



2011

Asset Management Plan – Corporate Requirements

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1 Executive Summary

1.1 Introduction

This is a high level overview of the activity. The executive summary addresses the strategic direction for the management of the asset. The asset management plan will be utilised as a tool to manage the network, assist decision making and report on forward work programmes.

Please refer to Part A for a comprehensive Executive Summary.

2 Introduction

Asset management is important to the Council for a number of reasons. First, many of the services delivered by the Council rely on assets to support their delivery. Secondly, assets represent a significant investment by the Community that needs to be protected. Thirdly, asset failure can have both social and economic effects on the community.

In light of the above, Council has been undertaking asset management planning for over decade.

The objective of asset management is “To meet a required level of service in the most cost effective way (through the creation, operation, maintenance, renewal and disposal of assets) to provide for existing and future customers”.

The Asset Management Plan is the tool for combining management, financial, engineering and technical practices to ensure that the level of service required by customers is provided at the lowest long-term cost to the community. The plan is intended to demonstrate that Council is managing the assets responsibly and that customers will be regularly consulted over the price/quality trade-offs resulting from alternative levels of service.

2.1 Objectives of the Plan

The objectives of the Asset Management Plan are:

- To ensure strategic and operational decisions regarding the activity will be based on “best for asset” principles. Levels of

Service will be cascaded down through all levels of operational practices to enhance the network performance and ratepayer satisfaction. The management of the asset will be carried out within budget constraints.

- To provide clear linkages to the Annual Plan, Long Term Plan, and all other key planning processes and documents.
- To comply with the Local Government Act (LGA) 2002 specifically in relation to our activities, services and assets.

The purpose of this plan is to improve the stewardship of assets by Council on behalf of its customers and stakeholders and achieve compliance with statutory obligations.

This plan specifically does that by:

- Demonstrating responsible stewardship of the assets
- Identifying minimum lifecycle (long-term) costs to provide an agreed level of service
- Improving understanding of service level standards and options
- Assisting with an integrated approach to asset management throughout the organisation
- Improving customer satisfaction and organisational image
- Managing the risk of failure to deliver the required level of service
- Supporting long term financial planning of the Council
- Clearly justifying forward works programmes
- Improving decision-making based on costs and benefits of alternatives

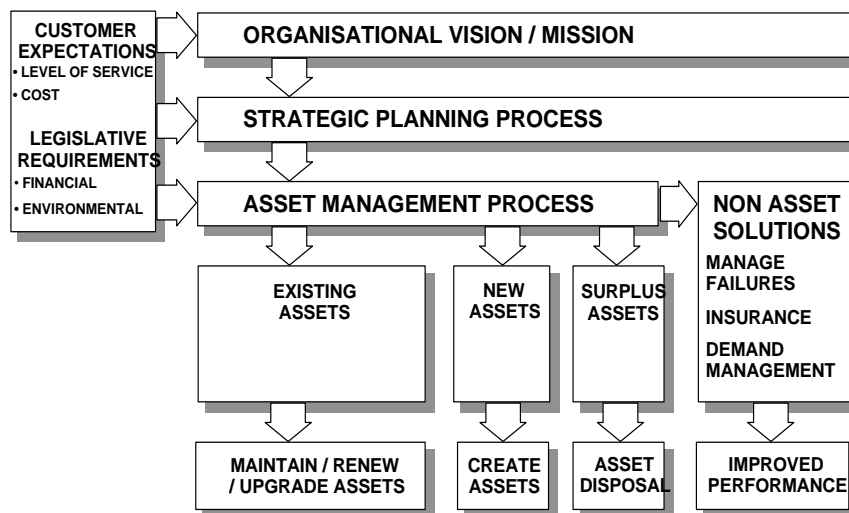
2.2 Scope of the Plan

This asset management plan is intended to set out how Council manages assets in a way that is appropriate for a readership which includes executive management and elected members of the Council, interest groups, stakeholders, and other interested members of general community.

2.3 Relationship with Other Plans

The way in which asset management planning links the Strategic planning process with operations (Annual) plans is illustrated in the figure below.

Asset management plans are tactical plans for achieving strategies resulting from the organisation's strategic planning process. The following diagram shows the asset management process.



Asset management plans are a key component of the Council planning process, linking with the following plans and documents:

- **Long Term Plan:** A plan required by the Local Government Act (2002) and Amendment Act 2010 to cover a period of at least 10 years. This plan contains key information about the Council's activities, assets; level of service and cost of providing services. It sets out the Council's funding and financial policies and also a financial forecast for the years covered by the plan.
- **District Plan:** Incorporates policies and objectives for land use and road infrastructure. It may include designations for future works that should be reflected in the asset management plan.
- **Strategic plans:** Strategic plans set out broad strategic direction for the next 20 years. Asset management plans are prepared to reflect the strategies outlined in that document and confirm tactics to achieve strategic goals

The asset management plan provides the data required to enable future planning for the management of assets e.g. asset ages, conditions, replacement costs etc. This data is used for forward planning in the LTP.

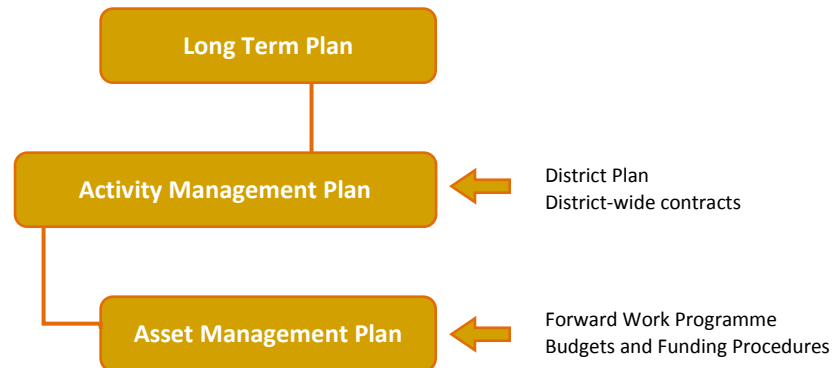
- **Annual plan:** Complements the LTP in the years between updates by reporting on variances. A detailed action plan on Council's projects and finances for each particular year.
- **Funding policies:** These policies state how future expenditure needs will be funded. Key policies are summarised in the LTP.
- **Business/Activity Plans:** The service levels policies, processes and budgets defined in asset management plans are incorporated into business plans as activity budgets, management strategies and performance measures.

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- **Contracts:** The service levels, strategies and information requirements contained in asset management plans are translated into contract specifications and reporting requirements
- **Legislation:** The asset management plan must comply with all relevant legislation and provide the means of meeting legislative requirements
- **Bylaws, standards and policies:** These tools for asset creation and subsequent management are needed to support asset management practices.
- **Other Rangitikei District Council documentation:** There are a number of other documents used on a day-to-day basis for management of the activity. . Such documents are referenced in the asset management plan.



Developing and Update Other Documents



2.4 Key Relationships

This plan recognises the following key stakeholders:

External	<ul style="list-style-type: none"> • Rangitikei District community • Users of services (residents and visitors)
Internal	<ul style="list-style-type: none"> • Councillors • Asset managers and asset management staff • Finance managers • Information technology managers • Policy and planning managers

3 The Activity

This section sets out the services provided by the activity and:

- What the activity provides to the community in terms of services
- Why Council is delivering these services
- Significant negative effects of the activity
- Significant changes planned to the activity (if any)

3.1 Effects of the Activity on Community Wellbeing

Schedule 10 of the Local Government Act 2002 specifies the information required to be included in the long-term plans. This includes describing the rationale for each group of activities and outlining any significant negative effects that any activity within the group of activities may have on the social, economic, environmental, or cultural wellbeing of the local community.

For example, with roading, significant negative effects are; Stock effluent disposal, road deaths, air emissions from road transport and associated health impacts, traffic noise and vibration.

Steps taken to mitigate these significant negative effects are; undertake crash reduction studies, surface treatments to minimise noise, promote alternative transport systems, provision of stock effluent disposal sites.

