

ASSET MANAGEMENT STRATEGY



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Document Control

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Executive Summary

This asset management strategy is prepared to assist council in improving the way it delivers services from assets including : reserves, roads, bridges, footpaths, drains, sewerage, fleet, library resources, radio, information technology and data, telecommunications network, electricity generation and network, public buildings including amenities, waste management, fire services and vehicles, emergency services, sporting facilities, supply of rock, Tanalith plant, lighterage, liquor bond and the Norfolk Island International Airport.

These assets have an estimated replacement cost of \$313m¹.

This strategy is aligned with Councils' Asset Management Policy. It supports the integration of asset management practices with long-term strategic planning² and contributes to Council meeting its requirements under the New South Wales Integrated Planning and Reporting Framework.³

The asset management strategy is prepared following a review of the Council's service delivery practices, financial sustainability indicators, asset management maturity and fit with council's vision for the future outlined in the Norfolk Island Regional Council, Norfolk Island Community Strategic Plan 2016 – 2026.

Asset management within Council is developing. The aim is to have asset management at the National Assessment Framework's Core maturity level.⁴ An asset management maturity assessment undertaken in June 2023 rates Council's current maturity level across the Aware and Basic maturity index rankings⁵.

As the Council's current asset management maturity is below the Core level, investment is needed to improve information management, lifecycle management, service management and accountability and direction.

Section 4.3, below, lists nine strategic actions to progress asset management across Council towards the Core maturity level.

Implementing these strategic actions is subject to the availability of resources to the Council over time.

¹ Estimated replacement cost is derived from revaluation report figures adjusted to current dollars using a relevant Australian Bureau of Statistics index.

² LGPMC, 2009, Framework 2 *Asset Planning and Management*, p 4.

³ NSW Office of Local Government, Integrated Planning and Reporting Framework

⁴ ACELG, National Assessment Frameworks for LG Asset Management and Financial Planning, Implementation Proposal Paper, June 2012.

⁵ See Appendix A for the report on Council's asset management maturity status.

1. Introduction

Assets deliver important services to communities. A key issue facing Council is the management of ageing assets in need of renewal and replacement.

Infrastructure assets present unique challenges. Their performance and longevity can be difficult to determine. Financing needs can be large, requiring planning for large peaks and troughs in expenditure for renewing and replacing such assets. The demand for new and improved services also adds to the planning and financing challenges.⁶

The future sustainability of local government rests on sound asset management and long term financial planning.⁷

The Norfolk Island Community Strategic Plan 2016 – 2026 aligns Council’s planning framework to the New South Wales Integrated Planning and Reporting Framework.⁸ The Framework includes a suite of integrated plans that set out a vision and goals and strategic actions to achieve them.⁹

Council strives to integrate its obligations under the Local Government Act 1993 (NSW) (NI) with the requirements of the Framework. To this end, Council’s vision, goals, and strategies for asset management are contained in the following documents:

- The Asset Management Policy, outlining the principles for asset management and establishing a framework for coordinated, consistent and integrated asset management processes.
- This Asset Management Strategy, and
- Asset Management Plans, covering asset service standards and long-term (at least 10 years) projects and cash flow estimates for maintenance, rehabilitation, replacement and improvement. Each plan is aligned to an asset class or group of classes.

The goal of asset management is to ensure that services are provided:

- in the most cost-effective manner,
- through the acquisition, maintenance, operation, renewal, and disposal of assets,
- for the present and future community.

The objective of this Asset Management Strategy is to establish a framework to guide the planning, construction, maintenance, and operation of the infrastructure essential for council to provide services to the community.

1.1 Legislative Requirements

The key legislative requirements that impact on Council’s management of assets are outlined in Table 1.

⁶ ACELG, National Assessment Frameworks for LG Asset Management and Financial Planning, Implementation Proposal Paper, June 2012, p 2.

⁷ ACELG, National Assessment Frameworks for LG Asset Management and Financial Planning, Implementation Proposal Paper, June 2012, p3.

⁸ Norfolk Island Regional Council, Norfolk Island Community Strategic Plan 2016 – 2026, p 7.

⁹ Link to the NSW Office of Local Government, Integrated Planning and Reporting Framework, [Integrated Planning and Reporting - Office of Local Government NSW](#)

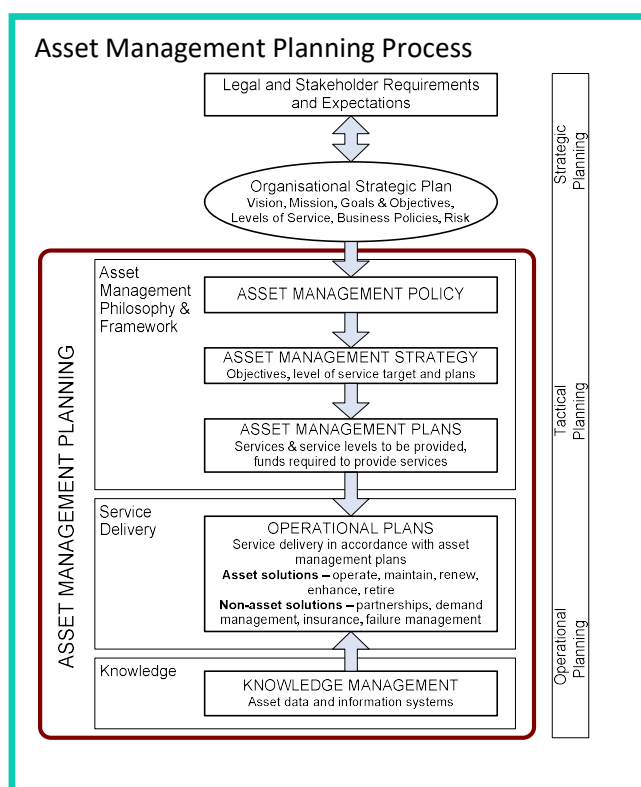
Table 1: Summary of legislative requirements

