

ASSET MANAGEMENT STRATEGY

2015 – 25



CITY OF MELBOURNE



RESOURCES ARE MANAGED WELL

We constantly improve what we deliver and how we deliver it. We are a high-performing, learning and financially sustainable organisation that continues to deliver more value with available resources and in partnership with others to make things better and easier for everyone

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MESSAGE FROM THE LORD MAYOR OF MELBOURNE AND COUNCILLOR STEPHEN MAYNE



The biggest challenge facing our city is growth and how we accommodate that growth. Melbourne has just been named the most liveable city in the world for the fifth consecutive year and we are also the fastest growing city in Australia.

If we want to preserve this liveability, we need to maintain, improve and invest in our assets in a strategic and innovative way.

For example, our community infrastructure plans showed us that we needed libraries in Southbank, Docklands and Carlton.

So we built three new libraries in three years. These new libraries now provide the civic hearts of their communities. Some may assume the concept of libraries is out-dated but active library membership has actually doubled in the City of Melbourne over the past four years.

As we did with the need for local libraries, the City of Melbourne must listen to the needs of a constantly growing and evolving community. This Asset Management Strategy 2015-2025 outlines how we are going to do that over the next decade.

Our assets, including land, streetscapes, buildings and open spaces are worth \$3.5 billion; the value of the City of Melbourne's assets has grown by an average of 5.6 per cent each year over the past decade.

It costs \$360 million per year to run our services including community services, services to regulate, activate and advance the city and internal services.

In formulating our Asset Management Strategy, we have factored in a 43 per cent growth in residential population, 23 per cent increase in daily weekday population, a 48 per cent increase in families with children and a 65 per cent increase in single person households.

We also need to consider environmental factors such as rainfall and extreme weather, particularly heat, and evolutions in digital and internet technology.

This strategy outlines our understanding of the assets we own and manage on behalf of the community. It explains why we need to change the way we manage our assets, what future assets will look like, what we need to do to design, build and manage these assets and how we intend to deliver this strategy.

To prepare for the next 10 years we will implement systems to improve our collection, analysis and communication of data, collaboration with our partners, performance reporting, decision-making processes and communication with the community in relation to asset management.

Collaboration and partnership will be vital between the City of Melbourne, the community and a range of other organisations and strategic partners. We look forward to your support and involvement as we implement this strategy over the coming years.

Robert Doyle
Lord Mayor

Stephen Mayne
Councillor

FOREWORD

Excellence in asset management is a strategic priority for the City of Melbourne. We want to ensure our city remains a leader in Australia and internationally by delivering the right services in a timely, efficient way through the most suitable assets designed for our community.

Melbourne's status as a leader in asset management relies on Council being alert to the changing needs of a growing community and putting in place a strategy to create and obtain the assets that will be fit-for-purpose for the coming decades.

The City of Melbourne, as the custodian of the municipality's public assets and spaces, respectfully acknowledges the Kulin Nation as the traditional owners of the land of the municipality. The site of the city has been an important meeting place for Aboriginal people for millennia and remains a central location for the community, cultural activity and services. The Council honours the Traditional Owners of the land through the management of its assets.

Council's vision is that Melbourne is recognised now and into the future as a bold, inspirational and sustainable city. To achieve this, we must have assets and infrastructure that are recognised as functional, versatile and innovative to support our service delivery.

In order to maintain our standing as a liveable city, we need to be aware of the challenges that could undermine our position and plan for our future. Key challenges we face are population growth, demographic change, climate change, technology change and changes in our community's needs and aspirations. Our operational constraints include economic volatility, impacts on revenue, reliance on external partners, funding and limited space.

To meet these challenges and seize the opportunities that come with them, the City of Melbourne has developed an Asset Management Strategy 2015-25 and a 10 Year Financial Plan. As well as meet current demands, the strategy will help us plan for the future and meet the community's longer term aspirations. The strategy's aim is to transform the way that Council manages assets to enable long-term sustainability. We want Melbourne to grow and prosper over the next decade without diminishing service levels.

This strategy outlines our understanding of the assets we own and manage on behalf of the community. It explains why we need to change the way we manage our assets, what future assets will look like, what we need to do to design, build and manage these assets, and how we intend to deliver this strategy.

Collaboration and partnership will be vital between the City of Melbourne, the wider community and a range of other organisations and strategic partners. We look forward to your support and involvement as we implement this strategy over the coming years.

OVERVIEW

ASSET MANAGEMENT STRATEGY

Designing, building and managing smarter more resilient city assets...together. A companion strategy to City of Melbourne's 10 Year Financial Plan. City of Melbourne's vision is to be bold, inspirational and sustainable.



CITY ASSETS \$3.5B (Inc. \$1.6B in Land)



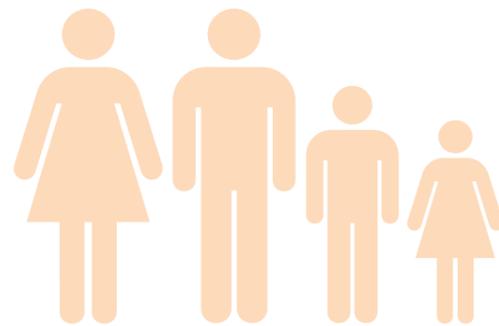
TO DELIVER

We need to re-position the way we do business and adapt our assets to meet our challenges and take up the right opportunities.

CITY SERVICES \$360M p.a.



LOOKING FORWARD



POPULATION GROWTH

- ▲ 43% Resident Population
- ▲ 23% Daily Week Day Population

DEMOGRAPHIC CHANGE

- ▲ 48% Families with Children
- ▲ 65% Lone person Household



CLIMATE CHANGE

- ▼ Rain Fall
- ▲ Sea Level
- ▲ Flood Storm Surges
- ▲ Very Hot Days



TECHNOLOGY CHANGE

- ▼ Disruptive Digital Technology
- ▲ Smart City Big Data



SERVICE DEMAND (NEED/ASPIRATION)

- Liveability
- Sustainability
- Food, Sport and Cultural Precincts
- Economic Hub



RIGHT DATA & PROCESSES

We will:

- Establish data, processes and systems capability to ensure more consistent, complete, accurate and timely data is available
- Establish effective ways of collecting, analysing and managing data from our assets, community and strategic partners.

