

# Asset Management Policy



## POLICY STATEMENT

City of Marion owns and manages assets in order to provide services to the Community for current and future generations. This Policy supports informed and strategic decision making on the provision of assets to support services.

## SCOPE

This policy applies to Council assets within the City of Marion that are owned, managed and under the care control and management of Council.

## CONTEXT

The City of Marion currently owns and maintains over \$1 billion worth of assets including infrastructure (e.g. roads, drainage), land, buildings, furniture and fittings, and equipment. 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 critical tool in ensuring appropriate provision is made for the long-term management of Council assets, and their impacts on all areas of service planning and delivery.

The *Local Government Act 1999* provides the highest level authorising framework for councils to conduct their business. The Act sets out the functions of a council which provides the basis for determining service provision and associated asset management. The Act makes explicit that councils have a role to play in planning, protecting, managing, developing, promoting, improving, restoring and enhancing their local communities. Asset management is a critical element in undertaking these functions.

The *Local Government Act 1999* also requires that Councils must develop and adopt plans (to be collectively called the strategic management plans) for the management of its area including the extent to which any infrastructure will need to be *maintained, replaced or developed* by the council.

The City of Marion's Strategic Management Framework provides the overarching framework that supports Council in setting strategic direction and making determinations relating to priorities and resource allocation. The Community Plan - Towards 2040 provides clarity on strategic direction and focus for the City of Marion over the next 30 years, and articulate how City of Marion will undertake its role and functions as described in the *Local Government Act 1999*. Decisions regarding asset provision and management are a critical element in the delivery of the Plans.

This policy sets the principles that govern the provision and management of assets in order to deliver services and programs that rely on those assets, and disposal of assets that are no longer required for service delivery. The strategic management framework sets out the process to determine the life cycle cost and funding requirements of each service for current and future generations. The Asset Management Plans and Long Term Financial Plans are the mechanisms by which the asset related priorities are resourced to ensure delivery of strategic outcomes.

## DEFINITIONS

### **Asset**

An individual or group of physical objects, which has value and enables services to be provided.

### **Asset Management**

The combination of management, financial, economic, engineering and other practices applied to physical assets with the objective of providing the required service level in the most cost effective manner.

### **Lifecycle Cost**

The total cost of an asset throughout its life including planning, design, construction, acquisition, operation, maintenance, rehabilitation and disposal costs.

### **Asset Sustainability Index**

Provides a measure as to whether Council's asset base is being adequately maintained. It expresses as a percentage the proportion of the total asset value consumed (depreciation) compared to the amount spent in preserving the asset (capital replacement/renewal).

\*further definitions included in the Strategic Asset Management Framework presented below

## PRINCIPLES

The following key principles will define Council's approach to asset management.

1. Assets exist to support the delivery of services to the service levels adopted by Council.
2. All relevant legislative requirements together with political, social and economic environments are to be taken into account in asset management.
3. Asset management is an integral element of Strategic Management and forms part of key strategic management plans.
4. Asset management decisions are based on Council's Strategic Asset Management Framework (as described below). The framework comprises an assessment of asset criticality, based on priority 1-critical, priority 2-important and priority 3-aspirational/discretionary; and asset action based on asset maintenance before renewal and renewal before new/upgrade (where it is cost effective to do so).
5. Asset renewal actions will consider all options and opportunities for more efficient and effective means of service delivery prior to investment.
6. Council will consider asset ownership and management model options in its strategic asset decision making.

7. Prioritisation of new asset investments and asset disposal decisions are based on an evaluation of potential public value, encompassing consideration of such criteria as asset utilisation potential, benefits, risks, ownership and management options, life cycles and costs in accordance with Council's Prudential Management Policy and Disposal of Land and Assets Policy.
8. Asset disposal will occur following a transparent process, aligned with all legislative requirements and Council's Disposal of Land and Assets Policy.
9. Systems including an effective internal control structure are established and adhered to, to provide responsibility and accountability for asset conditions, usage and performance.
10. Council will maintain Long Term Asset Management Plans that identify current and future asset management requirements within the context of the Strategic Management Framework.
11. Council's Long Term Financial Plan will align with Asset Management Plans to ensure adequate financial forecasts for asset management.
12. Council recognises the need to maintain its asset base and will target a long term asset sustainability index averaging 95-100%.
13. Council will use the Asset Management Sustainability Reserve (refer 'Reserve Fund Policy') to assist with funding Long Term Asset Management requirements.

