

Wellington City Council

Asset Management Plan Review

February 2006

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Wellington City Council

Asset Management Plan Review

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Executive Summary

In 2004 Council commissioned reviews of its asset management plans (AMPs). The first stage of the review was completed in late 2004 in respect of major infrastructure related activities. Results of the stage one review were reported to the annual plan working party in February 2005.

This review (stage two) examined a number of property related AMPs, specifically Recreation Centres, Community Halls, Community Centres and Childcare Centres, Branch Library properties, Commercial A and B properties, Marinas and Landfills.

The objectives of the review were:

- To ascertain there is strategic alignment between asset information and the related Council activity.
- To ascertain the status of asset management planning in regard to asset data, current and projected levels of investment, levels of service, demand forecasting, and risk management.
- To ascertain whether the asset management lifecycle strategies and drivers support the financial forecasts in the AMPs.
- To provide suggestions for improving asset management planning.

We found that there was a **good strategic alignment** between all the AMPs and other Council planning documents. This indicates that AMPs form the information 'building blocks' for each asset-intensive activity of Council and dovetail with overarching strategies.

In relation to the **operational asset management planning** we found that there is generally good and reliable asset data. An aspect very well performed is regular asset condition monitoring performed by outside consultants, which is then translated into physical works required to keep the assets to desired condition ratings. Information on levels of service targets and measures was, for the most part, sound. Areas where more work is required in most AMPs was in relation to demand predictions and demand management techniques, and also risk management.

The underlying asset management techniques and drivers mentioned in the previous paragraph **support the 10-year financial forecasts in the AMPs**. There are three aspects that warrant continuing attention. First, valuations of assets should be regular and updated. We felt that the valuation of a significant proportion of Commercial A and B properties needed to be updated, as the present values may give rise to imprecise depreciation costs. An updated valuation is scheduled for the middle of 2006. A similar situation existed for Landfills at the time of review, but a revised valuation has now been conducted. Second, the basis of cost estimates, particularly for major capex projects, should be disclosed in the AMP. Several large project estimates were based on preliminary estimates prepared 2 – 3 years previously. The reliability (or otherwise) of project costings should be stated. Thirdly we noted occasional mismatches between AMP financial schedules and Council budgets. This points to the need for continuing close liaison between Finance and Asset Managers on valuation and financial issues. The mismatches have now been corrected.

Finally, we have noted in the report and also discussed with asset managers the areas of asset management that can be enhanced. These typically comprise demand management strategies, levels of service targets and measures and risk management strategies.

Summary of Specific AMP Findings

AMP Area	Standard or status of Plan	Areas for Enhancement
Recreation Centres	Very sound	<ul style="list-style-type: none"> • Demand management • Summary of key performance indicators • Better disclosure of basis of forecast costs
Community Halls	Very sound	<ul style="list-style-type: none"> • Demand management • Summary of key performance indicators • Better disclosure of basis of forecast costs
Community and Childcare Centres	Sound	<ul style="list-style-type: none"> • Demand management • Levels of service targets and measures • Better disclosure of basis of forecast costs
Branch Libraries	Sound	<ul style="list-style-type: none"> • Demand management strategies • Levels of service information • Reliability of major capex project costings
Commercial A & B Properties	Sound	<ul style="list-style-type: none"> • Demand management strategies • Levels of service and performance targets • Updated asset valuations.
Marinas	Basic	<ul style="list-style-type: none"> • Asset data systems • Levels of service information • Risk management information • Valuation information (including asset lives)
Operational Landfills	Basic	<ul style="list-style-type: none"> • Levels of service • Risk management information

1. Introduction

In 2004 Wellington City Council commissioned a review of its asset management plans (AMPs) with the objective of ensuring the levels of planned investment for assets are appropriate, and to inform the development of the LTCCP and annual plans.

Subsequently it was decided to review the AMPs in three stages. The stage one review was carried out late 2004 and included AMPs for Water, Stormwater, Wastewater, Transportation, Play areas, Swimming Pools and Public Conveniences and Pavilions. The results of the stage one review were reported to the annual plan working party in February 2005.

The Stage two review of AMPs was scheduled for mid-late 2005. The AMPs selected for review were:

- Recreation Centres
- Community Halls
- Community Centres and Childcare Centres
- Branch Library properties
- Commercial A and B Properties
- Marinas
- Landfills

This report addresses the stage two AMP reviews.

The concluding stage three review of the eleven remaining AMPs is expected to be undertaken next year.

2. Review Methodology

The methodology for the reviews consisted of:

- a desktop review of each AMP.
- an overview of relevant associated plans and policies that impact on the AMPs.
- a review of supporting data such as valuations, and condition assessments.
- discussions with relevant asset managers, financial analysts, and policy / planning personnel.

