

Appendix "D"

ASSET MAINTENANCE, RENEWAL AND CAPITAL EXPENDITURE POLICY

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ASSET MAINTENANCE, RENEWAL AND CAPITAL EXPENDITURE POLICY **Error!**
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1 OBJECTIVE

- To ensure expenditure is classified appropriately in accordance with generally accepted accounting practice.
- To provide an awareness to staff of different categories of expenditure on assets.
- To provide consistency with the asset management plans.
- To provide consistency with treatment of expenditure.

The policy provides guidance on the treatment of asset expenditure. The asset management plans (AMPs) are the documents that manage the assets and any guidance by this policy should be consistent with the AMPs.

2 COVERAGE OF POLICY

A revaluation of the assets occurred at 1 July 1998. The capacity at that date is an appropriate starting point as the remaining useful life of the asset has been determined and the existing capacity is set. Asset expenditure from 1 July 1998 will be guided by this policy.

3 DEFINITIONS

Asset expenditure can be deemed to fall into one of the following five categories:

Table one:

Expenditure Type	Description	Treatment
Operational	Activities which have no effect on asset condition but are necessary to keep the asset utilised appropriately (i.e. Power costs, overhead costs, etc.).	Operational (expense)
Maintenance	The ongoing day-to-day work required to keep assets operating at required service levels, i.e. Repairs and minor replacements.	Operational (expense)
Renewal	Significant work that restores or replaces an existing asset towards its original size, condition or capacity.	Capital (add to Fixed Asset Register)
New Work/Capital Expenditure	A new asset, works to create a new asset, or to upgrade or improve an existing asset beyond its original capacity or performance, in response to changes in usage, customer expectations, or anticipated future needs.	Capital (add to Fixed Asset Register)
Disposal	Any costs associated with the disposal of a decommissioned asset.	Operational (expense)

(Source: International Infrastructure Management Manual April 2000)

4 APPLICATION RULES

Appropriate general ledger codes have been set up to facilitate the coding of operational/maintenance, renewal and capital expenditure.

In determining the classification of asset expenditure consideration should be made of:

- Service Potential
Service potential is the capacity that the system can produce from 1 July 1998. The key element in determining the classification of expenditure is the effect or change on the service potential of the asset or system.
 1. Where the service potential is restored to its original level, this constitutes renewal expenditure.
 2. Where the service potential increases above the current service potential, this constitutes capital expenditure.
- Thresholds
 1. The appropriate threshold for reviewing expenditure classification is at the component level e.g. Generally if expenditure does not constitute a component it should be considered maintenance. For information on the component levels refer to the individual asset component registers.
 2. Consider the materiality of the expenditure (in value and in substance). As guidance expenditure < \$700 should to be treated as maintenance expenditure. In most instances it is not practical to capitalise expenditure below this level.
- Review the expenditure classification table (Refer to table one below)
Analyse the expenditure by the classification definitions listed in table one.
- Use the following specific examples and guidance for asset categories:

5 TRAFFIC ENGINEERING

Guidance has been provided by Audit New Zealand and Parks and Reserves Asset Management Plan:

Description	Definition	Examples	Expense
Pavement	Normal care and attention of the roadway to maintain its structural integrity and serviceability.	<ul style="list-style-type: none"> Pavement patching and repairs, including potholes. Shoulder maintenance Maintenance and repair of surface water channels and subsoil drainage. Stream clearing. Grading of unsealed roads. 	Operational
Pavement Maintenance (metalling)		<ul style="list-style-type: none"> Replacement of wearing and running course metal on unsealed roads performed annually. Replacement of wearing and running course metal on unsealed roads performed less frequently than annually (e.g. on a three to five year cycle). 	Operational Capital (renewal)
Area Wide Pavement Treatment	Pavement maintenance techniques where the least-cost maintenance options is an area-wide treatment.	<ul style="list-style-type: none"> Overlays Rip and relay Chemical stabilisation. 	Capital, however guidance to be used: <ul style="list-style-type: none"> greater than 50m urban is Capital (renewal) greater than 250m rural is Capital (renewal) less than these distances is Operational.
Major Drainage Control	Drainage work which is not routine in nature but which is clearly demonstrated to reduce future maintenance costs.	<ul style="list-style-type: none"> Renewal or installation of culverts. Repair and replacement of kerb and channel >50m Installation of water channels, sub-soil drainage or kerb and channel. 	Capital (renewal for replacement, improvement for new)
Maintenance Chip Seals	Pavement re-surfacing of an established sealed road.		Capital, however guidance to be used: <ul style="list-style-type: none"> greater than 50m urban is Capital (renewal) greater than 250m rural is Capital (renewal) less than these distances is Operational.

