

COUNCIL POLICY



GunnedahShire

Policy name	Asset Management Policy
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Abstract

Council's principles and guidelines on how assets will be managed to maximize the value realised from them.

Dates	Policy or amendment approved	19 July 2023
	Policy or amendment takes effect	18 August 2023
	Policy is due for review (up to 4 years)	18 August 2027
Endorsed by	Executive Leadership Team	
Approved by	Gunnedah Shire Council, at its Ordinary Meeting of Council held 19 July 2023 Resolution number: 13.7/23	
Policy Custodian	Manager Engineering Services	
Relevant to	Gunnedah Shire Council Councillors and Staff	
Superseded Policies	Asset Management Policy Resolution 21.05/22 Ordinary Meeting 18 May 2022	
Related documents	Community Strategic Plan, Resourcing Strategy, Strategic Asset Management Plan, Operational Plan, Delivery Program Long Term Financial Plan, and Asset Management Plans	
Related legislation	Local Government Act 1993 NSW Office of Local Government Integrated Planning and Reporting Framework	

Contents

1. Purpose
2. Scope
3. Definitions
4. Policy principles
5. Asset Classification
6. Accountability, roles and responsibilities
7. Version control and change history

1. Purpose

To meet the requirements of sec8A of the *Local Government Act 1993*, this document:

- contains the principles and guidelines by which Gunnedah Shire Council will manage its assets so that current and future local community needs can be met in an affordable way.

To align with the Integrated Planning and Reporting framework, this document:

- outlines an Asset Management Policy^{EE3.17}; and
- provides for asset management planning^{EE3.1} as part of the Resourcing Strategy.

2. Scope

This document should be read in conjunction with the Strategic Asset Management Plan, and Management Directives and Procedures.

It applies to non-current infrastructure, property, plant and equipment assets. Other assets such as receivables, inventory, intangibles and cash are excluded.

This document is written in compliance with the NSW Integrated Planning and Reporting Guidelines, NSW Local Government Code of Accounting Practice and Financial Reporting, and Australian Accounting Standards Board standards.

3. Definitions

Table 1 Definitions	
Term	Definition
Asset	Infrastructure, property, plant, and equipment that has value for the organisation in meeting its objectives.
Critical Asset	Asset having potential to significantly impact on the achievement of the organization’s objectives – can be safety-critical, environment-critical or performance-critical.
Non-current Asset	Asset for which the full value will not be realised within a single financial year.
Asset Management (AM)	Coordinated activity of an organisation to realize maximum value from its assets.
Integrated Planning and Reporting (IP&R) Guidelines	Document published by the Office of Local Government under s8C and s406 of the Local Government Act 1993, and s196A of the Local Government (General) Regulation 2021
Asset Management Policy	The organisation’s principles and guidelines on how AM will be done to achieve the organisation’s objectives, as expressed by the executive leadership team.
Asset Management System	Set of interrelated elements to establish and achieve AM policy, objectives, and processes.
Asset Management Information System (AMIS)	A computer based system designed for asset data to be created and maintained, to be used with a combination of processes to support asset management decisions.
Long Term Financial Plan (LTFP)	10 year forecast of financial performance, to inform development of the Community Strategic Plan ¹ and the Delivery Plan ² which is part of the Resourcing Strategy ³ .
Strategic Asset Management Plan (SAMP)	High-level plan to implement the Asset Management Policy and outlines how assets will be managed – relies on lower-level plans for execution.
Asset Management Plan (AMP)	Lower-level plan to execute the SAMP for a class of assets, including estimated profiles of expenditure to replace assets as they reach end-of-life over at least the next 10 years ⁴

¹ (LG Act 1993, s402)

² (LG Act 1993, s404)

³ (LG Act 1993, s403)

⁴ IP&R Essential Element 3.6

Level of Service (LoS)	Operational settings that determine the cost of owning and maintaining assets to provide services to users – Community LoS relate to user experience, Technical LoS relate to how the assets are deployed.
Useful Life	Time period between the date an asset is acquired, installed, built, or otherwise put to use, and the date it is renewed, retired, disposed of or otherwise goes out of use.
CAPEX	Capital expenditure for which the full value will not be realised within a single financial year.
OPEX	Operational expenditure – in the AM context this is typically maintenance.
Capitalisation	Accounting process where CAPEX is converted to a financial asset on the Balance Sheet.
Impairment	Effects of unusual events outside of normal aging that affect an asset's value
Depreciation	Process of converting capitalised value of assets to expense costs at intervals across its useful life. An asset may be fully depreciated to zero value but still be in use.
Asset Consumption	The money that should be in reserve at the reporting date to match the aging of assets e.g. if $\frac{1}{3}$ of an asset's life remains then $\frac{2}{3}$ of its current replacement cost should be in reserve AND the full replacement cost programmed in the LTFP at its end-of-life date (report date + $\frac{1}{3}$ of its expected useful life).
Revaluation	<p>Process of changing an asset's recorded value in recognition of impairment or unpredicted changes in replacement costs. This has the effect of realigning 'stable' figures in Accounting with 'live' values in Asset Management data.</p> <p>Council's assets are rarely saleable because they are specialised and in many cases underground, therefore the 'Cost Approach' in AASB 116⁵ is the method of valuation for infrastructure assets.</p>

