

002	Asset Management	V2 Current
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## 1. PURPOSE

The intention of this policy is to outline the City of Busselton's commitment to continuous improvement of asset management through a structured, well-planned and integrated approach. This will ensure that the City's infrastructure assets are well maintained for their current purpose and are able to adapt to the changing expectations of future generations.

## 2. STATEMENT

### Scope

The Policy applies to existing infrastructure assets as well as assets that are to be purchased or donated to the City. It covers infrastructure assets, including but not limited to roads, bridges, footpaths and cycleways, stormwater drains, parks and open spaces, buildings, facilities and leisure centres that are *owned and directly managed* by the City of Busselton.

The definition of an infrastructure asset applicable to this policy is as follows:

"Stationary systems forming a network and serving whole communities, where the system as a whole is intended to be maintained indefinitely, at a particular level of service potential by the continuing replacement and refurbishment of its components. The network may include normally recognised ordinary assets as components." (International Infrastructure Management Manual – 2011)

This includes constructed or improved physical assets. Hence, in the example of a reserve area under Management Order with the City of Busselton, the reserve is not included in the asset register, however the physical components such as footpaths, furniture, roads, seawalls, jettys, boatramps, drains and any buildings would be included as assets.

## 3. POLICY CONTENT

The Council is committed to the long-term sustainability of its infrastructure assets, and recognises the need to undertake asset management planning to ensure that adequate levels of maintenance and renewal are undertaken; whilst also ensuring that demand for new and upgraded infrastructure assets is being catered for.

This will be done by the Council adopting the following asset management principles:

### Continuous Improvement of Asset Management

Through the commitment to continuous improvement of asset management, the City will ensure that asset management plans are reviewed and updated at least every three years. This regular review will ensure that the plans are an accurate reflection of the current status and required funding for the various assets at any given time.

Development, review and update of the asset management plans will be done in a cyclic manner to ensure that some form of asset management development, update and review is being undertaken in any given year.

## **Improvement Planning**

Effective Asset Management Planning will be enabled by the implementation of an Asset Management Improvement Plan. The purpose of this document is to provide a summary of which activities have been undertaken up until the present day and those which are required into the future. This summary will be provided at an asset type level (Roads, Buildings etc.) in order to provide detail on each areas progress and current status.

The Improvement Plan should give a task breakdown for each asset type and a basic timeline to assist with future planning of the City's asset management tasks. The improvement plan should cover activities ranging from initial data collection up to asset management plan adoption and review.

## **Integrated Planning Framework Compliance**

The Council utilises a suite of corporate planning documents in order to comply with the State Government's Integrated Planning Framework. These documents are: a Strategic Community Plan and a Corporate Business Plan, supported and informed by key resourcing and informing plans, namely Asset Management Plans, a Long-term Financial Plan and a Workforce Plan. Falling out of such planning each year will be the local government's Annual Budget. This framework is commonly referred to as Integrated Planning.

Under the guidance of the framework, asset management plans are required to be formulated outlining relevant information about each asset class such as location, size, value, condition and timing and cost of replacements/renewals of existing infrastructure.

## **Donated Assets**

When considering the provision or receipt of a new asset, the following practices are taken into account:

A business case (considering elements such as (but not limited to) condition, age, asset type, location) has been completed to ensure that any new asset will deliver direct and tangible benefits to the community and stakeholders.

- (A) This includes assets that are proposed to be transferred to the City of Busselton (e.g. where the City of Busselton is obliged to accept assets or applies under a Management Order) or where assets are donated (e.g. the City of Busselton is not legally obliged to take ownership). This could show some assets should not be accepted by the City.
  - (ii) That the "life-cycle" costs and cost effectiveness of the asset have been considered over the life of the asset;
  - (iii) Any financial implications to the City of Busselton have been taken into account and can be incorporated into the City's corporate and financial plans. This should include operational costs as well as maintenance, renewal or replacement of the asset.

### **As-constructed Data**

The City recognises the importance that provision of detailed as-constructed data plays in the effective lifecycle management of an infrastructure asset. As-constructed data will be required from all contractors / consultants before final close out of construction projects.

Detailed as-constructed data will also be provided for infrastructure asset construction undertaken by the Council's internal construction teams.

### **Lifecycle Costs**

The total cost of an asset throughout its life, including planning, design, construction, acquisition, operation, maintenance, rehabilitation and disposal costs will be considered prior to construction / implementation of an asset.

### **Prioritisation of Renewal Works**

Consideration for budgetary priority will be given to existing assets for their operation, maintenance and renewal where required before the provision of new assets. This is to ensure that expenditure on new and upgraded assets is not at the detriment of required renewal expenditure on existing assets. This approach will assist in the long term sustainability of the City's infrastructure assets.

