

Asset Management

Policy Objective

The objective of the Asset Management Policy is to ensure that physical assets owned by Town are managed in a financially sustainable and appropriate manner. The policy guides the Asset Management principles and framework that the Town applies to ensure:

- Asset management practices and decisions align with the priorities of the Strategic Community Plan;
- Assets are performing at service levels desired by our Community; and
- Assets are sustainably planned, acquired and managed.

Policy Scope

This policy applies to the management of all physical assets owned by the Town. These are grouped into Asset Management Plans according to their service classification and includes all assets that have a useful life greater than one year and a replacement cost of \$5,000 or greater.

Policy Statement

Taking effective responsibility for asset management requires a strong and informed Council, management team and an engaged community.

Key Roles and Responsibilities

1. Council through its decision-making role in adopting the Strategic Community Plan, Corporate Business Plan, Long Term Financial Plan and Annual Budget, provide the strategic guidance and funding to guide the planning, acquisition, operation and maintenance, renewal and disposal of assets.
2. The Town's Corporate Management Committee (CMC) is responsible for providing oversight of the application of the Asset Management Policy and oversight of the Asset Management Strategy and Plans.
3. The Town's Administration has a corporate responsibility to provide accurate technical and professional advice to ensure Council is in a position to make informed decisions on behalf of the community. It is imperative that the Administration applies appropriate management practices that focus on value for money and support Council to find a balance between service levels, risk and cost in their decision making capacity.

Asset Management Framework

4. The Town is committed to making informed decisions in relation to its assets. To achieve this, the Town will maintain an Asset Management Framework that comprises the key elements:
 - Asset Management Policy
 - Asset Management Strategy
 - Asset Management Plans

5. The Asset Management Strategy will detail:
 - a. How assets will be managed to meet the service delivery needs of our community and visitors;
 - b. The objectives, performance measures and outcomes of our assets; and
 - c. The current status of the Town's asset management practices and processes, and compare this to our future vision to identify suitable improvement tasks.

6. The Town will implement a lifecycle approach to the management of infrastructure assets where:
 - a. Asset planning decisions are based on an evaluation of alternatives that consider the whole of life costs of an asset through acquisition, operation, maintenance, renewal and disposal; and
 - b. Lifecycle decisions consider the current and future environmental, economic and social outcomes.

7. The Town will maintain Asset Management Plans covering all asset classes. The Plans will detail:
 - a. How they align with the Town's strategic vision;
 - b. Why the Town provides assets;
 - c. What assets the Town has and what they are financially worth;
 - d. What condition the assets are in;
 - e. How confident the Town is of its asset data;
 - f. How the assets' service outcomes are performing;
 - g. How demand for the service outcomes is changing;
 - h. How the assets are managed;
 - i. What the assets will cost in the future;
 - j. Whether the assets and their service outcomes are sustainable; and
 - k. How the Town will improve its asset management service delivery.

Lifecycle Management

8. To ensure informed decisions are made in relation to any major acquisition, renewal, and/or upgrade to an asset, all capital projects are reviewed and prioritised with oversight from CMC, and guided by the following key principles:
 - a. Renew existing assets before acquiring new assets where possible, if considered more cost effective over the life of the asset;
 - b. Rationalising assets that are no longer strategically aligned, are poorly used or do not provide the necessary service level required to sustainably deliver the intended service for which the asset was originally acquired;
 - c. Future works are aligned to the objectives of Strategic Community Plan, considered in the Long Term Financial Plan and are delivering on the priorities within the Corporate Business Plan, Place Plans and Asset Management Plans;
 - d. Capital projects will be evaluated in accordance with a whole of life cost assessment and take into account capital cost, ongoing cost of operating and maintenance, replacement/refurbishment costs and/or disposal costs. These costs shall be projected in the Long Term Financial Plan to determine any potential financial restraints now and in the future.
 - e. Consideration of risk management and legislative requirements; and
 - f. Consideration of the Disability Access and Inclusion Plan (DAIP) and prioritise One Planet principles.

