



Asset Management and Maintenance by Councils

Tabled 19 February 2014

Background

- Victorian councils manage physical infrastructure assets valued at over \$73 billion.
- Primary aim of asset management is to maintain council's asset portfolio:
 - to effectively meet current and future service needs
 - in accordance with the *Local Government Act 1989*, including managing associated financial risks prudently.



Chelsea Foreshore playground. Photo courtesy of Kingston City Council.

Background – *continued*

- Local Government Victoria (LGV) provides a range of guidance material.
- Municipal Association of Victoria (MAV) runs the STEP asset management capacity building program.
- The National Asset Management and Assessment Framework (NAMAF) is a methodology used by councils to help them assess their asset management practices.
- Since 2010, MAV's STEP program has also incorporated NAMAF.



Moyston Hall. Photo courtesy of Ararat City Council.

Audit objective

To assess whether local councils effectively manage their physical infrastructure assets by examining whether councils have:

- developed and applied a sound strategic framework for asset management
- implemented efficient and effective asset management practices that are consistent with better practice
- been provided with appropriate guidance and support to manage assets.



The Cube Wodonga. Photo courtesy of Wodonga City Council.

Audit scope

The audit included LGV within the Department of Transport, Planning and Local Infrastructure and the following councils:

- Ararat Rural City Council
- Cardinia Shire Council
- Kingston City Council
- Port Phillip City Council
- Wodonga City Council.