RIGHT INFORMATION

We will:

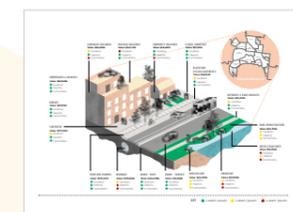
- Establish innovative ways of engaging and collaborating with our community and strategic partners, including an ongoing exchange of information.
- Establish an agreed baseline measure of current design standards and service levels, set targets and report on our asset performance.

RIGHT DECISIONS

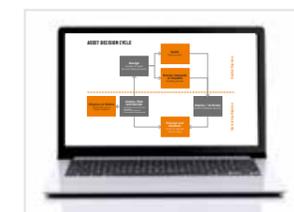
We will:

- Establish an agreed approach to our decision making processes that is more evidence based but still allows agility.
- Find resourceful asset solutions and establish new ways of informing the community of our decision, plans and performance.

WE WILL:



Have a real time digital display of asset performance data.



Have innovative data collection, management and sharing platforms.



Publish a 4 year renewal plan and annual state of asset report that aligns with Council Plan and 10 - Year financial plan.



Publish our key asset/project decisions and the reasons for these decisions.

OVERVIEW

STATE OF OUR ASSETS 2014

KEY

Condition:

The actual physical and technical state of the asset.

Capacity:

The ability of the physical infrastructure to meet demand.

Function:

The ability of the physical infrastructure to meet service program delivery needs.

● 100%–95% (or up to 5% that may require Capital Intervention)

● 94%–90% (or up to 10% that may require Capital Intervention)

● <90% (or greater than 10% that may require Capital Intervention)

CORPORATE BUILDINGS

Value: \$94,092k
GHG Emissions: 7,810

- Condition: 92%
- Capacity: 98%
- Functionality: 70%

HERITAGE BUILDINGS

Value: \$142,110k
GHG Emissions: 4,086

- Condition: 89%
- Capacity: 100%
- Functionality: 85%

COMMUNITY BUILDINGS

Value: \$49,687k
GHG Emissions: 7,231

- Condition: 95%
- Capacity: 95%
- Functionality: 85%

STREET FURNITURE

Value: \$37,051k
GHG Emissions: 18,637

- Condition: 95%
- Capacity: 95%
- Functionality: 100%

BLUESTONE PITCHER PAVEMENTS

Value: \$28,150k
GHG Emissions: 0

- Condition: 94%
- Capacity: 100%
- Functionality: 95%

PROMENADES & WHARVES

Value: \$60,506k
GHG Emissions: 0

- Condition: 100%
- Capacity: 100%
- Functionality: 100%

BRIDGES

Value: \$93,100k
GHG Emissions: 0

- Condition: 100%
- Capacity: 95%
- Functionality: 100%

FOOTPATHS

Value: \$177,247k
GHG Emissions: 0

- Condition: 94%
- Capacity: 99%
- Functionality: 99%

KERB AND CHANNEL

Value: \$176,247k
GHG Emissions: 0

- Condition: 95%
- Capacity: 100%
- Functionality: 100%

DRAINAGE

Value: \$108,395k
GHG Emissions: 59

- Condition: 93%
- Capacity: 70%
- Functionality: 70%

ROADS – BASE

Value: \$424,796k
GHG Emissions: 0

- Condition: 100%
- Capacity: 100%
- Functionality: 100%

ROADS – SURFACE

Value: \$42,288k
GHG Emissions: 0

- Condition: 98%
- Capacity: 100%
- Functionality: 100%

HORTICULTURE

Value: \$42,400k
GHG Emissions: 0

- Condition: 90%
- Capacity: 90%
- Functionality: 90%

IRRIGATION

Value: \$27,000k
GHG Emissions: 36

- Condition: 92%
- Capacity: 85%
- Functionality: 80%



PATHWAYS & HARD SURFACES

Value: \$53,400k
GHG Emissions: 0

- Condition: 93%
- Capacity: 95%
- Functionality: 98%

PARK INFRASTRUCTURE

Value: \$25,700k
GHG Emissions: 990

- Condition: 90%
- Capacity: 90%
- Functionality: 90%

WATER STRUCTURES

Value: \$19,300k
GHG Emissions: 0

- Condition: 84%
- Capacity: 90%
- Functionality: 85%

THE CITY OF MELBOURNE'S ASSET STORY

How our assets deliver services

Under the Local Government Act 1989 (Vic), the City of Melbourne's primary objective is to achieve the best outcomes for the local community while having regard to the long-term and cumulative effects of its decisions. We do this through the strategic delivery of a wide range of services to the community. In almost every case, these services rely on physical assets for their delivery.

We are the responsible authority for a large portfolio of assets. Designing, building and managing these assets is one of the City of Melbourne's six major service types.

Assets also play a critical role in most of the five remaining service types, including:

- community services
- services to regulate the city
- services to activate the city
- services to advance Melbourne
- internal services that support and provide governance for other services.



COMMUNITY SERVICES	ACTIVATE THE CITY	ADVANCE MELBOURNE	DESIGN, BUILD AND MANAGE ASSETS	REGULATE THE CITY
Care for older people, vulnerable people and people with disabilities	Events	Urban planning and design	New streetscapes	Building regulation
Waste collection	Arts and culture programs	Sustainability initiatives	New open spaces	Car space management
Childcare, maternal child health, family and youth services	Tourist services	City research	New buildings	Planning regulation
Library services and community centres	City marketing	Business support and development	Renewal and maintenance of existing streetscapes	Food and public health regulation
Recreation services and facilities		International relationships	Renewal and maintenance of existing open spaces	Event regulation
City safety			Renewal and maintenance of existing buildings	Local law regulation
Community support groups			Streetscape and public place cleaning	

Figure 1.1: Activities that form part of the City of Melbourne's major service groupings:

Key facts about the City of Melbourne:

- During 2013-14 our operating costs were \$364 million.
- Over the last 10 years our operating costs have grown, on average, at a rate of approximately five per cent per annum.
- Over the last 10 years our annual depreciation costs have been approximately \$44 million on average.

Strategic delivery of our services, and the assets required for them, is supported by a number of strategies and plans. This includes the Council Plan, which guides the work of the organisation during its four-year term.

Our strategies and plans help us build on the things our city does well while responding to future challenges we know are on the horizon. These documents explain how a service and/or its associated asset(s) will be improved or refocused to meet changing community needs and values.

The City of Melbourne's strategies and plans are developed in consultation with the community and seek to achieve Future Melbourne's community vision of a bold, inspirational and sustainable city.

