



New South Wales
TREASURY

TOTAL ASSET MANAGEMENT GUIDELINE

Asset Strategic Planning

TAM06-1 June 2006

Asset Strategic Planning

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This document supersedes the previous 2004 version TAM04-1.
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1. Asset Strategic planning

1.1 Introduction

This *Asset Strategic Planning* guideline has been prepared to assist General Government and other agencies to develop Asset Strategies. These plans support government policy on Total Asset Management and focus the management of assets on service delivery.

This Guideline reflects the current budget process and government's expectation that assets exist to support delivery of the services set out in agencies' Results and Services Plans. This document supersedes the previous 2004 version.

The main changes covered in the new Guideline are:

- All Budget-funded General Government agencies will submit, to the NSW Treasury, information on their asset management as an Asset Strategy, supported by three detailed plans on capital investment, asset maintenance and asset disposal
- Office Accommodation Strategies, formerly required as a separate plan, should now be included into an agency's asset Strategy with office accommodation works contained in its Capital Investment, Asset Maintenance and Asset Disposal strategies. Office Accommodation will continue to be assessed as usual and agencies are required to report specific information on these assets.
- The planning of Information Management and Technology (IM&T), also known as Information, Communication and Technology (ICT) assets, should also be included in an agency's Asset Strategy. (Separate IM&T Strategies are still required by the Government Chief Information Office. The IM&T Strategy should be considered in the Asset Strategy and a copy attached to the electronic copy of the agency's TAM Plans sent to Treasury.)
- Key changes in terminology, in particular that 'results' and 'services' will replace 'outcomes' and 'outputs';
- The Asset Strategy has to demonstrate how assets support achievement of results and services presented in the agency Results and Services Plan, address risk associated with asset performance and develop performance measures to demonstrate effectiveness and efficiency.

NSW Treasury will provide assistance to agencies to support this Guide. For more information and specific assistance developing your Asset Strategy plan, contact your Treasury analyst.

1.2 An Asset Strategy

The Total Asset Management (TAM) planning requires agencies to align their asset planning and management with service delivery priorities and strategies, so that all assets support services in the most appropriate, effective and efficient way. This includes, demand management, whole of life asset management and cross-agency coordination in service planning and delivery.

TAM Policy requires agencies to develop an Asset Strategy plan that supports the delivery of services identified in their Results and Services Plan (RSP) or Statement of Business Intent (SBI) and detailed in their Corporate Plan. The Asset Strategy should cover all physical assets owned or controlled by the agency. Physical assets are items such as land, buildings, information technology, infrastructure, equipment or fleet, owned or controlled by an agency as a result of past transactions or events, providing future economic benefits and having a definite business function or supporting the delivery of services.

The Asset Strategy enables agencies to:

- establish the asset portfolio that most appropriately, effectively and efficiently meets their service delivery requirements within available resource limits;
- develop strategies to **manage risk** and therefore minimise the chance of an unexpected event adversely affecting asset performance and required level of support to service delivery; and
- develop **asset performance measures** to demonstrate how effectively the asset portfolio supports the agency's services, and that assets are managed efficiently.

The Asset Strategy provides a basis for more detailed strategic plans on:

- Capital Investment;
- Asset Maintenance;
- Asset Disposal;

Office accommodation and Information and Communication Technology (ICT) should be considered in the Asset Strategy and in the above plans. See the TAM Guidelines on Office Accommodation and ICT for the specific reporting required for these assets.

2 Role of the Results and Services Plan (RSP) and Corporate Plan in developing an Asset Strategy

Agency strategic plans should reflect government's strategic agendas and priorities. These are communicated in various ways including through the NSW State Plan, current and emerging policy and legislation, Budget statements and Cabinet decisions.

The NSW State Plan clearly sets out the State Government's key priorities over the next 10 years. It provides a clear guide for ongoing planning, co-operation and action within and across Government agencies and drives the right action across government. All Government agencies must assess their programs and activities to determine how they can contribute to the achievement of government's priorities. The State Plan can be found at www.nsw.gov.au/stateplan/index.aspx

The NSW Premier's Department has developed the Strategic Management Framework, a web based resource designed to assist government agencies better plan services for the community within the available resources. The site is accessible from Premier's Department web site at www.premiers.nsw.gov.au

To develop an Asset Strategy that best supports agency service delivery it is essential to place Asset Strategic planning in the context of Corporate Planning and Result and Services Planning. For those agencies providing Statement of Business Intent, these would provide similar context.

2.1 Role of the RSP

The RSP is a high level business plan that helps agency demonstrates the relationship between the services that it delivers and the results that it is working towards.

When funding, policy or service delivery issues arise, the RSP allows an agency and NSW Treasury to discuss the merits of the issues in terms of how they impact on an agency business plan.

The RSP will help an agency to communicate what it plans do and achieve within the current Budget allocation. The RSP will provide information on:

- What services an agency provides;
- What results an agency is trying to achieve for the community;
- Result Indicators and Service Measures;
- Emerging and strategic issues that may impact on service delivery or results;
- Major risks which may prevent a service from being delivered as planned;
- Risk management strategies;
- Major strategies or initiatives necessary to ensure organisational capability to deliver services and achieve results;
- How strategic issues will be managed; and
- How performance will be reported.

The RSP is a results-focussed plan that aims to improve resource allocation and management. The RSP links the agency's desired results with services provided to achieve them, within existing funding levels. By providing information on the efficiency and effectiveness of service delivery and how they address government objectives, the RSP provides a platform for the development of a successful Asset Strategy.

NSW Treasury's Policy and Guidelines Paper: What You Do and Why – An Agency Guide to Defining Results and Services for the 2004-05 Budget (TPP 03-05) sets out the steps for developing an RSP (www.treasury.nsw.gov.au).

2.2 Role of Corporate Planning

Corporate Planning identifies the specific programs and provides details on services that an agency intends to deliver during a financial year and the means by which these will be delivered. Within the context of the agency's longer term (i.e. strategic) plan, it builds on the performance review of the preceding year and anticipates and works toward the services and results identified in the RSP.

An agency's Corporate Plan should include service delivery planning, back office planning and financial and asset planning components. Corporate Plans should also identify the systematic approach through which the agency intends measuring and managing its performance against its desired results and managing resource related risks.

Factors to be considered include:

- Feedback from agency clients, client satisfaction and developments in client service delivery requirements;
- Risks to agency operations;
- Changes in the regulatory or legislative environment;
- Agency performance against deliverables and/or processes outlined in RSPs, previous year's Corporate Plan, and Strategic Plan, and anticipated performance for current and future years;
- Resource availability eg funding, workforce planning, assets, (ICT) capability etc;
- Demand management strategies for agency services; and
- Opportunities to work with and leverage off activities of other agencies e.g. sector clusters and shared services arrangements.