Where appropriate, separate policies should be developed outlining minimum levels of renewal to be applied to individual asset sub class i.e. (roads, buildings, paths and cycle ways).

### **Core and Advanced Asset Management Plans**

Initial asset management plans will be prepared in the context of core asset management working towards advanced asset management planning. The initial plans will be undertaken to meet minimum organisational and legislative requirements for financial planning and reporting. This is referred to as the "core" approach and provides basic technical management outputs such as statements on current levels of service, forward replacement programmes and associated cash flow projections based on historical performance.

Advanced asset management involves engaging with the community to discuss and agree on alternative levels of service, applying analysis to individual assets and implementation of improvements identified in core planning.

The City of Busselton will progress towards advanced asset management through ongoing review and update of asset management data and practices – continuous improvement.

### **Fair Value According to AASB**

Australian Accounting Standards Board AASB13 – Defines Fair Value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date".

Three Valuation Techniques recommended by AASB13:

- Market approach: A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities, such as a business.
- Cost approach: A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).
- Income approach: Valuation techniques that convert future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount.

### **Fair Value at the City of Busselton**

Infrastructure assets are “specialised” in nature (i.e. roads, drainage, footpaths, carparks etc.), therefore market evidence is not always available to guide fair value measurement. AASB 116 recognises the specialised nature of some assets and, provides for an income or current replacement cost approach to be used to determine fair value. The City will predominately use the current replacement cost approach, to value all infrastructure assets. AASB13 defines replacement cost as “a valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost)”.

The City will use two methods under the current replacement cost approach for calculating fair value depending on the data that is available / able to be sourced for that particular asset.

The City will determine Fair Value by an assessment of the current replacement cost of the asset, measured against its existing condition to determine to percentage of its life consumed and in turn, the life remaining. This technique reflects the amount that would be required currently to replace the service capacity of an asset.

Where detailed condition data is either unable to be obtained within the required timeframes, unreliable or incomplete, an assessment will be made based on construction date, useful life and replacement cost. This differs from the condition based method as it uses an assumed remaining life based on how old the asset is, rather than a detailed inspection of its current condition.

For each infrastructure asset sub class, a determination will be made to use either condition **or** age as the determining factors, not a mix of both within the one infrastructure class. This will be done to avoid any inconsistencies when comparing values within a particular class.

### **Asset Management Information systems**

The City will ensure that appropriate Asset Management Information Systems (AMIS) are in place to effectively manage asset management data. This will entail a combination of processes, data, software and hardware; which are used to provide the essential outputs for effective asset management.

### **Review of Policy**

This policy will be reviewed as required to ensure the Policy properly reflects the current asset management requirements of the City.

## **Definitions**

**Renewal Work** is defined as works to replace existing assets or facilities with assets or facilities of equivalent capacity or performance capability.

**New works** are assets acquired for a new (never before provided) service to the community.

**Upgrade works** result in a higher (improved) level of service than previously offered. As distinct from new assets, the service currently exists.

**Asset** – an item that has potential value to an organisation (International Infrastructure Management Manual – 2011).

**Asset Management Plan (AM Plan)** Long-Term plans (usually 10-20 years or more for infrastructure assets) that outline the asset activities and programmes for each service area and resources applied to provide a defined level of service in the most cost effective way (International Infrastructure Management Manual – 2011).

**Lifecycle Cost** – The total cost of an asset throughout its life including planning, design, construction, acquisition, operation, maintenance, rehabilitation and disposal costs.

**Advanced Asset Management** – Asset Management which employs predictive modelling, risk management and optimised decision-making techniques to establish lifecycle treatment options and related long-term cash flow predictions (International Infrastructure Management Manual – 2011).

**Core Asset Management** (Also called basic AM) – Asset Management which relies primarily on the use of an asset register, maintenance management systems, top down condition assessments, simple risk assessment and defined levels of service, in order to establish a long term cash flow prediction (International Infrastructure Management Manual – 2011).

**Levels of Service** – Defines standards for the construction, maintenance and operation of types of assets (i.e. roads, footpaths).

## **4. APPLICATION OF THE POLICY**

### **Policy Background**

Policy Reference No. - 002

Owner Unit – Engineering and Facilities Services

Originator – Asset Management Coordinator

Policy approved by – Council

Date Approved – 8 October, 2008

Review Frequency – as required

Related Documents – Roads Asset Renewal Policy, Footpaths and Cycleways Renewal Policy, Building Insurance Policy, Asbestos Management Policy.

Background/History –

<b>Council Resolution</b>	<b>Date</b>	<b>Information</b>
C1609/233	14 September, 2016	The City's asset management maturity and expectations of asset management are now much more defined. The updated policy aims to capture this through the provision of more specific information regarding the present day

Last Updated 14/09/2016

		requirements and providing guidance on future areas for improvement. Version 2
C0810/303	8 October, 2008	Date of implementation Version 1