

PLANT AND EQUIPMENT MANAGEMENT AND REPLACEMENT POLICY

Policy Manual Number 05-6

Council Minutes Ref: Council 13th November 2006 (Item 14)
Council 28th April 2003 (Item 11)

(Please note: this policy has not been endorsed until the Council Minute or CMT reference has been documented)

File Ref: 00831
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Background

The maintenance, renewal and construction of Council assets require the resources of a large range of equipment and heavy plant. In April 2003 Council adopted a Policy and associated procedures that were formulated to guide decisions on how best to provide plant and equipment resources used to construct or maintain Council's infrastructure assets. This new Policy, replacing the previous expired policy has very few changes other than reflecting the current status of management and changes to replacement approval processes, thereby demonstrating its effectiveness and relevance.

Policy Statement

This policy and associated procedures provides general guidelines, processes and basic economic parameters which, if followed, will allow decisions to be made for the purchase, lease or hire of all Council plant and equipment used for construction and maintenance functions.

The end result of the application of this policy document and procedures is that, over time, Council should own all plant and equipment where it can be demonstrated, through financial analysis, it is more economical to own rather than lease, hire or contract. The financial analysis is based on whole of life costs. Plant availability is a secondary factor that must be taken into consideration.

- The Fleet and Workshop Coordinator will be responsible for the application of this policy and the economic, efficient and effective management of Council's new or replacement major plant, light plant or minor plant and works equipment assets. The position is funded by an administration charge included in the internal hire rates for both leased and Council owned plant and equipment.
- A buy, lease or hire analysis must be undertaken for all major plant assets under the control of the Plant Coordinator.
- The analysis must form part of the business case to be prepared on an asset-by-asset basis. The business case should be prepared as justification for including the purchase or lease of such item in the following year's Strategic Asset Management Group (SAMG) budget allocation. This applies to new leased or purchased plant, changes from lease to Council ownership through purchase or any change in plant type at lease end that cannot be regarded as "like-for-like".
- The decision of whether to buy, lease or hire will be primarily based on economic considerations, but factors such as the lack of availability of an asset on a hire or contract basis, or the commercial hire charge, would influence the final decision.

- Major risks in leasing or owning plant and equipment must be identified and controlled. These risks include security, storage, responsible use and operator training.
- Funds for the purchase, lease or hire of these assets must have been made available in the annual budget process (or during budget reviews) before the asset can be purchased, leased or hired. The business case on which the funding was justified must be reviewed and approved by CMT before proceeding to purchase or lease.
- Funds for the replacement of an existing asset owned by Council should be made available at the end of the assets service life, to minimize the possibility that assets could be kept beyond their economically calculated replacement date.
- The purchase, lease or hire of an asset must be made in accordance with the relevant Council purchasing policies, procedures and guidelines.
- The service life of each asset must be reviewed annually, and steps taken to dispose of those assets at the end of their service life in accordance with the relevant Council policies, procedures and guidelines. If circumstances change (such as utilization) disposal may be recommended by the Plant Coordinator at an earlier date.
- An internal and, if necessary, an external plant hire charge rate must be developed annually at budget time for those assets the Fleet and Workshop Coordinator, in consultation with the Executive Officer - Works determines should be charged to maintenance programs or capital works. The cost of internal plant hire must be included in the budget amounts for Capital Works and Maintenance programs.
- Internal plant hire charge rates will vary, depending on whether the asset was leased or purchased. The internal hire charge on leased assets will be the annual lease payment plus any other direct or indirect costs (administration, minor repairs, specific consumables and wear parts), divided by the expected annual utilization of the asset. Assets that are owned by Council and will be used internally will have a plant hire charge rate calculated to cover all estimated direct costs (materials, fuel, depreciation, registration etc) associated with the asset for the next 12 month period, administration costs plus, if thought necessary, an additional margin for under utilization, other unforeseen costs and unexpected changes in the assets residual value.
- External plant charge rates will be internal plant charge rates, with indirect costs and a profit margin added.
- Lease charges, annual asset expenses and plant income (internal hire charge revenue) will be recorded separately in the accounts of Council for leased and purchased assets.
- The Fleet and Workshop Coordinator will administer an annual replacement program for all other small plant and equipment which, in general, will be owned by Council. Sufficient funds must be allowed in the SAMG budget allocation for these replacements.
- The Asset Management Property Officer will maintain a register of all plant and equipment with the assistance of the Fleet and Plant Coordinator. These officers will undertake regular audits to confirm the location of plant and equipment and to reassess their asset life.

This policy rescinds

Policy 05-6 dated 28th April 2003.

Review (2 years)

13th November 2009

Status:

CURRENT

POLICY DOCUMENT CONTROL SHEET

Policy Name: Plant & Equipment Management and Replacement

Policy No:

Department: Works Centre & Hydraulics

Date Policy Approved by Council:

Reviewed by (Name and Job Title of officer)	Nature of Amendment (List changes made to Policy)	Date Council Endorsed Amendment
Simon Bamford Works Centre & Hydraulics	NEW	
Simon Bamford Works Centre & Hydraulics	Review of policy	13 th November 2006