MIDCOAST
council

ASSET MANAGEMENT STRATEGY

2022-2032

Acknowledgement of Country

We acknowledge the traditional custodians of the land on which we work and live, the Gathang speaking people and pay our respects to all Aboriginal and Torres Strait Islander people who now reside in the MidCoast Council area. We extend our respect to elders past and present, and to all future cultural-knowledge holders.

Prepared by

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1. Introduction to our Strategy

MidCoast Council was formed on 12 May 2016 through the amalgamation of the former Gloucester, Great Lakes and Greater Taree City Councils, and the former water authority, MidCoast Water on 1 July 2017.

Council now manages over $5 Billion[1] worth of infrastructure assets across the 10,000 square kilometre local government area. Asset management is a "whole of life" approach that includes planning, purchase, construction, operation, maintenance and renewal/disposal of assets. Asset management supports Council's achievement of organisational objectives which include economic, environmental and social goals while meeting governance requirements and community expectations.

This is Council's first Asset Management Strategy (Strategy) and defines objectives that will improve our management practices and knowledge of all assets. It will provide a road map to support the achievement of the community's vision of:

"We strive to be recognised as a place of unique environmental and cultural significance. Our strong community connection, coupled with our innovative development and growing economy, builds the quality of life we value"

1.1 Purpose of the Strategy

This Strategy has been developed in accordance with the Integrated Planning and Reporting Framework Guidelines and provides the basis for consistent and effective asset management across all asset classes. The Integrated Planning and Reporting (IP & R) Framework encourages and supports the review of each of Council's resourcing strategies aligned with the review of the Community Strategic Plan and at other times as required.

The Strategy also includes an Asset Management Improvement Plan, which details a program of tasks and nominated resources as part of our commitment to reach a core level of asset management practice across the organisation by 2023. It includes outcomes from Council's service delivery practices, financial sustainability indicators, asset management maturity and the objectives and strategies identified in the Community Strategic Plan. The Asset Management Strategy enables Council to show the link between the Community Strategic Plan and the day-to-day management of our assets by providing;

- a basis for the management of building, recreation, roads & transport, stormwater drainage, water & sewer assets;
- identify future assets that will be required to meet the needs of the community in future years;
- providing strategic objectives to allow us to fulfil our Asset Management Policy, and
- identify actions to achieve the objectives of the Improvement Plan.

[1] MidCoast Council – Report on Infrastructure Assets as at 30 June 2021 Gross Replacement Cost

1.2 MidCoast Council's Asset Management Policy

This Strategy has been prepared to support the implementation of our Asset Management Policy which was adopted on 24 March 2021 (refer to Appendix A). The purpose of the Asset Management Policy is:

"to demonstrate MidCoast Council's commitment to the responsible management of its assets. The policy sets out principles, requirements and responsibilities for implementing consistent asset management processes throughout Council. It also ensures that Council, as the custodian of public infrastructure, has mechanisms in place to deliver infrastructure services in the most effective manner"

This Strategy provides a high level and long-term (10-year) action plan for how we will manage assets to achieve the objectives of the Asset Management Policy. The Asset Management Policy and Strategy will be supplemented by detailed Asset Management Plans for our infrastructure asset portfolios (building, recreation, transport, stormwater, water & sewer).

1.3 Objectives

This Strategy provides the framework for the establishment of consistent asset management processes throughout MidCoast Council. The objective of the Asset Management Strategy is to establish a framework to guide the planning, construction, maintenance and operation of infrastructure essential for Council to provide services to the community.

1.4 Asset Management Governance

We have established an Asset Management Working Group (AMWG) to deliver a coordinated and consistent approach to asset management across the organisation. Membership of the AMWG comprises of the executive management team, asset managers and asset staff representing each asset class from across Council, as well as staff from Finance, Risk Management and IT Systems. The role of the AMWG is to:

"provide strategic direction and governance for asset management by contributing to the development and implementation of Council's Asset Management Policy, Asset Management Strategy and Asset Management Plans as required by the Office of Local Government's Integrated Planning & Reporting Framework."

Non-infrastructure asset classes involved in the delivery of services by Council, such as Fleet and IT, are outside the scope of this strategy. Those non-infrastructure asset classes have their own asset management plans which are consistent with and informed by this Asset Management Strategy, and as noted those groups are also represented on the AMWG.

2. Integrated Planning and Report Framework (IP&R)

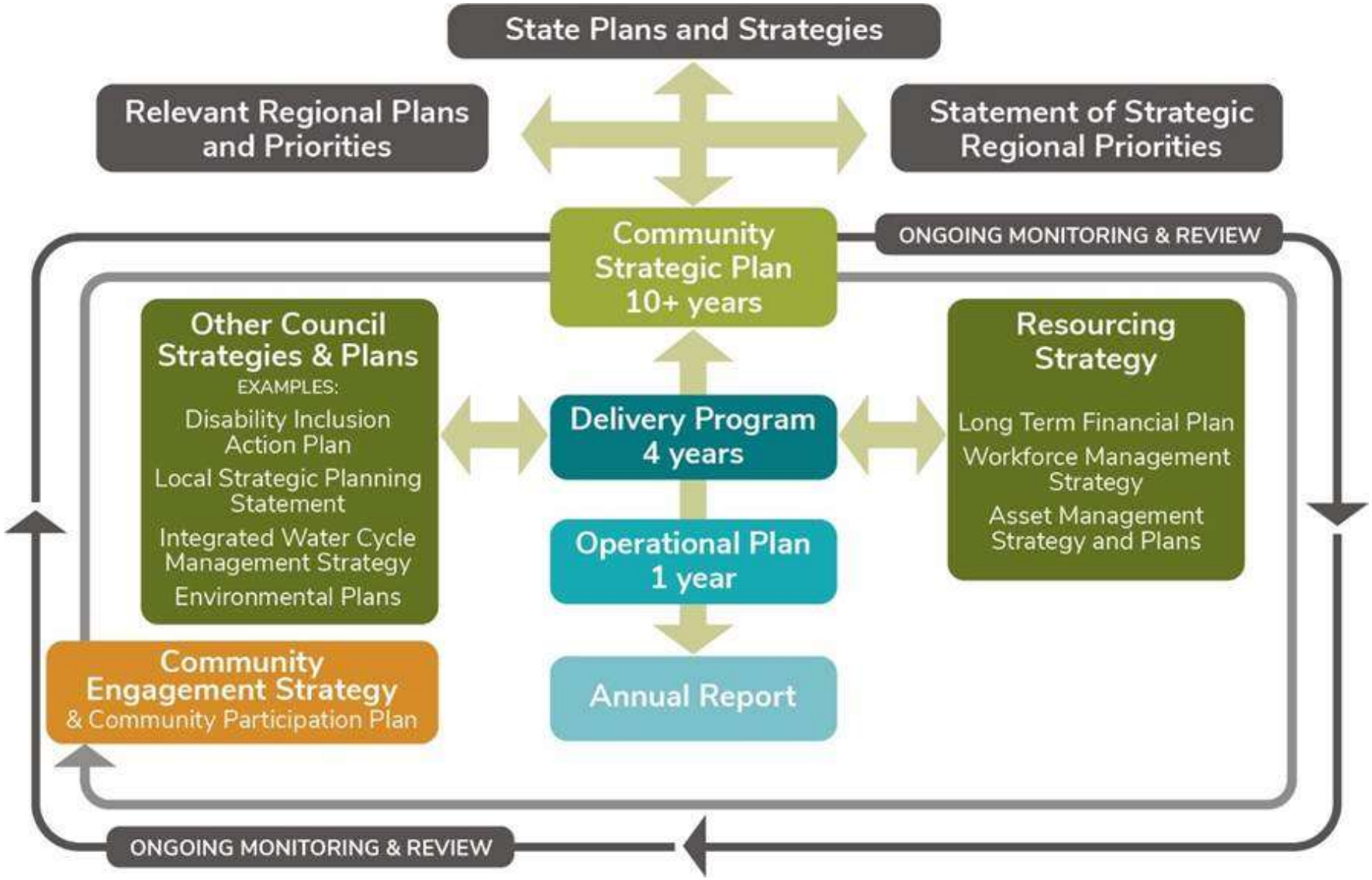
The Office of Local Government first introduced IP&R in 2009 to base council planning on a sound understanding of the community's expectations around priorities and service levels, while also ensuring alignment with regional and state priorities.

In 2016, key changes to the *Local Government Act 1993*, reinforced the pivotal role of the IP&R framework in guiding all council planning and decision-making. The IP&R framework allows councils to draw their various plans together to understand how they interact and inform each another, and to get the maximum benefit by planning holistically for the future. The main components of the framework are summarised below:

- Community Strategic Plan - is the highest level of strategic planning undertaken by a council, with a ten-year plus timeframe. All other plans must support achievement of the Community Strategic Plan objectives.
- Resourcing Strategy - shows how council will resource its strategic priorities, identified through IP&R. The Resourcing Strategy includes 3 inter-related elements:
    - Long-Term Financial Planning
    - Workforce Management Planning
    - Asset Management Planning.
- Delivery Program – is council's commitment to the community about what it will deliver during its term in office to achieve the Community Strategic Plan objectives.
- Operational Plan - shows the individual projects and activities a council will undertake in a specific year. It includes the council's annual budget and Statement of Revenue Policy.
- Annual Report – advises the community on the work undertaken by a council in a given year to deliver on the commitments of the Delivery Program via that year's Operational Plan. Councils also report on their financial and asset performance against the annual budget

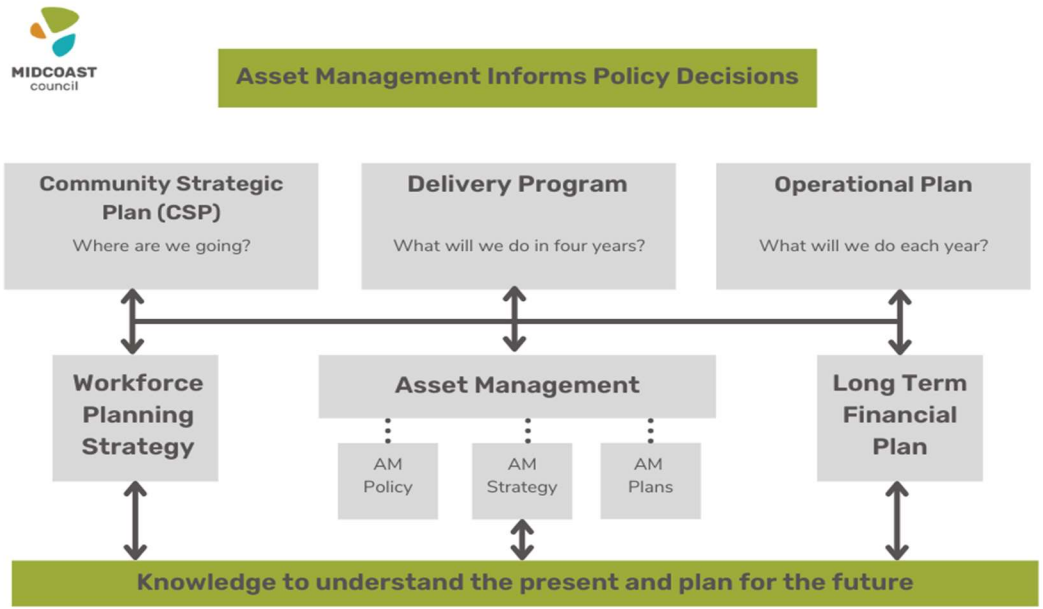
The Asset Management Strategy is a component strategy of the Resourcing Strategy and has been developed over a 10-year period. Council is required to account for and plan for all the existing assets under its control, and any new asset solutions proposed in its Community Strategic Plan and Delivery Program. The diagram below emphasises the importance that resource planning must play in delivering the Council's strategic objectives. While there is a direct link from the Community Strategic Plan to the Delivery Program and Operational Plan, this must be informed and supported by the financial, asset and workforce planning undertaken by Council as part of the Resourcing Strategy.

Figure 1 :The Integrated Planning and Reporting framework



2.1 MidCoast Council's Asset Management Framework

Asset management requires a "Whole of Council" approach and applies to all assets we manage for delivering sustainable services to the community. The Asset Management Framework enables alignment of asset planning and management practices with service delivery priorities and strategies, within the limits of the resources available. The framework provides linkages between the various strategic and policy documents required for IP & R. The asset management framework incorporates strategic and policy documents for the provision of effective community infrastructure.



- **Asset Management Policy**: A high level statement of an organisation's principles and approach to asset management.
- **Asset Management Strategy**: A high level document developed to support the policy and to show the current situation, the desired state and how the organisational objectives are to be converted into asset management objectives. Council's Strategy includes an overarching Asset Management Plan incorporating the asset portfolios with levels of service, demand forecasts and financial forecasts.
- **Asset Management Plan:** Individual Asset Management Plans for each of the asset classes developed to outline operations, maintenance levels, renewals, disposals, and financial forecasts (usually 10-20 years) that outline the asset activities and programs for each service area and resources required to provide a defined level of service in the most cost effective way.

2.2 Asset Management Planning Process

Council's infrastructure assets exist primarily to provide services to the community. The objective in managing assets is to meet the agreed level of service in the most cost-effective manner for the benefit of present and future members of the MidCoast community. To help achieve this, Council will develop infrastructure Asset Management Plans (AMP) for each asset class. The key elements of each AMP will be:

- Taking a life cycle approach to managing assets
- Developing cost-effective management strategies
- Providing a defined level of service for assets
- Providing performance monitoring processes
- Understanding and meeting the demands of growth, legislative change, statutory requirements and infrastructure investment
- Managing risks associated with asset failures
- Providing long term financial projections for asset sustainability
- Continuously improving asset management processes and practices

The AMPs will be prepared in accordance with the relevant industry standards and guidance from the Community Strategic Plan (CSP), Council's vision, goals and objectives. Each AMP will include provision for capital and operational works and the principles used to prioritise works on assets. They will provide a long-term planning framework, including expenditure forecasts, which will assist Council in making informed decisions on the CSP, maintenance programs and capital projects. The AMPs will include:

- Levels of service – defining the quality of the service to be delivered by the asset
- Future demand – the impact on future service delivery and the resources required
- Asset data status – what Council owns, what the network is valued at and its most recent assessed condition
- Life cycle management – how Council will optimise the management of its existing and future assets to provide the required services
- Prioritised capital and maintenance works
- How risk is managed
- Financial summary – what funds are required to provide the agreed service levels

The data that informs the plans will include:

- The asset register data on location, extent, size, age, value, condition and remaining life of the asset network
- The unit rates for categories of assets, materials and works
- Performance relative to adopted service levels
- Projections of factors affecting future demand for services
- Data on new assets developed or acquired by Council
- Data on assumed works programs and trends
- Lifecycle analysis data

3. Climate Change - extreme weather events & natural disasters

On 23 October 2019, MidCoast Council declared a climate emergency which recognised that we are in a state of climate crisis that requires urgent action by all levels of government, including local government.
The latest report from Intergovernmental Panel on Climate Change (IPCC)[2] confirms that human induced climate change is causing dangerous and widespread disruption in nature and affecting the lives of billions of people around the world, despite efforts to reduce the risks. The world faces unavoidable multiple climate hazards over the next two decades with global warming of 1.5°C (2.7°F). Even temporarily exceeding this warming level will result in additional severe impacts, some of which will be irreversible risks for society, including to infrastructure and low-lying coastal settlements. Increased heatwaves, droughts and floods are already exceeding plants' and animals' tolerance thresholds, driving mass mortalities in species such as trees and corals. These weather extremes are occurring simultaneously, causing cascading impacts that are increasingly difficult to manage.

All levels of government, businesses, communities and individuals have a role to deal with our changing climate[3]. The Australian Government is responsible for providing national science, leadership on national reform, managing Commonwealth assets, and maintaining a strong, flexible economy and well-targeted social safety net. States, territory and local governments are responsible for their assets, programs and legislation, and are relied upon to provide localised and regional science and information and building capacity. Councils' action in climate change adaptation and mitigation is typically divided into two categories[4]:

- Council as an organisation ('Council'); and
- The community it serves ('Community').

Council as a member of the Hunter Joint Organisation (JO) is part of the *'Act now on Adaptation: Coastal Wise Communities'* project that has been established to deliver a proactive evidence-based coastal adaptation communication and engagement resource for the Hunter and Central Coast region, and to provide a pathway to embed Climate Change Resilience into the Integrated Planning and Reporting (IP&R) Framework of councils. Coastal communities are impacted by various coastal hazards; erosion, inundation, storms and sea level rise; the severity and frequency of which are increasing due to climate change. Managing these impacts consumes significant council and agency resources and is generally done on a site-by-site or council-by-council basis. This project has provided a number of resources to assist councils more consistently and collaboratively plan for and respond to these issues.

Council as an organisation is responsible for adapting its planning, asset management, and operations to risks posed to it, including risks from a changing climate. Part of building resilience also entails implementing mitigation measures to reduce its impact on the climate. Council has a duty of care to its

[2] IPCC Sixth Assessment Report Climate Change 2022: Impacts, Adaptations and Vulnerability

[3] Department of Agriculture, Water and the Environment (Australian Government), 2021, "NATIONAL CLIMATE RESILIENCE AND ADAPTATION STRATEGY WORKSHOP A roadmap towards more climate resilient Australia", workshop presentation dated July 2021.

[4] Department of Planning, Industry and Environment, 2020, *"Net Zero Emissions Guidance for NSW Councils. Helping councils plan for a low emissions future"* dated May 2020

community and an opportunity to influence behaviour change to create stronger resilience. The reliance of the community on Council assets and services is often emphasised during times of crisis, for example when critical infrastructure is damaged or disrupted by extreme weather events.

Since amalgamation Council and the community have faced droughts, water restrictions, bushfires and, in more recent times, floods. Climate change threatens our region and urbanising coast. We are challenged by weather-related disasters that damage our water, energy, transport, buildings and telecommunications infrastructure. Bushfires rage and heat stress, vector borne and other climate related diseases pose health risks. These impacts of a changing climate add to existing challenges such as urban sprawl, population growth, pollution and the loss of biodiversity.

In the absence of intervention, we know the frequency of many of these events and their impacts will continue to increase over coming decades, due to population increase, property development and climate change. This will impact the bottom line of government budgets at all levels. We know that preparing for extreme events better, through planning, engineering and awareness, can greatly reduce the social and economic costs of these events. Council's adopted Climate Change Strategy 2021 and climate mitigation and adaptation measures reflected in other strategies and plans, are used to inform Council's Resourcing Strategy, including future updates to technical Asset Management Plans, Long Term Financial Plan and Workforce Management Strategy. Our Climate Change Strategy sets out how we reduce our emissions and adapt to the impacts of climate change. These actions include:

- investing in renewable energy
- becoming more energy efficient
- sequestering carbon
- transitioning to more sustainable transport options and
- reducing our waste to landfill

4. Current Status of Asset Management

MidCoast Council's asset management journey as a unified organisation has commenced. At the time this Strategy was prepared, we had a single consolidated asset register within our corporate asset management system. The information in this register was migrated from the former Councils' asset registers and databases. Verifying the accuracy and completeness of the data has been identified as a key future focus area to ensure sound asset management decisions are made.

The adoption of the Asset Management Policy on 24 March 2021 was the first step in consolidating the practices and processes from the former councils. Although this will take some time, the Asset Management Policy provides guiding principles for all asset management decisions. Chief among these are;

- The alignment to ISO 55000 Asset Management standards which provides common, authoritative and understandable terminology, concepts and principles for managing Council's infrastructure assets.
- Resources from the Institute of Public Works Engineers Australia (IPWEA) who provide manuals, training, templates and user forums. Noting that the IPWEA is the peak association for the professionals who deliver public works and engineering services to communities in Australia and New Zealand.

As an organisation we have prioritised the need for asset management improvement and have begun our journey to asset management maturity. A recent review of Council's current asset management awareness identified a basic level of asset management maturity. Council staff have completed individual improvement programs for each asset class to reach a core level of asset management maturity by 2023. The intent of this plan is to achieve five core outcomes:

1. Provide a strong foundation/baseline for future decision making.
2. Integrate risk into operational, maintenance and capital investment decision making.
3. Establish key business functions to facilitate and support best practice decision.
4. Begin a shift from a reactive to informed and accountable decision culture.
5. Improve overall business sustainability.

In addition, each service area will develop technical asset management plans to support the delivery of the adopted programs of work and continue developing the asset management processes by consolidating and improving corporate systems and processes. Several improvements have already been made including:

- The establishment of a cross organisational Asset Management Working Group (AMWG) which includes participation from senior staff and key internal stakeholders. The participation of each Director provides stewardship critical to the success of the AMWG. The AMWG has developed a Council endorsed Asset Improvement Program that considers strategy, policy, financial, operational, systems, risk and audit objectives.
- The adoption of an organisational wide Asset Management Policy and preparation of an Asset Management Strategy, both now

referencing Water & Sewer infrastructure. The adoption of the Strategy will underpin the development of future Asset Management Plans.

- The implementation of a corporate asset management register and work order system that details both technical and financial asset information which feeds into the program development for planned maintenance, renewals and upgrades of our infrastructure.
- Improving and auditing our asset data to ensure that decisions are based on the most current available information.
- Documenting our financial asset management processes to support end of year reporting and audit requirements.

4.1 Asset Financial Modelling and Assumptions

The financial information contained in the Strategy has been developed based on a review of asset data supporting our financial reporting. The overarching asset management financial model was developed using asset values from our current asset registers and then aligned with Note C1-7 Infrastructure, property, plant and equipment and Report on Infrastructure Assets (formerly Special Schedule 7) of the Annual Financial Statements 2020/2021. The model also considered the following assumptions;

- Capital Works Program based on LTFP Business as usual scenario
- Capital Works Program in LTFP split into renewals and new assets
- Capital funding split on asset values
- Where better information is available this has been used
- Works programs split into.
    - New assets
    - Renewal projects

Further benchmarking of depreciation and required maintenance based on Regional Town & City Classification (includes 26 NSW councils) and the Hunter Joint Organisation councils was incorporated into the model. The model consistently and accurately predicts future asset expenditure requirements and can be utilised as a reliable and realistic link for the LTFP. This ensures consistency across the organisation in relation to asset reporting and asset needs.

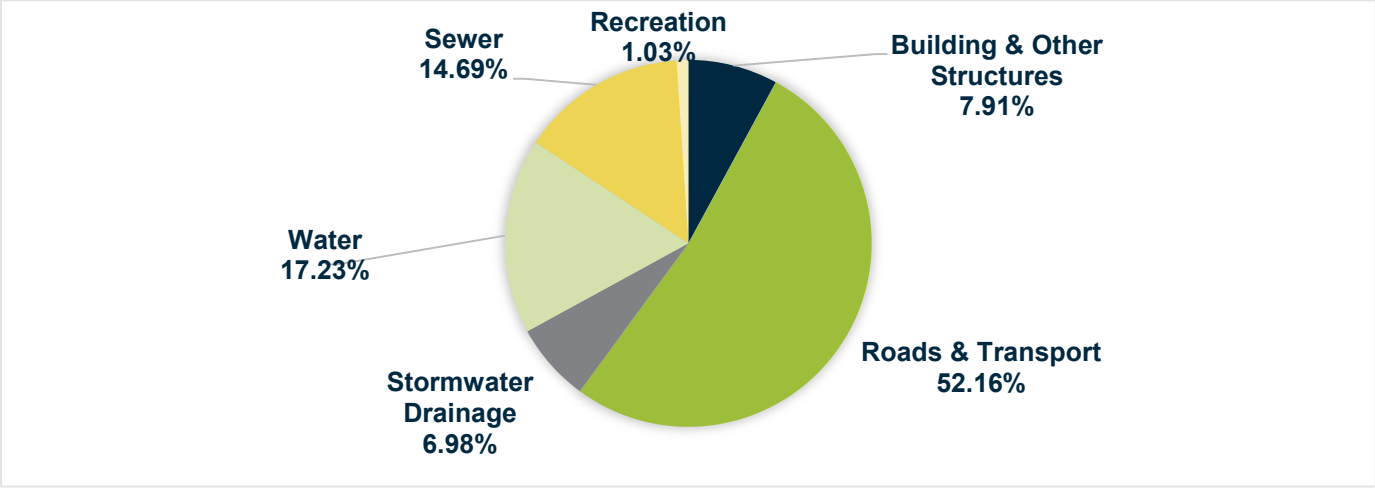
4.2 Assets

Asset cost, condition and value

The cost, condition and value of assets are reported each year in the financial statements within the Annual Report. In 2020/21 the value and replacement cost of infrastructure assets were reported as follows[5]:

Asset Class	Gross Replacement Cost $'000	Net Carrying Amount $'000	Maintenance	Renewal	Backlog
Buildings (including other structures)	$400,701	$229,329	15.96%	88.16%	10.43%
Recreation (including open space assets)	$52,296	$26,812	229.10%	61.57%	10.18%
Road &Transport	$2,641,833	$1,849,492	99.47%	127.38%	3.72%
Stormwater Drainage	$353,456	$187,307	28.28%	233.13%	2.35%
Water	$872,954	$502,643	82.47%	57.54%	3.68%
Sewer	$743,889	$491,077	85.62%	107.77%	3.62%

The value of Council's $5 Billion infrastructure portfolio is made up as follows;



[5] MidCoast Council Annual Report 2020/21 – Financial Statements - Report on Infrastructure Assets.

