

# **ALGA Congress**

# **Asset Management**

**Peter Godfrey**

Director, BAS Consulting  
Past National President, Engineers Australia  
Associate, CT Management Group

With thanks to Ian Mann, CT Management Group

# Peter's Background

- ▶ Civil engineer with management qualifications
- ▶ Lived and worked around Australia
  - 20+ years in industry – civil contracting, construction materials, industrial equipment & services, asset management, engineering services
  - 10+ years in consulting – over 5 years focus on local government
  - 5+ years in governance roles
- ▶ Highlights
  - Led improvement program (TQM/Benchmarking) for a major Australian company – *strong continuous improvement focus*
  - Senior manager across various industry sectors – *including an asset management organisation*
  - Leading flood reinstatement program – arguably, *the meat in the sandwich*

# Local Government Sector

## Attributes of the Sector

- ▶ Over 550 local government municipalities nationally
- ▶ Elected governance representation model
- ▶ Operate within state boundaries & legislation
- ▶ Highly dependent on state & federal funding
- ▶ Community service driven organisations
- ▶ Caretakers of many \$B in infrastructure assets

**Not quite like herding cats, but politically driven and grant funding sources at whim of governments**

# Victorian Asset Management Story

- ▶ Amalgamation of 210 councils into 78 (now 79), rates capped, and CCT introduced (1994)
- ▶ *Facing the Renewal Challenge, Victorian Local Government Infrastructure Study* (Department of Infrastructure, Dec 1998)
  - Infrastructure assets valued at \$23.3 billion (in 1998 replacement terms)
  - 10 year period within which to improve asset management policies & practices
- ▶ Steps Program (MAV, Sept 2002)
  - Objective to improve asset management capability
  - Targeted councillors & senior management – awareness and education
  - Develop understanding of current status of assets
  - Develop policies, strategies, tactics and integrate with operational plans
  - Set standards and measure progress
  - “Grass roots” driven by local government, embraced by state government

# Victorian Asset Management Story

- ▶ *Sustaining Local Assets, Local Government Asset Management Policy Statement* (Department for Victorian Communities, Dec 2003)
  - “The strategy of increasing local revenues by itself will not resolve the underlying problem of sustaining the infrastructure. Councils will need financial strategies that are backed by strong leadership and supported by well-researched and targeted asset management” – Candy Broad, Minister for Local Government
  - Asset management must be integrated with broader council planning, and assets considered with other key resources used in achieving council objectives

# Steps Program

2003 - 2006  
(3 years)

**“Awareness”**  
**4 Key Pillars**

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2006 - 2008  
(2 years)

**“Application”**  
Renewal Gap Program  
Advanced Step Framework

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(3 years)

**“Awareness”**  
4 Key Pillars

2006 - 2008  
(2 years)

**“Application”**  
Renewal Gap Program  
Advanced Step Framework

2008 - 2010  
(2 years)