3.2 Significant Changes for the Activity

The management of the asset needs to recognise the changing environment and economic stability of the district and New Zealand. There is currently a declining population in the Rangitikei District, which subsequently results in a reduced number of people to apply the rates intake to and places additional strain on the remaining ratepayers. It is vital that asset managers look at new and innovative ways to maintain the district assets to a standard that meets the agreed levels of service.

4 Strategic Environment

This section sets out the strategic framework within which the assets are managed, describing;

- The Council Vision
- The asset management policy and strategy consistent with the vision adopted for the management of the assets
- The social, environmental, economic, cultural and technical factors driving growth and changes to the levels of service.

4.1 Council Vision

Council has identified the following strategic priorities for the 2012-22 LTP:

- Ageing (and surplus) infrastructure: Council's community assets and facilities are numerous, old and typically in poor repair. A more determined approach to quitting under-used assets would help fund improved facilities where their provision was highly valued – particularly the case for pools.
- Local health and educational services: The recently announced voluntary liquidation of the Taihape Health Trust and the high proportion of secondary school age students in the southern part of the District are strong pointers to the challenges to maintain a useful level of health and educational services.
- Green waste recycling: The need for such a service has been strongly expressed for some time, and a commitment was given

in the 2009/19 LTCCP to undertake further investigation into various schemes, particularly around recycling glass (now implemented) and composting. Currently green waste is a major component of the tonnage going to landfill. In the recent Communitrak survey, recycling was the second to top priority for greater Council expenditure.

- Earthquake-prone buildings: Council last reviewed this policy in 2011. The February 2011 earthquake in Christchurch has forcefully exposed the risks presented by much of the District's CBD retail frontage, and also the difficulty of balancing preservation against costs of strengthening.
- Attracting (and retaining) sustainable businesses in the District and exploring innovative ways of doing business: Population trends align strongly with the growth or decline of businesses. While Council will not normally be able to directly influence decisions in the private sector about business prospects in the Rangitikei, it is a key player in providing a business-friendly environment and in promoting investment by government agencies to build capacity and innovation in local businesses.
- Applying technology to drive operational efficiencies and improved services to the community: A wide range of applications in use within the local government sector warrant consideration – substituting electronic delivery of Order Papers instead of printed (and posted) copies, providing online accessibility to requests for service (similar to tracking orders on FedEx or Amazon), web-

Strategic Environment

broadcasting of Council meetings, use of social media. However, this has a dependency on access to high-speed broadband throughout the District (meaning implementation of such initiatives may require some investment from Council, as was done in Tararua District).

- Rates affordability: Current economic conditions were at the fore of Elected Members' minds as they shared their views in what range of (mean) rate increase is affordable. The amended Local Government Act will require a stronger focus on this. But equally important is the range of increases (and decreases) experienced by ratepayers in different parts of the District. Perception of value for money is also a significant influence on what ratepayers view as affordable.
- This plan has been prepared with these concepts providing direction.

4.2 Strategic and Corporate Goals

Community Outcomes

The Local Government Act 2002 required local authorities to identify Community Outcomes for their districts. For Rangitikei District these were a picture of the type of District people want to live in over the next 10-15 years. The whole community owned these outcomes. The Community Outcomes developed for Rangitikei District were:

CO1: Good access to health services: achieving access to health services, whether it be the GP or the hospital is key.

CO2: A safe and caring community: through effective partnership with local policing, rescue services, neighbourhood support and local initiatives.

CO3: Life-long educational opportunities: that meets the lifelong needs of all members of the community.

CO4: A buoyant district economy: with effective infrastructure and attractive towns that entice growth.

CO5: A treasured natural environment: with a focus on sustainable use of our land and water-ways.

CO6: Enjoying life in the Rangitikei.

The 2010 amendment to the Local Government Act 2002 removed the requirements for Council to follow a prescribed process for identifying Community Outcomes. The amendment also redefined community outcomes as being- 'the outcomes that a local authority aims to achieve in order to promote the social, economic, environmental, and cultural wellbeing of its District or region, in the present and for the future'. In May 2011 the Council considered how it would respond to the changes brought about by this amendment to the Act. It was confirmed that the Community Outcomes would become the Council's community outcomes for the 2012 LTP.

In addition to Community Outcomes, Rangitikei District Council has developed a community wellbeing policy framework to provide direction for the work that it does over the next ten years. This reflects the Council's vision for the District and shows how the vision will be pursued. The policy framework is based on the four wellbeings (cultural, economic, environmental and social) that are at the core of local government's

purpose. The community wellbeing policy framework is summarised below:

Community Wellbeing

Council will work to improve the wellbeing of its communities. It considers that community wellbeing requires that all four wellbeings (cultural, economic, environmental and social) are addressed in order to ensure a sustainable development approach.

Existing policies, strategies, programmes and activities must demonstrate a contribution to one (or more) of the four wellbeings that contribute to community wellbeing. This contribution can be used, where necessary, to assess the relative contribution of policies, strategies, programmes and activities to community wellbeing in the District.

For each of cultural, economic, environmental and social wellbeing, Council has agreed the following:

- Definition
- Wider determinants and important factors
- The role of Council's activities

Council policies will be developed to ensure that its decision-making around pertinent issues is guided by a consistent and transparent consideration of cultural, economic, environmental and social wellbeing, ensuring a sustainable development approach.



Strategic Environment

Community Wellbeing				
	Cultural wellbeing	Economic wellbeing	Environmental wellbeing	Social wellbeing
Definition	The vitality that communities and individuals enjoy through participation in recreation, creative and cultural activities and the freedom to retain, interpret and express their arts, history, heritage and traditions.	The capacity of the economy to generate the employment and wealth necessary to provide many of the pre-requisites for social and personal wellbeing.	The capacity of the natural environment to support, in a sustainable way, the activities that constitute community life.	Those factors which enable communities to set and achieve goals - such as education, health, strong community networks and associations, financial and personal security, rights, freedom and levels of equity.
Primary contribution to community outcomes	Enjoying life in the Rangitikei	A Buoyant Economy Lifelong Education	A treasured natural environment	Access to health services A safe and caring community
Wider determinants of wellbeing	Cultural participation Expression of cultural values and practices Celebration of diversity Links with cultural resources, including marae Sites of cultural significance Leisure services and facilities	Employment Education level and opportunities for skill development Creation and distribution of wealth Income levels Working conditions Childcare	Quality of air, water and soil (including pollution) Waste disposal Energy Land use Biodiversity Climate Noise	Affordable quality housing Social support, social cohesion Participation in community and public affairs Family connection/whakapapa Racism and discrimination Perception of safety Attitudes to disability Public transport Accidental injuries Public safety Transmission of infectious diseases Access to population-based services (social services, health care, disability support)

The purpose of this policy framework is to provide an overview of the commitments made by the Council and to link with the more detailed Activity Management and Asset Management Plans. They also show what the Council will do to contribute to the Community Outcomes identified by the District and community wellbeing.

4.3 Statutory Requirements

The key legislation relating to the management of assets are listed below:

- **Local Government Act 2002** - defines the purpose of local authorities as enabling local decision-making by and on behalf of the community, and allows local authorities the power of general competence. The act has a strong focus on Councils taking a sustainable development, giving consideration to the social, economic, cultural and environmental wellbeing. impact of decision making on the four well beings.

To help local authorities exercise the power of general competence appropriately and to meet the purpose of enabling local decision-making by or on behalf of local communities, the Act includes significant consultative requirements including:

- Council must, in the course of its decision making process in relation to a matter, give consideration to the views and preferences of persons likely to be affected by or have an interest in the matter and provide appropriate information delivered in ways that will enable communities to participate effectively.
- Council must, not less than once every three years, prepare and adopt a long-term plan (LTP) in accordance with the special consultative procedure.

In the course of developing an LTP, the asset management plan provides information on the costs of the asset based activities including proposed changes to levels of service and provision in the future.

