



ASSET MANAGEMENT POLICY

Effective from April 2017

Background

The Local Government Act 2002 the Act requires the development of ten year Long Term Plans. Asset Management Plans are seen as a key input, providing a robust basis for the long term forecasts.

In 2014, an amendment to the Act inserted a statement that asset management planning should be a fundamental part of a council's prudent stewardship of community resources over the long term, including how infrastructure assets would be managed.

Purpose

The purpose of this policy is to confirm the objectives and responsibilities of asset management to appropriate levels of maturity at Invercargill City Council. It forms a statement of high level commitment to the asset management principles by which the organisation will operate.

Scope

This policy applies to the infrastructure assets owned by Council within the following activities:

- Roading and Footpaths
- Water Supply
- Sewerage
- Stormwater
- Parks Assets
- Core Buildings

Definitions

Infrastructure Assets	The physical assets included within each of the activity groups listed in the Scope of this Policy.
Life Cycle	The range of functions an asset component performs during its lifetime.
Life Cycle Cost	The total cost of ownership of an asset component over its functional life including planning, design, construction, acquisition, operation, maintenance, and rehabilitation and disposal costs.
Asset Management Maturity / Index	Asset management maturity is the level of advancement of asset management practices, there are likely to be different levels of asset management advancement within an organisation or activity. An asset management index measures asset management development on a continuum from aware to advanced levels. The index (Appendix 2) is a tool used to determine the appropriate level of advancement of asset management practices.
Asset Management Plan	<p>A plan developed to reflect how the desired levels of service are provided in the most cost effective manner by managing infrastructure for present and future customers. It combines multi-disciplinary management techniques (including technical and financial) over the lifecycle of the asset. The Asset Management Plan establishes, for each activity:</p> <ul style="list-style-type: none"> (i) Levels of Service (performance, maintenance, and operational measures); (ii) Future Demand (rational basis for demand forecasting and capital development needed to meet that demand); (iii) Life Cycle Management (including operations, maintenance, renewals, disposals and capital development); (iv) Financial Projections (including operations, maintenance, renewals, disposals and capital development); (v) Asset Management Practices (including operational and maintenance criteria); and (vi) Performance Monitoring and Improvement.
Asset Management System	A management system for asset management, a set of interrelated or interacting elements which establishes policies, objectives and processes to achieve the objectives
Depreciation	The systematic allocation of the depreciable amount (often referred to as the cost of consumption of the asset by the ratepayers) of an asset over its useful life.

Principles

This Policy complements and builds upon Invercargill City Council's commitment to its community outcomes.

Council will seek to achieve benefits from this policy by providing:

- Direction and 'ownership' of Asset Management;
- Guidance for better informed decision-making;
- Resources with the appropriate capabilities and competencies;
- Integration of resources, knowledge and ability to plan for the present and future;
- Opportunities for collaboration and communication across the organisation;
- A framework to implement continuous improvement;
- Levels of service to meet community needs and manage expectations;
- Management of Council's risk;
- A means of demonstrating compliance with the statutory and legislative framework within which Council operates;
- Confirmed commitment to funding and resources outlined in management plans;
- A depreciation (the cost of consumption of the asset by ratepayers) benchmark to compare renewals expenditure with asset consumption ("financial sustainability").

Objectives

The objectives under the policy are to:

- Ensure Council infrastructure assets are managed in accordance with statutory and regulatory requirements;
 - Building Act 2004
 - Burial and Cremation Act 1964
 - Health Act 1956
 - Health and Safety at Work Act 2015
 - Land Transport Management Act 2001
 - Local Government Act 2002
 - Reserves Act 1977
 - Resource Management Act 1991
- Progressively improve and integrate catchment of asset evidence for planning, delivery, operation, renewal and disposal of assets;
- Monitor and manage assets and levels of service in a prudent and risk-based manner;
- Ensure a lifecycle approach is taken for all decisions on infrastructure assets;
- Address resilience and sustainability in asset management planning processes;
- Ensure Council considers and sets levels of asset renewal expenditure to sustainable levels that are aligned to depreciation (and/or targets) for asset activities;
- Measure, advance and improve the asset management system to the maturity levels set out in Appendix 1.

Responsibilities

This section states the responsibilities Council, Management and Staff have in relation to the application and ownership of the policy.

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

Council

- To act as stewards of infrastructure activities and associated assets;
- To establish Strategic Vision and Corporate Policies (including Infrastructural Strategy) linking to the Long Term Plan;
- To set budgets, levels of service and appropriate level of risk;
- To review and approve Asset Management Plans;
- To ensure appropriate funding and resources are committed in order to deliver the infrastructure services outlined in the Asset Management Plans;
- To regularly review the intentions and objectives of the Long Term Plan, Infrastructure Strategy and the Asset Management Plans, particularly when circumstances change or opportunities arise;
- Confirm the levels of maturity required by each asset group; Appendix 2;
- Set appropriate targets for funding renewal of assets within the scope of the policy.