**“Broaden Steps”**  
Levels of Service  
Community Consultation



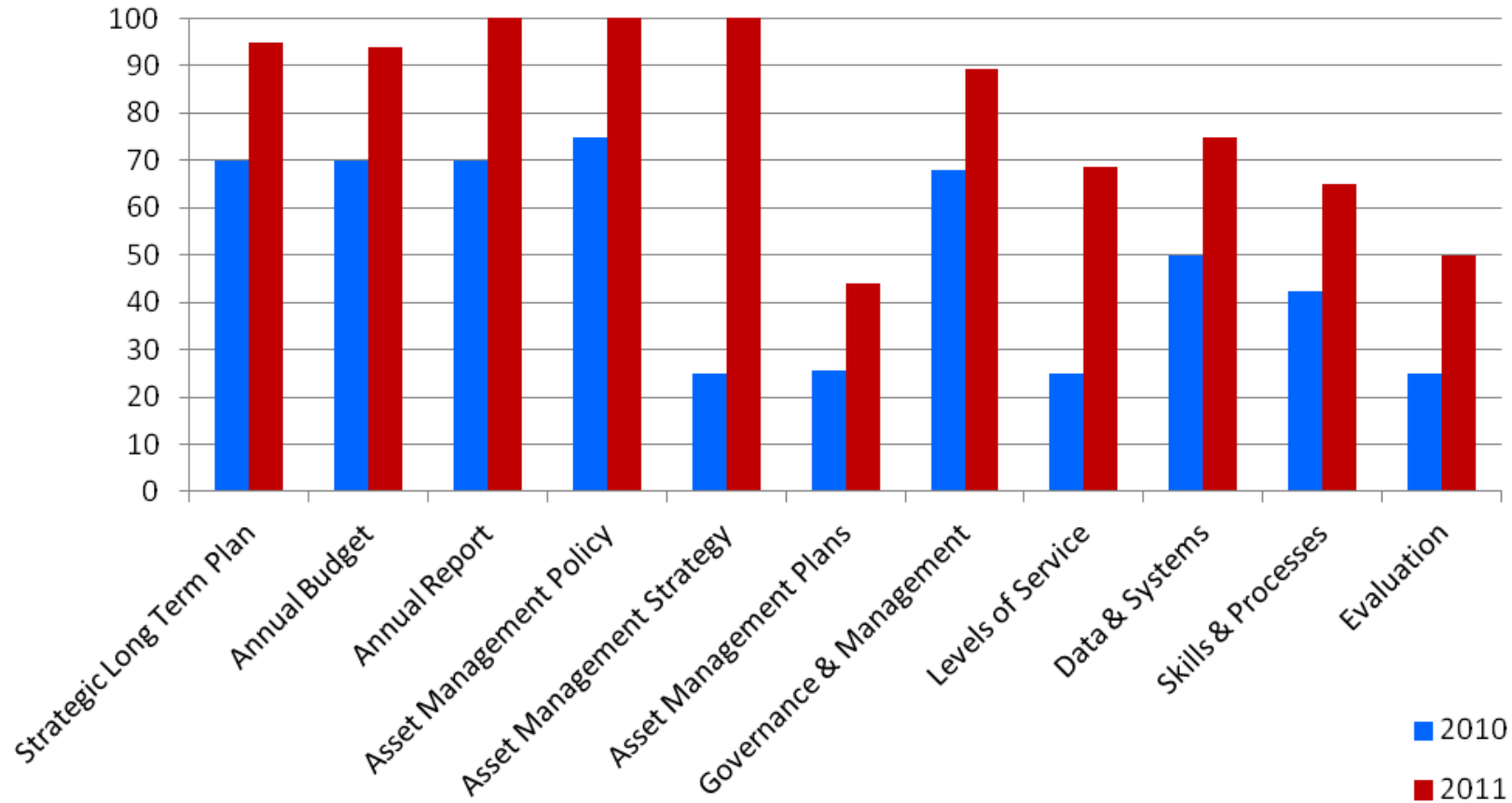
# Victorian Asset Management Story

## Key Outcomes

- ▶ Council decisions based on adopted policy for asset management
- ▶ Levels of service are an appropriate response to community expectations
- ▶ Asset management plans (should) exist for all major asset classes
- ▶ Sustainable long term financial plans are linked to asset management plans
- ▶ A whole of organisation approach to asset management