Resource Management Act 1991, which requires Council to:

- sustain the potential of natural and physical resources to meet the reasonable foreseeable needs of future generations,
- develop, monitor and review the District Plan,
- comply with the relevant Regional Plan(s) and National Policy Statements,
- to avoid, remedy or mitigate any adverse effect on the environment,
- take into account the principles of the Treaty of Waitangi in exercising functions and powers under the Act relating to the use, development, and protection of natural and physical resources, and
- safeguard the life-supporting capacity of air, water, soil and ecosystems.

Health & Safety in Employment Act 1992:

- Requires the provision of safe work places for all activities by local authority staff and contractors, and the maintenance of an audit trail to demonstrate compliance. For example, the Transit NZ Guidelines “Code of Practice for Temporary Traffic Management” is a recognised standard for maintenance and construction works on legal road.

Strategic Environment

Rangitikei District Plan

Sets out rules for the use of land within the District, including permitted activities and activities for which resource consent must first be obtained.

Council By-laws

Bylaws are generally made under the Local Government Act, to address perceived nuisances and risks to public safety. For example, the Stock Droving and Grazing Bylaw 2001 reduces damage to the road surface and hazards to other users of roads.

4.4 Asset Management Strategy

The strategic objective is to maintain the asset to a high standard. Major maintenance and construction programmes are also to be completed to improve efficiencies and safety across the district.

Maintenance intervention strategies will be based around creating efficiencies within the operational activities. Improving the timing of maintenance activities will reduce the cost per repair and increase of quantity of repairs, while retaining a high quality.

A collaborative environment will be fostered by a management group comprising the relevant asset manager(s), project manager(s), and contractor's management personnel. Intervention strategies will be developed as the collaborative environment develops. These strategies will be linked to the maintenance intervention strategies.

4.5 Future Demand

4.5.1 Growth

Population

High, medium and low growth population growth scenarios based on Statistics New Zealand projections (February 2010 update of 2006 base) are shown in the table below.

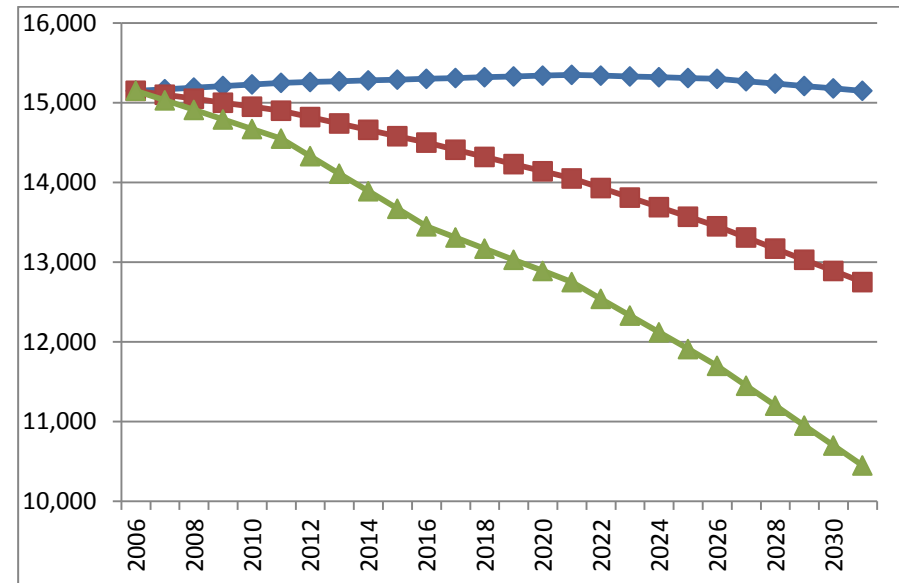
Projection	2011-2016 (5 years)	2016-2021 (5 years)	2021-2026 (5 years)	2026-2031 (5 years)	Change 2011-2031	
					Population Increase	Average Per Annum
High (%)	0.3	0.3	-0.3	-1.0	-0.7	-0.04
Medium (%)	-2.8	-3.2	-4.5	-5.5	-16.9	-0.9
Low (%)	-5.8	-7.8	-9.0	-12.0	-39.2	-2.0

These forecasts do not take into account possible changes as a result of the Defence Forces White Paper on the future strategic direction of Ohakea. Locations within the vicinity of Ohakea are likely to see more growth than that assumed by Statistics New Zealand. For the Rangitikei District the only town close to Ohakea is Bulls. Council has assumed that growth in population in Bulls, as a direct result of the White paper, will be negligible, as families are likely to favour the larger towns of the Manawatu. This assumption will be monitored, particularly if the Council instigates practices targets towards attracting Defence staff to the District.

Strategic Environment

There is potential for higher than forecast population growth in the District post Treaty Settlements. If settlement land and monies is used by local Iwi for business and housing opportunities, this may in turn attract former residents back to the District. The Statistics NZ forecasts are assumed at this time, but will be reviewed post claim settlement

Year	2011 Update Medium Series Statistics NZ forecasts
2006	15,150
2011 estimate	14,900
2016 forecast	14,500
2021	14,050
2026	13,450
2031	12,750



Household:

As the population declines it is expected that households will decline at a slower rate. This is driven by the forecast household occupancy rate over the next 20 years declining from 2.5 to 2.2 people per household. The main reasons are an increasing elderly population and subsequent increases in single person households, steady levels of couple only households without children and a decline in family households. Projected Households per annum for the Rangitikei District are shown in above chart.

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The number of households is determined by two factors; the number of people in each household and the number of unoccupied dwellings (holiday homes and other vacant houses). Household forecasts are driven mainly by the occupancy rate in most areas of the District.

Applying the occupancy rate to population forecasts results in the household forecasts shown in the table below.

Projection	2006	2011	2016	2021	2026	2031	Change 2011-2031	
							Number	Average Annual (%)
High (%)		6,200	6,400	6,500	6,600	6,600	600	0.4
Medium (%)	6,000	6,100	6,100	6,100	5,900	5,700	-300	-0.2
Low (%)		5,900	5,900	5,600	5,300	4,900	-1,100	-0.8

These projections result in a loss of 300 households from 2006 to 2031. The District is projected to decrease to 5,700 households in 2031.

A likely focus of housing development will be retirement villages and other housing types for older people. Increasing fuel prices may focus growth more into towns and rural areas nearer to the major population centres of the region (especially Palmerston North).

Demographic Trends

Demographic change is the change in key characteristics of a population over time. It is generally monitored using age, gender and ethnicity (or cultural heritage). The demographic profile of any area will impact on a

range of other social and economic characteristics. Changing demographic profile is used by policy makers and service providers to plan for future levels and types of services required by a particular population.

The picture that emerges of our District is of a declining and ageing population. The District is bi-cultural, with higher proportions of those of either European or Māori descent. The multi-culturalism that is defining demographic change in New Zealand nationally is not yet evident in Rangitikei.

The loss of population from the District appears to be predominantly from amongst the “European or other” ethnic group and from the 15-39 age group. The median age for “European or other” ethnicities is set to rise to 47.2 years in 2021 (compared with 41.6 years nationally) and for the “Māori “ ethnic group to 27.3 years in 2021 (compared with 24.8 years nationally). This reflects the aging of the population profile: in 1996, 1 in 8 of the population was aged 65+; by 2031 the proportion is expected to rise to 1 in 3.

The population tends to have low income and high levels of residents with no formal qualifications. This trend is exacerbated amongst the Māori population.

The profile and trend within Rangitikei is very similar to the peer group of local authorities of Central Hawke’s Bay, Taranaki, Grey and Clutha. Manawatu with a slightly larger population and closer proximity to Palmerston North more closely mirrors the national profile and trends.

Social trends

The key societal trends likely to impact on the long term provision of the Council's facilities and services are:

- There is increased connectivity through social media.
- There are changing lifestyles among different generations.
- There is a trend in the family structure to single parent families.
- Cheaper housing is being sought
- Increased environmental awareness
- Access to good schooling is a determining factor when moving to rural areas
- Safety of towns and parks is a growing issue for families
- Access to the mountain, lake and river is being sought
- There is a shift of farm owners living in the townships and travelling to their farms to work.

