



LITHGOW CITY COUNCIL

NUMBER SECTION

Policy 1.5

ASSET MANAGEMENT

Version 1

NUMBERS. SECTION

NUMBER: ASSET MANAGEMENT

OBJECTIVE:

This Policy has the following objectives:

- Ensure Council's services and infrastructure is provided in a sustainable manner, with appropriate levels of service to residents, visitors and the environment;
- Protect Council's assets by implementing appropriate asset management strategies and allocating appropriate financial resources to those assets;
- Maintain an awareness of asset management throughout Council which encourages all Council employees to play a proactive role;
- Meet all legislative requirements of asset management;
- Ensure resources and operational capabilities are identified and responsibility for asset management is allocated; and
- Demonstrate transparent and responsible asset management processes that align with appropriate best practice.

POLICY:

1. DEFINITIONS

<u>Asset</u>	A physical component of a facility which has value, enables services to be provided and has an economic life of greater than 12 months.
<u>Asset Management</u>	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.
<u>Asset Management Strategy</u>	A strategy for asset management covering the development and implementation of plans and programmes for asset creation, operation, maintenance, rehabilitation/replacement, disposal and performance monitoring to ensure the desired levels of service and other operational objectives are achieved at optimum cost.
<u>Asset Management Plan</u>	A plan 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.

<u>Lifecycle</u>	The cycle of activities that an asset goes through while it retains an identity as a particular asset ie from planning and design to decommissioning or disposal.
<u>Natural assets</u>	Shall mean “the stock of natural resources from which ecosystem services are produced that are of value to humans. Natural assets include natural resources such as soil, biota (flora and fauna), water systems (streams, lakes and wetlands), and atmosphere”. Council does not restrict this definition to those natural assets that are of value only to humans and includes those of value to the whole ecosystem.
<u>Life Cycle Cost</u>	The total cost of an asset throughout its life including planning, design, construction, acquisition, operation, maintenance, rehabilitation and disposal costs.
<u>Asset Sustainability Ratio</u>	(ASR) – The ratio of asset replacement expenditure relative to depreciation for a period. It measures whether assets being replaced at the rate they are wearing out. The Local Government Code of accounting Practice and Financial Reporting defines this ratio as “Buildings and Infrastructure Renewals Ratio”.
<u>Asset Renewal Funding Ratio</u>	(ARFR) – The ratio of the net present value of asset replacement funding accommodated over a ten year period in a long term financial plan relative to the net present value of projected capital renewal expenditures identified in an asset management plan for the same period. It assesses the entity's financial capacity to fund asset renewal.
<u>Capital Expenditure</u>	(CAPEX) – Expenditure used to create new assets or to increase the capacity of existing assets beyond their original design capacity or service potential. CAPEX increases the value of asset stock.
<u>Custodian</u>	A body lawfully invested with the power and charged with the obligation of taking care of and managing the community's infrastructure property.
<u>Steward</u>	Someone who manages property on behalf of the owner.

The above definitions are applicable not only to built assets but apply to any infrastructure that Lithgow City Council uses to provide a service to the community.

2. POLICY STATEMENTS

- (a) This policy covers all elected members of the Lithgow City Council, all personnel employed by Lithgow City Council, any person or organisation contracted to or acting on behalf of the Lithgow City Council, any person or organisation employed to work on Lithgow City Council premises or facilities and all activities of the Lithgow City Council.
- (b) This policy does not confer any delegated authority upon any person.
- (c) Asset management principles will be integrated within existing planning and operational processes.
- (d) Asset renewals required to meet agreed service levels and identified in asset management plans and long term financial plans and which align with the priority objectives of the Community Strategic Plan will be given high priority for funding in the annual budget estimates.
- (e) Council will set an ASR target of not less than 25% for each of the General Fund, the Water Fund, the Sewerage Fund and the Waste Fund, having regard for the relative age of its asset portfolio and Integrated Planning Considerations.
- (f) Council's target levels for the ARFR are 85%. (These are based on the expenditures proposed, after due Integrated Planning Considerations are taken in to account, in Lithgow City Council's Asset Management Plans).
- (g) Lithgow City Council's Asset Management Plans will consider the potential significant impact that climate change and population growth will have on its assets.
- (h) Future life cycle costs will be reported and the ability to fund those costs will be considered in all decisions relating to new services and assets and upgrading of existing services and assets. Those lifecycle costs will include the eventual disposal/decommissioning costs.
- (i) Council, as custodian of Lithgow City Council assets, will:
 - Ensure the Council's legal obligations are met;
 - Represent the community who pay for and use the assets; and
 - Ensure the asset/service is maintained for use by present and future generations on a sustainable basis
- (j) As part of Council's consideration of infrastructure asset management, Lithgow City Council will:
 - Manage its infrastructure and assets in a systematic and sustainable manner;
 - Engage with the community, stakeholders and service providers when determining service standards / level of service every four (4) years (as part of the Community Strategic Plan review), within the first year of each newly elected Council;
 - Allocate appropriate resources to ensure the timely maintenance and renewal of built and natural assets, so that "life cycle" costs are optimised (existing and new assets);

- Meet legislative requirements for asset management;
 - Update asset management plans annually to reflect the position in the Operational Plan for the upcoming financial year;
 - Audit progress in Asset Management Plans and strategies on an internal basis every two (2) years;
- (k) Include natural (ecosystem) assets in Lithgow City Council's infrastructure portfolio and adapt its asset management tools and processes to apply to natural assets and to accommodate the differences between those assets and built assets.
- (l) Align its asset management plans with the Community Strategic Plan.
- (m) Set levels of service, risk and cost standards after balancing competing demands and considering integrated planning matters.

3. POLICY IMPLEMENTATION PROCEDURES

- (a) This policy will be implemented by procedures that will ensure that:
- I. The right assets are built, rebuilt or disposed of;
 - II. The assets are managed well;
 - III. There is a balance between Council operations, new assets and existing assets;
- (b) To achieve this policy, the following key roles and responsibilities and commitments are identified:
- I. Council**
 - To ensure appropriate resources and funding to responsibly manage the costs of the asset portfolio are made available, in accordance with its service needs;
 - II. Executive Management Team (EMT)**
 - To ensure a review of the risks and opportunities involved in the Asset Management Strategy is undertaken;
 - To ensure resources and funding for Asset Management activities are made available to integrate Asset Management into the corporate governance framework;
 - Review Asset Management Plans annually;
 - To ensure that timely, accurate and reliable asset information is presented to Council for decision-making.
 - III. Managers and Staff**
 - The General Manager shall ensure that Lithgow City Council's organisational structure will identify responsibility and accountability for implementation of Council's role for custodian of the community's infrastructure assets and meet the associated stewardship requirements.

IV. Asset Management Working Group

- Assist Managers to develop and implement policy and procedure;
- Maintain momentum and coordination of the implementation of this policy and Lithgow City Council's Asset Management Strategy;
- Encourage continuous improvement, innovation and cost effective methods to improve asset management practices.

Maintained by Department:	Operations	Approved by:	Council	Exhibition Date:	Insert date advertised from
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Min No:	Council meeting minute number	Version No:	1	Review Date:	Date
Attachments:					