

<b>Policy Section:</b>	<b>4. Infrastructure &amp; Engineering Services</b>
<b>Policy Name:</b>	<b>Asset Management</b>
<b>Classification:</b>	<b>Public – Council Policy</b>
<b>Adopted:</b>	<b>24 May 2022</b>
<b>Frequency of Review:</b>	<b>Biennial</b>
<b>Last Review:</b>	<b>May 2022</b>
<b>Next Review Due:</b>	<b>May 2024</b>
<b>Responsible Officer(s):</b>	<b>Manager Infrastructure and Engineering Services Manager Finance and Corporate Services</b>
<b>Policy and Code of Practice Manual File Ref:</b>	<b>CC13/241</b>
<b>Council File Reference:</b>	<b>CR21/92041</b>
<b>Legislation Authority:</b>	<b>Local Government Act 1999: Section 99(1)(g) (Role of Chief Executive Officer) Section 122 (Strategic Management Plans)</b>
<b>Related Policies and Codes:</b>	<b>Asset Capitalisation Policy Budget Management Policy Disposal of Land and Assets Procurement Policy</b>
<b>Related Procedures and Documents:</b>	<b>Community Plan 2030+ Long Term Financial Plan Associated Asset Management Plans Long Term Infrastructure and Asset Management Plan Annual Business Plan  Australian Accounting Standards: AASB13 – Fair Value Measurement AASB116 – Property, Plant &amp; Equipment AASB136 – Impairment of Assets AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors  IPWEA NAMS + Template for Asset Management Policy aligned with ISO 55000:2014 Asset Management – Overview, principles and terminology</b>

### 1. INTRODUCTION

- 1.1 An explicit set of policies and procedures is a necessary tool for sound financial management providing the following benefits:
- (a) **Public accountability and transparency** – Policies and procedures publicly document the Council's position on which it will base its decisions. They demonstrate the Council's commitment to sound financial management and establish transparency for audit purposes;
  - (b) **Ensuring a considered approach** – The formal adoption of carefully documented policies and procedures helps ensure that the Council's position on each issue has been properly considered, having regard to alternative approaches and the wider policy and statutory context;
  - (c) **Consistency of decision making** – By adopting clear Council policies and procedures a consistent basis for decision-making over time is established. While the Council can make a decision contrary to its adopted policy, it needs a deliberate decision to do so which helps to ensure that proper consideration has been applied;
  - (d) **Clear guidance for staff** – Explicit policies and procedures set out the required approach, responsibilities and processes for staff to properly administer the financial business of the Council in accordance with its wishes and consistent with statutory requirements and sound financial management practices. This in turn protects staff from allegations of financial mismanagement as long as the policies and procedures are followed.

### 2. PURPOSE

- 2.1 The purpose of this Policy is to
- 2.1.1 Set guidelines for implementing consistent asset management processes throughout Town of Gawler.
  - 2.1.2 Set out the methodology used by Council in determining and calculating depreciation for the purposes of meeting its financial reporting requirements. Financial reporting in the context of this policy includes but is not restricted to the preparation and presentation of the Annual Financial Statements, the Annual Budget and the Long Term Financial Plan.
- 2.2 This Policy has been established to ensure that:
- (a) Asset values, and therefore depreciation, are recorded in accordance with Australian Accounting Standards particularly AASB 116 *Property, Plant and Equipment*.
  - (b) Users have an increased level of confidence in the asset related financial information provided by the Council.
  - (c) This policy applies to all the Town of Gawler's departments, officers, employees and contractors

### 3. OBJECTIVES

To ensure adequate provision is made for the long-term replacement of major assets by:

- 3.1 Ensuring that Council's services and infrastructure are provided in a sustainable manner, with the appropriate levels of service to residents, visitors and the environment.
- 3.2 Safeguarding Council assets including physical assets and employees by implementing appropriate asset management strategies and appropriate financial resources for those assets.
- 3.3 Creating an environment where all Council employees take an integral part in overall management of Council assets by creating and sustaining an asset management awareness throughout the organisation by training and development.
- 3.4 Meeting legislative requirements for asset management
- 3.5 Ensuring resources and operational capabilities are identified and responsibility for asset management is allocated.
- 3.6 Demonstrating transparent and responsible asset management processes that align with demonstrated best practice.