Economic trends

The key economic trends likely to impact on the long-term provision of the activity are:

- Higher prices for oil and other energy sources will impact on affordability of some traditional delivery options
- Long term unemployment is unlikely to decline in the short term as the current slow economic activity will continue into 2012, and perhaps beyond.
- The number of people in the workforce will decline due to the aging population. There will also be an increase though in the number of older people working, particularly part time.

- A growing proportion of residents will be reliant on fixed and investment incomes. Affordability will become an increasingly important issue
- Continued growth in jobs centred on Palmerston North, with job declines in smaller and more remote townships. This has significant impact on the increasing need for public transport linking towns and Palmerston North.
- Accessibility to SH1 and SH3, is good for jobs/businesses, and needs to be capitalised on by the District

4.5.2 Impact of Trends

Refer to Part A of the Asset Management Plan.

4.6 Demand Management Plan

The traditional organisational approach to changes in demand has largely been to upgrade or create new assets, without attempting to question or modify demand. This approach tends to raise community expectations and invariably leads to even further demand. Increasing focus on strategic planning, fiscal responsibility, user pay principles, and service level reviews has created greater awareness of the need to manage demand.

Demand management (sometimes called non-asset solutions) is a key asset management strategy that involves asset managers implementing management techniques to seek to modify demand for the services.

Demand management ensures that:

- The utilisation/performance of existing assets is optimised
- The need for new assets is reduced or deferred

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- The Council's strategic objectives are met (social, environmental, cultural and financial)
- A more sustainable service is provided
- The Council is able to respond to the community's needs

The focus of demand strategies for the Council is to:

- Reduce peak demand- which is a major factor related to the ultimate capacity of an individual Council asset or a network of assets
- Reduce average demand, seeking to modify both the peak and base demand – which is applicable where there are constraints in resources, financial gains to be made or there is an adverse environmental impact to be addressed.

4.6.1 Identifying Demand Management Options

Demand management is an integral part of the decision-making process of Council, with respect to assets. The typical process followed to evaluate demand management options is as follows:

Scope

- Define scope of services to be assessed
- Specify the objectives of the demand analysis
- Identify criteria for selecting demand management strategy

Research

- Identify current demand of services
- Identify current service delivery potential of the asset
- Assess future trends in demand for service

- Identify the corporate strategies (financial, social, cultural and environmental) relevant to the service
- Identify actual customer demands (rather than wants)

Analyse

- Assess the ability of the asset to provide the required levels of service (short- and long-term)
- Explore all demand management options which avoid investing in new assets
- Evaluate options against selection criteria
- Test the acceptability of the proposal with the community/ users, review and modify as appropriate
- Adopt chosen demand management strategy

Action

- Implement demand management programme
- Put in place measures to monitor demand and asset performance
- Assess effectiveness of the demand management strategy
- Undertake an on-going review of the strategy and modify as necessary

4.6.2 Current Asset Management Techniques for the Activity

Refer to Part A of the Asset Management Plan.

4.6.3 Future Options for Demand Management Techniques

Refer to Part A of the Asset Management Plan.

4.7 Taking a Sustainable Development Approach

The most widely quoted definition of sustainability and sustainable development, is that of the Brundtland Commission of the United Nations on 20 March 1987: “sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

At the 2005 World Summit it was noted that this requires the reconciliation of environmental, social and economic demands - the "three pillars" of sustainability. In New Zealand the Local Government Act 2002 also recognizes a fourth pillar, that of cultural wellbeing. The four pillars of sustainability are not mutually exclusive and can be mutually reinforcing.

The impact of particular activities on the four well beings is reported in Part A (Section 3.3).

Asset management provides for the delivery of agreed levels of service in the most cost effective manner for present and future generations. Taking a sustainable approach is therefore an underlying principle of asset management, rather than a factor only considered when significant decisions are made. The development and implementation of this asset management plan demonstrates the commitment made by Council to the sustainable management of assets.

Part B of this asset management plan describes how sustainability is considered at each stage of the asset lifecycle. More general sustainability considerations for the Council are outlined below.

4.7.1 Environmental Management Initiatives

Council has implemented new environmental initiatives in recent years. This has been in response to a number of things:

- Increased public awareness of the environment and the need to preserve and restore it
- International and national responses to climate change and its impacts
- Increases in environmental standards with respect to resource consent conditions
- Withdrawal of products considered to be harmful to the environment

The environmental initiatives for this Council include:

- Recycling paper, plastics and other office products
- Disposing of hazardous goods such as chemicals and asbestos following industry approved practices
- Utilising products which have a lower carbon footprint and/or can be recycled

In addition the Council requires compliance with resource consent conditions to take and/or discharge from/to the environment

Note: Environmental wellbeing will always be only one of the four wellbeings Council considers when taking a sustainable approach to the delivery of levels of service. Although specific initiatives relating to the other three well- beings may not be listed in this plan, consideration of these wellbeings underpins decision making at all stages of the asset lifecycle.

Strategic Environment

4.7.2 Energy Management

Council is cognisant of the advantages in using energy wisely, namely the opportunities that exist to reduce operating costs by conserving energy and to reduce future costs by implementing technology, which reduces the demand for energy, whilst still delivering, agreed levels of service. Basic energy management techniques for the Council are:

- Use of building products and solutions that reduce energy transfer between the external and internal environment
- Use of new technology that delivers the same output and/or levels of service with lower energy use
- Use of sustainable energy sources such as wind and solar
- Reducing the use of vehicles
- Siting buildings to maximise solar energy gain
- Insulating individual assets to reduce heat loss-e.g water heaters, hot water pipes
- Reducing energy use by 'turning off' devices when not in use and covering swimming pools when not in use
- Valve engineering employed in treatment asset upgrades

4.8 Risk Management

4.8.1 Risk Management Framework

The Council faces a range of business risks inherent in the functions of being a local authority. The Council's objective is to integrate risk management practices and procedures that are targeted to (and appropriate for) Council's strategic and operational goals and also appropriate for Council's business functions. So, Council is committed to the identification, evaluation, prioritisation and management of these risks, in order to:

- Reduce, mitigate, transfer or eliminate threats,
- Allow for the most effective use of resources,
- Protect Council's corporate image and reputation as a responsible and ethical organisation, and
- Exploit opportunities.

The risk management process is designed to ensure that:

- All significant operational and organisational risks are understood and identified.
- The highest risks that should be addressed in the short to medium term are identified.
- Risk reduction treatments which best meet business needs are applied.
- Responsibilities for managing risk are allocated to specific staff.

This section looks at the risk management framework set up by the Council for assessing and managing risk. This framework was formally adopted by Council in July 2009 and revised in June 2011.

4.8.2 Risk Management Context

The framework for successfully identifying, analysing, evaluating and managing risk was established based on the joint Australian Standard AS 4360. This standard has since been replaced by the Joint Australian New Zealand International Standard – Risk management – Principles and guidelines (AS/NZS ISO 31000-2009)

The overall process framework for records management is unchanged – i.e.

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- Establish the context (i.e. the external and internal parameters to be taken into account when managing risk);
- Assess the risk – identification, analysis (in terms of consequence and likelihood) and evaluation;
- Treat the risk.

These are in the context of ensuring communication and consultation and undertaking monitoring and review.

