

## ARF004 Asset Management Risk

### Risk Status Progress Report March 2020

#### Description of risk and impact

Full Asset Life Cycle Asset Management requires a “system thinking” integrated approach (enterprise asset management) to optimising the whole life cycle of our assets. This ensures fit for purpose, cost effective assets are designed, constructed, maintained and disposed of in a sustainable manner, to the benefit of our communities, ensuring kaitiakitanga and enduring resilience.

Generally, the importance of addressing these risks and their impacts has also been highlighted in CouncilMark with improvements including –

- 18. Asset Management Improvement
- 19. Three Waters Alliance Improvement
- 34. Process Management Framework Improvement
- 29. Capital Project Life Report Improvement

Programme Darwin, an asset management improvement programme with dedicated resourcing, has been developed and provides a mechanism to deliver the treatments outlined below:

Issue identified in June 2019	Treatment to date	Further planned treatment
No current Asset Management Information System (resulting in piecemeal asset information, including number of assets)	An Asset Management Information System, INFOR, has been chosen and a statement of works signed. Implementation of the system is underway, with it due to be operational September 2020	Integration with FNDC’s other systems will occur after September 2020
Incomplete condition assessment information	\$250k to undertake asset condition assessments was approved by Council 3 October 2019. Since then prioritisation of assets for condition assessment has been completed, and scopes for the asset condition work to be carried out are underway. We are on track for the allocated budget to be spent.	An ongoing condition assessment programme will be subject to funding, sought through the LTP.
Informal Asset Management Plans (AMPs)	AMPs are intrinsically linked to the Infrastructure & Asset Management Strategy, and the Long Term Plan. AMP reviews are underway, to be delivered this year.	AMPs will be replaced with a single Living Asset Management Plan, a user-friendly, online and easy to navigate document using real-time data (linked to INFOR).

Under resourced in asset management and project scoping / business casing, resulting in poor forecasting, business casing, project planning for critical assets	<p>Additional FTE have been allocated to the asset management team –</p> <ul style="list-style-type: none"> <li>• Business Case Specialist</li> <li>• Asset Manager – District Facilities</li> </ul> <p>A fixed term asset data position has also been made permanent.</p> <p>A dedicated programme to improve asset management (Programme Darwin) has 3 dedicated FTE –</p> <ul style="list-style-type: none"> <li>• Programme Manager</li> <li>• Project Manager (INFOR)</li> <li>• Business Analyst</li> </ul>	<p>The Business Case Specialist position is yet to be filled.</p> <p>A review of individual development plans (investing in the competence of staff) for the Asset Management team is planned.</p>
A financial model based on a depreciation schedule, reporting on total value of spend. The current renewals programme is typically based on age rather than condition.	The proposed condition assessment programme will allow a condition-based renewals programme.	
Affordability challenges with increasing maintenance costs	The operational cost implications of capital investment are generally ignored. This puts pressure on operational activities over the medium to long term resulting in reductions in Level of Service. An enterprise asset management system captures these costs.	
Lack of integrated performance and reliability data from operations	Integration of operational performance and reliability data from operations will be developed. This will enable optimized investment decisions for renewals noting the relationship between cost, level of service and risk.	
<p>Operating run to failure of assets rather than programmed maintenance based on:</p> <ul style="list-style-type: none"> <li>• Asset class</li> <li>• Failure mode</li> <li>• Life cycle cost modelling</li> <li>• Predictive, preventative, risk based maintenance</li> </ul>	As above, enterprise asset management will optimize investment decisions.	
The lack of integration of asset growth impacts when considering asset renewal (we need to operate in a “systems” approach).	An enterprise asset management philosophy has been adopted, and referred to in the internal Asset Management Policy (adopted December 2019).	Work to embed this includes defining the roles and responsibilities across Council in relation to asset management.

Lack of a robust project management framework covering: <ul style="list-style-type: none"> <li>• Long term plan</li> <li>• Project Concept</li> <li>• Project Initiation</li> <li>• Project planning and design</li> <li>• Delivery and monitoring</li> <li>• Handover and closeout</li> </ul>	A Project Management Framework has been adopted, predominately being used in Project Delivery.	Embedding of the framework across teams.
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The Programme Manager has recently taken up another position within FNDC. A recruitment process for a replacement is currently underway. The are risks associated with continuity and programme progression that will need managing.

### Where are the gaps? / what more could we be doing?

- Planning, analysis and data analysis to enable data-driven decision-making (particularly providing advice in relation to Levels of Service, robust options analysis and rating impact trajectories).
- Better articulating the link between strategic planning to operationalization of those, and the process for how we consider and integrate these.
- Capturing our data better – equipment criticality, feeding this into decommissioning plans and the asset lifecycle.
- Visibility of information to Elected Members – whilst IAM produce a monthly information report and are doing a much better job of communicating progress on existing projects, there is still room to articulate upcoming projects complete with costs, risks, controls, contingencies, mitigation and consequences of inaction. This will enable informed discussions and robust prioritization when finalizing financial commitments within the LTP.
- Consultation - Our open and transparent policy for consultation with all stakeholder particularly Iwi, impacts the time it takes to renew consents and implement projects. This risk needs to be reflected in all project timelines particularly within our LTP commitments. In the past this time and resource commitment has been significantly underestimated.

<b>Inherent Risk:</b>	<b>Trend</b>	<b>Residual Risk:</b>	<b>Accountable:</b>	CEO	<b>Date raised:</b>	29/11/18	<b>Report frequency:</b>
	—		<b>Responsible:</b>	GM IAMs	<b>Date accepted:</b>	30/05/19	Six monthly