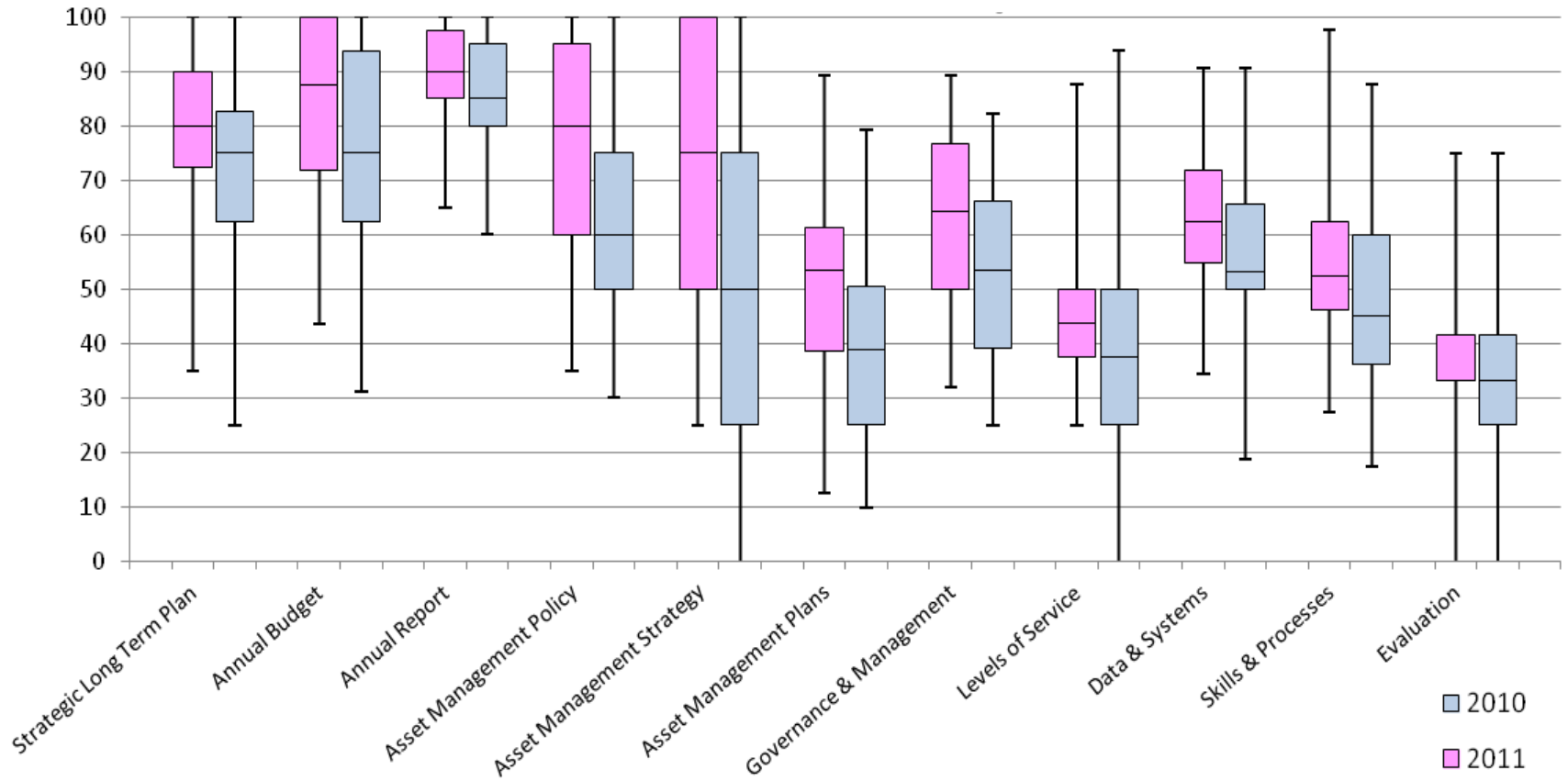
# Council Improvement

## Compliance with Key Measures of Asset Management



# Benchmark Improvement

## All Rural Council Groups



# Asset Management Improvement

Region	Average Asset Management Improvement
North East	22.5 %
North West	24.3 %
South West	17.5 %
Gippsland	10.4 %
Central	19.8 %
<b>Overall Average</b>	<b>19.6 %</b>



# Having said that ...

- ▶ The good story (Rural City of Wangaratta)
  - Council supports strategic approach to asset management strategy
  - Asset management is enshrined in policy
  - Long term financial planning is locked in with the renewal program
  - The renewal forecast is linked into the annual expenditure budget
  - Outcomes are reviewed annually for success
  - Renewal Gap funding 40% in 04/05 to 114% in 12/13
- ▶ The not so good stories
  - Some councils have had to ban new projects to focus on renewal gap
  - Some assets have been taken out of service (bridge closed)
  - Renewal spending curtailed and maintenance deferred

