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**Total Asset Management (TAM) requirements
for updating the
NSW State Infrastructure Strategy (SIS)**

OFFICE OF FINANCIAL MANAGEMENT

Policy & Guidelines Paper

Preface

All The NSW Government has endorsed a new ten year capital planning process for developing the State Infrastructure Strategy (SIS), with Total Asset Management (TAM) submissions being the primary input.

NSW Treasury Circular NSW TC 08/06 advises agencies of the need to comply with Total Asset Management (TAM) and Procurement Policies, including the new reporting requirements outlined in this Policy and Guidelines Paper, to support the new SIS/TAM process.

This policy supersedes NSW Treasury Policy & Guidelines Paper Total Asset Management (TAM) Policy TPP 04-3 and applies from 1 June 2008.

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Note

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Executive summary

The NSW Government has endorsed a new budget process for developing the 10-year State Infrastructure Strategy (SIS), for which the primary input is agencies' Total Asset Management (TAM) data detailing planned infrastructure expenditure (capital and maintenance).

Under the new SIS/TAM process, budget dependant agencies must submit Proposed Total Asset Management (TAM) data, with supporting business cases and Gateway Review reports around October (i.e. at the start of the annual budget process), and Agreed TAM data towards the end of the budget process). Non budget-dependant agencies should submit 10-year TAM data when submitting capital data for budget papers.

Proposed TAM submissions support budget-dependent agencies' formal Budget capital proposals for projects intended to commence in the upcoming Budget year, as well as providing information on potential future infrastructure spending requirements over the rest of the SIS' 10-year planning period.

Nominated agencies should also include a supporting Asset Strategy with their TAM submissions, which should explain how the total proposed capital and maintenance program has been prioritised and integrates to support a cohesive service delivery strategy.

Through a new Infrastructure Review process, typically commencing in August, the Cabinet Standing Committee on the Budget (Budget Committee) will consider agencies' future infrastructure plans, with a particular focus on major and high-risk capital projects (supported by preliminary business cases and Strategic Gateway Review reports).

The results of the Infrastructure Review will feed into the annual budget process to provide a medium-term planning and fiscal context for considering final project funding approvals.

Through the Infrastructure Review and subsequent budget process, Budget Committee will determine indicative 10-year capital planning limits to guide the ongoing development of major agencies' infrastructure plans, and the SIS. Budget Committee will also determine which projects should be explicitly identified in the biennial SIS publication.

The objective of the new process is a more systematic, whole-of-government approach to physical asset planning, management and procurement, with emphasis on better up-front preparation and prioritisation.

This Paper provides an overview of the process for developing the SIS and outlines new, supporting TAM submission requirements.

Guidelines to assist agencies with their TAM planning are available on NSW Treasury's website (www.treasury.nsw.gov.au).

Total Asset Management (TAM) policy

Total Asset Management (TAM) Policy reflects the Government's objective of a strategic and systematic whole-of-government approach to physical asset and infrastructure planning and management, including procurement.

TAM Policy seeks to ensure that an agency's physical assets best support its business operations and service delivery within available resources, including funding.

TAM Policy requires agencies to undertake planning of their non-current physical assets as part of their corporate planning, develop and maintain updated asset plans, and provide copies of these to NSW Treasury as required.

Changes to TAM policy

TAM Policy applies to all government departments, statutory authorities, trusts and other government entities irrespective of funding.

This policy paper introduces the following changes to TAM policy, consistent with the SIS Budget process approved by Budget Committee in July 2007, and with an objective of streamlining submission requirements:

- All General Government agencies and Government businesses, including State Owned Corporations (SOCs), are required to submit TAM data in line with the processes and requirements described in this Policy paper.
- For budget-dependent agencies, Proposed TAM submissions constitute the agency's formal Budget capital proposal.
- Agencies are no longer required to submit to Treasury separate component TAM Plans for capital investment, maintenance, ICT¹, office accommodation and disposals². Once TAM submissions are received Treasury will seek further information as required.
- Only *Nominated* agencies are required to submit an Asset Strategy. Treasury will determine and periodically review which agencies are *Nominated*³.
- *Nominated* agencies are also required to report against specific maintenance measures in their TAM data submissions.
- TAM submissions should be supported by business cases and Gateway Review reports for individual project proposals, as required by Procurement Policy. Only SOCs not on the *Nominated* Agencies list are exempt from this requirement.
 - All General Government agencies and Government businesses, including *Nominated* SOCs, are now required to submit preliminary business cases and Strategic Gateway Reviews for major and high-risk projects planned for future years.
 - Updated project size/risk thresholds for the submission of preliminary and final business cases, and Strategic and Business Case Gateway Review reports, are given in NSWTC 08/07 and supersede prior thresholds, including those for ICT.

