

<b>POLICY LOCATION</b>	Works and Technical Services	<b>POLICY TITLE</b>	Asset Management Policy
<b>POLICY NUMBER</b>	[INSERT NUMBER]	<b>DATE ADOPTED</b>	9 June 2021
<b>REVISION NUMBER</b>	[INSERT REVISION NUMBER]	<b>REVISION DATE</b>	8 June 2023

## Purpose

This policy is designed to set a framework for undertaking asset management in a structured, coordinated, cost effective and financially sustainable manner across the organisation and to assess continued ownership and the management of risk.

This Policy will ensure that Council’s non-current assets are measured, valued and depreciated in accordance with the relevant Accounting Standards and other State Government Policies.

In addition, this policy enables consistency of decision-making and enables Council to ensure that its assets continue to function and meet the needs and expectations of the community.

## Scope

This Asset Management Policy applies to Councillors, Senior Management, Staff, Committees of Management, consultants and the community, who are involved with the operations, maintenance, use, refurbishment, renewal, upgrading and development of Council’s existing and new infrastructure assets.

## Definitions

Asset	An item that has potential value to the Council, such as buildings, roads, paths, etc.
Asset Management	The systematic and coordinated activities and practices of the Council to optimally and sustainably deliver on its objectives through the cost-effective lifecycle management of assets.
Asset Management Plan	These are long-term plans (usually 5 years or more) that outline the asset activities and programs for each service area and resources applied to provide a defined level of service in the most cost-effective way
Infrastructure Assets	Infrastructure assets are stationary systems (or networks) that serve the community where the system as a whole is intended to be maintained for the foreseeable future to a specified level of service by the continuing replacement and refurbishment of its components.

**Renewal Gap**      The difference between the current asset management practices and the required asset management practices to achieve levels of service. It may be written as a financial amount.

## Policy Statement

The Asset Management Policy provides for a flexible approach to ensure the importance of best appropriate practice asset management for the Council's infrastructure assets to meet the demands of the present and future generations.

The Policy reflects Council's vision, mission, and asset management objectives as set out in the Council Plan 2021 - 2026.

The benefits of a strategic approach in establishing an asset management policy, together with a sustainable asset management improvement strategy, include:

- better allocation of limited Council resources
- improved alignment of assets with services and community expectations
- reduced demand for new Council assets through better integration of service planning and asset planning
- more effective use and maintenance of existing Council assets
- improved processes and accountability for capital and recurrent works
- use of non-asset solutions to meet service demand
- an increase in environmentally sustainable solutions.
- compliance with relevant accounting standards and legislative requirements for asset management.

## Principles

To assist in achieving consistency and commitment to asset management decision-making, Council will take into consideration the following key objectives:

1. As custodians/caretakers of community assets and as part of providing quality infrastructure and community facilities, undertake to develop acceptable levels of service that are affordable and financially sustainable without compromising the needs of future generations. These levels of service are to be included in asset management plans
2. Ensure that in accordance with the Council Plan and the Long Term Financial Plan, quality infrastructure assets will support services that are appropriate, accessible, responsive and sustainable to the community.
3. Council's Long Term Financial Plan will include in its base, the financial impacts of the Asset Management Plans.
4. The management of assets in accordance with relevant local government frameworks.

5. Monitoring and reporting on Council's asset management expenditure in terms of operational, maintenance, renewal, new and upgrade costs.
6. Management of the assets will include utilising a multi-disciplinary, cross-functional asset management working group to ensure all stakeholders are involved.
7. Development of strategies to maintain a planned approach for the management of all asset portfolios in a systematic and sustainable manner while maintaining focus on asset levels of service to ensure equity within the community.
8. Development of Asset Management Plans for all major asset groups.
9. Involvement and consultation with the community and key stakeholders to assist in the establishment of responsible and best practice Asset Management Plans to ensure whole of life asset function.
10. Council will report to the community on its service performance.
11. Development and implementation of a Capital Evaluation Framework to assist in prioritising projects for consideration within Council's Long-Term Financial Plan and Annual Budget, taking into consideration:
  - Demonstrated need and asset function
  - Level of service
  - Community benefits and community goodwill
  - Historical ownership and social fabric considerations
  - Overall community value of asset ownership
  - Lifecycle maintenance cost
12. Undertaking assessment of asset demand to ensure that:
  - Assets meet community needs and expectations
  - Assets are regularly maintained and refurbished
  - Asset design, construction, maintenance and refurbishment continue to meet the standards of the day
  - Risk management strategy requirements are met
  - Assets continue to function as built for their full asset life
  - Overall life-cycle costs are reduced
13. Encouragement of continuous improvement, innovation and cost effective methods to improve work practices and processes.
14. Consideration of new assets after service delivery alternatives have been investigated.
15. Examination of the whole of life cost implications for new assets including the ongoing costs of maintenance and refurbishment.
16. Involvement of the community as part of Council's Community Engagement Strategy, best value principles and continuous improvement.
17. A framework for considering surplus assets and their disposal.
18. Utilise a corporate asset management system that provides at least the following core functions:
  - Inventory management
  - Asset condition history
  - Predictive analysis