In 2014-15, the City of Melbourne developed a 10 Year Financial Plan to guide long-term financial decision-making. This plan is informed by a People's Panel which provided input on spending and revenue priorities for the next decade. When describing Melbourne, the People's Panel clearly articulated their aspirations for the city which included service and asset requirements.

How our assets realise value

Throughout the municipality, we have thousands of physical objects and many kilometres of assets. In financial terms these assets are often referred to as fixed assets because unlike liquid assets, such as cash, their potential value is locked and realised over time. In the case of some assets, such as roads, bridges and buildings, this can be 50-100 years or more. The key focus of asset management is to realise value from the significant investment we make in these assets.

Key facts about the City of Melbourne's assets:

- At the end of 2014 our asset portfolio value was in excess of \$1.6 billion. If we include base land and capital works still in progress this value jumps to over \$3.6 billion.
- Over the last 10 years, the value of our asset portfolio has grown, on average, at a rate of approximately 5.9 per cent per annum.
- Over the last 10 years the City of Melbourne's annual capital budget has averaged approximately \$81 million. This has included the maintenance, renewal and upgrading of assets, as well as the purchase or construction of new ones.

To understand the complexity and range of our assets, we have grouped our assets into three families:



Streetscapes

Streetscapes: These assets are the things you can see and use on our streets, including bluestone or bitumen footpaths, roads, public seating, waste bins or underground stormwater drains.



Open Spaces

Open spaces: These assets are the things you see or use during a lunch break or when you are on your way to a city event. They may include a flower bed, a tree, a sports field or an irrigation system for parks and gardens.



Buildings

Buildings: These assets are the things you see or use at our many community facilities such as an indoor swimming pool, public seating, childcare centres and books within our libraries.

The City of Melbourne engages a range of technical experts and strategic partners to ensure we plan and deliver effective asset solutions. We tender for the construction of almost all of our capital projects and we have major service contracts in place for the maintenance of each of the three asset families.

With such a significant investment and so many service touch points for our community, the City of Melbourne understands the importance of being able to monitor the effectiveness and performance of all assets in meeting expected and required service levels.

We monitor our assets in terms of:

- **Condition:** the actual physical and technical state of the asset.
- **Functionality:** the ability of the physical infrastructure to meet service needs including social, environmental and economic performance.
- **Capacity:** the ability of the physical infrastructure to meet demand.

Source: Australian Local Government Association 'National State of the Assets Report'

VALUE OF ASSETS OVER TIME (Appreciation/Depreciation)



LOOKING FORWARD

STATE OF OUR ASSETS 2014

Asset Categories	VALUE (\$'000) Annual Report 2013-14	GHG EMISSIONS (tCO2-e) 2013-14 GHG Emissions Inventory	CONDITION		FUNCTIONALITY		CAPACITY	
			% of Assets Above the Capital Intervention Threshold	Confidence in Data	% of Assets Above the Capital Intervention Threshold	Confidence in Data	% of Assets Above the Capital Intervention Threshold	Confidence in Data
Streetscapes \$1,148,431								
Roads - Wearing Course	\$42,288	0	98%	High	100%	Low	100%	Low
Roads - Base (Substructure)	\$424,796	0	100%	High	100%	Low	100%	Low
Bluestone Pitcher laneway Pavements	\$28,150	0	94%	High	95%	Low	100%	Low
Kerb and Channel	\$176,896	0	99%	High	100%	Low	100%	Low
Footpaths	\$177,246	0	94%	High	99%	Low	99%	Low
Drainage	\$108,395	59	93%	Low	70%	Low	70%	Low
Bridges	\$93,100	0	100%	High	100%	Low	95%	Low
Street Furniture	\$37,050	18,637	95%	Medium	100%	Low	95%	Low
Promenades and Wharves	\$60,506	0	100%	High	100%	Low	95%	Low
Open Spaces \$167,800								
Irrigation	\$27,000	36	92%	Medium	80%	Low	85%	Low
Horticulture (including Sportsfields)	\$42,400	0	90%	High	90%	Low	90%	Low
Pathways and Hard Surfaces	\$53,400	0	93%	High	98%	Low	95%	Low
Infrastructure (including playgrounds, structures)	\$25,700	990	90%	High	90%	Low	90%	Low
Water Structure	\$19,300	0	84%	Medium	85%	Low	90%	Low
Buildings \$285,889								
Corporate (Buildings on freehold)	\$94,092	7,810	92%	High	70%	Low	98%	Medium
Community (Buildings on other)	\$49,687	7,231	95%	High	85%	Low	95%	Medium
Heritage	\$142,110	4,086	89%	High	85%	Low	100%	Medium

Condition The actual physical and technical state of the asset.

Function The ability of the physical infrastructure to meet service program delivery needs.

Capacity The ability of the physical infrastructure to meet demand.

Traffic Light Key:

- 100% - 95% (or up to 5% that may require Capital Intervention)
- 94% - 90% (or up to 10% that may require Capital Intervention)
- <90% (or greater than 10% that may require Capital Intervention)

% of Assets above the Capital Intervention Threshold

Percentage of assets in this asset class of a CoM standard Grading score of equal to or greater than 3 and thus not requiring capital intervention.

Confidence in Data

High = Council has supporting data or information to support the assessment

Medium = Council has some supporting data or information and the assessment is largely based on professional judgement.

Low = Council has little or no supporting data or information and the assessment is based on professional judgement only.

GHG Emissions

All emissions data includes Scope 1&2 only and is taken from the City of Melbourne's 2013-14 Green House Gas Emissions Inventory.

The City of Melbourne has identified five key challenges that have the potential to significantly impact our ability to deliver services via our assets over the next decade. Opportunities will also arise from these changes and it will be important to be agile and leverage these to our advantage.

Six new growth areas have been identified across metropolitan Melbourne and plans are in place to accommodate forecast population and jobs growth as well as the necessary infrastructure to deliver community services within these new hubs.

