

POLICY:-	
Policy Title:	ASSET MANAGEMENT POLICY
File reference:	F10/618-03
Date Policy was adopted by Council initially:	15 October 2009
Resolution Number:	418/09
Other Review Dates:	21 March 2013
Resolution Number:	31/13
Current Policy adopted by Council:	17 June 2021
Resolution Number:	88/21
Next Policy Review Date:	2024

PROCEDURES/GUIDELINES:-	
Date procedure/guideline was developed;	N/A
Procedure/guideline reference number:	N/A

RESPONSIBILITY:-	
Draft Policy Developed by:	Director of Infrastructure
Committee/s (if any) consulted in the development of this policy::	
Responsibility for implementation:	Director of Infrastructure
Responsibility for review of Policy:	Director of Infrastructure

BACKGROUND AND CONTEXT

Council's assets are made up of a wide range of different asset types all of which are fundamental in meeting the needs of the community. Assets may be physical (i.e. tangible e.g. plant, buildings) or non-physical (i.e. intangible e.g. intellectual property, good will). This policy only considers physical assets.

The major characteristics of an asset are:

- There must be service potential or future economic benefits,
- The future economic benefits must be quantifiable, and
- Council must have control of the service potential.

Council's major assets are categorised as follows:

-
- Roads
- Bridges
- Water system
- Sewerage system
- Buildings
- Stormwater structures
- Land Community & operational
- Footpaths, kerb and gutters

The standard to which these assets are provided and maintained impacts on residents, the business community and visitors, as well as the amenity and safety aspects of the community.

The long-lived nature of many assets and the need for their ongoing renewal means that planning must be based on an understanding of the full costs throughout each asset's life cycle and address both short and long term planning needs.

SCOPE

This policy applies to all infrastructure assets under the care and control of Upper Lachlan Shire Council.

POLICY STATEMENT

The focus of this policy is to enable informed decision-making on the provision of services. Whilst Council is the custodian of a large and diverse asset portfolio that has been accumulated over a long period, the purpose of strategic asset management is to determine the optimum method to provide the desired service levels for current and future generations.

Upper Lachlan Shire Council currently owns, controls, maintains and is responsible for substantial number of asset classes including property, buildings, plant and equipment, roads, bridges, footpaths, drainage, recreation facilities, waste management facilities, parks and reserves, aerodrome, car parks, caravan parks, water and sewerage assets. These assets make up the social and economic

infrastructure that enables the provision of services to the community and businesses, playing a vital role in the local economy and on quality of life. Asset management is a tool that facilitates corporate accountability and impacts on all areas of service planning and delivery.

A strong and sustainable local government system requires a robust planning process to ensure that those assets are maintained and renewed in the most appropriate way on behalf of local communities. As custodian, Council is responsible to effectively account for and manage these assets and to have regard to the long-term and cumulative effects of its decisions. This is a core function of Councils and is reflected in the Charter, in Section 8 of the *Local Government Act 1993* (NSW).

Given the value and importance of infrastructure assets, it is essential that they are well managed to ensure their future sustainability. Failure to adequately manage infrastructure assets is a key risk that could prevent Council from achieving strategic goals.

Council's Community Strategic Plan expresses the desires of the community and provides a resource to assist Council in the determination of appropriate and sustainable levels of service.

Council's Community Strategic Plan sets the desired services, and levels of service, that Council will provide to the community. The asset management process determines the life cycle cost and funding requirements of the target service levels for current and future generations. The long-term financial plan is the mechanism by which the funding requirements of the asset management plan and other corporate objectives in the Community Strategic Plan are tested and implemented.

This policy sets the principles that will govern the provision of asset related services. The asset management framework and strategy sets out the process to determine the life cycle cost of each service and a funding model to achieve and sustain the target service levels. The framework will define accountabilities for service planning and delivery.

Asset management relates directly to Council's Community Strategic Plan and Long Term Financial Plan. A strategic approach to asset management ensures that the Council delivers the highest appropriate level of service through its assets. This provides positive impact on:

- Members of the public and staff;
- Council's financial position;
- The ability of Council to deliver the expected level of service and infrastructure;
- The political environment in which Council operates; and
- The legal obligations and liabilities of Council.

BEST PRACTICE

In order to achieve the objectives of this policy, Council adopts the following core principles:

1. *Understanding Customer Expectations*

- An inspection regime will be used as part of asset management to ensure agreed service levels are maintained and to identify asset renewal priorities.
- Infrastructure Services will be regularly reviewed to ascertain the community's expectations, and
- Council will employ a range of community engagement techniques to capture the views, opinions and expectations of the community in relation to asset quality, maintenance and renewal priorities and standards.