2.3 Alignment between the RSP, Corporate Plan and Asset Strategy

Diagram 1, *Alignment of Corporate Plan, Results and Services Plan and Asset Strategy* shows how asset strategic planning aligns with both the RSP and Corporate planning processes. It presents the steps involved in developing an Asset Strategy and how the information from the RSP and Corporate Plan needs to be used to develop an Asset Strategy.

To develop an Asset Strategy which best addresses the service requirements and needs of stakeholders, an agency must use selected asset related information from the RSP and Corporate Plan.

From the RSP an agency should:

- Select those results, intermediate results and associated services which will be dependent on the agency's assets working well.
- Identify asset-related risks which may prevent the achievement of services and results
- Identify those services and service measures which will depend on agency's assets working well.

A well-defined and comprehensive RSP should provide an outline of the results and services from which those that are dependent on the agency's assets can be identified. This provides the platform for the development of an asset portfolio aimed at effectively supporting service needs.

In the development of an Asset Strategy the RSP provides the description of the result indicators and service measures that are used to monitor performance. The RSP should outline the efficiency and effectiveness with which services are to be delivered and how they address government priorities, with the ultimate goal of improving resource allocation and management. The performance measures documented in the RSP should be used to develop supporting asset measures that quantify both the effectiveness and efficiency of the agency's asset management practices.

The Corporate Plan should provide detailed information through answers to the following questions:

- What is the agency's ultimate goal or vision for the community?
- What contribution will the agency make to realising that vision?
- What is the agency operating context? (eg. financial, socioeconomic, political, legislative)
- Where does the agency need to focus its energies and make a difference over the next year and following three years? (ie. Key Result Areas)
- What does the agency want to achieve in each of those areas over the next 12 months and the following three years? (ie. Intended Outcomes)
- What likely impediments are there to achieving those intended outcomes? (ie. risk analysis)
- What should the agency do to achieve what it wants to achieve and to address those risks? (ie. Strategies)
- How will the agency decide how successful it has been? (performance indicators, targets, benchmarks)
- What will it cost to implement each of the strategies?

Diagram 1: Alignment of Corporate Plan, Results and Services Plan and Asset Strategy



In what areas does your agency need to make a difference over the next three years? KEY RESULT AREAS	STEP 1 Identify Results	STEP A Select those Results which will be dependent on the agency's assets working well
In each of these areas what specifically do you want to achieve? RESULTS	STEP 2 Nominate Intermediate Results	STEP B Select those Intermediate Results which will be dependent on the agency's assets working well
What impediments are there to your intended results that you can do anything about? RISK ANALYSIS		
What will you do to achieve the outcomes and manage the risks? STRATEGIES	STEP 3 Describe the strategies to achieve the Results	
What service, to whom, when, where, to what standard, to what capacity SERVICE NEEDS	STEP 4 Identify & Group Services	STEP C Identify those Services which will be dependent on the agency's assets working well
	STEP 5 Identify: Risks & Risk Management Strategies	STEP D Identify asset-related risk which may prevent the achievement of Services & Results
How will you judge how successful you have been? PERFORMANCE INDICATORS	STEP 6 Identify • Services Measures • Result Indicators	STEP E Develop Asset Portfolio to support Services
		STEP F Identify the level of performance required by the assets to achieve the planned service performance level, results and to address risks
		STEP G Identify any existing asset performance standards relevant to the asset types held by the agency
		STEP H Develop performance measures to report on how well the assets meet • the standard necessary to support service and to address risks • the existing standards for the asset types
		STEP I Identify benchmarks and compare performance to them

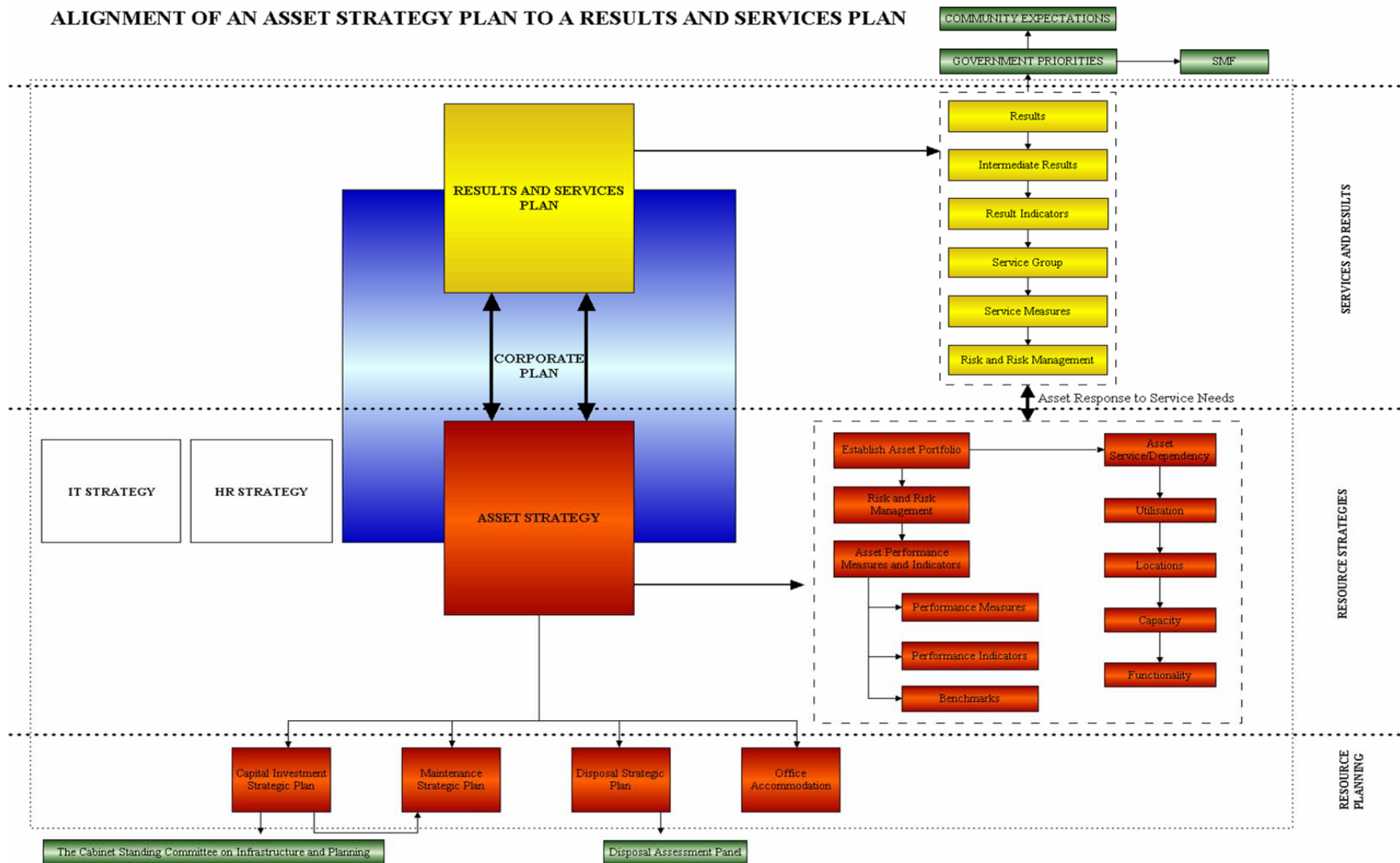
2.4 Role of Asset Strategy in agency strategic planning process