The benchmarks for comparison of asset management practices included:

- Local Government Act 2002 (particularly the requirements of Schedule 10 (2))
- National Asset Management Steering Group guidelines, particularly the International Infrastructure Management Manual.
- MWH's asset management plan guidance.

3. Report Structure

The format of this report is as follows

For each AMP commentary on:

- (a) The status regarding the major non financial components of asset management planning such as:
 - asset data
 - levels of service
 - demand forecasting
 - lifecycle management strategies
 - risk management
- (b) The robustness of financial forecasts in the AMPs including
 - overview of valuation information
 - the extent and quality of underlying assumptions
- (c) Overall status of the plan including, strengths and weaknesses, and areas for future improvement.

4. Recreation Centres

4.1 Introduction

The Recreation Centres AMP is dated August 2005 and relates to Recreation buildings at Kilbirnie, Karori, Nairville, Newlands and Tawa. The Newlands and Tawa buildings are leased, not owned, by Council.

4.2 Status of non-financial aspects of the AMP

4.2.1 Asset Data

There is good basic data included in the AMP on the physical descriptions and condition assessments of each property.

The AMP notes that the portfolio property management system, which contains data on all Council owned and leased properties, is limited as to how data can be stored and utilised. A project is underway to investigate options to either upgrade or replace the system.

4.2.2 Levels of Service

The Levels of Service and performance targets / measures are well described in the AMP and reflect the levels of service and condition grades approved by Council in 2000.

The levels of service cover the aspects recommended in industry guidance for this type of asset, namely:

- Access and availability
- Quality
- Satisfaction and suitability
- Responsiveness
- Cost
- Utilisation
- Safety
- Compliance with statutory requirements

The detailed levels of service tables described for each recreation centre indicate some minor areas where levels of service need to be clarified;

- there is a comparative column showing levels of service in December 2002. Information in this column indicates that levels of service were 100% met at the time, with a lesser "percentage met" in later years. In discussion with the properties asset manager, the 2002 comparative information is misleading and will be removed.
- there is sometimes confusion between the terms "customer satisfaction" and "resident satisfaction"

- care needs to be taken if benchmarking cost performance with similar facilities elsewhere in New Zealand. This is a new target, which has not yet been fully defined in terms of measurement.
- attendance trends and utilisation trend graphs need to have the targets attached to them and the long term targets (i.e. over 10 years) also need to be included.

The improvement programme of the AMP has also identified the need for a one page “dashboard” indicators to portray key performance areas.

4.2.3 Demand Forecasting

There is some useful information in the AMP on demographic trends, and also usage trends. The AMP discusses demand management strategies in relation to promotion, facility “freshness”, opening hours and variable pricing.

We see the need to further develop these strategies, which are embryonic at present. Other aspects which could be further explored are an analysis of the future population catchment for each area served by a Centre, an analysis of likely leisure trends, and an analysis of alternative leisure / recreation providers.

4.2.4 Lifecycle Management Strategies

The AMP succinctly describes the lifecycle asset management strategies, including maintenance, renewals, asset condition monitoring and the standards to which the centres are managed.

4.2.5 Risk Management

The Recreation Centre AMP has a sound section on risk management. It outlines areas of risk, potential risk events, likelihood and consequences, key strategies to manage risk and an assessment of whether risk is being managed adequately.

4.3 Robustness of AMP Financial Forecasts

- The total capex for Recreation Centres in the 10-year period 2006 – 2016 is relatively modest at \$327k or an average of \$32.7k per year. In the same period the planned maintenance is forecast at \$756k, or an average of \$75.6k per year.
- The capex is renewals as opposed to ‘new capital’.
- The basis of capex renewals and planned maintenance is from condition assessments and forward works programmes prepared by consultants in 2004. The cost estimates are therefore in 2004 dollars. We tested the consultants condition assessment and forward work programme details to the AMP information and found it to be consistent.
- We noted that reactive maintenance is budgeted at \$68k for each year from 2006 – 2016. No allowance has been made for any cost movements.
- We also noted minor errors in depreciation calculations. Finance have looked into this and amended the depreciation forecasts in January 2006.
- Valuation information in the AMP is sound. Buildings have been categorised into 5 components, and the useful lives of each component are reasonable in relation to industry norms.

- The AMP lists the key assumptions made in preparing the financial projections. The assumptions are reasonable, but could be improved by dating the financial estimates. Also the term “indicative” costs should be more precisely defined.

4.4 Overall Status

The Recreation Centres AMP is of a very good standard, and meets most of the characteristics of advanced asset management planning.