Financial Sustainability

9. The Town will measure and report asset management sustainability in accordance with the Integrated Planning and Reporting Framework and Regulation 50 of the Local Government (Financial Management) Regulations 1996. The three ratios are identified as key performance indicators and provide valuable input into Council decision making:
 - a. Asset sustainability ratio (ASR): This ratio indicates whether existing assets are being renewed or replaced at the same rate that its overall stock of assets is wearing out. The Town will aim to renew its assets at appropriate times, at the same rate it is depreciating and target an ASR between 0.9 and 1.1.
 - b. Asset consumption ratio (ACR): The Town will aim to responsibly maintain, renew/replace assets in accordance with the Asset Management Plan and target an ACR between 0.5 and 0.7.
 - c. Asset renewal ratio (ARR): This ratio indicates the ability of the Town to fund its projected asset renewals in the future. The Town will aim to develop a Long Term Financial Plan that is supported by Asset Management Plans to determine this ratio and target an ARR between 0.95 and 1.05.

Related Documents

- International Organisation for Standardisation ISO 55000, 55001 & 55002: 2014
- Local Government Act 1995 (WA)
- Disability Services Act 1993 (WA)
- Local Government (Financial Management) Regulations 1996 (WA)

- Australian Accounting Standards AASB13 – Fair Value Measurement
- Australian Accounting Standards AASB116 – Property, Plant & Equipment
- Integrated Planning and Reporting Framework (WA)
- International Infrastructure Management Manual (IIMM)
- Town of Bassendean Disability Access and Improvement Plan (DAIP)
- Town of Bassendean Disability Access and Inclusion Policy
- Town of Bassendean Financial Sustainability Policy
- Town of Bassendean Property Management Policy
- Town of Bassendean Purchasing Policy

Policy Definitions

Asset(s) refers to a physical item of infrastructure that has a replacement cost of \$5,000 or greater and an economic life of 12 months or greater.

Asset Consumption Ratio (ACR): This ratio shows the fair value of the local government's depreciable assets relative to their "as new" value. It highlights the aged condition of physical assets. It is calculated by the fair value divided by the current replacement cost. The standard is met if a ratio is between 0.5 and 0.75.

Asset Management refers to the systems and processes applied by an organisation to manage their assets from planning, acquisition, operation, maintenance, to replacement and/or disposal with the objective of providing the required service level in the most cost-effective manner.

Asset Management Plan (AMP) refers to a long term plan (usually 10-20 years) for the sustainable management of one or more assets, that combines multi-disciplinary management techniques (including technical and financial) to provide specified service levels.

Asset Renewal Ratio (ARR): This ratio indicates whether there is sufficient future funding available for the renewal and/or replacement of assets. It is calculated by the net present value of planned capital expenditure on renewals over 10 years in the LTFFP, divided by the net present value of the required capital expenditure on renewals over the same period in the AMP. The standard is met if the ratio is between 0.95 and 1.05.

Asset Sustainability Ratio (ASR): This ratio indicates whether a local government is renewing or replacing existing non-financial assets at the same rate that its overall stock of assets is wearing out. It is calculated by measuring past capital expenditure on renewal relative to the rate of depreciation of the assets for the same period. The standard is met if a ratio is between 0.9 and 1.1.

Lifecycle means the cycle of activities that an asset goes through while it retains an identity as a particular asset.

Maintenance means regular ongoing work necessary to keep assets operating and to achieve its optimum life expectancy.

New means creation of a brand new asset to meet additional service level requirements.

Operations means the regular activities to enable assets to function e.g. road sweeping, grass mowing, cleaning and graffiti removal.

Renewal means to restore, rehabilitate or replace existing assets to their original capacity – like for like. This may include the fitment of new components necessary to meet new legislative requirements in order that the asset may achieve compliance and remain in use.

Resources means the combination of plant, labour and materials, whether they be external (contractors/consultants) or internal (staff/day labour).

Service Levels refers to the outputs or objectives an organisation intends to deliver to customers. It includes the functionality, capacity, design and presentation of an asset. Generally, the higher the service level, the greater the cost to deliver the service. The aim of asset management is to balance service levels with community expectations, delivery cost and risk management.

Upgrade means enhancing an existing asset to increase its functionality and/or capacity to provide a higher service level.

Whole of Life Costs refers to all the total costs of an asset throughout its life including planning, design, construction, acquisition, operation, maintenance, renewal and disposal.

The Asset Management Policy and supporting documents such as the Asset Management Strategy and Asset Management Plans are be provided for review by new Councils within six months of each Local Government Election; and

Document Control Box			
Document Responsibilities:			
Owner:	Chief Executive Officer	Owner Business Unit:	Executive Manager Infrastructure
Inception Date:	May 2022 OCM-11/5/22	Decision Maker:	Council
Review Date:	May 2024	Repeal and Replace:	N/A
Compliance Requirements:			
Legislation:	<i>Local Government Act 1995</i>		