Diagram 2 *Strategic Planning Process* illustrates the role of an Asset Strategy in agency strategic planning and its relationship with the RSP and Corporate Plan. It shows the key elements of an Asset Strategy and its relationship with supporting capital investment, maintenance, disposal and office accommodation plans.

The RSP provides context for resource/asset planning. As the RSP is a high level plan it needs to be supported by the comprehensive Corporate Plan. The Corporate Plan plays an important role in developing the relationship between the RSP and the Asset Strategy. It details how an agency plans to deliver its services and provides asset related information about service requirements such as location, capacity, functionality, condition, the required service levels and service performance. This information is necessary for an agency to develop an asset response, to the RSP in its Asset Strategy.

Diagram 2: Strategic Planning Process

ALIGNMENT OF AN ASSET STRATEGY PLAN TO A RESULTS AND SERVICES PLAN



3. Developing and Implementing an Asset Strategy

3.1 The Asset Strategy

The Asset Strategy is the top-level plan in the TAM process. This plan outlines and guides the agency's asset response to its service requirements, through the development of an asset portfolio, risk management strategies and asset performance measures. The strategy identifies any needs or 'gaps' to support services and addresses those through planned capital investment, disposal or maintenance including replacement and/or upgrading. In doing so, the Asset Strategy:

- demonstrates how the agency's asset portfolio supports its service delivery;
- develops an asset portfolio to support service delivery;
- sets priorities for the assets to be managed;
- develops gap analysis between the existing and required assets;
- identifies asset-related risks which affect delivered services;
- identifies asset performance levels required to achieve service performance established in the RSP;
- addresses risk and compliance with mandatory requirements such as Occupational Health and Safety or asset standards; and
- defines the relationships between the RSP, the Corporate Plan; and
- provides information for Capital Investment, Asset Maintenance, Asset Disposal and Office Accommodation Strategies.

The Asset Strategy is prepared for a minimum four-year time frame and is reviewed and updated annually. This ensures that:

- sufficient time is allowed for the planning and implementation of changes to service requirements;
- government assets are utilised to their full potential; and
- ongoing evaluation of asset performance is undertaken against current and future market trends to achieve the best long term financial performance.

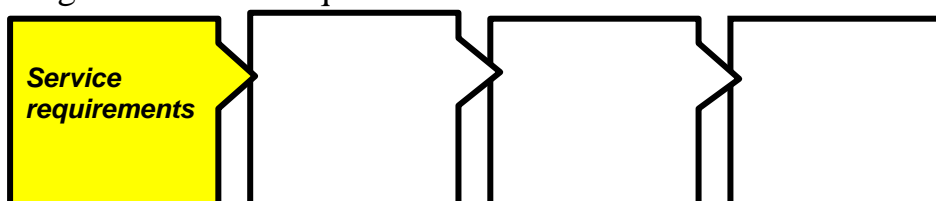
3.2 Developing an Asset Strategy

The following diagram shows the four main processes involved in developing an Asset Strategy.

Figure 1: Developing an Asset Strategy



Stage 1 Service requirements

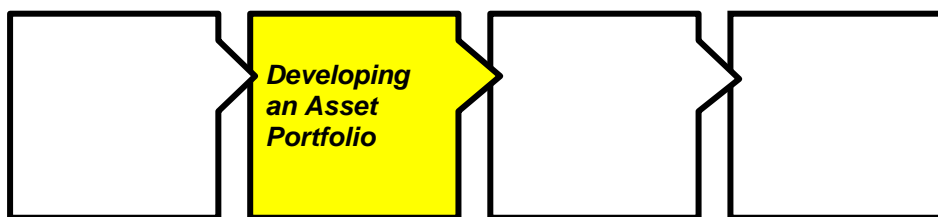


Service delivery information contained in the RSP and corporate planning documents provides necessary service details about which services are to be delivered and how, to develop an Asset Strategy that best meets an agency's needs.

The information that the RSP presents about services may not provide sufficient details to develop an Asset Strategy that is focussed on supporting service delivery requirements. In addition to the information presented in the RSP, the following questions should be answered to ensure that the Asset Strategy is developed in response to more specific service needs:

- What services does the agency plan to deliver?
- To whom are the services to be delivered and what are the stakeholders' expectations?
- When are the services required to be delivered?
- Where are the services to be delivered; and
- To what level/standard are services to be delivered?

Stage 2 Developing an asset portfolio



The asset portfolio developed by the agency should represent the asset response to its service requirements. It is derived from analysing the services and results documented in the RSP, the Corporate Plan and other agency corporate planning documents.

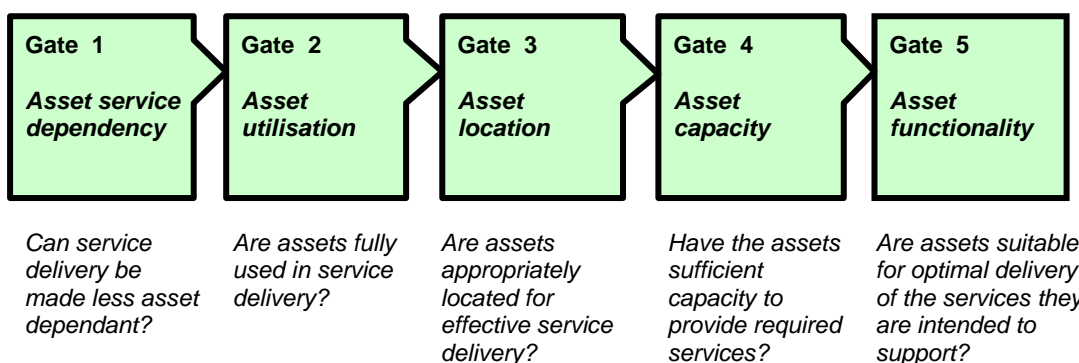
Defining an appropriate asset portfolio is essential to the overall development of an Asset Strategy but is not the only requirement of agencies in the TAM process. Concentrating on developing an asset portfolio may leave the organisation vulnerable to overly focussing on its asset decisions, when effective and efficient service delivery should be the aim. The process of developing an asset portfolio should be undertaken in the context of overall resource management and service delivery

To determine the effectiveness and efficiency of assets in supporting the delivery of specified services, an Asset Portfolio should be segmented into the largest groupings that allow worthwhile analysis. Assets could be grouped by the services they support or by specific asset characteristic (i.e., asset type, asset location, age heritage listing or risk profile).