¹ ICT asset planning should be included within the *Asset Strategy* and consistent with the *NSW Government ICT Strategic Plan*. Separate ICT Strategic plan submissions are no longer required.

² Property asset planning and reporting included in TAM data and the *Asset Strategy* must be consistent with the requirements of Premiers Memorandum PM 2008-02 *State Property Authority and Government Property Principles*.

³ See Treasury's TAM web site for a list of *Nominated* agencies. Generally, these are agencies with large asset portfolios or capital programs.

State Infrastructure Strategy (SIS) process

The 10-year State Infrastructure Strategy (SIS) is to be updated annually, with a publication occurring every two years along with other budget papers (the next publication is due in June 2008).

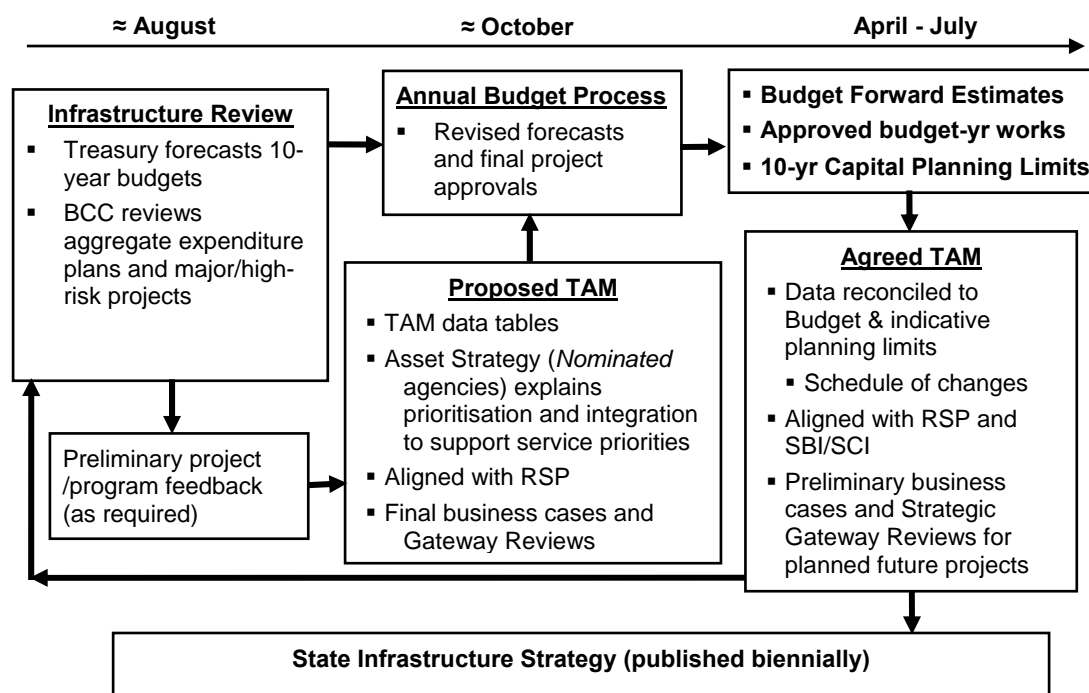
The primary input to this process is agencies' Total Asset Management (TAM) data detailing planned capital project and asset maintenance expenditure.

Figure 1 illustrates the new SIS/TAM process and related requirements for budget-dependant agencies and businesses.

Proposed TAM submissions, aligned with Proposed Results and Services Plans (RSPs, as applicable), should be provided with an agency's budget submission around October (with specific submission dates advised annually through the budget process).

For both budget-dependant and non budget-dependant agencies and Government businesses, *Agreed* budget year capital data is required by around April to support the production of budget papers, while complete 10-year *Agreed* TAM data (i.e. any updates to *Proposed* TAM data, including changes required in response to Budget Committee decisions) should be submitted by July (consistent with *Agreed* RSPs or Statement of Corporate/Business Intent (SCI/SBI), as applicable).

Figure 1: SIS/TAM Process (budget-dependent agencies)



Proposed TAM submissions

Proposed TAM submissions constitute budget-dependent agencies' formal Budget capital proposals for projects intended to commence in the upcoming Budget year (i.e. in year 1 of agencies' 10-year TAM plans), as well as providing information on potential future infrastructure spending requirements over the rest of the State Infrastructure Strategy 's 10-year planning period.