2. *Asset Planning and Budgeting*

- Asset management principles will be integrated within existing planning and operational processes.
- Asset condition assessment will be carried out by Works & Operations Department, leading to a program of works based on risk matrix profile, road hierarchy and road classification.
- Council will adopt life cycle cost analysis for the management of infrastructure assets.
- Capital Works Projects and Asset Maintenance shall be subjected to technical and financial evaluation and prioritised using predetermined criteria and the principles outlined in Council's Asset Management Plans.
- Council will regularly review its asset inventory and identify opportunities for asset rationalisation.
- Wherever possible, predictive modelling will be used to develop and implement preventative maintenance programs to ensure that lowest net life cycle cost is achieved and asset potential is optimised.

3. *Asset Operations and Management*

- A consistent Asset Management Strategy must exist for implementing systematic asset management and appropriate asset management best practice throughout all departments of Council.
- Maintenance plans shall be developed using asset condition data and shall incorporate a cost-benefit analysis.
- All services shall be regularly benchmarked to ensure Council is meeting best practice standards, and
- All outsourced services will be procured through a competitive process.

4. ***Management of Risk***

- Council will maintain a program of regular inspection of assets under its control to minimise community's risk.
- Council will implement the principles of ISO 3000:2009 when identifying analysing, evaluating and treating risks presented by Council assets and infrastructure, and
- Council will maintain Work Health and Safety System for its employees and contractors working on Council assets.

5. ***Asset Accounting and Costing***

- Systematic, cyclic reviews will be applied to all asset classes ensuring assets are managed, valued and depreciated according to appropriate best practice Australian Standards.
- Council will maintain a detailed asset management system of all owned assets.
- Useful lives will be determined for each of these assets with the written down value determined in accordance with the current applicable accounting regulations.
- Depreciation charges will be calculated using a method that reflects the true consumption of the asset, or is an indication of the future cash flows necessary to sustain asset condition and maintain the required service level. Wherever possible, condition based depreciation method will be used to determine written down value, and
- Council will value all these current assets at Fair Value.
- Council will revalue each asset class on a regular (3-5 years) basis.
- Residual values will be determined based on value at the end of the economic life cycle.

6. ***Asset Management Plans***

- Council will develop Asset Management Plans for each asset Category.
- Asset Management Plans will establish Levels of Service, Future Demand, Life Cycle Management Plans Financial Projections, Asset Management Practices, Performance Monitoring and Improvement.
- Asset renewal plans will be prioritised and implemented progressively based on agreed service levels and the effectiveness of the current assets to provide that level of services.
- The Asset Management Plans will be linked to the Community Strategic Plan and Long Term Financial Plan, and
- The Asset Management Plans will be subjected to continuous improvement.

ROLES AND RESPONSIBILITIES

The responsibilities and relationships associated with Asset Management are:

The Council

- To act as overall stewards for Council assets.
- To adopt the corporate Asset Management Policy and Strategy.
- To agree to levels of service, risk and cost standards via the annual Business Planning process, and
- To approve appropriate resources for asset management activities in the Long Term Financial Plan and the annual budget.

Executive Management Group

- To foster and support the cross-functional Asset Management Policy.
- To ensure that accurate and reliable information is presented to Council for decision-making, and
- To ensure that adequate resources are provided to implement approved Asset Management Strategies and plans.

Senior Management

- To monitor and review the implementation of the Asset Management Policy and Asset Management Strategy.
- To represent the key asset management functions, e.g. Infrastructure Planning, Maintenance and Construction, Finance, Community Engagement and direct service provision such as Recreation and Community Services.
- To monitor the development and implementation of the Asset Management Practices Improvement Strategy.
- To provide guidance to develop long term (whole of life) Asset Management Plans for major asset groups.
- To ensure the community needs and expectations are considered in the development of Asset Management Plans.
- Maintain Asset registers and condition reporting systems for Council.
- To review the performance of asset management programs such as maintenance programs and capital works programs.
- Ensure efficient and effective use of Council funds and optimising “life cycle” cost of all assets.
- Promote and raise awareness of asset management to the Council, staff, key stake-holders and the community.
- To provide advice on City structure plans, land use planning and major (subdivision) developments, and
- To evaluate and prioritise Capital Works projects on Council-owned and controlled land and recommend the annual and 10 year program to the Executive Management Group.