⁵ [aasb.gov.au/admin/file/content105/c9/AASB116_08-15_COMPdec16_01-19.pdf](https://www.aasb.gov.au/admin/file/content105/c9/AASB116_08-15_COMPdec16_01-19.pdf) [extracted Mar 2022]

4. Asset Management Policy

Gunnedah Shire Council will manage its assets according to the following principles:

- *Sustainable*
 - in financial terms – levels of service will be matched to needs, income, costs, and benefits^{EE2.16} to ensure that assets are obtained or retained only when they deliver value including wellbeing to the community;
 - in environmental terms – energy efficiency and pollution arising from disposal will be given due weight when making decisions about obtaining or retaining assets;
- *External standards based* – requirements under state and commonwealth legislation, civil liability laws, State government policies, and the Local Government Code of Accounting Practice and Financial Reporting^{EE2.18} will be complied with. AS/ISO 55000 will be used as a guideline with the intention that full compliance will be sought in the future;
- *Risk based* – risks will be identified, analysed, and mitigated to an acceptable level;
- *Information driven* – every asset will be recorded and have a corresponding Asset Management Plan^{EE2.10} which will specify the activities, resources, and timescales for the asset⁶ to meet Asset Management objectives;
- *Fair across locations* – the benefits of assets, and their costs, will be balanced across the towns, villages, and rural areas; and
- *Fair across time* – the financial burden of assets in a period will be matched to the expected benefits received during that period. Timeframes for Asset Management Plans will be at least 10 years^{EE2.11};
- *Whole of life perspective* – decisions regarding assets will consider all costs through its life, including planning, procurement, creation, construction, installation, operation, maintenance, upgrading, updating, and reuse, removal, rehabilitation, retirement or disposal^{EE2.17};
- *Whole of organisation* – to translate organisational objectives into technical and financial decisions and activities, all parts of the organisation will embed Asset Management practices in their operations, and all parts of the organisation will be involved in reviewing progress in this; and
- *Resourced* – staff will be adequately trained, and resources will be applied across the organisation, to support asset management.

⁶ 'Asset' includes groups of Assets (AS55000:2014 3.2.1)

5. Asset Classification

Assets are individually identified on the basis of the largest components that age in an identical manner.

Assets are collected into classes that have common characteristics in how they are deployed, maintained, and renewed or retired.

The Local Government Code of Accounting and Financial Reporting 2021/22, Section 5 Appendix E, specifies that “the way that assets are separated for accounting purposes should be the same as the way they are identified within the asset management system. This allows integration between the two systems.”

Council’s Asset Financial Classes are listed below, in line with the programmed revaluation schedule and the associated AMIS catalogues and components:

Table 2 Asset Financial Classification		
Financial Class	AMIS Catalogue	Components
Roads	Road Infrastructure Transport Infrastructure	Pavements ⁷ Seals Earthworks and Formation ⁸
Water	Water Network Water Treatment Irrigation	Bores ⁹ Pipes Valves, Meters, Electrical Controls Reservoirs Pump Stations, Treatment Plants
Sewer	Sewer Network Sewerage Treatment	Pipes, Valves, Meters, Electrical controls Manholes, Inspection risers, Terminal maintenance shafts
Land	Land and Property Road Infrastructure	Operational, Community, Crown and Land under Roads
Land Improvements	Land and Property Buildings	
Buildings	Buildings	Specialised and Non Specialised ¹⁰
Other Structures	Open Space	Play Equipment Cemeteries, Monuments, Seats, Bubblers, BBQs, Gardens and Displays Shelters, Toilets Saleyards, Waste Services. <small>as per existing scheme in Civica Authority™ 11</small>

⁷ A sealed road is a seal asset overlaying a pavement asset, an unsealed road is a pavement asset only

⁸ Earthworks associated with Roads are recorded “where significant” but are non-depreciable assets

⁹ incl. motor and pump, electrical controls, column & assoc. pipework, miscellaneous