Growth

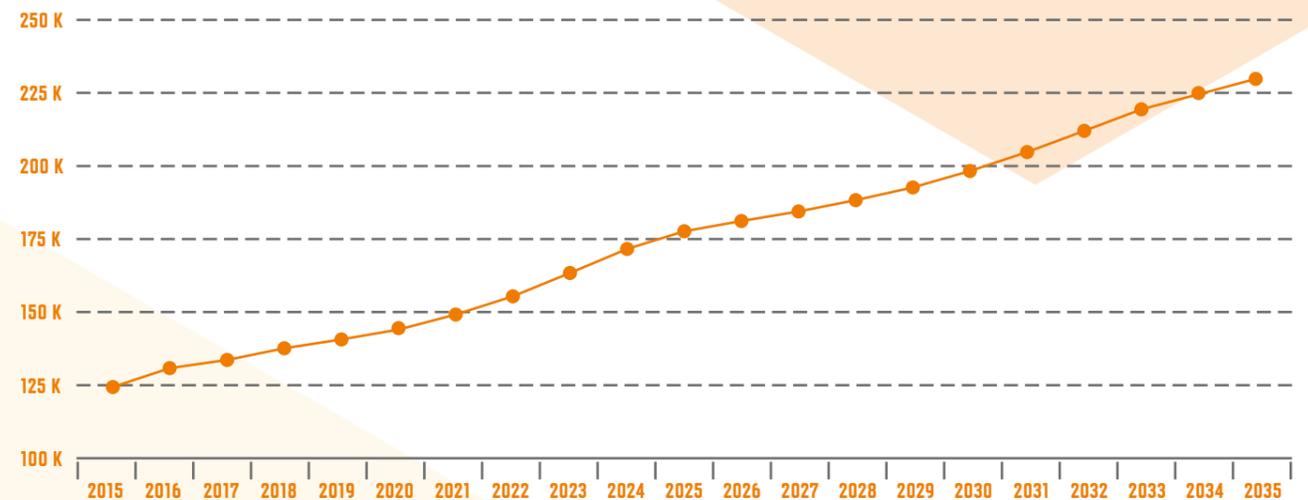
Melbourne is the fastest growing municipality in Australia with unprecedented population growth expected over the next decade and beyond. Since 2001 the municipality's residential population has doubled to over 116,000 people. This is expected to grow to almost 200,000 by 2031. Daily users of the city are expected to increase by 23 per cent by 2024.

The flow on effect of this growth for the City of Melbourne is significant. This increase in demand for services and infrastructure comes at a time when capacity within the municipality is limited. The cost of inner city land and development continue to rise, with the availability of unused public land scarce and acquisition opportunities limited.

The City of Melbourne's existing asset base will also be challenged as the sheer volume of daily users steadily increases and renewal funds potentially redirected to greater Melbourne's growth areas.

FUTURE POPULATION

By 2035, the population of the City of Melbourne is expected to reach 229,503. This is 85% higher than the population in 2015.



Demographic changes



In addition to increases in the numbers of residents and city users, the demographic profile of Melbourne will also change over the next 15 years and with it the service and asset needs of our community.

The greatest change comes from the number of families with children moving into the municipality. By 2031 this number is expected to have increased by 70 per cent to 23,820.

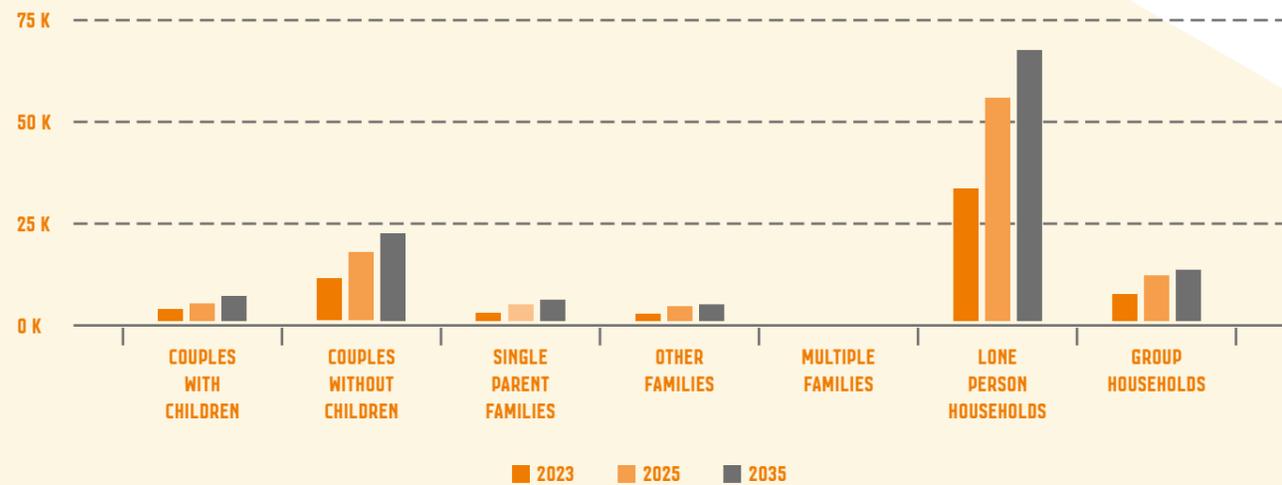
Another leap will be in the number of one-person households in the city, rising from 18,765 in 2011 to 43,607 by 2031.

Clearly these two residential groups have very different service needs and lifestyle expectations, whether it be access to playgrounds and childcare facilities or demand for late-night

entertainment and affordable student housing. The City of Melbourne actively gathers and uses widespread demographic data in its planning for the future. By overlaying this with specific asset data and engaging with the community more innovatively, we will be better able to respond to this profile change when planning, creating and renewing our assets.

HOUSEHOLD STRUCTURE

The forecast household structure in City of Melbourne is detailed in the graph below.