Segmentation may change at different stages of the planning process. Typical asset groupings are similar to the service delivery characteristics (i.e., utilisation, location, capacity, functionality).

Changes to an asset portfolio can become necessary either due to alterations required in the form of the assets (utilisation, location, capacity or functionality) or as a result of modifications to service delivery requirements or budget allocations.

Stage 2.1 The process of developing an asset portfolio



Matching asset performance to service needs involves an analysis of five fundamental service delivery characteristics of an asset portfolio, as shown in Figure 2.

The process considers each characteristic as a ‘gate’ through which assets are analysed. An asset segment satisfies a service characteristic when it passes successfully through the corresponding gate. If the segment fails a gate, its inability to meet the corresponding service needs must be analysed and action proposed to correct the problem.

If all asset segments comply with the service requirements imposed at each of the gates, then assets should be maintained to continue supporting the services specified in the RSP. This condition will continue for as long as the service and asset environment remains unchanged.

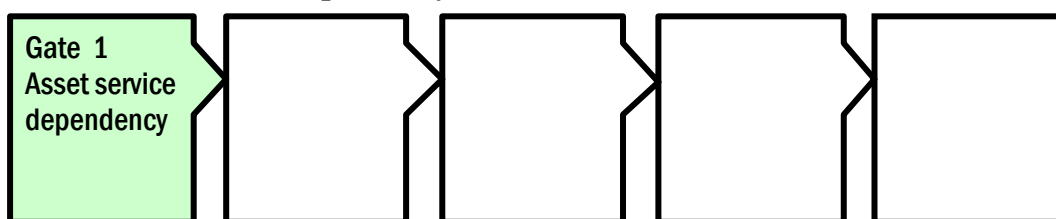
If the asset segments do not comply with service requirements imposed at each of the gates, then services need to be examined to determine whether they can be more cost effectively provided by:

- adjustments to the asset portfolio; and/or
- changing the way in which services are delivered to make better use of the assets already available.

In the assessment process Economic Appraisal and Value Management studies can be used to:

- clearly define services related to an asset or a group of assets; and
- help assess options at each of the gates.

Gate1 Asset service dependency



Agencies are encouraged to make their services less asset-dependent. Opportunities for reducing asset-dependency may exist through:

- utilisation of non-asset or less asset-intensive solutions;
- cross-agency asset sharing; and/or
- cross-agency service offsetting.

Examples of cross-agency asset sharing strategies include the joint use of:

- ICT systems;
- administrative functions; and
- accommodation spaces, such as conference and educational facilities.

Cross-agency service offsetting involves reducing an agency’s need for assets by enhancing services provided by another agency. Examples of offsetting would include:

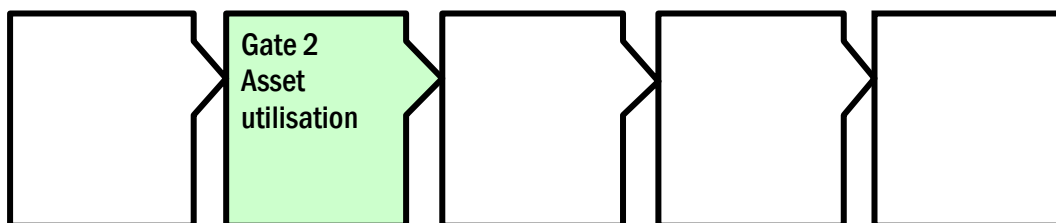
- increasing the effectiveness of public transport in order to reduce reliance on road assets; and
- improving school education and counselling services to reduce demands on health, policing and judicial services.

Opportunities for providing services with the use of resources other than physical assets will depend on the relationship between assets and the services they support. The scope for reducing asset dependency may be limited in situations where the asset *is essentially the service* (as, for example, in the case of national parks).

Before implementation, any options for reducing asset-dependency should be assessed with respect to:

- total and relative economic advantages compared with other options;
- demand for other resources;
- the need for inter-agency agreements; and
- the impacts on services.

Gate 2 Asset utilisation



The value of assets to agencies lies in how effectively they support delivered services. Ideally assets should be fully utilised in delivering services. Assets often have redundant spare capacity deliberately built-in for predictable future growth in service demand. Surplus capacity can also result from reduced demand for services. Examples of this include:

- less invasive medical procedures and more effective use of drugs reducing hospital stays
- electronic lodgement of legal documents or on-line application for government controlled licences reducing counter services.

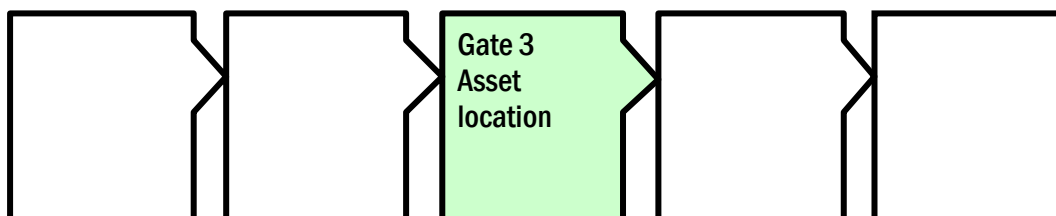
However, surplus capacity may also signal that an asset portfolio is not being utilised efficiently and is operating at greater than necessary cost.

Where unplanned surplus asset capacity is identified, agencies should consider:

- utilising surplus asset capacity to improve or enhance service delivery, provided this can be achieved in an efficient manner;
- allocating surplus capacity to other agencies via cross-agency asset sharing arrangements where possible; and
- disposing the surplus asset capacity following analysis of future demand.

