

Program: Asset Management
Date of Adoption: 13 December 2023
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Scope

This policy applies to all assets owned and/or managed by Mackay Regional Council (Council) and to all functions relating to the management of these assets.

Objective

The purpose of this policy is to ensure that assets owned and maintained by Council are managed safely, effectively and efficiently such that an appropriate and consistent level of service is provided now and into the future. Asset management practices at Council will also consider the balance of whole of lifecycle costs, effective risk management and alignment to organisational objectives.

The policy will:

- Demonstrate alignment to Council's Corporate Plan
- Define Council's asset management principles
- Provide guidance for implementation of consistent asset management processes

Policy Statement

The overall intent of this policy is encapsulated in the following statement:

Council through strong asset management practices shall provide an appropriate and consistent level of service to current and future stakeholders. The level of service provided shall consider social, safety, environmental and financial sustainability and any other drivers contained with Council's Corporate Plan.

Council considers that to the extent this policy engages and limits, or potentially limits, any human rights, that limitation is reasonable in that it is proportionate and justified.

This process to remain in force until otherwise determined
by Mackay Regional Council

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1.0 Principles

Council will apply the following principles for the development and delivery of its Asset Management Policy:

1.1 Asset Ownership

Each asset will have a designated Asset Owner.

1.2 Level of Service

The purpose of asset ownership for Council is to provide services to an agreed standard.

For all services Council delivers, Level of Service outcomes will be defined and measured. Both community and technical levels of service will be defined and an agreed level of service determined for delivery.

Level of Service outcomes impact the wider community and stakeholders and include, but are not limited to:

- Safety;
- Public Health;
- Environment;
- Levels of Service;
- Cost of Service; and
- Relationships Between Services

1.3 Importance of Asset Management

- The lifecycle cost of assets is recognised as having the biggest impact on the cost of service delivery.
- Assets are used to provide services to our community and stakeholders and there is an expectation from these groups that assets perform consistently, reliably and safely.
- Council has an asset base with a gross replacement value in excess of \$4.5 billion.
- Effective asset management is balancing these requirements to ensure financial sustainability of service provision. As a guiding principle Council should ensure alignment with Queensland Audit Office Asset Sustainability Ratio recommendations for each asset class.

1.4 Document Hierarchy

- An Asset Management Framework will be applied across all of Council to leverage economies of scale and scope and ensure standardisation across all asset functions. The framework shall incorporate all aspects

of the asset and project lifecycle and will be detailed within the Strategic Asset Management Plan (SAMP).

- The SAMP will be developed to align with Council's Corporate Plan and other key documents and applied across the organisation.
- The effect of each asset on service outcomes will be understood and included in individual Asset Management Plan (AMP).
- All assets will be covered by an AMP or approved equivalent with an overarching portfolio management plan that considers infrastructure risk and alignment to the corporate plan.
- The AMPs, overarching portfolio management plan and other asset planning documents, including business cases and strategies, will inform the development of the Long-Term Financial Forecast (LTFF) and Long-Term Financial Plan (LTFP).

1.5 Decision Making

- The decisions with the largest impact to whole-of-life costing are made prior to the acquisition of the asset.
- Alternative service delivery options need to be considered before the acquisition of an asset including:
 - Outsourcing;
 - Leasing;
 - Demand Management;
 - Modification of existing Asset Base; and
 - Adjusting Level of Service.
- New assets can add costs to the business which alters operating performance and bottom line. The effects of the following costs will be understood and included in any business case for capital budget:
 - Operations;
 - Maintenance;
 - Depreciation; and
 - Disposal/Replacement.
- The full cost of service delivery will be understood and considered in any project with the objective to provide effective services at the lowest total practicable lifecycle cost.
- Decision making will be informed through the delivery of AMPs, Strategies and Business Case documents. Projects that are not identified through one of these means will not be considered for delivery.
- Decision making for assets will be delegated to the Manager – Asset Management by the Asset Management Steering Committee.

1.6 Relationship between Risk, Cost and Service Outcomes

- The impact of changing level of service on cost-of-service provision is understood and communicated particularly if it results in a cost of service that is greater than the lowest practicable total lifecycle cost.
- Level of Services outcomes are reviewed to ensure alignment with community expectations and the operating environment.
- The effective delivery of services requires an appropriate balance of risk, lifecycle cost and level of service outcomes.
- The responsibility of the Asset Owner is to plan for and provide services (infrastructure and non-infrastructure) that meet the agreed level of service, manage risk in alignment with Council's risk appetite and is provided at the lowest total practicable lifecycle cost.

1.7 Climate Change

Council recognises that climate change is likely to affect asset design and construction standards, asset life and asset performance requirements. Asset planning and analysis will examine this risk and consider appropriate mitigation in both AMPs and Business Cases.

2.0 Processes

This Policy and its associated principles will be embedded into Council processes including:

- AMPs will be the responsibility of the Asset Management Program.
- AMPs will work in conjunction with the corporate performance planning and reporting framework which includes:
 - Corporate plan
 - Operational Plan
 - Annual Program Plans
- AMPs will consistently consider Asset Risk as a product of Asset Condition and Asset Criticality.
- Asset Condition assessment works will be completed in accordance with an agreed industry standard or best practice.
- Asset Criticality will be assessed in alignment with Council's Enterprise Risk Management Framework.
- Asset capital and operational investment requirements will be informed by agreed intervention points within individual AMPs. These are to be determined based on Asset Risk.

