

Guidelines for Implementing Total Management Planning

Concept

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LIST OF ACRONYMS

BOO	build, own and operate (in respect of project delivery)
CSS	Customer Service Standard
BOOT	build, own, operate and transfer (in respect of project delivery)
NR&M	Department of Natural Resources and Mines, Queensland
IPA	<i>Integrated Planning Act 1997 (Qld)</i>
SAMP	Strategic Asset Management Plan
TMP	Total Management Plan
WSP	Water Service Provider

1 BACKGROUND

Water Service Providers (WSPs) in Queensland currently own or manage water and sewerage assets valued at over \$20 billion. They vary considerably with respect to the type of service they provide, the age and cost of their assets, the growth in demand for their services, revenue level, and staffing levels and skills.

One of the requirements of Queensland's *Water Act 2000* is that WSPs implement appropriate systems and processes which ensure the continuity in the supply of water and sewerage services.

The Department of Natural Resources and Mines, Queensland (NR&M — formerly Department of Natural Resources) has long recognised that WSPs need to adopt a strategic, coordinated approach in planning and managing their water-related services. Total management planning was developed as a concept and promoted by this Department in 1994 to enhance water infrastructure asset planning and management. Its purpose was to assist WSPs in meeting their social, economic and environmental objectives and requirements, while at the same time minimising costs.

2 INTRODUCTION

This Concept document is written especially for elected representatives, board members and senior management of WSPs. It establishes the context of total management planning, outlining the associated concepts and broad planning processes involved. It also discusses the outcomes and benefits of a total management planning approach to service delivery.

This document recognises that preventing the deterioration of services is just as important as improving them. However, the relative emphasis placed on each of these objectives will vary from one WSP to another.

3 APPLICATION

The *Guidelines for Implementing Total Management Planning*, including this Concept document, are provided as planning tools for all WSPs in Queensland. The categories of Queensland WSPs are listed in Table 1.

TABLE 1: Applicable WSPs

WSP category	Number/sub-category
Urban water supply boards	3 statutory water boards
Local governments	125
Joint local governments	3
Aboriginal community councils	14
Torres Strait Island community councils	17
Government Departments or other entities (e.g. SunWater)	1 (34 irrigation schemes)
Rural water supply boards	18 drainage boards 17 water supply boards (stockwater) 11 water supply boards (irrigation) 4 bore water boards
Non-government entities (e.g. Comalco)	1

4 TOTAL MANAGEMENT PLANNING DEFINED

4.1 Definitions

Total management planning, in the context of water service provision, is the integrated application of strategic planning and best practice for the planning, management and improvement of water services, culminating in the preparation of a service delivery strategy or Total Management Plan (TMP).

A **Total Management Plan** is, therefore, an integrated strategic planning framework adopted by a WSP for maintaining or improving the quality and cost-effectiveness of its services. Terms such as Strategic Management Plan or Strategic Services Delivery Plan may sometimes be used. Irrespective of terminology, the purpose is the same: to deliver a WSP's desired outcomes, in both the short term and the long term.

The total management planning process is dynamic and can be applied to any infrastructure-based service (e.g. roads, fleet, buildings or land).

4.2 What does a TMP do?

A TMP is intended to:

- provide a comprehensive picture of:
 - what the WSP is aiming to achieve;
 - the WSP's policies in delivering services;
 - how the WSP plans and manages its services;
 - the major management issues faced by the WSP; and
 - the WSP's management strategies for maintaining or improving services and the cost-effectiveness of the services;
- operate within a timeframe that is compatible with the WSP's (or its parent organisation's) corporate plan; and
- satisfy the requirements of Government financial assistance programs .

A TMP is:

- a means of achieving defined targets across key areas of service delivery (i.e. a means of positively managing change or transition to maintain or improve services).

A TMP is not:

- a comprehensive procedures manual for the organisation.

4.3 Who needs a TMP?

Some WSPs might feel they do not need a TMP (or other form of strategic management plan) because:

- they have gone as far as they can in improving their services and minimising their costs; or
- their scale of operations is too small to warrant such a formal process.

The reality, however, is that there will always be scope for strategic planning of water services, if only because:

- the external operating environment is continually changing; and
- active strategic management is always needed to ensure that service levels do not deteriorate over time (e.g. through asset deterioration).

Thus, while the scope and detail of issues to be addressed might vary, every WSP needs, and will benefit from, a TMP.

4.4 What is the value of a TMP?

A properly prepared and maintained TMP drives a WSP’s management strategies, not vice versa.