It will not always be possible or desirable to utilise or dispose of surplus asset capacity. An agency may elect to continue supporting surplus assets but to review the situation regularly for future opportunities.

Gate 3 Asset location

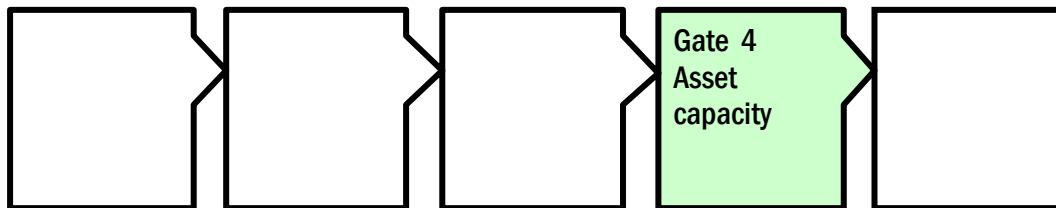


The impact of asset location varies with the type of services provided by the agency. Those involving personal contact or emergency response are obviously more sensitive than administration or information services. At this gate a thorough understanding of an agency service delivery needs in the future, developments in technology and its applications and predicted demographic shifts are essential.

Changing demographics have an impact on the demand for services and location of assets. Where relocation of assets is too expensive, some compensatory services could be considered. Such services may provide a cost-effective way of meeting service delivery requirements without the need to relocate or expand expensive infrastructure. Continuing developments in information technology can potentially reduce sensitivity to location by allowing more service interface to occur at remote locations electronically.

Due to economic or other constraints (such as environmental considerations), it will not always be possible to satisfy the asset location requirements either by relocation or by providing compensatory service. The assessment should be reviewed periodically for new opportunities that may arise.

Gate 4 Asset capacity



Asset or system capacity is concerned with asset numbers, space or volume, or the rate of information flow and incorporates factors such as comfort, security, speed, power, specific safety requirements, etc.

The estimated level of demand for services, as defined in the RSP and Corporate Plan, will determine required asset capacity.

The timing of peaks and troughs in the demand for services will also affect asset capacity requirements.

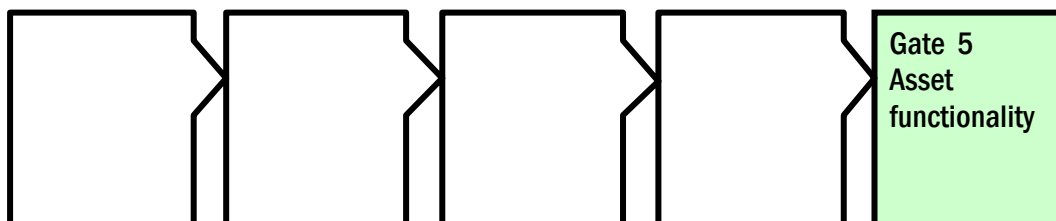
As with every gate of the process, asset capacity requirements can be met either by adjusting the asset portfolio or by changing service delivery, to make better use of the assets already available or make service delivery less asset-dependant.

A school that has insufficient science room capacity can extend the science block. It could also consider the alternative options of:

- providing some classes outside normal school core time and accepting additional staff or transport costs; and
- packaging some science experiments into purpose-built trolleys and carrying out science classes in the gymnasium or language laboratory (with appropriate safety measures being put in place)

Both alternatives could be more cost-effective than extending the existing laboratory accommodation, particularly if the increased demand for science facilities at a school was predicted to be of short duration.

Gate 5 Asset functionality



Asset functionality concerns the degree to which the asset is suitable for the *delivery* of the service it is intended to support.

For example, while older buildings may meet their intended capacity, location, and utilisation service delivery requirements, their heating, cooling, insulation, lighting, and ventilation functions may not satisfy currently accepted service delivery standards regarding comfort.

Asset functionality can change over time due to:

- Changes in service delivery requirements eg. higher comfort levels; or
- The development of more efficient methods of delivering services eg. Service delivery requiring fewer resources such as numbers of staff, or energy, etc, or requiring greater asset resources such as medical imaging equipment or communications hubs.

Care needs to be taken in assessing solutions to improve asset functionality. While replacement with newer assets may be required in some cases, many asset functionality problems can be overcome by:

- retrofitting, refurbishment or upgrading of existing assets; and/or
- changing service delivery methods using other resources such as ICT or Human Resources

Economic Appraisals and Value Management Studies can assist agencies assess alternative solutions to asset functionality problems.

Stage 3 Risk and risk management



Identify asset-related risks which may affect delivery of services and achievement of results

A risk is the chance of something happening that will have an impact upon results. Risk management is the culture, processes and structures that are directed towards effective management of potential opportunities and adverse effects. The management of risk is beneficial because it contributes to more economic service delivery, opportunities to reduce uncertainty and costs, and more effective contingency planning.

Asset-related risks may include those that directly affect the assets during their useful life or which have an impact on the level of demand for services. When assessing asset-related risk to delivery of services agencies should adopt a whole of life approach as the risk exposure varies during the asset life-cycle. Asset management requires identifying, analysing and evaluating risks associated with the acquisition, operation, maintenance and disposal of assets. Potential asset-related risks are numerous and may include:

Risk directly affecting assets during their useful life, such as:

- Inadequate maintenance;
- Capability;
- Equipment breakdowns; and
- Industrial action;

Risks which have an impact on the level of demand for service, such as:

- Community expectations;
- Technological change;
- Demand trends;
- Population growth; and
- Environmental events.

Prioritising for risk management

Prioritisation requires identifying the agency's most important services, which consequently determines the relative importance of the assets that support those services. When multiple assets are required for delivering a service, these assets can be analysed and ranked according to their importance. Agencies can more effectively plan their risk management strategies, and take more stringent measures for high priority services and assets, compared to less important areas.

Prioritising to improve support for services

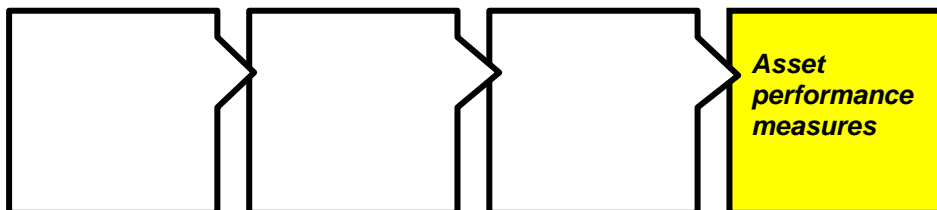
Prioritisation can also play a decision-support role in the development of an effective Asset Strategy Plan. By objectively analysing the service strategies and asset portfolio, the agency can identify areas where assets are not being used optimally. All classes of assets should be considered and planned in unison. Decisions relating to one class can have impacts on another. Changes to office accommodation may affect ICT requirements. Changes to service delivery methods may affect accommodation requirements, ICT and fleet as well as affecting the priorities given to each.