¹⁰ Buildings for which there is a secondary market – if part of a specialised complex, they are recorded as part of the complex (e.g. aquatic Centre, water or sewer treatment plant)

Table 2 Asset Financial Classification		
Financial Class	AMIS Catalogue	Components
Swimming Pools	Recreation and Artworks	Aquatic Centres, Swimming Pools
Other Open Space and Recreation	Open Space Recreation and Artworks	
Rehabilitation/Restoration (Tip/Quarries)	Civil Infrastructure	
Transport - Bridges, Footpaths, Culverts, Causeways, Other Road Assets, Other Infrastructure	Transport Infrastructure Road Infrastructure Stormwater Civil Infrastructure Airport Infrastructure Open Space Recreation and Artworks	Bridges and Large Culverts ¹² Walking Trails, Cycle and Mobility Paths ¹³ Footpaths, Cycle and Mobility Paths ¹⁴ Furniture, Refuges, Islands, Roundabouts Culverts ¹⁵ and Causeways
Stormwater	Stormwater	Pipes, Open channels, Manholes, Inlets, Outlets, Traps, SQIDs, Weirs
Kerb and Gutter	Transport Infrastructure	
Plant and Equipment, Office Equipment, Furniture and Fittings. Other Assets (Library Books, Other),	as per existing scheme in Civica Authority™ ¹⁶	Radios, Cameras, Other electronics, Lighting

Asset Management Plans will be reviewed and updated following the completion of the prior year revaluation.

¹¹ per Manager Waste Services

¹² channel cross-sec Area $\geq 3\text{m}^2$ || Length $\geq 6\text{m}$

¹³ Not associated with a road

¹⁴ Associated with a road

¹⁵ Not qualifying as 'Bridges and Large Culverts'

¹⁶ per Manager Plant and Depot

6. Accountability, roles and responsibilities

The following key roles and responsibilities are identified for the implementation of this policy:

Mayor and Councillors

- Set asset management policy;
- Assign sufficient resources to accomplish the objectives of AM;
- Consider the impact of decisions regarding assets on Council's risk profile and financial sustainability; and
- Consult with stakeholders on Levels of Service, and provide clear guidance to General Manager and Directors on what the Levels of Service will be.

General Manager, Directors and Managers

- Obtain a commitment to AM principles from all levels including Executive Leadership Team;
- Define AM roles, responsibilities, and authorities;
- Allocate adequate resources to efficiently and effectively accomplish the objectives of AM;
- Use the value of assets to the organisation to inform decisions;
- Integrate AM processes with business processes so that AM decisions enable the achievement of Council's objectives;
- Establish business processes to provide for feedback on and continual improvement of AM decisions;
- Set the asset management strategy; and
- Ensure compliance with all obligations under law and state government policy.

Asset Management team

- Custodian of Asset Management Policy;
- Maintain Strategic Asset Management Plan;
- Create and maintain engineering GIS data e.g. inventory, location and dimensions, description, replacement unit costs, and condition;
- Update data in Assetic™ Assets and Valuation modules, including from engineering GIS data; and
- Maintain AMPs in conjunction with managers responsible for operation and maintenance of the relevant assets.

Finance team

- Maintain parts of Long Term Financial Plan relevant to assets;
- Maintain accounting data for assets;
- Update data in Assetic™ Accounting module, including from relevant transactions in Assetic™ Assets and Valuation modules; and
- Produce parts of annual financial statements relevant to assets.

Information Services team

- Provide, manage, and maintain required IT infrastructure for the asset management information system's internal components, data, and application workloads; and
- Facilitate periodic uploads of engineering GIS data for IntraMaps™.

7. Version control and change history

Date	Version	Approved by & resolution no.	Amendment
25/08/10		Ordinary Meeting - Minute 33.6	
16/11/11		Ordinary Meeting – Minute 118.4	
April 2017		DRAFT	Updated for inclusion in revised SAMP
November 2021	4.0	DRAFT	Reviewed as part of Asset Management Transformation Project. Condensed to reflect the implementation of AMS and AMIS, SAMP.
April 2022	5.0	DRAFT	Reviewed, updated to include Asset Accounting Policy
May 2022	5.1	Council Meeting 18 May 2022 Resolution 21.05/22	Reviewed, updated to include consideration for sustainability in environmental terms
July 2023	6.0	Council Meeting 19 July 2023 Resolution	Reviewed and updated table 2 to reflect the revaluation schedule Financial Classes as outlined in Note C- 7 of Council's Financial Statements and the new AMIS catalogues. Updated definition of AMIS.