The strengths of the plan are

- good description of assets.
- comprehensive condition assessments which are used as a prime input to maintenance and renewal works.
- good levels of service framework.
- risk information.

Areas where further enhancement is required include

- more specific information on demand management strategies.
- further work on levels of service measurement approaches and a “dashboard” summary of key performance indicators.
- greater precision and disclosure of the nature, and dating of cost estimates.

5. Community Halls

5.1 Introduction

The Community Halls AMP is dated August 2005 and relates to halls in Ngaio, Khandallah, Vogelmorn and the Linden Social Centre. Two of the halls (Ngaio and Khandallah) have heritage values.

5.2 Status of Non-financial Aspects of the AMP

5.2.1 Asset Data

There is good basic data in the AMP on the physical characteristics, description and condition of each property.

The AMP notes that the Portfolio Property Management system, which contains data on all Council owned and leased properties, is limited as to how data can be stored and utilised. A project is underway to investigate options to either upgrade or replace the system.

5.2.2 Levels of Service

The levels of service and performance targets / measures are generally well described in the AMP and reflect the levels of service and condition grades approved by Council in 2000.

The levels of service cover the aspects recommended in industry guidance for this type of asset, namely

- access and availability
- quality
- satisfaction and suitability
- responsiveness
- cost
- utilisation
- safety
- compliance with statutory requirements.

The detailed levels of service tables described for each hall indicate some minor areas where levels of service need to be enhanced;

- There is a comparative column showing levels of service in December 2002. Information in this column indicates that levels of service were 100% met at the time, with a lesser "percentage met" in later years. In discussion with the properties asset manager, the 2002 comparative information is misleading and will be removed.

- There is sometimes confusion between the terms “customer satisfaction” and “resident satisfaction”
- Care needs to be taken if benchmarking cost performance with similar facilities elsewhere in New Zealand. This is a new target which has not yet been fully defined in terms of measurement.
- Attendance trends and utilisation trend graphs are historic, and targets need to be set for the next 10 years. The AMP notes that a model is presently being developed in conjunction with Corporate Finance to model occupancy and set targets for each facility use. The current status of this project is unclear and clarification is being sought.
- In relation to the accessibility aspect of halls or similar facility levels of service, many Councils are now measuring the number of car parks within the immediate vicinity of the facility, or the distance from public transport. These are features which could enhance the Community Halls level of service.

The improvement programme of the AMP has also identified the need for a one-page “dashboard” indicator to portray key performance measures.

5.2.3 Demand Forecasting

There is useful information in the AMP on past usage and analysis of community groups and other users of the Community Halls. There is also information on overall demographic trends in the city.

There is relatively light information on the demand management strategies to meet future demand. This needs to be addressed in more depth.

5.2.4 Lifecycle Management Strategies

The AMP sufficiently describes the lifecycle asset management strategies including maintenance, renewals, asset condition monitoring and the standards to which the halls are managed.

5.2.5 Risk Management

The Community Halls AMP has a sound section on risk management. It outlines areas of risk, potential risk events, likelihood and consequences, key strategies to manage risk and an assessment of whether risk is being managed adequately.

5.3 Robustness of AMP financial forecasts

- The forecast of total operating costs for Community Halls in the 10 years 2006 – 2016 is \$2.1 million or an average of \$210k per year. The majority of operating costs comprise planned and reactive maintenance.
- The forecast of planned maintenance is derived from a condition assessment and forward works programme prepared by a consultant in 2004. We cross checked this work to ensure the details were accurately incorporated into the AMP.
- We noted that the reactive maintenance is budgeted at a constant \$90.5k each year from 2006 – 2016. No allowance has been made for any costs movements.
- Capital expenditure forecasts for the 10 years 2006 – 2016 totals \$412k of which the largest items is for exterior work on the Ngaio Town Hall earmarked for 2010 / 11. (\$150k). The basis of estimates is again from the 2004 assessments.

- Valuation and depreciation information in the AMP is sound. Buildings have been categorised into five components and the useful lives of each component are reasonable in relation to industry norms.
- The AMP lists the key assumptions made in preparing the financial projections. The assumptions are reasonable, but could be improved by dating the financial estimates. Also the term “indicative” costs should be more precisely defined.

5.4 Overall Status

The Community Halls AMP is of a very good standard, and meets most of the characteristics of advanced asset management planning.

The strengths of the plan are

- Good description of assets.
- Comprehensive condition assessments which are used as a prime input to maintenance and renewal works.
- Sound levels of service framework.
- Well developed risk information.

Areas where further enhancement is required include

- More detailed demand management strategies.
- Further work on levels of service targets and measures and a “dashboard” summary of key performance indicators.
- Greater precision and disclosure of the nature and dating of cost estimates.