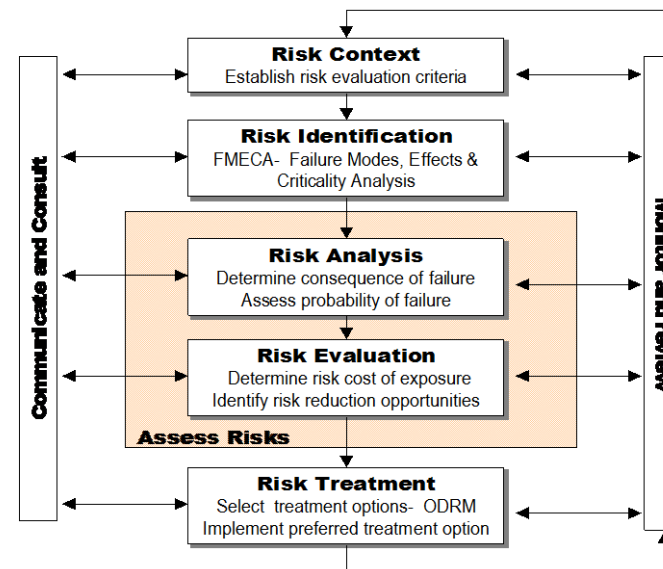
The new standard offers a list of attributes of enhanced risk management to assist organisations measure their own progress. These derive from 11 principles, most of which are general management principles – creates and protects value, an integral part of all organisational processes, part of decision-making, systematic, structured and timely, based on the best available information, transparent and inclusive etc. This is intended to embed risk management as part of an organisation's management. The unique principle is that risk management explicitly addresses uncertainty, the nature of that uncertainty, and how it can be addressed.

While the current risk management matrix sits comfortably alongside the new standard, the next phase of work is to consider ways of ensuring that the matrix is able to inform discussions of both management and Council (in addition to the periodic evaluations of progress and the relevance of the risk management framework). To this end, a working party was established in March 2011 to review the framework, reporting back in June 2011.

4.8.3 Risk Management Process

The major elements of the risk management process are:

- Risk management context: establishes criteria against which risk can be evaluated
- Risk identification: identifies the risks the Council may encounter and helps explain the impact of those risks on the business
- Risk assessment: establishes a risk rating for all assets or asset groups, and describes which assets represent the greatest risk to the business
- Risk treatment: identifies what actions are available to reduce risk at asset or asset group level to an acceptable level, and identifies the most cost effective treatment option
- Monitor and review: the ongoing process to ensure risk levels remain acceptable even if risks change
- Risk Management Context



Strategic Environment

The risk assessment process consists of the following steps:

For each risk event identified, the consequence of failure and the likelihood of failure is assessed – using standard tables.

The key risk criteria adopted for the Council for assessing the consequences of identified risks are:

- Death or injury
- Service
- Environment
- Compliance, corporate governance and information
- Financial performance
- Community and political

The risk cost is evaluated for each risk event identified using the following formula:

$$\text{Risk cost} = \text{probability of event occurring} \times \text{consequence of event}$$

The matrix of likelihood and consequence of failure ratings shown in the table below is used by the Council to assess the level of risk, ranking events as low, moderate, significant or high risk.

Likelihood	Consequences				
	1	2	3	4	5
A	L	L	L	M	S
B	L	L	M	S	H
C	L	M	S	H	H
D	M	M	S	H	H
E	M	S	H	H	H
F	S	H	H	H	H

This allows all asset and corporate risks to be compared and ranked. The risk policy specifies the following broad treatment strategy for the levels of risk:

L	=	Low Risk	Manage by routine procedures
M	=	Moderate Risk	Management responsibility must be specified
S	=	Significant Risk	Risk and management strategy identified in AM Plan
H	=	High Risk	Failure management plans available Risk and management strategy identified in AM Plan Failure management plans specifically addressing event in place

4.8.4 Corporate Risks

The Council evaluates risk at the corporate and at an activity level.

Once the risk cost is known, the organisation can then evaluate the risk reduction opportunities available. Risk treatments are the management practices and processes to eliminate the probability and/or lessen the consequences of the risk event.

Council adopts risk treatments on the basis of cost/benefit, where a reduction in risk exposure is seen as an organisational benefit. In some cases Council may choose to accept the risk, whereas in other cases it will choose to do all it can to reduce the risk cost.

The four general corporate risks identified for the built assets are:

- Inability to provide services to stakeholders following damage to assets
- Adverse impact from failure to assess risks to assets
- Poor asset design/maintenance resulting in potential safety and/or environmental issues
- Poor management of assets

4.8.5 Activity Risk Management

The following steps in the risk management process have been completed to date

Risk management step	Complete Yes/No	Date of completion	Person who completed task	Due date for review
Risk identification	Yes	30 April 2011	Asset Manager	Annually
Assignment of probability and consequence	Yes	30 April 2011	Asset Manager	Annually
Risk mitigation measures in place	Yes	30 April 2011	Asset Manager	Annually
Identification of critical assets	Yes	30 April 2011	Asset Manager	Annually

A **risk register** has been established to communicate, report and monitor the implementation of the risk policy for each activity. Further detail is in Part A.

Risk Treatment Options

Options for mitigating risks considered to reduce the cause, probability or impact of failure are:

- Do nothing – accept the risk

Strategic Environment

- Management strategies – implement enhanced strategies for demand management, contingency planning, quality processes, staff training, data analysis and reporting, reduce the target service standard, etc
- Operational strategies - actions to reduce peak demand or stresses on the asset, operator training, documentation of operational procedures, etc
- Maintenance strategies - modify the maintenance regime to make the asset more reliable or to extend its life
- Asset renewal strategies - rehabilitation or replace assets to maintain service levels
- Development strategies - investment to create a new asset or augment an existing asset
- Asset Disposal/Rationalisation - divestment of assets surplus to needs because a service is determined to be a non-core activity or assets can be reconfigured to meet business needs better

For many risks, there are a number of options available to treat the risk. All available options should be assessed for 'significant' and 'high' risks as follows:

- Identify the available options
- Determine the relative benefits and costs associated with these options
- Carry out a benefits - costs analysis of all options
- Adopting the most cost effective options in terms of the total business needs.

4.8.6 Provision for the Effects of Failure

This plan recognises that the impact of failure in one activity of Council can have impacts on and be influenced by other activities. Accordingly Council plans for Disaster recovery and Business Continuity are completed corporately.

5 Services We Provide

5.1 Introduction

The Rangitikei District Council aims to provide sustainable levels of service to the community in all areas.

The term 'Level of Service' refers to the standard to which a service is delivered to the customer. This may include targets for availability, quality, quantity, responsiveness and customer satisfaction. The Council ensures that levels of service are customer focused, technically meaningful and address the issues that are important to the community.

The key drivers of the levels of service are:

- **Statutory requirements**

The level of service for this activity is the agreed quality of service that the Council has established through community consultation.

The process for the development and monitoring of levels of service can be summarised as follows:

- Identify the customers of the service and other parties with an interest (stakeholders)
- Define the current levels of service the organisation delivers
- Design and carry out consultation to define the desired service level
- Establish service targets and service achieved over a long period
- Measure and report to community on level of service achieved

- Review levels of service with stakeholders at regular intervals to check desirability and affordability of level of service provided.

The Asset Management Plan aims to document each of these steps for the activity, identify any issues such as adequacy of consultation, suitability of standards, or service gaps, and describe plans to address or improve them.

It is common for customers to demand a continual improvement in service, and while the Council will strive to deliver improvements, the level of service is constrained by cost considerations. It is therefore important that when Council consults with the community over levels of service, cost information is provided in order for the price/ quality trade-off to be established. The main mechanism for consultation on levels of service is via the Long Term Plan.

5.2 Customer Profile

The identified customers who use the services provided by this activity include the following:

- **Residents** – These people live in the district.
- **Ratepayers** – This includes people who own properties in the district but may/not reside in the district.
- **Local users** – They are the users of the services provided by this activity on an occasional or regular basis.

Services We Provide

- **Visitors** – These people do not live within the District but visit the district to carry out their businesses or to undertake other activities.
- **Businesses** – Individuals or organisations that carry out their business in the district.
- **Other Stakeholders** – Individuals or organisations that have interest or are affected by the services undertaken by the Council. They include neighbouring Local authorities, Horizon Regional Council, Community Boards and Committees, Local Iwi, Public service providers.

A summary of the general relationships between the identified customers and stakeholders and the Council is presented in Table 5.2.1

5.2.1 What Customers and Stakeholders Want

Our customers have differing expectations of each of the activities covered in this plan. These specific expectations are covered in Part B.

