Asset Management Policy

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Document control

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Division	Infrastructure and Sustainability	
Last updated (who and when)	Manager City Assets	2021

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1. Background

Council manages large portfolio of infrastructure assets on behalf of our community. These assets are used by the community, or directly by Council to enable it to provide services for our community. Council has an obligation to manage these assets in a responsible and sustainable manner for both current and future generations.

To manage the assets under its care Council uses a framework of plans, strategies, and related systems.

The Local Government Act 2020 obliges Council to have specific plans, including a requirement for Council to develop an Asset Plan.

2. Objectives

Council owns / manages assets for the purpose of providing services to the community. All assets that Council manages must:

- Have a purpose;
- Be financially sustainable in both the short and long term;
- Have a lifecycle plan from conception to disposal; and
- Be linked to the Financial Plan (Operational and Capital Budgets).

As an asset manager, Council must maintain a suite of strategic plans that document processes that inform decisions and guide the management actions in the provision of assets.

This policy outlines the necessary framework and responsibilities to manage Council's infrastructure asset portfolio.

3. Scope

This policy covers all existing and future infrastructure assets that underpin Council Services.

Although this policy is focused on asset management, as assets are held to support the services that Council provides, they naturally are influenced by and influence other key strategic documents.

The Council Plan is informed via a feedback loop where the Council Plan sets out Council's services. Service Plans and associated Asset Demand Plans for each Council Service will inform the development of Asset Management Plans (AMPs) and the Asset Plan which consolidates the information within the individual AMPs. The Asset Plan in turn will inform the Financial Plan, providing the financial context for the development and refinement of the current and future Council Plans.

Figure 1 summarises the relationship of strategic asset plans and strategies relative to inter-related Council plans and strategies.