6. Community and Childcare Centres

6.1 Introduction

The Community and Childcare Centres AMP is dated August 2005 and relates to approximately 25 properties providing community facilities, crèche, Playcentre, Plunket and youth facilities. Three of the properties have heritage attributes – Brooklyn Playcentre, Newtown Community and Cultural Centre and Thistle Hall.

6.2 Status of Non-financial Assets of the AMP

6.2.1 Asset Data

There is good basic data included in the AMP on the physical descriptions and condition assessments of each property.

The AMP notes that the portfolio property management system, which contains data on all Council owned and leased properties, is limited as to how data can be stored and utilised. A project is underway to investigate options to either upgrade or replace the system.

6.2.2 Levels of Service

The levels of service and performance targets / measures are adequately described in the AMP. They reflect the levels of service and condition grades approved by Council in 2000.

The levels of service cover the aspects recommended in industry guidance for this type of asset, namely;

- access and availability
- quality
- satisfaction and suitability
- responsiveness
- cost
- utilisation
- safety
- compliance with statutory requirements

There are however some weaknesses and omissions in the existing framework;

- There is confusion between the terms 'customer satisfaction' and 'resident satisfaction'.
- Under the key service area of access and availability, the target level of service is one community centre per 8,900 population.

It is not clear whether this target has been derived from a community-driven consultation process or merely matched to the actual situation that pertained in 2002 (ie from the City census of 163,824 in 2001 divided by 20 community centres.)

- The level of service also states that the 'position of facilities to be within reasonable reach of residents'. There are no targets or measures to support this. Possible targets and measures could include:
 - a centre no more than x km from any resident .
 - provision of x car parks within the immediate vicinity
 - distance from public transport.
- The performance target for utilisation is that weekly usage for all centres is to be maintained at or better than previous year's levels. This appears to be a somewhat vague target, and needs more specificity.
- Three buildings have heritage attributes but there are no specific levels of service to indicate how the heritage values are being, or will be, protected. If conservation plans are prepared, then observance to the plans could be a level of service.

The improvement programme of the AMP has also identified the need for a one page 'dashboard' of indicators to portray key performance measures.

6.2.3 Demand Forecasting

There is some good background information on past usage trends, and types of use at the centres. The plan briefly introduces demand management strategies of promotion, facility upgrades, 'non-asset solutions' and pricing mechanisms. However there is no in-depth analysis or specific recommendations. The Plan alludes to some centres operating to capacity and others as poorly utilised, but does not delve into details.

6.2.4 Lifecycle Management Strategies

The AMP sufficiently describes the lifecycle asset management strategies including maintenance, renewals, asset condition monitoring and the standards to which the community and child care centres are managed.

6.2.5 Risk Management

The AMP has a sound section on risk management. It outlines areas of risk, potential risk events, likelihood and consequences, key strategies to manage risk and an assessment of whether risk is being managed adequately.

6.3 Robustness of AMP Financial Forecasts

- The forecast total of Community and Childcare centres operating costs for the years 2006 – 16 is \$8.6 million or an average of \$860k per year. The largest component of operating is depreciation, averaging just over \$400k a year. Planned and reactive maintenance are the next biggest cost items.
- Planned maintenance costs are based on condition assessments and forward works programmes prepared by a consultant in October 2003. We cross-checked this work to ensure the details were correctly transcribed into the AMP. The most significant item of planned maintenance is due in 2007 / 08 for interior refurbishment in a number of centres.

- We noted that reactive maintenance is budgeted at a constant \$83k each year from 2006 – 2016. No allowance has been made for any cost movements.
- We also noted that the AMP annual depreciation derived from valuation information was not consistent with 10-year depreciation forecasts in the C130B operating expenditure budget.
- Capital expenditure forecasts for the 10 years 2006 – 2016 totals a modest \$382k, or an average of \$38k per year. As with planned maintenance, the capex renewal forecasts are based on the consultants forward work programme prepared in 2003.
- Valuation information in the AMP is sound. Buildings have been categorised into five components and the useful lives of each component are reasonable in relation to industry norms.

The AMP lists the key assumptions made in preparing the financial projections. The assumptions are reasonable but could be improved by dating the financial estimates. Also the term 'indicative' costs should be more precisely defined.

6.2 Overall Status

The Community and Childcare Centres AMP is of good standard and meets or exceeds the requirements of a 'basic' asset management plan.

The strengths of the plan are

- good description of assets.
- comprehensive condition assessments.
- sound articulation of asset life cycle management.
- risk information.

Areas where further enhancement are required include

- more meaningful demand management strategies.
- more breadth and specificity in level of service targets and measures.