A TMP adds value by:

- defining management policies;
- establishing action plans for management to achieve defined targets;
- demonstrating the WSP’s commitment to service delivery and improvement, and how it proposes to meet targets;
- providing a basis for justifying State investment in water-related infrastructure through the application of subsidies; and
- meeting, in appropriate circumstances, the basic requirements of a Strategic Asset Management Plans(SAMP) and the Customer Service Standard(CSS) required under the *Water Act 2000*.

4.5 What does a TMP look like?

A TMP is essentially a hierarchy of planning documents in which each successively lower tier is progressively more detailed and focused, and generally targets a different readership. The basic TMP structure is shown in Figure 1.

Level	Element	Main target readership
1	Business management plan (overview)	Elected representatives; Executive management; Regulators
2	Operational sub-plans (including action plans)	Operational management; Regulators
3	Supporting documentation (including procedure manuals, reports etc.)	Operational supervisors; Technical staff

FIGURE 1: Basic TMP structure

5 THE QUEENSLAND WATER INDUSTRY

5.1 Industry reform

The recent reform of the Queensland water industry has its origins to the 1992 review of Australian water resources and wastewater disposal by the Industry Commission (Reference 1). The Commission’s report suggested many of the fundamental reforms that by now have flowed through into legislation and administrative arrangements. A summary of the historical background to the reforms may be found in Reference 2.

5.2 Industry regulation

The *Water Act 2000* provides the regulatory framework for water services in Queensland. The objectives of the regulatory framework are to:

- provide a generic framework that applies to all WSPs, irrespective of form of ownership;
- be based on an industry structure that allows for clear separation of policy, regulatory and service delivery functions;

- provide an unambiguous framework which maximises the scope for commercially-negotiated outcomes;
- achieve accountability while not placing onerous restrictions or reporting requirements on the industry;
- include effective reserve powers to protect customers and the public and prevent or correct any abuse of market power; and
- promote an industry structure that is both economically and ecologically sustainable.

6 MANAGEMENT ISSUES AND TOTAL MANAGEMENT PLANNING

6.1 WSP business processes

Each WSP, regardless of its type or size, operates under the same key operating processes in providing its services. Similarly, elements of the same management support processes may be found in virtually all WSP organisations.

The existence of these operating and support processes is not always explicitly recognised and utilised in running WSP organisations, particularly smaller ones with static customer bases and stable operating environments. However, the first step in improving or reforming the operation of any WSP must be to determine which processes are important to the organisation and how they interact.

Preparation of a TMP provides a convenient and cost-effective opportunity for a WSP to carry out a business process analysis and realise a range of improvements. This applies in particular to small WSPs which otherwise might not have recognised the potential benefits of such an analysis.

Figure 2 gives an indication of the main operating and support processes likely to be identifiable within a typical WSP. These will vary, however.

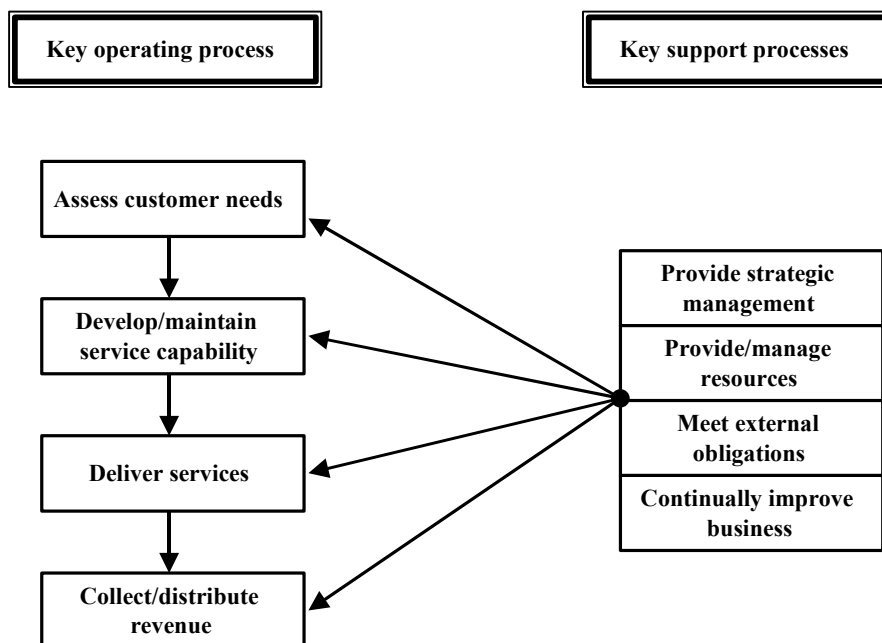


FIGURE 2: Fundamental business processes

6.2 Key result areas for management

As indicated in the definitions in Section 4.1, total management planning is a form of strategic planning, for which goals, objectives and performance targets are usually set. For this purpose, a number of key result areas need to be defined.

