

Tasmanian Local Government Asset Management Policy

Minister's Foreword



The Tasmanian Government is committed to a sustainable local government sector and is working with local government and the Commonwealth to enhance councils' ability to effectively manage their current and future performance in relation to financial sustainability.

Local government manages almost \$8 billion worth of assets, from roads to bridges, community halls and recreation grounds. At the core of their responsibilities is the need to effectively manage these assets and proactively address issues such as ageing infrastructure.

It is vitally important that councils adopt robust financial management with effective and efficient systems and processes as this will be critical to sustain council services into the future.

Decisions about assets cannot be made in isolation, but must be integrated with long-term financial strategies and strategic planning to ensure that the right decisions are made to deliver services required by the community.

The *Tasmanian Local Government Asset Management Policy* provides the policy framework to help guide councils in developing their policies and strategies for sustainable long-term asset management.

This Policy is a key component of the overall long-term financial sustainable framework that the State Government is working with local government to implement. The framework will ensure a sustainable, robust and forward looking local government.

A handwritten signature in blue ink, appearing to read 'Bryan Green'.

Bryan Green MP
Minister for Local Government

Overview of policy

This policy forms part of the Local Government Financial and Asset Reform Project, a partnership between Federal, State and local governments. The project is developing frameworks for long-term financial planning and asset management in all Tasmanian councils that will assist councils to develop and implement:

- an asset management policy;
- asset management plans for major asset classes; and
- a long-term financial plan.

The implementation of these frameworks improves integration of long-term financial planning and asset management within councils. The frameworks will be supported by guidelines and training for council staff and elected members.

This document sets out the policy framework for strategic asset management in the local government sector and provides high level principles and guidance to assist councils to develop their own asset management policy.

The need for an integrated framework

Tasmanian councils' infrastructure assets – roads, bridges, storm water and drainage works, buildings, parks and recreational facilities – represent a vast investment by local government of approximately \$5.3¹ billion built up over many generations.

Throughout Australia, there has been increased appreciation that more focus needs to be placed on the long-term planning around the management of local government assets. This is to ensure that the full costs of each asset's life-cycle are efficiently and effectively accounted for, and that councils financially plan for both the short and long-term.

Many local government assets are intergenerational, and the longevity of the assets means that the failure to plan now, for the future, will mean increased financial burden on ratepayers to come.

The importance of community infrastructure and its significance for council budgets means that asset management must be at the centre of council planning. Infrastructure assets are fundamental to councils' overall service delivery and planning and responsibility for them requires strong and informed councillor and executive oversight to achieve and maintain sustainable outcomes.

Strategic asset management planning must form part of an effective long-term financial management framework, linking with, and supporting long-term financial planning and strategic planning.

¹ Provided by the Auditor General - 2008/09 Financial Year – Non-current assets

A strong focus on long-term strategic asset and financial planning is important because there is:

- increased demand for services as the population grows and changes;
- increasing community expectation in relation to both service provision and accountability and value for money;
- limited ability to grow revenues/finite resources; and
- a need to maintain, renew or replace infrastructure which is unable to meet future demand.

Process for good asset management²

The following sets out the process for good asset management in support of council's asset management policies.

1. In consultation with the community, define the outcomes to be achieved and the service levels required to achieve those outcomes.
2. Where necessary, establish minimum service standards based on the council's duty of care.
3. Incorporate the service level and outcomes into council's strategic management plans (including the financial implications into the long-term).
4. Assess alternative methods of providing the service levels (including lower cost assets and non-asset methods where possible) and decide on the best solution. This includes an assessment of the lifecycle costs and benefits for each of the alternatives.
5. If appropriate, acquire the assets to meet the required service levels.
6. Operate and maintain the assets to achieve required service levels and minimise life-cycle costs.
7. Review asset performance and condition and adjust plans as required depending on priorities and constraints.
8. Renew assets that will continue to be required to meet community needs.
9. Dispose of surplus assets or assets no longer able or required to meet community needs.

Strategic asset management will evolve in a continuous cycle of review and improvement so the quality of outputs matches the changing business needs of council.

² This process for good asset management is provided with the kind permission of the Local Government Association of South Australia

Council asset management policy

The starting point for building a long-term financial and asset management framework is for each council to develop an asset management policy as a foundation for the council's strategic asset management plan and related asset management plans for individual assets or asset classes.