7. Branch Library Properties

7.1 Introduction

The branch library properties AMP is dated August 2005 and incorporates twelve branch libraries assets (excluding books and other stock). The AMP does not make provision for the new Karori library which will be completed shortly.

7.2 Status of Non-financial Aspects of the AMP

7.2.1 Asset Data

There is good basic data included in the AMP on the physical descriptions and condition assessments of each property.

The AMP notes that the portfolio property management system, which contains data on all Council owned and leased properties, is limited as to how data can be stored and utilised. A project is underway to investigate options to either upgrade or replace the system.

7.2.2 Levels of Service

The levels of service and performance targets / measures are adequately described in the AMP. They reflect the aspects recommended in industry guidance for facility assets, namely

- access and availability
- quality
- satisfaction and suitability
- responsiveness
- cost
- utilisation
- safety
- adherence to statutory requirements.

We did note, however, some weaknesses in the existing framework;

- The performance targets and measures are, in the main, aimed at the library building or facility rather than the services provided within the facility. We understand there are separate performance measures for library services which complement the measures in the AMP. However it is difficult for the reader to gain an understanding of the full range of library performance from the properties AMP alone.
- The existing performance measures are described for each branch library, but there are measures which may be more appropriate for branch libraries as a whole.

- Under the key service area of access and availability, the target level of service is one library per 15,554 population. It is not clear whether this target has been derived from a community-driven consultation process or merely matched the actual situation that pertained in 2002 (i.e. from the City census of 171,100 in 2001 divided by 11 libraries.)
- The level of service also states that the “position of facilities be within reasonable reach of residents”. There are no targets or measures to support this. Possible targets and measures could include:
 - libraries no more than x km from any resident.
 - provision of x car parks within the immediate vicinity.
 - distance from public transport.
- The performance targets for utilisation are “annual issues and website visits as per SLA”. The actual targets should be specified in the AMP.

The improvement programme of the AMP has also identified the need for a one page “dashboard” of indicators to portray key performance measures.

7.2.3 Demand Forecasting

The AMP contains some useful analysis on the usage of library services, stressing the 21% increase in usage in the last 2 years. The Plan briefly notes the types of demand strategies needed – technology changes, collection development policy, ‘lifelong learning’. More analysis and flesh needs to be added to the existing bare-bone strategies.

One area the AMP is silent on is whether the range and quality of library service can continue to be provided in some of the very small sized libraries.

7.2.4 Lifecycle Management Strategies

The AMP sufficiently describes the lifecycle asset management strategies including maintenance, renewals, asset condition monitoring and the standards to which the libraries are managed.

7.2.5 Risk Management

The AMP succinctly describes the lifecycle asset management strategies, including maintenance, renewals, asset condition monitoring and the standards to which the libraries are managed.

7.3 Robustness of AMP financial forecasts

- The forecast total of Branch libraries operating costs for the 10 years from 2006 / 2007 is \$6.35m or an average of \$635k per year. The largest component is depreciation which comprises nearly half of operating expenses. The next largest cost is cleaning costs, followed by reactive and planned maintenance.
- Planned maintenance costs are based on condition assessments and resultant works programmes prepared by an independent consultant in October 2003. We cross-checked this work to ensure the details were correctly transcribed into the AMP. Planned maintenance are relatively modest sums each year, except for 2013 / 14 when interior work is earmarked for several libraries.

- We note that reactive maintenance is budgeted at a constant \$47k each year. No allowance has been made for any cost movements.
- The depreciation derived from the valuation information was less than the depreciation noted in the 10 year budget forecasts. We understand the difference arose from the expectation that depreciation arising from the new Karori library would come to bear sooner than will actually happen. Depreciation figures have now been aligned.
- Capital expenditure forecasts in the draft AMP reviewed was dominated by the Radio Frequency Identification Project. The budget for this project was \$1.41m in 2007/08. We understand that the project has since been removed from the budget during a recent activity and capex review. The existing estimate of \$1.41m is five years old and will require updated costings when a future business case is prepared.
- Valuation information in the AMP is sound. Buildings have been categorised into five components and the useful lives of each component are reasonable in relation to industry norms.
- The AMP lists the key assumptions made in preparing the financial projections. The assumptions are reasonable but could be improved by dating the financial estimates. Also the term “indicative” costs should be more precisely defined.

7.4 Overall Status

The branch libraries AMP is of a good standard and meets or exceeds the requirements of a basic asset management plan.

The strengths of the plan are

- good descriptions of assets.
- comprehensive condition assessments.
- sound articulation of asset lifecycle management
- adequate framework for levels of service and performance measures.
- good risk management information.