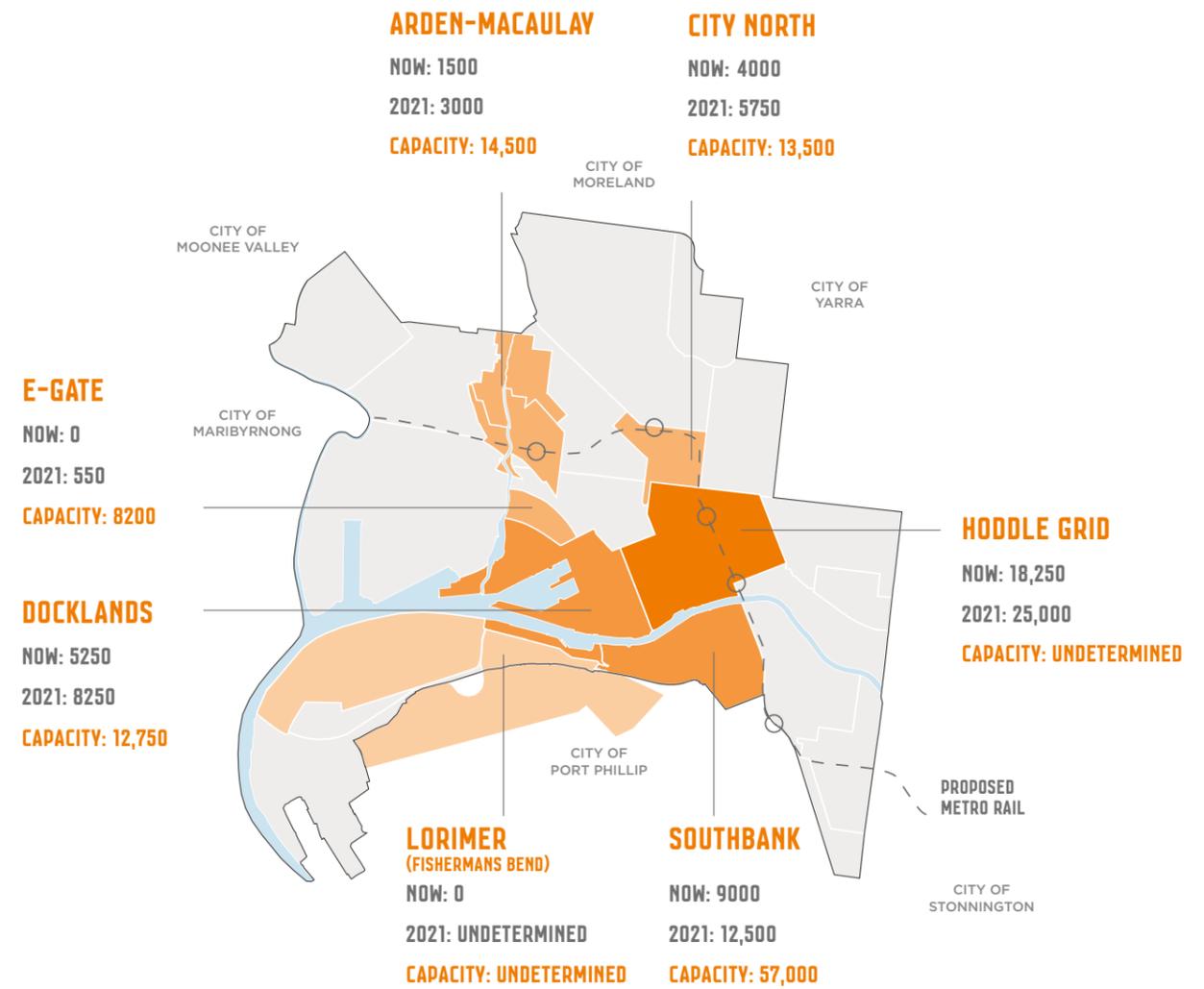
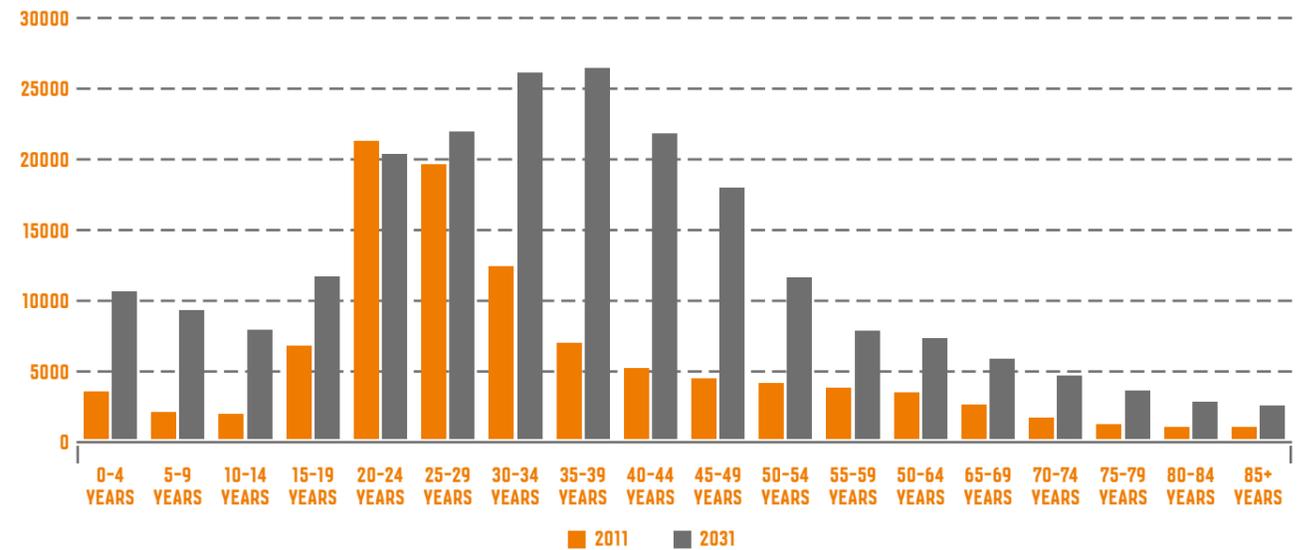
HOUSEHOLD SIZE

The household size is the average number of residents living in an occupied dwelling in City of Melbourne. The current household size is 1.95, and is expected to decrease to 1.85 in the long term.



HOUSEHOLD DEMOGRAPHICS

The forecast household demographics in City of Melbourne is detailed in the graph below.



Climate change



Melbourne's climate is changing dramatically. We are already

experiencing the effects of climate change and by 2025 we can expect more very hot days, more frequent and longer droughts, higher sea levels and more flood storm surges.

Most of our current infrastructure was designed, built and maintained on the premise that a future climate would be similar to the past. This is no longer the case. The potential risks of climate change to the City of Melbourne's infrastructure are significant.

There is a growing understanding of the potential impact of climate change on our assets and how some assets, such as our drain and horticultural assets, are likely to be more vulnerable than others. For example, an increased frequency in extreme rainfall events would affect the capacity and maintenance of the stormwater drains; sea level rise could affect residential property and offices; and buildings and infrastructure such as bridges would be affected by increased rain, wind and lightning.

In 2009 the City of Melbourne released a Climate Adaptation Strategy, which plays a major role in how we plan, design, develop and maintain our assets.

This strategy has informed investment in climate-resilient assets such as the upgrade of drainage infrastructure and underground stormwater collection tanks in Fitzroy Gardens and Birrarung Marr and the adaptation of other infrastructure to mitigate potential future climatic damage.

Adaptation has also enabled us to take advantage of opportunities presented by new technologies. Recent examples include cool roofs, permeable paving and 'smart water tanks' that receive information about upcoming rain events and empty themselves prior to the rain falling, thereby reducing the impact of localised flooding.