Senior Leadership Team

- To ensure this Asset Management Policy is implemented;
- To regularly review this Asset Management Policy to ensure that it remains appropriate and where necessary recommend changes to Council;
- To foster and support a multi discipline, cross-functional approach to Asset Management with staff from all areas of Council;
- To set and then monitor the performance of staff in implementing asset management;
- To ensure that timely, accurate and reliable information is presented to Council for decision-making;
- To assess and manage risk at agreed levels.

Asset Managers

- To lead teams in developing and delivering best practice asset management, as appropriate to the maturity levels required by this policy, to cohesively enhance asset knowledge and information to effectively deliver services;
- To enhance coordination, review and update of Asset Management Plans;
- To deliver Asset Management Plans at agreed timeframes;
- To ensure co-ordination of strategic asset management throughout the organisation, providing a forum for discussing maturity and specific challenges;
- To identify staff coaching and training requirements.

Funding Responsibilities

Funding the renewal of assets will be sustainable for our communities. The need to provide appropriate levels of service will be agreed with our communities.

Financial sustainability will be achieved by ensuring that asset management plans propose economically efficient programmes of work to meet these levels of service.

Depreciation is considered to be the consumption of assets by ratepayers over the useful life of the assets. Over time, a steady state should be reached whereby assets are renewed on the same cycle as their depreciation lives. Levels of commitment to fund asset renewals on this cycle will be aligned with Table 1 below. These commitments will be delivered in Asset Management Plans, Infrastructural Strategies and Long Term Plans.

TABLE 1 - TARGET FUNDING DEPRECIATION LEVELS

Asset Group	Asset Book Valuation 2016	Depreciation 2016	Renewal Funding 2016	2016 Sustainability Ratio	2010-2016 Sustainability 5yr Ratio	2017-2025 Planned (LTP) 9yr Ratio
Water	\$107,772,000	\$3,099,422	\$2,664,000	0.86:1	1.37:1	1.46:1
Sewerage	\$84,167,000	\$2,260,193	\$1,923,000	0.85:1	0.71:1	0.88:1
Stormwater	\$109,786,000	\$2,161,585	\$1,015,000	0.47:1	0.72:1	0.96:1
Roading	\$239,331,000	\$7,944,239	\$6,019,000	0.76:1	1.03:1	0.82:1
Footpaths	\$28,249,000	\$2,100,909	\$1,013,000	0.48:1	0.55:1	0.59:1
Buildings	\$65,708,000	\$1,752,771	\$610,000	0.35:1	0.24:1	0.71:1
Parks	TBC					

The following financial indicators will be reported annually for each asset group:

- Asset sustainability ratio – ratio of capital expenditure on renewal of assets to annual depreciation expense
- Asset consumption ratio – depreciated replacement cost of assets as a proportion of current replacement costs
- Asset renewal funding ratio – Net present value (NPV) of projected 10 year asset renewal funding outlays in the LTP as a proportion of projected 10 year asset renewal expenditures in the AMP

(Source – adapted from IPWEA 2015)

Monitoring and Auditing

Reporting annually to the Infrastructure and Services Committee on one and five year renewal expenditure performance targets and self-assessment of asset management maturity.

The Asset Management System will be independently peer reviewed by qualified practitioners' prior to Asset Management Plans presentation to Council.

Revision History:	2.0
Reference Number:	A1741710
Effective Date:	11 April 2017
Review Period:	This policy will be reviewed every three (3) years, as part of the development of the Long-Term Plan.
Supersedes:	October 2011
New Review Date:	April 2020
Associated Documents/References:	Long-Term Plan 2015-25 Invercargill City Council District Plan International Infrastructural Management Manual (IIMM) International Edition 2015
Policy Owner:	Director of Works and Services

Appendix 1

Appropriate Minimum Level of Asset Management Practice

Asset Group	Current (Assessed) Level June 2014	Current (Self-assessed) Level June** 2017	Target Level by June 2020
Water Supplies	Intermediate	Core	Intermediate
Stormwater and Drainage Systems	Intermediate	Core	Intermediate
Wastewater Systems	Intermediate	Core	Intermediate
Roading	Advanced	Intermediate	Intermediate
Footpaths	Advanced	Core	Core
Parks	Core	Core	Core
Core Property and Buildings	Intermediate	Core	Intermediate

** Subject to independent review

Refer International Infrastructure Management Manual 2015 Section 2.1.1 Table 2.1.2 Asset Management Maturity Index for definition of levels (appendix 2)

Appendix 2

Asset Management Maturity Index
