
Asset Management and Capitalisation policies (revised)

*Responsible Officers: Group Manager Corporate and Commercial (Guy Bezrouchko)
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Recommendation

That Council:

1. Revoke the following policies and any policies revived as a result of the revocation:
 - a. Asset Management policy adopted on 21 June 2017; and
 - b. Asset Capitalisation policy adopted on 21 June 2017.
2. Adopt the following revised policies attached to this report:
 - a. Asset Management policy; and
 - b. Asset Capitalisation policy.

Background

Council is required by legislation to have in place a long-term strategy for the provision of the resources ('Resourcing strategy') needed for Council to perform its functions and achieve the objectives and activities set out in its Business Activity Strategic Plan and Delivery Program.¹

Asset Management Planning is one component of a council's Resourcing Strategy² and must include an adopted Asset Management policy, Asset Management Strategy, and Asset Management Plan(s).

A new Asset Management Strategy was endorsed for public exhibition by Council on 11 May 2022 as part of the draft Integrated Planning and Reporting Framework.

The Asset Capitalisation policy has been reviewed following the 2021/22 Water Infrastructure revaluation process.

Proposed changes:

1. Asset Management Policy

The Asset Management policy has been updated to include clear asset management objectives and lists the principles by which the objectives will be achieved. The policy now identifies key stakeholders and details their responsibilities. The update aligns the policy with the new asset management strategy and plans.

2. Asset Capitalisation Policy

The Asset Capitalisation policy determines the asset classes which groups assets of a similar nature together and sets a monetary threshold value by asset class for the capitalisation of non-current assets. Each asset class consists of a number of sub classes that sets out an asset useful life range.

The policy has been revised to include a definition for 'new assets' which was recommended by NSW Audit Office through the annual audit process. The definition is as follows:

'Capital new – is expenditure that creates a new asset that provides a service that does not currently exist.'

¹ [Section 403 Local Government Act 1993](#) (NSW)

² See Office of Local Government '[Integrated Planning and Reporting Guidelines](#)' issued pursuant to [section 406 Local Government Act 1993](#) (NSW)

Additionally, several asset class useful life changes have been made to reflect the recent Water Infrastructure revaluation determinations.

The table below identifies the change in useful lives of assets by asset level:

Asset	Asset level	New	Existing
Other assets - fencing	Fence	30-50 yrs.	40-50 yrs.
Water network	Pipe	80-120 yrs.	20-160 yrs.
	Pit/access point	60-80 yrs.	75 yrs.
	Dams/reservoirs	80-120 yrs.	80-190 yrs.
	Bores	30-50 yrs.	20-50 yrs.
	Meters	10-15 yrs.	10 yrs.
Flood mitigation	Pipe	80-100 yrs.	20-160 yrs.
	Canal/Drain/Outlet – concrete	100 yrs.	20-160 yrs.
	Levees - concrete	100 yrs.	20-160 yrs.
	Lifting gear	10-30 yrs.	-
	Floodgates	10-20 yrs.	10-15 yrs.

Finance

Adopting the revised policies does not impose on Council any additional financial commitment per se, however the policies do influence future asset renewal schedules and therefore may impact on the long-term financial plan. The initial assessment on the impact of the change in capitalisation rates is immaterial to the long term financial plan.

Legal

Contained in the body of the report.

Consultation

Revision of the Asset Management policy and Asset Capitalisation policy was undertaken in consultation with the Asset Management Systems Officer, Planning and Development Engineer and Finance Manager.

Conclusion

The adoption of the revised Asset Capitalisation policy and Asset Management policy will satisfy the regulatory and audit requirements and reflect Council's asset management objectives.

Attachment

1. Asset Management policy dated 21 June 2017 (**for revocation**) via website:
<https://www.rous.nsw.gov.au/page.asp?f=RES-BCR-58-43-24>
2. Asset Capitalisation policy dated 21 June 2017 (**for revocation**) via website:
<https://www.rous.nsw.gov.au/page.asp?f=RES-EDL-70-64-45>
3. Revised Asset Management policy (**for adoption**)
4. Revised Capitalisation policy (**for adoption**)