In 2003 the City of Melbourne released a Zero Net Emissions Strategy and subsequent iterations have reinforced the critical importance in profiling greenhouse gas emissions. Identifying and reporting the emissions profile of our assets, as part of the overall asset performance data will provide valuable guidance in selecting the right adaptation strategies.

Agile decision-making, based on sound evidence, is important in a rapidly changing environment with constant advances in technology. We must leverage opportunities to ensure the most efficient, climate-adapted assets are in place to meet the city's future service needs.

Technology



Technological advance is rapid, with digital technologies shaping and reshaping the way the city operates.

These changes are affecting the way we think about and deliver services and, by extension, our assets. They are also fundamentally changing the way the community engages with government.

These changes pose a significant challenge to the City of Melbourne in terms of keeping pace with new technology but also represent a phenomenal opportunity for our strategic asset management systems.

Data is increasingly the link between the built form, the community and the City of Melbourne. Data analysis also informs many of our asset decisions such as strategic planning and long-term capital works programs.

The rise of new internet technologies – such as cloud-based services, the Internet of Things, real-world user interfaces, smart phones and smart meters, networks of sensors and Radio Frequency Identification Devices (RFIDs) – all open new ways of exchanging information, collaborating and collectively solving problems.

For example, sensor data-management platforms are online database services that allow sensor owners to feed their sensor data into a storage system so that developers can draw on that data to build their own applications.

Advanced data systems, processes and analysis capability will enable the City of Melbourne to better understand the current performance of its assets and model what will be required in the future. This data will also allow the community to participate more fully in asset prioritisation and decision-making.

Services needs and aspirations



A key focus of asset management is to realise value from the large investment we make in our assets. For this reason

it is critical to understand what our customers and the community need and value, and how this changes over time.

We use a range of techniques to ascertain the needs and aspirations of our community. One way we determine need in community service planning is through the concept of a 20-minute walking city. Can a member of our community access the services they require and expect within 800 metres or a 20 minute walk? This provides a geographical baseline for need and helps future service and asset planning.

The City of Melbourne also undertakes comprehensive research and community engagement programs to determine service needs. In 2008 we led the Future Melbourne project that provided an opportunity for the community to articulate their hopes and plans for the city via an online 'wiki'. One of the key visions of the Future Melbourne Community Plan was the desire to retain the city's liveability. The plan identified six key goals including making Melbourne a city for people, a prosperous city, an eco-city, a knowledge city, a creative city and a connected city. Our assets contribute to these goals by being sustainable, robust, accessible, affordable, welcoming and safe.

What a community values can change over time. For example, 100 years ago the largest and grandest buildings in any town or city would have been the town hall, railway station and post office, reflecting civic pride and reputation. This is unlikely to be the case for most large cities today. Changes in values can in turn affect assets that have long useful lives. For example, the lifespan of a road or bridge could be 100 years or more, and a building could be 40 years or more.

The challenge is to be able to anticipate future changes in community values while meeting community service and asset needs. Building flexibility into asset design to allow for adaptation and re-purposing is one way to meet future requirements.

Meeting future community needs and aspirations for infrastructure will undoubtedly require a whole-of-government response. It will also involve greater coordination, cooperation and partnership between all levels of government, other agencies and developers to facilitate unmet need and alleviate pressure on existing services and infrastructure. It will also be important to balance the community's needs and aspirations in the context of a rapidly changing city.

The City of Melbourne's 10 Year Financial Plan is intended to open a discussion with the community about what priorities to set, what opportunities to take or not, and what trade-offs will be necessary given our constrained resources.

OUR OPERATING ENVIRONMENT

When resourcing its assets, the City of Melbourne not only considers the annual operating costs to maintain and operate these assets but the upfront capital costs associated with procuring new assets or renewing, upgrading or expanding existing assets.

Costs associated with Council works in 2014-15 totalled \$99.4 million, which included both major capital costs and major maintenance costs. Seventy-five per cent of these costs were funded by the City of Melbourne, with the remaining 25 per cent funded from external sources and proceeds from the sale of minor assets. Council's contribution was provided without reducing our cash reserves, major asset sales or borrowings.

Our 10 Year Financial Plan anticipates only moderate revenue growth over this period. For this reason targets have been set on our capital renewal funding at a rate of 4.6 per cent growth per annum over the next 10 years. This includes a base factor for CPI increase of 2.6 per cent and a nominal factor for normal growth in the asset portfolio of 2 per cent



The City of Melbourne will continue its disciplined approach to budgeting while maintaining tight fiscal control over expenditure growth.

Partnering with other levels of government business and community will be critical to identify innovative ways to resource the city's infrastructure needs over the next decade.

HOW WE WILL RESPOND

Policy statement: The City of Melbourne will create, maintain, manage and adapt all assets to deliver Council's services, responding to the challenges and opportunities of change while ensuring our resilience and realising our vision to be a "bold, inspirational and sustainable city".

Our commitment is to work with our community and strategic partners to put in place a range of interventions that will re-position the way we do business, take up the right opportunities and adapt our assets to meet expected challenges. We will continue to advance Melbourne without diminishing our net level of service.

In light of the trends and challenges facing the city over the next 10 years and considering our operating environment as outlined in the 10 Year Financial Plan, the City of Melbourne needs to make a number of strategic improvements to the way we manage our assets.

The City of Melbourne is committed to achieving these improvements without diminishing our net level of service and in line with key international standards, such as the International Asset Management Standard (ISO 55000) and the International Infrastructure Management Manual.

Our commitment to 'advancing Melbourne without diminishing our net level of service' means that, once we have agreed our desired level of service with the community, some of our new or high condition assets will be allowed to naturally decline to this agreed service level while others will be upgraded to the agreed standard.

We are also committed to being an accessible, transparent and responsive organisation, and for this reason we will increase community access to the information, advice and consultation we use when making asset-based decisions.

At the centre of these strategic improvements will be a need for the City of Melbourne to lift its asset management capability in the areas of:

- Decision-Making
- Information
- Data and Processes.

Decision-making capabilities will be critical in making the right asset decisions, at the right time. To make these decisions, the right information needs to be presented to our decision-makers. To assemble the right information we need access to the right data in a timely manner, supported by the right processes and systems.



Right Decisions

Right Decisions

We will:

1. Establish an agreed approach to decision-making that is more evidence-based yet still allows for agility.

We will:

2. Find more resourceful asset solutions and establish new ways of informing the community of our decisions, plans and performance.