#### 4. DEFINITIONS

**Asset** – A physical component of a facility which has value, enables services to be provided, and has an economic life of greater than 12 months. It represents not only a physical object or right that has some monetary value, but also a result from expenditure from which the benefit is yet to be derived.

**Infrastructure Asset** – Typically large, sometimes interconnected networks of different asset classes that are usually renewed or replaced individually to continue to provide the required level of service from the network. Examples include roads, footpaths and cycleways, bridges, and stormwater drainage.

**Asset Management** – is the combination of management, financial, economic, engineering and other practices applied to physical assets, with the objective of providing the required level of service in the most cost effective manner.

**Asset Management Plan** – a plan developed, covering a period of at least 10 years, for the management of one or more asset classes that combines multi-disciplinary techniques (including technical and financial) over the life cycle of the asset in the most cost effective manner to provide a specified level of service. A significant component of the plan is the development of long term cash flow projections for asset management activities.

**Long Term Financial Plan** – a financial plan that forecasts revenue and expenditure over a period of at least 10 years.

**Master Planning** – a document designed to provide a coordinated approach to future development. Master Plans contain a series of illustrations and explanatory text to establish the planning principles and controls within a particular area as a whole. Their intent is to guide landowners, government and the community on how and where development should occur.

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

**Asset Renewal Funding Ratio** – measures Council's net capital investment in the renewal and replacement of existing assets, as a percentage of the optimum associated net expenditure included in Council's Infrastructure and Asset Management Plans.

**Level of Service** – the defined service quality for a particular service/activity against which service performance may be measured.

**Intergenerational Equity** – ensuring the whole of lifecycle costs of an asset are spread across the entire lifecycle, from generation to generation.

**Participative Decision Making** – is the extent to which the organisation enables and encourages key stakeholders to share or participate in decision making.

**Asset Class** – the categories of assets used by the Council for the purposes of financial reporting of assets.

**Carrying Amount** – the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment loss.

**Depreciable Amount** - is the cost of an asset, or other amount substituted for cost, less its residual value

**Depreciation** - the systematic allocation of the depreciable amount of a physical non-current asset over its useful life

**Residual Value** - is the estimated amount that an entity would currently obtain from disposal of an asset after deducting the estimated costs of disposal, if the asset was already at the age and in the condition expected at the end of its useful life

**Useful Life** - is the period over which an asset is expected to be available for use by an entity

## 5. SCOPE

- 5.1 Local Government is very asset centric, having a much greater quantum of assets relative to income than any other level of government. Much of this is represented by assets such as roads, footpaths, parks and buildings used by the community.
- 5.2 Australian Accounting Standard AASB 116 *Property, Plant and Equipment* requires that the depreciation method used for the systematic allocation of the depreciable amount of assets over their useful life shall reflect the pattern in which the asset's future economic benefits are expected to be consumed by the Council.
- 5.3 The policy applies to all assets within the Town of Gawler under the care, control, and management of Council.
- 5.4 There are a number of asset classes governed under their own policy and as such the following asset classes, and the management thereof, are excluded from the scope of this policy:
  - Plant & Equipment (including Light and Heavy Fleet)
  - Office Equipment and Furniture and Fittings (including Information Technology hardware and software)

## 6. BACKGROUND

- 6.1 Council is committed to implementing a systematic asset management methodology in order to apply appropriate asset management best practices across all areas of the organisation. This includes ensuring that assets are planned, created, operated, maintained, renewed and disposed of in accordance with Council's priorities for service delivery.
- 6.2 Council owns and uses over \$300m of non-current assets to support its core business of delivery of service to the community.