5. Infrastructure Asset Performance Indicators

The Office of Local Government (OLG) requires several prescribed performance indicators in relation to infrastructure asset management. These measures are designed to assess whether a council is maximising its return on resources and minimising unnecessary burden on the community and business. This includes consideration of whether council is meeting the agreed level and scope of infrastructure for communities as identified through the Integrated Planning and Reporting process. The Infrastructure asset performance indicators that will be used are:

- Building and infrastructure **renewal** ratio - this ratio assesses the rate at which these assets are being renewed against the rate at which they are depreciating. It is an indicator of whether a council's infrastructure backlog is likely to increase. The benchmark is greater than 100%.
- Infrastructure **backlog** ratio - this ratio indicates what proportion the infrastructure backlog is against the total value of the Council's infrastructure. Increasing backlogs may affect the Council's ability to provide services and remain sustainable. The benchmark is less than 2%.
- Asset **maintenance** ratio - This ratio compares actual versus required annual asset maintenance. It measures whether Council is spending enough on maintaining its assets to avoid increasing its infrastructure backlog. The benchmark is greater than 100%.

5.1 Renewal Expenditure

Renewal is the activities to refurbish or replace assets with assets of equivalent or sometimes greater servicecapacity. Usually this involves restoring assets to new condition. Renewal works are included in Council's Capital Works Program. The table below displays the asset renewal expenditure proposed for the next decade based on the model and the Long-Term Financial Plan under the Business as Usual scenario.

Renewal $'000	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Buildings	3,510	1,000	350	350	350	400	350	350	350	350
Recreation	2,373	1,626	$399	316	477	488	289	400	411	441
Transport	58,962	58,533	38,342	37,685	26,130	26,456	26,788	27,086	27,164	27,437
Stormwater Drainage	2,601	2,375	1,988	1,960	1,474	1,488	1,502	1,505	1,790	1,802
Water	7,870	4,578	7,358	7,578	5,150	5,738	5,688	5,688	5,888	6,038
Sewer	11,353	10,488	3,975	3,975	3,975	4,025	3,975	3,975	3,975	5,475
Total Renewal	**86,668.26**	**78,598.20**	**$52,411.40**	**$51,864.53**	**$37,555.93**	**$38,594.01**	**$38,591.41**	**$39,003.23**	**39,577.48**	**41,541.92**

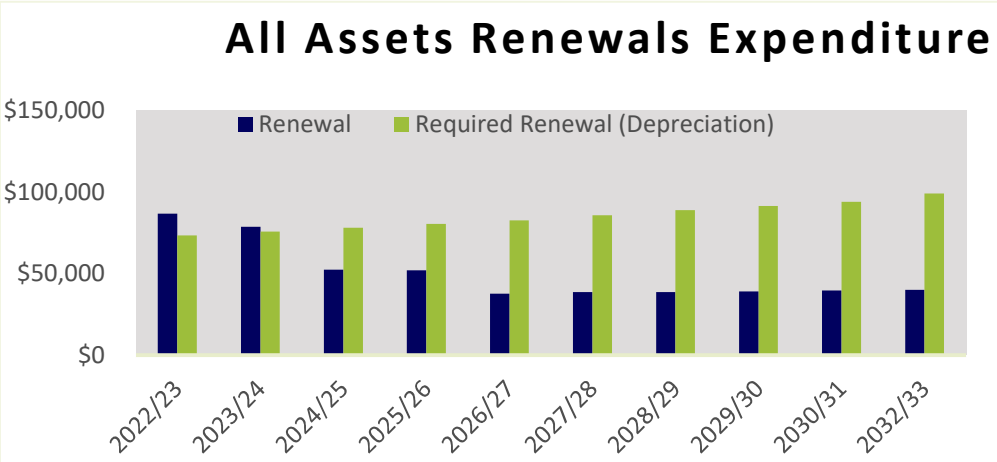
5.2 Grant Funded Renewals

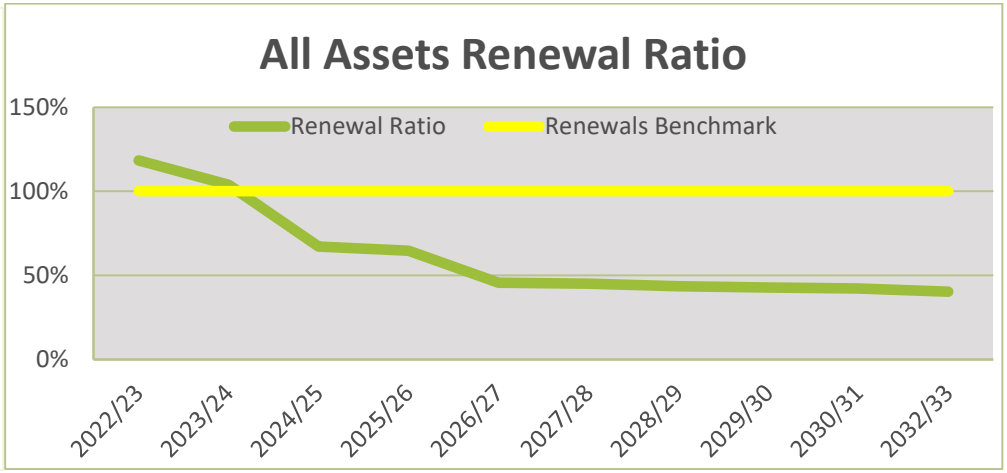
Council relies heavily on externally sourced grant funding to improve our infrastructure where we may otherwise not have access to sufficient funds. These grants allow for investment into capital improvements and renewals and assists in the strategic planning for optimising asset replacement. Council can forecast its grant funded renewals programs for a 3 year period with a high level of confidence. However, due to the uncertainty of grant funding, allocation forecasting beyond 3 years represents a lower level of confidence.

As evidenced in the chart below, renewal expenditure significantly decreases in 2024/25, which represents known grant funding availability. With the annual review of this Strategy, future grant funding allocations will be incorporated to align capital renewals into Council's 10 year renewal program.

5.3 Infrastructure Backlog

The following charts provide an overview of Council's required renewal funding (based on depreciation) and performance against each of these infrastructure indicators over the 10 years of the Strategy.





The estimated cost to bring assets to a satisfactory standard is the amount of money that is required to be spent on an asset that is currently not at the condition determined to be satisfactory by the community. MidCoast Council has defined its condition rating for satisfactory as Condition 2 - Good.

Assets in each condition rating as % of gross replacement costs MidCoast Council Annual Financial Statements 2020/2021 – Report on Infrastructure Assets					
	Condition 1	Condition 2	Condition 3	Condition 4	Condition 5
Buildings	22.7%	22.5%	32.0%	20.2%	2.6%
Recreation	24.1%	20.4%	23.5%	20.3%	11.7%
Roads & Transport	47.7%	28.2%	16.3%	5.8%	2.1%
Stormwater Drainage	18.1%	45.8%	31.0%	4.7%	0.4%
Water	7.5%	37.3%	31.2%	13.3%	10.7%
Sewer	37.2%	9.3%	39.5%	13.8%	0.2%
Total all assets	**34.9%**	**27.7%**	**24.6%**	**9.5%**	**3.3%**

5.4 Cost to Satisfactory (CTS)

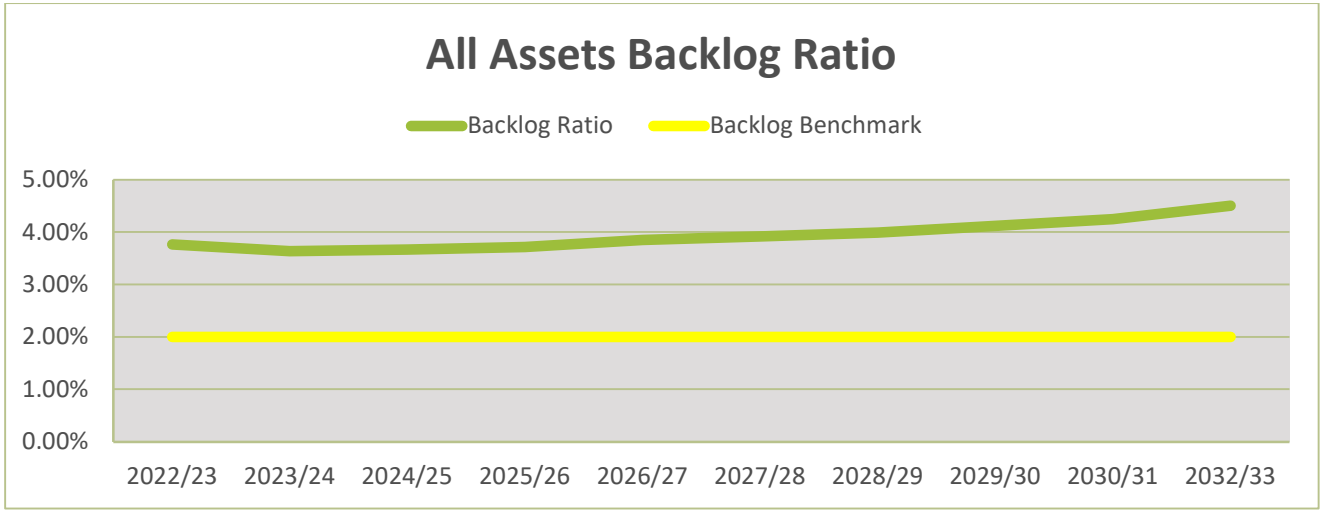
Council's infrastructure backlog represented the cost to bring assets in a poor and failed condition up to a new standard being determined to be satisfactory by the Council. MidCoast Council has defined its condition rating for satisfactory as Condition 2 - Good. The reported CTS is based on the Net Carrying Amount of the asset class and the percentage of those assets in various conditions[6].

Infrastructure Backlog - Cost to Bring to Satisfactory $000	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Buildings	22,956	24,492	25,655	27,302	29,111	30,966	32,869	34,813	36,815	38,869	40,977	43,138
Recreation	3,683	2,813	2,761	2,850	3,163	3,500	3,819	4,146	4,519	,883	5,256	5,635
Transport Assets	68,791	64,711	60,131	55,777	55,113	54,721	56,509	58,404	60,408	$62,531	64,816	67,234
Stormwater	4,411	4,411	4,616	4,878	5,225	5,595	6,069	6,559	7,067	7,593	8,091	8,608
Water	18,480	18,863	19,892	21,580	22,899	24,265	26,139	28,161	30,450	32,844	35,290	37,801
Sewer	17,779	18,161	18,054	18,227	19,605	21,053	22,558	24,112	25,735	27,431	29,222	30,849
Total	136,100	133,451	131,109	130,613	135,116	140,100	147,964	156,195	164,993	174,151	**183,651**	**193,265**

5.5 Cost To Agreed level of service (CTA)

In January 2017, the Office of Local Government (OLG) introduced an additional measure for reporting on the condition of Council's infrastructure assets being the estimated cost to bring assets to agreed level of service set by council and the community. In 2020/21 Council reported a total cost of $136.1 million to bring all infrastructure assets to a satisfactory standard being Condition 2 (CTA). Until such time as Council adopts community endorsed levels of service the CTA is based on the CTS.

The following chart demonstrates the projected backlog ratio based on the projected renewal funding over the 10 years of the Strategy. As evident below, the backlog continues to be above the benchmark of <2% due to the gap in funding for the renewal of existing assets.



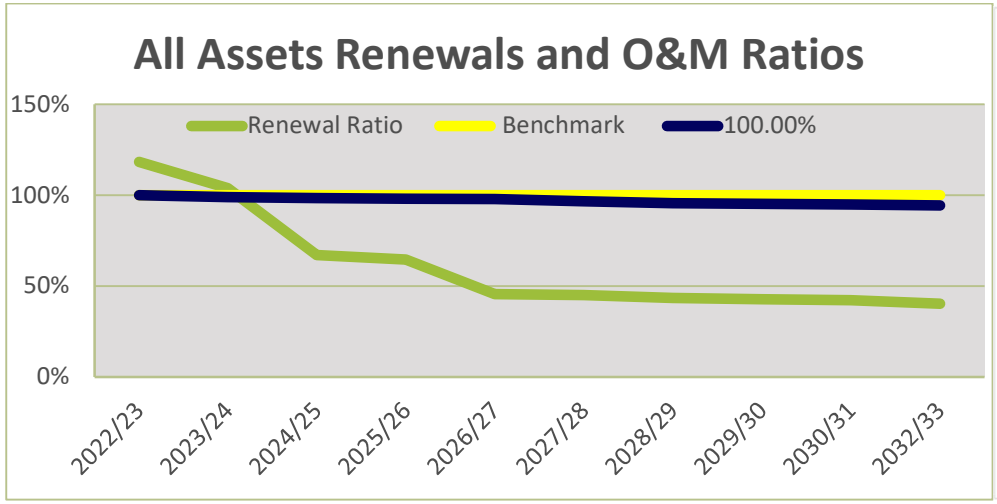
5.6 Maintenance expenditure

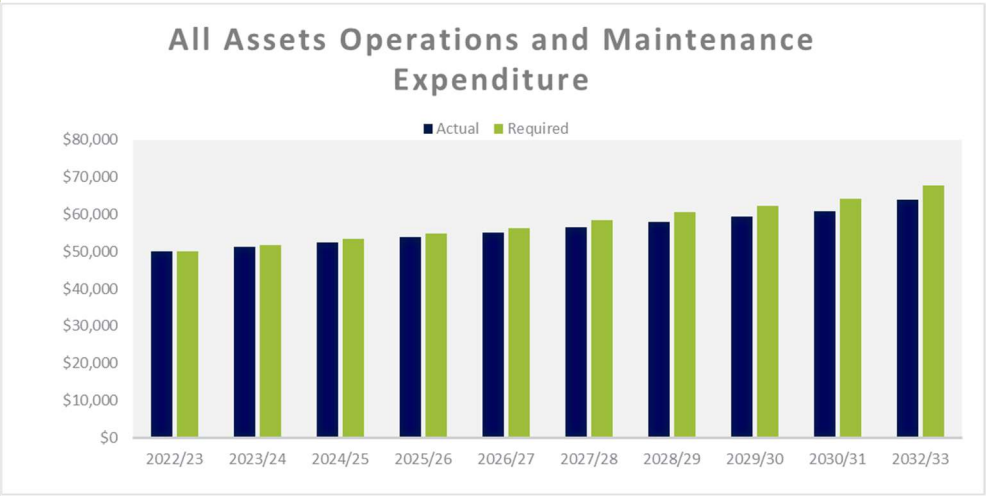
Maintenance is the activities required or undertaken by Council to preserve the service capacity or durability of the assets as they age. The required maintenance, which is stated annually in our Report on Infrastructure Assets, include those costs identified in the asset management plans of routine activities that should be undertaken to sustain the asset in a functional state, ensuring the asset reaches the predicted useful life, excluding rehabilitation or renewal. This includes:

- routine inspection and maintenance activities and minor rehabilitation requires to achieve the predicted useful life of the asset or asset component
- operating expenses required to keep the asset or asset component in a functional state for community uses
- the amount that Council should be spending on assets and is based on a percentage of the replacement cost.

Actual maintenance includes the actual expenditure incurred (for the reporting period) of routine activities undertaken to sustain the asset in a functional state and to ensure that the asset reaches the predicted useful life. This includes both maintenance and operational expenditure and provides the total cost to keep the asset in a functional state in service to the community.

The following charts provide an overview of Council's projected maintenance funding as opposed to the required funding and performance against the infrastructure performance indicators over the 10 years of the Strategy.





5.7 Funding Required to Meet Benchmark Ratios

The table below shows amount of funding allocated (Actual) for all asset classes over the next 10 years and funding shortfall associated with maintenance and renewals. This shortfall is commonly known as the funding gap. In order to respond to the funding gap during the term of the Strategy Council will focus on establishing community agreed levels of service and prioritising funding towards those asset classes. The urgent need is to ensure that asset funding is based on risk, criticality and affordability.

All Assets	$000	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Actual	Renewal	86,668	78,598	52,411	51,865	37,556	38,594	38,591	39,003	39,577	41,542
	New and Expanded Assets	52,999	50,185	31,244	18,451	10,042	74,968	75,812	18,368	18,952	20,462
	O&M	49,917	51,165	52,444	53,755	55,099	56,477	57,888	59,336	60,819	62,340
	Total Expenditure	**189,584**	**179,948**	**136,099**	**124,071**	**102,697**	**170,039**	**172,292**	**116,707**	**119,348**	**124,343**
Required	Required Renewal (Depreciation)	73,281	75,767	78,141	80,344	82,491	85,632	88,864	$91,335	93,863	$ 96,476
	New and Expanded Assets	52,999	50,185	31,244	18,451	10,042	74,968	75,812	18,368	18,952	20,462
	Required O&M	49,915	51,719	53,320	54,839	56,302	58,433	60,625	62,325	64,087	65,909
	Total	**176,195**	**177,671**	**162,705**	**153,634**	**148,836**	**219,034**	**225,302**	**172,028**	**176,902**	**182,847**
	Overall (GAP)	13,389	2,277	(26,606)	(29,563)	(46,139)	(48,995)	(53,010)	(55,321)	(57,554)	(58,504)
	Maintenance Gap	2	(554)	(876)	(1,084)	(1,203)	(1,957)	(2,737)	(2,989)	(3,268)	(3,569)
	Renewals Gap	13,387	2,831	(25,730)	(28,480)	(44,935)	(47,038)	(50,273)	(52,332)	(54,286)	(54,934)

6. Risk Management

MidCoast Council recognises that risk management is an integral part of good management practice and we are committed to establishing an organisational culture that ensures a consistent and systematic application to risk management, that is embedded in all of our activities and business processes. We are focused on identifying risks in order to make conscious decisions to accept, transfer or mitigate these risks in order to achieve our strategic goals and objectives. In 2018, Council developed and implemented a Risk Management Framework, which meets the requirements of the International Risk Management Standard ISO31000. Key to this process was the identification of significant risks, which required action to reduce the level of risk presented to Council and the community. Asset management was one area that was identified as presenting a significant risk to Council. In particular, the risk presented by the age of assets, condition and available resources for asset maintenance and renewal.

This Asset Management Strategy defines high level significant risks, which impact across asset management in general. Each asset overview has a summary of the key significant risks and risk controls for the asset class/group/type.

The Asset Management Plans for each asset class have a detailed evaluation of the significant risks, risk treatments and risk monitoring activities that are carried out by asset custodians. Council's Risk Management Coordinator provides ongoing assistance to the asset custodians, including training and technical assistance throughout the risk management process.

6.1 Role of Audit, Risk & Improvement Committee (ARIC) and the Audit Office (AO)

The Audit Office (AO) identified a number of asset management related improvements, including up-to-date and accurate valuations of assets, that enable Council to correctly account for the future economic benefits of our assets. Valuations also give asset and financial staff relevant and reliable information when deciding how to allocate resources, measuring performance and accounting for assets. A Program Plan has been developed and submitted to ARIC on recommendation identified by the AO which will be delivered through the AMWG. The matters identified include;

- institute regular communications and interactions in advance of, and during valuation exercises between key business units (engineering and finance)
- formalise its asset valuation methodology, assessing its compliance with AASB 13 Fair Value Measurement and AASB 116 Property, Plant and Equipment requirements and relevant directions prescribed by the Office of Local Government
- perform a timely, thorough and robust quality assurance review by appropriate level of management to ensure the completeness and accuracy of the valuations.

6.2 Critical Assets

Critical assets are those assets where the financial, business or service level consequences of failure are sufficiently severe to justify proactive inspection and rehabilitation.

Council has established a corporate Business Continuity Plan to ensure business continuity in the event of a crisis or business disruption event that disrupts Council's day to day activities. It specifies the critical functions that Council provides and identifies the resources (including critical assets) needed to perform the functions. The following assets are essential for Council's operations and outcomes and are considered critical assets and are identified in Council's Business Continuity Plan:

- Council's administration building located at 2 Biripi Way, Taree
- Council works depots located at Taree and Tuncurry
- Taree Airport
- Communication & SCADA assets (the network system of sensors and controllers) servicing water and sewer infrastructure

We manage our assets by using the corporate risk management procedure and the intent is to have the risk ranking or criticality embedded into the asset management system. The risks associated with these assets include public health and safety, business continuity and emergencies. With the revision of the current suite of asset management plans, further identification of critical assets and the required maintenance strategies will be developed.

7. Levels of Service

An aim of asset management planning is to align resource allocation for providing, operating and maintaining assets in line with the needs of the community in terms of reliability and safety considerations. This is termed 'level of service'.

MidCoast Council has drawn information from the former entities for existing levels of service until such time where each asset class can consult with the community on their expectations and requirements. In addition to the community expectations, Council has also considered technical levels of service in the development of this plan.

7.1 Technical Levels of Service

Supporting the community service levels are operational or technical measures of performance. These technical measures relate to the allocation of resources to service activities that Council undertakes to best achieve the desired community outcomes and demonstrate effective organisational performance. Legislative requirements, infrastructure standards and industry guides combine to strongly influence technical levels of service.

7.2 Community Levels of Service

Community Levels of Service measure how the community receives the service and whether the organisation is providing community value. The community will be asked to consider;

- Quality - How good is the service?
- Function - Does it meet users' needs?
- Utilisation - Is the service usage appropriate to capacity?

Council wants to understand from the community how we should prioritise expenditure on our different community asset types. We need a clear direction for future spending based on the community's views on what constitutes an acceptable level of asset conditions. It is essential that we keep our community assets in a safe working order and they meet community expectations

In 2020, Council's Community Satisfaction survey, conducted by Micromex Research, asked the community to respond on the importance and satisfaction over a range of services and assets. A core element of this community survey was the rating of 42 facilities/services in terms of Importance and Satisfaction. The chart below identifies the ranking of the Service Delivery & Asset Management group.

Service Area 1: Service Delivery & Asset Management

Hierarchy of Services/Facilities – Importance

Service/Facility (Ranked high – low)	Importance T2B	LGA Benchmark T2B
Emergency management	92%	92%
Water quality	92%	87%
Public safety	91%	90%
Recycling/waste management/landfills	91%	90%
Water service	91%	87%
Stormwater drainage	88%	81%
Sewerage services	85%	80%
Tourism facilities and services	81%	76%
Public amenities	79%	82%
Street lighting	75%	82%
Parks and playgrounds	74%	83%
Library services	72%	70%
Community buildings/halls	69%	67%
Ovals and sportsgrounds	68%	76%
Cemeteries	68%	74%
Swimming pools	68%	70%
Festival and events programs	67%	70%
Street trees	64%	57%
Cultural opportunities and services	62%	58%
Heritage sites protected and maintained	60%	72%

Within the 'Service Delivery & Asset Management ' service area, in terms of importance, 'emergency management' and 'water quality' is rated the most important, whilst the 'heritage sites protected and maintained' is the service of least relative importance.

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Service Area 1: Service Delivery & Asset Management

Hierarchy of Services/Facilities – Satisfaction

Service/Facility (Ranked high – low)	Satisfaction T3B	LGA Benchmark T3B
Library services	97%	95%
Sewerage services	92%	91%
Cultural opportunities and services	89%	91%
Water quality	89%	87%
Community buildings/halls	89%	88%
Emergency management	88%	90%
Ovals and sportsgrounds	87%	90%
Street lighting	87%	85%
Swimming pools	87%	85%
Parks and playgrounds	87%	86%
Tourism facilities and services	87%	84%
Recycling/waste management/landfills	86%	89%
Heritage sites protected and maintained	86%	85%
Festival and events programs	85%	88%
Public safety	85%	82%
Cemeteries	82%	90%
Street trees	81%	81%
Water service	80%	87%
Public amenities	75%	70%
Stormwater drainage	74%	78%

In terms of satisfaction, residents are most satisfied with 'library services' and least satisfied with 'stormwater drainage' within the 'Service Delivery & Asset Management ' service area.

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8. Link to the Community Strategic Plan (CSP)

This Strategy is prepared to provide a road map to sustainable asset management and to ensure assets are capable of delivering the community's desired service levels in priority areas in the most cost-efficient manner. This is considered necessary if we are to achieve the aspirations and long term objectives of our community as identified in our ***Community Strategic Plan A Shared Vision.***

Strategic Plan Objectives: These are the community's long-term priorities that define what the community's long-term vision will look like once it is achieved.

Strategies: The approach by which the strategic objectives of the Community Strategic Plan will be met.