Legislation	Requirement
Airport Act 1991 (NI)	Defines the airport land area; the making of regulations to control access to and security and safety at the airport; and the control of commercial activities at the airport.
Australian Accounting Standards (AAS)	The Local Government Act 1993 (NSW) (NI) requires Council to comply with AAS. Standard AASB 116, Property Plant and Equipment stipulates requirements on the recognition, valuation, depreciation and disposal of assets.
Broadcasting Services Act 1992 (Commonwealth)	To provide for a regulatory environment that will facilitate the development of a broadcasting industry and a datacasting industry in Australia that is efficient, competitive and responsive to audience needs.
Building Act 2002 (NI)	To provide for procedures and processes for building approvals, inspections and compliance and development of the Norfolk Island Building Code.
Civil Aviation Act 1988 (Commonwealth)	The main object of this Act is to establish a regulatory framework for maintaining, enhancing and promoting the safety of civil aviation, with particular emphasis on preventing aviation accidents and incidents. Establishes the Civil Aviation Safety Authority.
Electricity Supply Act 1985 (NI)	An Act relating to the supply of electricity on Norfolk Island, and for related purposes.
Employment Act 1988 (NI)	Part 4, Safe Working Practices, sets out employer and employee obligations to prevent a person's death, injury, or illness from being caused by a workplace, by a relevant workplace area, by work activities, or by machinery or substances for use at a relevant place.
Environment Act 1990 (NI)	To prevent, so far as is practicable, the degradation and destruction of the natural environment and landscape beauty of Norfolk Island.
Environment Protection and Biodiversity Conservation Act 1999 (Commonwealth)	To protect and manage unique plants, animals, habitats and places. This includes heritage sites and the Norfolk Marine Park.
Heritage Act 2002 (NI)	To provide for the promotion of the conservation of the heritage of Norfolk Island. Establishes the Heritage Register and the Panel of Heritage Advisers.
Land Titles Act 1996 (NI)	Provides for the registration of roads.
Local Government Act 1993 (NSW) (NI)	Sets out the role, purpose, responsibilities, and powers of the Norfolk Island Regional Council including the preparation of a long-term financial plan supported by asset management plans for sustainable service delivery.
Planning Act 2002 (NI)	To provide planning and approval processes for the management, development and conservation of the natural and man-made resources of Norfolk Island for the social, health and economic welfare of the community and a better environment.
Radiocommunications Act 1992 (Commonwealth)	To provide for the management of radio frequencies in support of the communications policy objectives of the Commonwealth Government.
Roads Act 2002 (NI)	Provides for the opening and closing of public roads and for related matters.
Telecommunications Act 1992 (NI)	To provide for the ownership and control of telecommunication services and the exercise of powers over land and other property in connection with telecommunication services.
Traffic Act 2010 (NI)	Prescribes for the registration of motor vehicles and the licensing of operators.

1.2 Asset Management Planning Process

Asset management planning is a comprehensive process to ensure that assets are managed and maintained to deliver the intended services to the community.

Asset management planning commences with defining stakeholder and legal requirements and needs, incorporating these needs into the Council’s strategic plans and developing an asset management policy, strategy, asset management plans and operational plans, linked to a long-term financial strategy and funding plans.



2. What Assets do we have?

Council is responsible for a large and diverse asset base. These assets include, but are not limited to reserves, roads, bridges, footpaths, drains, sewerage, fleet, library resources, radio, information technology and data, telecommunications network, electricity generation and network, public buildings including amenities, waste management, fire services and vehicles, emergency services, sporting facilities, supply of rock, tanalith plant, lighterage, liquor bond and Norfolk Island International Airport.

The range of assets used in the provision of services to the community is summarised in Table 2.

Table 2: Assets used for providing Services

Range of Assets	
Airport runways	Land
Buildings	Road and drainage infrastructure
Cars, utes and other light vehicles	Sewerage infrastructure
Construction plant	Telecommunication infrastructure
Electricity infrastructure: including renewable energy	Waste recycling and disposal equipment
Fuel storage and transfer infrastructure	Watercraft

Assets are grouped into six asset classes as listed in Table 3.

3. Our assets and their management?

3.1 State of the Assets

The financial status of the organisation’s assets is shown in Table 3.

Table 3: Financial Status of the Assets

Asset Class	Estimated Replacement Cost \$ ¹⁰	Gross Carrying Amount \$	Depreciated Carrying Amount \$	Depreciation Expense \$
Buildings	48,191,513	48,191,513	22,523,086	997,689
Plant and Equipment ¹¹	13,641,396	13,641,396	9,026,554	1,036,797
Land	16,301,350	16,301,350	16,301,350	-
Other Infrastructure	70,823,520	59,879,816	30,595,936	1,752,645
Roads and Drainage	159,282,000	133,425,679	99,853,034	3,542,963
Sewerage	7,238,602	6,087,974	3,310,665	114,415
Total	312,989,733	275,039,080	176,508,910	7,444,509

Figure 1 shows the estimated replacement cost of Council’s assets as a percentage of total.

