Asset Management Policy

Policy 309

A better service, not a better asset, is a key indication of successful asset management

Background

Assets play a vital role in enabling services to fulfil the environmental, social, cultural (including governance) and economic outcomes for the community. Parramatta City Council (PCC) is responsible for ensuring that the multi billions of dollars of community assets under its ownership, care and control are cost effective in achieving the long term community objectives of the city.

Having sustainable assets requires PCC to be accountable in maintaining and wisely using existing assets to meet required levels of service throughout the assets life.
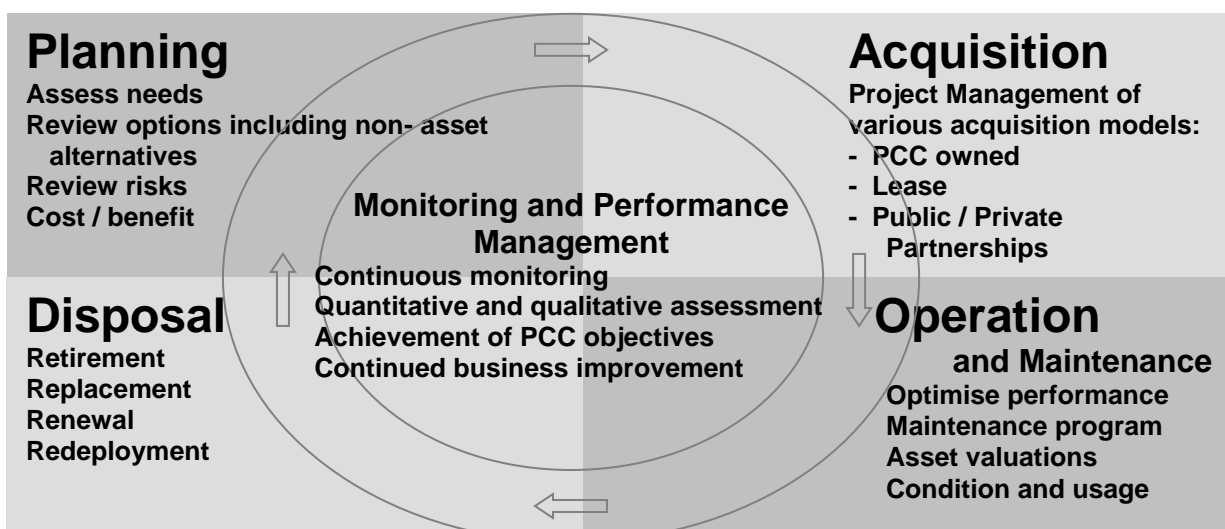
Asset management requires the planning and acquisition of assets to meet current and future service delivery demands. Informed decisions are required about which assets are needed, where and in what numbers and at what cost. Asset investment decisions are made with careful consideration about the needs, costs and risks of maintaining and operating assets over their useful lives, including the ultimate retirement of assets. This approach recognises that the effects of decisions made during any phase of an asset's life will affect performance and costs in another phase.

Best practice across PCC's asset portfolio will result in:

- Assets that meet the requirements of the community at minimal cost.
- Knowledge about the impact that assets will have on Council's budget over the long term.
- Informed asset investment decisions based on sound knowledge of asset performance.
- A program that minimises the risks of asset ownership.
- Cost effective management and operation of existing assets.

Asset management planning is a relatively new ongoing business discipline that will need to be embedded into Councils planning, budgeting, operation and reporting frameworks. Council will need to adopt a continuous business improvement program to realise the substantial benefits that can be expected from strategic asset planning.

The Asset Life Cycle

Planning
Assess needs
Review options including non- asset alternatives
Review risks
Cost / benefit

Acquisition
Project Management of various acquisition models:
- PCC owned
- Lease
- Public / Private Partnerships

Monitoring and Performance Management
Continuous monitoring
Quantitative and qualitative assessment
Achievement of PCC objectives
Continued business improvement

Disposal
Retirement
Replacement
Renewal
Redeployment

Operation and Maintenance
Optimise performance
Maintenance program
Asset valuations
Condition and usage

Relationship to Legislation

Due to the significant risks to Council associated with assets and the impact that assets can have in supporting the objectives of Council, the NSW Department of Local Government is passing legislation[1] to mandate that a Strategic Asset Management Plan be integrated into Councils planning and budget processes as one of the resource plans.

The legislation is consistent with the national financial sustainability framework. The legislation requires that a four year delivery program be developed to move closer to the objectives and strategies in the long term community plan. The resourcing strategy of assets, funds and workforce need to inform and support the long term community plan and the four year delivery program of the Council.

The Strategic Asset Management Plan will inform Council on the most cost effective use of assets. The plan will include all assets owned by Council and any new asset solutions proposed in the Community Service Plan and four years Delivery Program. The asset acquisition, operation, maintenance, renewal and disposal schedules in the Strategic Asset Management Plan will form an input to the Long Term Financial Plan.

Scope

This policy applies to all physical assets and their components with a useful life of more than one year.