A **key result area** is an area of management focus recognised as having significant potential to contribute to improvements in the business and enhanced levels of service. Individual WSPs need to select and develop key result areas that best fit their own organisation and strategic planning processes. The key result areas included in these Guidelines have been selected on the basis that they are likely to cover the scope of most WSPs. Appendix A lists a number of relevant key result areas and major management issues being faced by many WSPs.

Human resource management, industrial relations, workplace health & safety and business development are not specifically addressed in the TMP Guidelines. However, the TMP framework acknowledges the existence and role of these activities in planning and management of water-related services under the Organisation Management & Development key result area (refer figure 5).

7 THE TOTAL MANAGEMENT PLANNING PROCESS

This section indicates broadly how the key principles of effective management discussed in Section 6 may be implemented by a WSP in undertaking a total management planning process. The process itself involves the familiar strategic planning cycle, as outlined in Figure 3, with specific activities undertaken at each step in the cycle.

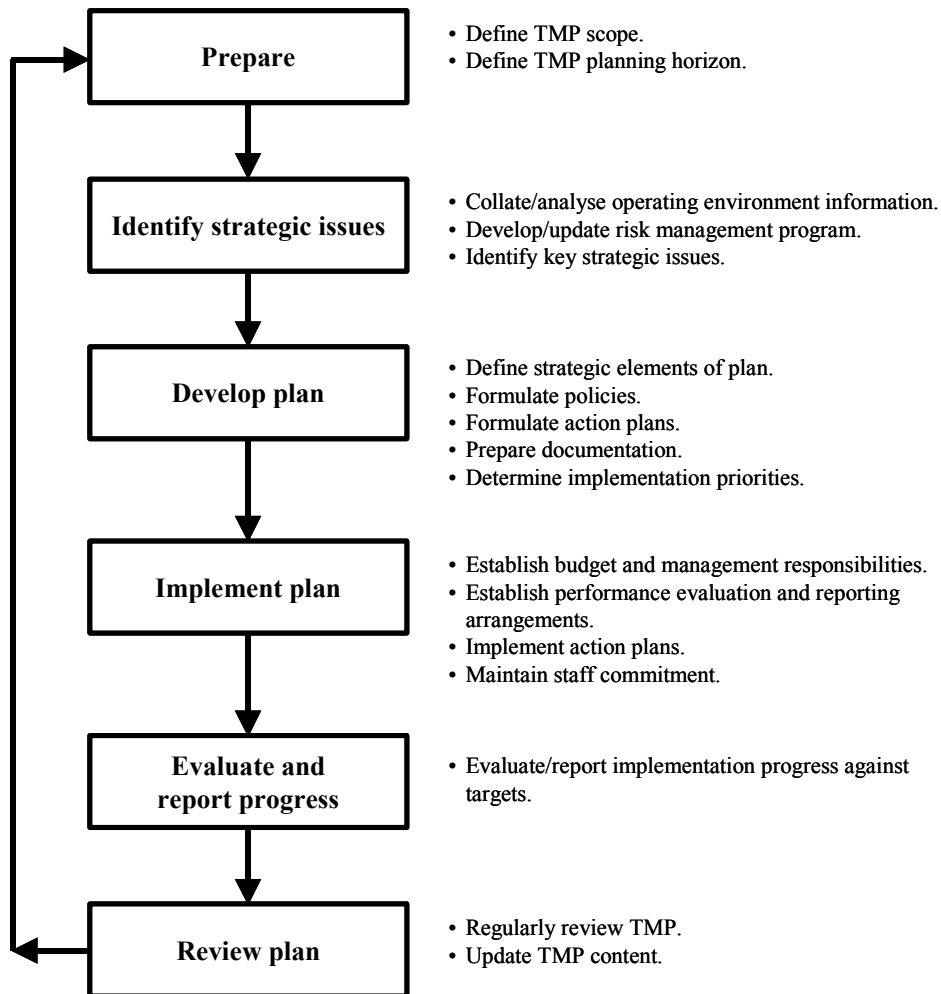


FIGURE 3: Total management planning process

The TMP development and implementation process is dealt with in more detail in the TMP Development Guide.