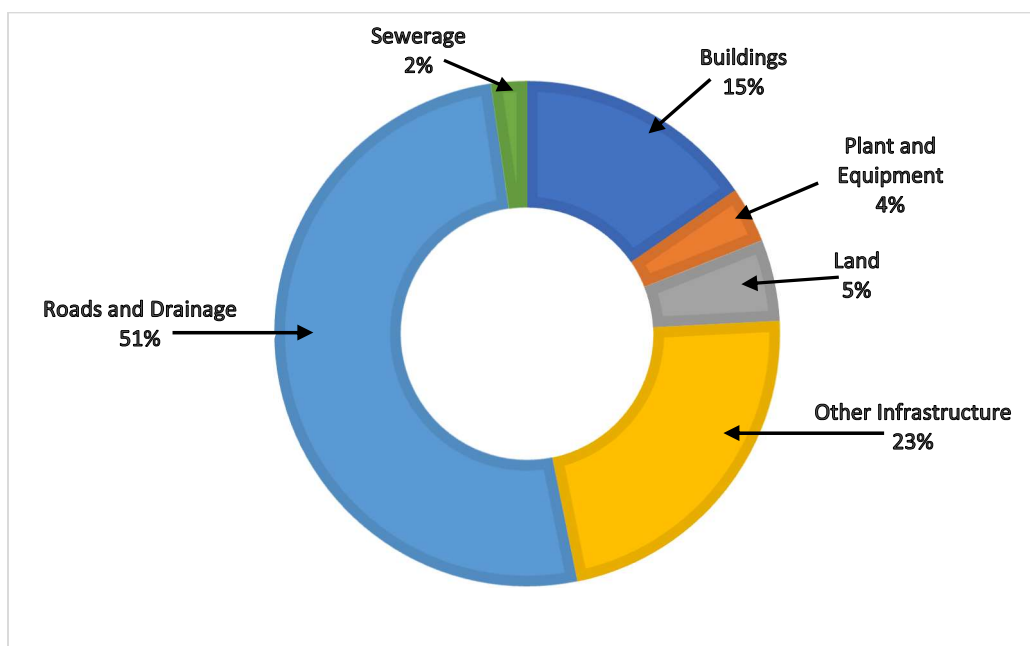
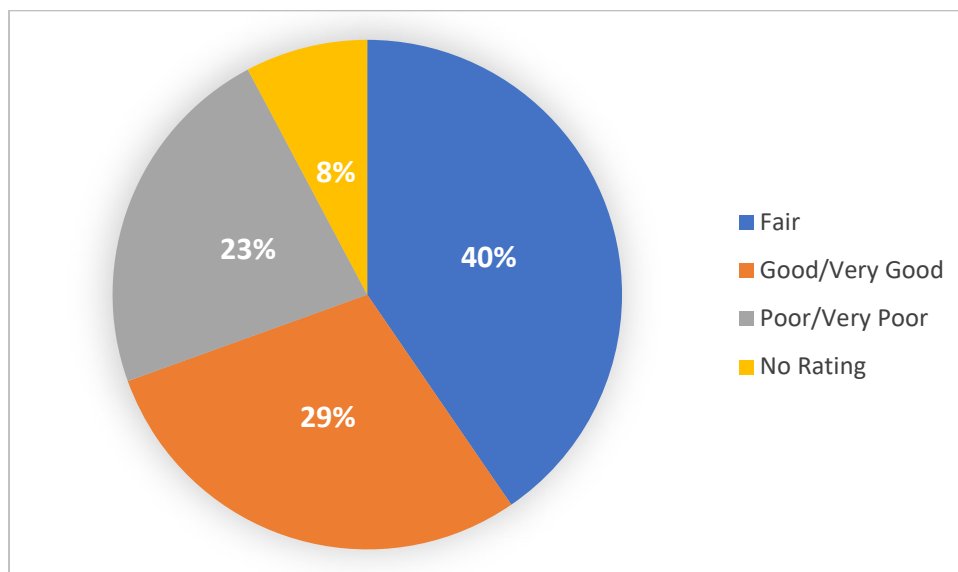


Figure 1: Estimated Replacement Cost as a Percentage of Total

¹⁰ Estimated replacement cost is derived from revaluation report figures adjusted to current dollars using a relevant Australian Bureau of Statistics index. The exception is Plant and Equipment which is recorded at historical cost.

¹¹ Plant and Equipment includes fleet, plant and other equipment. Other equipment does not form part of this strategy and is not the subject of an asset management plan.

The condition of all assets combined is shown in Figure 2.



The No Rating condition is land assets.

Figure 2: State of the Assets

Condition is measured using a 1 – 5 grading system¹² as detailed in Table 3. It is important that a consistent approach is used in reporting asset performance enabling effective decision support.

Table 4: Condition Grading System

Condition Grading	Description of Condition
1	Very Good: free of defects, only planned and/or routine maintenance required
2	Good: minor defects, increasing maintenance required plus planned maintenance
3	Fair: defects requiring regular and/or significant maintenance to reinstate service
4	Poor: significant defects, higher order cost intervention likely
5	Very Poor: physically unsound and/or beyond rehabilitation, immediate action required

Asset condition gradings for existing assets are assessed at the time of a comprehensive revaluation or from technical reports. Renewal and new assets are given a condition grading of 1 at the date of commissioning.

Figure 2 shows that twenty two percent of Council’s assets have significant defects or are physically unsound. A further forty percent have defects requiring regular or significant maintenance to maintain or reinstate service capacity.

¹² IPWEA, 2020, IIMM, Sec 2.5.4

3.2 Lifecycle Costs

Lifecycle costs (or whole of life costs) are the average annual costs that are required to sustain the service levels over the longest asset life. Lifecycle costs include operations, maintenance, renewal, and acquisition costs.

For planning purposes, Council estimates the lifecycle costs of major equipment and infrastructure in line with the ten year long-term financial planning period.

Asset management plans (AM Plans) for major service/asset classes identify the lifecycle cost required to sustain the identified service levels for the asset groups covered by the AM Plans.

The lifecycle costs for the services covered in the Council’s AM Plans are shown in Table 5.

Table 5: Lifecycle Costs Incorporated into Council’s Asset Management Plans

Asset Management Plans	Average annual forecast lifecycle costs			Lifecycle Cost
	Operation and Maintenance	Renewal	Acquisition	(\$/yr)
Buildings	80,000	494,000	42,000	616,000
Fleet and Plant	265,000	1,073,000	150,000	1,488,000
Other Infrastructure	7,000,000	1,156,000	819,000	8,975,000
Roads and Drainage	400,000	2,000,000	-	2,400,000
Sewerage	156,000	84,000	1,800,000	2,040,000
Total	7,901,000	4,807,000	2,811,000	15,519,000

Lifecycle costs are incorporated into Council’s Long-Term Financial Plan and annual budget to the extent that they can be funded.

A lifecycle cost and planned budget comparison will highlight any difference between present outlays and the average cost of providing the service over the long term. If the lifecycle budget is less than the lifecycle cost, the outlays need to be increased in the budget or cuts in services made in the future.

Knowing the extent and timing of any required increase in outlays and the service consequences if funding is unavailable will assist the Council in providing services to the community in a financially sustainable manner. This is the purpose of integrating the AM Plans with the long-term financial plan.

Any shortfall between estimated lifecycle costs and planned budgets is highlighted in the AM Plans.

3.3 Asset Management Structure and Roles

While the Council encourages a ‘whole of organisation’ approach to asset management, governing legislation and best practice expect responsibility and controls to exist within the structure of the Council to ensure the efficient allocation of resources to support the provision of services to the community.

The asset management roles and responsibilities are shown in Table 6.

Table 6: Asset Management Roles and Responsibilities

Responsible Group/Officer	Asset Management Role
Councillors	<ul style="list-style-type: none"> • Act as the custodians of assets on behalf of the community. • Ensure the provision of services provided by assets are meeting the community priorities for present and future generations. • Approve and adopt the Asset Management Policy. • Approve and adopt the Asset Management Strategy. • Ensure decisions made regarding assets are in line with the Asset Management Strategy. • Ensure there are appropriate resources dedicated to asset management.
General Manager	<ul style="list-style-type: none"> • Overall responsibility for developing the Asset Management Policy, the Asset Management Strategy and the asset management plans. • Keep Councillors informed on the effectiveness of the management of assets.
Manager Infrastructure Services	<ul style="list-style-type: none"> • Responsible for implementing and controlling asset management across the organisation.
The Management Team	<ul style="list-style-type: none"> • Ensure decisions about the assets under their control and the practices of their staff are consistent with the Asset Management Policy, this Strategy, the asset management plans and established asset management practices. • Ensure the assets under their control can deliver the defined levels of service to the community. • Provide leadership in implementing asset management and sponsor the provision of asset management training for staff. • Proactively foster a culture of risk management and continual improvement within the organisation concerning asset management.
All Staff	<ul style="list-style-type: none"> • Contribute to and engage with the asset management planning framework. • Follow the established asset management practices.