The effects of prioritising

An agency's asset play different role in supporting its services. The operational role and criticality of assets to support service will determine their relative importance and management priorities. The effect of prioritising service needs and linked asset support will have implication for resource allocation and management strategies. For example, a building whose physical appearance is intrinsic to its ability to deliver services, such as an art gallery, should have higher-priority maintenance plans for internal maintenance than a storage warehouse. This information would be included in the Asset Maintenance Plan along with other relevant strategies.

Further information on risk management is included in the TAM - Risk Management Guideline.

Stage 4 Asset performance measures



Asset performance measures are essential to the development and implementation of an Asset Strategy as they provide a gauge of how well the management of assets is supporting services. There are two groups of asset performance measures that must be identified and applied in the Asset Strategy. They are equally important and focus on two distinct aspects of asset management.

Effectiveness measures

- demonstrate how well the asset portfolio supports agency services;
- demonstrate the extent to which an asset's performance supports the delivery of services.

Efficiency Measures

- demonstrate how well assets are managed; and
- what is the cost to operate assets.

Effectiveness measures show how the cost of assets affects the cost of services. They demonstrate whether value-for-money service delivery is being achieved. They may also show whether the assets are being managed within the budgetary and industry standards for similar assets. Effectiveness performance measures provide the most objective method of determining how successfully assets have been used in supporting services. It helps to identify asset-related risks and establish service focussed priorities.

The inclusion of a comprehensive set of qualitative and quantitative measures demonstrates the agency's knowledge of its asset portfolio and that it understands its greater role in maximising the use of available resources.

See Appendix B for examples of asset performance measures.

4. Applying the Asset Strategy

Over time, all agencies will experience degrees of mismatch between their service strategy and the assets within their portfolio, either because of changing service requirements or because of asset deterioration.

However, this should be seen as the exception and not the norm. The Asset Strategy should develop a culture in agencies that contemplates changes to their asset portfolio only when optimum service delivery is seriously threatened. Otherwise, only maintenance action should be expected.

The great majority of asset segments will pass most of the gates, with asset maintenance as the main strategic action required to meet service delivery. Capital investment and asset disposal strategic actions are only required when the assets in their present form fail some gates.

A failure to pass every gate may require a different outcome for the asset segment than a failure to pass only one gate. Misfits between asset performance and service needs may also require an agency to re-examine its services for alternatives, which minimise the dependency on assets.

Application of the framework requires a detailed knowledge of the agency's complete asset portfolio as well as a thorough understanding of the information contained in the RSP and the Corporate Plan. The development of an Asset Strategy will require the cooperation of several specialist groups within an agency: finance, corporate and service planners, and those with a detailed knowledge of each part of the asset portfolio.

5. Reporting the Asset Strategy

Agencies are required to develop an Asset Strategy and detailed asset management plans (Capital Investment, Asset Maintenance and Asset Disposal Strategies) in support of their annual Budget submissions. The plans are collected and assessed by NSW Treasury. Criteria for assessing Asset Strategies are included in Appendix A of this guideline.

The Asset Strategy should include the following information:

1. Service objectives as formulated in the RSP including:
 - Results to be achieved with performance indicators and benchmarks
 - Services to be delivered with performance measures and benchmarks
2. Description of an agency's total asset portfolio with details of segmentation used for development of Asset Strategy.
3. Links between the asset portfolios and services they support
 - Group assets that support the same service/service groups
 - Show the logic behind the reasons why those assets are required for effective and efficient service delivery; the rationale (research studies, empirical evidence, experience through practice)
4. Results of analysis of matching asset performance with service needs:
 - Asset-service dependency
 - Asset utilisation
 - Asset location
 - Asset capacity
 - Asset functionality
 - Support to delivery of services and benefits to the agency and/or government from these proposed asset actions
 - Analysis of asset performance required to deliver the required services over the duration of the asset strategy-planning period
 - Evaluation of risk and risk management strategies
 - Analysis of opportunities for joint asset or service delivery between agencies
 - Performance measures to demonstrate that assets have been effective and efficient at supporting services. Their achievement, or failure, will demonstrate how well the agency planned the assets support to services
5. The asset actions proposed in response:
 - Capital investment strategy
 - Asset maintenance strategy
 - Asset disposal strategy
 - The cross impact each of these proposals has on the others

5.1 TAM supporting plans

The Asset Strategy aims to determine the best asset-action for successful service delivery. It requires detailed supporting plans to elaborate the investment, maintenance and disposal decisions that the agency will take.

Capital Investment Strategy

A Capital Investment Strategic Plan aims to provide efficient and effective planning of capital resources by ensuring that there are clear and detailed links between assets and the services and results they support. It applies where the Asset Strategy indicates the need for investment in new assets or significant improvement or upgrading of existing assets. Further information may be found in the document NSW Treasury's *TAM – Capital Investment Strategic Planning*.

Asset Maintenance Strategy

The Asset Maintenance Strategic Plan aims to proactively manage the risk of the assets becoming unable to support service delivery strategies. The outcome is a more productive and reliable asset portfolio within the constraints of available resources. Maintenance planning involves an analysis of maintenance needs against agency service delivery objectives and government priorities. Information on developing an Asset Maintenance Strategy is contained in the document *TAM – Asset Maintenance Strategic Planning* developed by NSW Treasury.

Asset Disposal Strategy

An Asset Disposal Strategic Plan involves a detailed assessment of those assets that the Asset Strategy indicates are no longer effectively meeting their service delivery requirements at the lowest long-term cost to Government. This assists agencies to identify those redundant assets for disposal that might otherwise inhibit efficient and effective service delivery.

Asset Disposal planning involves two distinct elements:

- The detailed assessment of assets identified as surplus by the Asset Strategy; and
- An analysis of the physical disposal of the assets.

Additional information concerning the development of this plan may be found in the *TAM – Asset Disposal Strategic Planning* document.

Office Accommodation Strategy

An agency's office accommodation assets should be addressed separately in an agency's Office Accommodation Strategy, one of its TAM Plans. **Office accommodation along with all other assets should also be included in an agency's Asset Strategy, Capital Investment, Asset Maintenance and Asset Disposal Strategies.** This encourages closer, integrated planning of all asset types.

For agencies requiring further information, NSW Treasury's *TAM – Office Accommodation Strategic Planning* document should be consulted.