The policy should include:

- establishment of the council's goals and objectives for asset management as a platform for service delivery;
- the integration of asset management with council corporate planning;
- the adoption of life-cycle costing, combined with disciplined performance measurement;
- assigning accountability and responsibility for service delivery together with asset management; and
- promoting sustainability to protect the needs of future generations.

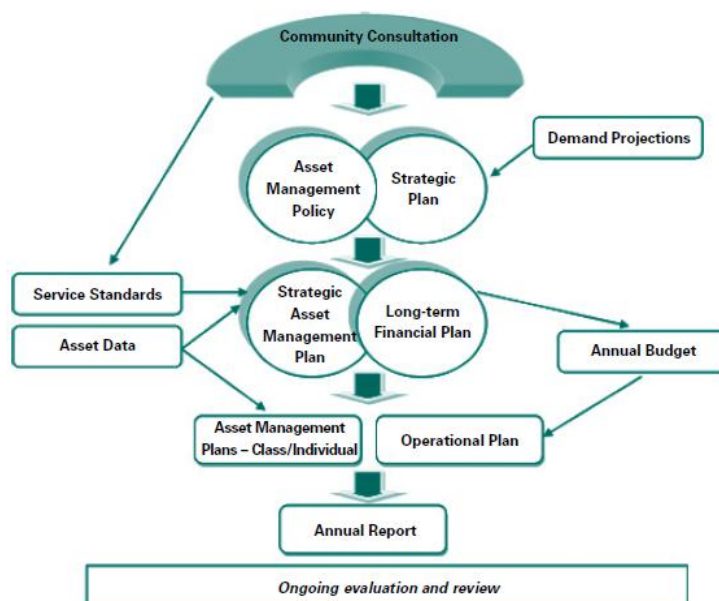
A council's asset management policy will sit alongside the strategic plan to form a solid basis to develop a council's strategic asset management plan and long-term financial plan.

Integration of asset management with broader council planning

Asset management must be integrated with long-term council planning and assets should be considered with other key resources in achieving council objectives.

Asset strategies should be linked with:

- budgetary processes to integrate the capital and recurrent resource allocation appropriately;
- strategic and annual plans and work to meet the objectives of these plans; and
- council planning processes and non-asset strategies to ensure council policy service delivery needs are met.



What are assets?

An asset is an item of value – something that is “worth having”, because it is capable of delivering valuable services now and into the future.

Assets are acquired to support the delivery of council services to the community. If assets do not contribute effectively to the council’s service delivery objectives, they should not be held, or used, by the council.

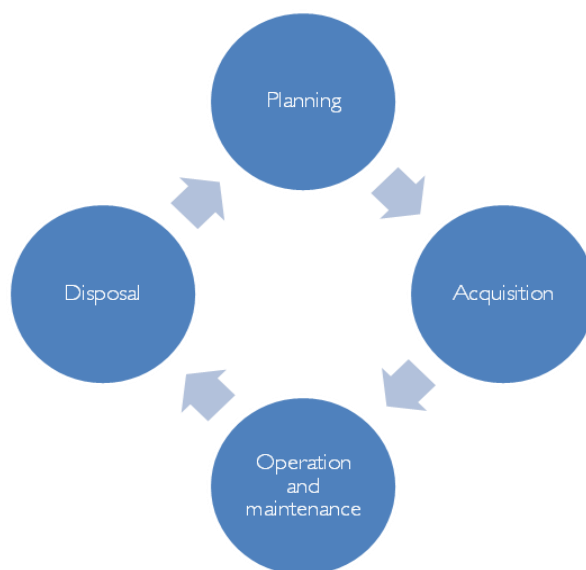
Some assets have a potential service life longer than one year, and are known as “non-current assets”. For local government, these non-current assets include roads, bridges, footpaths, stormwater, recreational buildings, computer software and intellectual property.

The asset life-cycle

An asset passes through the following phases during its life:

- the **planning** process, where the requirement for an asset is identified and established having regard to service delivery considerations;
- the **acquisition** phase, where the asset is purchased, constructed, leased or otherwise brought into service;
- the **operation and maintenance** phase, where the asset is used for its intended purpose. This phase includes condition and usage review, periodic maintenance, or major repair; and
- the **disposal** phase, initiated when the economic life of the asset has expired, or when the need for the service provided by the asset has disappeared. This involves the retirement, replacement, renewal or redeployment of an asset.