Asset Class Integration: MidCoast Council has a responsibility to pursue their community's vision, community outcomes and strategic objectives, provide civic leadership and deliver key services. There are services that all councils must provide, and some which councils can choose to make available. The alignment between the CSP and the AMS and those assets required to support the CSP's strategies is demonstrated below;

Community Strategic Plan Objectives	Strategies	Asset Class Integration
1.2 We have access to a wide range of services and activities that contribute to the wellbeing of all members of our community	1.2.1 Provide accessible and safe, local community spaces and facilities	Buildings Recreation Stormwater Roads & Transport Water & Sewer
	1.2.4 Provide learning hubs to support learning opportunities	Buildings Recreation
1.3 We work towards being a sustainable, resilient and socially connected community	1.3.1 Encourage and support volunteering to enable community participation opportunities	Buildings Recreation
	1.3.3 Strengthen social connectedness through programs and partnerships with community groups, government agencies and other service providers	Building Recreation Stormwater Roads & Transport Water & Sewer
	1.3.4 Support individuals, families and communities to prepare, respond and recover from natural disasters or emergency events.	Buildings Stormwater Roads & Transport Water & Sewer
1.4 We protect the health and safety of our communities	1.4.1 Uphold public health and safety standards and increase the capacity of our community to understand and meet them	Stormwater Water & Sewer
	1.4.2 Provide safe and sustainable network of water, sewer and stormwater systems to meet community needs and health and safety standards.	Stormwater Water & Sewer

Community Strategic Plan Objectives	Strategies	Asset Class Integration
	1.4.3 Encourage physical health and fitness and social connectedness by providing safe and appropriate recreational facilities.	Building Recreation
2.1 We protect, manage and restore our natural environment and our biodiversity	2.1.1 Protect, maintain and rehabilitate natural areas	Recreation Stormwater Roads & Transport Water & Sewer
	2.1.3 Improve and maintain water quality for beaches, lakes and waterways	Recreation Stormwater Roads & Transport Water & Sewer
	2.2.2 Climate change risk management planning and adaptation frameworks are applied in development proposals, infrastructure planning and land use planning.	Building Recreation Stormwater Roads & Transport Water & Sewer
2.3 Council works towards net zero emissions	2.3.1 Incorporate renewable energy and resource efficiency in future design and planning	Building Recreation Stormwater Water & Sewer
	2.3.2 Promote energy and resource efficiency initiatives to our community	Building Recreation Stormwater Roads & Transport Water & Sewer
	2.3.3 Invest in renewable energy efficient measures, power purchasing agreements and Carbon sequestration.	Building Recreation Stormwater Water & Sewer
2.4 We have an adequate, reliable and water supply	2.4.1 Manage all elements of the water cycle to deliver an adequate and reliable water supply that meets community's need now and into the future	Water & Sewer
2.5 We balance the needs of our natural and built environment	2.5.1 Practice integrated land use planning that balances the environmental, social and economic needs of present and future generations our existing natural, heritage and cultural assets	Recreation
	2.5.2 Plan, advocate, provide and manage infrastructure that continues to meet the needs of our community.	Building Recreation Stormwater Roads & Transport Water & Sewer

Community Strategic Plan Objectives	Strategies	Asset Class Integration
3.1 MidCoast is a popular place to visit, work and invest	3.1.3 Advocate for improved telecommunications and utilities to provide consistency across the region.	Buildings Water & Sewer
3.3 Our integrated transport networks meet the needs of our businesses and the community	3.3.1 Plan, provide and advocate for safe and efficient regional transport networks	Roads & Transport
	3.3.2 Design, construct and maintain safe and efficient local transport and mobility networks	Stormwater Roads & Transport Water & Sewer
4.1 The Community has confidence in Council decisions and planning for the future	4.1.1 Enable the community to participate in decisions that affect them	Building Recreation Stormwater Roads & Transport Water & Sewer
	4.1.2 Provide clear, accessible, timely and relevant information to the community about council projects and services	Building Recreation Stormwater Roads & Transport Water & Sewer
4.2 Council has strong corporate governance frameworks to ensure decisions and transactions are ethical, efficient, safe and fair	4.2.1 Use governance frameworks and processes to guide our decisions and to ensure council is accountable to the community	Building Recreation Stormwater Roads &Transport Water & Sewer
	4.2.2 Use business improvement, project management and risk management methodologies to ensure best outcomes	Building Recreation Stormwater Roads & Transport Water & Sewer
	4.2.3 Council manages our services and infrastructure in a sustainable manner to balance community need and expectations	Building Recreation Stormwater Roads & Transport Water & Sewer
4.3 Council builds a healthy and community focused culture that contributes to our success	4.3.3 Provide the community with an accessible, responsive and efficient customer experience	Building Recreation Stormwater Roads & Transport Water & Sewer

9. Life Cycle Management

Life Cycle Management considers the activities and associated costs of the characteristic stages of the asset's life cycle, including;

Planning: The design, configuration and specification of the asset to ensure it satisfies its defined purpose

Procurement: Sourcing the asset, whether by purchase, construction/manufacture or other, including its commission

Operation: The active process of utilising an asset which will consume resources such as manpower, energy, chemicals and materials.

Maintenance: All actions necessary for retaining an asset as near as practicable to its original serviceable condition and to achieve its expected life

Renewal: Works to replace existing assets with assets of equivalent capacity or performance capability, with a new expected life

Replacement: The complete replacement of an asset that has reached the end of its life, so as to provide a similar, or agreed alternative, level of service, with a new expected life

Disposal: Actions necessary to decommission and dispose of assets that are no longer required.

Competent and cost-efficient life cycle management for infrastructure assets commences with developing an accurate understanding of the actual condition of each asset. This requires a regular cycle of assessment of the physical condition of assets, for which funds are required for staff and training. However, this regular process results in more accurate and often lower estimates of real asset renewal costs.

This Asset Management Strategy is based on data acquired through physical assessments and other estimates where physical data are either not yet available or are not possible to obtain for various reasons. All estimates are being continually refined to produce the best possible accurate assessment of asset condition and funding priorities.

Throughout this Strategy, Council is using a 5-point asset condition rating scale to steer decisions regarding priorities and funding requirements. This scale is consistent with best practice for asset condition assessment and reporting, as described below.

Council Asset Condition Matrix		
Level	**Condition**	**Description**
1	Excellent/Very Good	New or as new condition. Only planned cyclic inspection and routine maintenance required
2	Good	Good condition with minor defects. Minor routine maintenance along with planned cyclic inspection and maintenance.
3	Satisfactory/Average	Average/fair condition with some significant defects requiring regular maintenance on top of planned cyclic inspections and maintenance.
4	Poor	Poor condition with asset requiring significant renewal/ rehabilitation, or higher levels of inspection and substantial maintenance to keep the asset serviceable.
5	Very Poor	Very poor condition. Asset physically unsound and/or beyond rehabilitation. Renewal required

10. Building Assets

Council's building asset class is separated into operational, community and commercial asset groups. Operational buildings include Council offices and depots, while commercial assets consist of Council owned and leased residential properties and retail services. Community buildings comprise of public toilet amenities,libraries, childcare centres, halls, community centres, clubhouses and shelters. The assets are maintained by the Community Spaces, Recreation & Trades (CSRT) Department within the Livable Communities Directorate.

10.1 Available financial data

The building data reported in Note C1-7 of Council's Financial Statements 2020/2021 is based on the previous revaluation completed in 2018 by a registered valuer. Buildings over $1,000,000 were valued at a component level.

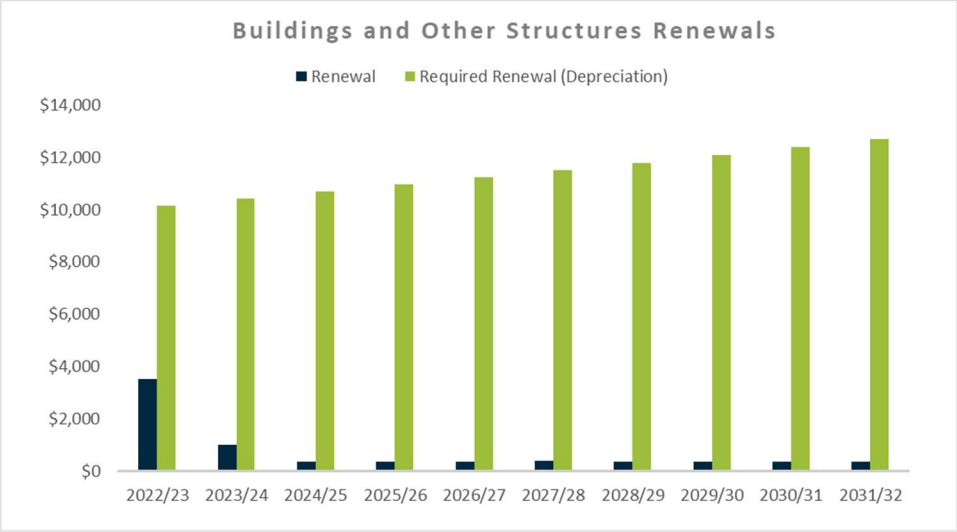
Council's revalued building assets were imported into the corporate asset system 1 July 2019 in line with revaluation requirements.

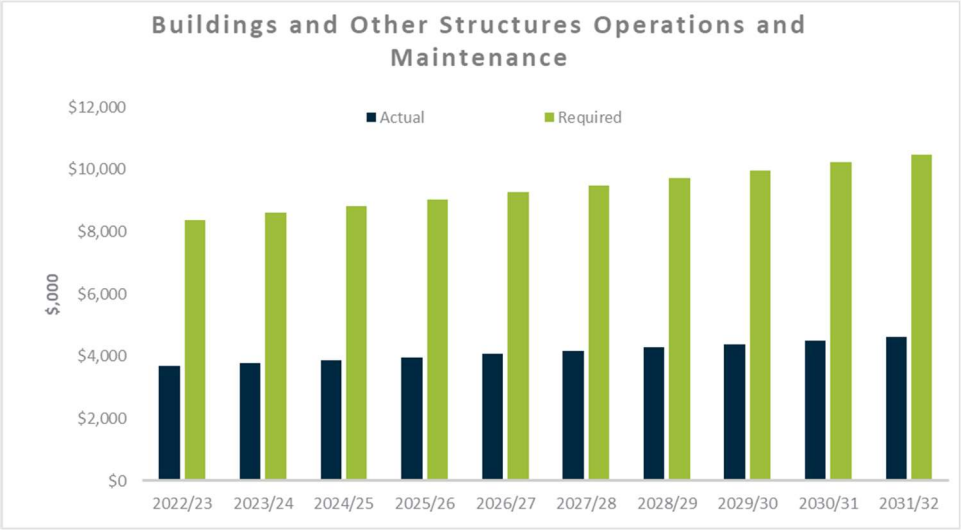
10.2 Infrastructure Backlog and Future funding allocation.

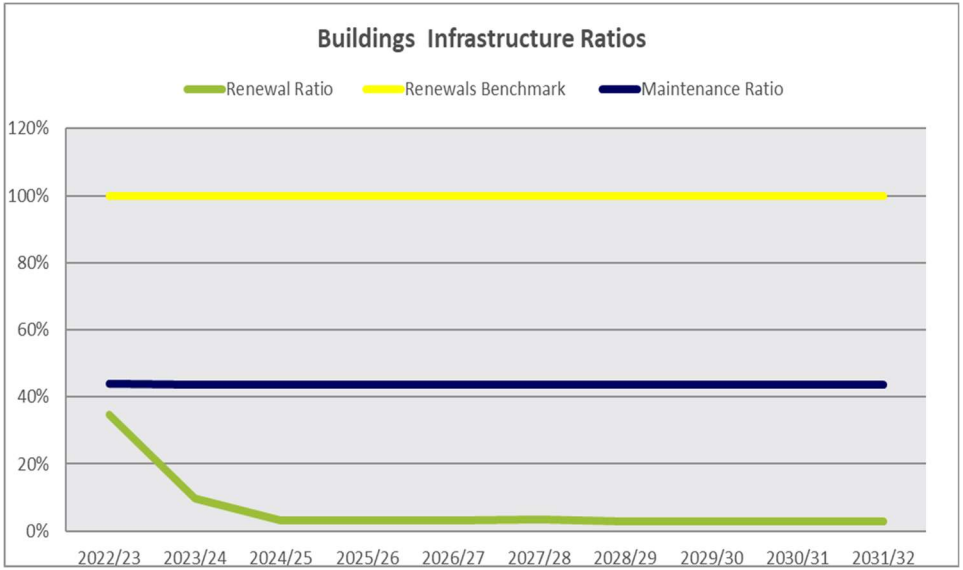
The table below shows the proposed, capital and maintenance expenditure for buildings and other structure assets over the next 10 year and the future years funding shortfalls specifically for maintenance and renewals.

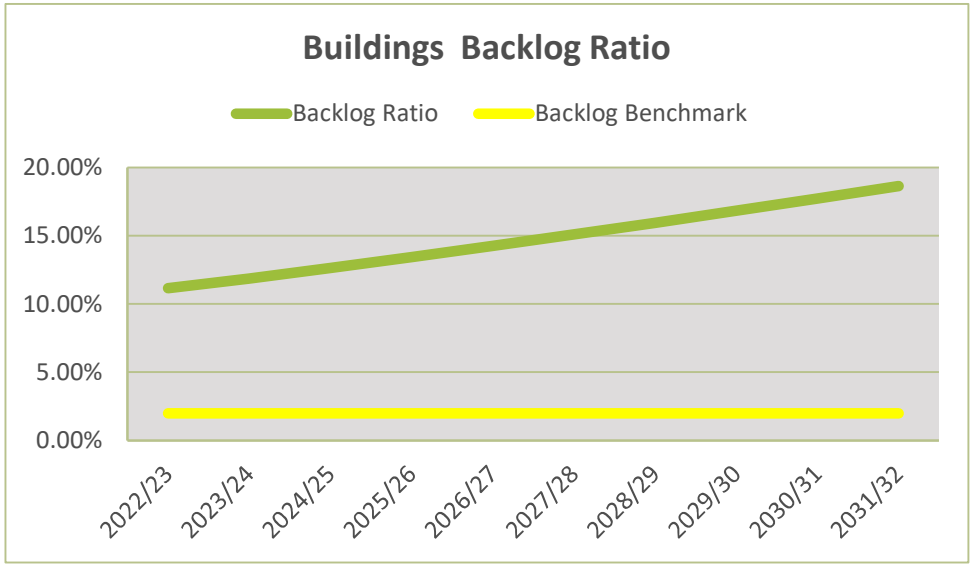
Buildings & Other Structures		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Actual	Renewal	3510	1000	350	350	350	400	350	350	350	350
$000	New and Expanded Assets	300	450	0	0	0	0	0	0	0	0
	O&M	3692	3785	3879	3976	4076	4178	4282	4389	4499	4611
	Total Expenditure	7502	5235	4229	4326	4426	4578	4632	4739	4849	4961
Required	Required Renewal (Depreciation)	10152	10413	10684	10952	11225	11506	11794	12088	12391	12700
$000	New and Expanded Assets	300	450	0	0	0	0	0	0	0	0
	Required O&M	8383	8602	8817	9037	9263	9495	9732	9976	10225	10481
	Total	18836	19465	19501	19989	20489	21001	21526	22064	22616	23181
	Overall (GAP)	-11333	-14230	-15272	-15663	-16063	-16423	-16894	-17325	-17767	-18220
	Maintenance Gap	-4691	-4817	-4938	-5061	-5188	-5317	-5450	-5587	-5726	-5869
	Renewals Gap	-6642	-9413	-10334	-10602	-10875	-11106	-11444	-11738	-12041	-12350

The charts below demonstrate the projected performance of this asset class against the infrastructure benchmark ratio during the term of this Strategy.









10.3 Condition

Change in Condition of Building Assets 2017/2018 to 2020/2021							
	Condition 1 Excellent/Very Good	Condition 2 Good	Condition 3 Satisfactory/Average	Condition 4 Poor	Condition 5 Very Poor	% meeting required condition rating[6]	% not meeting required condition rating
2020/21	22.7%	22.5%	32.0%	20.2%	2.6%	45.2%	54.8%
2019/20	13.3%	48.7%	32.7%	5.1%	0.2%	62.0%	38.0%
2018/19	13.4%	48.7%	32.7%	5.0%	0.2%	62.1%	37.9%
2017/18	29.8%	39.1%	28.3%	2.6%	0.2%	68.9%	31.1%

10.4. Service level expectations

Levels of Service measure how the community receives the service and whether the organisation is providing community value. In February 2020 Micromex Research was engaged to undertake a Community Satisfaction Survey. During this consultation, the community made it clear that they were happy with the current levels of service with Building Assets scoring on average just above the LGA benchmark.

The community's expectation influences the investment in capital and operational funding, which in turn drives Council's financial plan. Council and the community worked together to find a balance between the community expectations of the services provided versus their willingness to pay. Setting appropriate Levels of Service is one of the critical decisions in the development of an effective total asset management strategy for open space assets.

Council agrees to continue the provision of building assets to the MidCoast Local Government Area at the highest level acceptable by the community and in compliance with relevant standards, specifications and legislations. To achieve this result, Council's intervention level for building assets is when the condition of an asset scores worse than a condition rating of 3.

The table below is a summary of the specific Building Asset survey results for satisfaction and importance under Council's service and facilities group.

	Community Satisfaction		Community Importance	
	MidCoast Council	LGA Benchmark	MidCoast Council	LGA Benchmark *
Community buildings/halls	89%	88%	69%	67%
Public amenities, such as toilets and parents' rooms	75%	70%	79%	82%
Heritage sites protected and maintained	86%	85%	60%	72%

[6] The OLG's IP & R Guidelines deem Condition 2 – Good, for the purposes of the Report on Infrastructure Assets and to determine the Backlog Ratio

10.5 Current situation

Council has been on a journey to building asset maturity over the last 5 years, with all building assets identified in the corporate asset register. Data stored against each asset includes technical, operational and financial information which is used in asset management decision making.

Asset inspections are a key factor of asset management and are designed to identify defects that have the potential to create a risk of damage or inconvenience to the public and may impact on overall asset life. In addition, regular inspections assist in maintaining the integrity of asset data.

For building assets, Council has committed to an inspection frequency of 4 years. Assets will be inspected either on an annual, biennial, triennial or quadrennial frequency. Factors to be taken into account on determining the frequency of when an asset is inspected include:

- the classification of the building
- legislation
- facility visitation rate (FVR)
- condition of building
- location and surrounding environment

10.6 Future directions

Council will continue to review operational and capital expenditure and where necessary, reallocate funding to ensure these assets are maintained to community expectations and the infrastructure backlog is reduced. Council will also continue to monitor asset condition utilising cost effective measures where possible and review asset data to ensure that the asset register is updated on a regular basis.

11. Recreation Assets

Outdoor recreation assets are essential for the health and wellbeing of the community by delivering personal and social benefits on which healthy, happy communities thrive. Recreational open space stimulates commercial growth and economic prosperity by providing cultural & tourism opportunities as well as supporting outdoor recreation. Our Open Space assets are broken up into 3 categories, being Passive, Active or Natural Areas and include the following classes:

- Passive Recreation Assets - furniture, BBQ's, signage, lookouts, boardwalks, footbridges, monuments, lighting and landscaping
- Active Recreation Assets – Sporting including fields, courts and lighting, swimming pools and pumps, playgrounds, fitness stations, skateparks and boating facilities including wharfs, jetties and boat ramps
- Natural Areas – Asset protection zones, beaches and accessways

The assets are maintained by the Community Spaces, Recreation and Trades Department within the Livable Communities Directorate.

11.1 Available financial data

The recreation data reported in Note C1-7 of Council's Financial Statements 2020/2021 is based on the previous revaluation completed in 2019

Council consolidated its asset registers from the former branch offices into Technology One asset system in 2019/20. MidCoast Council had identified the need to reassess the open space asset value during the 2020/2021 financial year to be able to assign lifecycle asset value with respect to remaining useful life. However, due to the flood event experienced in March 2021 and the amount of damage to Council's recreation assets, Council's auditors agreed the revaluation can be held off until the 2021/22 financial year.

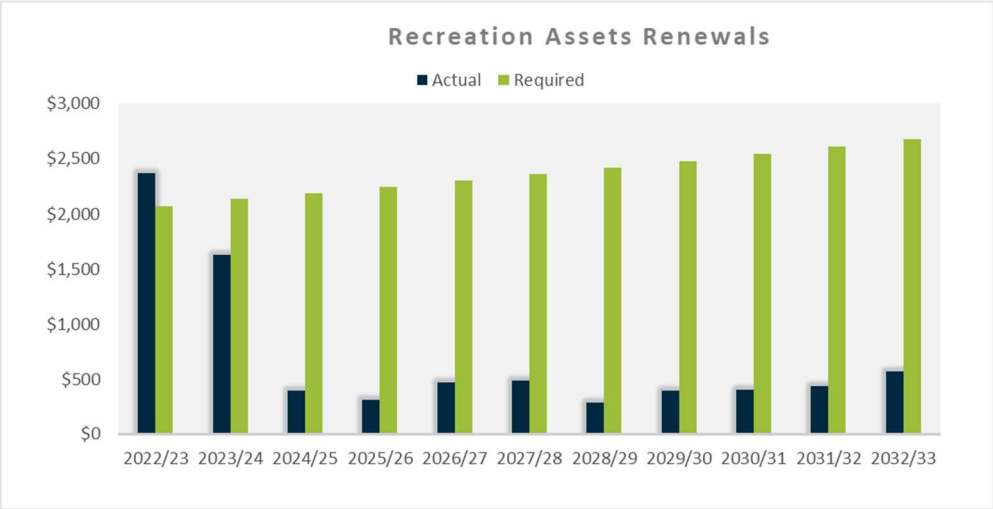
11.2 Future infrastructure backlog and Future funding allocations

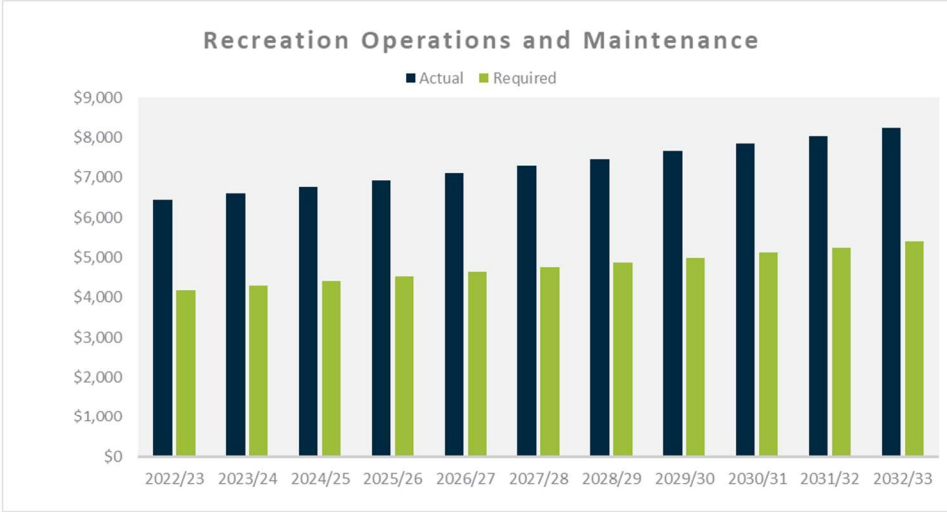
The table below shows the proposed, capital and maintenance expenditure for recreation assets over the next 10 year and the future years' funding shortfalls, specifically for renewals.

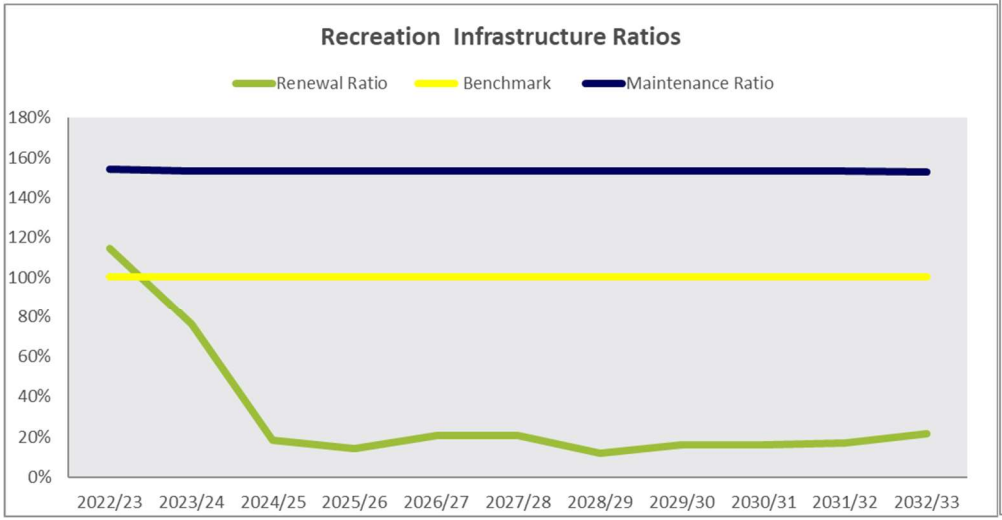
Recreation	$000	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Actual	Renewal	2373	1626	399	316	477	488	289	400	411	441
	New and Expanded Assets	1949	249	20	19	19	20	20	20	20	28
	O&M	6437	6598	6763	6932	7105	7283	7465	7652	7843	8039
	Total Expenditure	10758	8473	7181	7268	7602	7791	7774	8072	8274	8508
Required	Required Renewal (Depreciation)	2073	2134	2188	2243	2300	2358	2418	2479	2542	2606
	New and Expanded Assets	1949	249	20	19	19	20	20	20	20	28
	Required O&M	4176	4298	4407	4519	4633	4751	4871	4994	5120	5250
	Total	8197	6681	6615	6781	6953	7128	7308	7493	7682	7884
	Overall (GAP)	2561	1792	567	486	649	663	466	579	592	623
	Maintenance Gap	2261	2300	2356	2413	2472	2533	2594	2658	2723	2789

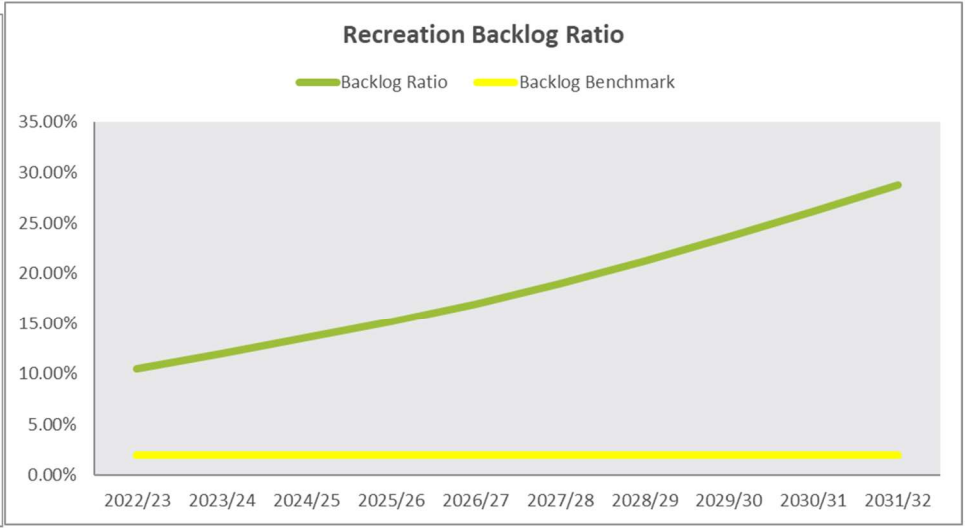
Renewals Gap	300	-508	-1789	-1927	-1823	-1870	-2129	-2079	-2131	-2166

The charts below demonstrate the projected performance of this asset class against the infrastructure benchmark ratio during the term of this Strategy.









