

Policy Title: SERVICE AND ASSET MANAGEMENT POLICY

Policy Subject: Finance
Policy No: #2072344

Directorate: Organisational Services
Department: Financial Services
Section: Financial Services

Responsible Officer: Executive Manager Financial Services
Authorised by: Director Organisational Services

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INTENT:

A whole of organisation approach to best practice asset and service management which will sustain services according to community needs.

OBJECTIVE:

The objective of this policy is to articulate Council's commitment to the principles of sound asset management and to provide a practical guide for the whole of Council approach to asset management practices.

Context

Fraser Coast Regional Council delivers a variety of services to the community and in doing so, must ensure that the infrastructure assets supporting these services are managed in a way that promotes maximum performance and achieves the most cost-effective 'whole of life' cost.

It is imperative that Council employs best practice management skills and practices to ensure that services are delivered economically and in a sustainable manner and to meet Councils Community and Corporate Plan objectives.

Federal and State Governments are emphasising the imperatives for Local Government to have more regard for long term sustainable financial planning and longer term management of physical and financial resources.

This policy is to demonstrate responsive management of assets (and services provided from assets), compliance with regulatory requirements, and to communicate funding required to provide the required levels of service.

The policy is to be read in conjunction with the following associated planning documents:

- Community and Corporate Plan; and
- Strategic Ten Year Financial Plan.

This policy is prepared under the direction of Council's vision, mission, goals and objectives.

Council's vision is:

Fraser Coast Regional Council will work towards achieving our vision by sustaining our unique natural environment, building a dynamic region, maintaining a healthy community and establishing a smart customer orientated organisation.

and a key strategy is:

"Manage and maintain assets in an efficient and cost effective manner optimising the whole of life value to the community."

Goals and Objectives of Asset Management

The Council exists to provide services to its community. Some of these services are provided by infrastructure assets. Council has acquired infrastructure assets by 'purchase', by contract, construction by council staff and by donation of assets constructed by developers and others to meet increased levels of service.

Council's goal in managing infrastructure assets is to meet the required level of service in the most cost effective manner for present and future consumers. The key elements of infrastructure asset management are:

- Taking a whole of life cycle approach;
- Developing cost-effective management strategies for the long term;
- Providing a defined level of service and monitoring performance;
- Understanding and meeting the demands of growth through demand management and infrastructure investment;
- Managing risks associated with asset failures;
- Sustainable use of physical resources; and
- Continuous improvement in asset management practices.

Policy Statement

In developing the Council's Service and Asset Management Policy it is recognised and acknowledged that:

- Assets exist only to provide or have the potential to provide service delivery; and
- Asset planning is a key activity, to be integrated to the organisation's strategic planning along with planning for finance, human resources and information technology.

A systematic approach will be implemented for the management of council assets that results in 'best value' outcomes for present and future generations of customers. This approach will be used in all asset life cycle functions of planning, design, acquisition, construction, operation, maintenance, rehabilitation, replacement and disposal of assets.

The Policy provides a philosophy and framework for the management of Council assets as a whole and does not provide a strategy for the management of individual assets.

Scope

This policy applies to all assets owned and managed by the Council.

Asset Management Principles

When determining asset management processes/activities at the Fraser Coast Regional Council, those considerations are to be undertaken having regard for the following principles:

- Service delivery is the foundation for asset management;
- Asset management will be integrated with corporate, financial, business and budgetary planning;
- Service and Asset Management Plans will be developed and implemented to inform decision making, incorporating a life cycle approach to asset management; and
- Sustainability, providing for present needs while sustaining resources for future generations.

Framework

This policy provides the overall framework to guide the sustainable management of Council's asset portfolio as a platform for service delivery to ensure that:

- Infrastructure assets are effectively and efficiently managed through the course of their life cycle;
- There is clear direction for asset custodians to allow informed decision making;
- Community needs and expectations are satisfied;
- Legislative and regulatory requirements are met;
- Best value practices are incorporated in infrastructure asset management strategies and implementation activities;
- Financial, social and environmental resources are used in a sustainable way;
- Exposure to risk is managed through the application of sound operational principles and practices;
- There is continuous improvement in asset management and service delivery; and
- Sustainable Development is based on the recognition that planning must be based on the integration of sound social, ecological, economic and cultural principles and practices.

