



# Infrastructure Asset Management Policy

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# CONTENTS

1. INTRODUCTION .....	3
2. PURPOSE .....	3
3. APPLICATION .....	4
4. INFRASTRUCTURE ASSET MANAGEMENT POLICY .....	4
5. DEFINITIONS .....	6
6. ASSET MANAGEMENT ROLES AND RESPONSIBILITIES .....	9
7. REVIEW .....	10

## 1. INTRODUCTION

The primary objective of Council is to endeavour to achieve the best outcomes for the local community having regard to the long term and cumulative effects of decision making.

With respect to the philosophy of asset management (AM), the primary objective of the Local Government Act 1989 (LGA) is to encourage Councils to:

- (a) *"Promote the social, economic and environmental viability and sustainability of the municipal district,*
- (b) *Ensure that resources are used efficiently and effectively and services are provided in accordance with the Best Value Principles, to best meet the needs of the local community, and ...*
- (e) *Ensure that services and facilities provided by Council are accessible and equitable."*

The LGA also clearly states that the function of Council includes:

- Advocating and promoting proposals which are in the best interest of the local community;
- Planning for and providing services and facilities for the local community;
- Providing and maintaining community infrastructure in the municipal district;
- Undertake strategic and land use planning for the municipal district;
- Raise revenue to enable Council to perform its function.

As part of Council's requirement to comply with the LGA and to ensure good governance in relation to present and future asset management on behalf of the community, Council must establish a clear direction to ensure Best Practice asset management for its asset portfolio.

Council's Vision as clearly stated in its 2013-2017 (Revised 2014) Council Plan is *'Together with our community, create a sustainable future'*.

Council's Vision in relation to Infrastructure and Asset Management is *'Provide infrastructure appropriate to the community's needs, managed in a sustainable way'*.

## 2. PURPOSE

The key objective of this policy is to ensure that assets used to support the services delivered by the Mitchell Shire Council are sustainable and continue to function at a level of service determined by Council and accepted by the broader community. This policy provides direction as to how these assets will be managed within an Asset Management Framework.

This Asset Management policy will ensure that Asset Management is clearly recognised by Council and community in accordance with the primary objectives of the LGA. It is also an important process in managing Council's infrastructure assets for present and future generations.

This Asset Management policy will complement and build upon the Council Plan, the Strategic Resource Plan (SRP) and the Long Term Financial Plan. With its continued implementation and more formalised approach to asset management principles and methodology, Council will achieve significant benefits including:

- Integration of resources and knowledge.
- Better and more informed decision-making.
- Greater resource efficiency through the use of integrated systems.
- Improved efficiency and reduction of limited capital funds and asset operation costs.
- Ability to plan for the present and future generations.

The infrastructure assets to be considered in this policy include such assets as Roads, Footpaths, Kerb and Channel, Street Trees, Bridges, Buildings, Drainage, Playgrounds, Open Space and Sporting Reserves

In developing this policy, it is essential to ensure consideration of the following:

- Compliance to Legislative and regulatory requirements.
- Corporate responsibility and the need for resources.
- Management of assets to be undertaken in a structured and coordinated way.
- Council's Risk Management policy.
- Financial, social and environmental sustainability.
- Continuous improvement.

### **3. APPLICATION**

This policy applies to Council, Councillors, Executive Leadership Team, Senior Management Team, officers and community involved in the operations, maintenance, renewal, upgrading and development of Council's existing and new infrastructure assets.

### **4. INFRASTRUCTURE ASSET MANAGEMENT POLICY**

In accordance with the LGA, the roles of the Councillors as custodians of all Mitchell Shire Council infrastructure assets are:

- To ensure the Council's legal obligations are met
- To represent the community as the asset owners

- To ensure the asset/service is maintained for future generation at an equitable cost

Council officers have a corporate responsibility to provide the correct technical and professional advice so that the Councillors can make the best decisions on behalf of the community they represent.