Areas of where further enhancements are required include

- more in depth analysis of demand management strategies, including assessing whether target level of services can be provided at small sized branch libraries.
- Ensuring levels of service information is relevant, specific and complementary to non-building related library service measures.
- Revisiting the cost estimate for the Radio Frequency Identification Project to improve the reliability of the estimates for a future business case.

8. Commercial A and B Properties

8.1 Introduction

The Commercial A and B Properties AMP is dated August 2005.

Commercial A properties are assets used for Councils day to day activities and either accommodate Council staff and amenities or provide a public service to the city.

Commercial B properties are assets held for investments, accommodating Council activities or roading purposes.

There are nine properties which have heritage values.

8.2 Status of non-financial aspects of the AMP

8.2.1 Asset Data

There is good basic data included in the AMP on the physical descriptions and condition assessments of each property.

The AMP notes that the portfolio property management system, which contains data on all Council owned and leased properties, is limited as to how data can be stored and utilised. A project is underway to investigate options to either upgrade or replace the system.

8.2.2 Levels of Service

The levels of service and performance targets / measures are well described in the AMP. They reflect the levels of service and condition grades approved by Council in 2000.

The levels of service cover the aspects recommended in industry guidance for this type of asset, namely

- areas and availability
- quality
- satisfaction and suitability
- responsiveness
- cost (net yield, adherence to budgets)
- utilisation
- safety
- compliance with statutory requirements

The following issues were, however, noted in our review of levels of service:

- Nine properties have heritage attributes but there are no specific levels of service to indicate how the heritage values are being or will be protected. If conservation plans are prepared, then observance to the plans could be a level of service.
- Most of the Commercial A properties, including the City Gallery, Central Library, Civic Administration Building and the Municipal Office Building have a level of service on quality which states “Continual building maintenance conducted to Condition Grading level 1 (excellent)”. Most of these properties have been built or redeveloped in the past 10 – 15 years, so to keep them at condition grade 1 in the short to medium term may be feasible and economic. As the buildings get older it may be more appropriate to reassess the condition grade to which they should be kept. At some point it will also be necessary to reevaluate which buildings should be kept at condition grade 1 or lower grades. For example, the Civic Centre basement has a condition grade 1 level of service.
- The improvement programme of the AMP has also identified the need for a one page “dashboard” of indicators to portray key performance measures.

8.2.3 Demand Forecasting

The AMP contains a chapter on future demand and demand management strategies. The variety of types of commercial property and the different reasons for holding property make demand forecasting particularly difficult in this area.

The plan touches on optimisation of space configuration, layout and technological upgrades. For properties held for “core” Council accommodation, ergonomic and space optimisation studies are an essential tool. This aspect needs more development in subsequent AMPs.

8.2.4 Lifecycle Management Strategies

The AMP sufficiently describes the lifecycle asset management strategies including maintenance, renewals, asset condition monitoring and the standards to which the Commercial Properties are managed.

8.2.5 Risk Management

The Commercial A and B Properties AMP has a sound section on risk management. It outlines areas of risk, potential risk events, likelihood and consequences, key strategies to manage risk and an assessment of whether risk is being managed adequately.

8.3 Robustness of AMP Financial Forecasts

- Forecast operating expenditure for Commercial A and B properties is split among a number of operating project codes. We directed our review at operating project C333 – Commercial A properties occupied by Council. This is the largest in expenditure terms, with expenditure forecasts ranging from \$2.9 million a year to \$3.3 million a year in the 10 year period 2006 – 2016.
- The predominant expense categories within C333 are depreciation, rates, planned and reactive maintenance, and service contract payments.

- Depreciation charges account for 35 – 40% of the total operating expenses. Depreciation on the CAB, MOB, Central Library and City Gallery is based on the original construction costs (incurred from 1991 to 1993) and a uniform useful life of 67 years. In other words, there has been no split of the original cost into building components that will have differing useful lives. Some components (e.g. building fit out) are likely to have shorter useful lives, and others (such as structures) may have longer lives. Therefore the existing depreciation expense may be imprecise.
- Planned maintenance costs are based on condition assessments and resultant forward works programmes prepared by a consultant in October 2003. Eleven planned maintenance work programmes were prepared. We cross checked this work to ensure the details were correctly transcribed in the AMP.
- We noted that reactive maintenance is budgeted at a constant \$216k per year from 2006 / 07. No allowance has been made for any cost movements.
- Commercial A properties capital expenditure forecasts are also based on condition assessments and the forward works programme prepared by a consultant in 2003. As with planned maintenance we have cross checked the capex forecasts back to the consultants report. The quantum of capex varies from around \$250k to \$560k per year, with a total forecast spend of \$3.8 million in the 10 year period 2006 – 2016.
- Commercial B properties forecast capital expenditure is much more modest, at \$875k over the 10 year period 2006 – 2016. Dominating the forecast is the cost of strengthening the Embassy Theatre earmarked for 2007 / 2008. We understand this work is required to meet building consent conditions. The cost estimate of the strengthening is \$648k, and has been based on a recent consultant engineers and quantity surveyors report.
- We have also reviewed the valuation information in the AMP. Commercial A properties comprising the MOB, CAB, Central Library, City to Sea Bridge and the Civic Centre basement carpark are shown at historical cost, which collectively is around \$92 million. There has not been any subsequent revaluation from the time the costs were incurred in the early 1990s.