- Asset treatment history
- Maintenance planning
- Financial management for assets including requisite reporting
- Integrated Geographic Information System Mapping

## Asset Capitalisation

Council is required to responsibly and consistently determine items that need to be classified as assets and to capitalise assets that meet the Shire's asset capitalisation criteria outlined in the Long Term Financial Plan. Council capitalises, recognises and measures its assets in accordance with relevant Australian Accounting Standards and State Government Policy.

			Depreciation Period	Threshold Limit
<i>Asset recognition thresholds and depreciation periods</i>				
Land & land improvements				
	land		-	All
	land under roads		-	All
Buildings				
	buildings		30 - 50 years	All
Plant and Equipment				
	plant, machinery and equipment		3 - 13 years	1
	fixtures, fittings and furniture		4 - 13 years	1
	computers and telecommunications equipment		3 - 6 years	1
Infrastructure				
	road formation		95 - 105 years	All
	sealed road pavements		60 - 90 years	All
	unsealed road pavements		15 - 25 years	All
	sealed road surfaces		15 - 25 years	All
	bridges		80 - 120 years	All
	footpaths and cycleways		20 - 70 years	All
	drainage		100 years	All
	recreational, leisure and community facilities		10 - 50 years	All
	waste management		10 - 50 years	All
	parks, open space and streetscapes		10 - 50 years	All

Council will capitalise assets when all of the following criteria are met:

- Assets purchased, built or leased have useful lives of one year or more. Operating leases are not to be capitalised.
- The cost of the assets (including installation) is \$5,000 or more. Multiple assets whose cost is less than \$5,000 but the aggregate requestor total is \$5,000 or more are capitalised
- The cost of renovating the asset is \$5,000 or more and prolongs the life of the asset

Costs associated with software maintenance and customer support are considered expenditures and will not be capitalised.

Other considerations:

Repairs & Maintenance - Routine maintenance, repair costs, and minor renewal costs are expensed as incurred. Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold the cost is capitalised and depreciated. The carrying value of the replaced asset is expensed.

Under Australian Accounting Standards, assets are not limited to thresholds and asset nature/usage can still override any threshold.

Asset expenditure may be one of four types, as follows –

- new
- renewal
- upgrade
- expansion

**New:** is expenditure which creates a new asset providing a new service/output that does not currently exist. As it increases service potential it may impact revenue and will increase future operations and maintenance expenditure.

**Renewal:** is expenditure on an existing asset or on replacing an existing asset, which returns the service capability of the asset up to that which it had originally. It is periodically required expenditure, relatively large (material) in value, compared with the value of the components or sub-components of the asset being renewed.

As it reinstates existing service potential, it generally has no impact on revenue, but may reduce future operations and maintenance expenditure if completed at the optimum time, e.g. resurfacing or re-sheeting a material part of a road network, replacing a material section of a drainage network with pipes of the same capacity, resurfacing an oval.

**Upgrade:** is expenditure which enhances an existing asset to provide a higher level of service. Upgrade expenditure is discretionary and often does not result in additional revenue unless direct user charges apply. It will increase operations and maintenance expenditure in the future because of the increase in the organisation's asset base, e.g. widening the sealed area of an existing road, replacing drainage pipes with pipes of a greater capacity, enlarging a grandstand at a sporting facility.