3.4 Asset Management Maturity

Asset Management maturity is the extent to which the capabilities, performance and ongoing assurance of an organisation are fit for purpose to meet the current and future needs of its stakeholders, including the ability of an organisation to foresee and respond to its operating context.

Asset management within Council is developing. The aim is to have asset management at the National Assessment Framework’s Core maturity level. The National Assessment Framework was

developed for Australian local governments, it provides a general level of asset management competency required for any Council providing services from infrastructure¹³.

Council's current asset management maturity position is across the Aware and Basic IPWEA maturity index rankings¹⁴.

As the Council's current asset management maturity is below 'Core' level, investment is needed to improve information management, lifecycle management, service management and accountability and direction.

Council's current competency position compared to the IPWEA Core competency requirements is detailed in Appendix A.

¹³ ACELG, National Assessment Frameworks for LG Asset Management and Financial Planning, Implementation Proposal Paper, June 2012.

¹⁴ Core competency requirements as detailed in IPWEA, Applying Infrastructure Asset Management Principles, Attachment 1, 2018.

4. Asset Management Strategy

4.1 Guiding Principles

1. We understand that assets exist to provide services to the community.
2. We will develop sustainable service levels that balance the needs of the community with council's ability to fund these services over the long term.
3. If there is a more cost-effective way of delivering services without assets, we will explore it.
4. We will consider decommissioning or disposing of underutilised assets.
5. We will consider the implications for current and future stakeholders when making significant asset management decisions.
6. We will consider the impact on our environment when making asset management decisions.
7. To maximise the value of our assets, we will take a whole of life approach to the management of them.
8. We will adopt an evidence-based, continuous improvement approach to developing our asset management capabilities.
9. Our asset management practices will be informed by good industry practice.
10. We are committed to complying with legislation and meeting all our statutory obligations.

4.2 Asset Management Vision

Ensure the long-term financial sustainability of Council by balancing the community's expectations for services with their ability to pay for those services.

Develop and maintain a 'whole of organisation' approach to asset management including asset management governance, skills, process, systems and data to:

- Demonstrate support for sustainable asset management at all levels to the Council.
- Encourage organisation wide buy-in and responsibility.
- Support coordinated strategic planning, information technology and asset management activities.
- Promote uniform asset management practices across the organisation.
- Encourage the pooling of expertise and information sharing.
- Support organisation wide accountability for achieving and reviewing sustainable asset management practices.

4.3 Asset Management Strategic Actions

The asset management strategic actions in Table 7 support the objectives of the Asset Management Policy and the asset management vision.

Table 7: Asset Management Strategic Actions

No	Action	Desired Outcome
1	Move from Annual Budgeting to Long Term Financial Planning	The long-term implications of Council services are considered in annual budget deliberations.

No	Action	Desired Outcome
2	Develop and annually review Asset Management Plans covering at least 10 years for all major asset classes (ideally for more than 80% of asset value).	Identification of services needed by the community and required funding to optimise 'whole of life' costs.
3	Adopt a Long-Term Financial Plan covering 10 years incorporating asset management plan expenditure projections with a sustainable funding position outcome.	Sustainable funding model to provide Council services.
4	Incorporate Year 1 of Long-Term Financial Plan revenue and expenditure projections into annual budgets.	Long term financial planning drives budget deliberations.
5	Review and update asset management plans and long-term financial plans after the adoption of annual budgets. Communicate any consequence of funding decisions on service levels and risks.	Council and the community are aware of changes to service levels and costs arising from budget decisions.
6	Report Council's financial position at Fair Value in accordance with Australian Accounting Standards, financial sustainability, and performance against strategic objectives in Annual Reports.	Financial sustainability information is available for Council and the community.
7	Ensure Council's decisions are made from accurate and current information in asset registers, on service level performance and costs and 'whole of life' costs.	Improved decision making and greater value for money.
8	Report on the Council's resources and operational capability to deliver the services needed by the community in the Annual Report.	Services delivery is matched to available resources and operational capabilities.
9	Ensure responsibilities for asset management are identified and incorporated into staff position descriptions.	Responsibility for asset management is defined.

4.4 Asset Management Improvement Plan

The asset management improvement plan lists tasks designed to implement the strategic actions detailed in Table 7, above. Undertaking of these tasks is subject to the availability of Council resources.

Table 8: Asset Management Improvement Tasks

No	Task	Timeline
1	Establish an asset management support role to assist the Manager Infrastructure Services in developing and maintaining effective asset management systems and processes.	By the end of December 2023
2	Develop and implement a schedule for asset revaluations, both desktop and comprehensive revaluations. The period of the schedule should align with the 10-year period of this plan.	By the end of December 2023
3	Undertake an annual review of this strategy and each of the asset management plans to maintain their currency. Update the long-term	By the end of March each year.

No	Task	Timeline
	financial plan with changes to operating, maintenance and capital work estimates arising from the review.	
4	Review the estimated useful lives of assets. Amend the useful life brackets in the Asset Accounting Policy accordingly.	By the end of March 2024
5	Implement a fit-for-purpose asset register.	By the end of June 2024
6	Collect accurate operating and maintenance costs by correctly recording costs against the appropriate tasks in the works system	Commence 1 July 2024.
7	Develop criticality criteria and a 5-level single score criticality rating and rate the assets covered by the AM Plans to assist with planning and the scheduling of works.	Subject to available resources
8	Establish inspection programmes to undertake planned maintenance to reduce the extent of reactive maintenance.	Subject to available resources
9	Develop demand management plans in line with IPWEA guidelines.	Subject to available resources
10	Document operational practices to encourage consistency in activity and the transfer of knowledge.	Subject to available resources

Appendix A: Asset Management Maturity Assessment

This asset management maturity assessment is based on the Core competency requirements set down in the IPWEA, Applying Infrastructure Asset Management Principles, Attachment 1, 2018.