11.3 Condition

The condition of all open space facilities is systematically inspected to ensure that conditions which may lead to structure damage are identified so any remedial action may be undertaken. Asset inspections are a key factor of asset management and are designed to identify defects that have the potential to create a risk of damage or inconvenience to the public and may impact on overall asset life.

Overall, approximately 80% of Open Space assets are either in a Very Good or Good condition with no less than 95% scoring in the poor to very poor range.

The table below is a summary of the open space condition results over a period of 4 years.

Change in Condition of Open Space Assets 2017/2018 to 2020/2021							
	Condition 1 Excellent/Very Good	Condition 2 Good	Condition 3 Satisfactory/Average	Condition 4 Poor	Condition 5 Very Poor	% meeting required condition rating[7]	% not meeting required condition rating
2020/21	36.97%	45.80% *	13.22% *	3.40%	0.61%	95.99%	4.01%
2019/20	28.01%	67.33%	3.79	0.80%	0.06%	99.14%	0.86%
2018/19	45.29%	35.86%	16.49	1.60%	0.75%	97.65%	2.35%
2017/18	44.13%	38.44%	14.83	1.74%	0.86%	97.40%	2.60%

* Data was impacted due to the flood event in March 2021.

11.4 Service level expectations

Community Levels of Service measure how the community receives the service and whether the organisation is providing community value. In February 2020 Micromex Research was engaged to undertake a Community Satisfaction Survey. During this consultation, the community made it clear that they were happy with the current levels of service with Open Spaces scoring on average just above the LGA benchmark.

The community's expectation influences the investment in capital and operational funding, which in turn drives Council's financial plan. Council and the community worked together to find a balance between the community expectations of the services provided versus their willingness to pay. Setting appropriate Levels of Service is one of the critical decisions in the development of an effective total asset management strategy for open space assets.

Council agrees to continue the provision of parks and sporting grounds to the MidCoast Local Government Area at the highest level acceptable by the community and in compliance with relevant standards, specifications and legislations. To achieve this result, Council's intervention level for Open Space is when the condition of an asset scores below condition rating of 3.

[7] The OLG's IP & R Guidelines deem Condition 2 – Good, for the purposes of the Report on Infrastructure Assets and to determine the Backlog Ratio

The table below is a summary of the specific open space survey results for satisfaction and importance under Council's service and facilities group.

	Community Satisfaction		Community Importance	
	MidCoast Council	LGA Benchmark *	MidCoast Council	LGA Benchmark *
Parks and Playground	87%	86%	74%	83%
Ovals and Sportsgrounds	87%	90%	68%	76%
Swimming Pools	87%	85%	68%	70%

* Micromex has developed Community Satisfaction Benchmarks using normative data from over 60 unique councils, more than 120 surveys and over 68,000 interviews since 2012.

11.5 Current situation

Council has been on a journey to open space asset maturity over the last 5 years, with all park assets identified in the corporate asset register. Data stored against each asset includes technical, operational and financial information which is used in asset management decision making.

Asset inspections are a key factor of asset management and are designed to identify defects that have the potential to create a risk of damage or inconvenience to the public and may impact on overall asset life. In addition, regular inspections assist in maintaining the integrity of asset data.

For open space assets, Council has committed to an inspection frequency of 4 years. Assets will be inspected either on an annual, biennial, triennial or quadrennial frequency. Factors to be taken into account on determining the frequency of when an asset is inspected include:

- the classification of the hierarchy of the reserve.
- manufactures' recommendations
- legislation
- facility visitation rate (FVR)
- condition of equipment
- location and surrounding environment

11.6 Future directions

Council will continue to review operational and capital expenditure and where necessary reallocate funding to ensure these assets are maintained to community expectations and the infrastructure backlog is reduced. Council will also continue to monitor asset condition utilising cost effective measures where possible and review asset data to ensure that the asset register is updated on a regular basis.

12. Roads & Transport Assets

Council's transport asset class includes:

- Regional Roads, that allow travel from any town or region to another, within the Local Government Area and beyond,
- The Rural Roads, that provide access to and from our towns, villages and countryside,
- The Urban Roads that provide access to our homes and in and around our urban centres, and
- Car parks that support our retail, commercial, recreational and tourist destinations

Any road is typically comprised of:

- the road reserve – the land formally set aside (gazetted) for the purpose of movement of people and goods, with Council as the Road Authority,
- the road carriageway – a formed pavement and often a wearing course (a seal),
- the bulk earthworks that allow roads to cut through the hills and valleys,
- the bridges that carry the roads across our waterways, gullies and railway lines,
- the footpaths and cycleways that facilitate active transport and recreation,
- the shoulder and tabledrain or kerb and gutter that protects the road edge and carries stormwater away for safety and convenience and to protect the pavement,
- road furniture, devices, signage and structures that improve the trip for drivers, riders, passengers and pedestrians.

These assets are maintained by Council's Infrastructure & Engineering Services Department. All asset information pertaining to each group is contained within Council's asset register.

Roads and Bridges are the primary Roads & Transport asset classes that are documented in this strategy. Other road-related assets, such as kerb and gutter, footpaths, earthworks, road structures and furniture, while still part of Council's infrastructure asset portfolio, are considered, managed and reported as subcomponents of the roads asset class.

12.1 Available financial data and funding

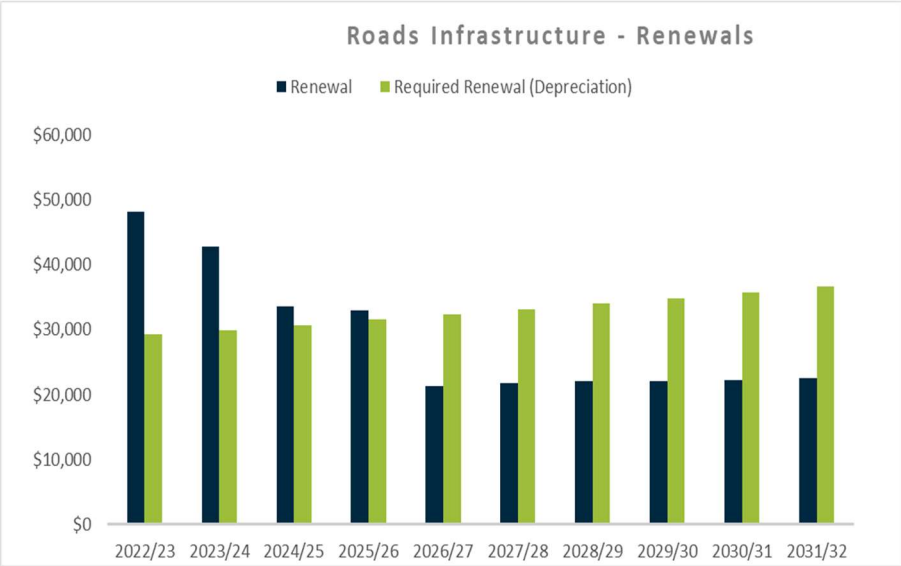
The roads data reported in Note C1-7 of Council's Financial Statements 2020/2021 is based on the previous revaluation completed in 2019. Council's road assets were revalued as part of the fair valuation requirements and imported into the corporate asset system 1 July 2019 in line with revaluation requirements.

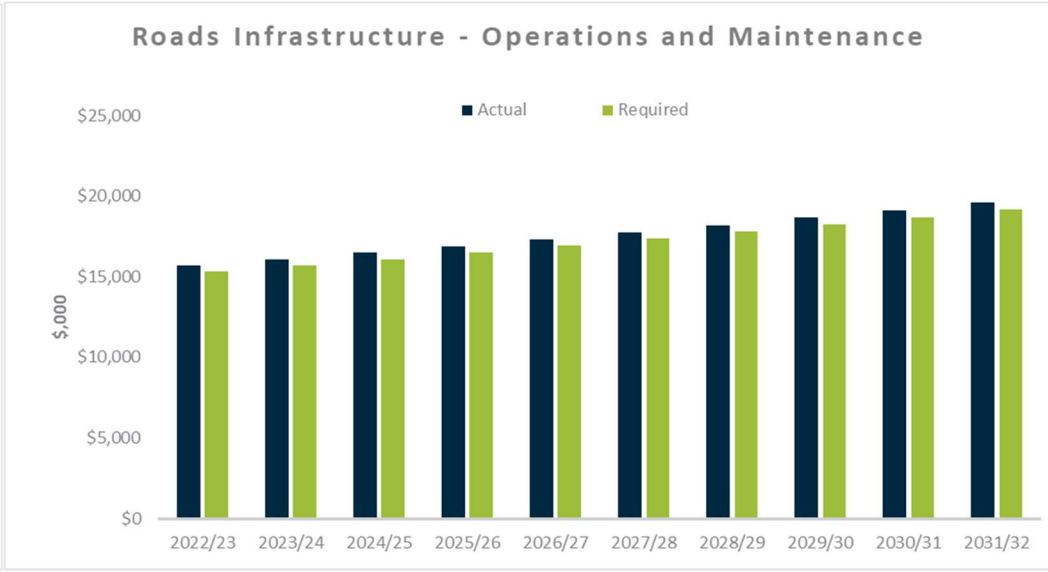
12.2 Infrastructure Backlog and Future funding allocation

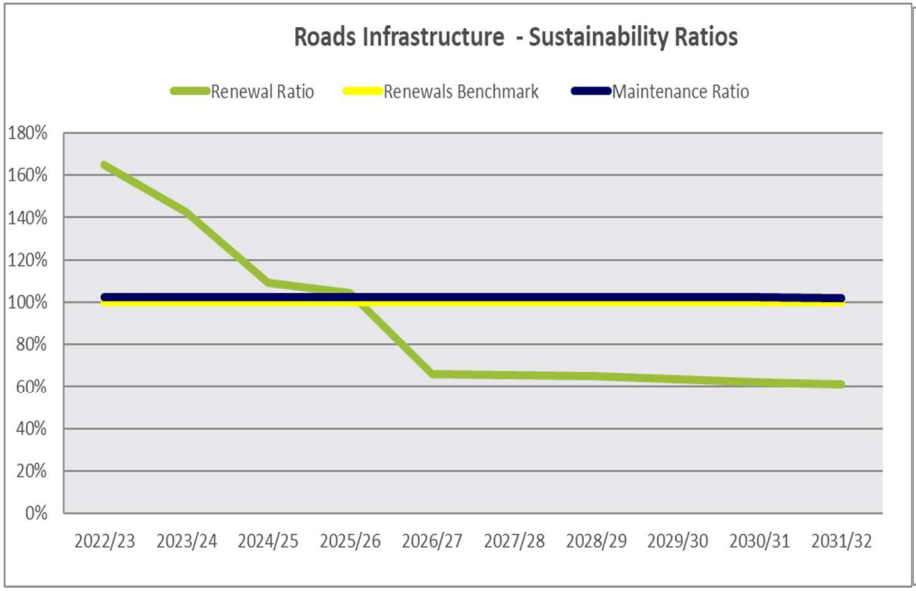
The table below shows the proposed, capital and maintenance expenditure for roads & transport assets over the next 10 years and the future years' funding shortfalls, specifically for maintenance and from 2026/27.

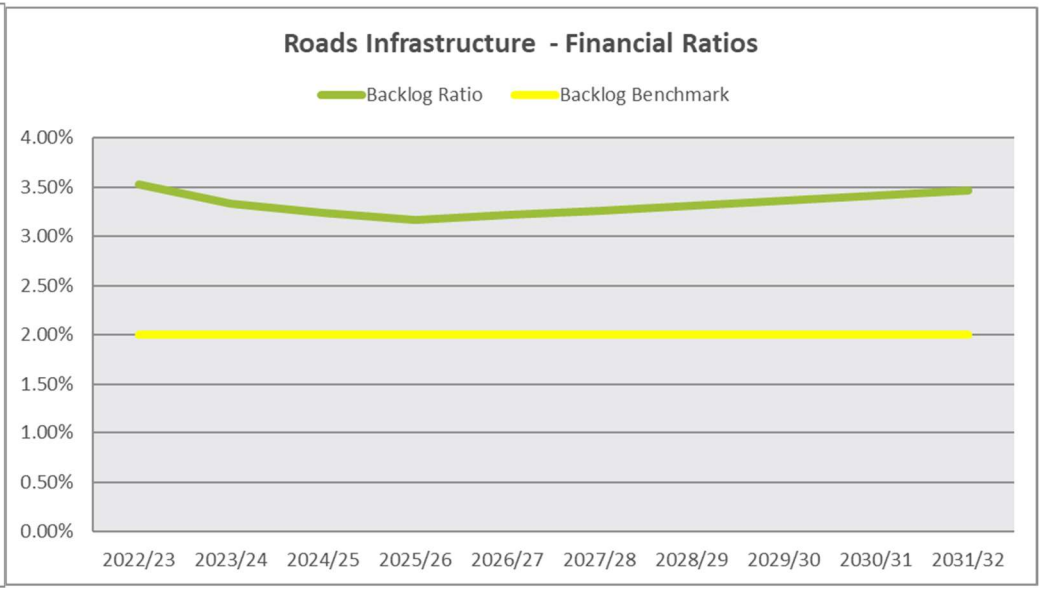
Roads & Transport	$000	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Actual	Renewal	48,151	42,762	33,582	32,925	21,370	21,696	22,028	22,105	22,183	22,456
	New and Expanded Assets	971	914	917	911	789	792	796	797	797	800
	O&M	15,707	16,100	16,502	16,915	17,337	17,771	18,215	18,671	19,137	19,616
	Total Expenditure	64,829	59,776	51,002	50,750	39,496	40,259	41,039	41,572	42,118	42,872
Required	Required Renewal (Depreciation)	29,211	29,953	30,713	31,492	32,290	33,107	33,944	34,802	35,682	36,583
	New and Expanded Assets	971	914	917	911	789	792	796	797	797	800
	Required O&M	15,314	15,703	16,101	16,510	16,927	17,355	17,794	18,244	18,705	19,178
	Total	45,497	46,570	47,732	48,912	50,006	51,255	52,534	53,843	55,184	56,561
	Overall (GAP)	19,332	13,205	3,270	1,838	-10,510	-10,996	-11,495	-12,271	-13,067	-13,689
	Maintenance Gap	392	396	401	405	410	415	421	426	432	438
	Renewals Gap	18,940	12,809	2,869	1,433	-10,920	-11,411	-11,916	-12,697	-13,499	-14,127

The charts below demonstrate the projected performance of this asset class against the infrastructure benchmark ratio during the term of this Strategy.









12.3 Condition

Change in Condition of Roads Assets 2017/2018 to 2020/2021							
	Condition 1 Excellent/ Very Good	Condition 2 Good	Condition 3 Satisfactory/ Average	Condition 4 Poor	Condition 5 Very Poor	% meeting required condition rating[8]	% not meeting required condition rating
2020/21	16.0%	42.4%	26.6%	10.8%	4.2%	58.4%	41.6%
2019/20	9.1%	36.6%	44.1%	6.9%	3.5%	54.5%	45.5%
2018/19	9.2%	40.8%	24.0%	21.6%	4.3%	49.9%	50.1%
2017/18	27%	38.5%	23.0%	11.0%	0.5%	34.0%	66%

12.4 Service level expectations

The community satisfaction survey identified our roads as a high priority and residents' support for reducing any funding gaps to improve the condition of our roads. The community's high expectation of our roads influences our investment in renewal funding which is strengthened by a Special Rate Variation (SRV) for local roads.

	Community Satisfaction		Community Importance	
	MidCoast Council	LGA Benchmark *	MidCoast Council	LGA Benchmark *
Maintaining Local Roads	43%	58%	96%	93%
Overall condition of the local sealed road network	58%	58%	90%	93%
Maintaining Local Bridges	75%	N/A	92%	N/A
Streetlighting	87%	85%	75%	82%

* Micromex has developed Community Satisfaction Benchmarks using normative data from over 60 unique councils, more than 120 surveys and over 68,000 interviews since 2012. N/A denotes Not Available

12.5 Current situation

The amalgamation brought together three road networks that have each evolved out of differing construction and maintenance methodologies, funding levels and community expectations. The equitable management of maintenance and renewal priorities and the development of new construction and maintenance methodologies is a particular challenge, anticipated to be addressed through improved Asset Management.

As the Infrastructure Backlog and Future funding allocation table above shows, the funding for capital and renewal works is expected to reduce in 2023/24 as current grant funding arrangements are completed. Further grant funding may be expected but amounts and timing are unknown.

12.6 Future directions

Council will continue to review operational and capital expenditure and where necessary reallocate funding to ensure these assets are maintained to community expectations and the infrastructure backlog is reduced. Council will also continue to monitor asset condition using cost effective measures where possible and review asset data to ensure that the asset register is updated on a regular basis.

[8] The OLG's IP & R Guidelines deem Condition 2 – Good, for the purposes of the Report on Infrastructure Assets and to determine the Backlog Ratio

13. Bridges

13.1 Available financial data and funding

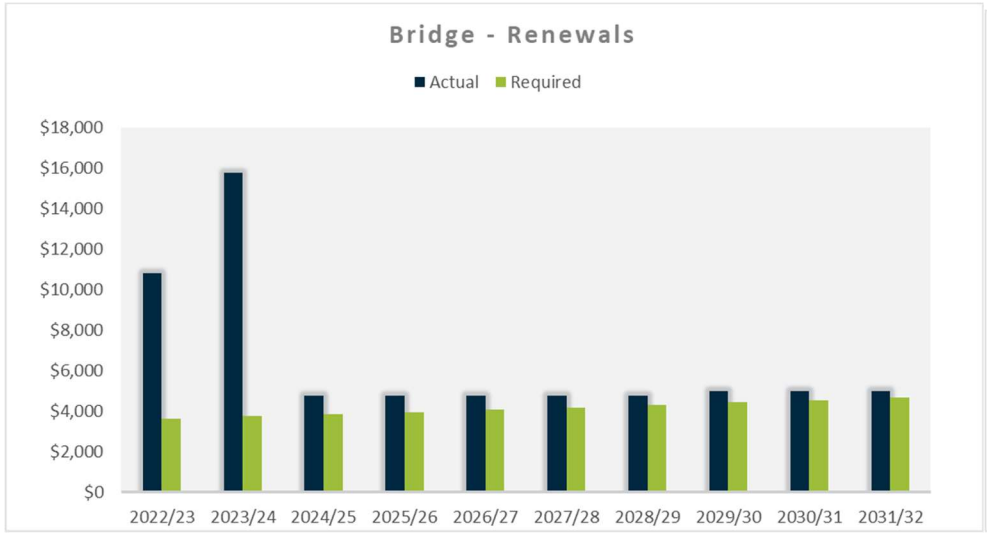
The bridges data reported in Note C1-7 of Council's Financial Statements 2020/2021 is based on the previous revaluation completed in 2019. Council's bridges assets were revalued as part of the fair valuation requirements and imported into the corporate asset system 1 July 2019.

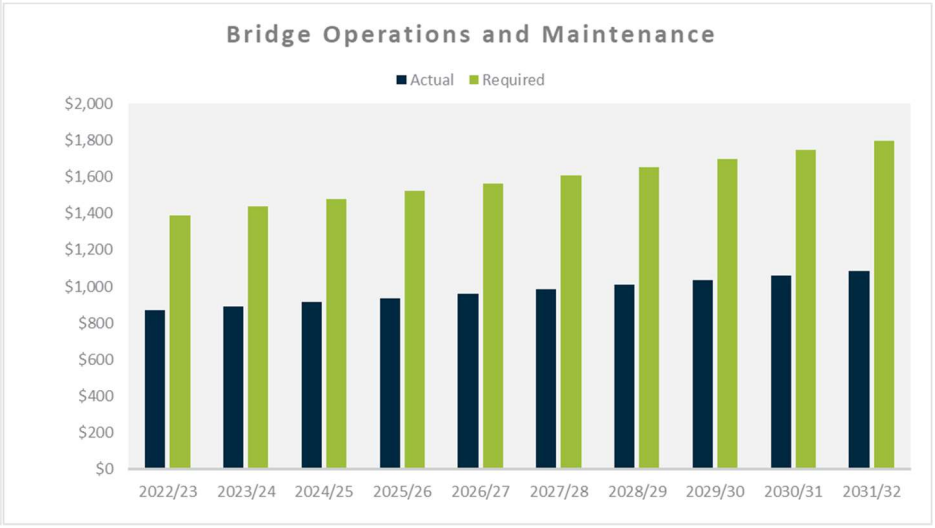
13.2 Infrastructure Backlog and Future funding allocation

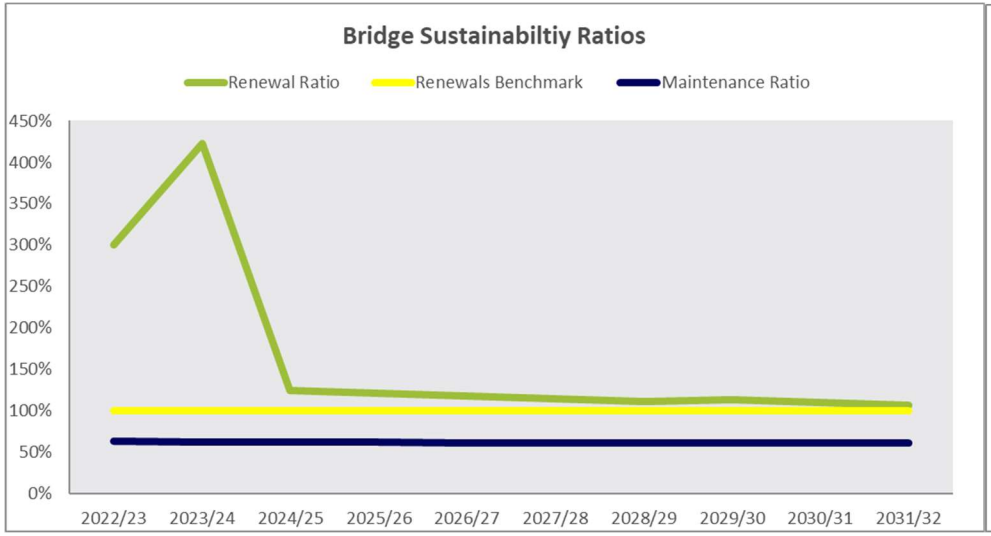
The table below shows the proposed capital and maintenance expenditure and the backlog figures for bridges over the next ten years.