Key Principles

The Policy includes the following key principles that will be considered when making any decisions impacting on infrastructure assets:

1. Level of service

In accordance with Community, Corporate and Financial Plan's, Council will provide quality infrastructure assets that support service levels that are appropriate, accessible, responsive and sustainable to the community.

Consult with the community and key stakeholders on determining Levels of Service and asset service standards.

Prior to consideration of any major refurbishment or improvement to an asset a critical review should be undertaken as part of the evaluation process including:

- Requirement for facility/infrastructure for short and long term;
- Legislative requirements;
- Opportunities for rationalisation; and
- Opportunities for multi-purpose uses.

2. Demand forecasting

Council will develop long term sustainable and effective management strategies including demand analysis covering changes in legislations & demographics.

3. Life cycle planning

Life Cycle Asset Management is fundamental to the achievement of the Council's Community, Corporate and Long Term Financial Plans.

The decision to fund capital projects will be based on agreed criteria for the evaluation and prioritisation of capital proposals and the whole of life cost (ie capital, on-going maintenance, refurbishment/replacement and operational).

The philosophy for renewing assets before acquiring new assets and where possible rationalisation of existing assets (which are under-utilised or do not provide the necessary level of service required to sustainably deliver the intended service for which the asset was originally acquired) is adopted by Council in decision making.

The general priority for infrastructure funding allocation is as follows:

Priority 1: Capital renewal expenditure

Expenditure on an existing asset, which returns the service potential or the life of the asset up to that which it had originally. It is periodically required expenditure, relatively material in value compared with the value of the components or sub-components of the asset being renewed. As it reinstates existing service potential, it has no impact on revenue, but may reduce future operating and maintenance expenditure if completed at the optimum time, eg. resurfacing or resheeting a material part of a road network, replacing a material section of a drainage network with pipes of the same capacity, resurfacing an oval. Where capital projects involve a combination of renewal, expansion and/or upgrade expenditures, the total project cost needs to be allocated accordingly.

Priority 2: Capital upgrade expenditure

Expenditure, which enhances an existing asset to provide a higher level of service or expenditure that, will increase the life of the asset beyond that which it had originally. Upgrade expenditure is discretionary and often does not result in additional revenue unless direct user charges apply. It will increase operating and maintenance expenditure in the future because of the increase in the council's asset base, eg. widening the sealed area of an existing road, replacing drainage pipes with pipes of a greater capacity, enlarging a grandstand at a sporting facility. Where capital projects involve a combination of renewal, expansion and/or upgrade expenditures, the total project cost needs to be allocated accordingly.

Priority 3: Capital new expenditure

Expenditure which 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.

4. Risk Management

Resources and priorities for asset management practices will include a risk assessment.

5. Financial Management

The amount of renewal funding required to maintain minimum service levels will be reflected in Council's 10 Year Financial Plan and will incorporate infrastructure renewal requirements as identified in service and asset management plans.

The provision of funding for new projects will only be considered after renewal requirements are identified and considered.

Prior to consideration of any major new works, renewal or up-grade to an asset, a critical review, based on demonstrated service needs will be undertaken and the "whole of life" costs of that asset will be reflected in Council's 10 Year Financial Plan.

Asset Management Improvement Strategy

Based upon the framework within this policy, an Asset Management Improvement Strategy will be developed and maintained to guide the implementation and improvements in asset management practices in the organisation. The strategy will identify outcomes, actions, timelines and responsibilities and will be based upon legislative requirements and appropriate best practices.

Roles and Responsibilities

To achieve this policy the following key roles and responsibilities are identified:

Councillors

- To act as custodians of community assets;
- To adopt a strategic policy for asset management with linkages to Council's Community and Corporate Plan;
- To set agreed levels of service, risk and cost standards;
- Support the implementation of improved asset management practices in the organisation;
- Approve and review asset management plans and outcomes;
- Provide consistent and transparent decision making;
- To provide an advocacy role with State and Federal Governments and the community.

Chief Executive / Executive Team

The Chief Executive Officer has overall responsibility for asset management policies, systems and procedures and reporting on the status and effectiveness of asset management within Council.

Executive Team members are responsible for implementing and supporting asset management systems, policies and procedures.