PCC has developed an asset hierarchy for the management, planning and reporting of assets. The asset hierarchy can be found in attachment 1.

The asset hierarchy may be modified as the requirements of the community change and / or the cost benefit of managing an asset a particular level deems it necessary to change the hierarchy.

Purpose

This policy provides the overall framework to guide the sustainable management of Council's asset portfolio as a resource for service delivery or as an investment portfolio for revenue. The policy will ensure that:

- Assets are effectively and efficiently managed through the course of their life cycles;
- There is a clear direction for informed decision making;
- Community needs and expectations are met;
- Best value practices are incorporated into asset management strategies and implementation activities;
- Exposure to risk is managed through the application of sound operational principles and practices;
- Sustainable development is based on the recognition that planning must include social, ecological, economic and cultural principles;
- There is continual improvement in asset management and service delivery;

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[1] Local Government Amendment (Planning and Reporting) Bill 2009; 21 January 2009

Asset Policy Statements

It is a policy that:

- Council will comply with all asset related legislation and guidelines including the development of an annual Strategic Asset Management Plan;
- Council's assets will be managed using a "life cycle" approach in accordance with recognised best practice asset management techniques;
- Council's assets will be utilised to their fullest potential to maximise usage and economic performance;
- Council will continually monitor, audit and review its asset portfolio to ensure it is responsive to service delivery needs and meets the objectives set by Council;
- Council's assets will be regularly maintained to ensure that they continue to function as built for the duration of their life;
- Council's asset class management plans (included in the Strategic Asset Management Plan) will guide the funding allocations for all asset purchase, maintenance, rehabilitation and replacements.
- Council will establish acceptable risk tolerances for assets;
- Prior to the approval of any significant asset acquisition or renewal a detailed demand study, financial appraisal, risk assessment and community consultation will be undertaken.
- Returns will be maximised from Council's asset investment portfolio;
- The disposal of any asset shall be in accordance with Council's asset disposal policies and procedures;
- Council will undertake regular community engagements to determine satisfaction with the levels of service.

Roles and Responsibilities

The roles and responsibilities for the management of assets to be followed within PCC are detailed in the PCC Asset Roles and Responsibilities document (TRIM Reference: D01063500). Key positions in asset management are:

The Council:	Owns all assets and acts as a steward for the assets. The Council will set the asset management policy and vision. Ensures that resources are available for asset management activities.
Executive Team:	Reviews the Strategic Asset Management Plan (including the four year asset delivery program) and asset business cases in line with this policy. Advises Council on asset matters.
Leadership Team:	Provides input and advice in the development of the Strategic Asset Management Plan (SAMP) and asset management practices within Council to improve the quality of asset management. In PCC the leadership team has delegated this role to the Strategic Asset Management Project Board.
Strategic Asset Manager:	Is delegated by Council to act in the capacity of asset owner and make recommendations to Council. Responsible for the development of the Strategic Asset Management Plan which recommends the most sustainable use of available funds across the asset portfolio. Reviews all new asset acquisitions to ensure they are consistent with Council's long term objectives, that the life cycle costs have been considered and that the asset can be funded within agreed risk tolerances.
Service Manager:	Uses assets to provide a service to the community. Provides the level of service requirements, maximises asset utilisation and reports on asset performance.
Asset Manager:	The person in Council who is in the best position to manage an asset with the required skills and experience. The asset manager may be a service manager or the service manager may allocate the management of an asset to an individual in a specialist role (e.g. facility manager).
Asset Service Provider:	Is appointed by the asset manager to undertake work in relation to an asset. Some examples include design engineers, surveyors, maintenance officers, security officers.

Tenant   A person or entity that rents or occupies a property.

Policy Guidelines

Assets that support the community and operational performance of PCC

These policy guidelines outline the strategies to be employed in achieving best practice in meeting the policy statements. The guidelines are in two sections. The first set of guidelines applies to assets throughout all stages of their lives. The second set of guidelines applies to the requirements at each stage of an assets life.

Guidelines for assets at all stages of their lives:

- Engage the community on their expectations (levels of service) for all asset classes.
- Use the community expectations (levels of service) to drive the development of the asset strategy and its implementation.
- Assign roles and responsibilities for all assets at the various stages of their lives.
- Define the level of detail required to plan, operate, manage and report on each class of assets to maximise the benefit to Council.
- Capture and maintain relevant data in one location for use in asset planning, operation, management and reporting.
- Establish business rules and processes by asset class to comply with PCC's asset capitalisation policy to support the planning, operation and management of assets.
- Adhere to PCC's environmental, social and cultural standards for assets within acceptable risk tolerances and costs.
- Undertake a continuous business improvement process in the management of assets.

There are specific requirements for PCC to address as assets pass though the various stages of their lives.