Proposed TAM submissions should comprise:

1. TAM data tables, including:
 - proposed 10-year capital and maintenance expenditure
 - detailed office accommodation and asset disposal data
 - maintenance measures (*Nominated* agencies only).
2. An *Asset Strategy* (from *Nominated* agencies/businesses only) – explaining how the overarching Asset Strategy supports services, and in particular, how the proposed capital projects and maintenance expenditure (as identified in TAM data tables) are prioritised and integrate to support a cohesive service delivery strategy.
3. Final business cases and Gateway Review reports (as required) to support the individual project proposals identified in the TAM data tables. Thresholds determining business case and Gateway Review requirements are given in Treasury Circular NSWTC 08/07.

Further guidance on TAM data and the Asset Strategy is given below. Once TAM submissions are received, Treasury will consult with and seek further information from agencies as required.

It should be noted that recurrent maintenance expenditure (non-capitalised) is sought in TAM submissions to demonstrate an appropriate balance is being proposed between asset expansion and maintenance of existing assets.

Proposed TAM recurrent maintenance expenditure should be consistent with any related recurrent budget funding proposal, but does not in itself constitute a recurrent budget funding request.

Project approval and capital planning limits

Through the budget process, Budget Committee will approve projects for funding and listing in budget papers, and determine *indicative* 10-year capital planning limits to guide the ongoing development of major agency infrastructure plans and the SIS.

Budget Committee will also determine which projects should be explicitly identified in the biennial SIS publication.

It should be noted that these planning limits are only a *guide* to total future budget funding levels, and the processes outlined in the NSW Procurement Policy have to be followed before individual projects can be considered for final funding approval.

Agreed TAM data and preliminary business cases

Once the budget process has determined funding levels and approved projects for the upcoming budget year, *Agreed TAM* data must be submitted, specifying approved projects plus a draft forward program reconciled with any forward planning limits that have been advised.

Agencies may need to adjust their proposed forward year program from that in *Proposed TAM* data in response to Budget Committee decisions on budget-year projects and future capital planning limits.

Agreed TAM data should be accompanied by a *Schedule of Changes* document to explain any significant changes from *Proposed TAM* data.

It should be noted that *Agreed TAM* data only represents agreement on those upcoming projects explicitly approved, with subsequent expenditure levels and project plans still being subject to final approval in future years.

By the end of the SIS budget process (i.e. by the time *Agreed TAM* data is submitted), all agencies and Government businesses (except those SOCs not on the *Nominated Agencies* list) should also have submitted to Treasury preliminary business cases and Strategic Gateway Review reports as required for those major and high-risk projects identified in TAM data tables to commence in future years.

Agencies are encouraged to submit these documents as they are developed rather than wait until the final deadline.

Thresholds determining business case and Gateway Review requirements are given in Treasury Circular NSWTC 08/07 *Revised Project Size /Risk Thresholds for the Submission of Business Cases and Gateway Reports*.

Infrastructure review

Through a new Infrastructure Review, occurring around August, Budget Committee will consider aggregate infrastructure expenditure plans (in *Agreed TAM* data) and fiscal limits over a ten year period, and will review as appropriate major and high-risk forward year projects (supported by preliminary business cases and Gateway Reviews).

Feedback may be provided to agencies on specific forward-year projects as appropriate.

The results of the Infrastructure Review will feed into the next annual budget process, to provide a medium-term planning and fiscal context for considering final project funding approvals.

TAM submission requirements

TAM data

TAM data will be required in relation to an agency's existing asset base and plans, and in particular, 10-year projections for the agency's capital investment, maintenance expenditure and asset disposals, as well as detailed data on office accommodation and disposal plans.

Templates/database systems and advice specifying the data required (and required level of detail) will be updated and provided annually by Treasury. Data must be provided in the format requested.

Those SOCs not on the *Nominated* Agencies list are only required to provide 10-year capital expenditure data, consistent with agreed Statements of Corporate Intent.

TAM data will need to address the following requirements:

- Proposals should clearly distinguish between works (capital or maintenance) that can be funded within existing funding limits, and those lower priority works for which additional funding is sought.
- Projects may be aggregated into programs as appropriate (in consultation with Treasury), where each program is a collection of highly inter-related projects. Estimated expenditure requirements should be provided for rolling programs of works, within which specific future individual projects may not yet have been fully identified.
- Proposed works relevant to Department of Planning regional or sub-regional strategies (including the Growth Centres) should be identified.
- Proposed capital works should include and identify any capitalised expenditure for which the purpose is primarily maintenance/replacement of an existing asset (maintaining broadly similar asset functionality and capacity).
- *Nominated* agencies should report against agreed measures of maintenance efficiency and effectiveness (as required by the State Plan - Priority P2), including justified targets/benchmarks and historic and projected performance. Maintenance measures will cover the following areas:
 - The condition of the asset base and its ability to support priority service levels
 - The effectiveness of maintenance practices in terms of the extent to which they consistently deliver the intended asset condition
 - The efficiency of maintenance activities (e.g. as measured against unit-cost benchmarks).

