

STAFF REPORT

TO: Mayor and Councillors
FROM: Engineering Manager
DATE: 24 February 2006
SUBJECT: Asset Management Plans

Introduction

The Activity Management Plan: What is it and why is it Produced?

The AMP demonstrates responsible management of the district's assets on behalf of customers and stakeholders and assists with the achievement of strategic goals and statutory compliance. The AMP combines management, financial, engineering and technical practices to ensure that the level of service required by the customers is provided at the lowest long term cost to the community and is delivered in a sustainable manner.

The AMP is based on existing levels of service, currently available information and the existing knowledge/judgement of the Council staff.

A programme of AM improvement is planned for each AMP to improve the quality of decision making (eg predictive modelling, risk management, optimised renewal decision making) and improve the knowledge of Council's assets and customer expectations. These future enhancements will enable Council to optimise life cycle AM activities and provide a greater degree of confidence in financial forecasts.

Council's Engineering department has produced eight separate AMP's for the following significant activities:

- Aerodromes
- Coastal Structures
- Water Supply
- Wastewater
- Stormwater
- Solid Waste
- Rivers
- Transportation

An earlier version of each of these AMPs has been previously adopted by Council, effective at 1 July 2004. These documents are consistent with the Council's adopted LTCCP 2004-2014.

The preparation works for the Draft LTCCP 2006-2016 has included a significant review and re-work of all AMPs by Council staff and consultants.

Attached to this report is a précis or executive summary of each redrafted AMP. Final changes still need to be made to the documentation to reflect the most recent budget changes for the Draft LTCCP. These changes will be made pending Council approval of the working draft AMPs.

Full copies of the eight working draft documents can be viewed at the Engineering department offices, and will be available at the Council meeting.

Approved Draft 2006 AMP's will form part of the background documentation available to the public during the Draft LTCCP submission period. It is intended that full sets of the AMPs will be held at public enquiry desks at Council's main office, Service Centres, and libraries. The Draft AMPs will be checked and revised to be fully consistent with the Draft LTCCP 2006-2016 prior to public release

Customer Research and Expectations

The Council's knowledge of customer expectations and preferences is based on a variety of consultation activities. These are summarised in each AMP and include:

- Customer surveys
- Public meetings
- Feedback from elected members, advisory groups and working parties
- Analysis of customer service requests and complaints
- Consultation via the LTCCP and Annual Plan processes.

This consultation has lead to the identification of seven Draft Community Outcomes. From these Community Outcomes, "Core Values" are identified as shown in Table 1.

Table 1: Core Values Derived from Community Outcomes

Community Outcomes	Core Values
Creative Planning for our future	Forward Planning
	Co-operative/Consultative Approach
Valuing our Natural Heritage	Sustainability
Providing healthy and affordable transport and essential services	Accessibility
	Affordability/Cost Effectiveness
	Customer Service
	Health and Safety
	Quality
	Reliability/Responsiveness

The Core Values are used to determine the levels of service.

Levels of Service, Performance Measures and Relationship to Community Outcomes

A key objective of the AMPs is to match the level of service provided by the asset with agreed expectations of customers and their willingness to pay for that level of service.

The Levels of Service provide the basis for the life cycle management strategies and works programmes identified in AMPs.

Asset management planning requires a clear understanding of customer's needs and preferences. The Levels of Service are intended:

- to inform customers of the proposed type and level of service to be offered (now and in the future),
- as a focus for the operational plans developed to deliver the required level of service,
- to enable customers to assess suitability, affordability and equity of the services offered.

There are many factors that need to be considered when deciding what level of service the Council will aim to provide. These factors include:

1. Council needs to try and understand and meet the needs and expectations of the community.
2. Council must meet its statutory obligations.
3. The services must be operated within Council policy and objectives.
4. The community must be able to fund the level of service provided.

