

# POLICY REGISTER

## ASSET MANAGEMENT POLICY

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**DOCUMENT CONTROL**

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1.2	Les Morgan	Revision 2  Section 10.0. Requirement for Council reports to include “Asset Management Implications”  Section 11.5. Requirement for the Asset Management Policy be reviewed in the first 12 months of each new Council’s term of office.	Council Minute No. 271.10.17 (26th October 2017)

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## 1. BACKGROUND

It is an obligation of Council to effectively account for and manage its assets having regard to the long term and cumulative effects of its decisions. Council owns a diverse portfolio of assets and uses them to deliver a variety of services to its community. To ensure that Council and its community remains strong and sustainable, a process needs to be established to ensure that Council’s assets and the associated services are managed in the best way. Failure to do this presents a key risk that may prevent Council from achieving its goals. This principle is reflected in two values within Council’s Community Strategic Plan:

*“A shire that has quality and well-maintained infrastructure.”*

*“A Council that provides quality and cost effective services...”*

## 2. OBJECTIVES

The objective of this policy is to provide a framework for how and why asset management will be undertaken across Council as a whole based on the principles of:

- Providing services and infrastructure in a sustainable manner.
- Providing a clear understanding across Council as a whole on financial sustainability and its importance to asset management.
- Safeguarding Council’s physical assets and employees by implementing asset management strategies and adequate financial resources for those assets.
- Creating an environment where all Council employees take an integral part in overall management of Council assets by creating and sustaining an asset management awareness throughout the organisation by training and development.
- Meeting legislative requirements for asset management.
- Ensuring resources and operational capabilities are identified and responsibility for asset management is allocated.

### 2.1 VISION

Council’s Asset Management vision is:

*“That within its financial constraints, Warren Shire Council will responsibly plan, provide, maintain and manage its publicly owned infrastructure, facilities and services efficiently and effectively on a whole of life basis, with due regard given to the sustainability of its practices and the current and future needs of its community.”*

### 2.2 ASSET MANAGEMENT FRAMEWORK

Below is a graphical depiction of the framework for Council’s Asset Management System. The framework outlines how this Policy, and the Asset Management Strategy and Asset Management Plans will fit together and complement each other and provides an outline of the purpose of each.



In addition to the above, internal Asset Condition Rating and Valuation Manuals will also be developed to provide transparent and consistent information required for the Asset Management Plans.

### 3. APPLICATION / SCOPE

This policy relates to all non-current items that have been recognised as Council assets and the services that are delivered using those assets.

### 4. DEFINITIONS

- Asset:** An item which has been recognised as an asset and is used by Council in the carrying out of its functions.
- Community:** People who live in the Warren Local Government Area and are affected by the decisions, procedures and/or practices of Warren Shire Council.
- Current asset:** An asset that has a life span of 1 financial year or less.
- Non-current asset:** An asset that has a life span of more than 1 financial year.
- Service:** A function which Warren Shire Council seeks to provide.
- Service Level:** The degree to which Warren Shire Council seeks to provide a service.

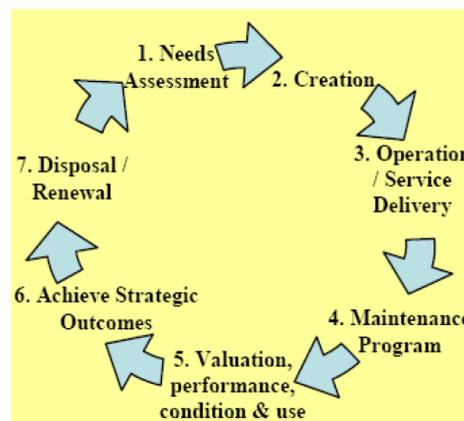
### 5. PRINCIPLES

The following sets down some essential principles for asset management.

#### 5.1 LIFE CYCLE COSTING

Non-current assets consume resources to acquire or create them and to keep them in an operational condition over the whole of their life. Most decisions about assets are enduring, and have long term implications. Because of the significant ramifications all assets must be assessed in terms of their life cycle. The general phases through which an asset passes during its life are depicted in the diagram below and are as defined as follows:

- (i) The needs assessment phase, where the need for a new asset is planned, options assessed and life cycle costs considered;
- (ii) The creation phase where an asset is donated, constructed, purchased or hired;
- (iii) The operation / service delivery phase where the asset is used for its intended purpose;
- (iv) The maintenance phase including any repair and risk management;
- (v) The valuation stage including performance, condition, usage and financial reporting;
- (vi) The review of the achievement of outcomes phase including identified improvements; and
- (vii) The disposal / renewal phase, when the life of the asset has expired and it needs renewal to bring back up to as new, or when there is no longer a need for the service provided by the asset.



Decisions taken about an asset in one phase can affect its performance in others. As an example, inadequate attention to maintenance can accelerate the need for major repairs or shorten the operational life of the asset and increase Council's exposure to risk or litigation. It can also affect the optimisation of returns on disposal. Conversely, careful management of existing assets over their whole life can extend their effective life and avoid or defer the need for new acquisitions.

The concept of life cycle costing encourages an understanding of the above effects, and helps Managers and Councillors to reach decisions about assets in a whole of life context. This enables the effects of a decision on future generations to be considered. Limiting Council's

responsibility to less than all the phases in an asset's life cycle will not lead to sound long term decisions. Those charged with the responsibility of managing an asset should be given the responsibility, ability and resources to manage the asset for the whole of its life.

