

Maintenance Engineering Society of Australia (MESA) Presentation

NSW GOVERNMENT ASSET MANAGEMENT FRAMEWORK

ED SHESTOVSKY
DIRECTOR
ASSET MANAGEMENT &
PROCUREMENT BRANCH
OFFICE OF INFRASTRUCTURE
MANAGEMENT



NSW GOVERNMENT – ASSET MANAGEMENT



OVERVIEW

- The Government's Physical Asset Base
- Policy Perspective on Physical Assets
- Aligning Services or Business & Asset Planning
- Asset Management
- Asset Investment & Financing
- Asset Procurement
- Future Directions

THE GOVERNMENT'S PHYSICAL ASSET BASE

(as at 30 June 2004)

SIZE:

- General Government \$114.3 billion
- PTE \$ 82.3 billion
- Total \$196.6 billion

MIX:

- Infrastructure Systems \$105.3 billion
- Land & Buildings \$ 81.1 billion
- Plant & Equipment \$ 10.2 billion

3

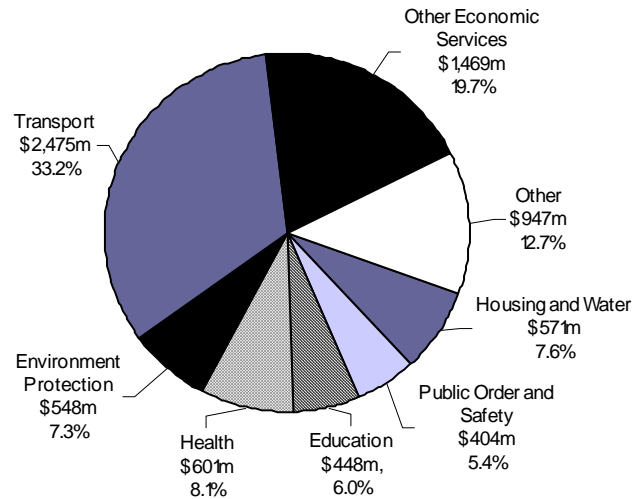
CONCENTRATION:

8 agencies control 85% of Government's assets:

- RTA \$69.1 billion
- Housing \$28.9 billion
- DET \$15.2 billion
- Sydney Water \$11.6 billion
- RailCorp \$11.0 billion
- Health \$ 7.4 billion
- Crown Entity \$ 5.0 billion
- Energy Australia \$ 4.8 billion

4

2004- 05 CAPEX by POLICY AREA



5

ASSET MAINTENANCE:

- Expenditure previously understated
- New reporting requirements
- 2005-06 projection \$2.3 billion
- Indicative expenditure with new reporting \$3.3 billion
- Expenditure over 40% greater than previously reported
- Equates to approximately 1.6% of total assets - or 2.7% of built assets

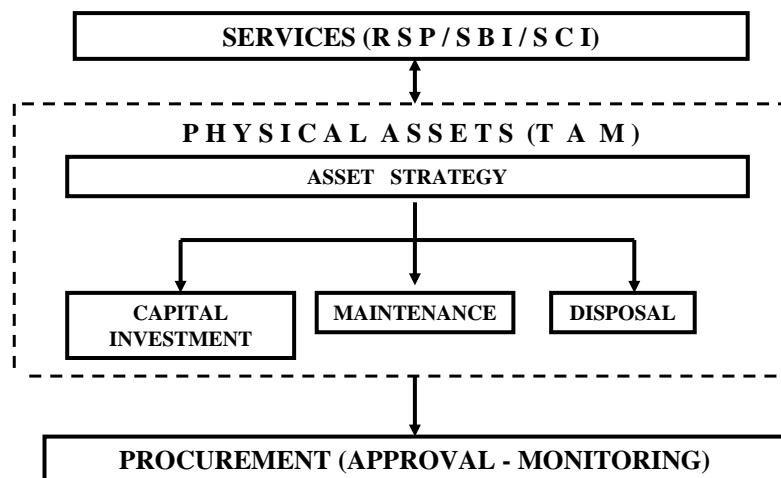
6

POLICY PERSPECTIVE ON PHYSICAL ASSETS

- Assets support services &/or business operations
- Assets are not services
- Align services/business and asset planning
- Effective & efficient assets
- Assets risk management
- Optimise use of existing assets

7

ALIGNED PLANNING



8

SERVICE / BUSINESS PLANNING

- **Results & Services Plan (RSP)**
- **A high level service delivery and funding plan for Budget funded agencies**
- **The RSP explains:**
 - **Services agency will deliver within budget allocation**
 - **Results achieved for the community**
 - **How service delivery can be improved**

9

SERVICE / BUSINESS PLANNING (continued)

Statement Of Business Intent (SBI) / Statement Of Corporate Intent (SCI):

- **Similar to RSP - for Government businesses i.e. PTEs & SOCs**
- **Key items in an SBI / SCI include:**
 - **Objectives, strategic direction & core business activities**
 - **Performance targets (financial & non-financial) & major risks**
 - **Capital expenditure program (10 year planning horizon)**

10

ASSET MANAGEMENT

Total Asset Management (TAM) Policy framework:

- Established policy – now with Treasury
- Structured approach for aligning assets with services in RSP/SBI/SCI
- Links asset planning with Government's priorities and strategies
- Integral to Budget process
- Encourages long-term planning
- Includes all physical non-current assets
- Covers asset investment, maintenance & disposal

11

ASSET MANAGEMENT (continued)

TAM enables:

- Service delivery focused asset planning
- Greater confidence in agencies' asset management
- Better Budget allocation decisions
- A balanced approach to maintaining existing assets
- Cluster based planning
- Development of the State Infrastructure Strategy (SIS)

12

ASSET INVESTMENT DECISION

- **Project proposal with Business Case – key elements:**
 - Links to the RSP & TAM plans
 - Economic Appraisal
 - Financial impact statement
 - Risk analysis & mitigation strategies
- **Gateway Review of Business Case - mandatory for all projects > \$10 M (\$5 M for ICT)**
- **Listing in BP4**

13

ASSET FINANCING DECISION

- **Asset investment decision before financing decision – sound upfront services and asset planning essential**
- **Main sources of funds - taxes, user charges and borrowings**
- **Borrowings in General Government sector limited – used more commonly by PTEs & SOCs**
- **Privately financed infrastructure**

14

CURRENT & FUTURE DIRECTIONS

State Property Authority:

- **Key objective - to improve operational efficiencies in the use of agencies' properties**
- **Main functions - hold, manage, maintain, develop, acquire or dispose of property**
- **Administer Capital Charge**
- **Centralise management of certain property related rights**
- **Agencies remain responsible and accountable**

15

CURRENT & FUTURE DIRECTIONS (continued)

Key Infrastructure Funding Demand Drivers:

- **Population distribution**
- **Ageing and longevity**
- **Technological change**
- **Industry needs**
- **Cost pressures**
- **Renewal requirements**
- **Environmental issues (Global Warming)**

16

CURRENT & FUTURE DIRECTIONS (continued)

Key elements shaping future directions:

- **Whole-of-Government outcomes focus – managing change**
- **Affordability - integrated planning essential**
- **Iterative service & asset planning – greater integration**
- **Managing expectations - service standards and prioritisation**
- **Community engagement**
- **Assets are not Services**
- **Joint sector & multi-agency initiatives**
- **Service delivery and financing alternatives**

17

CURRENT & FUTURE DIRECTIONS (continued)

Support from Industry:

- **Focused needs analysis**
- **Robust, transparent planning**
- **Processes and Systems**
- **Training**

18