COUNCIL POLICY

Council Policy Title:	Asset Management
Council Policy ref. no:	13.7
Responsible Department:	Infrastructure and Services
Date of adoption/review:	23 October 2013

1. PURPOSE

The purpose of this policy is to:

- Set the framework that supports the management of Council's *asset*s,
- Set Council's broad corporate goals and objectives for the management of its *asset*s incorporating a life-cycle approach to *asset management,*
- Ensure service delivery needs form the basis of *asset management,*
- Provide for present needs while sustaining resources for future generations, and
- Define the role of Council and to guide decision makers in providing quality management of its *assets.*

2. INTRODUCTION

Colac Otway Shire Council owns and uses *assets* to support its core businesses, namely the delivery of services to the community. Some *assets* are also utilised for Council's own operational needs.

A consistent, proactive approach to *asset management* is required at all levels of Council.

Asset Management relates directly to the objectives of the Council Plan, and will ensure that Council delivers an appropriate level of service through its assets. This will provide a positive impact on the ability of Council to deliver the expected level of services and infrastructure.

Colac Otway Shire Council is committed to managing its *assets* in accordance with recognised best practice. This includes ensuring *assets* are planned, created, operated, maintained, replaced or disposed of in accordance with Council's priorities for the services it delivers.

Colac Otway Shire Council will review and manage its *assets* in accordance with the principles of this policy.

The management of Council's *assets* will be within the framework outlined in Section 5.0, Asset Management Framework. The framework is illustrated in Figure 1.0.

The benefits of a strategic approach to establishing the asset management policy 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, and
- Increased use of sustainable development solutions.

3. SCOPE OF THE POLICY

The asset management policy is to be implemented across all sectors of the organisation.

It is intended that the implementation of this policy will provide the impetus to improve and guide existing asset management practices in line with current best practice.

Vision
The philosophy underlying this policy is that Council should be able to maintain and rehabilitate its assets, both in the short term and long term, in a condition which satisfies the community, minimises the risk to both the public and the environment, and which is affordable.

Service Delivery Objectives
Service delivery is the basis of all asset management practices and decisions. Council's service delivery objectives are assessed on the basis of outputs and outcomes. Levels of service are established through community consultation and application of these principles.

Linkages
This policy compliments and builds upon the Colac Otway Shire Council Plan and provides a more formalised approach to asset management and its principles and methodology. Asset planning and management is also integrated with strategic resource plans, long term financial plans, business plans and budgetary evaluation processes.

4. DEFINITIONS

Asset management is the process of guiding the acquisition, use and disposal of assets to make the most of their service delivery potential and manage the related risks and costs over their entire life cycle.

In its simplest terms, asset management is about the way in which we look after the assets around us, both on a day-to-day basis (maintenance and operations) and in the medium to long term (strategic and forward planning).

Words in italics are defined in the Glossary at the rear of the policy.

5. ASSET MANAGEMENT FRAMEWORK

The framework as illustrated creates a logical structure for grouping *asset management* functions.

The purpose is to provide a tool to decision makers who are responsible for the effective and efficient management of *assets* and services for present and future customers.
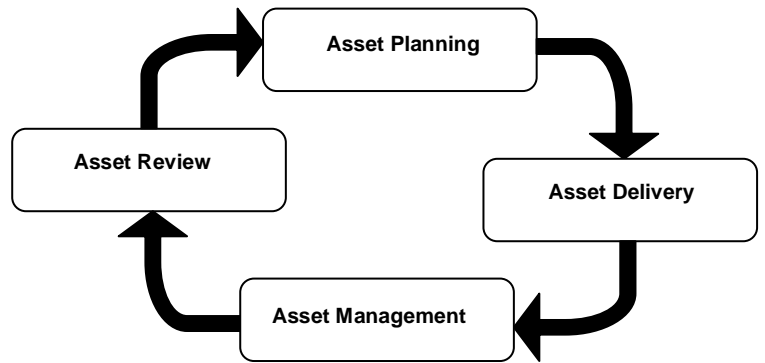
Figure 1.0 - Asset Management Framework

5.1 Principles

Council will fulfil its obligation to manage its *assets* in accordance with recognised best practice. This will require the establishment of clear linkages between the asset manager, service providers, stakeholders and maintenance providers.