This assessment was undertaken in June 2023.

Asset Management Element	Status	Core Competency Requirements
AM Policy development	<ul style="list-style-type: none"> Council's expectation for asset management is expressed in the June 2023 version of the Asset Management Policy. 	<ul style="list-style-type: none"> Asset Management Policy and objectives developed and align with Council's goals.
Levels of service and performance management	<ul style="list-style-type: none"> Asset contribution to Council's objectives, customer groups, and some basic levels of service have been defined and documented in AM Plans. 	<ul style="list-style-type: none"> Levels of service and performance measures in place covering a range of service attributes. Annual reporting against performance targets. Customer group needs analysed. Levels of service and cost relationship understood.
Demand forecasting	<ul style="list-style-type: none"> Future demand requirements are generally understood with some expert reports to support projections. 	<ul style="list-style-type: none"> Demand forecasts based on robust projection of a primary demand factor and extrapolation of historic trends. Risk associated with demand change broadly understood and documented. Demand management considered as an alternative to major project development.
Asset register data	<ul style="list-style-type: none"> Current asset register is being replaced with a fit for purpose solution. Asset data cleansing is ongoing. Financial reporting uses asset register data and data stored in a spreadsheet. 	<ul style="list-style-type: none"> Sufficient information to complete asset valuation (attributes, replacement cost, asset life and remaining useful life, condition) and support prioritisation of programmes (criticality). Asset hierarchy, identification and attribute systems documented. Metadata held is appropriate.
Asset condition	<ul style="list-style-type: none"> Condition data has been assessed and recorded in the asset register. Condition and remaining useful life data is used for developing renewal schedules. 	<ul style="list-style-type: none"> Condition and performance information is suitable to be used to plan maintenance and renewals.
Risk management	<ul style="list-style-type: none"> Risk management is ongoing. High level risk register exists. Some high risk areas have risk management strategies in place. Critical services and assets are understood by staff involved in maintenance decisions. 	<ul style="list-style-type: none"> Critical assets and high risks identified. Documented risk management strategies for critical assets and high risks.

Asset Management Element	Status	Core Competency Requirements
Operational planning	<ul style="list-style-type: none"> Operational processes are largely based on historical practices. 	<ul style="list-style-type: none"> Operational procedures are available for all operational processes. Operational support requirements are in place.
Capital works planning	<ul style="list-style-type: none"> Some planning for proposed capital projects is being undertaken. Capital funding requirements are largely identified during the annual budget process. 	<ul style="list-style-type: none"> Projects have been collated from a wide range of sources and entered into a project register. Capital projects for the next three years are fully scoped and estimated. A prioritisation framework is in place to rank the importance of capital projects.
Financial and funding strategies	<ul style="list-style-type: none"> Financial planning is largely an annual budget process, but there is an intention to develop longer term forecasts. 	<ul style="list-style-type: none"> Asset revaluations have a 'B' grade data confidence. 10 year+ financial forecasts based on current comprehensive AMPs with detailed supporting assumptions / reliability factors.
AM plans	<ul style="list-style-type: none"> AM Plans reviewed and updated in July 2023. All plans contain information on assets, service levels, planned works, financial forecasts and some short term future improvements. 	<ul style="list-style-type: none"> AM objectives are defined with consideration of strategic context. Approach to risk and critical assets described. Top-down condition and performance assessments described. Future demand forecasts documented. Description of supporting AM processes. 10 year financial forecasts outlined. 3 year AM improvement plan included.
Management systems	<ul style="list-style-type: none"> Awareness of need to formalise systems and processes. 	<ul style="list-style-type: none"> Basic quality management system in place that covers all Council activities. Critical AM processes are documented, monitored and subject to review. AM System meets the requirements of ISO 55001.
Information systems	<ul style="list-style-type: none"> Asset register can record core asset attributes. Asset information reports can be manually generated for AM plan input. 	<ul style="list-style-type: none"> Asset register enables hierarchical reporting (at component to facility level). Customer request tracking and planned maintenance functionality enabled. System enables manual reports to be generated for valuation, renewal forecasting.

Asset Management Element	Status	Core Competency Requirements
Service delivery mechanisms	<ul style="list-style-type: none"> • Service delivery roles are generally understood and follow historic approaches. 	<ul style="list-style-type: none"> • Core functions defined. • Procurement strategy/policy in place. • Internal service level agreements in place with the primary internal service providers and contracts for the primary external service providers.
Improvement planning	<ul style="list-style-type: none"> • Recognition of AM improvements 	<ul style="list-style-type: none"> • Current and future AM performance assessed and gaps used to drive the improvement actions. • Improvement plans identify objectives, timeframes, deliverables, resource requirements and responsibilities.

Appendix B: Council-adopted Asset Management Policy

4.04 – ASSET MANAGEMENT POLICY

INTRODUCTION

This policy establishes a framework that determines the nature and direction of asset management within Norfolk Island Regional Council (Council). Effective asset management will enable Council to provide services at a sustainable standard, for the present and future of the Norfolk Island community and the Council's operations within it.

Asset management is a systematic whole-of-life and organisation wide approach to planning, design, acquisition, operation, maintenance, upgrade, renewal, decommissioning and disposal of assets.

The provision of infrastructure that meets the needs of the Norfolk community is necessary as the community progresses toward the objectives identified in the Community Strategic Plan. Council is committed to managing the community's assets to facilitate these objectives using recognised best practices while fulfilling its obligations under relevant legislation.

POLICY OBJECTIVE

This policy guides the effective, efficient and sustainable management of infrastructure / assets to deliver on the directions and objectives identified in the Community Strategic Plan and associated core planning documents. To do this, this policy outlines principles for asset management establishing a framework for coordinated, consistent and integrated asset management processes.

Council's asset management objectives are to ensure adequate provision is made for the long-term management and replacement of assets by:

- contributing to ongoing Council financial sustainability by making decisions that lead to a cost-effective asset base, focusing on asset renewal, ensuring assets are fit for purpose, rationalising under-utilised assets and limiting asset expansion unless justified;
- investigating and securing funding sources to support and maintain infrastructure;
- ensuring that assets provide appropriate levels of service to residents, visitors and the environment as determined via legislative requirements and through consultation with the community.
- safeguarding assets by implementing appropriate asset management strategies;
- creating an environment where all Council employees play an integral role in the overall management of assets by creating and sustaining awareness of asset management throughout the organisation through training and development;
- meeting legislative requirements for asset management;
- ensuring resources and operational capabilities are identified and responsibility for asset management is allocated; and
- demonstrating transparent and responsible asset management processes that align with demonstrated best practices.