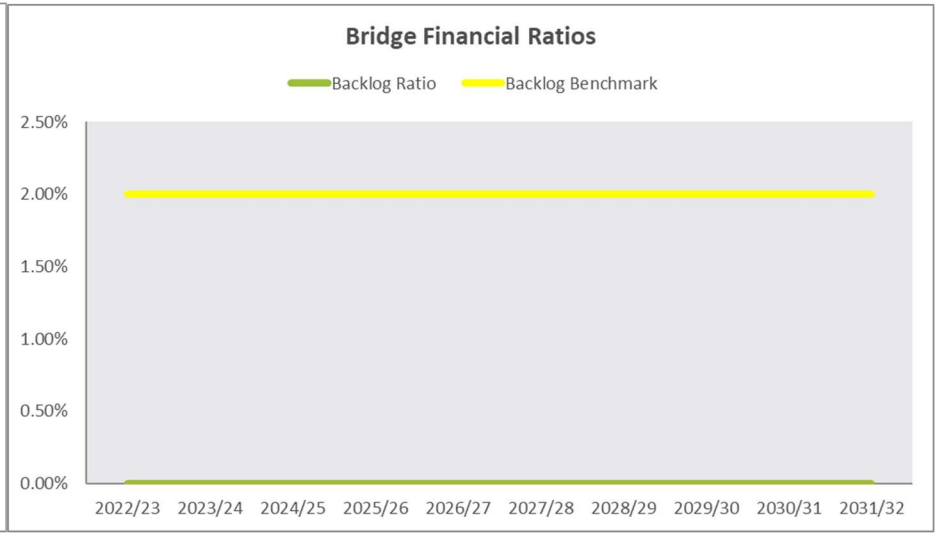
Bridges	$000	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Actual	Renewal	10,811	15,771	4,760	4,760	4,760	4,760	4,760	4,981	4,981	4,981
	New and Expanded Assets	2,703	3,943	1,190	1,190	1,190	1,190	1,190	1,245	1,245	1,245
	O&M	869	891	913	936	959	983	1,008	1,033	1,059	1,085
	Total Expenditure	14,382	20,604	6,863	6,886	6,909	6,933	6,958	7,259	7,285	7,312
Required	Required Renewal (Depreciation)	3,641	3,774	3,881	3,991	4,104	4,219	4,338	4,459	4,584	4,712
	New and Expanded Assets	2,703	3,943	1,190	1,190	1,190	1,190	1,190	1,245	1,245	1,245
	Required O&M	1,373	1,423	1,464	1,505	1,548	1,591	1,636	1,682	1,729	1,777
	Total	7,716	9,140	6,535	6,686	6,841	7,000	7,163	7,386	7,558	7,735
	Overall (GAP)	6,666	11,464	328	199	68	-67	-206	-127	-273	-423
	Mainteance Gap	-504	-533	-551	-570	-589	-608	-628	-649	-670	-692
	Renewals Gap	7,170	11,997	879	769	656	541	422	522	397	269

The charts below demonstrate the projected performance of bridge assets against the infrastructure benchmark ratio during the term of this Strategy.









13.3 Condition

Change in Condition of Bridges Assets 2017/2018 to 2020/2021							
	Condition 1 Excellent/Very Good	**Condition 2 Good**	**Condition 3 Satisfactory/Average**	**Condition 4 Poor**	**Condition 5 Very Poor**	**% meeting required condition rating[9]**	**% not meeting required condition rating**
2020/21	18.0%	60.5%	18.0%	3.3%	0.2%	79%	21%
2019/20	16.5%	62.2%	16.7%	4.4%	0.2%	79%	21%
2018/19	12.7%	33.2%	34.2%	8.3%	11.6%	46%	54%
2017/18	25%	47%	21%	7%	0%	72%	28%

13.4 Service level expectations

The community satisfaction survey identified our bridges as a high priority. The community's expectation of our bridges influences our investment in renewal funding. Of course, the condition of our bridges must be considered in conjunction with the condition of our roads. As a result, a bridge with a load limit may not satisfy demand for the trafficability of the route the bridge is on. Further, bridge design standards have changed over time with new technologies and learnings. Renewal, upgrade and replacement of bridges is carried out in line with the current standards.

	Community Satisfaction		Community Importance	
	MidCoast Council	**LGA Benchmark ***	**MidCoast Council**	**LGA Benchmark ***
Maintaining local bridges	75	N/A	92	N/A

* Micromex has developed Community Satisfaction Benchmarks using normative data from over 60 unique councils, more than 120 surveys and over 68,000 interviews since 2012.

13.5 Current situation

Council's 657 bridges include 168 aging timber bridges which are being replaced with concrete structures for longer life, less maintenance, improved flood resilience, and greater carrying capacity. The upgrade of these timber bridges will secure the capacity to support growing regional communities, businesses and freight movements into the future. This is being achieved at an accelerated pace due to State Government's 'Fixing Country Bridges' program and the Federal Government's "Bridges Renewal Program". As per the current situation with roads funding, the continuation of such funding for renewing bridges is not assured.

13.6 Future directions

Council will continue to review operational and capital expenditure and where necessary reallocate funding to ensure these assets are maintained to community expectations and the infrastructure backlog is reduced. Council will also continue to monitor asset condition utilising cost effective measures where possible and review asset data to ensure that the asset register is updated on a regular basis.

[9] The OLG's IP & R Guidelines deem Condition 2 – Good, for the purposes of the Report on Infrastructure Assets and to determine the Backlog Ratio

14. Stormwater Drainage Assets

Council's stormwater drainage network includes underground assets such as pits and pipes and surface drainage assets including detention basins and open channels. These assets are maintained by Council's Infrastructure & Engineering Services Directorate.

Council levies a stormwater management levy and this funding source is used to improve and maintain the drainage systems in urban areas. Improvements and maintenance of Council's drainage systems in rural areas is funded from the General fund and usually completed in association with road rehabilitation works to minimise disruption to transport needs.

14.1 Available financial data

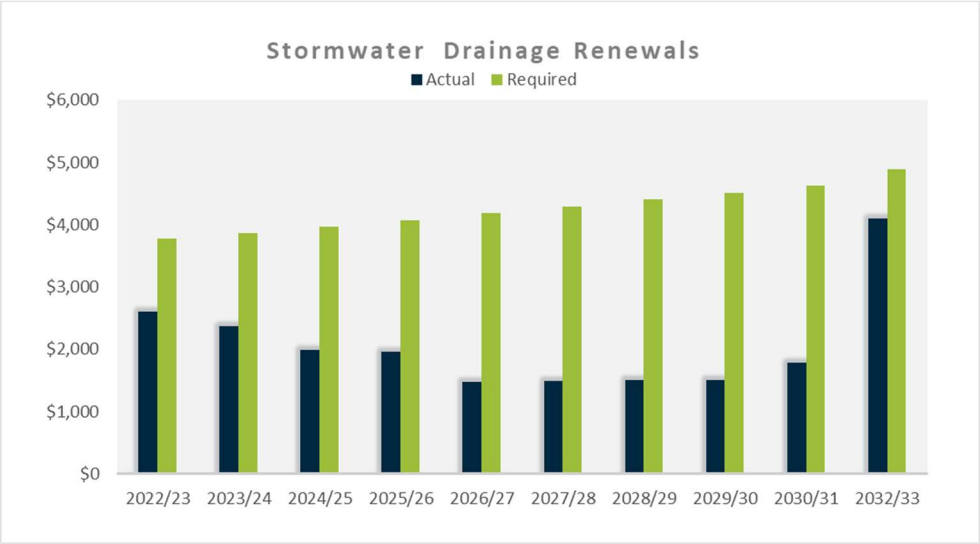
Council's stormwater drainage data reported in Note C1-7 of Council's Financial Statements 2020/2021 is based on the previous revaluation completed in June 2020 and imported into the corporate asset system 1 July 2019 in line with revaluation requirements.

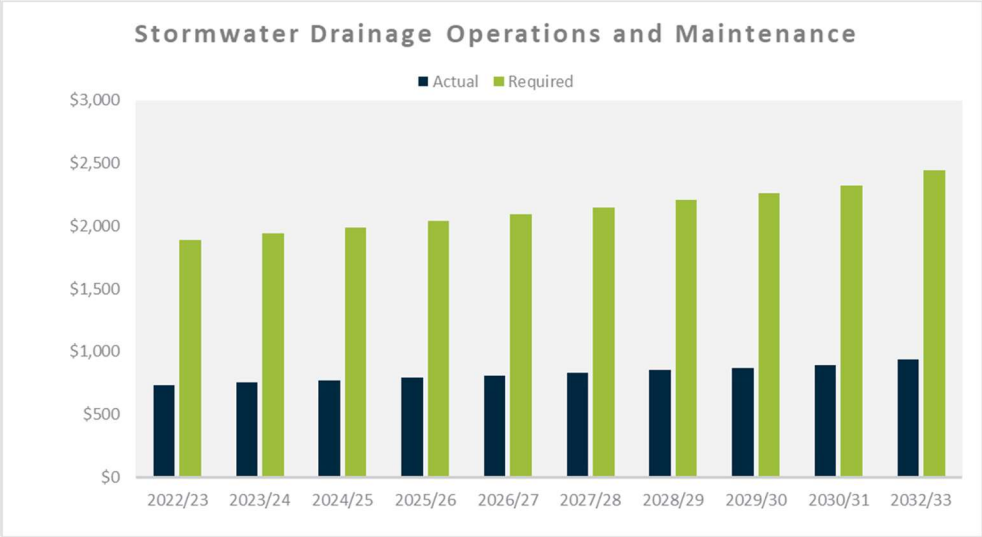
14.2 Infrastructure Backlog and Future Funding Allocation

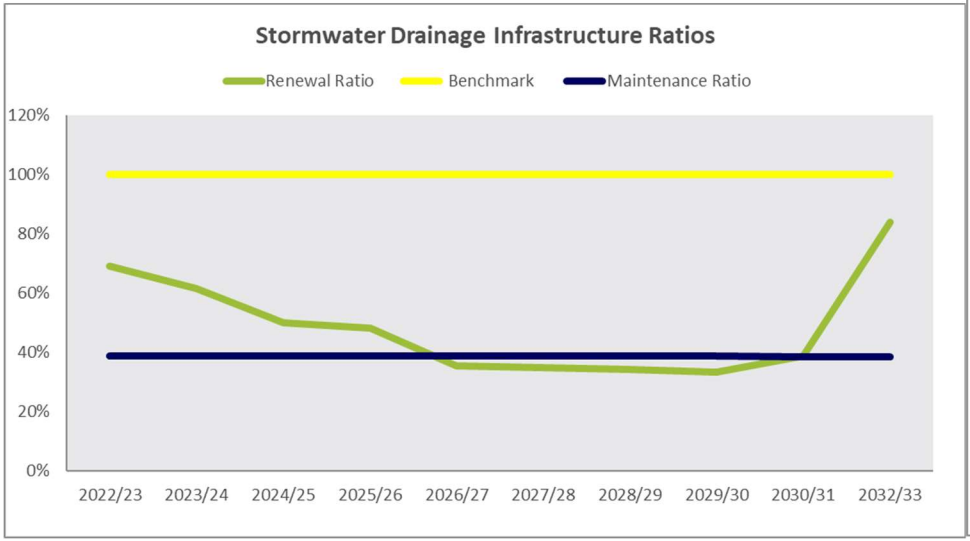
The table below shows the proposed capital and maintenance expenditure for this asset class over the next ten years and the future years' funding shortfalls for both maintenance and renewals. Most of Council's stormwater drainage assets are relatively young due to the long useful life of stormwater assets (typically 100 years), meaning asset renewal is largely not required at this time as the assets are in a serviceable condition. Additionally, the stormwater drainage renewal budget is aligned with the road rehabilitation capital works budget as drainage works are rarely undertaken in isolation of associated road works. This is to improve construction efficiency so the road is not disturbed twice; once to undertake drainage work and secondly to rehabilitate the road.

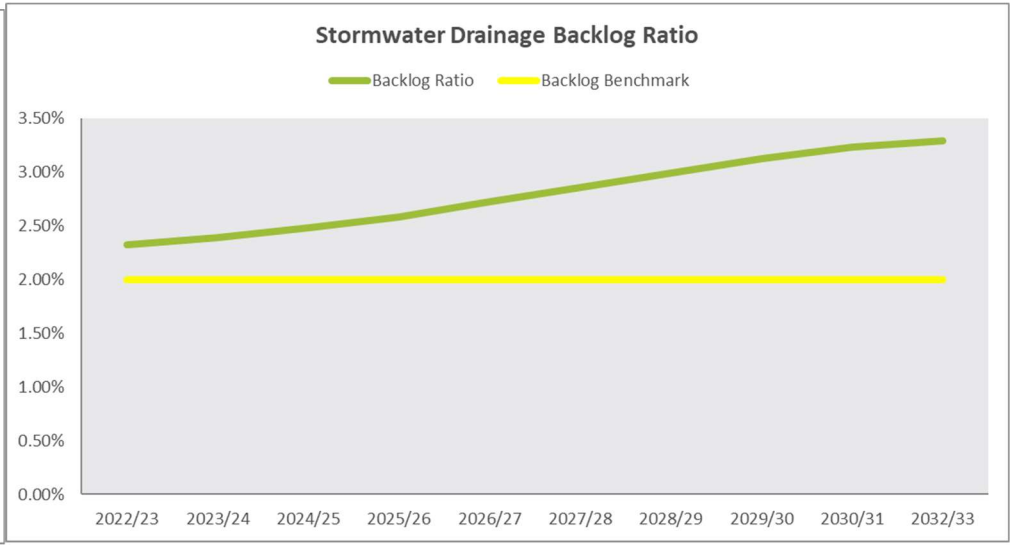
Stormwater Drainage $000		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Actual	Renewal	2601	2375	1988	1960	1474	1488	1502	1505	1790	1802
	New and Expanded Assets	374	374	374	374	374	374	374	374	656	656
	O&M	734	752	771	790	810	830	851	872	894	916
	Total Expenditure	3709	3501	3133	3125	2658	2692	2727	2751	3340	3374
Required	Required Renewal (Depreciation)	3773	3871	3972	4075	4181	4289	4400	4514	4633	4756
	New and Expanded Assets	374	374	374	374	374	374	374	374	656	656
	Required O&M	1890	1939	1990	2041	2094	2149	2204	2261	2321	2382
	Total	6038	6185	6336	6491	6649	6812	6978	7149	7611	7794
	Overall (GAP)	-2328	-2684	-3203	-3366	-3991	-4120	-4252	-4398	-4270	-4420
	Maintenance Gap	-1156	-1187	-1219	-1251	-1284	-1318	-1353	-1389	-1427	-1466
	Renewals Gap	-1172	-1497	-1984	-2115	-2707	-2802	-2899	-3009	-2843	-2954

The charts below demonstrate the projected performance of this asset class against the infrastructure benchmark ratio during the term of this Strategy.









14.3 Condition

Stormwater assets are given a condition rating based on age due to the difficulty of assessing the condition of underground assets. Condition 4 and 5 assets are assessed by either visual inspection via a pole camera or by the use of CCTV survey via a remotely controlled vehicle to validate the nominal age based condition with the actual physical condition.

Change in Condition of Stormwater Assets 2017/2018 to 2020/2021							
	Condition 1 Excellent/ Very Good	Condition 2 Good	Condition 3 Satisfactory/ Average	Condition 4 Poor	Condition 5 Very Poor	% meeting required condition rating[10]	% not meeting required condition rating
2020/21	18.1%	45.8%	31.0%	4.7%	0.4%	63.9%	36.1%
2019/20	14.0%	47.0%	33.9%	4.7%	0.4%	61.0%	39.0%
2018/19	15.5%	47.1%	29.3%	7.8%	0.3%	62.6%	37.4%
2017/18	16.0%	47.0%	30.0%	7.0%	0.0%	63.0%	37.0%

14.4 Service level expectations

The community satisfaction survey identified our stormwater drainage assets as a priority and supported reducing funding gaps to improve the condition of these assets. The community's high expectation of our stormwater drainage influences the investment in capital and operational funding.

	Community Satisfaction		Community Importance	
	MidCoast Council	LGA Benchmark *	MidCoast Council	LGA Benchmark *
Stormwater Drainage	74%	78%	88%	81%

* Micromex has developed Community Satisfaction Benchmarks using normative data from over 60 unique councils, more than 120 surveys and over 68,000 interviews since 2012.

14.5 Current situation

The majority of current expenditure on stormwater improvements are as a result of issues identified in stormwater management plans (SMP) or from documented stormwater hotspots. Council is currently undertaking a stormwater management plan concurrently with the review of the floodplain risk management study and plan for Bulahdelah. The North Arm Cove SMP has resulted in a series of capital works projects to augment existing drainage infrastructure for reduced flooding magnitude and frequency. Current activities are underway in Forster Keys and Smiths Lake for the relining of several pipes through private property that have been determined to have failure before the useful life has been reached. The significant expenditure on road renewals in the Taree, Wingham and Cundletown areas has included assessments of drainage and in many cases stormwater assets have also been renewed and/or augmented to improve infrastructure performance and longevity.

[10] The OLG's IP & R Guidelines deem Condition 2 – Good, for the purposes of the Report on Infrastructure Assets and to determine the Backlog Ratio

14.6 Future directions

Over the immediate forward period Council is committed to a review of the Taree Stormwater Management Plan (SMP) via a catchment by catchment approach. The Taree SMP has not been updated for almost 20 years and will be the focus of prioritised renewals and augmentation works for the forward period.

Council will continue to review operational and capital expenditure and where necessary reallocate funding to ensure these assets are maintained to community expectations and the infrastructure backlog is reduced. Council will also continue to monitor asset condition utilising cost effective measures where possible and review asset data to ensure that the asset register is updated on a regular basis.

15. Water & Sewer Assets

The provision of water supply and sewerage services is continuing to undergo significant change and reform. Customers, the wider community, and Government are demanding increased accountability, better service, and increased efficiency from their water utilities. Regulators are imposing more stringent environmental protection and health regulations. In many cases, aging assets and infrastructure are approaching the time for replacement. Coupled with climatic uncertainty and economic challenges, the demands faced by local water utilities are increasing. Provision of water supply and sewerage services to the community is a 24 hour/day, 7 day/week, 365 day/year business. Council's water & sewer asset class is grouped into water, sewer & reuse assets and comprises of:

- Treatment Plants
- Pump Stations
- Dams & Reservoirs
- Bores & Aquifers
- Network Mains

These assets are constructed, maintained and operated by Council's Water Planning & Assets, Water Operations, Water Management & Treatment and Water Project Delivery departments within the Infrastructure & Engineering Services Directorate.

15.1 Available financial data

Council's water & sewer assets were transferred into the corporate asset system 1 July 2019, in line with revaluation requirements. The water & sewer data reported in Note C1-7 of Council's Financial Statements 2020/2021 is based on the previous revaluation completed in June 2020.

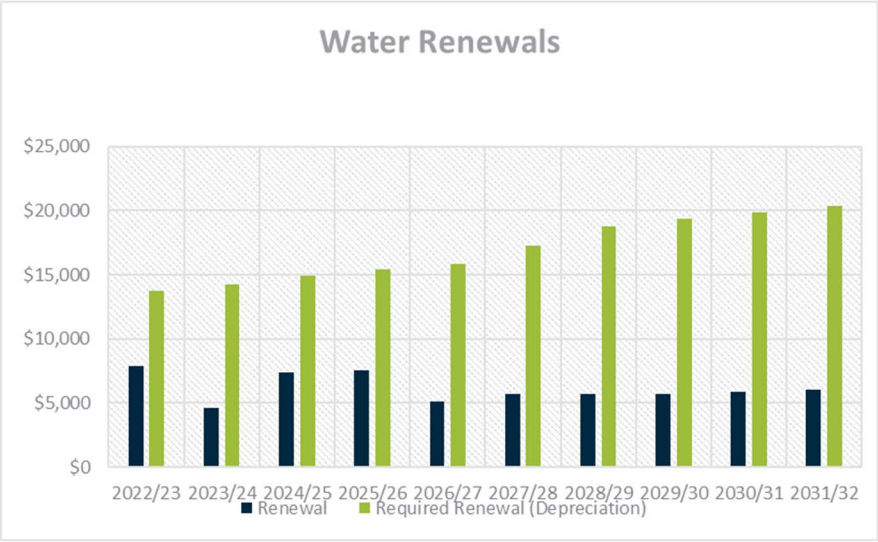
15.2 Infrastructure Backlog and Future funding allocation

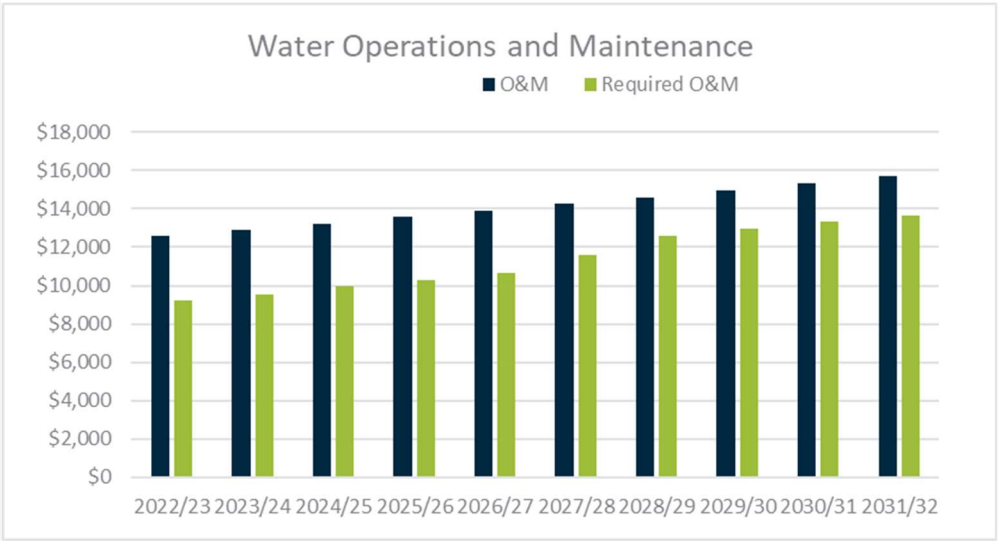
The table below shows the proposed capital and maintenance expenditure for water & sewer assets over the next 10 years and the future years' funding shortfalls specifically for renewals.

Water	$000	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Actual	Renewal	7870	4578	7358	7578	5150	5738	5688	5688	5888	6038
	New and Expanded Assets	16440	8548	22028	8128	6150	71223	72363	8913	663	1963
	O&M	12600	12915	13238	13569	13908	14256	14612	14978	15352	15736
	Total Expenditure	36910	26040	42623	29274	25208	91216	92662	29578	21902	23736
Required	Required Renewal (Depreciation)	13752	14220	14895	15385	15859	17289	18770	19369	19863	20388
	New and Expanded Assets	16440	8548	22028	8128	6150	71223	72363	8913	663	1963
	Required O&M	9219	9532	9985	10313	10631	11589	12582	12983	13314	13666
	Total	39411	32300	46907	33826	32640	100100	103715	41265	33839	36016
	Overall (GAP)	-2501	-6260	-4284	-4552	-7432	-8884	-11053	-11687	-11937	-12281
	Maintenance Gap	3382	3383	3253	3256	3277	2667	2030	1994	2038	2069
	Renewals Gap	-5882	-9643	-7538	-7808	-10709	-11551	-13083	-13681	-13975	-14350

Sewer	$000	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Actual	Renewal	11353	10488	3975	3975	3975	4025	3975	3975	3975	5475
	New and Expanded Assets	30263	35708	6715	7830	1520	1370	1070	7020	15570	15770
	O&M	13128	13456	13792	14137	14491	14853	15224	15605	15995	16395
	Total Expenditure	54743	59651	24482	25942	19986	20248	20269	26600	35540	37640
Required	Required Renewal (Depreciation)	10740	11476	11850	12249	12575	12908	13244	13667	14212	14774
	New and Expanded Assets	30263	35708	6715	7830	1520	1370	1070	7020	15570	15770
	Required O&M	9533	10186	10518	10872	11161	11456	11755	12131	12614	13113
	Total	50536	57369	29084	30951	25257	25734	26069	32818	42397	43657
	Overall (GAP)	4207	2282	-4601	-5009	-5271	-5486	-5800	-6218	-6857	-6017
	Maintenance Gap	3595	3270	3274	3265	3329	3397	3469	3474	3380	3282
	Renewals Gap	612	-988	-7875	-8274	-8600	-8883	-9269	-9692	-10237	-9299

The charts below demonstrate the projected performance of this asset class against the infrastructure benchmark ratio during the term of this Strategy.