The following principles provide for improved *asset management* and are arranged according to the framework elements.

1. Asset Planning
2. Asset Delivery
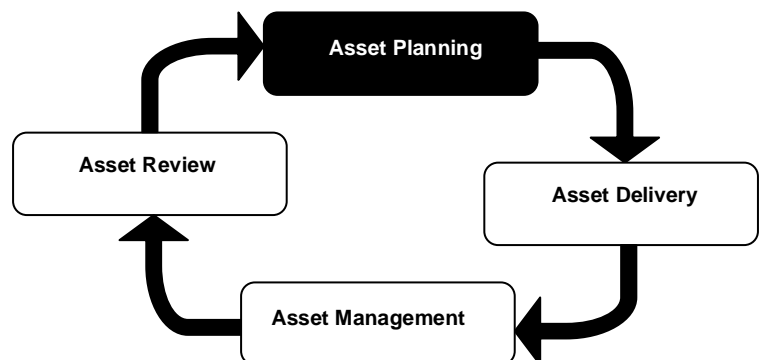3. Asset Management
4. Asset Review

The principles are listed in dot point form after a brief description of each framework element.

5.2 Asset Planning

Asset Planning refers to how Council responds to the service needs of the community and to ensure that the *asset* is the most effective solution to meet the customers need.

When undertaking service planning and evaluation, the assessment of *asset* needs to support service delivery gives consideration to:

- Level and nature of demand
- Changing trends in demand
- Review of adequacy of existing *assets* and need for new or refurbished *asset*s
- Identifying potential options for meeting demand (eg provide *asset*s, influence demand, outsource *asset* provision/lease *asset*s) and
- Consider the need for ongoing provision of existing services.

5.2.1 Asset Planning Principles

- Asset Management planning will involve regular community consultation in regards to setting and meeting of service standards and the cost of service delivery.
- Clearly identified processes will guide the consideration of new projects.
- All projects will be subject to basic scoping and analysis.
- Businesses Cases will be developed to support the allocation of budgets and assist in determining priorities.
- If necessary, projects will be scheduled over two or more financial periods for the investigation, design and construction phases.
- *Risk analysis* at project initiation stages is undertaken to mitigate future Council liability.
- Council's various strategic plans are used as a reference in assessing community needs, level and nature of demand.
- A *Capital Investment* Program with a three-year outlook will be developed subject to continual review.
- *Maintenance* Strategies are developed which meet the ongoing need to preserve the value of Council's *asset*s.
- Fund the renewal of assets before the funding of discretionary expansion or upgrade works.
- Council will develop an Asset Management Strategy that develops and implements opportunities for Asset Management improvement.

5.3 Asset Delivery

This section details the principles that apply once the decision has been made that may require the acquisition of an asset.

This section describes how to best meet the needs of the service recipients by assessing various options.

Included are:

- Acquisition options,
- Objective analysis of alternatives,
- Involvement of stakeholders during the design process, and
- Life cycle planning.

Council will consider various options to deliver the desired outcome, such as:

- In-house delivery,
- Outsourcing,
- Leasing of *asset*s,
- Purchase of *asset*s,
- Construction of *asset*s,
- Disposal of *asset*s, and
- *Demand management* and other non-asset initiatives.
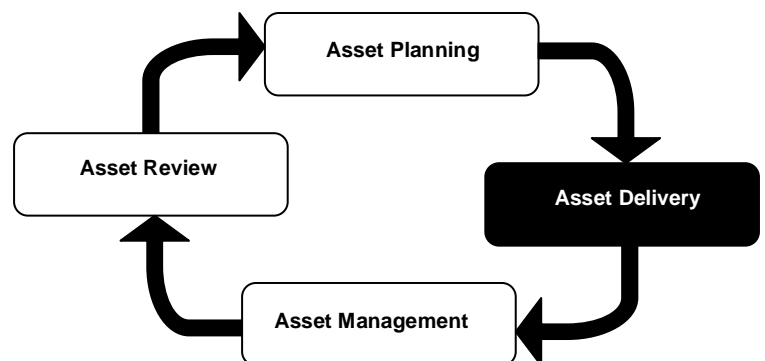
5.3.1 Asset Delivery Principles

▪ In evaluating the merit of options to deliver projects, social, economic and environmental considerations will be analysed.