8 THE TMP IN AN ORGANISATIONAL CONTEXT

As a key business management tool, a TMP should constitute one of the few pivotal planning elements that drive a WSP’s operations and service delivery.

In the organisational management planning hierarchy, the TMP should sit just below the corporate plan, at the same level as any operational and business development plans.

This planning context is illustrated conceptually in Figure 4 for a typical WSP organisation. A more detailed discussion is included in the TMP Development Guide.

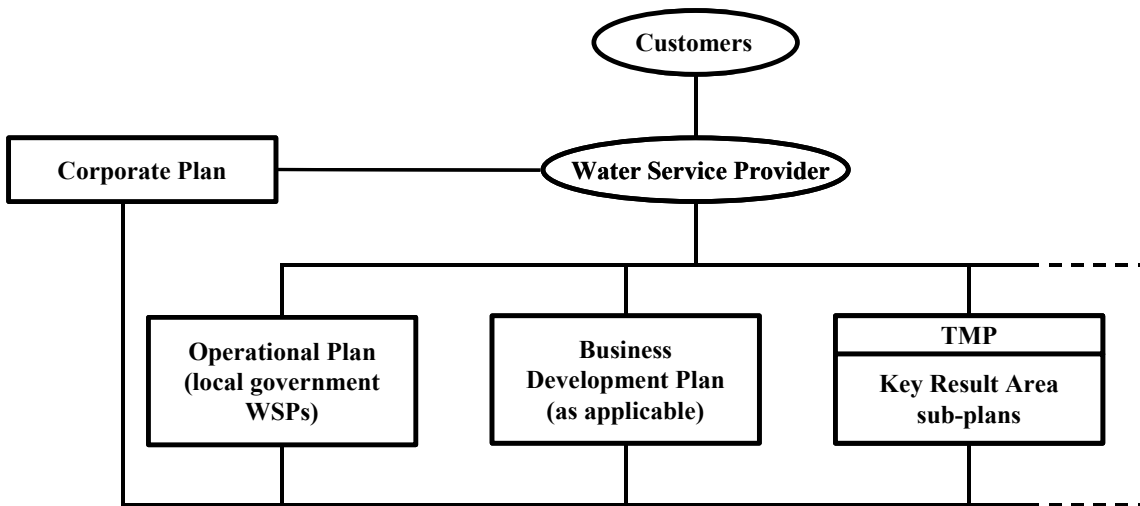


FIGURE 4: The TMP in an organisational context

9 BENEFITS OF TOTAL MANAGEMENT PLANNING

The benefits of total management planning result from greater efficiency of resource use and better transfer of information. For most WSPs, the following benefits can be expected to accrue over time.

For customers:

- more reliable, cheaper and/or better services;
- greater value for money;
- more accountability;
- greater policy consistency; and
- better information.

For owners/shareholders:

- avoidance of unplanned/unbudgeted expenditure;
- more efficient and effective use of resources;
- better integration between water services and other programs in multi-service organisations;
- robust policies within a consistent policy framework;
- full eligibility for government funding assistance in terms of compliance with planning criteria;
- greater likelihood of achieving ecological sustainability;
- less likelihood of adverse publicity; and
- greater staff motivation and cohesion.

For government:

- a more systematic approach by WSPs to regulatory compliance; and
- infrastructure funding assistance to WSPs based on sound and robust planning strategies.

10 APPROPRIATE LEVEL OF TOTAL MANAGEMENT PLANNING

WSP organisations in Queensland vary considerably, depending on the:

- types of services provided;
- overall level of demand for services;
- rate of growth in demand for services;
- replacement cost of assets controlled;
- size of budget;
- relative importance of various strategic issues;
- environmental sensitivity in the region;
- levels of organisational sophistication, staff resources and skills; and

- complexity of management structures and processes.

In view of these differences, it would be unreasonable to expect every WSP to implement total management planning to the same level of sophistication and comprehensiveness, and with the same degree of emphasis for every strategic issue.

These Guidelines therefore use of a hierarchy of different levels of total management planning development to guide each WSP in determining the appropriate scope, emphasis and content of its TMP, according to its circumstances.

This hierarchy presents three development levels for total management planning. On the basis that a WSP organisation's strategic planning needs are directly related to the extent of infrastructure assets it controls, the definition of development levels in the hierarchy has been loosely based on the current (i.e. replacement) cost of assets involved in water service delivery.