## STRATEGIC ASSET MANAGEMENT FRAMEWORK

In order for assets to be managed in a way that ensures efficient, effective and sustainable service delivery all assets are assessed using a decision-making matrix based on asset criticality and priority for action.

### 1. Strategic Asset Criticality

All City of Marion assets are categorised to determine their criticality, based on the definitions below.

<p><b>Priority 1-</b> <b>Critical</b></p>	<ul style="list-style-type: none"> <li>• Those assets that are <u>essential</u> in discharging council's role and functions as set out in the LG Act 1999 eg to provide infrastructure for its community and for development within its area (including infrastructure that helps to protect any part of the local or broader community from any hazard or other event, or that assists in the management of any area);</li> <li>• Those assets that will result in <u>severe</u> consequence to community, or financial, business or service levels in event of failure, repurposing or disposal.</li> </ul>
<p><b>Priority 2-</b> <b>Important</b></p>	<ul style="list-style-type: none"> <li>• Those assets that contribute <u>significantly</u> to the role and function of council under the LG Act.</li> <li>• Those assets that are important in the delivery of identified services, with <u>major/moderate</u> consequence to community, or financial, business or service levels in event of failure, repurposing or disposal.</li> </ul>
<p><b>Priority 3-</b> <b>Aspirational/ Discretionary</b></p>	<ul style="list-style-type: none"> <li>• Those assets that <u>contribute</u> to the role and functions of council under the LG Act.</li> <li>• Those assets that <u>contribute</u> to the achievement of CoM Community aspirations and council outcomes.</li> <li>• Those assets that contribute to the delivery of identified services, with <u>minor</u> consequence to community, or financial, business or service levels in event of failure, repurposing or disposal.</li> </ul>

## 2. Asset Management Actions

All actions associated with asset management are categorised to determine their priority based on the definitions provided below. Asset management will follow an approach based on maintenance before renewal and renewal before new/upgrade (where it is cost effective to do so).

<b>Maintain</b>	All operational actions necessary for retaining an asset as near as practicable to its original condition, but excluding rehabilitation or renewal. Maintenance <u>does not increase the service potential</u> of the asset or keep it in its original condition, it slows down deterioration and delays when rehabilitation or replacement is necessary (IIMM 2011).
<b>Renew/Replace</b>	Restores, rehabilitates, refurbishes existing asset to its original capacity. <u>Returns service capability</u> of the asset up to that which it had originally (AIFM Guidelines 2009).
<b>New/Develop/Upgrade</b>	Enhancements to an existing asset or creation of a new asset to provide <u>higher service levels, or new service level/output</u> that did not exist beforehand. Also includes the extension/expansion of an existing asset to provide benefits to a new user group. May also increase the life of the asset beyond that which it had originally (AIFM Guidelines 2009).

### References

International Infrastructure Management Manual 2011

Australian Infrastructure Financial Management Guidelines Version 1.0 2009

### 3. Strategic Asset Management Decision Making Matrix

Strategic decisions on asset management are made based on consideration of asset criticality and priority for action.

	<b>Priority 1- Critical</b>	<b>Priority 2- Important</b>	<b>Priority 3- Aspirational/ Discretionary</b>
<b>Priority 1- Maintain</b>			
<b>Priority 2- Renew</b>			
<b>Priority 3- New/Develop/Upgrade</b>			

 Any decision that falls in the green section of the matrix is considered operational/business as usual.

- These decisions are automatically planned for and funded as part of the Annual Business Planning and Budgeting process.
- These decisions are automatically reflected in the Asset Management Plans and Long Term Financial Plan.
- Decisions made on renewal actions will consider all options and opportunities for more efficient and effective means of service delivery prior to investment

 Any decision that falls in the yellow section of the matrix is considered beyond operational/business as usual.

- New Develop or Upgrade decisions are automatically referred to the 'new initiatives' process to be assessed and prioritised for action. This process is a critical element of the

Annual Business Plan and Budgeting process to ensure Council considers potential funding of prioritised initiatives as part of the setting of the budget.

- As maintenance and renewal of Aspirational/Discretionary Assets is required, a more detailed assessment of the asset will be undertaken and decision sought from council as to whether the asset should be maintained, renewed or prioritized for disposal.
- Priority three expenditure decisions are not reflected in the Asset Management Plans or Long Term Financial Plan until Council has made a decision to implement the action.