▪ Business Cases will provide an *Asset Management Pla*n. The *Asset Management Plan* will provide information on future *maintenanc*e, *operational* and *refurbishmen*t/disposal requirements as well as the *level of service* required of the asset.

▪ The *Asset Management Plan* will give consideration to the management of the asset over its whole *life cycl*e.

▪ Council will develop a Corporate *Asset Management System.*

▪ Information regarding the creation, *maintenance, replacement, refurbishment* of *assets* to be collated by the *Asset Manager* to update the *asset registry* to ensure continued accuracy of Council's corporate *asset management system*s.

5.4 Asset Management

Asset management is the series of activities that occur once an asset is acquired. This function relates to the day to day running and upkeep of assets.

Specifically, this refers to the *maintenance* and *operation* of *asset*s. Asset Management applies once Council has acquired or created an asset, after which Council has certain obligations.


These obligations include:

▪ Develop and maintain *Asset Management Plans*,
▪ Maintain the asset at the level required by Council or the users,
▪ Provide budgets to meet maintenance and operational costs,
▪ Meet legislative requirements as applicable,
▪ Maintain registers of asset condition and inspection,
▪ Review asset replacement,
▪ Track the cost of undertaking works on *assets* to meet financial, reporting and management requirements,
▪ Clearly identified roles and responsibilities, and
▪ Carry out regular internal and external audits to ensure a continuous asset management improvement cycle.

5.4.1 Asset Management Principles

5.4.1.1   Maintenance

▪ Council will develop and implement *Maintenance Management System*s.
▪ The *level of service* expected from the *assets* is set (Maintenance Performance Standards).
▪ Council will maintain its *assets* at the standard specified within the limitations of funding levels.
▪ Priorities for maintenance are consistent with the objectives of Council and are aligned with Risk Management and a defined hierarchy.
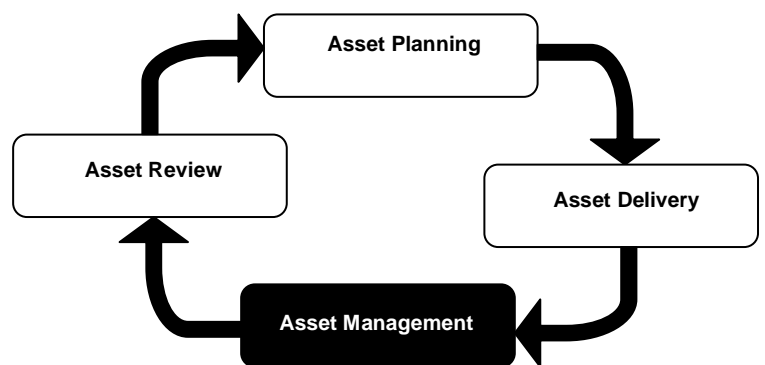
- Information is collected on the gap between what maintenance works are funded by Council and that work which is required to meet minimum service standards, allowing Council personnel to document the need for funding levels.
- Information, which allows the analysis of *life cycle cost*s, is collected.
- Maintenance activity costs are recorded against *asset*s.
- Thresholds are established which allow differentiation between maintenance and *capital expenditur*e.
- Where the ongoing service of an asset is required, provision is made for *replacement* of *assets* when the life expectancy of the asset is reached.
- Maintenance strategies are developed and used to minimise the *life cycle costs* of holding *asset*s.
- Future maintenance trends are identified and incorporated into Asset Planning and Asset Review.