As part of Council's consideration of infrastructure asset management, Council will:

- At a strategic level, include responsible asset management as a key consideration in long term financial planning and development of the Council Plan, incorporating the Strategic Resource Plan.
- Prepare and adopt Asset Management Plans, to communicate information about infrastructure assets, including particular actions required to provide defined levels of service whilst achieving the best value for money.
- Ensure that Asset Management Plans (including levels of service) for each asset category are prepared in consultation with the community and report on performance
- As custodians/caretakers of community assets and as part of providing quality infrastructure and community facilities, undertake to develop acceptable and financially sustainable infrastructure asset management plans.
- Ensure that in accordance with its Council Plan and SRP, quality infrastructure assets will support services that are appropriate, accessible, responsive and sustainable to the community.
- Manage the infrastructure and assets in a systematic and sustainable manner.
- Involve and consult with the community and key stakeholders to assist in the establishment of responsible and best practice asset management plans and ensure "whole of life" asset function consideration for present and future generations.
- Recognise good quality asset management, encourage and promote economical and social development, meet industry standards and risk management requirements and ensure assets meet the needs and expectations of the users and community.
- Manage Council's infrastructure assets utilising a multi discipline cross-functional asset management working group to ensure all stakeholders are involved.
- Embrace the need for assets to be regularly maintained and refurbished to ensure that:
  - Asset design, construction, maintenance and refurbishment continue to meet the 'standards of the day'.
  - Assets continue to function as built for their full asset life
  - Overall life cycle costs are reduced.

- Encourage continuous improvement, innovation and cost effective methods to improve work practices and processes.
- Prioritise funding for the maintenance and renewal of existing assets above the funding of new assets.
- Ensure grant funded, new or upgrade projects are reviewed for full life cycle ('whole of life') costs (including maintenance & operations) as part of a Capital Works Evaluation process.
- Require all infrastructure asset expenditure to be accounted for in the relevant specific expenditure categories of operations, maintenance, renewal, upgrade, expansion and new and that financial reporting is capable of detailing these categories in outputs.
- Ensure all officers involved with the developer or gifted assets process to Council, determine that the assets are to Council standards and are fully documented to the assets unit in a timely manner.
- Ensure all officers involved with the capital process, determine that the assets are to Council standards and are fully documented to the assets unit in a timely manner.
- Ensure Councillors and staff, with asset and financial management responsibilities, are appropriately trained in relevant asset and financial management principles, practices and processes.
- Implement this policy taking into consideration linkages to existing policies & strategies linked to the Council Plan.

In accordance with Council's SRP, funding for all maintenance, refurbishment and replacement will reflect 'whole of life cost' assessments.

## 5. DEFINITIONS

For the purposes of this Policy, **assets** are defined as the **service potential** (refer note 1) or **future economic benefits** (refer note 2) controlled by Council as a result of past transactions or other events. (Ref International Infrastructure Management Manual)

Assets may be physical (i.e. tangible; e.g. cash, plant, buildings, infrastructure, land) or non-physical (i.e. intangible; e.g. intellectual property, trade marks, goodwill, equity investments). This policy only considers Infrastructure assets.

The major characteristics of an asset are:

- There must be service potential or future economic benefits.
- The future economic benefits must be quantifiable.
- Council must have control of the service potential or future economic benefits.
- The transaction or other event giving rise to the creation of the asset must have occurred.
- The asset must be material in accounting terms whereby its omission, non-disclosure or misstatement from Council's financial statements would result in the financial statements being misleading.

Notes:

1. **Service Potential** is the economic benefit derived by Council through the use or sale of the asset. Increases in service potential may be derived from greater capacity, efficiency, useful life, or economy of operation.
2. **Future Economic Benefits** are those benefits derived from the asset beyond the current accounting period. Hence the asset must have a useful life greater than 12 months (i.e. non-current).

## Infrastructure Assets

In accordance with the International Infrastructure Management Manual (2011) an infrastructure asset is:

*Infrastructure assets are assets systems or networks that serve defined communities where the system as a whole is intended to be maintained indefinitely to a specific level of service by continuing maintenance and replacement of its components*

*Typical infrastructure assets are found in:*

- *Transportation networks(roads, rail, ports etc.)*
- *Parks and recreation facilities*
- *Water utilities (water supply, wash water and storm water systems)*
- *Flood protection and land drainage systems*
- *Solid waste facilities*

- *Community facilities (libraries, community halls)*
- *Telecommunication networks*

The specific infrastructure assets to be considered include such assets as Roads, Footpaths, Kerb and Channel, Street Trees, Bridges, Buildings, Drainage, Playgrounds, Open Space and Sporting Reserves,

### **Asset Renewal Expenditure**

Expenditure on an existing asset or on replacing an existing asset, which returns the service capability of the asset up to that which it originally had. Asset renewal expenditure reinstates existing assets, and may reduce future operating and maintenance expenditure if completed at the optimum time.