- 6.3 Asset management practices impact directly on the core business of the organisation and appropriate asset management is required to achieve our strategic service delivery objectives.
- 6.4 Adopting asset management principles will assist Council in achieving its Community Plan and Long Term Financial Plan objectives.
- 6.5 Sustainable Service Delivery ensures that services are delivered in a socially, economically and environmentally responsible manner in such a way that does not compromise the ability of future generations to make their own choices.
- 6.6 Sound asset management practices enable sustainable service delivery by integrating customer values, priorities and an informed understanding of the trade-offs between risks, costs and service performance.
- 6.7 The key elements of strategic asset management are:
  - 6.7.1 Determining a defined level of service and measuring performance against that level;
  - 6.7.2 Utilising a lifecycle approach to develop cost effective asset management strategies for the long term that meet the defined level of service;
  - 6.7.3 Managing the impact of growth through demand management and infrastructure investment;
  - 6.7.4 Identifying, assessing and appropriately incorporating risk management; and
  - 6.7.5 Having a Long Term Financial Plan aligned to Asset Management Plans which identifies required, affordable expenditure and how it will be financed.
- 6.8 The implementation of a strategic approach to asset management will ensure:
  - 6.8.1 That Council delivers agreed levels of service through its assets;
  - 6.8.2 Sustainable levels of service are obtained through accountability, measurement and ongoing evaluation;
  - 6.8.3 Fit for purpose development of community infrastructure and open spaces;
  - 6.8.4 Informed decision making based on master planning and consideration of whole of lifecycle costs;
  - 6.8.5 Council assets are received, renewed, replaced, upgraded and maintained with consideration to the long term financial sustainability of Council and specific asset performance;
  - 6.8.6 The expectations of the community in regards to community assets and infrastructure are understood and taken into account where practicable in asset planning and decision making;
  - 6.8.7 A long term strategic orientation is maintained in relation to the provision and management of Council assets, with consideration of future economic benefit, intergenerational equity and participative decision making by the community.

## **7. PRINCIPLES**

The Town of Gawler is committed to sustainable asset management which involves managing the level of service, risk and investment on assets in an optimal manner throughout their lifecycle.

The Town of Gawler's sustainable service delivery needs will be met by ensuring adequate provision is made for the long-term planning, financing, operation, maintenance, renewal, upgrade, and disposal of capital assets by:

- 7.1 Ensuring that the Town of Gawler's capital assets are provided in a manner that respects financial, cultural, economic and environmental sustainability;
- 7.2 Meeting all relevant legislative and regulatory requirements;
- 7.3 Demonstrating transparent and responsible Asset Management processes that align with demonstrable best-practices;
- 7.4 Implementing sound Asset Management Plans and strategies and providing sufficient financial resources to accomplish them by:
  - 7.4.1 Asset Management Plans will be completed for all major asset / service areas.
  - 7.4.2 Expenditure projections from Asset Management Plans will be incorporated into the Town of Gawler's Long-Term Financial Plan.
  - 7.4.3 Regular and systematic reviews will be applied to all asset plans to ensure that assets are managed, valued, and depreciated in accordance with appropriate best practice.
  - 7.4.4 Regular inspection will be used as part of the asset management process to ensure agreed service levels are maintained and to identify asset renewal priorities.
  - 7.4.5 Asset renewals required to meet agreed service levels and identified in adopted asset management plans, and the Council's Long Term Financial Plan, will form the basis of annual budget estimates with the service and risk consequences of variations in defined asset renewals and budget resources documented.
  - 7.4.6 Future life cycle costs will be reported and considered in all decisions relating to new services and assets and upgrading of existing services and assets.
  - 7.4.7 Future service levels with associated delivery costs will be determined in consultation with the community.
  - 7.4.8 Ensuring necessary capacity and other operational capabilities are provided and Asset Management responsibilities are effectively allocated;
  - 7.4.9 Creating a corporate culture where all employees play a part in overall care for the Town of Gawler's assets by providing necessary awareness, training and professional development; and
  - 7.4.10 Providing those we serve with services and levels of service for which they are willing and able to pay.
- 7.5 Developer contributed assets will comply with Council's current engineering and open space standards to ensure they can be sustainably managed for the community.
- 7.6 Council will undertake a comprehensive review of its Asset Management Plans within 2 years after each general election of the Council.

