A Council’s Transformational Journey to Allow Improved Asset Management

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Abstract:
An abstract with 100-300 words

In 2017 a number of reviews identified that Gladstone Regional Council needed to transform the way it operated in order to remain relevant and, as required by the Act, financially sustainable.

As an asset intensive organisation, it was imperative that Council's transformational journey centred on implementing a new operating model aligned with asset management principles. A new operating model meant a new organisational structure to ensure the right people are available to carry out the right tasks in order to get the desired outcomes.

This paper will look at the drivers for transformational change in how Council's asset are managed, how we will be setting ourselves up for success and the lessons that we are learning along the way.

Keywords: Asset management, transformation

Introduction
Gladstone Regional Council delivers water, sewerage, transport, drainage, waste and community lifestyle services to a community of around 63,000 people. These services are only possible through a complex asset portfolio worth just over $2Bn. Good asset management is therefore fundamental to Council’s long-term financial sustainability, not to mentioned continued social licence to operate.

Not only is asset management fundamental, it is embedded within local government legislation as one of five local government principles. A long-term asset management plan is in fact mandated under Section 104 of the Local Government Act 2009.

Notwithstanding the conviction and the legal requirements, the reality of asset management at Councils can be very different. By 2017 the gap between asset management requirement and reality at Gladstone Regional Council was considerable. For Council to meet it’s community service expectations, legal obligations and fiscal responsibility, it was evident that significant changes were necessary to the way Council operates.
This paper describes the transformational journey that Gladstone Regional Council is on to take asset management from good to great.

**Gladstone Regional Council Overview**

Located in Central Queensland, Gladstone Regional Council (Council) covers an area of approximately 10,500 square kilometres. The region is home to two of the world’s largest aluminium refineries, Queensland’s largest multi-commodity ports and a number of other industrial giants. The region however is not defined only by the industry rich Gladstone city, but also by natural beauty of the region with several national parks, historical sites and marine playgrounds located across the region. The industrial economy is balanced by tourism and primary production endeavours.

With a strong and dynamic economy and enviable lifestyle, the region is home to 63,000 people.

Council provides a full range of services to it’s community including water, sewerage, transport, parks, drainage, waste, land and buildings. These services are provided through $2Bn worth of assets, with a breakdown of assets for each class shown below in Figure 1 and Table 1.

![Figure 1 Gladstone Regional Council Asset Portfolio Value](image)

**Table 1 Breakdown of Assets**

<table>
<thead>
<tr>
<th>Water</th>
<th>Property</th>
</tr>
</thead>
<tbody>
<tr>
<td>700km Water mains</td>
<td>353 Buildings</td>
</tr>
<tr>
<td>4 Water pump stations</td>
<td>523 Freehold land assets</td>
</tr>
<tr>
<td>3 Water treatment plants</td>
<td>666 Reserves</td>
</tr>
<tr>
<td>18 Reservoir sites</td>
<td></td>
</tr>
<tr>
<td>Over 22500 water meters</td>
<td></td>
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</tbody>
</table>
Historical Context of Asset Management at Council

Successful asset management requires balancing conflicting functionality and goals from the various stakeholders it intends to serve. On the one hand you have financial asset management which is all about managing the financial implications of owning assets with a strong focus on meeting accounting standards surrounding values and depreciation. On the other hand, you have engineering and operational teams managing the assets to ensure that they meet reliability, performance, safety, environmental and nominated service standards. In addition, Council needs to balance community expectations with affordability. Assigning responsibility for asset management can therefore be difficult and often results in internal conflict.

Ergo asset management at Gladstone has understandably oscillated between finance and engineering teams, with adjustments occurring in response to frustrations borne by the non-accountable department. In around 2014, a decision was made to decentralise asset management, with each asset service provider responsible for their own asset management approach.

A lack of documented policies, procedures and practices, coupled with dissemination of asset management personnel into non-asset management roles and service providers untrained in asset management, led to a deterioration in asset management capability and performance. By 2017, with wildly fluctuating valuations impacting financial statements and concerns being raised by Council’s Business Improvement Committee, Council realised that its approach to asset management was no longer working and required addressing.

Commencing the Asset Management Transformation Journey

Leadership Commitment to Transformation

The journey commenced in late 2017 with the approval of a new executive level structure and philosophical approach to asset management. The new structure included a dedicated executive level role to oversee asset performance and focus on improving asset management. The new approach is centred on the following asset management principles:

1. Alignment with ISO 55001
2. Alignment with overall business objectives
3. Integration with planning frameworks
4. Prioritisation of activity based on the criticality of the assets and services
5. Application of a whole of life perspective
6. Informed decision making
7. Integrated risk management
8. Clarity of responsibilities and accountabilities.
This commitment was reflected in Council’s 2018 to 2023 Corporate Plan, where Smart Asset Management was identified as one of nine corporate goals.