Depreciation on these properties may not be sufficiently precise as the cost is shown as one component ('improvement') with a uniform useful life of 67 years. A revaluation would ensure that there is appropriate componentisation of the values, resulting in a more robust depreciation profile. Council has decided to align the treatment of civic amenities with other land and buildings and will complete a revaluation exercise as at 30 June 2006.

8.4 Overall Status of AMP

The Commercial A and B Properties AMP is of a good standard that meets or exceeds the requirements of a 'basic' asset management plan.

The strengths of the plan are:

- asset descriptions
- sound levels of service framework
- good risk information
- good asset lifecycle management descriptions.

Areas which require improvement are:

- more detailed demand management strategies
- enhancement to levels of service and performance measurement / targets
- updated asset valuations for most Commercial 'A' properties that will ensure more robust depreciation profiles are generated.

9. Marinas

9.1 Introduction

The Marinas AMP is dated July 2005 and relates to two Marinas owned by Council – Evans Bay and The Clyde Quay Boat Harbour.

9.2 Status of Non financial Aspects of the AMP

9.2.1 Asset Data

The AMP notes that Marina assets are not yet loaded into Confirm. While there is a reasonable amount of 'high level' asset information included in the AMP, there is no detailed asset management data system for the marinas.

Discussions are presently being held with a consultant to capture data so that it can be transferred to Confirm.

9.2.2 Levels of Service

The framework for levels of service and performance targets / measures is of a sound standard. They incorporate key service areas such as access, quality, satisfaction, cost, utilisation and safety.

The framework could be enhanced through:

- More specific safety targets. Customer feedback has indicated that their main priority is for the safety of boats and people. The existing safety measures focus on HSE and hazard compliance. Specific measures could be considered for:
 - Ability to meet storm damage events
 - Loading rating
 - Trip hazards and protrusions.
- Measuring waiting times. We understand that users moored at outer berths seek to move to more sheltered inner berths.
- Ensuring that levels of service targets are long term as well as short term.

9.2.3 Demand Forecasting

The demand forecasting section of the AMP makes mention of other service providers for Marinas, and states that Council owned Marinas fill a niche market.

The demand management strategies are simply stated, and notes that further work is required to look at non asset solutions to minimise the impact on Council of development expenditure.

9.2.4 Lifecycle Asset Management Strategies

The plan contains very good information on how marina assets are maintained, condition assessed, and those assets which are underperforming.

9.2.5 Risk Management

There is minimal information in the AMP on risk management.

To better address risk management the approach used in the Properties Asset Management Plans should be used i.e. addressing risk along the lines of ANZ Standard 4360, and preparing a risk matrix which:

- outlines risk events
- indicates consequences and likelihood
- describes controls / strategies to mitigate risk.

9.3 Robustness of AMP Financial Forecasts

- Maintenance forecasts have been included in the plan until the year 2014 / 15. The quantum is constant at \$77k a year, although there are variations in maintenance sub categories. The 2015 / 16 forecast is missing.
- There are no projections of other operating expenditure through to 2015 / 16. Appendix 1 of the AMP discloses the budgeted Statement of Financial Performance for 2005 / 06, but not for later years.
- The plan includes capital expenditure forecasts for Marina renewals (CX 341) and Marina upgrades (CX 342). From the descriptions given, it appears that – with one exception – projects presently described in the upgrades are in fact renewals. The only upgrade appears to be toilet upgrades at Evans Bay.
- The quantum of the renewals and upgrades is relatively modest with the exception of replacement piles at Evans Bay earmarked for 2010 / 11. The estimate is \$421k, and represents 69 replacement piles. The estimate is based on consultants' assessments in 1993 and 2001. Further testing will be done on piles before replacement is decided upon. At present there is a tender closing for the testing / replacement of 27 piles; the costs that arise from this tender will provide a better indication of the likely cost of the 2010 / 11 replacements.
- The AMP also contains a schedule of valuations and the depreciation which derives from the valuations.
 - We noted that useful lives for the same type of assets was inconsistent and did not agree with the lifespan table earlier in the plan. For example the depreciation calculations for each of the three piers at Evans Bay suggest lives of 21, 51, and 57 years respectively, while the lifespan table indicates 40 years life.
 - The replacement cost values for the boatsheds at Clyde Quay seems very low – in effect about \$4k per shed.
 - Breast works at Evans Bay Marina is depreciated over a remaining life of 79 years, but the breastworks are mostly wooden and a more realistic life is around 40 years.
- The next revaluation is due in June 2006, and the lives of Marina assets will be reassessed. Depreciation expenses are likely to increase if the asset lives are shortened and replacement costs increase.