POLICY SCOPE

This policy applies to all Council activities and assets throughout their life cycle. This policy also applies to any internal or external projects or activities undertaken to address asset management (e.g. public works or projects funded by grants). It also applies to any internal and external activities undertaken that utilise assets.

Council is responsible for a large and diverse asset base. These assets include, but are not limited to: reserves, roads, bridges, footpaths, drains, sewerage, fleet, library resources, radio, information technology and data, telecommunications network, electricity generation and network, public buildings including amenities, waste management, fire services and vehicles, emergency services, sporting facilities, supply of rock, tanalith plant, lighterage, liquor bond and Norfolk Island International Airport.

Policy relating to the financial accounting of assets is contained in the Asset Accounting Policy.

DEFINITIONS

In this policy, unless the contrary intention appears:

'asset' means property, plant and equipment controlled by Council that supports the provision of services to the community or produces revenue to contribute to the provision of services or is held for administration purposes and is expected to be used for more than 12 months. Infrastructure is included in this definition;

'asset class' means a group of assets having a similar nature or function in the operations of Council and which, for purposes of disclosure, is shown as a single item;

'asset management' means the combination of management, financial, economic, engineering and other practices applied to assets to provide the required level of service in the most cost-effective manner;

'asset management plan' means a plan developed for the management of each asset class that identifies asset service standards and long-term (at least 10 years) projects and cash flow estimates for maintenance, rehabilitation, replacement and improvement;

'Asset Management Policy' means this high-level policy describing how Council intends to apply asset management across the organisation. It establishes the Asset Management Strategy; asset management plans and allocates responsibility to ensure effective asset management;

'Asset Management Strategy' means the Council document that describes the strategy for asset management covering the development and implementation of plans and programmes for asset creation, operation, maintenance, rehabilitation/replacement, disposal and performance monitoring to ensure that the desired levels of service and other operational objectives are achieved;

'asset register' means a record of asset information including inventory, historical, condition, construction, technical and financial details;

'Council' means the Norfolk Island Regional Council;

'Community Strategic Plan' means the Council document that states the community's vision and aspirations for a period of ten years.

'infrastructure' means assets that contribute to meeting the need for access to major economic and social facilities and services, e.g., roads, drainage, footpaths and sewerage;

'level of service' means the parameters or combination of parameters that reflect social, political, environmental and economic outcomes that the Council delivers;

'life cycle' means the cycle of activities that an asset goes through while it retains an identity as a particular asset i.e., planning, design, acquisition, operation, maintenance, renewal, upgrade, decommission, and disposal;

'life cycle cost' means the total cost of an asset throughout its life cycle;

'useful life' means the period over which an asset is expected to be available for use by Council.

LEGAL AND POLICY FRAMEWORK

Council adheres to an Integrated Planning and Reporting (IP&R) framework modelled on the NSW framework and reports to the Minister for Infrastructure, Transport, Regional Development and Local Government through the Australian Government Department of Infrastructure, Transport, Regional Development, Communications and the Arts.

The main components of the IP&R framework are:

- Community Strategic Plan,
- Resourcing Strategy,
- Delivery Program,
- Operational Plan, and
- Annual Report.

Council's Resourcing Strategy consists of:

- This Asset Management Policy,
- Asset Management Strategy,
- Asset Management Plans,
- The Long-Term Financial Plan, and
- Workforce Management Strategy.

These core planning documents outline the objectives and outcomes Council has agreed to deliver on and be measured against. The documents include commitments with specific reference to asset management and providing a safe and healthy place to live, work and visit.

Relevant laws include both Commonwealth and Norfolk Island legislation. Applicable legislation includes the: Local Government Act 1993 (NSW) (NI) and supporting regulations; Work Health and Safety Act 2011 (Cth); Airport Act 1991 (NI); Building Act 2002 (NI); Cemeteries Act 2009 (NI); Electricity Supply Act 1985 (NI); Heritage Act 2002 (NI); Law of negligence and limitation of liability Act 2008 (NI); Lighterage Act 1961 (NI); Planning Act 2002 (NI); Protection of Movable Cultural Heritage Act 1987 (NI); Public Reserves Act 2002 (NI); Roads Act 2002 (NI); Telecommunications Act 1992 (NI); Traffic Act 2010 (NI); Trees Act 1997 (NI); Water Assurance Act 1991 (NI).

IMPLEMENTATION

6.1 Communication

Following adoption by Council, this Policy will be communicated to all staff as well as being made available on Council's public website.

6.2 Associated documents

In addition to the documents identified in 5 above, the documents that follow contribute to the effective management of assets:

- Asset Accounting Policy,
- Work, Health and Safety Policy,
- any policy and procedure relating to risk management,
- Signs as Remote Supervision,
- Trees and Root Management,
- Maintenance and Repair of Footpaths
- Application for Hire of Council Plant/Equipment,
- Application for Hire of a Council Premises and associated Conditions for Hire, and
- Heritage and Culture Strategy.

POLICY

7.1 Asset Management

Council strives to provide and maintain assets that support the objectives of the Community Strategic Plan. Council will manage assets within its financial capacity using best practices and by complying with applicable legislation.

Council is committed to implementing a systematic asset management methodology to apply effective asset management practices at each stage of an asset's life cycle across all areas of the organisation.

Council is also committed to effective risk management and continual improvement.

Council recognises that a systematic asset management methodology, risk management and continual improvement are required and are best facilitated through the implementation of this policy.

7.2 Asset Management Strategy

The Asset Management Strategy supports and demonstrates how to implement the Asset Management Policy. It shows how Council's asset portfolio will meet the service delivery needs identified in the Community Strategic Plan.

The Asset Management Strategy will address the following questions:

- What assets does the Council currently have?
- What is the current situation regarding assets and their management including current & forecasted future needs and adequacy of funding?
- Where does the Council want to be in relation to the objectives of the Community Strategic Plan?
- How will the Council get there including a comparison between the current situation and the proposed future to highlight where strategies will need to be developed to cater for any changes?

7.3 Asset Management Plans

The development and implementation of asset management plans (Plans) for major service/asset classes will be informed by the Asset Management Strategy, Council's financial planning and required service levels and data from the asset register.