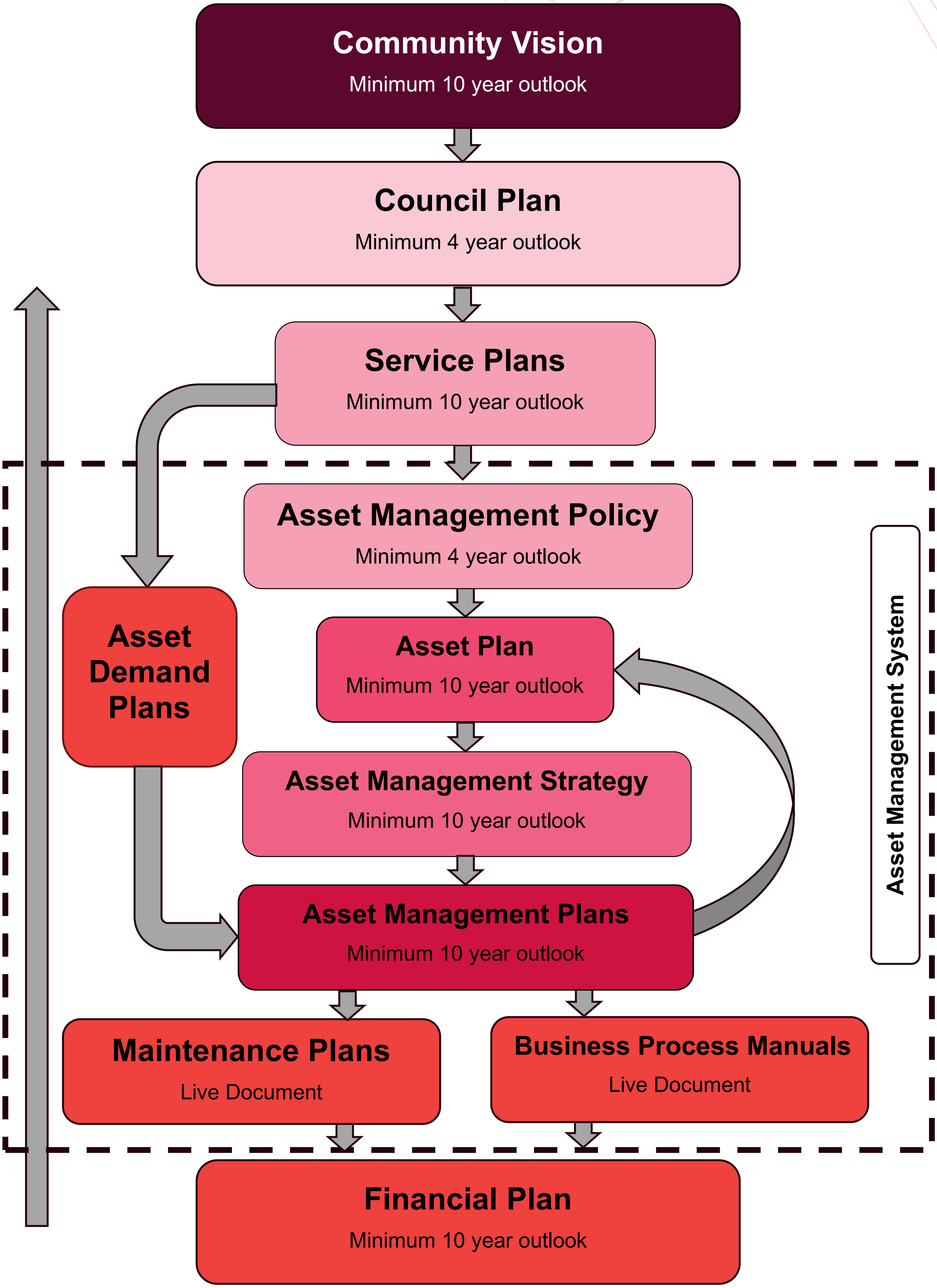

Figure 1 – Relationship of key asset management and strategic documents

4. Principles of Management

The overarching principle for asset management is that assets provided are fit for purpose, and that the provision of the assets is sustainable such that they do not create an unsustainable financial, operational or maintenance burden.

- Council assets are designed for purpose, targeted to Council services that are dependent on assets to support them.
- Assets are utilised by Council to provide a service to the Community.
- Assets should remain Fit for Purpose.
- It is legislated that Council is to maintain its financial viability.
- Council's Asset Management Practices need to remain current and as complete as possible.
    - Plan across the asset lifecycle—planning, acquisition, operations, maintenance, renewal, upgrade, and disposal—using total cost of ownership.
    - Prioritise investment using risk and criticality, safety, compliance, resilience, and climate risks (e.g., heat, flood, fire).
    - Maintain robust, auditable asset registers, condition data, maintenance records, and decision logs.
    - Mature practices over time, invest in systems and staff capability, and regularly review policies, plans, data, and processes.

4.1 Strategic Plans

The major strategic documents that underpin good asset management are presented in Figure 1. A short definition of relevant documents follows including responsibility to develop/contribute to the plan.

Service Plans

Service Plans are broad reaching but in respect of this policy, they identify the planning and management aspects of providing the Council Service and critically, define the asset requirements to deliver the service that being the Asset Demand Plan.

Service Plans are developed by the team responsible for delivering the service.

Asset Demand Plan

The Asset Demand Plan for each service is to be completed prior to the development of Asset Management Plans. It is to be updated on a cycle of every 4 years or whenever a material change occurs. A revised and updated Asset Demand Plan, including details of the impacts to the Financial Plan to be included for all Budget Bids for Capital Works.

The Asset Demand Plan is to cover the following:

- Capital cost of construction, including design, approvals for new assets;
- Ongoing yearly operating costs including general maintenance, regular inspections and compliance;
- Anticipated renewal spending;
- Plan for decommissioning and disposal and the associated costs;
- Planned usage, including which community groups / individuals who will be using the asset;
- Anticipated income streams, either grants or fees; and
- KPI's to be used in the evaluation of the asset / asset class.

An Asset Demand Plan will be jointly developed by the service owner who is responsible for the planning and delivery of the service and Council's City Assets department.

Asset Management Strategy

An Asset Management Strategy will be developed that guides the development and implementation of the Asset Management system (see Figure 1).

The City Assets department will be responsible for developing and updating the Strategy under the guidance of the Asset Management Working group.

Asset Management Plans

Asset Management Plans are detailed plans created for each category of assets and are the main strategic document for the provision of the asset. They also inform the Asset Plan of the key information required to strategically plan for the entire asset portfolio.

Asset Management Plans will be developed the City Assets department in conjunction with the service owner (fundamentally through information provided in the Asset Demand Plan).

Asset Management Plans will be developed for the following categories, and will have a planning horizon of 10 years, and be reviewed at least every 4 years.