Consultation via the LTCCP and Annual Plan processes. Reporting of Targets and Performance

The levels of service are outlined in each AMP and include:

- **Core Values:** These are considered to be the key things the customer values in the service the Council provides.
- **Strategic Outcomes:** These are the outcomes that result if the core values are met.
- **Levels of Service:** This is the service the Council aims to provide to achieve the strategic outcomes. These are written in the terms of a customer.
- **Performance Measures:** These are the measures the Council has determined to assess whether the levels of service are being met.
- **Level of Performance** The assessed Level of Performance that is being achieved.
- **Comments on Performance and Planned Activities to Address Shortfalls**

Measuring and Reporting Progress Towards Community Outcomes

Future levels of service will be decided upon in consultation with the community. The desired community outcomes from the management of the activity will be instrumental in shaping the levels of service. Council will report on progress towards achieving these desired community outcomes through its Annual Report and ongoing revisions of its LTCCP and the AMPs.

Population Growth – District Wide Projections

The scale of population growth anticipated in the District will have a significant impact on infrastructural assets. More people generally equates to higher service demand.

The Tasman district has undergone a period of rapid growth. Between the 1991 census and 1996 census, there was a usually resident population increase for the entire District from 34,026 to 37,971, or 11.6%. Similarly, between 1996 and 2001 census, usually resident population rose 8.9% to 41,352. The latest projection is that the population will increase from 2001 to 45,574 in 2006 which is a 10.2% increase. This rate of growth has been significantly greater than the national average growth rate for the same period which was less than 4.0%.

This equates to a compounding growth rate between 1996 and 2001 of 1.72% and between 2001 and 2006 of 1.9% per annum.

Significant Forecasting Assumptions and Uncertainties

The most significant assumptions and uncertainties that underlie the approach are described in AMP Appendices and summarised as follows;

- (a) Asset data knowledge: Assumptions have been made on the locations, condition and performance of the assets because the asset data register is not complete in most cases.
- (b) Growth Forecasts: Assumptions have been made on future population growth. These assumptions greatly influence the financial forecasts.
- (c) Timing of Capital Projects: Many factors influence when projects can be implemented, some of these beyond the Council's control. This will impact on the year to year budgets and in the full long term project will have significant effects.
- (d) Funding of Capital Projects: Funding is critical to new projects and assumptions have been made about how this will be achieved, especially in terms of subsidies, major users contributions, development contributions, Council subsidy and community contributions. These have significant contributions to the financial forecasts.
- (e) Accuracy of Capital Project Cost Estimates: All projects in the capital forecasts have been estimated. The accuracy of the estimate depends on the accuracy of data available and knowledge of scope of works required. Many of the estimates are only at concept stage where little survey data is available and little analysis has

been carried out. The accuracy of the estimates therefore vary up to $\pm 50\%$ especially beyond the first 3 years.

Risk Management

A mechanistic risk management approach has not been applied to the assessment and development of each system lifecycle. The renewal and development plans for each asset have been based on the current knowledge of the assets by the Managers and Operating staff involved, together with various assumptions on the perceived future needs of the District.

An appropriate risk management strategy would further refine this process by relating the chances of failure of an asset to the consequences such as health and safety, disruption, environmental damage and cost. Council intends managing risk in accordance with AS/NZS 4360:1999 Risk Management.

Performance Measurement

The table below contains an assessment of performance against the performance measures for each level of service, and is typical of the assessment used in the AMP's.

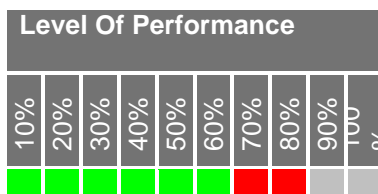
The degree of green shading shows performance achieved.

Red shading shows shortfall in performance compared to target that should be achieved.

The Tan shading indicates where level of performance could not be assessed. This is because the levels of service have just been revised and improved to a format similar to a national standard¹ and data hasn't been collected in the form needed to assess performance. This will be addressed over time. The process has been included in the Improvement Plan in the appendices of each AMP.

Example of Level of Performance:

If the Level of Performance was to be shown as follows, it would indicate the target level of service is 80%. The current level of service being delivered is only 60% so there is a 20% shortfall in performance that has to be made up to achieve the target.



¹ Creating Customer Value from Community Assets, INGENIUM, Edition1, October 2002

Recommendation

That Draft Activity Management Plans March 2006 for Aerodromes, Coastal Structures, Water Supply, Wastewater, Stormwater, Solid Waste, Rivers, and Transportation be approved and adopted by Council as public documents, subject to all plans being updated to be consistent with the Draft LTCCP 2006-2016.

Peter Thomson
Engineering Manager