Details of TMP requirements for each development level are discussed in the TMP Development Guide.

11 OUTPUTS FROM TOTAL MANAGEMENT PLANNING

Section 9 outlined the potential benefits of total management planning. This section focuses on the material outputs that a WSP can expect from developing and implementing a TMP.

As pointed out in Sections 4 and 6, a TMP is not intended as a comprehensive procedure manual covering everything the WSP does. Neither is it simply intended to meet a short-term government requirement and then to be consigned to oblivion.

A TMP should rather be seen as the WSP's main vehicle driving continual improvement in service delivery, regardless of the type and size of the organisation. From the outset, it should be developed with this objective in mind, and with the full support and commitment of the organisation's executive and senior management.

The outputs of the total management planning process can be summarised as follows.

Documentation:

- A business overview (in the form of a summary Business Management Plan) targeting the organisation's owners/shareholders and executive management;
- sub-plans targeting and implemented by operational management;
- action plans targeting and implemented by line management and supervisors; and
- documentation variously demonstrating:
 - compliance with State Government financial assistance requirements; and/or
 - accountability to owners/shareholders and other key stakeholders.

Figure 5 illustrates the documentation structure for a typical TMP suitable for most WSPs providing water and sewerage services.

Business strategies:

- strategies incorporated in the TMP for achieving corporate and/or operational plan objectives; and
- strategies identified under the TMP for eventual input to corporate and/or operational plans.

Endorsed policies:

- operational policies for guidance in service delivery; and
- administrative policies for guidance in organisational management.

Current status assessment:

- statements on the current status of the WSP's operating environment and all strategic issues of relevance to the organisation.

Legislative requirements

Where a TMP prepared by a local government WSP is used to address requirements of the Environmental Protection Policy (Water) 1997 in respect of environmental plans, satisfying these requirements will be a further output of the total management planning process. This is dealt with in more detail in the TMP Development Guide.

The *Water Act 2000* requires WSPs, unless exempted, to have a SAMP and a CSS. The SAMP is the mechanism for ensuring continuity of supply of services while the CSS ensures customers are fully informed as to the services they are entitled to receive.

In certain circumstances, and subject to conditions, a TMP, or components of it, may be used to satisfy the SAMP and CSS requirements of the Act. Where a TMP prepared by a local government WSP is used in this way, satisfying such requirements will be a further output of the total management planning process. This is dealt with in more detail in the SAMP and Customer Service Standard Guidelines.

REFERENCES

1. Industry Commission, *Water Resources and Wastewater Disposal: Inquiry Report No. 26*, Australian Government Publishing Service, Canberra, July 1992.
2. Wallace, H. and Stenson, A., *Hilmer, National Competition and Water Industry Reform: A Report for Queensland Local Authorities*, Cardno & Davies, October 1995.

