great at asset management.
- 4.3 Council's vision for asset management is that "As trusted stewards of Council's assets on behalf of our community, we will ensure our assets enable the delivery of agreed services that our community values and are sustainable for current and future generations."
- 4.4 Over the past five years, we have undertaken a significant program to improve Council's asset management capability and practice. The transformation program has included the development of an updated Asset Management Policy, an Asset Management Strategy, an Operating Model review, implementation of a new integrated asset management system as part of a wider technology uplift across council, and significant uplift of the data that is relied on to forecast required expenditure on assets over time.
- 4.5 This Enterprise Asset Management Plan (EAMP) is a new document that responds to the Local Government Act 2020 requirement for Council to adopt an asset management plan. The EAMP describes the integrated policy, processes and tools (people, process and technology) that are being used by Council to manage and maintain operational assets at target service levels while optimising life-cycle costs and asset life. It also provides a summary overview of the state of Council's assets and the 10-year plan for the maintenance, renewal, acquisition, expansion, upgrade, disposal and decommissioning of infrastructure assets.
- 4.6 The EAMP responds to our 8 long-term challenges, as well as the Covid19 Pandemic, to help achieve the Community Vision for Port Phillip- "a liveable and vibrant City that enhances the wellbeing of our community".
- 4.7 The projected operational and capital expenditure detailed in the EAMP has informed the draft Budget 2022/23 and will be updated to reflect any changes made to the final budget. The proposed expenditure on our assets is designed to achieve Council's Asset Management Policy outcomes of assets that: are fit for purpose, provide community benefit, respond to environmental sustainability targets, are financially sustainable, and achieve advanced asset management practice.
- 4.8 This EAMP demonstrates Council's commitment to aligning its system for managing assets to the international Standard ISO 55001: Management System - Asset Management and the National Asset Framework (NAF). Our aim is to achieve a 'Advanced' Maturity measured by National Asset Framework (NAF) and all requirements to meet ISO55000 for asset management activities by 2025 and continue maturity improvement where the benefits exceed the costs.
- 4.9 The information used for the EAMP is based on Medium level of confidence. All assets are now contained in the One Council integrated asset and financial system, which was brought online in 2020. The works management component has been configured to



capture Operation, maintenance and Capital costs, which provides an integrated system where all works to assets is uploaded directly into the system, providing real time data on the state of our assets and what has been spent on maintenance, renewal and upgrades.

- 4.10 Continuous improvement is occurring to the One Council system to unlock its full potential by creating further efficiencies, enhanced customer experience and advanced modelling capabilities. Asset and Financial modelling that informs Council's asset plans, will occur within the system by 2022/23 and by 2024/25 Council will have the highest level of confidence in our data, with our processes and people optimizing the full functionality of the system. The continuous improvement actions resulting from this Plan are listed in the improvement plan in Section 8.
- 4.11 Ongoing development and review of this EAMP will promote the viability and long-term use of assets in line with Council's organisational objectives.

## **5. CONSULTATION AND STAKEHOLDERS**

- 5.1 Consultation on the draft Enterprise Asset Management Plan will occur as part of the Council Plan and budget process.

## **6. LEGAL AND RISK IMPLICATIONS**

- 6.1 The draft Enterprise Asset Management Plan meets our legislative requirements under Section 92, of the Local Government Act, 2020.
- 6.2 The draft Enterprise Asset Management Plan seeks to mitigate risk including those related to asset condition and compliance, financial sustainability, and climate change.

## **7. FINANCIAL IMPACT**

- 7.1 The projected operational and maintenance outlay necessary to provide the services covered by the draft Enterprise Asset Management Plan for existing assets over the 10-year planning period is \$273M in total, or \$27M on average per year.
- 7.2 The projected required capital outlays including renewal/replacement and upgrade of existing assets and acquisition of new assets over the 10-year planning period \$416M or \$41M on average per year.
- 7.3 Councils' depreciation calculations are averaged at \$29.4M per annum for infrastructure assets or \$294M over 10 years includes asset growth figure of 3.5% with our renewal forecast over the same period being \$280M and a budget forecast of \$322M. This provides Council with a renewal ratio of 115%, based on advanced asset management principals of calculating budget/demand renewal. Core asset management principals of forecasting budget/depreciation calculates the renewal ration at 110%. This places Council in a low-risk category of not meeting renewal demands.
- 7.4 Achieving financial sustainability requires balancing service levels and performance with cost and risk. It may not be possible to meet all expectations for services within current financial resources, particularly within the current context of the unprecedented



pressure that the Covid19 pandemic has placed on Council's revenue and ability to deliver capital projects.

## **8. ENVIRONMENTAL IMPACT**

8.1 Council's Asset Management approach supports environmental sustainability in several ways:

- Asset Management Plans individually address asset vulnerability-based risks such as resilience to climate change.
- Actions from Council environmental strategies are included in Council's asset portfolio and asset class subplans.
- Asset management practices seek to reduce emissions and waste while encouraging a circular economy.

8.2 The Enterprise Asset Management Plan provides some examples by asset portfolio of how we are seeking to support environmental sustainability including the use of recycled plastics and glass in roading projects.

## **9. COMMUNITY IMPACT**

9.1 Sustained delivery of community benefit is a key driver of Council's asset management approach.

9.2 Each of our asset portfolio management plans seek to ensure our assets are accessible, safe, and providing required functionality for the community now and in the future.

9.3 In addition, we seek to use our substantial investment in looking after and growing our assets to support improved social and economic wellbeing through for example the use of social enterprises and local businesses.

## **10. ALIGNMENT TO COUNCIL PLAN AND COUNCIL POLICY**

10.1 The Enterprise Asset Management Plan primarily aligns with the Well Governed Port Phillip strategic objective in the Council Plan but supports all strategic objectives.

10.2 This projected operational and capital expenditure over the next 10 years has been developed to deliver the Council Plan. It will do this through achieving Council's Asset Management Policy outcomes of assets that: are fit for purpose, provide community benefit, respond to environmental sustainability targets, are financially sustainable, and achieve advanced asset management practice.

## **11. IMPLEMENTATION STRATEGY**

### **11.1 TIMELINE**

11.1.1 The draft EAMP will be consulted on as part of the community consultation process for the draft Council Plan and Budget 2022/23.



## SPECIAL MEETING OF PORT PHILLIP CITY COUNCIL 27 APRIL 2022

11.1.2 The draft will then be updated after reflecting community feedback and to align with the final Council Plan and Budget 2022/23.

### 11.2 COMMUNICATION

11.2.1 The draft EAMP forms part of the communication plan the Council Plan and Budget 2022/23. It will be promoted on our website, Have Your Say, and in several other communication channels.

## 12. OFFICER DIRECT OR INDIRECT INTEREST

12.1 No officers involved in the preparation of this report have any material or general interest in the matter.

## ATTACHMENTS

### 1. Draft Enterprise Asset Management Plan