The TAM Template

TAM policy requires agencies to prepare their TAM strategies but it does not prescribe the form or level of detail required in such strategies. This has led to plans becoming narratives of agencies' operations and asset requirements, sometimes at the expense of substance and detail. It is difficult to assess such strategies and it is difficult for those developing them to know whether they are adequate.

A template to guide agencies has now been prepared to:

- provide agencies with a disciplined structure upon which to develop their Asset Strategies and their integrated Capital Investment, Asset Maintenance and Asset Disposal Strategic Plans
- set out the level of detail required in budget sector agencies' presentation of their asset strategies to NSW Treasury
- set out the level of detail to be provided by self funding agencies seeking NSW Treasury agreement to undertake major capital investments

The TAM template is part of the TAM Manual.

Appendix A Assessment criteria for Asset Strategy plan

Asset Strategy plan and supporting maintenance, disposal, capital investment and office accommodation strategic plans are reviewed by the NSW Treasury to determine compliance with the TAM Policy and the extent to which agencies funding bids are supported by strategic asset planning.

For assessment purposes three levels of agency implementation of TAM policy have been established.

Project Focus

Where management of assets is focussed on individual projects.

Asset Focus

Where management of assets is focussed on asset performance over time or in comparison with other similar assets.

Service Focus

Where management of assets is focussed on how well assets support agency services.

Agencies' asset strategies are assessed against the criteria presented in the table, Asset Strategy assessment criteria on the following page.

Table: Asset Strategy - assessment criteria

ASSESSMENT CRITERIA FOR ASSET STRATEGY	Project Focus	Asset Focus	Service Focus
	Attention to individual projects	Attention to asset performance	Assets support to service needs
1.Results & Services identified from RSP			
• Results which will be dependant on the assets identified & documented			
• Intermediate Results which will be dependant on the assets identified & documented			
• Results indicators identified & documented			
• Services dependant on the assets identified & documented			
• Service measures identified & documented			
• Key risks identified & documented			
2. Corporate information identified from Corporate Plan			
•Corporate goals & key results areas identified & documented			
•Service information & strategies documented			
•Service levels determined & documented			
•Service priorities identified & documented			
•Stakeholders information documented			
•Corporate performance Indicators related to asset performance identified & documented			
3. Asset Strategy developed & documented			
Asset Portfolio developed			
• Use of demand management documented			
• Alternative non-asset service delivery strategies considered & documented			
• Asset portfolio developed & documented			
• Assets allocated to support services identified in RSP			
• GAP analysis between existing and required assets developed & documented			
• Needs analysis to establish the best asset-service fit undertaken & documented			
Asset Performance Measures defined & documented			
• Effectiveness measures developed & linked to service performance			
• Efficiency measures developed with targets or benchmarks			
• Performance Indicators & benchmarks determined			
Key Risks identified& documented			
• Key asset risks to service delivery identified and documented			
Asset strategies documented			
• Priorities for asset strategies developed & documented			
• Cost of asset strategies established & documented			
4. Mintenance, capital investment, disposal & accommodation needs developed &documented			
• Maintenance requirements developed & documented			
• Capital Investment requirements developed & documented			
• Disposal requirements developed & documented			
• Office Accommodation needs developed &documented			
• Capital investment, maintenance, disposal & office accommodation requirements linked			

Assessment criteria for the Asset Strategy

1. Results and services identified from the RSP

- Results which will be dependant on the assets identified & documented
- Intermediate results which will be dependant on the assets identified & documented
- Results Indicators identified and documented
- Services dependant on the assets identified and documented
- Service performance measures identified and documented
- Key risks to service delivery identified and documented

2. Corporate information identified from Corporate Plan

- Corporate goals and key result areas identified & documented
- Service information and strategies documented
- Service levels determined and documented
- Service priorities identified and documented
- Stakeholders information documented, including emerging & strategic issues effecting management of agency assets (include information from the one page statement in the RSP on emerging and strategic issues)
- Corporate Performance Indicators related to asset performance defined and documented

3. Asset Strategy developed

Asset portfolio developed

- Use of demand management documented (analysis of present and future pressures driving the demand for services, strategies to limit service delivery levels to available resources)
- Alternative non-asset service delivery strategies considered & documented
- Asset portfolio developed and documented (assets are segmented into appropriate groupings to best support service needs, eg geographic location, service type, functionality, etc.)
- Assets allocated to support services identified in RSP
- GAP analysis between existing and required assets developed and documented (gaps between the agency's existing and required asset performance, utilisation, capacity, location or functionality informs detailed capital investment, asset maintenance and asset disposal strategic plans)
- Needs analysis to establish the best asset-service fit undertaken and documented

Asset performance measures defined and documented

- Effectiveness measures developed and linked to service performance (asset performance required to deliver required level of service)
- Efficiency measures developed with performance targets or benchmarks (performance measures of key physical attributes of the assets, costs of maintenance and operation)
- Performance Indicators and benchmarks determined

Key risks identified and documented

- Key asset risks to service delivery identified and documented

Asset strategies documented

- Priorities for asset strategies developed & documented
- Cost of asset strategies established & documented

4. Maintenance, capital investment, disposal and office accommodation needs developed and documented

- Maintenance requirements for assets developed and documented (maintenance levels required to support service levels determined in the RSP)
- Capital investment requirements developed and documented (information for the development of the capital investment plan is developed and documented)
- Disposal requirements developed and documented (assets surplus to service delivery requirements have been identified)
- Office accommodation needs developed and documented
- Capital investment, maintenance, disposal and office accommodation requirements linked

Appendix B Asset Performance Measures

Performance Standard – Defined Success	Performance Indicators & Measures	Basis of Measurement (Reason for measurement)
<p>Asset service dependency</p> <p>Overall cost of service delivery reducing over time</p> <p><i>Eg. Revised paediatric clinic procedures reduce acute presentations</i></p> <p><i>Eg: Wheat harvest moved by rail reduces Tarrawarra Trunk Road usage</i></p>	<p>Overall cost of service delivery / total services delivered</p> <p><i>Overall cost of acute presentations / No. of presentations</i></p> <p><i>Acute presentations prior to procedure changes / Acute presentations since</i></p> <p><i>Trunk road budget / annual heavy vehicle movements</i></p>	<p>Target/ trend (To manage Service delivery and Asset Strategies)</p> <p><i>Target / Trend (To measure effectiveness of revised procedures and revised asset Strategy)</i></p> <p><i>Target / Trend (To measure trunk Road effectiveness and efficiency)</i></p>
<p>Total value of assets used for service delivery reducing over time</p> <p><i>Eg. New economic clinic fitouts maintain standards of care</i></p>	<p>Portfolio value / no. of services delivered</p> <p><i>Clinic fitout costs / cases treated</i></p> <p><i>Clinic fitout cost / clinic maintenance costs</i></p>	<p>Target / trend (To manage Service Delivery and Asset Strategy)</p> <p><i>Trend (To monitor how efficiently asset supports service)</i></p>
<p>More services delivered from current asset base</p> <p><i>After hours clinic operation addresses demand</i></p>	<p>No of services delivered / size of asset base</p> <p><i>No of cases treated / hours of clinic operation</i></p> <p><i>No of cases treated / no of rostered staff hours</i></p>	<p>Target / Trend (To monitor service delivery methods)</p> <p><i>Target / Trend</i></p> <p><i>Target / Trend</i></p> <p><i>(To monitor effectiveness of after-hours clinic to treat patients)</i></p>