## **5.2 FINANCIAL SUSTAINABILITY**

A Council's long term financial performance and position is considered sustainable when planned long term services and infrastructure standards are met without unplanned increases in rates and charges, or disruptive cuts to services.

Accordingly, this section focuses on criteria to enable Council to assess its financial sustainability. The following is a set of characteristics to be used as triggers for further investigation into the sustainability of Council's practices:

- A long-term inability to maintain and renew assets is evident together with constant operating deficits and significant debt.
- Significant and continuous annual increases in operating costs.
- Operating costs are well above the median of comparable councils.
- Operating deficits are consistently incurred without a plan to rectify the situation.
- Short term financial obligations aren't being met without any hope of improvement.
- Council has debt which:
  - Limits its capacity to fund vital needs & affects its ability to provide services.
  - Leaves future generations facing an unmanageable bill for current services.
  - The level of net interest costs associated with the debt can't be met from operating revenue.
  - Spending is considerably less on capital/renewal works compared to the depreciation expense, or there is an asset renewal gap that is not being addressed.

## **6. RELEVANT LEGISLATION**

The relevant parts of Section 8 of the Local Government Act 1993, "The Council's Charter", read as follows:

1. A council has the following charter:
  - to provide directly or on behalf of other levels of government, after due consultation, adequate, equitable and appropriate services and facilities for the community and to ensure that those services and facilities are managed efficiently and effectively
  - to have regard to the long term and cumulative effects of its decisions
  - to bear in mind that it is the custodian and trustee of public assets and to effectively account for and manage the assets for which it is responsible
  - to facilitate the involvement of Councillors, members of the public, users of facilities and services and council staff in the development, improvement and co-ordination of local government.

## **7. RELATED AND ASSOCIATED COUNCIL POLICIES AND PROCEDURES**

### **7.1 LINKS WITH EXISTING STRATEGIC PLANS**

This policy is linked with many outcomes in the “Community Strategic Plan – Warren Shire 2022”. Each element of the asset management framework feeds into the mentioned Community Strategic Plan, Delivery Program, Operational plan, financial plan and annual reports.

## **8. RESPONSIBLE OFFICER / POLICY OWNER**

Council’s Engineering Services Section is the owner of this policy and the Manager Engineering Services is the Officer responsible for the development, review and monitoring of this policy.

## **9. MONITORING**

### **9.1 PERFORMANCE MANAGEMENT**

A Performance Management Plan should be incorporated into each Asset Management Plan to provide Council with the ability to:

- Identify opportunities to improve the services it delivers;
- Assess how well it is meeting the needs and expectations of the community;
- Inform the community on how their services compare with those of comparable Councils through comparative performance monitoring against set benchmarks;
- Meet its statutory and internal reporting obligations;
- Evaluate the effectiveness of the system and processes;
- Aim for continuous improvement; and
- Review and audit its overall Asset Management performance.

## **10. COUNCIL REPORTING**

To ensure that Asset Management and all its phases contained therein are considered in all reports to Elected Councillors the standard reported template should be amended to include “Asset Management Implications”. This should be just before “Risk Implications” as Asset Management can impact on risk.

## **11. REVIEW DATE**

To ensure that all of the previous mentioned plans and processes remain relevant it is important that maximum deadlines and timeframes be established. The main guiding principle behind these should be the 4-year term of a Council to enable each new Council to have input into the process for their term of office.

### **11.1 INITIAL PERFORMANCE ASSESSMENT**

Initially, it is vital that a comprehensive assessment of performance and service delivery levels be carried out to establish a basis for service delivery and asset management standards, and a benchmark for continuous improvement. This should only be done once when each Asset Management Plan is completed.

### **11.2 SERVICE LEVEL REVIEWS**

Reviews of the appropriateness of the levels of service contained within the Asset Management Plan must be carried out every 4 years, within 12 months of each new Council being elected to enable them to have input into the levels of service that they wish to deliver their community.

### **11.3 ASSET MANAGEMENT PLANS**

As the desired or appropriate levels of service may change with each new Council, it is also essential to review Asset Management Plans every 4 years to ensure relevance is maintained.

### **11.4 AUDITS AND EVALUATIONS**

Legislation requires that Council's financial position be audited annually and as financial performance is an integral part of asset management and the delivery of services, it is appropriate that the performance of Council's management of assets and delivery of services also be reviewed annually. This asset maturity audit should also address any opportunities for improvements.

### **11.5 EVALUATION OF EFFECTIVENESS OF THE SYSTEM AND PROCESSES**

It is also important that the over-arching Asset Management Policy and Strategy together with the processes and systems be reviewed regularly to maintain their relevance. This should be done in the first 12 months of each Council's term of office.

### **11.6 RECORD KEEPING, CONFIDENTIALITY AND PRIVACY**

This policy will be a public document and will be the responsibility of the Engineering Services Section. The application of this policy will also bring about the following documentation:

- Asset Management Strategy,
- Asset Management Plans, and
- Asset Condition Rating and Valuation Manual.

The Asset Management Strategy will also be a public document and will be the responsibility of the Engineering Services Section.

The Asset Management Plans will also be public documents and will be the responsibility of the Engineering Services Section.

The Asset Condition Rating and Valuation Manuals will be internal documents and will be the responsibility of the Engineering Services Section.

Copies of the Asset Management Policy, Asset Management Strategy, Asset Management Plans and Asset Condition Rating and Valuation Manuals will be placed on the following file:

The file that copies of each of these documents will be placed on is:

A13 – 1. Asset Management General.