5.4.1.2 Operations

- Information on operating costs and *performance* and *condition* of *assets* will be collected to inform *life cycle* analysis and hence optimise operating costs.
- Service providers that operate Council *assets* will have input into asset maintenance standards, plans and performance requirements
- Regulatory changes are monitored and impact assessed.
- Technological changes are monitored and impact assessed.
- Future maintenance and refurbishment needs are predicted and used to inform decision-making.

5.5 Asset Review

Asset Review refers to the process of performance review of Council *asset*s.

A review may include consideration of *replacement, refurbishment, renewal* or *disposal* options when reviewing asset performance.
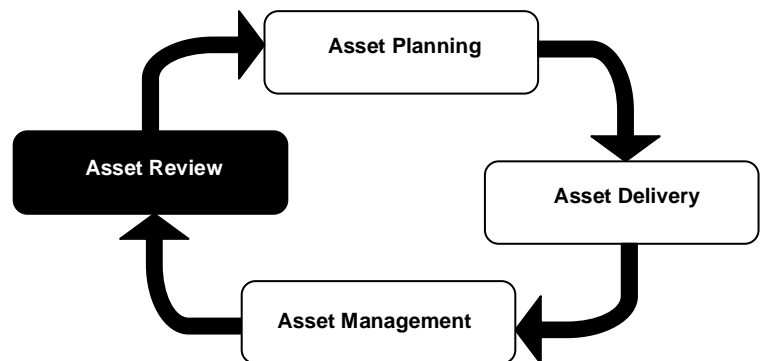
5.5.1 Asset Review Principles

- Fit for purpose or suitability of asset for intended use is reviewed regularly.
- Report on the cost to manage assets in accordance with relevant local government frameworks.
- Monitor and report on Council AM expenditure in terms of operational, maintenance, renewal, new and upgrade costs.
- *Performance* targets for Council *assets* are established and *performance* against those targets is measured.
- *Assets* that under perform are identified and strategies to improve under performance are developed and implemented.
- *Asset*s, assessed, as no longer meeting Council or community needs, may be rationalised in accordance with Council's Asset Disposal Policy. (policy to be developed)
- *Replacement* or *rehabilitation* of *assets* is forecast and incorporated into Council's 3-Year *Capital Investment* Program.

6. ROLES AND RESPONSIBILITIES

To ensure effective asset management Council will undertake to:

- Allocate sufficient resources for the development of asset strategies, management plans and service level documents.
- Manage all infrastructure and assets in a systematic and sustainable manner.
- Develop and commit to long term capital works and financial management plans that support and are responsive to the needs of the community.
- Ensure a critical review of asset renewal / disposal / upgrade or new asset provision is carried out prior to considering funding. Principles to consider include demonstrated need, life cycle costing, alternative modes of delivery, sustainability, equitable distribution of resources, social equity
- Involve and consult with the community and key stakeholders as required in determining service standards.
- Ensure asset management practices conform to legislative requirements and reflect appropriate industry practice.
- Incorporate a consideration of risk management requirements in decision making processes.
- Ensure roles and responsibilities of all asset users are well defined and understood.
- Review, as required, the framework developed for the evaluation and prioritization of capital works projects.
- Adopt the Asset Management Policy and Asset Management Strategy and any subsequent amendments.
- Manage assets in a team manner taking into consideration the requirements of asset managers, service managers, asset users, and the community.

In respect of this policy, the following teams or groups within Council have certain roles and responsibilities. These teams have responsibility for one or more elements in the *asset management* framework. These are documented below, but are not intended to be limiting.

6.1 Executive and Councillors

The Executive and Councillors have overall responsibility for the management of Council's *asset*s.

They are responsible for providing strategic direction to Council regarding the services provided and the level at which these services are provided and are the custodian responsible for the proper management of Councils *asset*s

6.2 Senior Managers

Senior managers are responsible for managing minor assets used in the delivery of their services in accordance with this policy. Such assets might include plant and equipment, office furniture, IT equipment or systems, etc.

Senior managers are also responsible for:

- Providing professional advice to Council to enable Council to make informed strategic asset management decisions.
- Promoting of asset management across the organization.