**Gap Analysis to Determine Magnitude of Transformation Required**

To determine Council’s baseline, the consulting firm Jacobs was engaged to undertake an asset management maturity assessment against ISO55001 and provide an action plan to elevate asset management to an acceptable level.

As shown in the following radar chart (Figure 2), Council’s asset management maturity was rated as aware, with scores ranging between 1 and 2 for each of the 27 elements identified in ISO55001.

A 150 item action list was subsequently developed to take Council’s asset management maturity from aware to compliant.

**Operating Model and Restructure for Success**

Council’s transformation journey began under the old structure, however was permitted to accelerate following the implementation of a new structure in August 2018. The new structure centralised asset management to better support an asset owner, manager, service provider operating model as shown below in Figure 3.
Figure 3 Council’s new operating model

The newly created Strategic Asset Performance team was structured to follow the life cycle of asset with a governance oversight:

- Governance
- Planning
- Performance and monitoring
- Design
- Environment and conservation
- Property acquisition and disposal
- Engineering solutions

Resourcing currently sits at 67 active positions with an operating budget for corporate asset management activities in the vicinity of $12.8M per year. In addition, the team is accountable for establishing works programs covering capital works of $58M and maintenance of $69M per year.

Achievements to Date

Transformation of asset management at Council from aware to excellence is recognised as being a five year journey, with the development and implementation of an ISO 55001 system anticipated by December 2020. Key activities completed to date include:

- Development and implementation of an asset management policy
• Development of a strategic asset management plan that defines the organisation and context, the scope of the asset management system, asset management objectives that align with the corporate objectives and identifies high level asset management risks.
• With goal of being customer centric, considerable effort has gone into identifying stakeholders and developing multi layered stakeholder management plans.
• Implementing a cultural change program focussing on collaboration, education, awareness raising and communication strategies.
• Development of new population and water demand models.
• Recommencement of strategic infrastructure plans, with a strong focus on community involvement to better tailor future investment spends to match expectations.
• Development of asset monitoring and condition programs to commence collection of strategic data to allow informed operation, maintenance and renewal strategies to be developed.

Challenges

Embarking on the asset management transformation has not been without challenges. One of the greatest challenges is that the asset management journey has coincided with a significant organisational restructure. The restructure resulted in the loss of 151 positions and creation of 139 new position. As a result, many new leaders and staff have been brought into the organisation specifically to deliver change in many areas of the business, without necessarily understanding the overall maturity of the organisation. This has resulted in conflicting priorities as well as fatigue in key and high performing staff due to involvement in so many change programs.

To overcome this challenge, Council has reviewed its transformation programs and distilled them down to three themes of community centric asset management, safe and well led, and processes and technologies. A transformation program office is being established based on a hybrid of traditional and agile delivery methods. This will allow synergies across all themes to be realised and capitalised on, and conflicting priorities to be resolved based on a best for Council approach.

Other challenges have included:

• Operating the business at two speeds – business as usual and transformation, with business as usual activities changing as and when transformational activities have been completed. When staff desire the future state immediately this can cause conflict as time is required to scope, define, map, develop and implement effective changes. In hindsight, delaying the implementation of a works planning and scheduling team, or at least bringing them on a staged approach, may have alleviated some of the conflicts.
• Transformation means change and not all staff are prepared for change to impact them. This requires compassion, understanding and resilience from all staff to preserve with transitions. Collaboration, raising awareness of changes and benefits has been key to overcoming this challenge. Our communication plan is focussing heavily on this.
• Transformation requires strong leadership from several levels. A key principle of the restructure was to provide opportunities to new and emerging leaders. This meant that
several managers were new to leading people and changes. Whilst they had raw potential, a strong leadership program was required to support them as they transitioned into new roles.

- The new structure and program is ambitious in terms of resource capacity and capability with the creation of 69 new positions. Attracting appropriately qualified and experienced personnel has been difficult. It has required detailed recruitment strategies and resolve to achieve the right blend of skills. In many cases we have accepted less qualified and experienced people but supported them with consultancies aimed at meeting gaps and upskilling our people.

- Prior to the new direction being taken there was a strong organisational belief that asset management could be solved through the implementation of a new piece of software. This approach, which lacked an understanding of asset management principles, business processes and even asset information requirements, led to significant corruption of asset data. Significant resources and time were invested to bring confidence back into our financial asset data. Significant more work is required to return confidence in non-financial asset data.

Fourteen months into the journey, Council is starting to see some improvements, particularly in the area of understanding the importance of asset management to the long-term sustainability of Council and the introduction of more collaborative work environments. The real benefits will only start to be realised in 5 years and beyond.

Acknowledgements

- Ashleigh Tomkins, formerly of Gladstone Regional Council, who played a significant role in starting Council’s asset management journey.

References