

**Institute of Public Works Engineering Australia
NATIONAL ASSET MANAGEMENT STRATEGY (NAMS.AU)**

LEGISLATION FOR SUSTAINABLE MANAGEMENT OF COMMUNITY INFRASTRUCTURE IN AUSTRALIA

POLICY

IPWEA NAMS.AU encourages all State and Territory Governments to introduce legislation requiring Local Governments, Regional and State Owned Utility Authorities, and State/Territory Departments with responsibility for infrastructure assets, to develop and maintain long term financial plans based on sound infrastructure asset management plans. These long term financial plans should cover a forward planning horizon of at least ten years and the asset management plans on which they are based should desirably cover a twenty year period.

Such legislation should not be prescriptive as to how these plans are to be prepared but should require entities to demonstrate to their communities and stakeholders, that they are financially sustainable in the long term, through appropriate annual reporting. It is important that long term asset and financial plans are not produced for mere compliance with legislation, but to form an essential part of management of an organisation.

POLICY BACKGROUND

Significant studies at a State level and by the Australian Local Government Association have confirmed a growing problem of financial stress facing local government in particular, but potentially, similarly facing all service providers that are heavily dependant on major infrastructure. Around 30% to 40% of all Councils have been deemed to be “not financially sustainable” in the long term, due to a variety of reasons. These include increasing demand for services, increased asset base leading to expanding renewal liability, a focus on new assets at the expense of renewal of assets, failure to recognise and address ongoing costs associated with asset provision, rising costs, cost shifting and restricted revenue raising capability.

There are instances where Councils have a poor understanding of their long term financial future, due to a lack of strategic planning about how they should best manage the long term funding required to provide and maintain the infrastructure and services expected by their communities.

As Australia continues along a path of economic prosperity with increasing demand for a wide range of infrastructure and services expected in a modern world, the problems highlighted above, are potentially faced at all levels of government.

IPWEA represents stakeholders responsible for the management of much of the infrastructure on which our communities depend, for their everyday needs. This infrastructure is typically long lived but is expensive to build and renew. Unless managed and maintained, appropriately renewed, replaced and enhanced, it fails to deliver the expected levels of service. It is now widely recognised that appropriate strategic asset management is fundamental to meeting community expectations for the delivery of services at optimal cost.

IPWEA, through its NAMS.AU Group, has been pro-active in developing the necessary tools and training to assist asset managers in delivering good asset management practice. These include the world-wide acclaimed International Infrastructure Management Manual and NAMS.PLUS, a recently developed on-line guided pathway for writing asset management plans and long term financial management plans. NAMS.AU is also producing the Australian Infrastructure Financial Management Guidelines which will prove invaluable in setting consistent key performance indicators for annual reporting on a range of critical asset management performance measures. Despite all these excellent tools, and a significant movement within local government towards preparing their asset management plans, implementation of good asset management practice is however hampered by a lack of commitment, often at top management or elected levels, to provide the necessary resources and impetus to achieve a long term strategic asset management focus within entities responsible for services heavily reliant on infrastructure provision.

This has been recognised most recently by the Local Government and Planning Ministers Council (LGPMC) at various Meetings in 2006 and 2007 where agreement has been reached on a nationally consistent approach to asset planning and management, financial planning and reporting and assessing financial sustainability.

In 2007 the LGPMC endorsed the Frameworks for implementation of the above agreement. The National Frameworks consist of three main components as follows:

1. Asset Planning and Management

- Development of an asset management policy
- Strategy and Planning
- Governance and Management Arrangements
- Defining Levels of Service
- Data and Systems
- Skills and Processes
- Evaluation

2. Financial Planning and Reporting

- A long term strategic plan which includes a financial component
- An annual budget format comparable with the audited financial statements
- Annual financial statements and annual report

3. Criteria for Assessing Financial Sustainability.

IPWEA fully supports this position but now seeks to go further in addressing the most desirable mix of legislation and capacity building through training/education, as a means of ensuring the sustainable management of community infrastructure. Appropriate strategic asset management practices need to be embraced by all levels of government in Australia, where responsibility is carried for the provision of infrastructure based services.

It is essential that any introduced legislation not encourage a 'compliance' approach but be carefully framed and introduced to encourage long term financial and asset management plans to be an essential part of managing the business of the organisation. An example is the legislation introduced in South Australia and foreshadowed in New South Wales.

IPWEA has formulated the a Policy position, as set out herein, and is pleased to promote this position, in the interests of seeking a consistent best practice approach to the sustainable management of infrastructure and service provision, by all responsible levels of government, Australia wide.

IPWEA would be prepared to work with those framing such legislation to ensure it achieves the desired outcomes of embedding sustainable management of community infrastructure within local government and State/Territory and National departments.

For further information:

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