- Ensuring consultation occurs between staff, Council and community as required.
- Monitoring progress and performance in the implementation of asset management policies.
- Allocating resources and training to support asset management generally.
- Ensuring that asset management skills and training needs are identified as part of the staff performance appraisal process.
- Ensure all position descriptions for asset management roles define asset management responsibilities.

6.3 Asset Management Team and Council Staff

To achieve this policy the following key roles and responsibilities and commitments are identified:

- Implement policy and strategy with regard to asset management.
- Review the Asset Management Policy and Asset Management Strategy.
- Development and implementation of asset management plans.
- Establish current levels of service for assets, compare to benchmarks and community needs and identify gaps or challenges.
- Manage asset systems, develop procedures and ensure compliance with standards.
- Develop processes / procedures for assessment of capital works and asset rationalisation to ensure consistent decision making.
- Ensure communication between staff and the Executive Management Team relating to asset management occurs.
- Effectively and efficiently manage funds allocated for asset maintenance, improvement and management.
- Develop forward operational programs.
- Promote and raise awareness of asset management in the organization and through the community.

7. RELATED LEGISLATION

Local Government Act 1989
Local Government (Finance and Reporting) Regulations 2004*.*
Risk Management Australian Standard (AS 4360:2004)
Road Management Act 2004
Occupational Health and Safety Act 2004
Wrongs and Limitation of Actions Act 2003

8. RELATED POLICIES/PROCEDURES/GUIDELINES

Strategic Asset Management Plan 2001 – 2011
Asset Registers
Asset Management Plans
Road Management Plan
Risk Management Policy
Risk Management Strategy
Risk Management Procedure
Risk Register
Asset Revaluation Policy

9. POLICY IMPLEMENTATION

This policy takes effect immediately upon approval by Council. A review of all Council's activities is to be undertaken in order to assess the level of compliance with the Asset Management Policy.

Progressive adjustment of practices will be undertaken, including the documentation and recording of those practices, to achieve full compliance with this Policy.

10. POLICY REVIEW

This policy is to be reviewed on a maximum three (3) year cycle by the Manager Sustainable Assets.

The outcome of the review shall be reported to the Asset Management team for consideration and endorsement and referral to the Executive and Council for any amendment.

Council shall ensure that there is ongoing review of its asset management practices to ensure continued suitability and effectiveness. Records of such reviews shall be maintained.

11. GLOSSARY OF TERMS

An **Asset** is a physical component of infrastructure that has value, enables a service to be provided and has an economic life greater than 12 months.
This policy applies to all Councils **physical, natural and corporate infrastructure assets.** For the purposes of this policy Council *assets* include public, community and operational buildings (libraries, childcare centres, halls, etc), parks, gardens, reserves, physical improvements to Council property (BBQ's, play equipment, drink fountains, etc), infrastructure (roads, drainage, footpaths, bridges, etc), plant, office equipment and recreation facilities.

Advanced Asset Management uses prediction modelling, risk management, and *optimised renewal decision-making* techniques to evaluate options and identify the optimum long-term plan to deliver a particular level of service. See Definition of *Basic Asset Management* for additional information.

Asset Management is the combination of management, financial, economic, engineering, and other practices applied to physical, natural and corporate *assets* with the objective of providing the required level of service in the most cost effective

Asset Management Plan is 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 asset in the most cost-effective manner to provide a specified level of service. A significant component of the plan is a long-term cash flow projection for the activities.

An **Asset Management Policy** is a policy that sets the corporate goals and objectives for asset management and sets the framework for the manner in which Council's policy is implemented.

An **Asset Management Strategy** is a strategy that covers the development and implementation of plans and programs for the creation or acquisition of *assets; [Asset Planning and Asset Delivery]* operation and maintenance of *asset*s; *[Asset Management]* replacement, renewal or disposal of *assets; [Asset Review]* and performance monitoring; *[Asset Review]* to ensure desired levels of service and other operational objectives are met at an optimum cost.

Asset Management System is for collecting, analysing and reporting data on the utilisation, performance, life cycle management and funding of existing *asset*s.