The Plans will:

- document the services and service levels to be provided;
- identify how the services are provided;
- identify the timeframe and cost estimates for the acquisition of the assets required to meet agreed service levels;
- describe the operating and maintenance practices which will be used to ensure agreed service levels are maintained;

- include forward financial forecasts for operations and maintenance expenditure;
- include forward financial forecasts for new, upgraded or replacement capital expenditure;
- include the systematic and cyclic reviews of asset classes to ensure that the assets are managed, valued and depreciated by appropriate best practices and applicable Australian Standards;
- include the development of life cycle costing, whereby the future life cycle costs will be reported and considered in all decisions relating to new services and the upgrading of existing services; and
- note the potential risks from variations to the Plans.

7.4 Responsibilities

The successful implementation of this Policy requires responsibilities to be allocated and defined.

Councillors are responsible for:

- approving and adopting this Asset Management Policy;
- acting as the custodians of assets on behalf of the community;
- ensuring the provision of services provided by assets are meeting the community priorities for present and future generations;
- ensuring decisions made regarding assets are in line with the Asset Management Policy; and
- ensuring there are appropriate resources dedicated to asset management.

The **General Manager** has the overall responsibility for developing the Asset Management Policy, the Asset Management Strategy and asset management plans, and reporting on the effectiveness of asset management to Council.

The Manager Infrastructure Services is responsible for implementing asset management by this Policy.

The Management Team is responsible for:

- ensuring decisions about the assets under their control and the practices of their staff are consistent with this policy, the Asset Management Strategy, asset management plans and associated procedures;
- ensuring the assets under their control can deliver defined levels of service to the community;
- provide leadership in implementing asset management and sponsor the provision of asset management training for staff;
- proactively fostering a culture of risk management and continual improvement within the organisation concerning asset management.

All Council staff are responsible for contributing to and engaging with the asset management planning framework and following the associated procedures that support this policy, the Asset Management Strategy and the asset management plans.

Appendix C: Definitions

The following terms have the defined meaning whenever they appear in Council documentation.

Asset (Accounting definition)

A resource controlled by an entity as a result of past events and from which future economic benefits are expected to flow to the entity. Infrastructure assets are a sub-class of property, plant and equipment which are non-current assets with a life greater than 12 months and enable services to be provided.

Asset* (Council definition)

This means property, plant and equipment controlled by the Council that supports the provision of services to the community or produces revenue to contribute to the provision of services or is held for administration purposes and is expected to be used for more than 12 months. Infrastructure is included in this definition

Asset Category

Sub-group of assets within a class hierarchy for financial reporting and management purposes.

Asset Class

A group of assets having a similar nature or function in the operations of an entity, and which, for purposes of disclosure, is shown as a single item without supplementary disclosure.

Asset Condition Assessment

The process of continuous or periodic inspection, assessment, measurement and interpretation of the resultant data to indicate the condition of a specific asset so as to determine the need for some preventative or remedial action.

Asset Hierarchy

A framework for segmenting an asset base into appropriate classifications. The asset hierarchy can be based on asset function or asset type or a combination of the two.

Asset Management (AM)

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 (AM Plan)

A plan developed for the management of each asset class that identifies asset service standards and long-term (at least 10 years) projects and cash flow estimates for maintenance, rehabilitation, replacement and improvement.

Asset Management Policy*

A Council policy that describes how Council intends to apply asset management across the organisation. It establishes the Asset Management Strategy; asset management plans and allocates responsibility to ensure effective asset management.

Asset Management Strategy*

The Council document that describes the strategy for asset management covering the development and implementation of plans and programmes for asset creation, operation, maintenance, rehabilitation/replacement, disposal and performance monitoring to ensure that the desired levels of service and other operational objectives are achieved.

Asset Register*

A record of asset information including inventory, historical, condition, construction, technical and financial details.

Asset Renewal Funding Ratio

The ratio of the net present value of asset renewal funding accommodated over a 10 year period in a long term financial plan relative to the net present value of projected capital renewal expenditures identified in an AM Plan for the same period.

Capital Expenditure (Renewal, Upgrade, Acquisition)

Relatively large (material) expenditure, which has benefits, expected to last for more than 12 months. Capital expenditure includes renewal, rehabilitation, expansion and upgrade. Where capital projects involve a combination of renewal, expansion and/or upgrade expenditures, the total project cost needs to be allocated accordingly.

Capitalisation Threshold

The value of expenditure on non-current assets above which the expenditure is recognised as capital expenditure and below which the expenditure is charged as an expense in the year of acquisition.

Carrying Amount

The amount at which an asset is recognised after deducting any accumulated depreciation / amortisation and accumulated impairment losses thereon.

Commissioned

When the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management. The date depreciation commences.

Community Strategic Plan*

Council document that states the community's vision and aspirations for a period of ten years.

Component

Specific parts of an asset having independent physical or functional identity and having specific attributes such as different life expectancy, maintenance regimes, risk or criticality.

Cost of an Asset

The amount of cash or cash equivalents paid or the fair value of the consideration given to acquire an asset at the time of its acquisition or construction, including any costs necessary to place the asset into service. This includes one-off design and project management costs.

Critical Assets

Assets for which the financial, business or service level consequences of failure are sufficiently severe to justify proactive inspection and rehabilitation. Critical assets have a lower threshold for action than noncritical assets.

Current Replacement Cost (CRC)

The cost the entity would incur to acquire the asset on the reporting date. The cost is measured by reference to the lowest cost at which the gross future economic benefits could be obtained in the normal course of business or the minimum it would cost, to replace the existing asset with a technologically modern equivalent new asset (not a second hand one) with the same economic benefits (gross service potential) allowing for any differences in the quantity and quality of output and in operating costs.

Depreciable Amount (DA)

The cost of an asset, or other amount substituted for its cost, less its residual value.

Depreciated Replacement Cost (DRC)

The current replacement cost (CRC) of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset.

Depreciation / Amortisation

The systematic allocation of the depreciable amount (service potential) of an asset over its useful life.

Expenses

Decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or increases in liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

Fair Value

The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties, in an arm's length transaction.

Funding Gap

A funding gap exists whenever an entity has insufficient capacity to finance asset renewal and other expenditure necessary to be able to appropriately maintain the range and level of services its existing asset stock was originally designed and intended to deliver. The service capability of the existing asset stock should be determined assuming no additional operating revenue, productivity improvements, or net financial liabilities above levels currently planned or projected. A current financing gap means service levels have already or are currently falling. A projected financing gap if not addressed will result in a future diminution of existing service levels.