Asset / Risk Coordinator

- The implementation of an effective Asset Management System, to ensure the Council takes a proactive role in Asset Management.
- To develop and implement asset management strategies
- To coordinate to the development of forward planning programs for Council's asset activities within the Division
- To lead in the development of asset performance standards
- In consultation with the community and the Director of Works and Operation develop long term strategic and operational plans asset and infrastructure management
- Proactively pursue improvement in the management of all Council's activities and assets in accordance with StateCover best practice guidelines
- Development and implementation of asset management processes to enable long term sustainable management of Council's infrastructure
- Prepare reports for Council outlining such matters as level of funding required to maintain assets, list of priority projects
- Complete questionnaires associates with asset management
- Attend relevant and approved Asset management Seminars and develop a network with other Councils

ASSET MANAGEMENT FRAMEWORK

The management of Council's assets will be within the framework outlined below.

¹The Asset Management (AM) framework links asset management activities with the council's strategic objectives. Figure 1 defines the Asset Management Framework consisting of a documented hierarchy of AM policy, Strategy and plans that:

- Links organisational strategic objectives with the AM policies and objectives needed to deliver them;
- Links council's strategic objectives with the levels of service that the assets should deliver;
- Guides, the AM priorities, the work required on the assets to achieve those objectives, and the finances needed to support that work.

¹ IIMM -2011 The Asset Management Framework, page 2/3

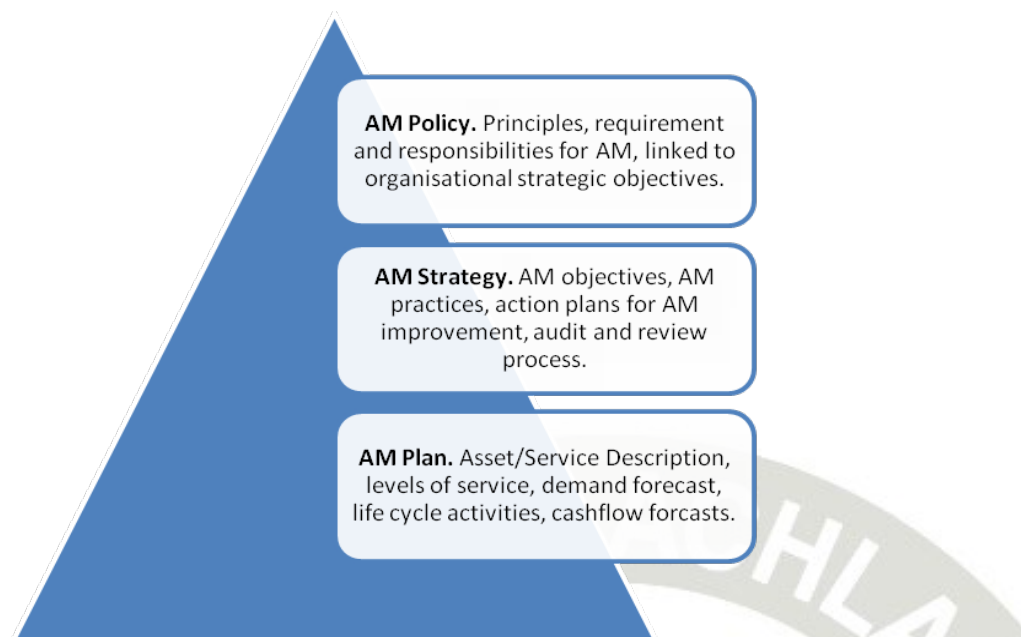


Figure 1 The Asset Management Framework

GUIDING PRINCIPLES FOR ASSET MANAGEMENT DECISIONS

Council will take into consideration the following principles to determine asset management decisions.

1. **Level of Service**

- (a) In accordance with its long term Asset Management and Financial Plans, Council will provide quality infrastructure assets that support service levels that are appropriate, accessible, responsive and sustainable to the community.
- (b) Consult with the community and key stakeholders on determining Levels of Service and asset service standards.

2. **Demand Forecasting**

- (a) Developing sustainable and effective management strategies for the long term including demand analysis covering changes in legislations and demographics.