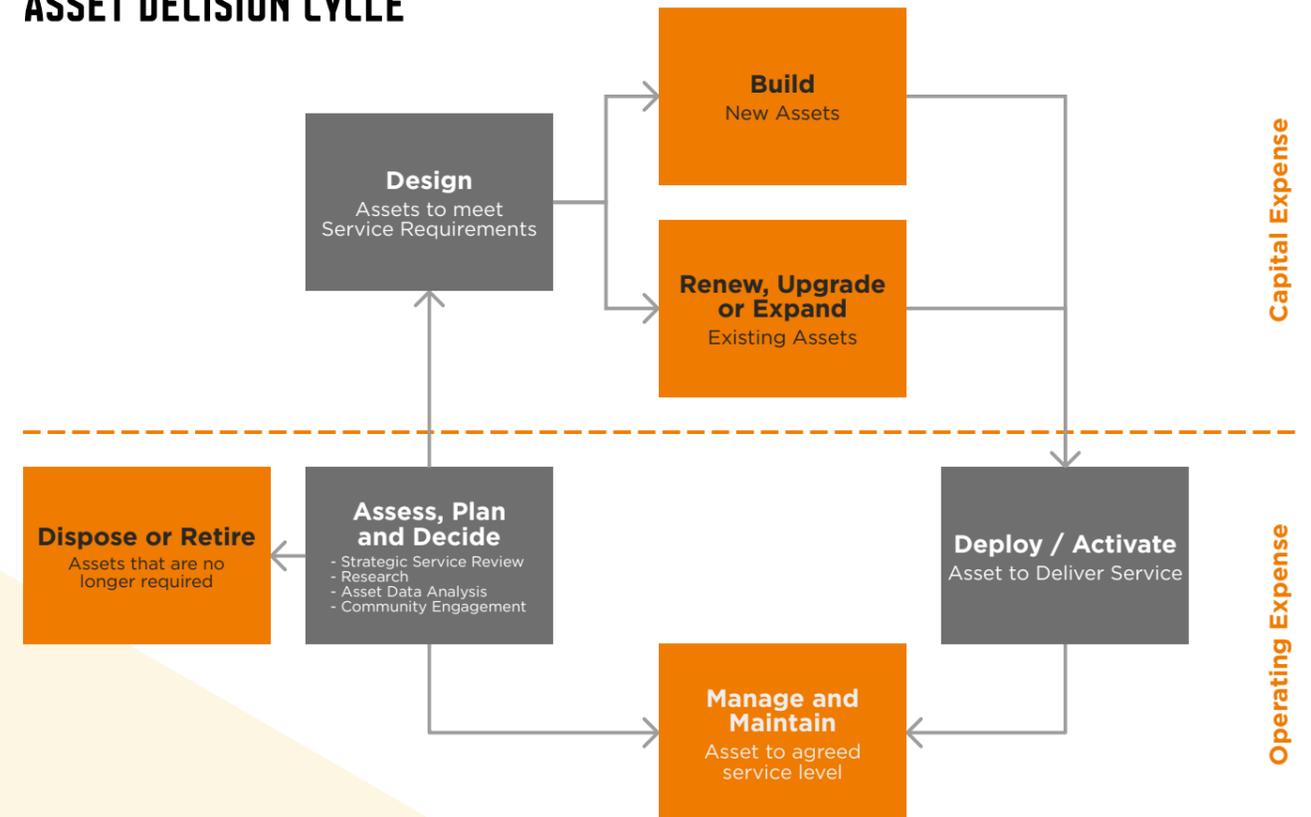
There are a number of key decisions made throughout the life of an asset. These decisions are often triggered and supported by information sources such as strategic service reviews, opportunity assessments, research, asset performance data and customer or community feedback.

Four key decisions underpin what is often referred to as the 'asset cycle' with each having significant and interdependent financial implications (both capital and operating) now and in the future:

1. Decision to procure or build a new asset
2. Decision to renew or upgrade an existing asset
3. Decision to continue to maintain the asset
4. Decision to retire or dispose of an asset.

The decision to commit capital funding to procure or build a new asset is always made with an understanding of the down-stream consequence. It commits the City of Melbourne to ongoing operating costs and future capital costs. The annual operating costs can not only include the cost to activate the asset by operating the service for which the asset was intended but also the scheduled and unscheduled cleaning and maintenance regimes that will be required throughout its entire useful life.

ASSET DECISION CYCLE



The decision not to fund an asset or to defer operating costs, or to defer funding for maintaining or renewing an asset can lead to down-stream financial consequences that may include committing the City of Melbourne to greater future costs to upgrade or replace the asset.

To support better decision-making, the City of Melbourne will establish an evidence-based decision framework for asset management that considers the following:

- strategic service reviews and opportunity assessments
- city research
- asset performance data and analysis
- customer and community feedback.

To build trust and encourage greater partnership, the City of Melbourne will develop new online reports that provide a transparent declaration of our annual asset funding decisions. These reports will also explain why we made certain decisions, the implications of these decisions, and how these decisions fit with our medium term (four-year) and long term (10 year) capital and resource planning.

Four-year capital works program

Each year we will publish online an updated four-year capital works program to allow the community to see what assets are in the 'pipeline' over the medium term.

Asset decision statements for each of our three asset families

Following the approval of the annual plan and budget, we will publish an annual State of the Asset Report for each of our three asset families (streetscapes, open spaces and buildings) including the current state of our assets and the key decisions and impacts of the budget on our asset portfolio.

In a constrained funding environment there is also an increasing need to make 'resourceful' decisions throughout each phase of the asset life cycle including:

- working with all levels of government to secure funding to improve the infrastructure and functionality of the city
- exploring new funding models as appropriate to support a 'whole-of-life cycle' asset approach such as public-private funding partnerships for new works

- working with our customers and the community during our strategic service reviews to identify innovative non-asset based methods of service delivery
- leveraging major project opportunities for asset improvement or renewal
- construction of multipurpose facilities that meet a number of service needs and maximise their capacity throughout the 24-hour cycle
- re-purposing existing assets to meet new needs such as using park land or road reserves to construct underground stormwater capture tanks or converting surplus road reserve into open space
- working with our contracted service providers and broader supply chain to optimise costs in asset maintenance and operations
- working with our customers, the community and our strategic partners to identify opportunities to retire or sell assets that no longer meet current service needs to assist in funding assets that do.

This section of road at the end of Errol Street in North Melbourne was repurposed to become open space.