**Expansion:** is expenditure that extends the capacity of an existing asset to provide benefits, at the same standard as is currently enjoyed by existing beneficiaries, to a new group of users. It is discretionary expenditure, which increases future operations and maintenance costs, because it increases the organisation's asset base, but may be associated with additional revenue from the new user group, e.g. extending a drainage or road network, the provision of an oval or park in a new suburb for new residents.

## Asset Depreciation

Depreciation is the systematic allocation of the depreciable amount of a capital asset over its estimated useful life.

Buildings, land improvements, plant and equipment, heritage assets and other assets having limited useful lives must be systematically depreciated over their useful lives in a manner which reflects consumption of the service potential embodied in those assets. Estimates of remaining useful lives and residual values are to be made on a regular basis with major asset classes reassessed annually. Depreciation rates and methods are to be reviewed annually.

Any material changes of the projected useful lives of assets within an asset class will facilitate a revaluation of that asset class, provided that the change in the useful life is expected to materially impact on the fair value of the asset class.

## Accountability and Responsibility

Council:

- Acts as steward for infrastructure assets.
- Sets corporate asset management policy and vision with linkage to the Council Plan.
- Sets levels of service, risk and cost standards.
- Provides appropriate resources for asset management.
- Promotes and raises awareness of asset management with the community

Senior Leadership Team:

- Refines the Asset Management Policy, Strategy and Plans.
- Fosters and supports the multi-disciplinary, cross-functional implementation of asset management.
- Implements and continuously audits and reviews the Asset Management Policy, Strategy and Plans.
- Ensures the community and key stakeholders inputs are integrated into the Asset Management Plans.
- Ensures accurate and reliable information is presented to Council for decision making.
- Promotes and raises awareness of asset management with the Council, staff, users and community.
- Ensures that asset management performance, skills and training needs are identified as part of staff performance appraisal process.

## Policy Review

This Policy will be monitored continuously to ensure its relevance in terms of community needs and expectations, Council goals and statutory requirements. The policy will be reviewed on an ongoing basis and amended as required.

Monitoring of asset management will be provided by:

- Internal audits
- Public consultation and feedback
- Annual reviews of strategies and plans

## Legislation & Regulations

This policy was developed in accordance with the following legislation:

- *Local Government Act 2020*
- Local Government (Planning and Reporting) Regulations 2014
- *Road Management Act 2004*
- *Local Government Act 2020* (Part 4, Division 1 – Strategic Planning – Section 92 Asset Plan)

### Section 92 Asset Plan

(1) Subject to subsection (6), a Council must develop, adopt and keep in force an Asset Plan in accordance with its deliberative engagement practices.

(2) The scope of an Asset Plan is a period of at least the next 10 financial years.

(3) An Asset Plan must include the following—

- (a) information about maintenance, renewal, acquisition, expansion, upgrade, disposal and decommissioning in relation to each class of infrastructure asset under the control of the Council;
- (b) any other matters prescribed by the regulations.

(4) Subject to subsection (6), a Council must develop or review the Asset Plan in accordance with its deliberative engagement practices and adopt the Asset Plan by 31 October in the year following a general election, other than the first general election to be conducted under section 257(1)(a).

(5) The Asset Plan adopted under subsection (4) has effect from 1 July in the year following a general election.

(6) A Council must develop and adopt an Asset Plan under this section in accordance with its community engagement policy by 30 June 2022 following the first general election to be conducted under section 257(1)(a).

(7) The Asset Plan adopted under subsection (6) has effect from 1 July 2022

## Documents

This Policy is implemented in conjunction with the following documents:

- Council Plan 2021-2022
- Long Term Financial Plan 2019-2029 Section 6 Asset Management
- Long Term Capital Plan
- Road Management Plan

## Strategic Direction

1. That Council, having established its critical renewal investment levels, complete detailed Asset Management Plans (focused on renewal demand) for all classes of assets incorporating service level reviews.
2. That Council as part of the development of its Service Plans, consults with the community to determine how service levels will be reached including a combination of improved revenue raising, review of existing service levels, asset disposal and composition of the asset portfolio.
3. That Council focuses on its infrastructure renewal needs before it elects to upgrade or construct new assets.
4. That Council focuses on reducing the level of sealed surfaces and sealed pavement assets above Council's asset condition intervention levels over the next ten years.