Description	Definition	Examples	Expense
Thin Asphaltic Surfacing	Surfacing treatment technically necessary as an alternative to conventional chip sealing.		Capital, however guidance to be used: <ul style="list-style-type: none"> • greater than 50m urban is Capital (renewal) • greater than 250m rural is Capital (renewal) • less than these distances is Operational.
Seal Widening	Widening existing seal where this is the least cost option to overcome edge break or to reduce shoulder maintenance.		Capital, however guidance to be used: <ul style="list-style-type: none"> • greater than 50m urban is Capital (renewal) • greater than 250m rural is Capital (renewal) less than these distances is Operational.
Bridge Maintenance (routine)	Maintenance of the condition and appearance of a bridge.	<ul style="list-style-type: none"> • Repairs to handrails. • Non-structural painting. • Repair to retaining walls. • Stream clearance. 	Operational
Bridge Maintenance (structural)	Repairs to a bridge where design input is required.	<ul style="list-style-type: none"> • Replacement of timber decks. • Replacement of damaged or deteriorated structural members. • Sandblasting and painting of structural members. • Foundation protection. 	Capital (renewal)

Description	Definition	Examples	Expense
Amenity/Safety	The normal care and attention of the road corridor to maintain safety and aesthetic standards, other than work covered by pavement maintenance.	<ul style="list-style-type: none"> • Ice control. • Vegetation control. • Litter control. • Removal of graffiti. • Removal of crash debris. 	Operational
Street Cleaning	30% of the cost of cleaning the carriageway within 2m of the kerb in urban areas.	<ul style="list-style-type: none"> • Cleaning channels. • Cleaning sumps. • Cleaning cesspits. 	Operational
Traffic Services	The normal care and attention of roading furniture and traffic control devices that promote a safe and efficient roading system.	<ul style="list-style-type: none"> • Maintenance of signs, guardrails and sight rails. • Provision of maintenance of road markings. • Operation and maintenance of traffic signals. 	Operational
Traffic Services		<ul style="list-style-type: none"> • Replacement and provision of signs, guardrails and sight rails. • Replacement of traffic signals. 	Capital (renewal)
Carriageway Lighting	Maintenance and power costs associated with the operation of street lighting.	<ul style="list-style-type: none"> • Maintenance and power costs. • Conversion of existing mercury vapour and fluorescent fittings to high pressure sodium. • Renewal of existing lighting systems. 	Operational Capital (renewal) Capital (renewal)
Cycleway Maintenance	Maintenance of the pavement and furniture associated with cycleways.	<ul style="list-style-type: none"> • Pavement repairs including potholes. 	Operational
Professional Services (operational items)	Professional services fees and maintenance management activities.	<ul style="list-style-type: none"> • Professional services to manage operational activities. • Manage the road assessment and maintenance management system and undertake pavement deterioration modeling. 	Operational
Professional Services (capital items)		<ul style="list-style-type: none"> • Professional services to manage capital activities. 	Capital
Preventative Maintenance	Non-routine work that does not qualify as emergency reinstatement required to protect the serviceability of the road.	<ul style="list-style-type: none"> • New works that protect existing road from sea or river damage. • Drainage installed in incipient slips. • Protection planting. 	Capital (improvement)

