Asset Management within the Local Government Sector

Auckland Council

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Te Kaunihera o Tāmaki Makaurau

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Context – Drivers for Asset Management Planning

The need for change in New Zealand

- High Profile Asset Failures

- Increasing discontent (LG Engineers)

- Desire for longer term approach to the management of pubic assets

- Concern from Audit office over the long term sustainability of local authorities.

The response ….

- Local Government Act (Amendment No 3) 1996
  - "To promote prudent, effective and efficient financial management by local authorities"
  - Fund the declining service potential (depreciation) of the assets
  - Asset Management Planning identified as the process

- Local Government Act 2002
  - Introduced the LTCCP (Long Term Community council plan)
  - the plan has to extend for 10 years

- Role of Auditor General (Audit New Zealand)
  - Key driver for Asset Management Planning

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Industry Response – NAMS Group

Guides and Manuals
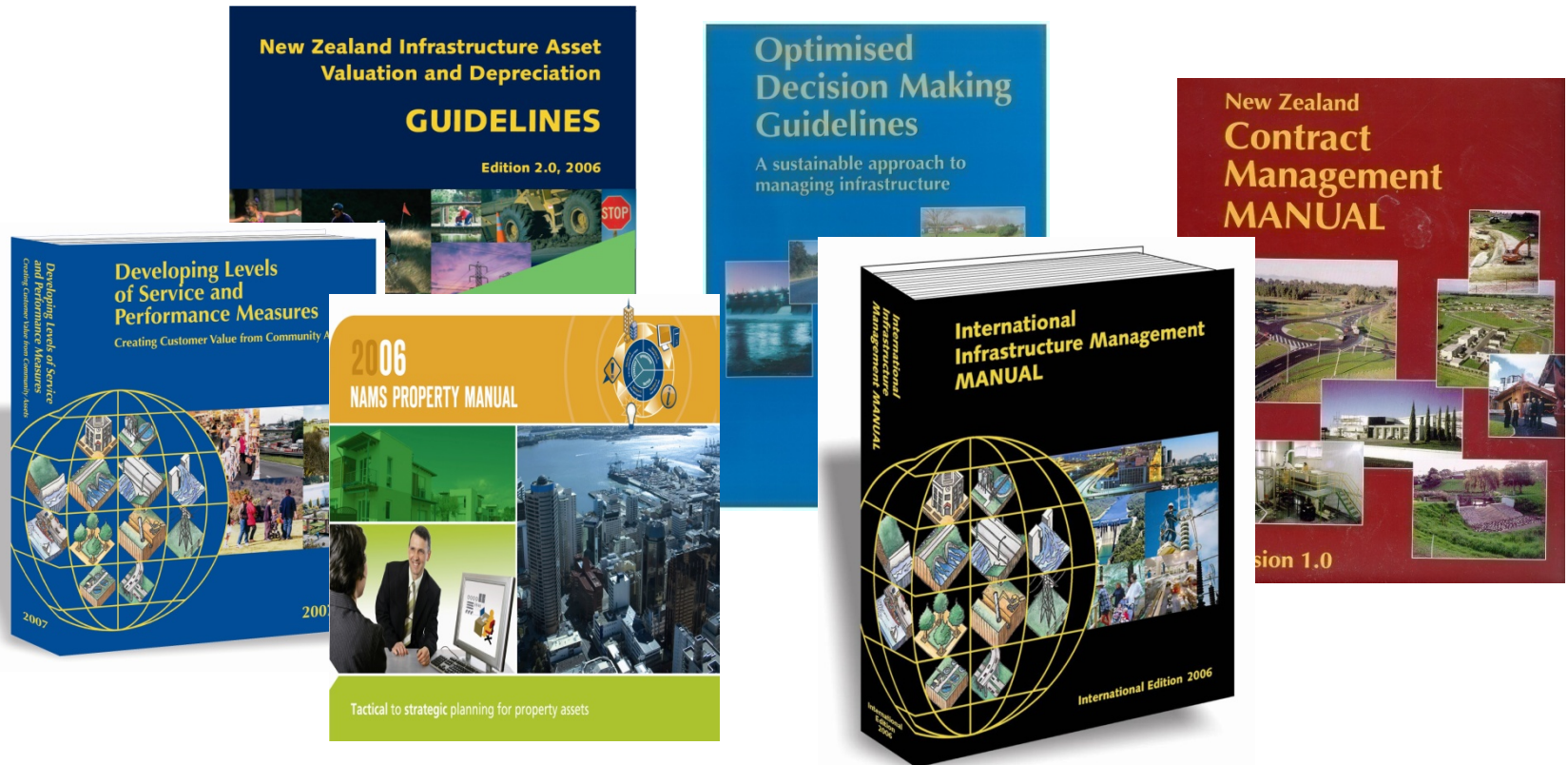
Overview of the journey to date