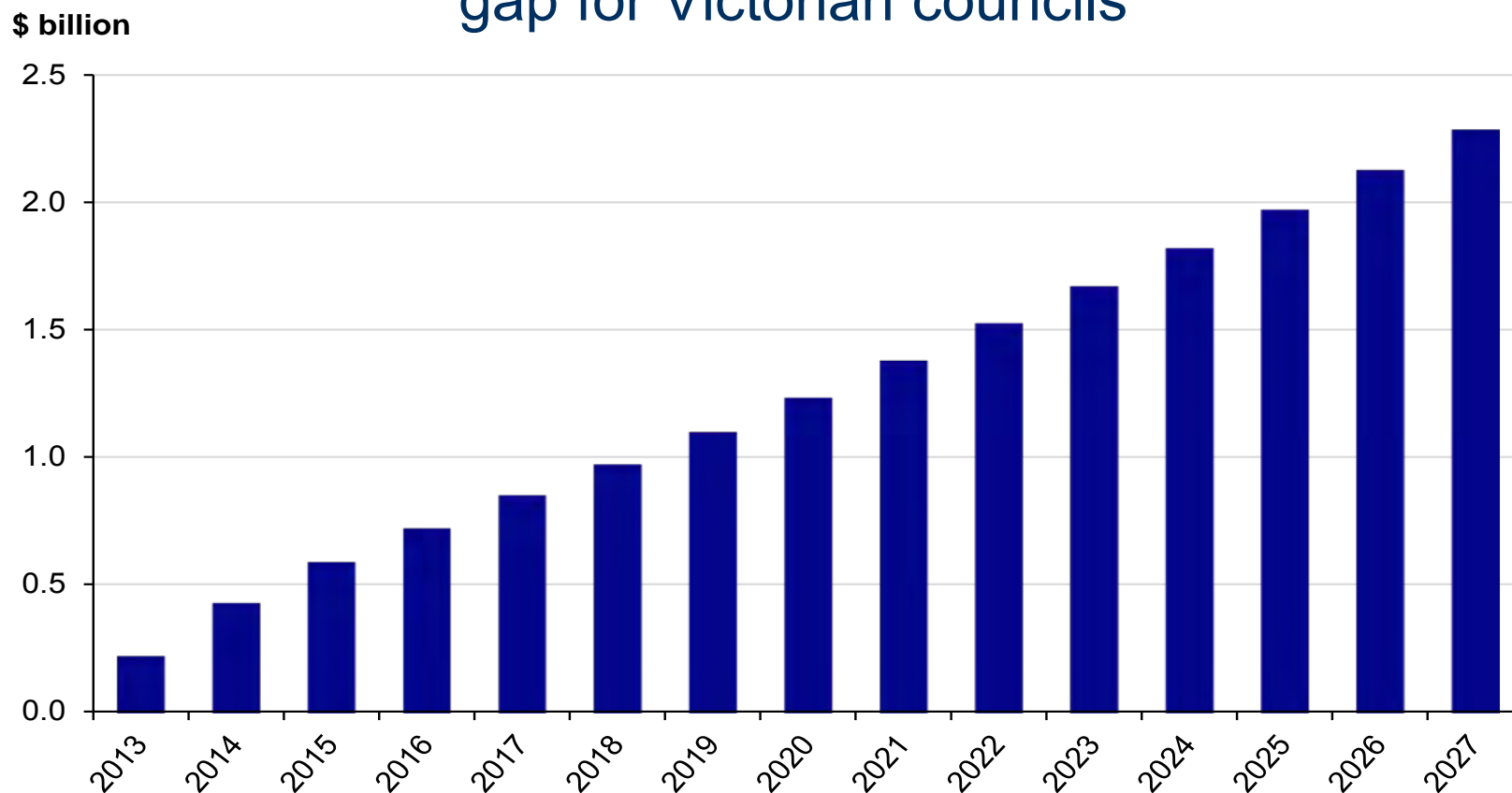


*South Melbourne Town Hall.
Photo courtesy of Port Phillip
City Council.*



Conclusions – significant growth predicted in the asset renewal gap for Victoria's councils

Cumulative aggregate renewal gap for Victorian councils





Conclusions – *continued*

In recent years councils have improved their asset management practices by:

- applying available guidance
- annual self-assessment using NAMAF
- developing asset management information systems, strategies and plans.

But progress has been slow and significant deficiencies remain.

Conclusions – *continued*

Areas for improvement include:

- asset renewal planning and practice
- improved asset management plans
- further developing asset management information systems
- recruiting and developing skilled and competent staff to manage assets
- improving the monitoring, evaluation and reporting.



Wodonga Pool Panorama. Photo courtesy of Wodonga City Council.

Findings – Asset management frameworks

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ix–x

- Councils have underdeveloped and partially applied asset management frameworks.
- Improvements are needed in asset management plans and strategies.
- Plans need to better link asset management and council service needs.
- Weaknesses with governance arrangements for asset management.
- Issues with the application of NAMAF require further review.



*Carrum Foreshore and Lifesaving Club.
Photo courtesy of Kingston City Council.*

Findings – Asset management practices

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23–34

- Significant under expenditure of capital works budgets.
- Asset renewal and replacement expenditure is not keeping pace with rate of asset deterioration.
- Asset management information systems are underdeveloped.
- Councils struggle with resources for asset management skills and knowledge—especially smaller councils.
- Poor monitoring, evaluation and review.
- Poor reporting to the community on asset management.

Findings – Support and guidance from LGV

11

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19–22

- LGV provides guidance and support to councils, but it is limited and in need of review.
- There is scope for LGV to provide more targeted support to deal with common issues including:
 - asset management planning
 - dealing with the renewal gap
 - information management systems.
- There are no mandatory requirements for asset management.



Bridge in Cardinia. Photo courtesy of Cardinia City Council.

Recommendations

		Accept
Councils should:		
1.	Accelerate efforts to review and update their asset management frameworks, policies and strategies to meet better practice standards	✓
2.	Make sure they have comprehensive asset management plans covering all major asset categories	✓
3.	As a priority, develop a strategy for effectively reducing their asset renewal gaps	✓
4.	Improve their asset management information systems and knowledge of their asset portfolios to ensure they have up to date information on all assets	✓
5.	Identify and review the skills and resources required to effectively manage infrastructure assets	✓

Recommendations – *continued*

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		Accept
Councils should:		
6.	Improve the provision of information to, and engagement with, the community on asset management	✓
7.	Develop and implement comprehensive monitoring, reporting and evaluation systems, and publicly report their progress and performance against plans and strategies, including against capital works budgets.	✓
Local Government Victoria should:		
8.	Review and update its asset management guidance material for councils	✓
9.	Review the support it provides to councils and make sure it is targeted to address common issues.	✓

Recommendations – *continued*

		Accept
Local Government Victoria should:		
10.	Consider, in conjunction with councils, developing a set of comprehensive asset management performance indicators that will enable comparability between councils on asset management performance	✓
11.	In conjunction with councils and the Municipal Association of Victoria, review the use and application of the National Asset Management Assessment Framework and its appropriateness for driving improvement in asset management performance	✓
12.	Consider making aspects of asset management mandatory, such as the development of asset management policies, strategies and plans	✓
13.	Investigate options for supporting councils to develop and upgrade their asset management information systems, including by reviewing practices in other jurisdictions.	✓



Relevant reports

- *Local Government: Results of the 2011–12 Audits (2012–13:15)*
- *Management of Road Bridges (2011–12:18)*
- *Business Planning for Major Capital Works and Recurrent Services in Local Government (2011–12:4)*
- *Auditor-General's Report – Results of Special Reviews and Other Investigations (2005:4)*



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