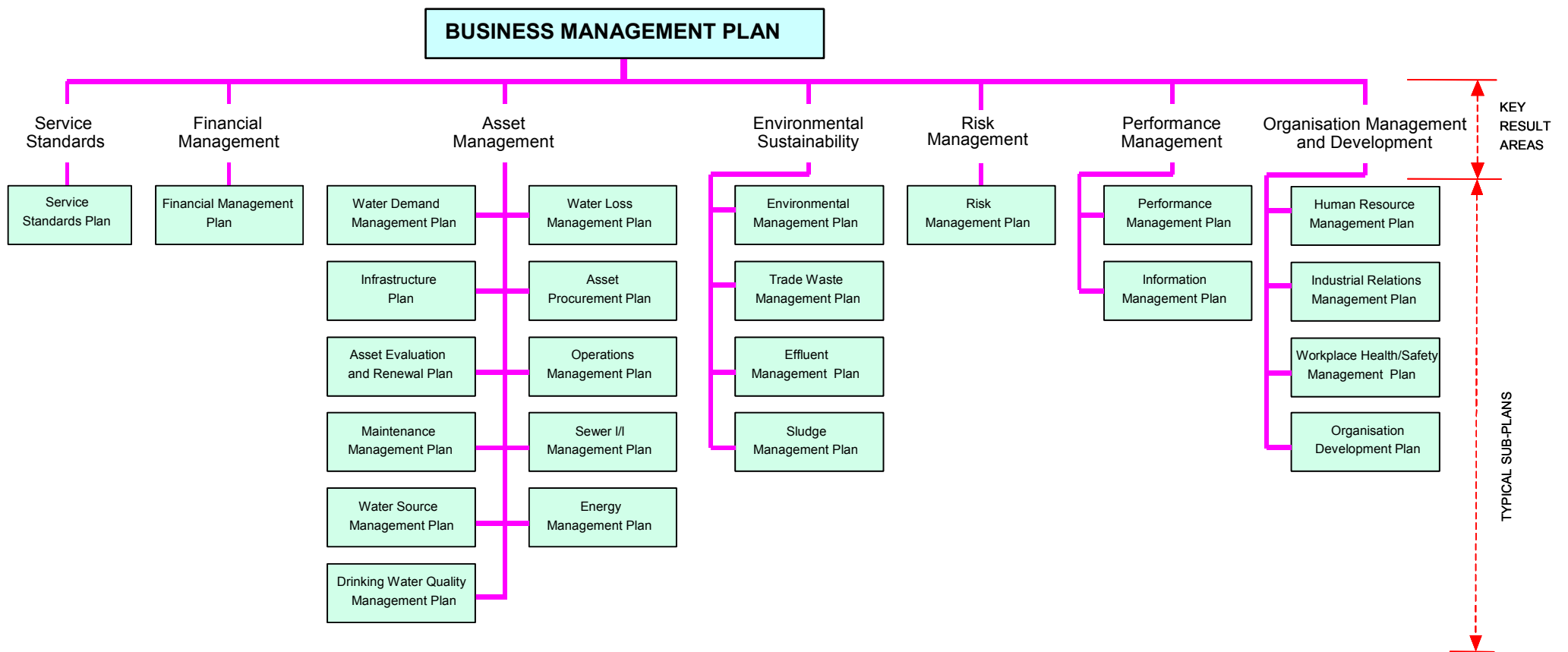


FIGURE 5: Typical TMP structure

APPENDIX A: Typical key result areas for water service providers

Key result area	Major issues
Service standards	<ul style="list-style-type: none"> ▪ The increasing need to define formalised service targets, and in some cases service guarantees, and the commitment this implies. ▪ By extension, the need to report performance in meeting service targets, to both customers and regulators. ▪ The impact of trading in water allocations on customer service perceptions. ▪ Growing customer service expectations in response to wider performance monitoring. ▪ Increasing concern over micropollutants in drinking and irrigation water supplies.
Financial management	<ul style="list-style-type: none"> ▪ Oversight of service pricing by the Queensland Competition Authority. ▪ Impact of falling/slowing urban consumption rates on consumption-linked revenue. ▪ The worsening financial plight of many rural consumers. ▪ Reduced rates of revenue from urban developers under IPA infrastructure charges methodology. ▪ Implications of full-cost pricing, including depreciation, for to restrain cost increases, especially for rural water supplies. ▪ Optimising strategies for ensuring full subsidy/grant entitlements.
Asset management	<ul style="list-style-type: none"> ▪ Sustaining infrastructure service capability in the face of ageing assets: e.g. through management of leakage and infiltration/inflow. ▪ Limited water resources and tighter management of allocations. ▪ Maximising the use of better planning, water demand management and innovative design etc., to reduce the need for new infrastructure. ▪ The use of alternative project delivery options, such as BOO and BOOT.
Environmental sustainability	<ul style="list-style-type: none"> ▪ Heightened community expectations in respect of environmental responsibility. ▪ The trend towards technology-based effluent standards. ▪ Increased application of the 'precautionary principle' in regulating contaminant releases; e.g. nutrient limitations. ▪ More onerous regulatory requirements (e.g. the need for environmental plans under the Environmental Protection (Water) Policy 1997). ▪ Greater emphasis on water use efficiency, environmental flows and irrigation sustainability. ▪ Increased pressure for sustainable resource reuse.
Risk management	<ul style="list-style-type: none"> ▪ Increasing propensity for litigation, both within the workforce and the community. ▪ The trend towards balancing infrastructure costs against failure risk. ▪ Implications of contracting out traditional WSP functions.
Performance management	<ul style="list-style-type: none"> ▪ Impact of industry performance comparisons on customer expectations and WSP obligations. ▪ Increased role of performance assessment within the TMP process as a prerequisite to funding approvals.
Organisational management and development	<ul style="list-style-type: none"> ▪ Need for more/better raw data and information systems to support new imperatives, e.g. performance reporting and benchmarking. ▪ Challenges of maintaining skill levels and organisational 'memory'. ▪ Optimising reliance on information technology and the Internet.