Water Renewals
$25,000
$20,000
$15,000
$10,000
$5,000
$0
2022/23 2023/24 2024/25 2025/26 2026/27 2027/28 2028/29 2029/30 2030/31 2031/32
Renewal
Required Renewal (Depreciation)


Water Operations and Maintenance
O&M
Required O&M
$18,000
$16,000
$14,000
$12,000
$10,000
$8,000
$6,000
$4,000
$2,000
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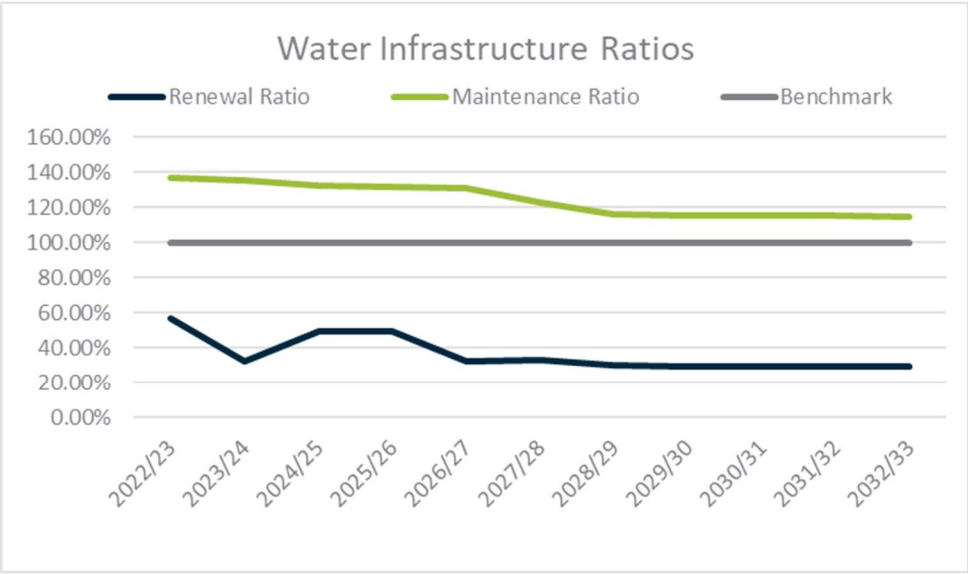
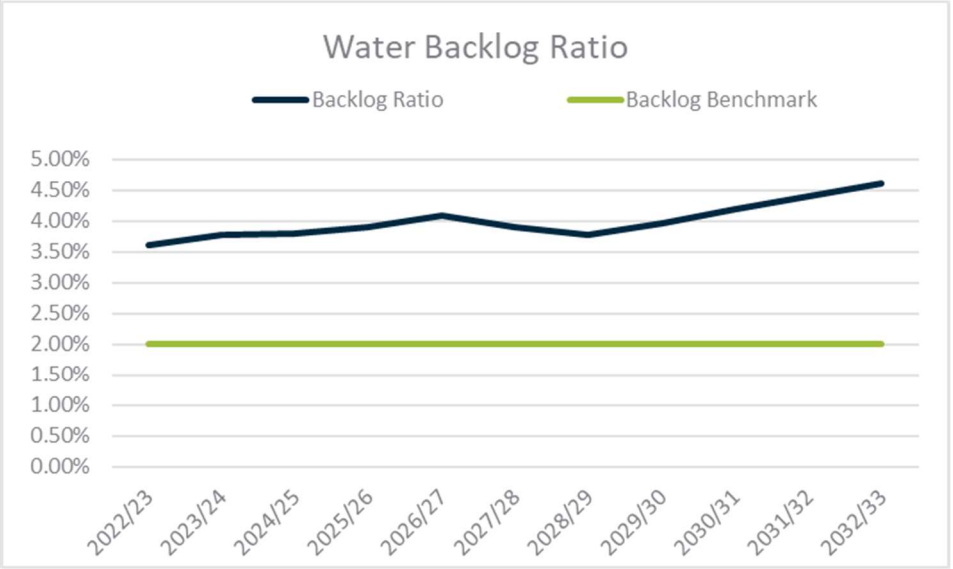
2022/23 2023/24 2024/25 2025/26 2026/27 2027/28 2028/29 2029/30 2030/31 2031/32


Water Infrastructure Ratios
Renewal Ratio
Maintenance Ratio
Benchmark
160.00%
140.00%
120.00%
100.00%
80.00%
60.00%
40.00%
20.00%
0.00%
2022/23 2023/24 2024/25 2025/26 2026/27 2027/28 2028/29 2029/30 2030/31 2031/32 2032/33


Water Backlog Ratio
Backlog Ratio
Backlog Benchmark
5.00%
4.50%
4.00%
3.50%
3.00%
2.50%
2.00%
1.50%
1.00%
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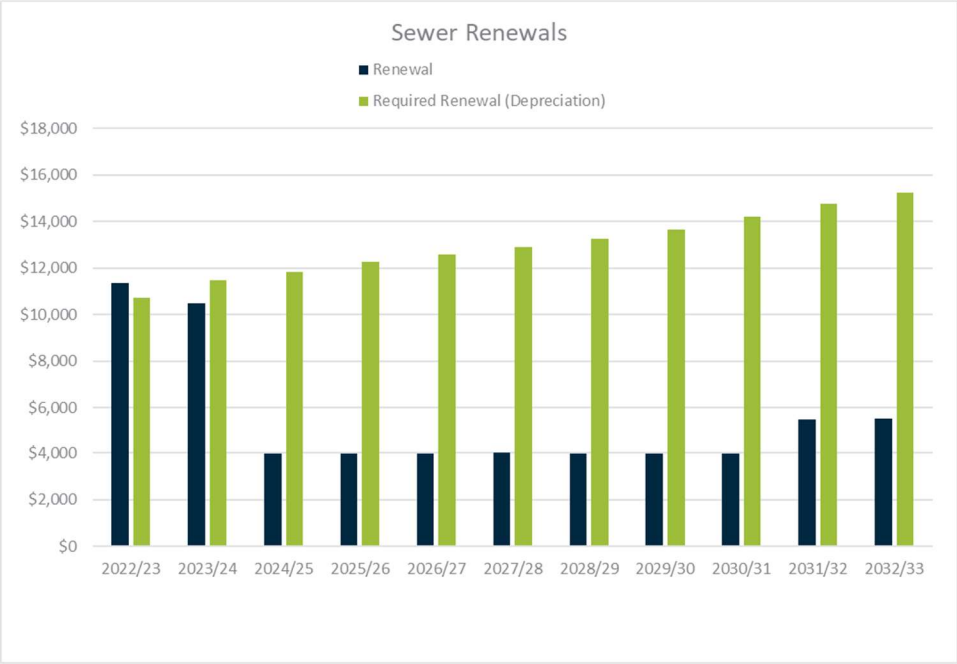
2022/23 2023/24 2024/25 2025/26 2026/27 2027/28 2028/29 2029/30 2030/31 2031/32 2032/33


Sewer Renewals
Renewal
Required Renewal (Depreciation)
$18,000
$16,000
$14,000
$12,000
$10,000
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$6,000
$4,000
$2,000
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2022/23
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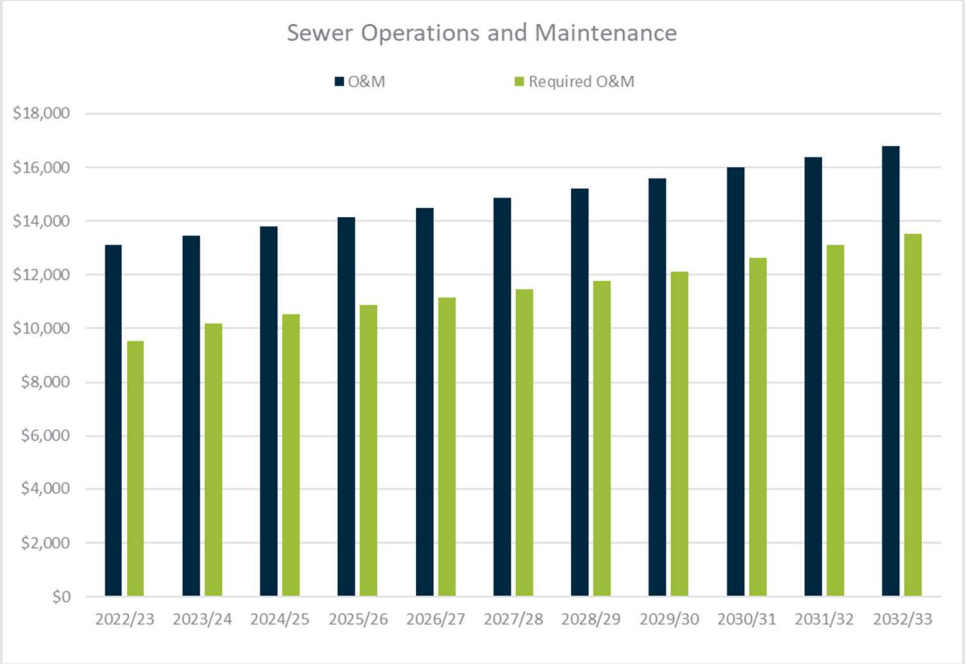
2032/33


Sewer Operations and Maintenance
O&M
Required O&M
$18,000
$16,000
$14,000
$12,000
$10,000
$8,000
$6,000
$4,000
$2,000
$0
2022/23
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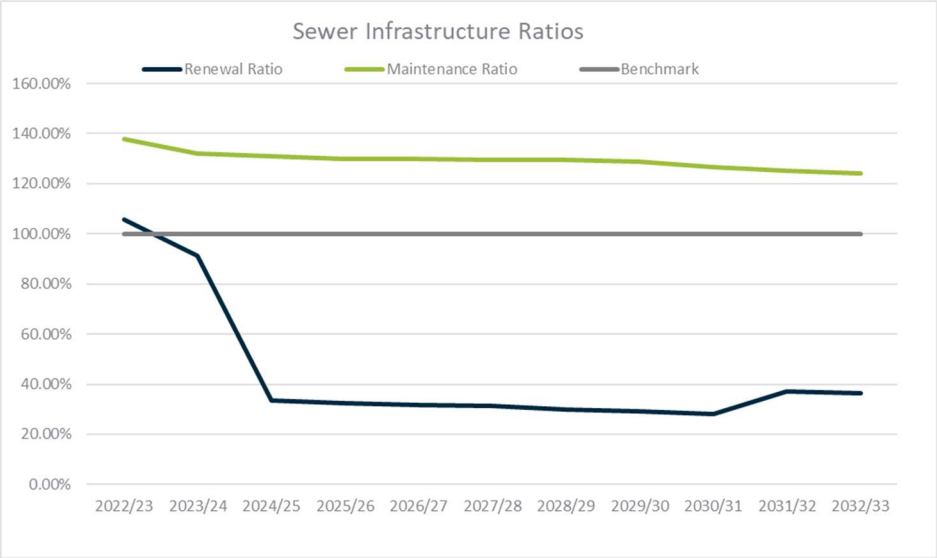
2027/28
2028/29
2029/30
2030/31
2031/32
2032/33


Sewer Infrastructure Ratios
Renewal Ratio
Maintenance Ratio
Benchmark
160.00%
140.00%
120.00%
100.00%
80.00%
60.00%
40.00%
20.00%
0.00%
2022/23
2023/24
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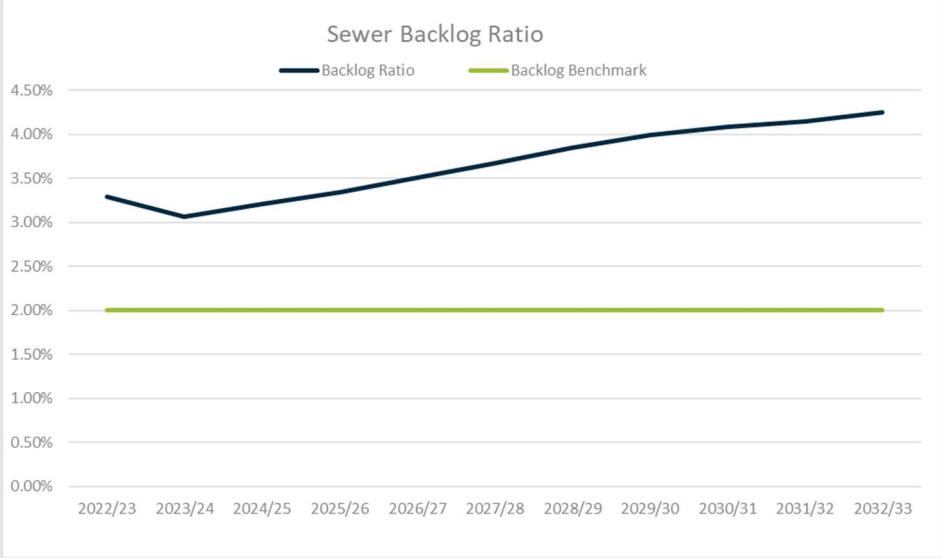
2030/31
2031/32
2032/33


Sewer Backlog Ratio
Backlog Ratio
Backlog Benchmark
4.50%
4.00%
3.50%
3.00%
2.50%
2.00%
1.50%
1.00%
0.50%
0.00%
2022/23
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2028/29
2029/30
2030/31
2031/32
2032/33

15.3 Condition

Change in Condition of Water Assets 2017/2018 to 2020/2021							
	Condition 1 Excellent/ Very Good	Condition 2 Good	Condition 3 Satisfactory/ Average	Condition 4 Poor	Condition 5 Very Poor	% meeting required condition rating[11]	% not meeting required condition rating
2020/21	7.5%	37.3%	31.2%	13.3%	10.7%	44.8%	55.2%
2019/20	39.8%	19.3%	15.8%	20.2%	4.9%	59.1%	49.1%
2018/19	46.0%	29.0%	14.0%	9.0%	2.0%	75.0%	25.0%
2017/18	41.0%	31.0%	14.0%	10.0%	4.0%	72.0%	28.0%

Change in Condition of Sewer Assets 2017/2018 to 2020/2021							
	Condition 1 Excellent/Very Good	Condition 2 Good	Condition 3 Satisfactory/Average	Condition 4 Poor	Condition 5 Very Poor	% meeting required condition rating[12]	% not meeting required condition rating
2020/21	37.2%	9.3%	39.5%	13.8%	0.2%	46.5%	53.5%
2019/20	41.8%	25.7%	14.8%	12.4%	5.3%	67.5%	32.5%
2018/19	49.0%	32.0%	12.0%	5.0%	2.0%	81.0%	19.0%
2017/18	41.0%	32.0%	12.0%	8.0%	7.0%	73.0%	27.0%

15.4 Levels of Service

The term Levels of Service (LOS) is used to define explicitly the standards required from water supply and sewerage systems from the perspective of the individual customer. Levels of Service are the primary driving force for a water supply and/or sewerage utility. The four main objectives of Council's water and sewer services are to:

1. Protect public health
2. Protect the environment
3. Maintain service availability
4. Operate in a financially sustainable manner

Our current LOS were negotiated most recently with our community during the development of the Integrated Water Cycle Management Strategy (MidCoast Water 2016) where we worked together to find a balance between the community expectations of the services provided versus their willingness

[11] The OLG's IP & R Guidelines deem Condition 2 – Good, for the purposes of the Report on Infrastructure Assets and to determine the Backlog Ratio
[12] The OLG's IP & R Guidelines deem Condition 2 – Good, for the purposes of the Report on Infrastructure Assets and to determine the Backlog Ratio

to pay. During this consultation, the community made it clear that they were happy with the current levels of service and the typical residential bill (TRB) required in delivering water and sewer service. However, willingness to pay and the TRB required for different LOS will be reviewed as part of the IWCM Strategy review in 2023.

LOS will largely shape the objectives and requirements for operation, maintenance, and provision of capital works in Council's Total Asset Management Plan (TAMP). These, in turn, drive the Work Force Plan and the Financial Plan. Setting appropriate LOS is one of the critical decisions in the development of an effective total asset management strategy for water supply and sewerage systems.

Community satisfaction with our LOS is gauged through ongoing Customer Surveys. The most recent Community Survey, completed in 2020, indicated that most customers are satisfied with sewerage services, water quality and water service. The community satisfaction survey confirmed that both sewer and water services are of high importance with water quality rated as one of the most important services provided by Council.

The Table below is a summary of the water and sewer specific survey results for importance and satisfaction under Council's services & facilities group.

	Community Satisfaction		Community Importance	
	MidCoast Council	LGA Regional Benchmark *	MidCoast Council	LGA Regional Benchmark *
Water Service	80%	87%	91%	87%
Water Quality	89%	87%	92%	87%
Sewerage Services	92%	91%	85%	80%

* Micromex has developed Community Satisfaction Benchmarks using normative data from over 60 unique councils, more than 120 surveys and over 68,000 interviews since 2012.

The community's expectation for these services and the assets required to deliver them influences our investment in infrastructure funding which is delivered through rates, fees and charges and strengthened by dedicated Section 68 funding.

15.5 Current situation

As an organisation we have prioritised the need for asset management improvement and have begun our journey to asset management maturity. We are working towards this by implementing and updating our Asset Management Strategy and Improvement Plan. The intent of this plan is to achieve five core outcomes:

- Provide a strong foundation/baseline for future decision making.
- Integrate risk into operational, maintenance and capital investment decision making.
- Establish key business functions to facilitate and support best practice decision making.
- Begin a shift from a reactive to informed and accountable decision culture.
- Improve overall business sustainability.

Several improvements have already been made including:

- The representation in a cross organisational Asset Management Working Group (AMWG) which includes participation from senior staff and key internal stakeholders. The participation of each Director provides stewardship critical to the success of the AMWG. The AMWG has developed a

Council endorsed Asset Improvement Program that considers strategy, policy, financial, operational, systems, risk and audit objectives.

- The adoption of an organisational wide Asset Management Policy and preparation of this Asset Management Strategy, both now referencing water & sewer infrastructure. The adoption of the Strategy will underpin the development of future Asset Management Plans.
- The implementation of a corporate asset management register and work order system. The asset register is a single database that details both technical and financial asset information which feeds into the program development for planned maintenance, renewals and upgrades of our infrastructure. The asset register contains the detailed data for the recognised assets, including those that are financial in nature and those necessary for operational processes.
- Improving and auditing our asset data to ensure that decisions are based on the most current available information.

15.6 Future directions

MidCoast Council, having responsibility for water supply and sewerage infrastructure, need to comply with the requirements and timeframes of the NSW Government's Best-Practice Management of Water Supply and Sewerage Guidelines (Guidelines), 2007. These Guidelines are based on a total asset management approach for the provision of water supply and sewerage services and requires Council to:

- Prepare and implement a 30 year Integrated Water Cycle Management (IWCM) Strategy
- Prepare and implement a 20-30 year Strategic Business Plan, Financial Plan and associated asset management plans
- Annual Performance Monitoring, including preparing an annual Action Plan to review the Council's performance and to identify and address any areas of under-performance

The AMS will be supported by specific AMPs where assets are grouped by water and sewer. These AMPs describe the various asset types and provide details of such things as condition, replacement value, expected remaining useful life, maintenance strategies, and condition monitoring methodology.

Developing our asset management maturity will allow us to improve strategic asset management capabilities and decision making. This will involve:

- Collaborating with our operational and technical teams to improve asset information to ensure that decisions are based on current asset information
- Changing our asset management culture to ensure that our people understand why we need to improve and are motivated to make the shift.
- Improving our capital works planning and finalisation processes, including policy development, along with education to enhance the use of systems to support project managers, asset managers and accountants.
- Developing, monitoring and improving our medium to long term planned capital new, renewal and upgrade programs to address increased population and service demand, ageing infrastructure and responding to severe weather events and other climate change related impacts.
- Moving towards being a digital utility by introducing mobile technology that allows operational staff to record, review and update asset information out in the field.

16. How will we get there?

Council will continue to review operational and capital expenditure and where necessary reallocate funding to ensure these assets are maintained to community expectations and the infrastructure backlog is reduced. Council will also continue to monitor asset condition utilising cost effective measures where possible and review asset data to ensure that the asset register is updated on a regular basis. The Asset Management Strategy proposes the strategy to enable the objectives of the CSP to be achieved.

Strategy	Desired Outcome
Long Term Financial Planning.	The long-term implications of Council services are considered in annual budget deliberations.
Develop and annually review Asset Management Plans covering at least 10 years for all major asset classes (80% of asset value).	Identification of services needed by the community and required funding to optimise 'whole of life' costs.
Update Long Term Financial Plan to incorporate Asset Management Strategy expenditure projections.	Funding model to provide Council services.
Review and update asset management plans and long-term financial plans after adoption of annual budgets. Communicate any consequence of funding decisions on service levels and service risks.	Council and the community are aware of changes to service levels and costs arising from budget decisions.
Report Council's financial position at Fair Value in accordance with Australian Accounting Standards, financial sustainability and performance against strategic objectives in Annual Reports.	Financial sustainability information is available for Council and the community.
Ensure Council's decisions are made from accurate and current information in asset registers, on service level performance and costs and 'whole of life' costs.	Improved decision making and greater value for money.
Report on Council's resources and operational capability to deliver the services needed by the community in the Annual Report.	Service delivery is matched to available resources and operational capabilities.
Ensure responsibilities for asset management are identified.	Responsibility for asset management is defined.
Implement an Improvement Plan to realise 'core' maturity for the financial and asset management competencies within 2 years.	Improved financial and asset management capacity within Council.
Report to Council on development and implementation of Asset Management Strategy, Asset Management Plans and Long -erm Financial Plans.	Oversight of resource allocation and performance.

16.1 Asset Management Improvement Plan

To ensure the Asset Management Strategy is implemented effectively and efficiently, an Asset Management Improvement Plan has been prepared.

The actions required to undertake improvement of Council's asset management capabilities are impacted by both internal and external influences and require resources or enablers. These enablers can be in the areas of people, processes, technology and information and data.

The Asset Management Improvement Plan prioritises specific capability areas which were identified through a gap analysis process, and where action is required to raise Council's asset management capacity to the desired level of maturity. Implementation of these improvements requires resourcing and monitoring. The actions have been integrated into Council's Delivery Program and Operational Plans to ensure ongoing resourcing, implementation and performance.

The Improvement Plan is attached to this document.

16.2 Measuring our performance

As the Strategy is a 'living' document that includes benchmarks and milestones aimed at improving Council's asset management processes and procedures, it must be monitored regularly and updated to reflect progression in its implementation. It also needs to reflect any major changes in Council's asset portfolio. These changes may reflect asset investments or disposals that have resulted from, or are reflected in, the DP or CSP. Specific elements of the Strategy will be reviewed for currency, including reviewing service levels expected by the community, staff training needs, contract management procedures, and processes associated with the asset management system annually.

Council's Integrated Planning and Reporting processes form the core of our continuous improvement programs and are embedded within the organisation. Council staff have implemented a new performance measure system that provides for meaningful information to the community and our stakeholders. The approach to assessing performance in relation to asset planning and measurement will be both quantitative and qualitative.

The development of performance measures relating to the delivery of infrastructure asset programs are contained in the Delivery Program and annual Operational Plan, and subsequent reporting is conducted bi-annually and annually to ensure progress and/or achievements are measured and reported. Reporting on these indicators is the responsibility of all asset managers who are custodians and have control of specific asset classes.

Regular periodic surveys with the community are conducted, gauging perceptions between satisfaction of built asset classes and services being provided. The ongoing use of community surveys will include specific asset management issues to ensure relevance of the programs at the required levels of service continue.

17. Conclusion

Whilst significant work has been undertaken in integrating four individual organisations' asset data to provide more consistent asset management planning, continued diligence is required to facilitate ongoing improvements for all infrastructure assets under the Council's control and management. During the term of this Strategy the key issues to be tackled are:

- Managing infrastructure risks for service delivery within resource availability, acknowledging the long-term decline in the current LTFP
- Address ongoing renewals funding shortfall for all asset classes, acknowledging that if we do not there will be a greater escalation of risk, community dissatisfaction and workplace stress
- Ensure maintenance costs are being captured correctly, and determine whether maintenance expenditure can be redirected into renewal expenditure
- Improve efficiency and effectiveness in delivery of services and works. We need to be the best version of ourselves.
- Commence service levels discussions with our community to better align community expectations to what can be achieved or develop a better understanding of the willingness to pay for higher levels of service.
- Withdraw/restrict access to assets where the risk becomes unacceptable i.e. removal of street furniture, apply load limits on bridges, potential closure of some assets etc.
- Significant underfunding of building and stormwater drainage assets.
- The provision of grant funding to support new and renewed building & recreation asset services.
- Leverage our existing investment in data. Verifyng the accuracy and completeness of the data to ensure sound asset management decisions are made.
- Continue to improve our internal processes and procedures to provide transparency and formalise our financial infrastructure reporting, asset valuations, and engage the appropriate level of management to ensure the completeness and accuracy of our information.

This strategy, together with asset managers, custodians, staff and the community will allow a continued progression toward service excellence. Management techniques drawing on the financial, risk, environmental and social drivers will assist in providing an improved asset management performance by enabling Council to work with the community to ensure operations are better understood.

Although adopted as a 10 year Asset Management Strategy, annual revisions will be carried out to ensure relevance in responding to government and our community. Specifically, with the review of the Community Strategic Plan, the development of each new Delivery Program and Resourcing Strategy every four years will complete a comprehensive review to ensure what we provide aligns with community objectives and priorities, and that the community understands the implications of these directions.

18. Attachments

1. Asset Management Policy March 2021
2. MidCoast Council Asset Improvement Plan 2022/2023

MIDCOAST council

Policy

Name of policy:	**Asset Management**		
Adoption by Council:	**24 March 2021**	**Minute number:**	**73/2021**
Last review date:	**October 2020**		
Review timeframe:	**4 Years**		
Next scheduled review date:	**November 2024**		
Related legislation:	***Local Government Act 1993*** ***Water Management Act 2000***		
Associated policies/documents:	***MidCoast 2030 Shared Vision, Shared Responsibility* Community Strategic Plan 2018-2030** **Asset Management Strategy** **Asset Management Plans** **Office of Local Government's Integrated Planning and Reporting Manual for local government in NSW 2013** **NSW Government's Best-practice Management of Water Supply and Sewerage Guidelines 2007** **AS IS055000:2014** **AS IS055001:2014** **AS IS055002:2018**		
Responsible division:	**Infrastructure & Engineering Services**		

Policy Objective

This asset management policy provides the framework for the establishment of consistent asset management processes throughout MidCoast Council. This ensures that Council's assets provide quality services to the community and are managed, maintained and renewed in a manner that is sustainable and meets community expectations.