9.4 Overall Status

The non-financial aspects of the Marinas AMP meet the requirements of a 'basic' asset management plan, but the following enhancements are required:

- financial estimates in the AMP forecast for the full 10 years to 2016
- revaluation of assets with a consequent revision of depreciation forecasts
- capex estimates need to be reclassified as predominantly renewal
- asset data needs to be a detailed level in a formal system
- demand management strategies require elaboration
- risk information needs to be captured and recorded in a systematic fashion.

10. Operational Landfills

10.1 Introduction

The Operational Landfills AMP was prepared in February 2005. It covers two operational landfills, Southern Landfill and Northern Landfill, but focuses primarily on the Southern Landfill as the Northern Landfill will close in 2006.

The plan does not cover monitoring of closed landfills. Nor does it cover other facilities at the Southern Landfill hosted or owned by other parties.

10.2 Status of Non-financial Aspects of the AMP

10.2.1 Asset Data

High level data on landfill assets is included in the Peoplesoft financial system. There is also a system to record water and leachate analysis.

The Confirm system is used to store information on building infrastructure and site assets, and additional information exists in an Auto CAD system for physical aspects of landfill construction.

10.2.2 Levels of Service

The levels of service framework and performance measures are at a basic level and are capable of improvement.

Areas for potential improvement are:

- **Sustainability:** many landfills or solid waste service levels have a target of reduced waste to landfill.
- **Access and availability;** the present target is that the landfill is 'available within set operating hours'. In discussion with the Asset Manager, it was apparent that a very high level of service is provided as the landfill is open 9½ hrs each day for all but 2 days of the year. The level of service target could be restated to disclose that the landfill is open 363 days for 9½ hours each day.

Additionally the minimisation of queuing or waiting times, particularly for vehicles in the weekend could be another performance target.

- **Quality;** there is one target at present relating to compaction standards. Other targets which could be considered are the number of noise, smell and cleanliness complaints.

10.2.3 Demand Forecasting

The AMP is strong in this area, underscoring the importance of predicting demand for planning future works.

The AMP outlines demand influences, remaining landfill life forecasts and details the demand strategies to be utilised to provide adequate landfill and meet other waste management objectives.

10.2.4 Lifecycle Management Strategies

The AMP comprehensively sets out the lifecycle management strategies in terms of:

- asset condition assessments
- asset capacity and performance
- maintenance
- renewals and replacement
- development strategy
- disposal strategies.

In addition Council obtained an independent assessment of its Landfill Lifecycle Costing Model from Audit NZ in 2002. This concluded that the landfill charges were supportable.

10.2.5 Risk Management

The AMP outlines key risk management areas and refers to specific policies and procedures in landfill operational manuals.

Risk management information could be enhanced by using the formal process adopted by Properties whereby a risk management matrix is prepared.

10.3 Robustness of AMP Financial Forecasts

- Landfill operating expenditure forecasts have been prepared to 2014 / 15. Operating and maintenance expenditure (excluding labour costs) decreases from \$2.6 million in 2005 / 06, to \$2.0 million in 2006 / 07 and then to \$1.83 million for each ensuing year. The decrease reflects the closure of the Northern Landfill in 2006.
- The other major expense in project C076 (Landfill Operations and Maintenance) is depreciation, interest and corporate allocations. The forecasts have recently been updated to reflect the revised asset valuations.
- In relation to capital expenditure forecasts, the major features are:
 - Infrastructure projects of \$3.6 million over years 2006 / 07 to 2008 / 09 related to refurbishment of the stream diversion tunnel at the Southern Landfill.
 - stage 4 and 5 development of the Southern Landfill scheduled to start in 2007 / 08 with a total estimate of \$23.3 million.

At the time of our initial review (November 2005), a revaluation of landfill assets was being commissioned. This has now been finalised and the results of the valuation used for updated depreciation forecasts. The useful lives applied to major asset components were reviewed. The lives selected were reasonable and within industry norms.

10.4 Overall Status of AMP

The Landfills AMP meets the requirements of a 'basic' asset management plan but could be enhanced through:

- Improved levels of service reporting
- More detailed risk management information.