TE TAI ŌHANGA
THE TREASURY

Asset Management Guidance for Agencies

Asset Management Principles, Asset Management Plans and Asset Registers guide for agencies covered under Cabinet Office circular CO (23) 9

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Te Kāwanatanga o Aotearoa
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About This Guidance

This guidance document sets out the asset management principles, asset management plan and asset register requirements agencies must apply to meet the asset management requirements under Cabinet Office circular CO (23) 9: Investment Management and Asset Performance in Departments and Other Entities.

The principles/guidance outlined in this document apply until this document is updated or replaced. This document and further guidance is scheduled to be developed in 2024.

This document has been written by the Investment Management System team in Treasury.

Questions and Feedback

General enquiries about the information contained in this guidance, not addressed in this guidance or the associated FAQs, can be directed to Investment Management InvestmentManagement@treasury.govt.nz

Any agency-specific questions should be addressed to your Treasury Vote team.

Any comments as to how we could improve this guidance can be directed to guidance@treasury.govt.nz.

1. Asset Management Principles

Mandatory: Cabinet Office circular CO (23) 9, paragraph 27

Agencies must apply any relevant guidance published by a central agency or system leader to its strategic planning and asset management practices.

Agencies subject to Cabinet Office circular CO (23) 9: Investment Management and Asset Performance in Departments and Other Entities (**CO (23) 9**) must ensure that all assets under the control of the agency are managed with regard to this guidance.

The Treasury has adopted the New South Wales Government's set of principles to underpin asset management within the public sector. These principles are universal and apply to all asset types and asset management activities within the scope of CO (23) 9.

To comply with this requirement, agencies are responsible for ensuring that the following five principles are applied when managing the current and planned assets under its control:

- Assets exist to provide value by supporting government objectives
- Agencies act as stewards of public assets on behalf of the government
- Asset management decisions must have regard to the appropriate balance of cost, risk and performance
- Asset management must be integrated with other organisational functions, processes, activities and data
- Asset management decisions must be made using a whole-of-lifecycle approach.

1.1. Assets exist to provide value by supporting government services

Asset management should not focus on the asset itself, but on the value the asset provides through supporting the Government's priorities and service delivery needs.

Under this principle, agencies are required to consider asset and non-asset solutions, make asset management decisions (including acquisition and disposal), and measure performance, based on the current and expected contribution the asset makes to the agency's existing and planned service delivery needs.

1.2. Agencies act as stewards of public assets on behalf of the government

Agencies are entrusted with the control and management of assets on behalf of the Government and the community. This stewardship role requires agencies to apply responsible management practices and make decisions consistent with whole-of-government priorities, while considering any impacts on existing and future generations.

As a responsible steward, an agency's approach to asset management must enable collaboration between agencies to support Government priorities. It must also incorporate medium and long-term planning to recognise the needs of current and future generations, support long-term sustainability (financial and non-financial), and include commitment to continual improvement.

1.3. Asset management decisions must have regard to the appropriate balance of cost, risk and performance

Decisions made regarding the management of current and future assets involve the balancing of costs and risks against the desired performance to achieve the Government's program and service delivery objectives.

Under this principle:

- costs are typically measured in financial units using a whole-of-life costing approach
- risk incorporates both risk and opportunities associated with achieving the agency's stated objectives
- where practicable, performance should be measurable and expressed in terms of the performance of the service, the asset(s) itself and the asset management activities.

1.4. Asset management must be integrated with other organisation functions, processes, activities and data

The approach to managing assets cannot exist in isolation within the agency. The approach, including the activities and functions undertaken, must be an integrated component of the whole organisation.

Under this principle, the agency's approach to asset management should be integrated with other frameworks and functions within the organisation, including all existing asset policies, budget process, financial management, external reporting, procurement, investment assurance, project management and delivery, business planning, risk management, human resources, information management, operations, contingency planning and audit.

1.5. Asset management decisions must be made using a whole-of-lifecycle approach

Asset management decisions are to be based on whole-of-lifecycle impacts (costs and benefits) and must have regard to the potential impacts on other stages of the asset lifecycle including concept, planning, acquisition, delivery, outcomes, operations and maintenance, and disposal.

Under this principle, asset management decisions must consider a range of potential solutions (both asset and non-asset based) to respond to recognised service needs and assess alternative options, which account for full lifecycle costs, benefits and risks (financial and non-financial).

2. Asset Management Plan

> **Mandatory:** Cabinet Office circular CO (23) 9, paragraph 33
>
> Agencies must maintain asset management plans to inform strategic, tactical and operational choices.

Asset Management Plans (AMPs) are a central part of 'lifecycle planning and operation' and should be documented at a level that is appropriate to the agency and its stakeholders. For some agencies this may be captured in a single document, while for others, multiple AMPs may be appropriate.

AMPs should reflect the agency's approach to managing their existing and planned asset portfolio to support their business. This may result in different approaches such as:

- specific asset types or groups such as real property, ICT, motor vehicle and heritage
- assets within a geographical region
- a specific lifecycle stage such as maintenance, disposal and procurement, where relevant
- specific asset management activities to reduce reactive maintenance activities and improve contingency management in asset delivery projects (these are provided as illustrative examples and are not meant to be considered mandatory).