Performance Standard – Defined Success	Performance Indicators & Measures	Basis of Measurement (Reason for measurement)
<p>Asset utilization</p> <p>Optimal management of the asset for the level of usage</p> <p><i>Eg. Tarrawarra Trunk Road safety meets state average.</i></p>	<p>Actual usage / designed usage</p> <p><i>Total vehicle movements per year</i></p> <p><i>Heavy vehicle movements per year</i></p> <p><i>Crash number per year</i></p>	<p>Trend (To manage service delivery. To manage maintenance and upgrade)</p> <p><i>Trend</i></p> <p><i>Trend</i></p> <p><i>Trend (To prioritise realignment Brendan's Bends)</i></p>
<p>Revised service delivery strategy for best asset usage</p> <p>Adjusted asset portfolio to achieve best service delivery option</p> <p><i>Eg. Assets able to support demand for paediatric clinics</i></p>	<p>Asset usage / no. of services delivered</p> <p>Asset usage between assets compared</p> <p>Asset usage for previous service delivery strategy / Current asset usage for revised strategy</p> <p><i>Paediatric presentations / paediatric registrars</i></p> <p><i>Paediatric presentations / Gross clinic area(m2)</i></p> <p><i>Comparisons between clinics</i></p>	<p>Target / Trend</p> <p>Target / Trend (To review service delivery. To prioritise works to assets)</p> <p><i>Trend (To monitor staffing capacity)</i></p> <p><i>Trend (To monitor service demand and clinic capacity)</i></p>
<p>Revised service delivery strategy provides better asset usage</p> <p>Asset portfolio changed for better service delivery</p> <p><i>Eg. Combined paediatric clinics and referral centres provide more effective service</i></p> <p><i>Eg. Gaynor's Bridge realignment is effective</i></p>	<p>Asset usage / no. of services delivered</p> <p>Asset usage compared across portfolio</p> <p>Asset usage with previous service delivery strategy / Current asset usage with revised strategy</p> <p>Previous service level / Current service level</p> <p>Previous service cost / Current service cost</p> <p><i>Previous average waiting time / Current average waiting time</i></p> <p><i>Crash rate per 1000 vehicles before and after realignment</i></p>	<p>Target / Trend (To monitor asset usage. To manage Asset Strategy)</p> <p>Trend (To monitor effectiveness of change)</p> <p>Trend (To monitor efficiency of change)</p> <p><i>Trend (To monitor service delivery and asset changes)</i></p> <p><i>Trend (To monitor effectiveness of realignment project. To monitor asset usage)</i></p>
<p>Asset Location</p> <p>Asset appropriately located for service delivery.</p> <p><i>Eg. Clinic accessible to catchment community.</i></p>	<p>Timeliness of service delivery over time.</p> <p>Average travel time for stakeholders</p> <p><i>Av. distance patients travel</i></p> <p><i>Av. patient travel time</i></p>	<p>Target / Trend (To monitor changes in where service is demanded and point of service delivery)</p> <p><i>Trend</i></p> <p><i>Trend (To monitor access to services and effectiveness of asset location)</i></p>

Performance Standard – Defined Success	Performance Indicators & Measures	Basis of Measurement (Reason for measurement)
<p>Asset Capacity</p> <p>Peak asset demand is met.</p> <p>Capacity is effectively used to deliver services.</p> <p><i>Public waiting areas fully used</i></p> <p><i>Limited flood delays on trunk Road</i></p>	<p>Times supply interrupted by lack of asset capacity / Total time asset used</p> <p>Total length of interruptions / Total time asset used</p> <p>Asset capacity / units of service delivered</p> <p><i>Patient seating / Av No. of clients attended to per hour</i></p> <p><i>Area of waiting area / No of consulting staff.</i></p> <p><i>Av. waiting time.</i></p> <p><i>Vehicle delayed longer than 2 hours</i></p> <p><i>Max levels at Brendan’s Creek.</i></p>	<p>Target / trend (to monitor asset capacity and manage Service Delivery Strategy)</p> <p>Target / trend (To manage Service Delivery Strategy. To adjust the level of asset capacity.)</p> <p><i>Target / Trend (To consider telephone appointments. To consider To consider combining waiting areas and staff areas)</i></p> <p><i>Target / Trend</i></p> <p><i>Trend (To prioritise works to high level crossing and alternate route)</i></p>
<p>Asset Functionality</p> <p>Asset performance effectively supports service delivery</p> <p><i>Eg. Electronic security ensures clinic staff safety</i></p> <p><i>Trunk Road lines of site meet traffic standards</i></p>	<p>Impact of peak asset demand on service delivery</p> <p>Actual asset performance standards / specified standards</p> <p>Actual asset performance standard / impact on service delivery</p> <p><i>No. of security incidents to staff on premises</i></p> <p><i>No. of attempted unauthorised accesses / No. of unauthorised accesses</i></p> <p><i>Actual minimum lines of site / Standards</i></p>	<p>Target (To consider upgrade)</p> <p>Target / Trend (To consider upgrade. To review standards specified)</p> <p><i>Target / Trend (To consider revising security measures.)</i></p> <p><i>Target (To consider vegetation removal, revising speed limits)</i></p>
<p>Assets perform at their specified standard</p>	<p>No. of service interruptions per month</p> <p>Total key asset down–time per month</p>	<p>Target / Trend over time</p> <p>Target / Trend over time</p>
<p>Assets comply with appropriate health and safety requirements</p>	<p>OH&S defects reported / period</p>	<p>Target (To manage OH&S liability)</p>
<p>Reduced asset defects causing accidents</p>	<p>No. of accidents/injuries attributable to asset defects per period</p>	<p>Trend over time (To address asset defects)</p>