### **Asset Upgrade Expenditure**

Expenditure which enhances an existing asset to provide a higher level of service or that will increase the life of the asset beyond that which it originally had. Asset 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.

### **Asset Expansion Expenditure**

Expenditure that extends the capacity of an existing asset to provide benefits, at the same standard as is currently enjoyed by existing beneficiaries, to new users. It is discretionary expenditure which increases future operating and maintenance costs, because it increases council's asset base, but may be associated with additional revenue from the new user group.

### **New Asset Expenditure**

Expenditure which creates a new asset that provides a new service that did not previously exist. New asset expenditure does not have any element of renewal, expansion or upgrade of existing assets. New capital expenditure may or may not result in additional revenue for council and will result in an additional burden for future operation, maintenance and capital renew

## **6. ASSET MANAGEMENT ROLES AND RESPONSIBILITIES**

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

### **Council**

- To act as stewards for infrastructure assets.
- To set corporate AM policy and vision with linkage to the Council Plan.
- To set levels of service, risk and cost standards.
- Approve and review Asset Management Plans and monitor the outcomes.
- To ensure appropriate resources and funding for AM activities are made available to integrate AM policies and AM plans into the corporate governance framework.

### **Senior Leadership Team (SLT)**

- To establish an "overarching" AM Policy and an AM Strategy with linkage to the Council Plan and the Long Term Financial Plan for consideration by council.
- To foster and support the cross functional Asset Management Working Group (AMWG).
- To implement and continuously review the corporate AM Policy and Strategy with agreed resources.
- To monitor the performance of the management staff in implementing infrastructure asset management.
- To ensure the community and key stakeholders inputs are integrated into the AM Plan
- To ensure that accurate and reliable information is presented to council for decision-making.

### **Asset Management Working Group (AMWG) (ELT, SLT, Assets Managers & Officers)**

- To develop Asset Management plans documenting required allocation of funding and improvement plans for individual asset groups, using the principles of lifecycle analysis.

- In consultation with the community and key stakeholders establish and deliver asset management "levels of service" to agreed risk and cost standards. (Ongoing)
- To develop and implement maintenance, refurbishment and capital works (refurbishment/renewal) programs in accordance with Asset Management plans and report to SLT and Council.
- To develop and implement procedures that ensure the asset registers are maintained and updated and provide required reports to Council to meet their statutory, legal and asset management responsibilities.
- To develop and implement processes and procedures that allows for the "whole of life" and continued management and ownership of assets including all asset life cycle management functions.
- To present information to SLT and Council in terms of Asset Management 'lifecycle risks' and costs. (Ongoing AM Planning)
- Promote and raise awareness of infrastructure asset management to the Council, staff, users and community. (Ongoing as part of AM planning)
- Facilitate the implementation of the adopted Asset management Strategy and report progress to ELT on a quarterly basis.

## 7. REVIEW

Development of this policy and associated strategy is to follow the MAV Step program and then formatted to match the Council's ongoing Corporate Planning and Asset Management initiatives.

As part of the implementation, Council needs to:

- Develop asset management procedures to assist the implementation of the AM Policy and to meet legislative or regulatory guidelines.
- Develop infrastructure AM responsibility matrix identify each asset group (type) and the various elements in achieving a total AM approach across the organisation.

Review of this policy and relevant procedures will take place on a four yearly cycle in accordance with the 2009/2013 **Council Plan strategic indicator by 30 September in the review year.**

- The responsibility for the review rests with the Manager Parks and Assets
- Audit and review AM Implementation and Procedures as set out in AM Strategy.
- Review the AM policy and strategy
- ELT shall review compliance to this policy on an on-going basis and report to Council on an annual basis.