5.2.2 How We Engage with Customers

Identification of Customer Research

The Council undertakes both customer surveys and assessments of the complaints/service request records to obtain information on the delivery of levels of service to customers. This research identifies areas that are performing well, those that require improving or require intervention. Also of significant value to Council is regular meeting minutes with various Community Committees and Boards throughout the District which provide wide ranging information and highlight any particular issue to be addressed. This information compliments the regular management inspections of assets undertaken by Council and their agents.

Council Complaints/Service Request Database

The Council Database has the facility to record information pertaining to a particular item, a facility to request services and provides Council with a monitoring facility for response times to requests from Customers. The tracking of a type of activity can be monitored against contractor performance or whether a significant issue is/or has occurred within the District.

Communitrak™ Surveys

Council has engaged a variety of approaches both to seeking public opinion and to communicating its decisions and programmes to people resident in the area. One of these approaches was to commission the National Research Bureau's Communitrak™ survey in November 1993, November 1994/May 1995, June 1996, June 1997, June 1998, May 1999, September/October 2005, October/November 2007 and (most recently) in August 2010. Not all activities covered in the asset management plan, are included in the Communitrak survey.

Services We Provide

	Monitor Regulator	Facilitator Advocate	Partner or Funder	Provider	Customer
Resident Population					✓
Ratepayers			✓		✓
Local Users					✓
Visitors					✓
Local Businesses/ Industries			✓		✓
Other TLAs			✓		
Regional Council	✓		✓		
Community Boards/ committees		✓	✓		✓
Local Iwi		✓	✓		✓
Public Service providers	✓		✓		✓
NZTA	✓		✓		

Communitrak™ Sample Size

This Communitrak™ survey was conducted with 404 residents of the Rangitikei District.

Sampling and analysis were based on the District's five Wards and the interviews spread as follows:

Ward	No of Interviews
Turakina	40
Bulls	60
Marton	160
Hunternville	41
Taihape	103
Total	404

Interview Type

All interviewing was conducted by telephone, with calls being made between 4.30pm and 8.30pm on weekdays and 9.30am and 8.30pm on weekends.

Sample Selection

The relevant white pages of the telephone directory were used as the sample source. Quota sampling was used to ensure an even balance of male and female respondents, with the sample also stratified according to Ward. Sample sizes for each Ward were predetermined to ensure a sufficient number of respondents within each Ward, so that analysis could be conducted on a Ward-by-Ward basis.

A target of interviewing 100 residents aged 18 to 39 years was also met.

Households were screened to ensure they fell within the District Council's geographical boundaries.

Services We Provide

5.2.3 Key Findings from Surveys

Overall satisfaction results for the 2010 and 2007 Communitrak surveys were noted in the development of the asset management plans.

5.3 Key Levels of Service Drivers

5.3.1 Customer Drivers

The needs, expectations and satisfaction of customers (whether residents or not) are a primary factor in defining levels of service and reviewing performance.

5.3.2 Legislative Requirements

The table below details the statutory requirements and other guidelines that are relevant for setting service standards for the activity.

Services We Provide

Legislation	Impact on Level of Service
Local Government Act 1974 and 2002	<p>Sets statutory requirements in terms of</p> <ul style="list-style-type: none"> • Establishing minimum level of service standards • Frequency of reviewing levels of service standards • Degree of community consultation and level of information provided • Identification of community outcomes and priorities for the district or region • Frequency of the preparation and adoption of the Long Term Plan • Making and reviewing bylaws
Health and Safety in Employment Act 1992	Sets statutory requirements in terms of Health and Safety and minimum best practice
Civil Defence Emergency Management Act 2002	Maintain and review annually an emergency management plan that is accepted as suitable by independent review.
Resource Management Act 1991	<p>Requires Council to</p> <ul style="list-style-type: none"> • Sustain the potential of natural and physical resources to meet the needs of future generations • Comply with the District and Regional Plan • To avoid, remedy or mitigate any adverse effect on the environment • Take into account the principles of the Treaty of Waitangi • Adopt, monitor and review a District Plan
Building Act 1991	<p>No building consents issued inconsistent with the Act.</p> <p>PIM and LIM requests actioned within 10 working days.</p> <p>PIMs/LIMs issued contain all relevant information known to Council.</p>

Services We Provide

5.3.3 Impact of Drivers on Future Levels of Service

Part B of this plan outlines the constraints imposed by the existing assets, which may affect current or future levels of service, and explains why each is relevant.

5.3.4 Assets Constraints to Level of Service

Refer to Part A of the Asset Management Plan.

5.4 Levels of Service

The Local Government Amendment Act 2010 provides that the Secretary of Local Government will introduce standard performance measures that are applicable to Local authorities so that the public may compare the levels of service provided in relation to a group of activities by different local authorities. The measures apply to the mandatory groups of activities as specified in the Act, namely:

- a) Water supply
- b) Sewerage and the treatment and disposal of sewage
- c) Storm water drainage
- d) Flood protection and control works
- e) the provision of roads and footpaths

Section 4 of Schedule 10 of the Amendment Act 2010, specifies the information to be provided in the Long Term Plan as part of the statement of service provision. As well as the performance measures for the mandatory Groups of Activities, the Act also requires that each local authority provides information on:

- The performance measures that the Local Authority considers will enable the public to assess the levels of service for major aspects of groups of activities for which performance measures have not been specified as mandatory measures
- The performance targets or targets set by the Local authority for each performance measure

5.4.1 Key Target Levels of Service

The currently assessed/intended key levels of service for the activity are included in Figure 4.4.1. The levels of service and targets are further detailed in Part B for individual asset activities.

The intended level of service have been assessed and defined by the Asset Manager.

The following are the key conclusions regarding current and target levels of service outlined in the above tables.

- Targeted consultation is required, to provide an adequate level of understanding of the issues underpinning survey results and to verify targets
- Review technical levels of service measures at activity level to ensure they support higher level customer measures, that they add value to the business- that is the monitoring system and reporting is not onerous and the measures provide information that supports better decision making
- Provide definite linkages between levels of service measures in asset management plan and KPIs in contract document

Note: When these measures are introduced, Council will review its current suite of levels of service measures to remove duplication and to

ensure that all major aspects of the activity and aspects of the service that are of interests to the community are reported upon efficiently and effectively.

5.5 Identified Level of Service Gaps

Refer to Part A of the Asset Management Plan.

5.6 Future Changes to Levels of Service

Levels of service will continue to be reviewed, to meet the requirements of the community. Any changes will be consulted on and will be incorporated with innovative solutions and facilitated changes in maintenance regimes.

6 Activity Management Practices

6.1 Introduction

This section of the plan describes how the Council manages the activity on a day-to-day basis. It covers the strategies employed by Council to ensure that levels of service are delivered to the agreed level in a sustainable and cost effective manner.

More detailed information on the management of individual asset types is included in Part B of the plan.

6.2 Organisational Structure and Asset Responsibilities

The Manawatu District Council and Rangitikei District Council are responsible for providing services to their respective communities through the operation and sustainable management of infrastructural activities.

In November 2007 the two Councils signed a Memorandum of Understanding that outlined the framework for a shared services arrangement. The shared services arrangement recognises that there are advantages to both Councils in working together to provide asset and contract management services.

The activities covered by the shared services arrangement are:

- Roads
- Water utilities

- Solid waste

As part of the implementation, the Manawatu District Council established an Assets Group, with responsibility for the provision of services to each Council. In 2011 the Group was retitled the Infrastructure Group. Property, parks and cemeteries remain under the direct management control of the Rangitikei District Council. Asset management practices for these activities are closely aligned to those observed in the shared services arrangement.

The functions provided by the Infrastructure Group are:

- Asset management (all activities)
- Project management (all activities)
- Contract management (all activities)
- Technical expertise and skills (all activities)
- Operation and maintenance of the water and wastewater treatment plants (water and wastewater activities only),
- Operation and maintenance of the water, wastewater and storm water reticulation networks (water, wastewater and storm water activities only).

These functions are undertaken to ensure that:

- Each Council's statutory obligations are met and not compromised, and

Activity Management Practices

- Each Council's commitments with their respective communities are delivered, as outlined in the Long Term Plans, Asset Management Plans and other relevant plans.