Asset Managers are those people or teams within Council that have some responsibility for one or more elements of creation, operation, maintenance or disposal of Council *asset*s.

Asset Register is a record of asset information considered worthy of separate identification including inventory, historical, financial, condition, construction and technical information about each asset

Basic Asset Management relies on the use of an asset register, maintenance management systems, simple condition and performance monitoring, and defined service levels in order to establish alternative management options.

Capital Investment refers to the purchase, acquisition, renewal, refurbishment, or replacement of assets. A threshold exists above which expenditure is considered a capital expense as opposed to recurrent expenditure. Consistent with Council's accounting standards that threshold is currently $5000. Council considers projects for its Capital Investment Program annually, in conjunction with budget planning.

Demand Management is the active intervention in the market to influence demand for services and *assets* with forecast consequences, usually to avoid or defer capital expenditure.

Depreciation is the wearing out, consumption or other loss of value of an asset arising from use, passing of time or obsolescence.

Disposal of an asset refers to the sale, destruction, or rescinding of ownership of an asset that Council no longer requires.

Infrastructure *assets* are stationary systems forming a network and serving whole communities, where the system as a whole is intended to be maintained indefinitely by the continuing replacement and refurbishment of its components. The network may include normally recognised 'ordinary' *assets* as components.

Level of Service is the defined service quality for a particular activity (i.e. roading) or service area (i.e. street lighting) against which service performance may be measured. Service levels usually relate to quality, quantity, reliability, responsiveness, environmental acceptability and cost.

Life cycle of an asset refers to the cycle of activities that an asset (or facility) goes through while it retains an identity as a particular asset i.e. from planning and design, through operation and maintenance to decommissioning or disposal. The costs of these phases are allocated against the asset in question so that the performance of the asset and changes in management practices can be monitored.

Maintenance is all actions necessary for retaining an asset as near as practicable to its original condition, but excluding rehabilitation or renewal. It includes routine, planned and reactive maintenance.

Maintenance Management System is a system that assists in defining maintenance tasks (What needs to be done), carrying out maintenance (Doing it), scheduling maintenance (Managing it), and maintenance history (Recording what has been done).

Operations are the active process of utilising an asset that will consume resources such as manpower, energy, chemicals and materials. Operation costs are part of the lifecycle costs of an asset.

Optimised Renewal Decision Making is an optimised process for considering and prioritising all options to rectify performance failures of *asset*s.

Performance Monitoring is the continuous or periodic quantitative and qualitative assessments of the actual performance compared with specific objectives, targets or standards.

Planned Maintenance activities fall into two categories:
- (i)   Periodic – necessary to ensure the reliability or to sustain the design life of an asset.
- (II)   Predictive – condition-monitoring activities used to predict failure.

Reactive Maintenance is corrective work required in the short-term to restore an asset to working condition so it can continue to deliver the required service or to maintain its level of security and integrity.

Rehabilitation/Refurbishment refers to rebuilding or replacing parts or components of an asset, to restore it to a required functional condition and extend its life, which may incorporate some modification. It generally involves repairing the asset to deliver its original level of service (i.e. heavy patching of roads, etc) without resorting to significant upgrading or renewal.
Renewal works to upgrade, refurbish or replace existing facilities with facilities of equivalent capacity or performance capability.

Replacement is the complete replacement of an asset that has reached the end of its life, so as to provide a similar or agreed alternative, level of service.

Risk Analysis/Management is the application of a formal process to identify and assess the risk and probability of failure, quantifying cost, evaluating acceptable risk levels and implementing risk control measures, in accordance with Australian Standard 4360.

Routine Maintenance is day-to-day operational activities to keep the asset operating (replacement of light bulbs, cleaning of drains, etc) and which form part of the annual operating budget, including preventative maintenance.

Useful Life may be expressed as the period over which a depreciable asset is expected to be used.

ADOPTED/AMENDMENT OF POLICY

Policy Review Date	Reason for Amendment
27 August 2003	Adopted by Council
26 July 2006	Review
28 March 2007	Review
28 April 2010	Review
23 October 2013	Review