- AMPs will be updated annually and will cover a rolling 10 year period.
- AMPs will inform the LTFF, Operational Budgets and assessment of Council's Asset Sustainability Ratio in accordance with reporting requirements.
- Asset Management Strategies will be applied within a continuous improvement context.
- AMPs, Strategies or Business cases will be required for any project to be added to the LTFF. The extent of documentation required will be informed by the cost, benefit and risk of any potential project.
- Fit for purpose governance processes will be used to ensure consistent and effective management of assets across Council. Governance processes will be endorsed by the Asset Management Steering Committee as will asset decision making for development of the LTFF.

3.0 Definitions

To assist in interpretation the following definitions shall apply:

Asset means an item or resource controlled by Council with a useful life of more than 12 months from which future economic benefits are expected to flow to Council.

Asset Maintainer means the Council officer responsible for day-to-day operations and maintenance of the Council asset to ensure that it is providing an appropriate level of service for users.

Asset Management (AM) means the combination of management, financial, economic and technical practices applied to assets to achieve required levels of service now and into the future at the lowest practicable total lifecycle cost.

Asset Management Plan (AMP) means a documented approach for an asset class to achieve the organisation's asset management objectives and is aligned to Council's Corporate Plan and Strategic Asset Management Plan. The AMP will include a documented approach outlining how an asset's criticality, condition, risk and performance are determined and contain a decision-making approach to drive capital and operational budgeting to ensure assets provide an appropriate level of service at the lowest practicable total lifecycle cost.

Asset Management Steering Committee (AMSC) means a committee that represents the organisational interests across the asset and service lifecycle. The role of the committee will be to oversee delivery of asset management services across the organisation and to approve asset management documentation including:

- Asset Management Policy
- Strategic Asset Management Plan
- Asset Management Plans
- Asset Planning documentation including strategy and business case templates
- Capital prioritisation processes informing the LTFF
- Asset related risk reporting

- Asset management benchmarking and reporting

Asset Owner means the Council officer accountable for management decisions, performance, and the level of risk appetite associated with an asset.

Asset Sustainability Ratio is a measure of an organisation's approach to replacing assets as they reach the end of their useful life and is expressed as a percentage calculated by the dollar value of capital expenditure on asset renewal divided by the organisation's depreciation expense. A rolling 5-year target of >90% is recommended by the Queensland Audit Office.

Business Case means a document that demonstrates the advantage and value of a proposed service/asset including consideration of alternative delivery methods and a recommended option based on the overarching principles of prudence and efficiency. That is delivery of the asset/service will achieve strong alignment to Council corporate objectives and/or mitigation of organisational risk and will do so at the lowest practicable total lifecycle cost.

Council means Mackay Regional Council.

Level of Service means the parameters, or combination of parameters, which reflect social, political, environmental and economic outcomes that the organisation delivers. The Level of Service that is provided shall align with Council's Corporate Plan objectives.

Long-Term Financial Forecast (LTFF) means Council's financial projections for a 10 year period and will include projections for revenue, expenditure, assets and liabilities. This information is used to assess Council's sustainability through calculation of sustainability ratio values in accordance with Queensland Audit Office requirements.

Long-Term Financial Plan (LTFP) means Council's 10 year financial strategy, this document is informed by the Long-Term Financial Forecast, AMPs and other strategic planning documents. The LTFP contains summary financial data, a statement of MRC's financial position and cash flows and an overview of Council's capital program.

Lowest Practicable Total Lifecycle Cost means the lowest total cost of an asset throughout its life, including planning, design, construction, acquisition, operation, maintenance, rehabilitation and ultimately disposal costs that meets organisational objectives, level of service expectations and any other requirements.

Strategic Asset Management Plan (SAMP) means the Strategic Asset Management Plan being a guide to prioritise Council's activities in data, maintenance and asset management to ensure a coordinated effort to achieve organisational objectives.

4.0 Review of Policy

This policy will be reviewed when any of the following occur:

- The related documents (Corporate Plan, SAMP) are amended or replaced.
- Other circumstances as determined from time to time by a resolution of Council.

Notwithstanding the above, this policy is to be reviewed at intervals of no more than three (3) years.

5.0 Reference

- *Local Government Act 2009*
- *Local Government Regulations 2012*
- *Mackay Regional Council Corporate Plan 2022-2027*
- *International Standard ISO 55000 Asset Management*
- *International Infrastructure Management Manual 2015*
- *Global Forum on Maintenance & Asset Management – The Asset Management Landscape 2014*
- *Australian Accounting Standards Board – Relevant Australian Accounting Standards*
- *Queensland Treasury – Non-current Asset Policies for the Queensland Public Sector*

Version Control:

Version	Reason / Trigger	Change	Endorsed / Reviewed	Date
1	To be review		Council	22.03.17
2	Review of Policy	Updated	Council	22.07.20
3	Review of Policy	Updated	Council	13.12.23