

# Asset Management Policy 2017



Responsible officer:	Manager Assets & Property	TRIM folder	xx/xx/xx
Approved by:	Council	Effective date	June, 2017
		Review date	June, 2020

## I. PURPOSE

- 1.1 The Council has over \$2.9 billion in assets under its management. This includes around 214 buildings, council owned land, 293km of roads, 414km of footpaths, 232km of drainage pipe, 11,585 drainage pits, art, library books and other assets which have been built up progressively over many years.
- 1.2 A significant portion of the Council budget each year is spent on looking after, operating, improving, growing assets for the benefit of the community. Given this as well as population growth, rates capping, and climate change, Council must be good at asset management.
- 1.3 This policy sets out the approach to asset management at the City of Port Phillip. It is designed to ensure appropriate management of Council's assets to meet current and future community needs. It is informed by the National Asset Management Framework (NAMAF) core and advanced maturity requirements.

## 2. GUIDING PRINCIPLES

- 2.1 The vision underlying this policy is that Council should be able to sustainably maintain, improve and grow its assets in a condition which satisfies the communities and in a way that minimises risk and impact on the environment, and which demonstrates best value.
- 2.2 In support of this vision, the underlying objectives of asset management at Council include:
  - a) Fit-for-purpose: assets will deliver agreed levels of service to the organisation and community in terms of function (including safety and accessibility), condition, and capacity.
  - b) Community benefit: Council will innovatively use its asset base to support the social, cultural and economic wellbeing of the community.
  - c) Environmental sustainability: assets are planned and developed to incorporate climate resiliency and mitigate our environmental impact.
  - d) Financial sustainability: asset management decisions and practices ensure the council has the funds to look after, improve and grow its assets for current and future generations.
  - e) Advanced practice: council is committed to advanced asset management practice including the use of smart technology to optimise decisions and performance.

### 3. DEFINITIONS

Asset	Resources controlled by Council because of past transactions or other past events, from which future economic benefits or service potential are expected to flow to Council.
Asset Class	A grouping of asset types based on their primary function and relationship to the class' purpose statement.
Asset Lifecycle	The time interval that commences with the identification of the need for an asset and terminates with the decommissioning of the asset or any liabilities thereafter.
Asset Management	The systematic process of installing, operating, maintaining, upgrading and disposing of tangible and intangible assets in the most cost efficient and optimised manner to provide the consistent levels of service agreed with the community.
Asset Portfolio	An aggregation of asset classes that together deliver on the strategic purpose of that portfolio.
Asset Renewal	Expenditure on an existing asset or on replacing an existing asset that returns the service capability of the asset to its original capability.
Asset Upgrade	Expenditure that (a) enhances an existing asset to provide a higher level of service; or (b) increases the life of the asset beyond its original life.
Asset New	Expenditure that creates a new asset that provides a service that does not currently exist.
Asset Expansion	Expenditure that extends the capacity of an existing asset to provide benefits to new users at the same standard as is provided to existing beneficiaries.
Asset Management Strategy	Document that specifies how an organisation's objectives are converted into asset management objectives and the role of the asset management systems and processes in supporting the achievement of the asset management strategy. It includes a roadmap for achieving the desired state of asset management practice including resources, responsibilities, and timeframes.
Asset Hierarchy	A framework for segmenting and asset base into appropriate classifications. The asset hierarchy can be based on asset function; asset type or a combination of the two.
Asset Type	A defined level within the asset hierarchy framework
Best value	The optimal mix of cost, customer requirements and sustainability (environmental, social, and economic)
Level of Service	The defined service quality for an activity or service area against which service performance may be measured. Service levels usually relate to quality, quantity, reliability, responsiveness, environmental acceptability and cost.

### 4. SCOPE

4.1 This Policy applies to:

- a) All Councillors, Council officers and other persons involved in the creation, operation maintenance, renewal, upgrade, expansion and disposal of Council assets and to the extent possible all contracts applicable in these areas.
- b) All assets under the management of Council including land, buildings, roads, footpaths, drainage infrastructure, vehicles, information technology, library books, plant and equipment.



## 5. COUNCIL POLICY

Council's requirements to achieve and sustain a high level of asset management maturity are:

### *General*

- 5.1 Asset management will be integrated into corporate governance including enterprise planning, reporting and risk management frameworks and practices.
- 5.2 Asset management will be service driven and will align with the strategic priorities and directions of the Council.

### *Integrated Planning and Reporting*

- 5.3 Council will take an integrated approach to service and asset planning and reporting which:
  - a) Is detailed in the Council Plan and Budget (which includes the Long-term Financial Plan LTFP and Strategic Resource Plan SRP) and Annual Report.
  - b) Incorporates performance measures, targets and monitoring regimes.
  - c) Accounts and reports for asset expenditure in the categories of operations, maintenance, renewal, upgrade, expansion, and new.
  - d) Accords with relevant legislation.
  - e) Reflects community needs, gathered via community consultation.

### *Asset Management Strategy*

- 5.4 The Council will maintain an Asset Management Strategy that will:
  - a) Demonstrate alignment with the Council Plan and Budget.
  - b) Demonstrate how the asset portfolio can meet the service delivery needs of the community.
  - c) Define the status of asset management practices and the desired state of asset management practices.
  - d) Include a roadmap for achieving the desired state of asset management practice including resources, responsibilities and timeframes.
  - e) Be adopted by Council and reviewed at least every four years.
- 5.5 Progress against the Asset Management Strategy will be reported in the Annual Report each year.