# Some glitches in the road ...





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# National Developments

- ▶ Federal government is taking a greater leadership role in asset management
  - National Evaluation & Accreditation Tool (Assessment Framework)
  - Prime Minister's address to ACLG (Nov 2008) "... get our asset management right ..."
  - Australian Centre of Excellence for Local Government
  - Grant funding dependent on asset management performance
- ▶ COAG – Three Pronged Approach
  - Enhanced asset planning and management
  - Enhanced financial planning and reporting
  - Criteria for assessing financial sustainability

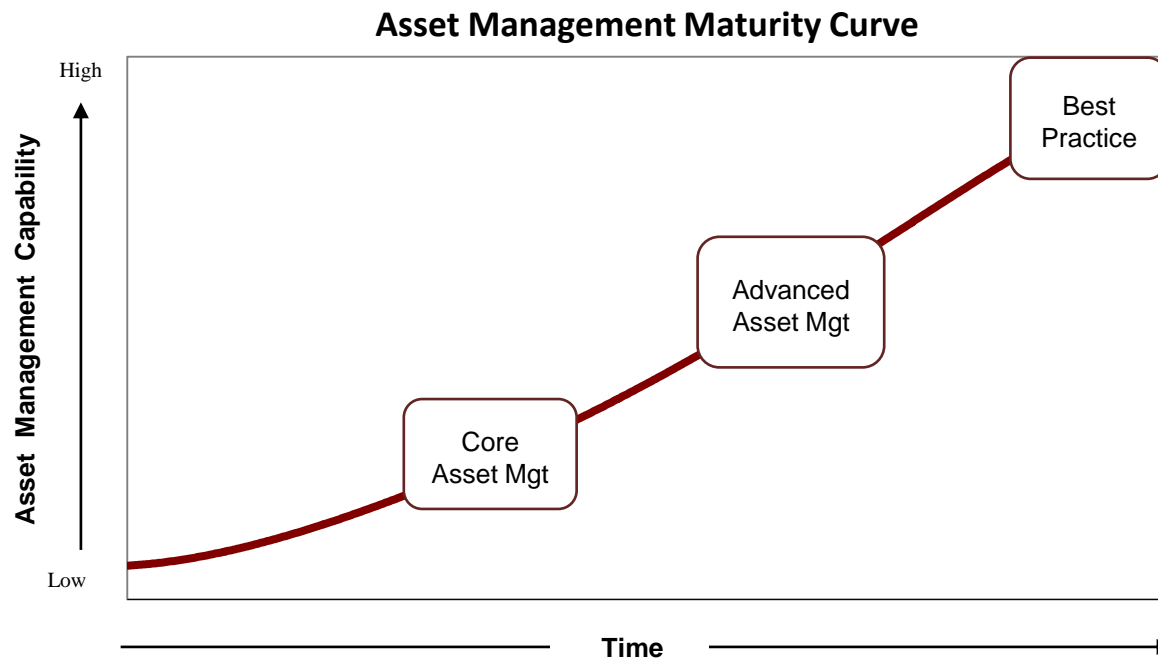


# National Developments

- ▶ State governments have responded in various ways
  - SA: existing legislation for development of asset management plans and link to financial plan
  - NSW: similar to SA
  - Queensland Local Government Act 2009: various requirements for long term financial and asset management plans linking to shorter term and annual plans
  - Victoria: key focus still on MAV STEP Program (not legislated)
  - WA and Tasmania: some progress

# Lessons for Creating an Asset Management Cultural Change?

- ▶ Create the desire for change
- ▶ Engage leaders and instil ownership
- ▶ Provide tools for developing capability
- ▶ Measure progress
- ▶ Continue effort for evolving and maturing



# Thank you

**Engage with, and convince leaders**



Peter with Hon Terry Mulder, Minister for Public Transport & Roads (Vic)

**Peter Godfrey**

**Director, BAS Consulting**

**0418 345 966**

**[pjg\\_bas@bigpond.net.au](mailto:pjg_bas@bigpond.net.au)**