The level of service the Manawatu District Council Infrastructure Group will provide to Rangitikei District Council is defined in the document 'Framework for the Service Level Agreement – Management and Physical Resources- July 2008'. This document is the specification document for the implementation of the Shared Services Arrangement.

6.2.1 Infrastructure Group Structure

The Group structure was developed with the shared services objectives in mind.

The team structure recognises that the delivery approach for each activity will be influenced by:

- Differences in the management structures of each organisation
- The nature of the various activities
- The current level of performance with respect to each activity
- The level of skills required to meet community expectations

6.2.2 Asset Management Planning Group

The Asset Management Planning Group is the mechanism through which Council coordinates asset management. The purpose of the Asset Management Planning Group is:

"To provide a forum in which asset management practices are enhanced thereby giving a cohesive approach in the effective delivery of services"

Desired outcomes

- Coordination of asset management plan development
- Focused training to match needs
- Forum for raising and discussing specific challenges

The group has representation from a wide range of Council functions, including Executive Team, finance, corporate planning, asset data system management as well as the asset managers. Wide representation ensures a whole of organisation approach is taken to asset management.

6.2.3 Procurement of External Services

The physical implementation of asset management strategies is largely implemented via the purchase of external goods and services. In recognition of this, the Council adopted a procurement policy in 2010.

The policy sets out a framework for the procurement of goods and services that aligns with the strategic outcomes and objectives of Rangitikei District Council.

The policy recognises that Council has a responsibility to its community to manage its resources effectively and efficiently and to procure goods and services in a transparent and legally compliant manner.

The policy is a Council tool that delivers 'value for money' rather than a prescriptive document which dictates a single procurement process for all goods and services. The policy covers the full range of products and services procured by Council and it is intended that implementation of the policy will provide consistency in maximising value for money, in supporting the local market and in providing fair competition.

Activity Management Practices

6.2.4 Asset Management Information

To help identify the asset management information needs it is helpful to break down business practice into three key asset management inputs:

- **Processes:** The necessary processes and the analysis and evaluation techniques needed for life cycle asset management
- **Data:** Data available for manipulation by information systems to produce the required outputs
- **Information systems:** The information support systems used to store and manipulate the data

Data Management and Information Systems

Asset Data:

This allows the manager to view records by location, commission date, overall condition, design life, critical (remaining) life, or any other parameter. The module also is capable of carrying out cost-based valuation calculations using straight-line depreciation.

Data management processes to ensure data accuracy and completeness are under continual review and are at present reasonably documented, although the opportunity exists to improve the identification linkages between systems.

Most asset attribute is contained in databases to a high degree of accuracy and completeness

Land Identification: Property land ID numbers are currently used with Council's GIS system.

Plans and Records: Most design plans and some as-built plans are kept in hard copy form in the Professional Services Unit plan room. There is a move towards digitising these and linking them to a property land ID number.

Customer Requests: All customer requests are received and logged by Council. The customer service officers then either escalate the call to the contractor (routine matters) or the officer responsible for the activity.

Financial Data: The financial system used is NCS. The system is entirely separate from the network database.

The manager signs off all expenses and all costs (operation, maintenance, capex) are recorded against appropriate cost codes in the financial system.

6.2.5 Organisation/Commercial Strategies

The Shared Services structure ensures that Rangitikei District Council progress asset management practices in a consistent way. The current practices for the assets are as follows:

Contract management

Rangitikei District Council contracts out almost all physical works arising from the delivery of services.

Asset Categorisation/hierarchy

Asset description classifications and standards are well documented for all significant assets and components.

Activity Management Practices

Asset data is stored in various locations around the Council and maintained by various staff depending on ownership and usage of the data. A more centralised and consistent approach to collecting, storing and managing the data would be desirable and more efficient.

Several information management software systems are used by Council to store and manipulate asset management data but they are currently used to a limited extent only. The Geographic Information System (GIS) is in the medium stages of development; it is seen as a central information system provider to Council staff but it has only limited links to asset attribute data.

Condition and Performance Processes

The assessment of asset condition is an essential part of asset management planning. Asset condition assessments are undertaken to determine:

- Where the asset is in its life cycle
- The remaining effective life of an asset
- The rate of deterioration of the asset
- When asset rehabilitation or replacement will be required
- Financial cashflow projections
- The risk of failure
- The frequency of inspection required to manage risk of failure

The data collected is used to support core asset management activities such as, risk management, predictive modelling, planned maintenance and rehabilitation, asset valuation and budget forecasting.

The data collected allows for:

- Planning for the long-term delivery of the required level of service
- Prediction of future expenditure requirements
- Management of risk associated with asset failures
- Refinement of inspection, maintenance and rehabilitation strategies
- Selection of work priorities
- Utilisation of cost effective renovation options by avoiding premature asset failure
- Identification of deferred maintenance.

Formal assessment of the condition of the Roding network is an ongoing process. The results of the assessment are presented in Part B.

Assessment is undertaken using the Condition Rating Standards. The assets are assigned a grade from 0-5. The general meanings of the grades are as follows:

Grade	Condition	General Meaning
0	Non-existent	Asset absent or no longer exists
1	Excellent	Sound physical condition <i>No work required</i>
2	Good	Acceptable physical condition; minimal short term failure risk but potential for deterioration <i>Only minor work required (if any)</i>
3	Average	Significant deterioration evident; failure unlikely in near future but further deterioration likely <i>Work required but asset is still serviceable</i>

Activity Management Practices

Grade	Condition	General Meaning
4	Poor	Failure likely in short term <i>Substantial work required in short term, asset barely serviceable</i>
5	Very Poor	Failed or failure imminent/safety risk <i>Major work or replacement required urgently</i>

Asset Management Plan Assumptions

7 Asset Management Plan Assumptions

7.1 Corporate Assumptions

The Council has made a number of corporate assumptions, which underpin the development of this asset management plan and the Long Term Plan. A full list of these assumptions is included within the Draft 2012 Long Term Plan.

7.2 Activity Assumptions

Refer to Part A of the Asset Management Plan.

Financial Projections

8 Financial Projections

8.1 Introduction

Taking a sustainable, long term approach to asset planning requires the preparation of a long term financial forecast. This enables issues such as deferred maintenance, and intergenerational equity to be addressed by infrastructure planners.

8.2 Financial Statements and Forecasts

Summary financial information is presented in Part A. Detailed financial information pertaining to each activity is contained within Part B

8.3 Funding Strategy

Operating Expenditure

Council funds operating expenditure from the following sources:

- General rates
- Targeted rates
- Fees and charges
- Interest and dividends from investments
- Grants and subsidies towards operating expenses (grants and subsidies towards capital expenditure are applied to the related capital expenditure only)
- Other operating revenue

Council may choose not to fund fully the operating expenditure in any particular year, if the deficit can be funded from operating surpluses in

the immediately preceding or subsequent years. An operating deficit will only be budgeted when beneficial to avoid significant fluctuations in rates, fees or charges.

Council may choose to fund from the above sources more than is necessary to meet the operating expenditure in any particular year. Council will only budget for such an operating surplus if necessary to fund an operating deficit in the immediately preceding or following years, or to repay debt. Council will have regard to forecast future debt levels when ascertaining whether it is prudent to budget for an operating surplus for debt repayment.

Funding of Capital Expenditure

Council funds capital expenditure from borrowing and then spreads the repayment of that borrowing over several years. This enables Council to match best the charges placed on the community against the period of benefits from capital expenditure.

Borrowing is managed within the framework specified in the Liability Management Policy.

Asset managers provide advice on smoothing out variations in cash flow.

8.4 Valuation Forecasts

The date of the last valuation is 30 June 2011. Standard replacement rates were analysed using contract rates and the Producer Price Index available from Statistics NZ (www.statistics.govt.nz).

8.4.1 Basis of Valuation

The basis of the valuation is in accordance with both NZ IAS 16 and NZ IAS 36, whichever is applicable. This valuation has been conducted on a basis and in a manner which provides explicit valuation detail in respect of each class of property, plant and equipment and in total for all classes.