Gross Carrying Amount

The amount that a class of assets is recognised prior to deducting any accumulated depreciation and accumulated impairment losses.

Impairment Loss

The amount by which the carrying amount of an asset exceeds its recoverable amount.

Infrastructure Assets

Physical assets that contribute to meeting the needs of organisations or the need for access to major economic and social facilities and services, e.g. roads, drainage, footpaths and cycleways. These are typically large, interconnected networks or portfolios of composite assets. The components of these assets may be separately maintained, renewed or replaced individually so that the required level and standard of service from the network of assets is continuously sustained. They are fixed in place and are often have no separate market value.

Level of Service

The defined service quality for a particular service/activity against which service performance may be measured. Service levels usually relate to quality, quantity, reliability, responsiveness, environmental impact, acceptability and cost.

Life Cycle Cost *

1. Total LCC The total cost of an asset throughout its life including planning, design, construction, acquisition, operation, maintenance, rehabilitation and disposal costs.
2. Average LCC: the life cycle cost (LCC) is the average cost to provide the service over the longest asset life cycle. It comprises average operations, maintenance expenditure and asset consumption expense, represented by depreciation expense projected over 10 years. The Life Cycle Cost does not indicate the funds required to provide the service in a particular year.

Maintenance

All actions necessary for retaining an asset as near as practicable to an appropriate service condition, including regular ongoing day-to-day work necessary to keep assets operating, e.g. road patching but excluding rehabilitation or renewal. It is the operating expenditure required to ensure that the asset reaches its expected useful life.

- **Planned maintenance**

Repair work that is identified and managed through a Maintenance Management System (MMS). MMS activities include inspection, assessing the condition against failure/breakdown criteria/experience, prioritising scheduling, actioning the work and reporting what was done to develop a maintenance history and improve maintenance and service delivery performance.

- **Reactive maintenance**

Unplanned repair work that is carried out in response to service requests and management/ supervisory directions.

- **Specific maintenance**

Maintenance work to repair components or replace sub-components that needs to be identified as a specific maintenance item in the maintenance budget.

- **Unplanned maintenance**

Corrective work required in the short-term to restore an asset to working condition so it can continue to deliver the required service or to maintain its level of security and integrity.

Maintenance Expenditure *

Recurrent expenditure, which is periodically or regularly required as part of the anticipated schedule of works required to ensure that the asset achieves its useful life and provides the required level of service. It is expenditure, which was anticipated in determining the asset's useful life.

Materiality

The notion of materiality guides the margin of error acceptable, the degree of precision required and the extent of the disclosure required when preparing general purpose financial reports. Information is material if its omission, misstatement or non-disclosure has the potential, individually or collectively, to influence the economic decisions of users taken on the basis of the financial report or affect the discharge of accountability by the management or governing body of the entity.

Net Present Value (NPV)

The value to the organisation of the cash flows associated with an asset, liability, activity or event calculated using a discount rate to reflect the time value of money. It is the net amount of discounted total cash inflows after deducting the value of the discounted total cash outflows arising from e.g. the continued use and subsequent disposal of the asset after deducting the value of the discounted total cash outflows.

Operations

Regular activities to provide services such as public health, safety and amenity, e.g. street sweeping, grass mowing and street lighting.

Operating Expenditure

Recurrent expenditure, which is continuously required to provide a service. In common use the term typically includes, e.g. power, fuel, staff, plant equipment, on-costs and overheads but excludes maintenance and depreciation. Maintenance and depreciation is on the other hand included in the operating expense category of financial reports.

Operating Expense

The gross outflow of economic benefits, being cash and non-cash items, during the period arising in the course of ordinary activities of an entity when those outflows result in decreases in equity, other than decreases relating to distributions to equity participants.

Operations, Maintenance and Renewal Financing Ratio

Ratio of estimated budget to projected expenditure for operations, maintenance and renewal of assets over a defined time (e.g. 5, 10 and 15 years).

Operational Plan*

Council's annual action plan for achieving the community priorities outlined in the Community Strategic Plan. Includes the annual budget and revenue policy.

Rate of Annual Asset Consumption *

The ratio of annual asset consumption relative to the depreciable amount of the assets. It measures the amount of the consumable parts of assets that are consumed in a period (depreciation) expressed as a percentage of the depreciable amount.

Rate of Annual Asset Renewal *

The ratio of asset renewal and replacement expenditure relative to the depreciable amount for a period. It measures whether assets are being replaced at the rate they are wearing out with capital renewal expenditure expressed as a percentage of the depreciable amount (capital renewal expenditure/DA).

Recoverable Amount

The higher of an asset's fair value, less costs to sell and its value in use.

Remaining Useful Life

The time remaining until an asset ceases to provide the required service level or economic usefulness. Age plus remaining useful life is useful life.

Residual Value

The estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Risk Management

The application of a formal process to the range of possible values relating to key factors associated with a risk in order to determine the resultant ranges of outcomes and their probability of occurrence.

Road Pavement

The formed and sealed part of the road reserve used for traffic, generally measured from the back of kerb to back of kerb (or shoulder).

Road

Includes the entire gazetted road reserve area from property boundary to property boundary.

Service Potential

The total future service capacity of an asset. It is normally determined by reference to the operating capacity and useful life of an asset. A measure of service potential is used in the not-for-profit sector/public sector to value assets, particularly those not producing a cash flow.

Specific Maintenance

Replacement of higher value components/sub-components of assets that is undertaken on a regular cycle including repainting, replacement of air conditioning equipment, etc. This work generally falls below the capital/ maintenance threshold and needs to be identified in a specific maintenance budget allocation.

Sub-Component

Smaller individual parts that make up a component part.

Useful Life

Either:

(a) the period over which an asset is expected to be available for use by an entity, or

(b) the number of production or similar units expected to be obtained from the asset by the entity.

It is estimated or expected time between placing the asset into service and removing it from service, or the estimated period of time over which the future economic benefits embodied in a depreciable asset, are expected to be consumed by the Council.

Verge

The area from behind a kerb or road shoulder to a private property boundary.

Value in Use

The present value of future cash flows expected to be derived from an asset or cash generating unit. It is deemed to be depreciated replacement cost (DRC) for those assets, whose future economic benefits are not primarily dependent on the asset's ability to generate net cash inflows, where the entity would, if deprived of the asset, replace its remaining future economic benefits.

Source: IPWEA, 2020, Glossary

* Additional and modified glossary items.