No overall plan	Funding Plan (Top down planning)	Activity Plan (Bottom up planning)	Optimised Plan
Individual input (expertise) No coordination Knee jerk Fixed things when broken Focus on building new	Limited initial building surveys indicated extensive deferred maintenance Work programmes designed to meet funding Increasing focus on renewal work (rather than new works)	Well established asset data Established service levels Asset performance analysis Increased asset value Long term asset management programmes in place considering both new and existing assets	ESD (Environmentally Sustainable Development / Green Buildings) Urban Design Lifecycle cost analysis Multi-criteria Analysis Stronger strategic links and prioritisation
Historical funding levels	Depreciation Funding Envelopes	Activity Funding (asset needs basis)	Optimised Activity Funding Analysis
Unexpected asset failures Ad hoc spending	Under-spent budgets Little project coordination	Projects prioritised based on asset needs Improved asset condition	Optimised decision-making Stronger cost / benefit analysis

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Pre Asset Management Planning

No overall plan

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- Individual input (expertise)

- No coordination

- Knee jerk

- Fixed things when broken

- Focus on building new

- Historical funding levels

- Unexpected asset failures

- Ad hoc spending

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Initial Asset Management Planning

Fund-based Planning
(Top down planning)

- Limited initial building surveys indicated extensive deferred maintenance

- Work programmes designed to meet funding

- Increasing focus on renewal work (rather than new works)

- Depreciation Funding

- Envelopes

- Under-spent budgets

- Little project coordination

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Maturing Approach – more focus on asset outcomes ("Wellbeings")

Activity Planning
(Bottom up planning)

- Well established asset data

- Established service levels

- Asset performance analysis

- Increased asset value

- Long term asset management programmes in place considering both new and existing assets

- Activity Funding (asset needs basis)

- Projects prioritised based on asset needs

- Improved asset condition

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Sophisticated Asset Planning – future focused for a better world

Optimised Planning

- ESD (Environmentally Sustainable Development / Green Buildings)

- Urban Design

- Lifecycle cost analysis

- Multi-criteria Analysis

- Stronger strategic links and prioritisation

- Optimised Activity Funding Analysis

- Optimised decision-making

- Stronger cost / benefit analysis

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Benefits to our Organisation

We now know a lot more about our assets than we
    used to

- Individual

- Portfolio

- Condition and performance

- Value

- Failure modes

- Risks and Criticalities

We are much better at predicting when capital
    renewal investment will be required

Benefits to our Organisation

Asset performance measurement allows us to better target our capital expenditure

- Levels of service

- Customer values

- Work prioritisation

- Alignment with strategic plan

We are in a much better position to extract value from our capital investment

Benefits to our Organisation

Having sound asset condition and performance information allows us to plan confidently for the future (LTP)

- Life cycles

- Replacement costs

- Current condition

- Current value

- User satisfaction

- Component performance

- Work coordination (projects)

We maintain a ten year financial plan for asset operational management and renewals

Benefits to our Organisation

We are driven to consider 'whole of life' costs

- Conscious that we need to maintain over time

- Focus on value rather than cost

- Sustainability

- Stewardship

Asset management planning has provided a focus on what we have rather than what we would like

We are concerned to create value over time

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Benefits to our Organisation

Asset management planning is a core component of our financial planning

- Bottom up, fact-based process

- Focused on managing both condition and performance

- Allows us to manage and 'smooth' expenditure

- Budget justification

- Impact (risk / cost) analysis in relation to deferred work

Clearer link between financial plan and property management outcomes - costs vs benefits

Benefits to our Organisation

The practice of Asset Management planning has made us a more efficient organisation

- Reactive vs proactive management
- Consolidation of work
- Reduced procurement and management costs
- Reduced maintenance costs
- Less down-time through asset failure
- More "bang for the buck"
- Happier customers

We are achieving more with less

Benefits to our Organisation

Asset management planning has become an "all of organisation" approach to managing our complex businesses

- All talking the same language
- Supported and understood through the organisation
- Top down / bottom up
- Has overt executive support

This doesn't happen by accident, and is absolutely critical. It is important to get "buy-in" from all departments and levels.

Needs to be driven from "the top"

Questions ???