CATEGORY	ASSETS
Transport	Roads, Bridges, Paths, Aerodromes, Carparks
Stormwater	Pipes, Pits, Gross Pollutant Traps, Wetlands and Detention Basins
Buildings	Major Buildings, Major Structures, Minor Structures
Recreation	Active Spaces, Sports Lighting, Reserve infrastructure
Open Space	Play Spaces, Open Space Furniture, Open Space Lighting
Leisure	Pools
Precinct / Public Amenity	Street Furniture, Precinct Lighting, Town Signage
Waste	Transfer Stations, Landfill Cells

Asset Plan

The Asset Plan is required under the LGA 2020. It consolidates the asset information and financial requirements from the individual Asset Management Plans and forms a holistic assessment of the financial and resource needs to provide the full suite of Council's infrastructure assets. As per the Asset Plan will have a 10 year planning horizon and will be reviewed and endorsed by 31 October in the year following a Council election.

The Asset Plan informs the Financial Plan, which in-turn will be a key consideration in the development of the Council Plan.

The Asset Plan will be developed primarily by the City Assets department in conjunction with the Financial Performance department.

The Assets Plan will:

- Be developed in accordance with Councils deliberate engagement practices
- Have a planning horizon of at least 10 years

- Contain the financial requirements for:
  - Maintenance;
  - Renewal;
  - Acquisition;
  - Expansion;
  - Upgrade;
  - Disposal; and
  - Decommissioning.

4.2 Training

The competent development and delivery of asset planning depends on officers being well trained in the principles and practice of asset management. Training will be provided to all people developing plans and strategies or similarly influencing the management of assets.

4.3 Asset Management Working Group

To provide support in the application of this policy, an Asset Management Working group (AMWG) will be maintained. The functions of this group and the specific membership forms part of a separate document, however the key principles are:

- Be chaired by General Manager Infrastructure and Sustainability and consist of internal staff who have a direct role in asset management;
- Coordinate an integrated approach to asset reliant service planning and asset management;
- Support asset management decisions and report progress to the executive team;
- Develop increased understanding and involvement of Latrobe City teams that provide services which are supported by infrastructure assets;
- Monitor the results of relevant audits and guide organisational responses;
- Review the implementation of the Asset Management Policy, Asset Management Strategy, Asset Management procedures and refer relevant documentation to the Latrobe City Audit Committee; and
- Remain operation for the duration of this Policy.

5. Accountability and responsibility

Accountability and responsibility for this policy is outlined below.

5.1 Council

- Responsibility to ensure this Policy is consistent with Latrobe City Council Strategic Direction and other Latrobe City Council policies
- Responsibility for the decision to approve this Policy by Council Resolution

5.2 Chief Executive Officer

- Overall responsibility for compliance with this policy
- Overall responsibility for enforcing accountability
- Overall responsibility for providing resources
- Overall responsibility for performance monitoring

5.3 General Manager

- Responsibility for compliance with this policy
- Responsibility for enforcing accountability
- Responsibility for providing resources
- Responsibility for performance monitoring

5.3 Manager

The Manager of City Assets has the responsibility to:

- Develop frameworks and procedures in compliance with this policy
- Enforce responsibilities to achieve compliance with frameworks and procedures in conjunction with the relevant General Manager.
- Advocate for appropriate resources for the execution of the frameworks and procedures

5.5 Employees, Contractors and Volunteers

- Participate where required in the development of frameworks and procedures in compliance with this policy.
- Comply with frameworks and procedures developed to achieve compliance with this policy.

6. Evaluation and Review

This policy will be reviewed on request of Council, in the event of significant change in the Executive team, significant changes to legislation applicable to the subject matter of the policy or, in any other case, during each Council term (generally four years).

7. Definitions

TERM	DEFINITIONS
Asset	An object (physical or intangible) that has an identifiable value and a useful life greater than 12 months, that is or could be used by the entity responsible for it to provide a service.
Asset Class	A group of assets having a similar nature or function in the operations of an entity, and which, for purposes of disclosure, is shown as a single item without supplementary disclosure
Asset maintenance costs	Costs incurred in holding and operating an asset so that it is capable of delivering a level of service up to its design capacity over its useful life. Maintenance does not increase the level of service nor extend the expected useful life of an asset.
Asset Management	The combination of management, financial, economic, engineering and other practices applied to physical assets with the objective of providing the required level of service in the most cost effective manner.
Asset Management Plan (AMP)	An AMP is a plan that projects the level and timing of cash flows associated with acquisition, replacement and new assets, asset maintenance and disposal in order to be able to achieve desired levels of service from assets. Councils are required to prepare AMPs with a planning period of at least 4 years. They assist in determining a Council's funding and financing needs and inform the Council's Financial Plan and