Policy Statement

The purpose of this policy is to demonstrate MidCoast Council's commitment to the responsible management of its assets. The policy sets out principles, requirements and responsibilities for implementing consistent asset management processes throughout Council. It also ensures that Council, as the custodian of public infrastructure, has mechanisms in place to deliver infrastructure services in the most effective manner.

Policy implementation

Council's assets will be managed in the most cost effective manner, driven by defined service levels and performance standards. This will require ongoing assessment of the following key issues:

- customer and community expectations;
- strategic and corporate goals;
- long term financial model; and
- legislative requirements

These should be achieved through strategic planning, service level review, output review, and development/implementation of the asset management framework.

Coverage of the policy

This policy applies to all physical assets owned and/or managed by Council.

Community Strategic Plan link

We strive to be recognised as a place of unique environmental and cultural significance. Our strong community connection, coupled with our innovative development and growing economy, builds the quality of life we value.[1]

Community Strategic Plan Values		
We value	our unique, diverse and culturally rich communities	Our diverse communities offer active and social opportunities, are safe and are places where we work together with a creative focus acknowledging our rich history and culture.
We value	a connected community	We are socially and physically connected with each other, by ensuring we have activities, facilities, roads, footpaths and technology that are upgraded and well maintained.
We value	our environment	Our natural environment is protected and enhanced, while we maintain our growing urban centres and manage our resources wisely.
We value	our thriving and growing economy	We are a place where people want to live, work and play, business is resilient and adaptable to change by utilising knowledge and expertise that supports innovation.
We value	strong leadership and shared vision	We work in partnerships towards a shared vision, that provided value for money and is community focused.

To meet the objectives of the Community Strategic Plan, Council will:

- prepare an integrated Asset Management Strategy and Asset Management Plans which supports the Community Strategic Plan, Resourcing Strategy, Delivery Program & Operational Plan
- ensure that the Asset Management Strategy and Plans cover a minimum timeframe of ten years
- ensure that the Asset Management Strategy includes an overarching Council endorsed Asset Management Policy

[1] MidCoast Council's Community Strategic Plan 2018-2030 *MidCoast 2030 Shared Vision, Shared Responsibility*

- engage with the community to establish agreed levels of service for delivery of infrastructure assets
- ensure that the Asset Management Strategy identifies assets that are critical to Council's operations as categorised in the Business Continuity Plan, and outline risk management strategies for these assets as per the Risk Management Framework
- ensure that the Asset Management Strategy includes specific actions required to improve Council's asset management capability and projected resource requirements and timeframes

Asset Management Principles

The organisation's sustainable service delivery requirements will be met by adequately providing for the long-term planning, financing, operation, maintenance, renewal, upgrade, and disposal of assets. This is accomplished by ensuring that:

- all relevant legislative requirements together with social, political and economic environments are taken into account in asset management
- the Asset Management Strategy outlines the implementation of systematic asset management and appropriate best practice throughout Council
- the Asset Management Plans are revised to align with the Resourcing Strategy. The Plans are informed by community consultation, technical and financial planning and reporting
- the risks of Climate Change are addressed in each asset management plan and adaptation actions are implemented to minimise the impacts
- service levels are developed and defined in each asset management plan. The Service Levels will form the basis of annual budget estimates
- programs are developed for each asset class and regular inspections, maintenance and repairs are carried out to maintain the agreed service levels and to identify asset renewal priorities
- future service levels are determined in consultation with the community
- renewal plans are developed based on service levels, conditions and risk
- assets are managed, valued, and accounted for in accordance with appropriate best practice
- future lifecycle costs are reported and considered in all decisions relating to new services and assets and upgrading existing services and assets
- an organisational culture of living asset management is promoted whereby all employees with asset management responsibilities are provided the necessary training and professional development
- the required operational capabilities and resources are provided and asset management responsibilities are effectively allocated

Responsibilities

The implementation of this policy will rely upon the efforts of three key groups. The responsibilities of these groups are:

<u>Elected Council</u>

Council is responsible for:

- providing leadership and governance
- adopting a corporate asset management policy and strategy
- considering the impact of financial and service level decisions on Council's assets
- ensuring that organisational resources are allocated to safeguard sustainable service delivery.

MANEX & Extended MANEX
The General Manager, Directors and Managers are responsible for:

- allocating resources to the implementation of the Asset Management Strategy and Plans
- ensuring that actions identified in the Asset Management Strategy and Improvement Plan are completed within timeframes
- ensuring the integration and compliance with the Asset Management Policy and Strategy with other policies and business processes of the organisation
- developing and implementing maintenance and capital works programs in accordance with the Integrated Planning and Reporting documents
- delivering Levels of Service to agreed risk and cost standards
- Ensuring the community is involved and engaged on all key Council matters affecting service delivery
- managing infrastructure assets in consideration of long term sustainability
- presenting information to Council on lifecycle risks and costs
- approve the Asset Management Plans

Asset Management Working Group
The Asset Management Working Group is responsible for:

- reviewing the Asset Management Policy and Asset Management Strategy and ensuring integration with the Long Term Financial Plan and other Integrated Planning & Reporting documents
- monitoring the development and implementation of Asset Management Policy, Strategy and Plans
- developing and reviewing policies, processes and practices to ensure effective asset management across the organisation
- the implementation of the Asset Management Improvement Plan
- providing professional advice and collaborate with other departments of Council in relation to asset management
- operating within an agreed 'Terms of Reference'

Definitions

Term	Definition
Asset	A physical item owned by council that has economic value and enables services to be provided.
Asset life cycle	The life of an asset; from its acquisition to disposal.
Asset Management Information System	An asset management information system is a combination of processes, data and software applied to provide the essential outputs for effective asset management such as reduced risk and optimum infrastructure investment.

Term	Definition
Asset management	Asset management (AM) is a systematic process to guide the planning, acquisition, creation, operation and maintenance, renewal and disposal of assets.
Asset Management Plan	A plan developed for the management of an asset class that combines multi-disciplinary management techniques (including technical and financial) over the life cycle of the asset, in the most cost effective manner to provide a specified level of service.
Asset Management Strategy	The Asset Management Strategy is a component of the Resourcing Strategy. It demonstrates how our assets support service delivery in consultation with the community and within available funding.
Asset register	A record of asset information including inventory, historical, financial, condition, construction, technical, and financial details.
Infrastructure asset	Infrastructure assets are typically large, interconnected networks or portfolios of composite assets, comprising components and sub-components
Level of service	The defined service quality for a particular activity or service area against which service performance may be measured. Service levels usually relate to quality, quantity, reliability, responsiveness, environmental acceptability and cost.
Life-cycle cost	The total cost of an asset throughout its useful life.
Useful life	Either, the period over which an asset or component is expected to be available for use by an entity, or the number of production or similar units expected to be obtained from the asset of component by the entity.

Responsible officer (position)

Director Infrastructure & Engineering Services

Attachments

Nil

Asset Management Assessment

MidCoast Council

May 2021

Document status

Ref	Version	Approving director	Date
7523	1 - Draft	T McCarthy	April 2021
7523	2 - Final		May 2021

Contents

Tables

Figures

1 Introduction

1.1 Background

MidCoast Council ('Council') was formed on 12 May 2016 through the amalgamation of the former Gloucester, Great Lakes and Greater Taree City Councils, and the former water authority, MidCoast Water, on 1 July 2017.

Council now manages over $4.3 billion worth of infrastructure assets across the 10,000 square kilometre local government area. Asset management is a 'whole of life' approach that includes planning, purchase, construction, operation, maintenance and renewal/disposal of assets.

MidCoast Council wants to gain an improved understanding of their current asset management maturity and understand what is required to achieve and maintain a sustainable level of asset management maturity that meets the requirements of the organisation now and into the future.

This asset management maturity assessment is based on the International Infrastructure Management Manual (IIMM). As such this assessment provides Council with the opportunity to understand how its asset management practices, systems and processes compare with industry standards and other councils and also to measure their improvement in various areas of asset management capability through the attached Improvement Plan.

To provide this assessment, an onsite audit of Council's asset management practices and a review of the relevant asset management and financial documents have been undertaken. The work has been aligned with our standard methodology and moderated against other recent assessments, which allows for a ready comparison against other councils.

1.2 Process and methodology

Our methodology is based on achieving consistent and repeatable results, which can be applied across a range of councils while recognising the differences between councils in terms of size, asset base and capacity. Our standardised assessment methodology and practices have been used as well as a standard reporting format with findings relating to each category which summarises the evidence on which the assessment was made.

1.2.1 Asset management systems and processes

Key roles within Council, that have responsibilities for asset management within the organisation (strategic, operational and financial), were interviewed over a two-day period.

The independent audit assesses Council against the following categories and sub-categories:

Asset knowledge/data	Asset knowledge processes
• asset classification/hierarchy • attributes and location • condition data • lifecycle cost data • valuation, depreciation and age/life data	• asset accounting/valuation

Strategic asset planning processes	Operations and maintenance work practices
• strategic long-term plan • asset management policy and strategy • levels of service • risk management • financial planning and capital investment • asset management plans	• operations/maintenance management • critical assets

Information systems	Organisational context
• asset register • systems integration	• organisational strategy • asset management review/improvement • asset management roles and responsibilities

An assessment against each category based on an A – F scoring is provided, as well as an overall weighted score again based on A – F. The table below sets out the ranking system.

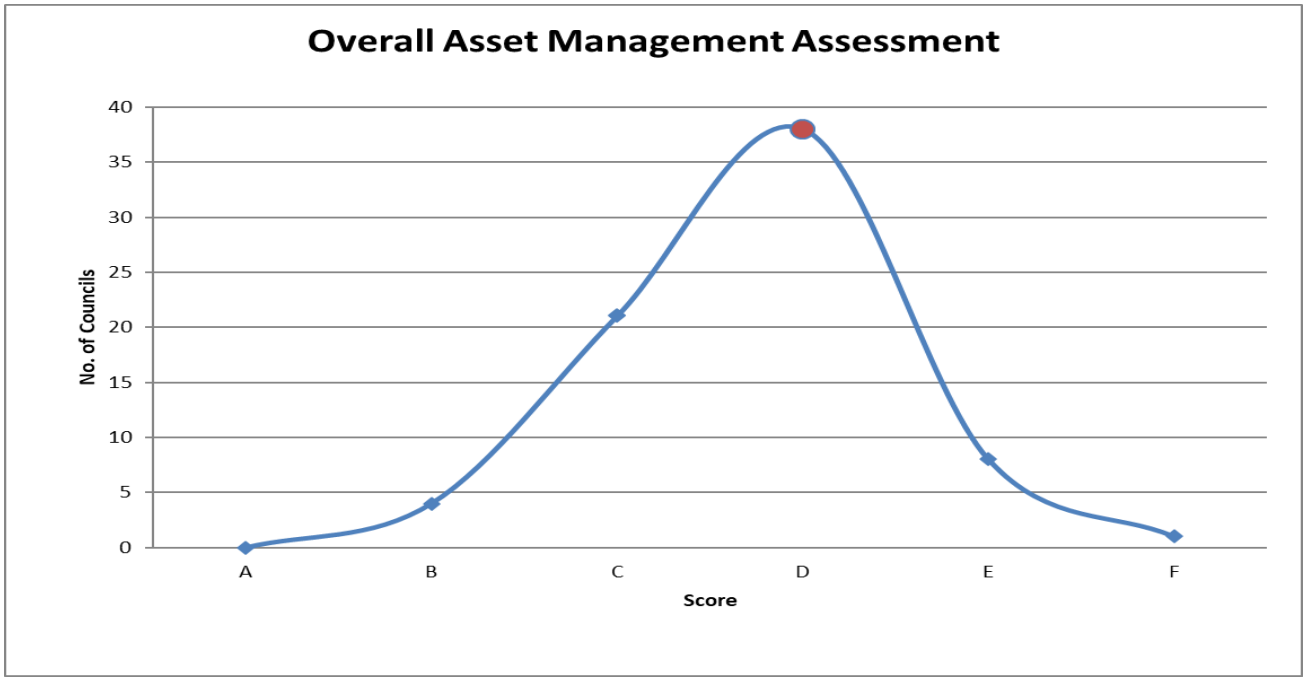
Assessment	Description	Standard
A	At or near best practice	≥ 9.0
B	Advanced level of competence	7.50 – 8.99
C	Core level of competence	6.00 – 7.49
D	Basic level of competence	4.00 – 5.99
E	Awareness	2.50 – 3.99
F	Nothing/limited	≤ 2.49

2 Summary of audit results

Category	Assessment
Asset knowledge/data	C
Asset knowledge processes	C
Strategic asset planning processes	E
Operations and maintenance work practices	D
Information systems	B
Organisational context	C
Overall asset management assessment	**D**

The overall score of **D** would indicate that Council is at a BASIC level of competence in asset management. Based on our recent experience across the asset management practices, systems and processes of councils in NSW, this result puts MidCoast Council at an AVERAGE, of the NSW councils. The following chart shows the distribution of 72 Asset Maturity Assessments for 59 councils, including the Office of Local Government (OLG) on-site infrastructure audit. For ease of reference we have highlighted in red where this places MidCoast Council compared to the councils which have previously been audited by Morrison Low.

Figure 1 Overall asset management assessment council comparison graph



To improve in asset management more work is required in the areas of:

- strategic asset planning processes
  - financial planning and capital investment

- levels of service
- operations and maintenance work practices.

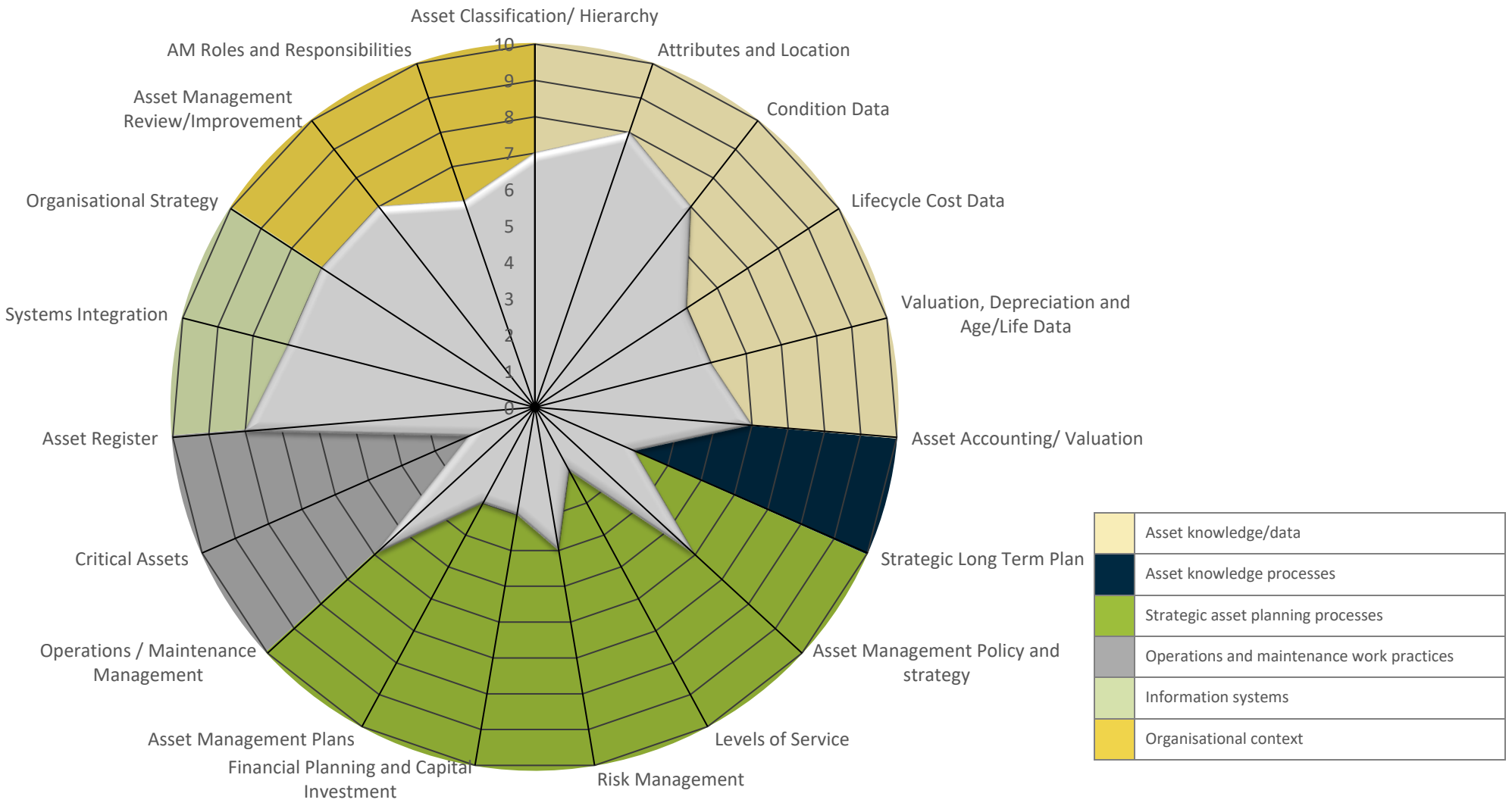
3 Asset management assessment

Table 1 Gap analysis assessment chart – MidCoast Council

Mid-Coast Council	Current Score	Desired score 3yrs	Priority (1-3)	1	2	3	4	5	6	7	8	9	10
Asset Knowledge / Data	**6.2**	**7.0**											
Asset Classification/ Hierarchy	7												
Attributes and Location	8												
Condition Data	7												
Lifecycle Cost Data	5												
Valuation, Depreciation and Age/Life Data	5												
Asset Knowledge Processes	**6.7**	**7.0**											
Asset Accounting/ Valuation	6												
Strategic Asset Planning Processes	**3.8**	**7.0**											
Strategic Long Term Plan	3												
Asset Management Policy and strategy	6												
Levels of Service	2												
Risk Management	4												
Financial Planning and Capital Investment	3												
Asset Management Plans	3												
Operations and Maintenance Work Practices	**4.5**	**7.0**											
Operations / Maintenance Management	6												
Critical Assets	2												
Information Systems	**7.7**	**7.0**											
Asset Register	8												
Systems Integration	7												
Organisation Context	**6.7**	**7.0**											
Organisational Strategy	7												
Asset Management Review/Improvement	7												
AM Roles and Responsibilities	6												

This information is also presented as a radar chart, to enable greater visual understanding of the Council's current strengths and weaknesses.

Figure 2 Gap analysis assessment chart - MidCoast Council



3.1 Asset knowledge/data

Overall category score	C

3.1.1 Asset classification/hierarchy

We would expect Council to have a logical structure to the collection and storage of its asset data including:

- assets identified by unique IDs
- registers segmented into appropriate classification levels.

We would expect to find an asset hierarchy that covers all asset classes and is consistent with guidelines and processes. There should be guidelines and processes for asset identification using unique IDs.

Findings
Council's asset data appears well organised and structured. A hierarchical relationship has been developed for all asset classes. There is an issue with the water and sewer data where the parent/child relationship has not been identified. This would appear to be a result of the data being transferred from an earlier version of MC1 EAM, which has not been carried over to the new system.

3.1.2 Attributes and location

We would expect asset attribute data (location, size, material, type, etc) to be in the asset register and able to be represented in a spatial format, with associated mapping guidelines and processes.

Findings
Council's asset data is well organised and generally available on the geographic information system (GIS). Council is in the process of migrating water and sewer network assets into the QGIS system to provide a single GIS system for all assets under its control.

3.1.3 Condition data

We would expect there to be written processes for carrying out condition surveys and defect identification assessments, with data recorded in accordance with the asset hierarchy. Condition assessment guidelines and processes should be developed and used, and there should be a consistent rating system applied. Historical assessment data should be available in a consistent format.

Findings
Council has condition data for all its assets. There appears to be a consistent and logical adoption of the 1 – 5 condition rating system. Further work is required in the development of more comprehensive guidelines to ensure consistency in asset condition rating.

3.1.4 Lifecycle cost data

There should be clear definitions of operations and maintenance, renewals and new/upgrades expenditure. Cost data should be recorded separately for each, with the data used in decision making. There should be a written lifecycle strategy and cost and planning processes which are used.

Findings
Council is able to determine the lifecycle cost for some asset classes via its costing and works order system. Each asset class currently defines whether costs are associated on an activity or asset basis. We believe that a consistent organisational approach would be better, unless specific organsiational/asset requirements are identified.

3.1.5 Valuation, depreciation, and age/life data

We would expect there to be a common data system used across all asset groups, with current depreciation and replacement cost data at the appropriate asset hierarchy level. Depreciation should be updated on the basis of annual assessments of useful asset life. Historical accounting data should be available.

Findings
Valuations have been completed recently by external registered valuers, i.e. water, sewer and stormwater drainage assets valuations were completed on 30 June 2020. Open space assets will also be revalued externally in 2021 -2022. The process for revaluation appears sound and follows the process identified in the Australian Infrastructure Financial Management Manual (AIFMM). The revaluation information is available and key valuation assumptions are identifiable and repeatable. Council should ensure that an annual desktop review of asset values is carried out, in accordance with the accounting and valuation standards.

3.2 Asset knowledge processes

Overall category score	C

3.2.1 Asset accounting/valuation

There should be clear valuation and depreciation guidelines and accounting processes against various hierarchy levels and categorised in accordance with accounting requirements developed and used. The responsibilities for system and data management should be clearly defined. There should be data validation and audit processes developed and used.

Findings
The process for revaluation appears sound and follows the process identified in the AIFMM and other standards. The revaluation information is available and key valuation assumptions are identifiable and

repeatable.

3.3 Strategic asset planning processes

Overall category score	E

3.3.1 Strategic long-term plan

There should be strategic asset management plan documents that are fully aligned with Council's other strategic documents. The documents should include or define the plan review process, long-term expenditure forecasts with operations and maintenance, renewals and new/upgrade forecasts separately identified, and Council's strategy for the management of Council's assets. There should be evidence that the strategy is being complied with.

Findings
Council has a Strategic Asset Management Plan but the plan is not up to date and needs to be reviewed to include water and sewer assets. Since amalgamation, Council's asset management focus has been in bringing together the four prior entities' asset data into one integrated system.

3.3.2 Asset management policy and strategy

We would expect there to be an Asset Management Policy which has been adopted by Council and which defines vision and service delivery objectives and reinforces the need to use a lifecycle cost approach. The policy should as a minimum every 4 years. There should be evidence that the policy is being complied with.

Findings
Council has an adopted Asset Management Policy which was recently reviewed to include all assets under its control.

3.3.3 Levels of service

We would expect that levels of service are clearly defined in each asset management plan and are aligned to Council's strategic objectives and legislative requirements and have been developed taking community input into account. Community and technical levels of service should be separately identified with the latter incorporated into service level agreements and operations and maintenance and renewals processes. Performance against level of service targets should be monitored in accordance with documented procedures.

Findings
Council has no adopted service levels for assets. There are service levels for water and sewe assets in the MidCoast Council Strategic Business Plan and there are technical levels of service based on public health and regulatory compliance.

3.3.4 Risk management

Council should have a corporate risk management policy and strategy and a risk assessment should exist for each asset class in accordance with them. The assessment should identify critical assets and any risk mitigation strategies or measures. Council should have emergency response and recovery and business continuity plans, taking into account each asset class.

Findings
Council's risk management practices in relation to assets are basic. Council staff have a good knowledge of risk and risk management practice, however, these are based on local and corporate knowledge in a number of business continuity plans and have not been incorporated into emergency response plans and actions.

3.3.5 Financial planning and capital investment

We would expect Council to have a Long-Term Financial Plan (LTFP) that is based on Council's Community Strategic Plan, Workforce Plan and asset management plans, The LTFP should incorporate lifecycle planning, forward capital works planning, risk and sensitivity analyses and project prioritisation processes.

Findings
Council deferred the 2018/2028 LTFP in June 2018 for further review. Asset expenditure and required asset expenditure is not included in the current LTFP. Council/organisational sustainability cannot be achieved without fully understanding the required expenditure for infrastructure assets.

3.3.6 Asset management plans

There should be asset management plans covering all assets owned by Council. The asset management plans should include levels of service with performance targets and actions and costs established to achieve them together with the following:

- demand forecasts
- lifecycle cost plans
- forecast costs separately identified for operations, maintenance, renewals new/upgrades and depreciation
- asset disposals
- an asset management improvement plan.

Consideration should be given to solutions not involving assets owned by Council. There should be clear evidence that they have been prepared taking community consultation into account.

Findings
Council does not have asset management plans for all of its assets. Draft asset management plans exist for some assets but not all assset classes are covered. Water and sewer assets are currently undergoing an audit to determine the current status in developing an Integrated Water Cycle Management Plan.

3.4 Operations and maintenance work practices

Overall category score	D

3.4.1 Operations/maintenance management

We would expect there to be operation and maintenance plans taking levels of service and performance targets into account for each asset class. This should be supported by processes for collecting, validating and auditing operations and maintenance data. There should be written processes for planning maintenance and works order and costing management that are used. There should be written maintenance specifications and, where appropriate, performance-based contracts or service level agreements in place.

Findings
Maintenance practices are well defined within the works order system. Periodic and defect based works orders are being issued as required. Greater consistency in the use of the system across the organisation would be beneficial in achieving organisational efficencies.