Asset strategy

The Asset Strategy should focus on the interrelationship, alignment and prioritisation of assets to support the delivery of agency services. It should:

- Provide a brief summary of the existing asset base (covering all asset classes) and how it supports agency services
- Identify any significant asset gaps (capacity or functionality/maintenance related) and related service risks, over both short and long term, taking into account key drivers such as changes to population (ageing/demographic) and land-use, legal requirements/policies, technology and community expectations.
 - Explain how proposed expenditure will address these gaps, or why any gaps not addressed by the proposed asset program are considered low priority
 - Assess the risk to service delivery/asset performance if proposed projects are not funded
- Outline inter-relationships between proposed projects or programs (highlighting projects or disposals involving multiple agencies), and how these support a cohesive, integrated asset and service strategy
- Explain how the proposed capital projects and maintenance expenditure (as identified in TAM data tables) are prioritised within projected funding limits, with reference to priority service levels (as identified in the agency's Results and Services Plan (RSP) or Statement of Corporate or Business Intent (SCI/SBI)).
 - The explanation should cover all aspects of priority setting, including the use of economic and financial appraisals (and risk assessments), optimised life-cycle asset maintenance plans, and the governance and decision-making frameworks in which these are applied.
 - Explain how asset expansion is prioritised against maintenance of existing assets (as well as prioritisation between new capital works options)
 - Reference any consultation with local government (as required by the State Plan - Priority P2)
- Provide brief descriptions of the nature, costs and benefits of any planned projects or ongoing programs for which no business case has yet been submitted to Treasury. The Asset Strategy need not include information already submitted in business cases.
- Provide measures of asset utilisation or non functionality (current and projected) that support asset disposals identified in the TAM data tables
- Include and report on progress against any TAM or project-specific planning actions agreed through negotiation with Treasury.

The length of the Asset Strategy document should depend on the size and nature of an agency's asset base and plans, and should be discussed with Treasury at an early stage.

Once TAM submissions are received, Treasury will consult with and seek further information from agencies as required.

Also, as appropriate (and in consultation with Treasury), agencies should update their Asset Strategy each year to reflect significant changes in proposed asset/infrastructure expenditure, and attach an explanation of changes.

Proposed TAM submission sign-off

Relevant agencies should submit TAM information, together with their other Budget proposal documentation, through the normal Budget process.

Ministers and CEOs are required to sign their agencies' TAM proposals (including a printed version of electronically submitted TAM data) before submission to NSW Treasury.

Sign-offs should explicitly acknowledge that the TAM submission represents the agency's asset related Budget proposal for that year. Where applicable, the asset plans/information of Government businesses should be signed off by the governing Board or Portfolio Minister as applicable.^{4,5}

Further information

SIS and TAM policy and guideline documents are accessible at NSW Treasury's website: www.treasury.nsw.gov.au.

Treasury contacts

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Associated instruments

- Premier's Memorandum PM2008-02, *State Property Authority and Government Property Principles*.
- Premier's Memorandum PM2005-09, *Major Infrastructure Coordination and delivery*.
- NSW Treasury Circular NSWTC 04/07, *Procurement Policy Reform*.
- NSW Treasury Circular NSWTC 06/23, *Information and Communications Technology (ICT) Capital Investment Process*
- NSW Treasury Policy and Guidelines Paper TPP 06-10 *Information and Communication Technology (ICT) Capital Investment Process*
- NSW Treasury Circular NSWTC 08/06 *Total Asset Management (TAM) Requirements for Updating the State Infrastructure Strategy*
- NSW Treasury Circular NSWTC 08/07 *Revised Project Size /Risk Thresholds for the Submission of Business Cases and Gateway Reports*
- Total Asset Management (TAM) guidelines - *TAM Manual*, available at Treasury's website – www.treasury.nsw.gov.au

⁴ For definition of "Government business" and also for physical asset reporting requirements see *Commercial Policy Framework – Reporting and Monitoring Policy for Government Businesses*, TPP 05-2, November 2005.

⁵ Government businesses will continue to comply with existing requirements under the *Guidelines for Assessments of Projects of State Significance (TPP02-4)* and also with business case and Gateway Review requirements for Budget funded procurements.