The typical information expected to be addressed within the agency's AMPs should include:

- the agreed time horizon for the plan(s), consistent with the agency's organisational planning approach
- the needs of stakeholders within and external to Government, including expectations as to the form and provision of information
- the alignment of the AMPs to the asset management objectives, the Treasury's guidance on Strategic Intentions, and the agency's Asset Management Policy
- the identification and profile of the existing and future asset portfolio (for at least the next ten years), including the assets within the scope of the plans, the basis on which the portfolio is segmented or grouped (e.g. by asset type, geographical location, age, etc) and asset age and condition profiles
- asset and asset management performance measures, indicators and targets including information on past, current and planned asset performance (the use of benchmarks and standards is highly recommended). This must include at a minimum the efficiency and effectiveness of the asset portfolio as well as operational and management performance

- the links between the agency's services and the agency's existing and planned assets
- an outline of the present and future pressures driving demand for services and the potential asset demand management, and/or non-asset-based solutions, considered or proposed to keep service levels sustainable within resource limits as well as the future planned investments (for at least the next ten years)
- asset and service risks related to the delivery of the asset management and service delivery outcomes and the links to the mitigating actions
- a prioritised program of existing and planned lifecycle management activities including activities such as creating, modifying, replacing, operating, maintaining and disposing of assets consistent with the accepted level of risk
- the related financial implications of the existing and planned lifecycle activities including capital and operating expenditure, financing and funding, and potential impacts on applicable fiscal constraints (including the agency's annual and forecast budget)
- the rationale for decision making, including the application of the stakeholders' agreed decision-making criteria, in particular, with regard to the agency's annual and forecast budget, asset and service risk, assets surplus to service delivery requirements and Government priorities

Mandatory: Cabinet Office circular CO (23) 9, paragraph 28

Agencies' strategic planning and asset management practices must incorporate consideration of whether, and the extent to which, existing and future assets are resilience to the effects of significant risks (for example, climate change, natural disasters or demographic changes).

- an assessment of the resilience and vulnerability of the agency's assets to significant risks (for example, climate change, natural disasters or demographic changes)
- information on how ICT assets and expenditure align with the Government's Digital and Data Strategy and other policy guidance and advice from the Government Chief Digital Officer and the Government Chief Data Steward
- continuous improvement actions, including activities in response to internal and external benchmarking and outcomes from any management and/or audit reviews

Mandatory: Cabinet Office circular CO (23) 9, paragraph 35

Agencies must capture relevant indicators of past and projected asset performance (for example, asset utilisaion, condition, and fitness-for-purpose) for service critical assets. Agencies must use these indicators in internal management and decision-making processes

And

Mandatory: Cabinet Office circular CO (23) 9, paragraph 36 .

Agencies must report on relevant asset performance indicators for service critical assets in their annual reports.

And

Mandatory: Cabinet Office circular CO (23) 9, paragraph 37

Agencies must plan for the eventual withdrawal or sale of assets and use approved asset disposal processes.

AMPs must also contain information on the agency's real property asset requirements now and in the future (to meet service delivery needs), outline an agency's ownership of real property, asset utilisation metrics, and asset disposal plans.

Assets should be maintained and used for as long as they are fit for purpose. Proactively managing asset registers enables agencies to renew assets before they fail or if they are no longer fit for purpose.

Where possible, agencies should reuse and recycle assets instead of investing in new assets provided this approach is feasible, economically sensible and facilitates improved service delivery. Where this is not possible, agencies must ensure the disposal of an asset is conducted sustainably and securely through approved asset disposal processes. For example, that data is wiped from digital assets in accordance with security requirements.

Disposal of an asset should typically only occur when:

- The condition of the asset makes them unusable
- The asset no longer provides value for money
- Requirements for the asset have changed and are no longer needed by the agency
- The asset reaches obsolescence and the asset is no longer supported.

3. Asset Register

Mandatory: Cabinet Office circular CO (23) 9, paragraph 34

Agencies must identify their service critical assets and maintain details of the identity, condition, and risk exposure of these assets in the agency's asset register.

Asset Registers are listings of information relating to various aspects of an asset portfolio. Asset Registers are a critical tool for agencies in understanding their asset portfolio and making informed management decisions.

A sound Asset Register would:

- include information allowing data to be cross-referenced with other data contained within the agency, audited against relevant internal and external requirements
- address any relevant regulatory, legislative or stakeholder requirements and outline the criteria for recognising assets, the structure and hierarchy of the information and the processes for determining assets' attributes and values (financial and non-financial)
- be an integrated component of an asset management system that tracks the asset throughout the full lifecycle and directly supports asset management decisions
- together with the asset management system, be linked and consistent with the agency's financial information system(s) including general ledger, purchasing/accounts payable capital, operations or maintenance and accounts receivable.

While the choice of technology, structure, hierarchy and level of detail of information contained within the register would be determined by the agencies, core information captured within the register should include:

- attributes and properties of the asset such as name, description, location, source, unique identifier, useful life, age and condition
- accounting, financial and regulatory information such as valuation and valuation history, cost and purchase history, cost centre, ownership and control arrangements (covering purchase and lease details) and depreciation/amortisation
- roles and responsibilities information including maintenance demarcation and agreements with other parties
- performance information such as utilisation, service capacity, effectiveness and efficiency
- technical information such as manufacturer and warranty details, vendor information, standards, asset design and configuration and systems engineering information.

The Asset Register should also support the data requirements of the AMP, including any utilisation metrics and any applicable disposal requirements.