3.4.2 Critical assets

We would expect critical assets to have been identified, taking into account risk and emergency management and written strategies established for their management, with regular written reports on their condition and performance.

Findings
Whilst critical and high risk assets are understood, there is limited evidence that asset criticality is used to define maintenance and inspection practices. The exception to this is the ongoing maintenance of high risk assets such as water and sewer assets, to ensure that these assets operate at optimum capacity.

3.5 Information systems

Overall category score	B

3.5.1 Asset register

There should be a single asset register that captures, manages and reports on asset data as required by asset management. It should be possible to sort data by different hierarchy levels and to customise reports if required. The register should integrate with other asset management systems.

Findings
All of Council's infrastructure assets are recorded in the new MC1 asset management system. The data appears to be well structured and logical. Some minor issues with data transfer from the previous water and sewer asset system have prevented the parent-child relationship from being transferred.

3.5.2 Systems integration

Asset management systems should integrate or interface with corporate systems, including the customer request, document management, accounting and HR systems. There should be a spatial system (GIS) implemented with written processes that are used.

Findings
All of Council's assets are recorded in the MC1 enterprise asset management module (EAM). As such, integration with the finance and works management has been implemented ongoing monitoring, reporting and training is required to ensure module works very well. Apart from minor costing and allocation issues, the system is working. Maintaining full functionality for the water and sewer GIS will need to be managed carefully for creating assets from existing GIS to MC1 EAM system.

3.6 Organisational context

Overall category score	C

3.6.1 Organisational strategy

There should be evidence that asset management drives Council in terms of the use and management of its assets aligned with Council's policies and strategies. Council's structure and position descriptions should clearly identify asset management roles and responsibilities across all asset classes. There should be written processes for capital investment based on Council's strategic plans, lifecycle costs and risk assessments.

Findings
There needs to be greater involvement and collaboration between asset and financial staff to ensure that asset management practices are accurately reflected in Council's accounts. This is only possible where financial and technical staff work together to ensure that engineering and technical reality is reflected in Council's financial management and financial modelling.

3.6.2 Asset management review/improvement

We would expect that there is a prioritised asset management improvement plan, with responsibilities and timeframes in place that is monitored and reported on. There should be a benchmarking process and regular asset management reviews in place.

Findings
An asset management improvement plan is currently in place, however, there is currently no process for reviewing/reporting progress or benchmarking against other councils. Once the asset management improvement program is adopted, the implementation against targets should be reported to senior management on a regular basis.

3.6.3 Asset management roles and responsibility

We would expect that asset management roles and responsibilities are clearly identified. There should be a clear training program in place for all levels in the organisation, including Council, with needs assessments where appropriate. Identified needs should be included in a workforce management plan.

Findings
The asset management roles and responsibilities are generally well defined. The organisation is clearly focused on the delivery of the works program, which is taking away from asset management roles in some areas. Further definition of roles is required to ensure the responsibility for data collection and development of asset management plans is more clearly defined and well understood. The Asset Management Working Group (AMWG) Program Plan includes training for asset staff to bring up their level of asset management skills. This is well supported through Council's corporate development program.

4 What MidCoast Council is doing well

The use of MC1 EAM and the data migration has been a major achievement for the organisation. All infrastructre asset classes have their data in the new system.

A strong operational focus has developed across most asset classes:

- assets are in good condition
- former Council technical registers have been consolidated and MC1 EAM has been implemented reasonably well
- strong executive support for whole of Council asset management through the AMWG.

The revision and inception of the AMWG adoption of the Asset Management Policy will assist in driving asset management practices across Council. There is generally good buy-in by asset owners, with acknowledgement that these are providing value and form the basis of a good asset management culture within the organisation.

5 Summary of needs, issues and barriers

There is a lack of strategic focus to support the strong operational focus. This is evident by the lack of up to date asset management plans and the lack of integration between the Asset Management Strategy and the LTFP.

Currently lifecycle costs have not been fully understood for all asset classes, as such funding requirements have not been integrated into the LTFP. This has meant that for these asset classes, the allocated funds are based on historical expenditure or grant funding, which does not fully cover all lifecycle requirements and does not allow for forward planning. As a result, Council's Capital Works Program has been limited to a one to two-year horizon.

There needs to be greater involvement and collaboration between asset and financial staff to ensure that asset management practices are accurately reflected in Council's accounts. This is only possible where financial and technical staff work together to ensure that engineering and technical reality is reflected in Council's financial management and financial modelling. Documenting and clarifying all asset management roles and responsibilities is key, particularly between the interface of finance and technical roles.

6 Benchmarking

The following graphs set out a comparison of MidCoast Council with the results of 72 Asset Maturity Assessments for 59 councils, including the Office of Local Government (OLG) on-site infrastructure audit. The processes and systems used to make the assessment of MidCoast Council are directly comparable to those in the OLG Infrastructure Audit and all other audits undertaken between 2013 and 2021 by Morrison Low.

Each graph shows how MidCoast Council's assessment in each category compares to the 59 councils that have been audited as part of that assessment, and subsequent councils assessed using the same methodology. MidCoast Council's score for each category has been highlighted in green.

Figure 3 Asset knowledge/data - results comparison

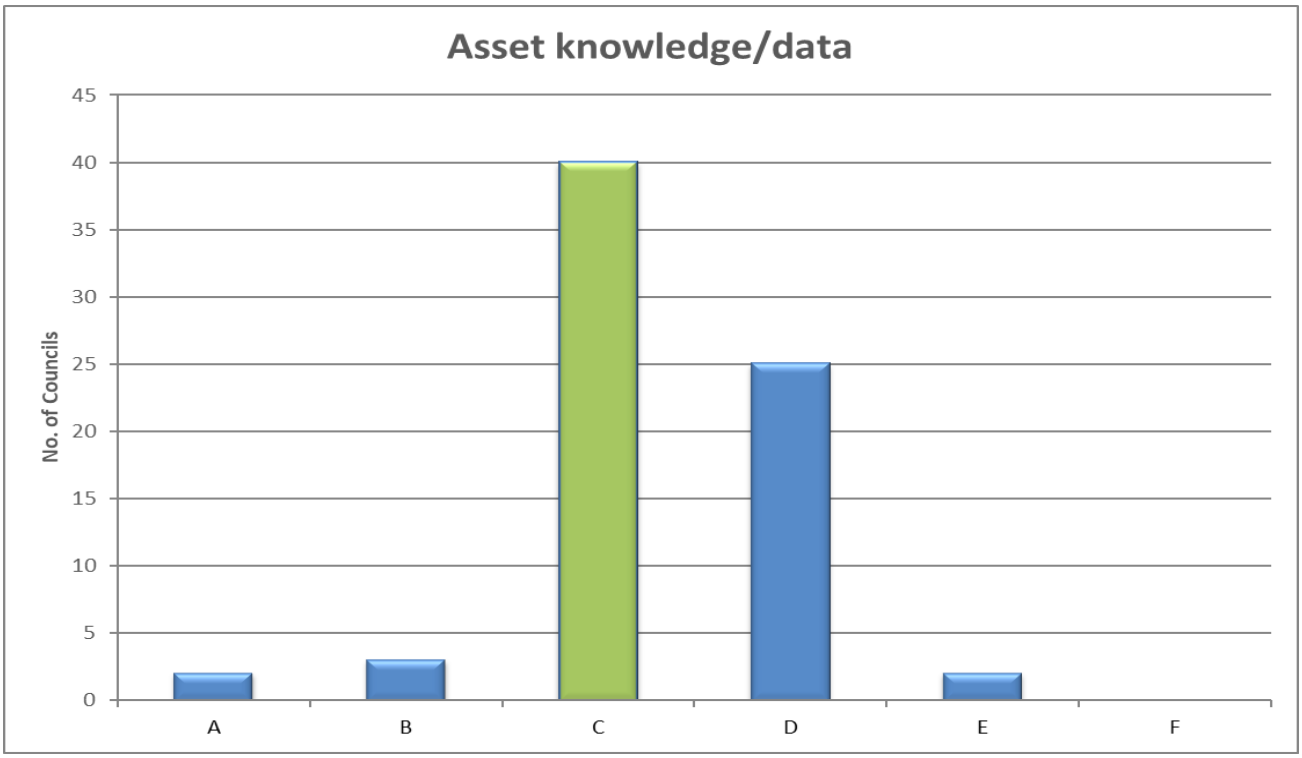


Figure 4 Asset knowledge processes - results comparison

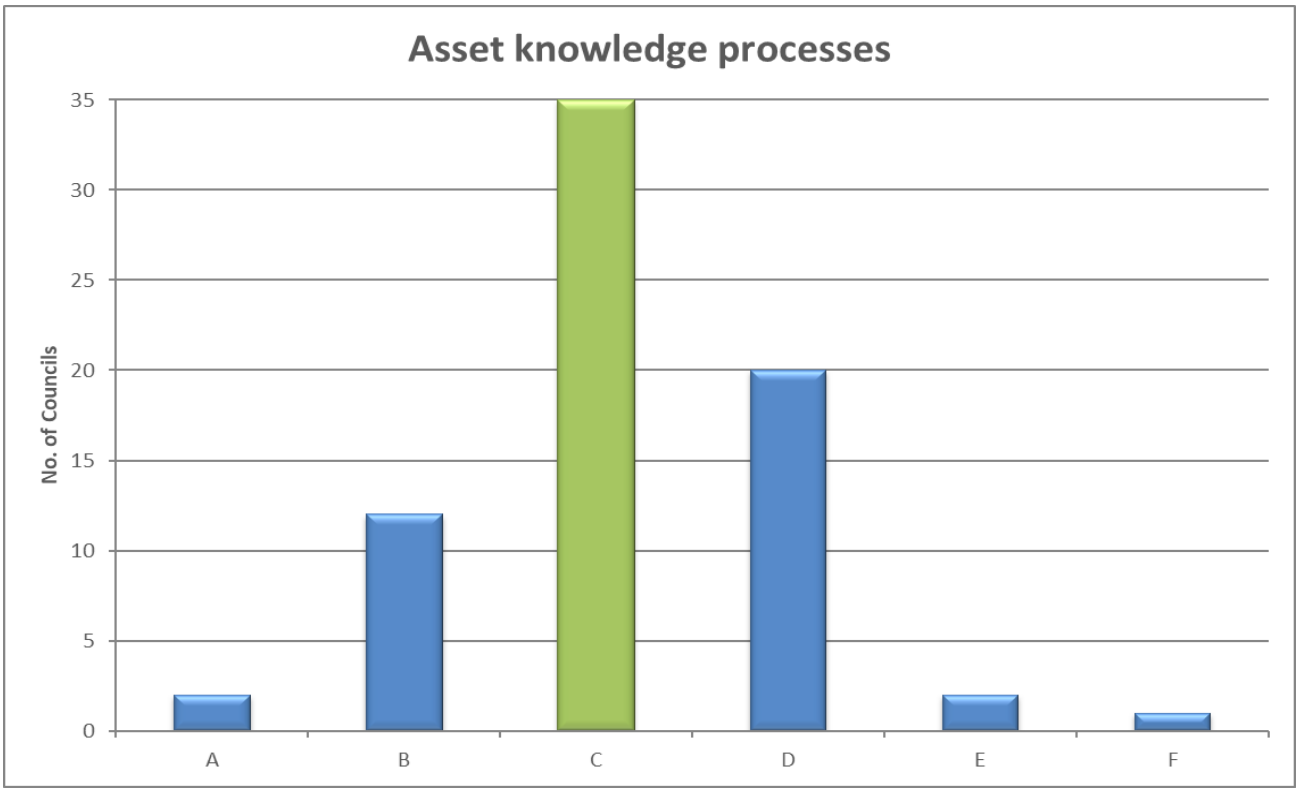


Figure 5 Strategic asset planning process - results comparison

Figure 6 Operations and maintenance work practices - results comparison

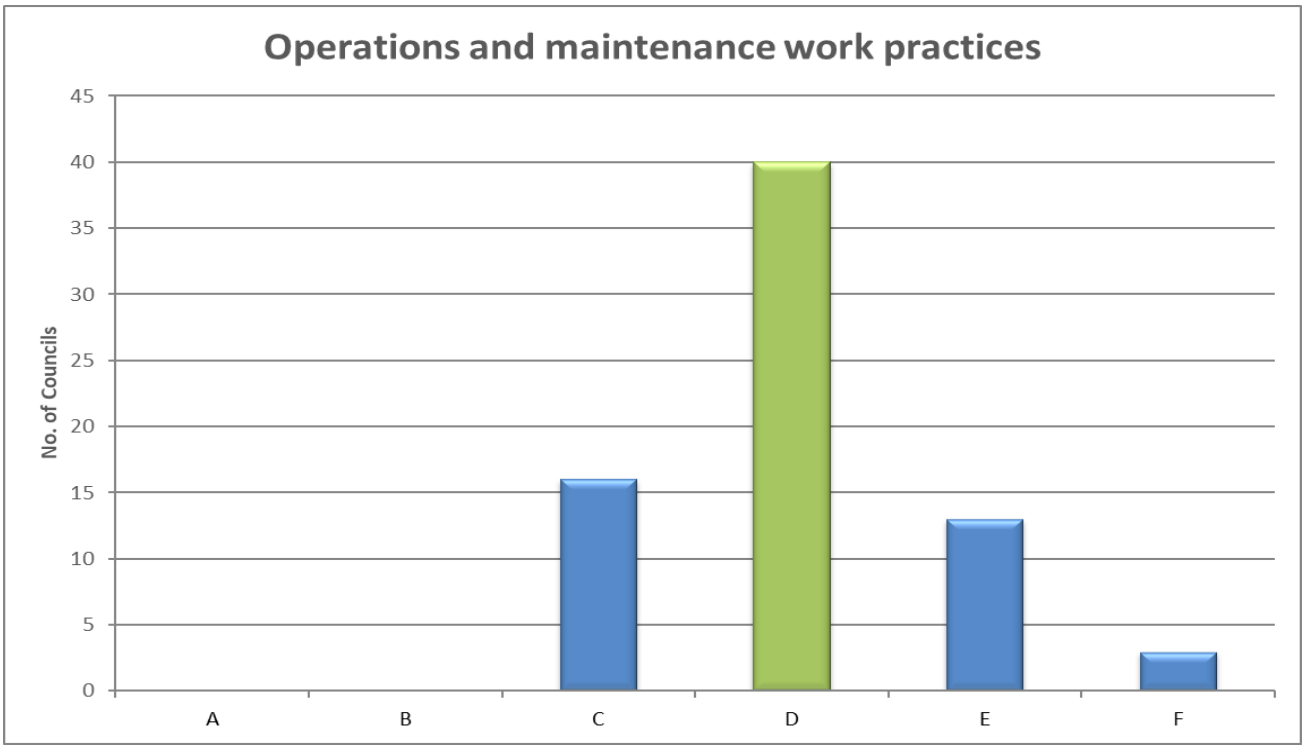


Figure 7 Information systems - results comparison

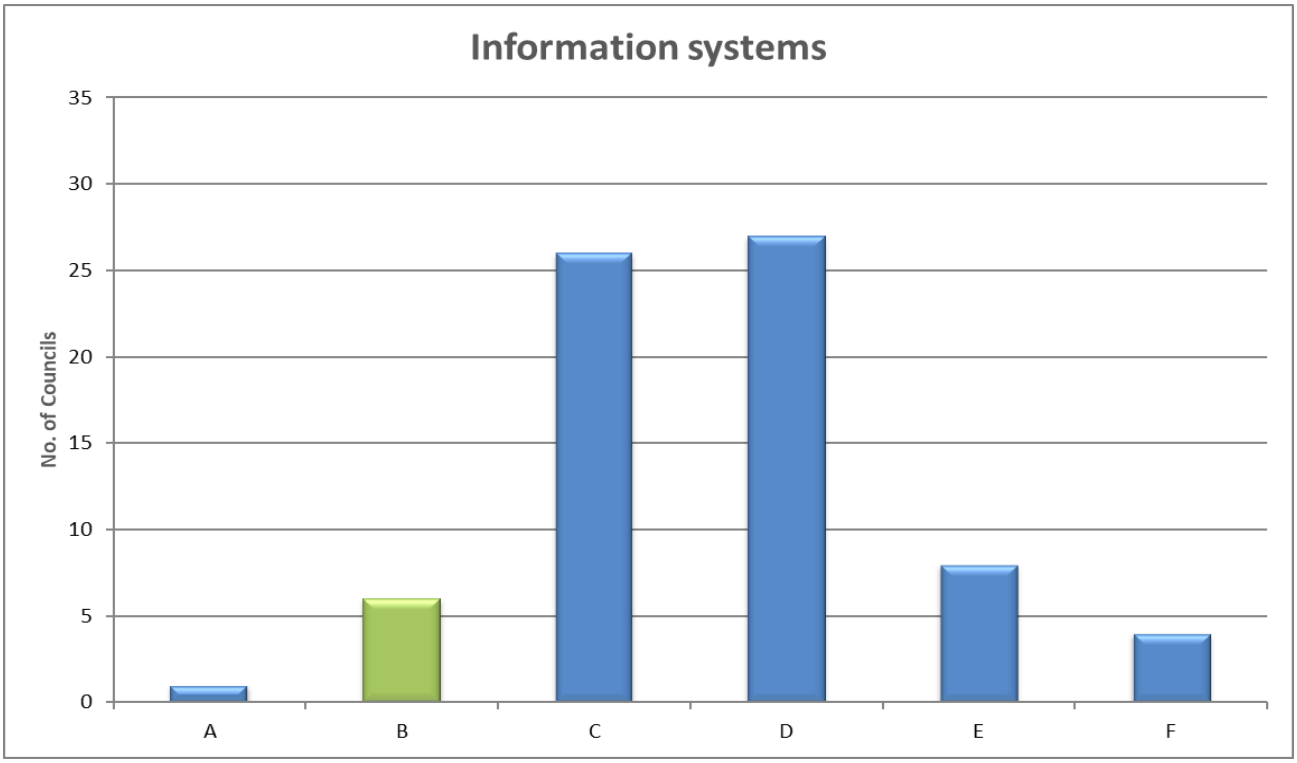
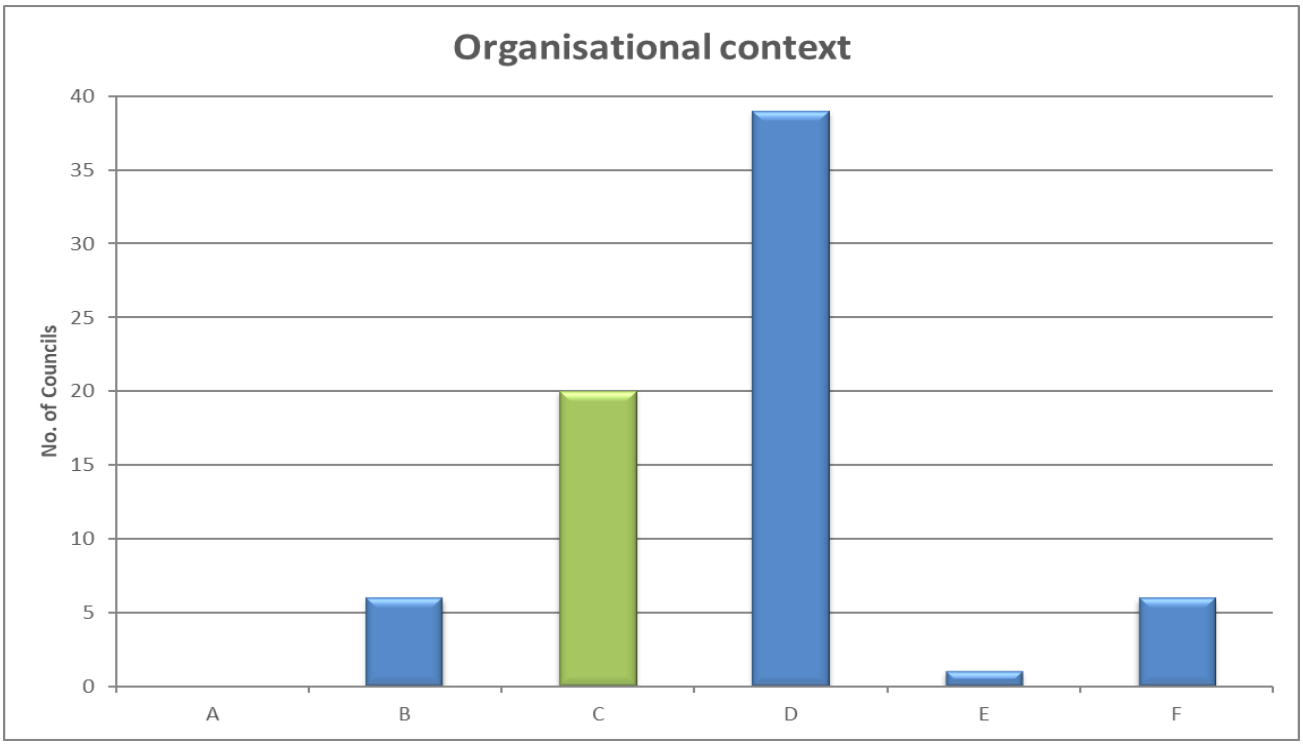


Figure 8 Organisational context - results comparison



7 Recommendations and next steps

Based on the on-site reviews of Council asset related documents and our understanding of practices and processes, we consider the following steps should be considered in the next iteration of Council's asset management improvement plan.

Council to adopt a goal of being at *core* level of asset management by 2023

Table 2 Recommendations and next steps

Action	Priority	Resourcing	Timing	Responsibility
Asset data and knowledge				
Council to document clear asset lifecycle strategy for all assets, which is to be supported by Council's LTFP.	H	Internal/external	Year 1	AMWG
Council to review asset hierarchy for all asset classes to map parent/child relationship.	VH	Internal/external	Year 1	AMWG
Develop an asset condition inspection strategy that ensures all assets are inspected on a regular basis.	M	Internal	Year 2	Asset Class Custodians
Council to document spatial mapping templates, guidelines and procedures and move all asset classes to same platform. A methodology is needed to identify how we are including/disposing assets into GIS	M	Internal	Year 2	GIS and AMWG
Asset knowledge processes				
Council to develop asset accounting processes to identify all asset expenditure requirements into renewal, growth, maintenance or operational.	VH	Internal	Year 1	AMWG & Finance
Review the current rate of depreciation to determine whether the annual depreciation expense is a true reflection of the loss in value of Council's asset portfolio.	VH	Internal/external	Year 1	Finance and Asset Class Custodians
Adopt consistent reporting methodology for Special Schedule 7 across all asset classes informed by current asset data.	VH	external	Year 1	Finance AMWG
Formally undertake an annual review of fair value for all infrastructure assets.	M	Internal	Year 2	Finance and Asset Class Custodians

Action	Priority	Resourcing	Timing	Responsibility
Strategic asset planning processes				
Develop and update all asset class management plans with individual asset improvement plans and prepare asset improvement roadmap for all asset classes.	H	Internal/external	1 Year	Asset Class Custodians
Determine the long-term expenditure requirements for Council's assets based on a sustainable asset approach and incorporate findings in the Council's LTFP.	VH	Internal/external	6 months	AMWG Finance Asset Class Custodians
Develop and update Asset Management Strategy and LTFPs after adoption of annual budgets. Communicate any consequence of funding decisions on service levels and service risks.	VH	Internal/external	Year 1	AMWG Finance
Develop asset-based service levels for the existing asset portfolio, initially based on existing service delivery expectations. Once existing service levels have been developed, undertake community consultation to determine community-based service levels.	H	Internal	Year 1 Year 2	Asset Class Custodians
Council is to monitor and report on levels of service in Operational Plan.	H	Internal	Annually and Ongoing	AMWG
Council is to review risk treatment/minimisation strategy for its high-risk assets annually.	M	Internal	Annually and Ongoing	AMWG Risk Management Team
Council is to review emergency/disaster response and recovery plans for its critical assets and services.	M	Internal	Year 2	Asset Class Custodians Directors
Operations and maintenance work practices				

Action	Priority	Resourcing	Timing	Responsibility
Council to review and document electronic works order management system process to ensure data capture meets individual asset class plans for operational and financial reporting.	H	Internal	Year 2	Finance
Council is to formalise and document procedures for managing its critical assets.	M	Internal	Year 2	Asset Class Custodians
Information systems				
Council to ensure corporate asset register supports hierarchical definition of assets, so data can be linked to alternative levels and aggregation capabilities exist.	VH	Internal/external	6 months	AMWG and MC1 Systems support
Corporate GIS maintains functionality of existing GIS systems in use, for operational asset maintenance and planning.	H	Internal	Year 1 Year 2	AMWG and GIS
Organisational context				
Council to map out the organisation's asset management roles and responsibilities and formalise/clarify asset management functions ensuring the asset management practices are accurately reflected in Council's financial management and financial modelling.	VH	External	Year 1	Asset Class Custodians
Asset management working group to continue to lead and report on asset management progress and improvement plan status and create a process for bi-annual reporting to senior management.	H	Internal/external	6 months	AMWG Asset Class Custodians
Council is to determine asset management skills and training requirements.	H	Internal	Annually	AMWG
Council is to formalise and document asset handover processes and capitalisation processes.	VH	Internal	Year 1	Finance Asset Class Custodians

MIDCOAST
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