The valuation approach taken is the Depreciated Replacement Cost approach.

8.4.2 Scope of Valuation

Refer to Part A of the Asset Management Plan.

8.4.3 Significant Assumptions

Refer to Part A of the Asset Management Plan.

8.4.4 Valuation Process

Refer to Part A of the Asset Management Plan.

8.4.5 Depreciation Forecasts

The depreciation methodology adopted is the straight line method. This has been applied to all infrastructure assets covered in this plan.

Assets have been depreciated on a straight-line basis (residual values are not depreciated) to determine Optimised Depreciated Replacement Cost (ODRC).

$$ODRC = \text{Optimised Replacement Cost} \times \frac{\text{Remaining Useful Life}}{\text{Total Useful Life}} \times \text{Unit rate Factor}$$

The calculation for annual depreciation used is:

$$\text{Annual Depreciation} = \frac{\text{Optimised Replacement Cost}}{\text{Total Useful Life}}$$

Total useful life is calculated differently depending on whether condition and performance factors are used in the valuation or if it is dependent on age alone. Condition factors are used where the manager is confident that suitable condition data is available to produce a more accurate valuation than by age alone.

$$\text{Total Useful Life} = \text{Age} + \text{Remaining Useful Life (R.U.L)}$$

$$R U L = \begin{cases} f(\text{Baselife, condition, performance}), \text{condition based valuation} \\ \text{Baselife} - \text{Age}, \text{age based valuation} \end{cases}$$

1	100% - 72%
2	72% - 41%
3	41% - 24%
4	24% - 11%
5	11% - 2.5%

Improvements to Asset Management Planning

9 Improvements to Asset Management Planning

9.1 Overview

In 2009 Council commissioned an external consultancy firm to undertake an independent review of asset management practices across all asset based activities. Following this review Council began the process of improving asset management practices and updating asset management plans through the establishment of the Asset Management Plan update project. The project objectives are:

- To address the asset management planning weaknesses highlighted in the MWH report- April 2010
- To undertake a review of the existing Asset Management Plans to ensure that:
- All asset based activities of Council are supported by an asset management plan
- All asset management plans are easy to read, and follow the same agreed format
- Asset management plans reflect the underlying asset management planning processes occurring for each activity, including improvements made as a result of the external review
- Asset management plans adequately describe levels of service, and show linkages to other Council planning documents
- The plans are a robust reflection of the future intentions of Council with respect to asset based activities

- The financials arising from the plans reliably forecast the lowest lifecycle cost to deliver agreed levels of service for a period of no less than 20 year
- To compile the information needed for the development of the 2012-2022 Long Term Plan within agreed organisational timeframes

9.2 Current Asset Management Practice

The assessment of current practice is based on the 2010 external report results, taking into account improvements in practice made since the review.

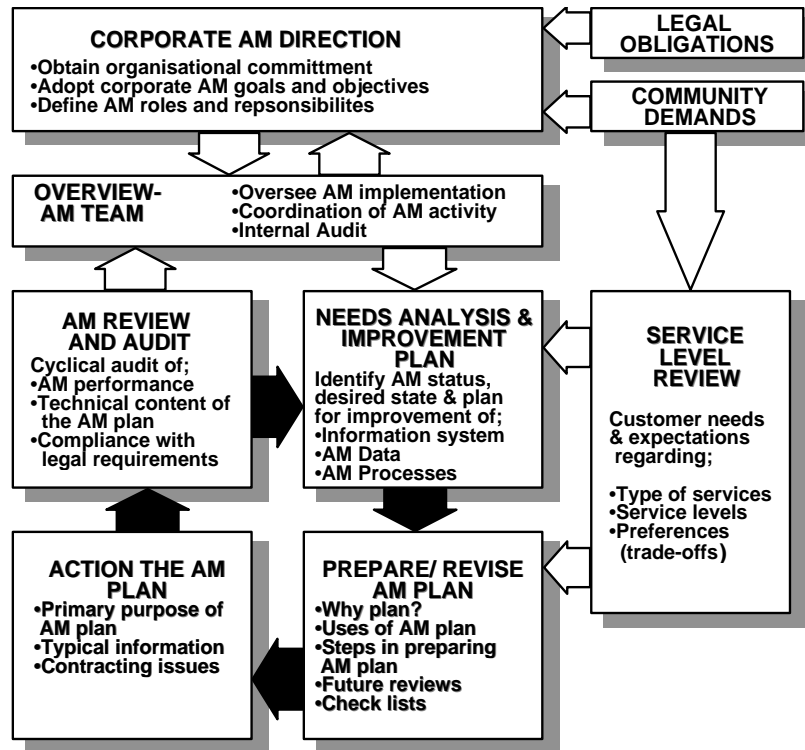
9.3 Asset Management Improvement Process

The development of this plan is based on existing levels of service, the best available current information and the knowledge of Council staff. It is merely a snap shot in time of the underlying planning processes of Council. The asset management plan will be the subject of on-going monitoring, review and updating to improve the quality of asset management planning and accuracy of the financial projections.

This process involves using improved knowledge of customer expectations and enhanced asset management systems and data to optimise decision-making and activities, review outputs, develop strategies, introduce risk management and extend the planning horizon.

Improvements to Asset Management Planning

The figure below illustrates the desired process for developing and reviewing asset management practices and the resulting asset management plan.



The asset management improvement process involves:

- The cycle of asset management plan monitoring, review, revision and audit to improve the effectiveness of asset management plan outputs and compliance with audit criteria, legal requirements and good practice

- The definition of service standards reflecting community desires through public consultation (service level review). The asset management plan is used to identify service standard options and costs, and the delivery of the service standards adopted is a key objective of asset management planning.
- The corporate asset management co-ordination role by the Asset Planning Group, which guides and audits the development of asset management plans within the framework of Council's strategic direction

9.4 Asset Management Improvement Programme

The purpose of the Improvement Plan is to:

- Identify and develop implementation of asset management planning processes
- Identify and prioritise ways to cost-effectively improve the quality of the asset management plan
- Identify indicative time-scales, priorities, and human and financial resources required to achieve asset management planning objectives

In 2008 a number of improvement actions were noted for the activity. These are listed in Table 8.4.1. The current status of these improvement actions is also noted.

The first draft of the improvement programme for this version of the Asset Management Plan was developed using the results of the external review. The following table lists the improvement tasks identified for each of the practice areas reviewed.

Improvements to Asset Management Planning

Improvement	Target Completion	Resources	Current status
Peer review of current AM Plan	February 2009	NAMS Group	Completed
Separation of capital works into growth and LOS components	July 2012	Staff awareness	Completed
Separation of capital renewals and capital works	July 2012	Staff awareness	Completed
Consideration of Risk as a component of option evaluation	Ongoing	External resources	Risk framework now in place – ongoing for option evaluation as they arise
Development of Gap Analysis Tables	July 2011	AMP Planning Team External resources	MWH review completed April 2010

While the gap analysis process is a subjective assessment of current practice, it provides a sound basis for prioritising and monitoring improvements to current asset management practices. This is especially true when viewed in conjunction with the outputs of the risk management process.

A number of further improvement tasks were identified as part of this asset management plan review.

All tasks were then prioritised. Part A details those tasks which will be completed over the next three years. These tasks have focus specifically on those areas where the gap is greatest and also where the risk is considered to be most critical. To facilitate the practical implementation of the improvement programme tasks have been designed to address a number of issues concurrently and be programmed to ensure a logical progression towards the 3 year target.

Resourcing for the improvement tasks, have been included in the financial forecasts.

9.5 Asset Management Plan Review

The asset management plan is a living document, which is relevant and integral to daily asset management activity. To ensure the plan remains useful and relevant the following on-going process of asset management plan monitoring and review activity will be undertaken:

- Formal adoption of the plan by Council
- Review and formally adopt levels of service
- Revise asset management plan annually to incorporate and document changes to works programmes, outcome of service level reviews and new knowledge resulting from the asset management improvement programme
- Quality assurance audits of asset management information to ensure the integrity and cost effectiveness of data collected
- Peer review.