Responsibilities include:

- The provision of strategic direction and leadership;
- To ensure improvement in the management of all assets;
- The review of existing policies and develop new policies related to asset management;
- Developing and implementing a Service and Asset Management Improvement Strategy within agreed resources;
- To monitor and review performance of Council's managers and staff in achieving the Service and Asset Management Improvement Strategy;
- To ensure that accurate and reliable information is available to Council to support its decision-making;
- The provision of professional advice to Council to enable Council to make informed strategic asset management decisions;
- Developing and implementing processes to ensure that total asset management becomes an integral part of the corporate planning and management process and is inculcated within the general culture of the organisation;
- To ensure consultation occurs between staff, Council and community as required;
- Monitor progress and performance in the implementation of asset management policies;
- Allocate resources and training to support asset management generally; and
- Ensure outcomes support Council's Community and Corporate Plans and other associated strategic plans.

Service and Asset Management Committee

The Committee has been established to ensure good stewardship and governance in the management of the assets of the Fraser Coast Regional Council.

The Committee consists of a multi-functional team and is an advisory committee to the Executive Management Team to provide recommendations on appropriate service and asset management strategies.

Managers & Staff

Managers are responsible for implementing asset management systems, policies and procedures for their particular areas.

Employees with management or supervisory responsibilities will be held accountable for the management of assets within their respective areas of responsibility as identified within the asset management plans. Staff members will be responsible for the timely completion of activities contained within the implementation plans.

Responsibilities include:

- Implement the Service and Asset Management Improvement Strategy within agreed resources;
- Developing and implementing improvement plans for individual asset groups;
- Developing and implementing maintenance, refurbishment and capital works programs in accordance with Asset Management Plans, Operational Plans and Budgets;
- Deliver levels of service to agreed risk and cost standards;
- Manage infrastructure assets in consideration of long term sustainability;
- Present information to the Council, Chief Executive Officer and Executive Team in terms of life cycle risks and costs;
- Implement policy and strategy with regard to asset management;
- Establish current levels of service for assets, compare to benchmark levels and community needs and identify gaps or challenges;
- Manage asset systems, develop procedures and ensure compliance with standards;
- Develop processes/procedures for assessment of capital works and asset rationalisation to ensure consistent decision making;
- Ensure effective communication between staff and the Executive Team relating to asset management;
- Effectively and efficiently manage funds allocated for asset maintenance, improvement and management;
- Develop forward operational programs;
- Promote and raise awareness of asset management within the organisation and the community; and
- Facilitate "Best Appropriate Practice in Asset Management" at the Council.

Reviews

This Policy will be reviewed annually and the review process will also include revision of the Service and Asset Management Improvement Strategy as required.

The Service and Asset Management Improvement Strategy will be reviewed on an annual basis with progress reported through the Operating and Annual Reports.

Related Documents

- Service and Asset Management Improvement Strategy
- Service and Asset Management Plans

Definitions

Asset:	<p>A physical component owned or controlled by Council which</p> <ul style="list-style-type: none">• provides (or has the potential to provide) a service or product,• has current or future economic benefit, and• has a useful life greater than 12 months.
Level of service (LoS)/ service level:	<p>An asset's performance criteria which can be measured and reported. A defined LoS indicates the minimum performance measure which should be met and is determined by one or more of legislative requirements, strategic and corporate goals, and community expectations. The defined service quality for a particular service against which service performance may be measured. Service levels usually relate to quality, quantity, reliability, responsiveness, environmental, acceptability and cost).</p>
Life cycle:	<p>The complete life of an asset with Council, from acquisition, through operation and maintenance to disposal and replacement. Each of these phases will vary in duration depending on the asset (eg. a road compared with a park bench). Also includes the total cost of an asset throughout its life cycle with Council, including planning, design, construction, purchase, operation, maintenance, rehabilitation and disposal. The life cycle cost (LCC) is average cost to provide the service over the longest asset life cycle. It comprises annual maintenance and asset consumption expense, represented by depreciation expense. The Life Cycle Cost does not indicate the funds required to provide the service in a particular year.</p>
Capital new expenditure	<p>Expenditure which 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.</p>
Capital renewal expenditure	<p>Expenditure on an existing asset, which returns the service potential or the life of the asset up to that which it had originally. It is periodically required expenditure, relatively large (material) in value compared with the value of the components or sub-components of the asset being renewed. As it reinstates existing service potential, it has no impact on revenue, but may reduce future operating and maintenance expenditure if completed at the optimum time, eg. resurfacing or resheeting a material part of a road network, replacing a material section of a drainage network with pipes of the same capacity, resurfacing an oval. Where capital projects involve a combination of renewal, expansion and/or upgrade expenditures, the total project cost needs to be allocated accordingly.</p>
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