The Boyd and Kathleen Syme developments saw the repurposing of old school sites into multifunctional community centres that include facilities such as libraries, leased artist spaces and community meeting rooms.



The Fitzroy Gardens development repurposed an existing depot into a multi-use visitor centre that includes an underground stormwater storage facility.



Right information

Right Information

We will:

3. Find more innovative ways of engaging and collaborating with our community and strategic partners, including an ongoing exchange of information.

We will:

4. Establish an agreed baseline of current design standards and service levels, set targets and report on our asset performance.

In order to make the right decisions it will be important to present options and recommendations based on solid evidence.

The City of Melbourne will enhance linkages between existing information sources in the following ways:

- Undertaking a range of strategic service reviews, including all our major service contracts. Integrating this information into an asset management context will improve Council's understanding of whether an asset meets the requirements for delivering a particular service.
- The City of Melbourne already has a comprehensive range of research about the municipality and how it works. Putting systems in place to identify data that is relevant to our assets, and integrating this information into an asset management context, will improve our understanding of how to meet current and future asset demand.
- As an organisation, we have a range of ways of collecting customer feedback such as our online engagement tool, Participate Melbourne, and a growing number of data feeds about how the city is functioning. It will be important to leverage these tools and create others as well as integrate them with information about asset performance and customer and community experience and values.

Asset performance map and feedback apps

- An online asset performance map would allow anyone to see the most recent asset performance rating of any asset in the City of Melbourne. Such a platform could lead to an invaluable exchange of information with customers, the community and strategic partners. Combined with an app that enabled an asset user to send information back to the City of Melbourne via a mobile device, this tool could greatly improve defect reporting, enable more accurate validation of our data and support better decision-making.

Design standards and service levels

Together with our partners and the community, we will set performance targets for our assets and agree on how to monitor these baselines going forward. We will engage the community as we start to decide on agreed design standards and levels of service for our major asset classes.

- Design standards provide a standard design for selected assets that can be used to guide procurement, construction or reinstatement. The standards would describe the typical features of the asset and include technical drawings and specifications. A design standard baseline would provide a transparent reference point for decision-making and potentially support economies of scale as asset solutions are standardised.
- Establishing a baseline for asset service levels would require discussions with our customers, the community and our strategic partners about functionality, capacity and condition. During community engagement for the 10 Year Financial Plan we trialled discussions around condition ratings with a focus group called the Peoples' Panel. The model included presenting three condition rating scenarios. When discussing road surfacing, the first scenario included maintaining an existing target condition rating of 6.5 which would cost \$4 million per annum. The second scenario presented a lower rating of 6.0 at a cost of \$3 million and the third scenario presented an increased rating of 8 at a cost of \$6 million. After being shown illustrations of what the road would look like in each scenario, there was general agreement that a 6.5 rating was preferable.

Data and processes

Right Data & Processes

We will:

5. Develop or enhance data, processes and systems capability to ensure more consistent, complete, accurate and timely data is available.

We will:

6. Establish more effective ways of collecting, analysing and managing data from our assets, community and strategic partners.

To provide the right information and make the right decisions, we will need the right data systems and processes in place.

The City Of Melbourne is committed to improving the consistency of the way we do things as a business for our customers and the wider community. Assets are designed, built and managed to deliver services across most parts of the organisation. Improving the way we work across our organisation is central to delivering this Asset Management Strategy.

We will develop or enhance our key interactive data collection and sharing platforms and the processes that support them. These systems will enable us and the community to better understand asset performance across the municipality in terms of condition, capacity and functionality.

Central data

We will have a single, central registry of all our assets for all critical asset data. This will include a wide range of data collected throughout the life of the asset, including design and construction specification data, spatial coordinates, greenhouse gas emissions, financial figures including procurement or construction costs, valuations and depreciation modelling, maintenance and work order data, and performance audit data.

Open data

We will have an open data service that releases data to the public and maintains datasets on our open data platform. We will continue to develop an open, innovation space designed to enable the community and the City of Melbourne to work together in a low-cost, low risk environment to 'rapidly prototype' asset management and adaptation solutions to urban issues.

Big data

As they become available, we will establish linkages to a range of data feeds from across the municipality that can be used to collect and share information with other systems. For example, data feeds from pedestrian counters or light or heat sensors.

Spatial data

We will have an online spatial representation of the municipality that can be used by the community and our strategic partners to access a range of information about our assets.

These systems will help us better understand the capacity and condition of our assets and, when integrated with other municipal data, will confidently model our future asset demands.

We will be able to receive and analyse data in real-time, allowing for a more proactive response to asset performance changes and an improved customer offer.

Data will become the primary vehicle for engaging with the community about asset performance and the realities of designing, building, managing and adapting assets. The community will be invited to actively participate in this two-way information exchange using the immediacy of mobile technologies.

DELIVERING THIS STRATEGY

Following the adoption of this Asset Management Strategy, the City of Melbourne will develop a four-year Implementation, Monitoring and Evaluation Plan within six months

Example:

THEME 1 Right Asset Management Data and Processes

COMMITMENT 1 We will establish data, processes and systems capability to ensure more consistent, complete, accurate and timely data is available.

No	Deliverable	Responsible (Position) Executive	Measure	Target	Yr1	Yr2	Yr3	Yr4
1.1.1	Council approved four-year implementation, monitoring and evaluation Plan	Director City Planning and Infrastructure	Time and cost.	On time and budget.	■			

Implementation

The four-year Implementation, Monitoring and Evaluation Plan will set out the key deliverables for each of the six commitments identified in this strategy (the 'we wills'). It will identify a responsible executive, provide a measure and target for each deliverable, and confirm the target year of completion.

We will use the resources committed in the 10 Year Financial Plan to conduct ongoing engagement with the community and our strategic partners about the condition and performance of our assets, and about decisions regarding their management.

Further actions may be developed and introduced to respond to identified needs during the life of this strategy.

Monitoring

Reporting requirements and measures will be established to cover all key asset classes, and our achievements will be reported in the City of Melbourne Annual Report. We will actively benchmark our approach and systems for asset management with the International Asset Management Standard (ISO55000), the International Infrastructure Management Manual, and the National Sustainability Framework.

The City of Melbourne will make its performance data available to the community.

Evaluation

This strategy will be updated annually and fully reviewed in its fourth year. Included within this review will be:

- an evaluation of its effectiveness
- any required updates to the strategy
- a new four-year Implementation, Monitoring and Evaluation Plan.

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