During the asset planning life stage the level of detail required will be dependant upon the business rules established for each asset class and the level of risk exposure. Planning guidelines are:

- Undertake a demand study for the acquisition or creation of the asset.
- Establish what is valued by the community (levels of service).
- Though community engagement ensure that the asset renewal or new asset investment is a community priority.
- Undertake an options analysis of the various asset solutions outlining the benefits and disadvantages of each option with a recommended solution to maximise the levels of service within identified risk tolerances and lifecycle costs.
- Identify the funding sources for the asset over its life.
- Undertake a lifecycle cost analysis detailing the acquisition, operation, planned and unplanned maintenance, renewal and disposal costs of the asset over its life in the current year's values. The NSW Department of Treasury's Policy Paper (TPP 07-4) or its revisions provides the guidelines for financial appraisals of new assets;
- Ensure that the asset design or asset purchase recommendation complies with legislated standards and building codes.
- Ensure that the asset design or asset purchase recommendation complies with PCC's asset environmental policy and standards.

- Clearly define the roles and responsibilities for the management of the asset following acquisition. In particular the service manager, asset manager, planned and unplanned maintenance responsibilities.
- Evaluate the planned acquisition against all other planned acquisitions considering the priorities of all of Councils assets to ensure that the best use of funds is being applied.

During the asset purchase or construction life stage:

- Ensure the project manager responsible for the construction or purchase of the asset certifies that he is satisfied with the quality of the brief before construction or purchase commences.
- Comply with any legislated requirements or relevant PCC policies or procedures.
- Regularly report the acquisition costs against a project budget with reasons for variances.
- Regularly report the completion date against proposed completion times with reasons for variances.
- Ensure that an asset record by relevant component is created in Council's asset register on completion with all data elements completed.
- Ensure that the manager funding the asset signs off that the asset meets the project brief (with any agreed variances) on completion.
- Ensure that funds are made available in Councils maintenance and asset operational budgets for the new asset over its life.
- Complete a "lessons learned" report for continual improvement.
- Evaluate the asset six months after completion to determine if the asset is fulfilling the planned requirements.

During the asset operation life stage:

- Ensure that all assets are in a condition that meets community expectations, legislated and PCC standards.
- Minimise the operational costs and environmental footprint of assets within acceptable risk tolerances and costs.
- Maximise the utilisation of the assets (where appropriate) to increase the community benefit or financial return to Council.
- Renew assets as close as possible to the optimal time to minimise the total life cycle costs.
- Extend the remaining life, revalue the asset and report disposals by component for all renewals.
- Ensure that assets are valued and depreciated in accordance with the accounting standards.
- Ensure that all asset records remain up to date.

During the asset disposal life stage:

- Disposal of the asset maximising the return to Council
- Comply with PCC's disposal policy, process and guidelines.
- Remove of the asset from Council's asset registers.

Assets that provide a commercial return to Council

- Maximise the return of assets in the asset investment portfolio.
- Reinvest investment property disposal incomes back into the asset investment portfolio.
- Establish a method by which the asset investment portfolio can be managed to capitalise on market changes with minimal risk to the Council.
- Regularly report on the asset investment portfolio returns against industry benchmarks.
- Fund the cost of maintenance and renewal of assets from the properties in the asset investment portfolio.

- Invest a percentage of the net returns from the asset investment portfolio back into the portfolio for increased growth.

Attachment 1: PCC Asset Hierarchy

Asset Class	Asset Category	Asset Group
Infrastructure	Roads, Bridges and Footpaths	Bridges
		Footpaths
		Cycle ways
		Roads
	Other Infrastructure	Street Furniture
		Public Lighting
		Parking Meters
		Laneways
		Other Infrastructure
	Stormwater Infrastructure	Flood Control
		Natural Water Courses
		Drains
	Park Infrastructure	Park Infrastructure
Trees	Trees	Trees
Buildings	Administration and Operation Buildings	Administration Buildings
		Operation Buildings
	Civic Place Buildings	Council Chambers
		Macquarie House
		Administration Building 38 Darcy Street
		Connection Arcade and Darcy Street Shops
	Community, Library and Social Services Buildings	Child Care Buildings
		Baby Health Centres
		Buildings Leased for Community Services
		Libraries
	Culture, Tourism and Recreation Buildings	Heritage and Visitor Information Centre
		Town Halls and Community Halls
		Park Buildings
		Swimming Pools
		Riverside Theatre
	Property Investment Portfolio Buildings	Property Investment Portfolio Buildings
	Multi-Story Car Parks	Multi-Story Car Parks
Land	Community	Open Space (park)
		Recreation Facility Land
		Land Under Administration and Operation Buildings
		Civic Place Land
		Property Investment Portfolio Land
		Land Under Roads
Plant and Equipment	Small Plant	Small Plant
	Heavy Plant Non-Motorised	Heavy Plant Non-Motorised
	Light Commercial Vehicles	Light Commercial Vehicles
	Passenger Vehicles	Passenger Vehicles
Office Equipment	Computer Equipment and Software	Computer Equipment and Software
	Other Electronic Equipment	Other Electronic Equipment
Furniture and Fittings	Furniture and Fittings	Furniture and Fittings
Library Books	Library Books	Library Books
Heritage and Cultural Collections	Heritage and Cultural Collections	Artefacts

Asset Class	Asset Category	Asset Group
		Cultural Documents
		Art Collection