3. **Life Cycle Planning**

- (a) Life Cycle Asset Management is fundamental to the achievement of the Council Plan and Council's Long Term Financial Strategy Plan.
- (b) The decision to fund capital projects will be based on agreed criteria for the evaluation and prioritisation of Capital proposals. This will include those projects suggested by the community.
- (c) Setting the priority for asset management in descending order as follows:
 1. Asset renewal,

2. Asset upgrade, and
3. Asset extension.

4. Risk Management

- (a) Resources and priorities for asset management practices will include a risk assessment.

5. Financial Management

- (a) The amount of renewal funding required to maintain minimum service levels will be reflected in Council's 10 Year Long Term Financial Plan.
- (b) The provision of funding for new projects will only be considered after renewal requirements are identified and considered.
- (c) Prior to consideration of any major new works, renewal or up-grade to an asset, a critical review, based on demonstrated service needs will be undertaken and the "whole of life" costs of that asset will be reflected in Council's 10 Year Financial Plan.
- (d) Decisions today impact on future generations.
- (e) Accounting procedures will follow Council's current Accounting Policy and Procedure, this is subject to change following revaluation of asset classes. For currency, refer to the Annual Review within the Financial Statements.

DEFINITIONS

Asset – A physical component of a facility which has value and enables services to be provided and has an economic life of greater than 12 months. They represent not only physical objects or rights which have some monetary value, but also result from expenditure from which the benefit is yet to be derived.

Asset Life Cycle – This is the period of ownership of an asset from the planning and design phase through to decommissioning or disposal.

Asset Management – Asset Management is a systematic process to guide the planning, acquisition, operation and maintenance, renewal and disposal of assets.

Asset Management Information System – An Asset Management Information System is the foundation for all Asset Management practices. It is a combination of processes, data and software applied to provide the essential outputs for effective asset management such as reduced risk and optimum infrastructure investment. The Asset Management Information System links to other information systems within Council such as the Property System, Geographic Information System, Finance System and Document Management System integrating Asset Management with the rest of Council's operations.

Asset Management Strategy – A strategy for asset management covering development and implementation of plans and programs for asset creation, operation, maintenance, rehabilitation, replacement, disposal and performance monitoring to ensure desired level of service and other operational objectives are achieved at optimum cost. The Community Strategic Plan typically has a 10-25 year

horizon and aligns Asset Management with the corporate business plan (IPWEA, 2006).

Asset Management Plan – A plan developed for the management of one or more infrastructure assets that combines multi-disciplinary management techniques (including technical and financial) over the lifecycle of the assets in the most cost effective manner to provide a specified level of service. A significant component of the plan is long-term cash flow projection for the activities (IPWEA, 2006).

Capital Expansion – Providing a new asset – e.g. extending a footpath to an area where the footpath did not exist or was classified as “natural earth”.

Capital Renewal – Renewing the existing asset to extend its serviceability, but not providing a higher level of service – e.g. resealing, re-sheeting an unsealed road (not widening).

Capital Upgrade – Renewing the asset, thereby providing a higher level of service – e.g. sealing an unsealed road, upgrading a stormwater pipe with a larger size.

Infrastructure Asset – Infrastructure assets are typically large, interconnected networks or portfolios of composite assets, comprising components and sub-components that are usually renewed or replaced individually to continue to provide the required level of service from the network. Some examples are roads, footpaths and cycle ways, water and sewerage reticulation infrastructure, bridges and municipal buildings.

Level of Service – Defining and meeting community expectations in relation to the quality and quantity of services delivered by Council. In the context of asset management, this applies to assets such as roads.

Maintenance – Does not upgrade or renew the asset, it just enables the asset to attain its planned lifespan – e.g. pothole repair, crack sealing and bitumen patching.

Operational Plan – Operational plans generally comprise detailed implementation plans and information with a 1-3 year outlook (short-term). The plans typically cover operational control to ensure delivery of Asset Management Policy, Strategy and Plans. The plans also detail structure, authority, responsibilities, deliver defined levels of service and emergency preparedness/response (IPWEA, 2006).

Useful Life of an Asset – The useful or economic life of an asset is the estimated or expected time between placing the asset into service and removing it from service.

REFERENCES

NSW Local Government Act 1993 (as amended)
NSW Local Government Regulation (as amended)
Australian Accounting Standards
Civil Liability Act 2002
WHS Act 2011
WHS Regulation
International Infrastructure Management Manual

ISO 30000:2009 Risk Management Principles
ULSC Procurement Policy
ULSC Infrastructure Plan

VARIATION

Council reserves the right to vary or revoke this policy.

ATTACHMENT

Appendix A: Upper Lachlan Shire Council's current Accounting Policy and Procedure.