### *Asset Management Plans*

- 5.6 The Council will maintain Asset Management plans covering a period of no less than 10 years for all asset portfolios.
- 5.7 Asset Management Plans must demonstrate alignment with the Council Plan, the LTFP, SRP, Annual Budget and this Policy, and include as a minimum:
  - a) Alignment with the fundamentals of the International Infrastructure Management Manual (IIMM) asset management plan template.
  - b) The asset hierarchy within each asset portfolio.
  - c) The current condition of assets and adopted useful lives of assets.
  - d) Levels of service and demand forecasts.



- e) Risk assessment and criticality profiles.
- f) Cashflow forecasts for asset renewal, expansion, upgrade and new assets; maintenance; and operating expenditure.
- g) An asset rationalisation and disposal plan.
- h) An asset management improvement plan.

5.8 Asset Management Plans are to be:

- a) Informed by community needs which are identified through consultation.
- b) Reviewed and maintained annually as part of the budget process.
- c) Developed in accordance with relevant accounting and financial reporting standards.
- d) Be compliant with requirements set in legislation and regulations, and other defined local government reporting frameworks.

### *Asset Management Processes, Data and Systems*

5.9 For ongoing effective asset and service planning and decision making, Council:

- a) Will continue to invest in regular asset condition audits and investigations to understand performance and to mitigate risk.
- b) Will maintain a componentised asset register which contains attribute information relevant for each asset type to ensure that it is managed effectively, efficiently and to address key risks. The asset register will utilise a common data framework and methodology defined in documented Asset Management procedures.
- c) Will operate an asset management system to store all key asset data and implement tools to support modelling, reporting and decision making. The asset management system will be considered an enterprise system and will have key integrations with at least the core finance system and the Geographical Information System.

### *Asset Management Capabilities*

5.10 To ensure that Council's asset management capabilities are best appropriate practice, Council will:

- a) Review skills and development needs in asset management related areas as part of employee performance planning and provide appropriate development opportunities.
- b) Provide Councillors and staff with asset and financial responsibilities with appropriate briefings in relevant asset and financial management principles, practices and processes.
- c) Provide and allocate resources for training to support asset management across the organisation.

### *Asset Management Decision Making*

5.11 Effective and transparent decision making related to asset management and service planning will be achieved by:

- a) All Capital investment proposals being considered against service delivery needs, lifecycle costs, alignment with council priorities, environmental sustainability and in accordance with the Enterprise Project Management Framework.
- b) Seeking to operate within the VAGO low risk range for the asset renewal gap and capital replacement ratios over the long term (unless it is demonstrated prudent not to).



- c) Placing emphasis and priority on the renewal and maintenance of existing assets and statutory service level improvements over new works and expansion.

### **Review and Audit**

5.12 Review of this policy will take place on a four-yearly cycle in alignment with the development of the Council Plan.

5.13 Asset Management is to be considered in the Internal Audit and Compliance Plan with audits undertaken at least every four years unless deemed prudent not to by the Audit and Risk Committee because for instance risk is considered low.

## **6. KEY ROLES AND RESPONSIBILITIES**

### **Council**

- Approve the Asset Management Policy, the Asset Management Strategy and the Capital Plan (as part of the annual budget process).
- Ensure that asset management requirements, as outlined in the Asset Management Plans, are appropriately considered in decision making and catered for in council planning and financial management.
- Ensure transparent reporting on Council's Asset Management performance in the Council Plan and Annual Report.

### **Executive Leadership Team (facilitated by the GM Organisational Performance)**

- Endorse the Asset Management Policy, the Asset Management Strategy and the Capital Plan for approval by Council.
- Approve Asset Management Plans and ensure that they reflect the strategic direction and service delivery priorities of the Council.
- Ensure that the financial requirements and projections for Renewal, Upgrade, Expansion and New assets, as detailed in the various portfolio asset management plans, are incorporated into the SRP and LTFP.
- Provide oversight in the implementation and review of the Asset Management Policy, Asset Management Strategy, and Capital Plan.
- Ensure that asset management and its governance are integrated into corporate governance including enterprise planning, financial management, reporting, and risk management.
- Accountable for overall organisational asset management and service planning performance.

### **Manager Asset Management and Property (and staff)**

- Lead development, monitoring and review of the Asset Management Policy, Asset Management Strategy, Asset Management Plans and supporting policies and procedures.
- Ensure appropriate maintenance and use of an Enterprise Asset Management Information System(s) and related tools to support decision making, accountability and improvement.
- Report to the Executive Leadership Team every quarter and Council at least annually on asset management performance and improvement actions.
- Ensure the organisation has appropriate asset management capability to deliver on this policy and the Asset Management Strategy.



### **Service and Asset Planning Steering Committee**

- Provide a coordinated, consistent, collaborative and integrated approach to service planning and asset management across council.
- Support the development, monitoring and review of Asset Management Policy, Asset Management Strategy, Asset Management Plans and Asset Management Framework.
- Champion asset management across the enterprise and support the evaluation and development of enterprise asset management capability.
- Monitor progress of the implementation of the Asset Management Strategy, Asset Management Plans, Service Plans and related improvement actions and the reporting of status and recommendations to the Executive Leadership Team on a quarterly basis.

### **Chief Financial Officer**

- Maintain a robust LTFP incorporating sustainable maintenance, operations, renewal, upgrade, expansion costs of existing and proposed assets that support the delivery of services to the community
- Lead the preparation of financial reports on assets based on accounting standards and financial reporting regulations ensuring the financial projections in the adopted asset management plans are reflected in the SRP and LTFP.

## **7. RELEVANT POLICY, LEGISLATION and OTHER DOCUMENTS**

- *Local Government Act 1989*
- *Road Management Act 2004*
- City of Port Phillip Council Plan
- City of Port Phillip Asset Management Strategy 2017-2021 (under development)
- City of Port Phillip Fixed Asset Accounting Policy 2017