Local government should ensure that long-term asset management planning reflects a life-cycle approach. If asset planning is limited to a single phase, decisions will not take into account long-term issues.



What is strategic asset management?

Strategic asset management or strategic asset planning can be defined as follows:

The process of developing management strategies that aid in ensuring the best use of assets when delivering services to the community.

This is accomplished through guiding the acquisition, use and disposal of assets to make the most of their service delivery potential and manage the related risks and costs over their entire life.

Objectives and principles of asset management

The principle objective of asset management is to enable councils to meet their service delivery objectives efficiently and effectively.

Effective asset management also:

- makes the most of the service potential of assets by ensuring they are appropriately used and maintained;
- achieves greater value for money through economic evaluation of options that take into account asset's life-cycle and full costs; and
- clearly assigns responsibility, accountability and reporting requirements.

The principles that guide asset management planning and decision-making focus on:

1. Meeting service delivery needs
2. Integration of asset management with corporate planning
3. Informed decision-making based on reliable data
4. Accountability and responsibility
5. Sustainability
6. Ongoing review

1. Meeting service delivery needs

Service delivery needs should form the basis of all asset management decisions. Assets are acquired for their service delivery potential, and service delivery needs should form the basis of all asset management practices and decisions.

Councils should establish these needs and service levels through consultation with local community stakeholders. This, together with other relevant considerations such as social, economic, and budgetary factors, will assist councils to know what infrastructure needs are to be provided and at what level the asset needs to be maintained.

Service delivery needs should be reviewed on an ongoing basis against budget realities and adjusted as required to take into account changing priorities and constraints.

2. Integration of asset management with corporate planning

Strategic asset planning and management is a key activity which must be integrated with corporate and business planning, and budgetary and reporting processes. It is an iterative process, and councils must review and update asset management plans on an ongoing basis.

Asset planning, budgeting and reporting are to be integrated with broad planning processes. The full cost of acquiring, operating and maintaining assets should be taken into account in council budget planning processes.

3. Informed decision-making

Asset management decisions are to be based on evaluation of all alternatives (including non-asset alternatives) that take into account all costs incurred throughout the life cycle of the assets.

Informed decision-making recognises the long-lived character of infrastructure assets and planning and that budgeting needs to be based on a full life-cycle of the asset.

In order to make these decisions, councils need to ensure they have rigorous and documented economic assessments of options that include financial as well as non-financial factors.

Data requirements that are crucial to ensuring councillors are fully informed include:

- a complete register of all assets owned by the council;
- an accurate assessment of the condition of current assets;
- an analysis of the risk factors involved with each asset or asset class; and
- the demand forecasting or community expectations in regard to the asset.

4. Accountability and responsibility

Responsibility for service delivery and asset management, including accountability and reporting requirements of day-to-day operations, is to be clearly established and clearly communicated. This will ensure that both councillors and council staff are clearly aware of their responsibilities and roles in relation to asset management.

To manage assets effectively, responsibility for their control must be defined and assigned. Asset registers are to be kept up-to-date and provide timely and meaningful information that meets council and management decision-making requirements.

5. Sustainability and Resilience

Assets should be managed to take into account present needs, while sustaining resources for future generations. Planning should take into account intergenerational equity, and aim that existing users pay for their asset use, rather than leaving their costs to be borne by future generations.

Councils should take into account the environmental impact of an asset and, where possible, implement less damaging alternatives. Councils should also ensure that long-life assets are appropriate having regard to both present and expected future climatic conditions and the impacts of natural hazard events.

Methods to promote sustainability include:

- planning, maintenance and renewal to reflect current asset consumption;
- evaluation of all potential methods to meet service delivery demands, including non-asset solutions;
- limiting current and future vulnerability to natural hazards and sea levels;
- investigation of opportunities to harden assets to make them more resilient to the impacts of natural events;
- investigation of innovative 'green' products; and
- user-pays charges where these are appropriate.

6. Ongoing Review

Strategic asset planning and management is an inherently flexible process, ensuring that assets respond to a changing environment at local and broader levels. It is an ongoing process.

Councils need to build review processes into their strategic asset management plans and ensure that the asset continues to effectively meet the service delivery needs of the community.



Tasmania
Explore the possibilities

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