### 8. DEPRECIATION

8.1 Depreciation is the systematic allocation of the depreciable amount of a physical non-current asset over its useful life. The process is as follows. 8.1.1 Australian Accounting Standard AASB 116 (Property, Plant and Equipment) states that *'Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately'* (Clause 43).

8.1.2 In accordance with AAS 116, non-current assets will be depreciated at the component level, in accordance with the asset component structure outlined in *Policy 6.9 – Asset Capitalisation Policy*.

8.1.3 Depreciation of an asset will commence from the time the asset is available and ready for its intended purpose. In the case of donated assets or assets received free of charge, depreciation will commence from the time of handover of such assets to Council.

8.1.4 Depreciation of an asset will cease at the end of its useful life; when no future economic benefits are expected from its use; upon disposal; or when the residual value is equal to or greater than the asset's carrying amount.

8.1.5 Depreciation will be generated on a quarterly basis.

#### 8.2 Depreciable Amount

The depreciable amount of an asset will be allocated over its useful life in accordance with the depreciation method.

#### 8.3 Residual Value

The residual value of an asset shall be reviewed at the end of each financial year. Where the residual value requires change, an adjustment shall be reflected in the asset's depreciable amount.

#### 8.4 Useful Life

8.4.1 The useful life of an asset will be reviewed at the end of each financial year.

8.4.2 The estimation of the useful life of an asset is a matter of judgement based on the experience of the Council.

8.4.3 The useful life of an asset may be shorter than its economic life.

#### 8.5 Depreciation Method

8.5.1 Straight-Line depreciation is the depreciation method used by Council, on the basis that the economic benefits provided by the assets are generally used in a consistent manner throughout the useful life of the asset.

8.5.2 The depreciation method applied to Council assets shall be reviewed at the end of each financial year, in accordance with AASB116.

#### 8.6 Asset Revaluations & Accumulated Depreciation

8.6.1 Revaluations will be undertaken with sufficient regularity to ensure that the carrying amount of an asset does not differ materially from its fair value at the reporting date.

8.6.2 If an asset is revalued, the entire class of assets to which the asset belongs shall be revalued, in accordance with AASB116.



- 8.6.3 If an asset is revalued, the gross amount of accumulated depreciation is restated in proportion to the gross carrying amount of the asset such that its carrying amount equals its revalued amount.

### **8.7 Asset Impairment**

- 8.7.1 Assets subject to depreciation will be reviewed for impairment at the end of each financial year.
- 8.7.2 The tests applied to determine whether an asset is impaired, and the subsequent accounting treatment, will be undertaken in accordance with AASB 136 *Impairment of Assets*.

### **8.8 Fair Value Measurement**

Assets are required to be fairly valued by using market based measurement techniques in accordance with AASB 13 *Fair Value Measurement*.

## **9. RESPONSIBILITY**

- 9.1 The Council is responsible for adopting the policy, allocation of resources, providing high level oversight of the delivery of the organisation's asset management strategy and plan and maintaining accountability mechanisms to ensure that organisational resources are appropriately allocated to ensure sustainable service delivery
- 9.2 The Chief Executive Officer has overall responsibility for developing an asset management strategy, plans and procedures and reporting on the status and effectiveness of asset management within Council.

## **10. REVIEW AND EVALUATION**

The effectiveness of this Policy will be reviewed a biennial basis and may be reviewed at any time.

The Chief Executive Officer will report to Council on the outcome of the evaluation and if relevant make recommendations for amendments, alteration or substitution of a new Policy.

The Policy will not be altered or substituted so as to affect a process already commenced.

## **11. FURTHER INFORMATION**

Further information about this Policy can be obtained by:

Telephone: 8522 9211  
Email: [council@gawler.sa.gov.au](mailto:council@gawler.sa.gov.au)  
Appointment: Town of Gawler Administration Centre, 43 High Street, Gawler East.  
Letter: PO Box 130, Gawler SA 5118

## **12. AVAILABILITY OF POLICY**

The Policy is available to be downloaded free of charge from the Council website at [www.gawler.sa.gov.au](http://www.gawler.sa.gov.au).

A printed copy may be purchased on request from the Council's Administration Centre.