TERM	DEFINITIONS
	annual budget. It is one of a suite of documents that collectively make up a Council's approach to asset management.
Asset Management Policy	A policy that ensures compliance with any asset management statutory requirements as well as achieving and maintaining standards that reflect good administrative practices.
Asset Management Strategy (AMS)	An AMS sets out the strategic asset management goals by outlining what services are delivered, the methods of service delivery including non-asset solutions, and what assets and resources will be required. An AMS sets out the practical implementation of Council's strategic goals and helps in identifying the optimal asset base that is necessary to support service delivery requirements. An AMS comprises a number of plans that detail how Council will use its assets in an efficient and effective manner over each asset or asset group's life-cycle to support service delivery. An AMS will usually cover the development and implementation of plans and programs for asset creation, operation, maintenance, rehabilitation, replacement, disposal and performance monitoring, to ensure that the desired levels of service delivery and other operational objectives are achieved at optimum cost.
Asset Management System	A management system for asset management. Data in this system is used to establish the asset management policy and asset management objectives.
Asset Management Working Group (AMWG)	Steering committee consisting of City Assets, City Presentation, Finance, Risk and Asset Management representatives.
Asset Plan (AP)	Is a plan developed as per the requirements of the LGA 2020 for the management of Councils infrastructure assets with a view to operating, maintaining and renewing the assets in the most cost effective manner possible, whilst providing a specific level of service
Asset renewal costs	Expenditure on an existing asset, which returns the service potential or the life of the asset up to that which it had originally.
Asset sustainability ratio	The ratio of a Council's capital expenditure on renewal or replacement of assets (net of proceeds from sale of replaced assets) relative to the level of such expenditure proposed in a Council's SRP/FP.
Audit Committee	A Council committee as per Section 139 of the Local Government Act.
Capital expenditure	Expenditure on items which will provide benefits that extend into future financial periods. It includes expenditure to acquire new assets or to enhance existing assets to provide expanded, or a higher level of, service.
Capital Expenditure "New"	Capital expenditure that creates a new asset providing a new service to the community that did not exist beforehand. As it increases service potential it may impact revenue and will increase future operating and maintenance expenditure.
Capital Expenditure "Renewal"	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

TERM	DEFINITIONS
	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.
Capital Expenditure “Expansion”	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.
Capital Expenditure “Upgrade”	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.
Council	Refers to Latrobe City Council.
Council Plan	This plan is a statutory requirement and is a strategic planning document which focuses on the community, rather than the internal operations of Council.
Decommissioning	A formal process to remove from an active status, and the activities associated with the process including the cost to make safe or mothball the infrastructure.
Disposal	The act of getting rid of something that is no longer wanted or needed, and the activities associated with the process, including sale, demolition or relocation.
Infrastructure	A term used to describe physical assets such as roads, buildings, stormwater drainage and community waste water management systems controlled by Council.
Financial Plan (FP)	A plan that projects a forecast of a Council’s financial performance and position over a period of at least 10 years. It is one of a suite of documents that collectively make up a Council’s Strategic Management Framework and the FP should be consistent with, and express financially, actions expressed or required to give effect to strategies proposed in these other documents.
Maintenance	Recurrent expenditure, which is periodically or regularly required as part of the anticipated schedule of works required to ensure that the asset achieves its useful life and provides the required level of service. It is expenditure, which was anticipated in determining the asset’s useful life.
Service Planning (SP)	A process that outlines service objectives for specific council services. The service plan encompasses the principles for the provision of the service, the level of service to be provided, key roles and responsibilities for the delivery of the service, financial costs and revenues related to the delivery of the service and performance measures including a unit cost used to monitor the performance of service delivery.

TERM	DEFINITIONS
Whole of life cycle cost estimates	Acquisition, maintenance and disposal costs/receipts of an asset over its useful life.

8. Related Documents

- Asset Accounting Policy
- Asset Management Strategy
- Capital Works Policy
- Community Engagement Policy
- Recreation Infrastructure Funding Policy

9. Reference Documents

- Local Government Act 2020
- Local Government Act 1989
- ISO 55000 – Asset management — Overview, principles and terminology
- ISO 55001 – Asset management — Management systems — Requirements
- ISO 55002 – Asset management — Management systems — Guidelines for the application of ISO 55001
- ISO/TS 55010:2019 – Asset management — Guidance on the alignment of financial and non-financial functions in asset management

10. Appendices