Description	Definition	Examples	Expense
Emergency reinstatement	Unforeseen significant expenditure, for the restoration of road to a standard no better than that which existed before the damage.	<ul style="list-style-type: none"> • Clear slips minor. • Reinstatement of carriageway following a major slip or 'drop out' that has restricted a traffic line. 	Operational Capital (renewal)
Emergency reinstatement (structure)		<ul style="list-style-type: none"> • Retaining walls 	Capital (betterment component)
Rehabilitation	Rehabilitation of pavements where economically justified.	<ul style="list-style-type: none"> • Pavement smoothing with asphaltic or granular overlays. 	Capital, however guidance to be used: <ul style="list-style-type: none"> • greater than 50m urban is Capital (renewal) • greater than 250m rural is Capital (renewal) less than these distances is Operational.
Footpaths Maintenance		<ul style="list-style-type: none"> • Repairs to concrete, asphaltic concrete, interlocking blocks and seal footpaths • Replacement of concrete, asphaltic concrete, interlocking blocks and seal footpaths < 50m. 	Operational
Footpaths Maintenance		<ul style="list-style-type: none"> • Replacement of concrete, asphaltic concrete, interlocking blocks and seal footpaths > 50m. 	Capital
Footpath construction		<ul style="list-style-type: none"> • New concrete, asphaltic concrete, interlocking blocks and seal footpaths. 	Capital
Construction – Minor Safety Improvements		<ul style="list-style-type: none"> • Traffic calming measures • New guard rails 	Capital (improvement)
Construction – New Roads	Construct new roads, on/off street carparking	<ul style="list-style-type: none"> • Formation, kerb & channel, pavement 	Capital
Construction – Seal extension	Construct new sealed pavements		Capital (renewal and improvement)
Construction – Reconstruction	Upgrading/reconstructing urban streets		Capital (renewal and improvement)
Construction – bridges			Capital (renewal and improvement)

6 WATER

Description	Definition	Examples	Expense
Reticulation	Pipes	<ul style="list-style-type: none"> • Pipe repair, pipe replacement (less than a block/section) • Pipe and valve replacement, renewal or new works(a block/section or more) 	Operational Capital
Reticulation	Hydrants, Valves, Meters, Connections	<ul style="list-style-type: none"> • repair, replacement (less than a block/section) • replacement, renewal or new works(a block/section or more) 	Operational Capital
Pump stations	Valves, Pumps, Pipes, Telemetry, Filters, Plant, Bores	<ul style="list-style-type: none"> • Consider by component level whether repair, renewal or new works 	Use application rules
Treatment	Tanks, Plant	<ul style="list-style-type: none"> • Consider by component level whether repair, renewal or new works 	Use application rules

7 WASTEWATER

Description	Definition	Examples	Expense
Reticulation	Pipes, connections, manholes	<ul style="list-style-type: none"> • Pipe repair, pipe replacement (less than a block/section) • Pipe replacement, renewal or new works(a block/section or more) 	Operational Capital
Treatment Plant	Site works, equipment, tanks	<ul style="list-style-type: none"> • Consider by component level whether repair, renewal or new works 	Use application rules
Pump stations	Pumps, Valves, Control Chambers	<ul style="list-style-type: none"> • Consider by component level whether repair, renewal or new works 	Use application rules

8 STORMWATER AND LAND DRAINAGE

Description	Definition	Examples	Expense
Reticulation	Pipes, Cesspits, Inlets, Manholes, Outlets, Soakholes	<ul style="list-style-type: none"> • Less than a section • Greater than a section 	Operational Capital

9 BUILDINGS

Description	Definition	Examples	Expense
Structures	Buildings	Consider by component level whether repair, renewal or new works	Use application rules
		<ul style="list-style-type: none"> Repaint part of roof Repaint whole roof Replace roofing, replace spouting Service a faulty tap Replace tap in Superloo 	Consider application rule Operational repair Capital renewal Capital renewal Operational repair
		<ul style="list-style-type: none"> Improve plumbing, replace all Superloo taps to improved quality. 	Capital renewal Capital Improvement
		<ul style="list-style-type: none"> Repair Carpet Replace carpet to same quality and size Improve carpet in quality or size 	Operational Capital renewal Capital Improvement
		<ul style="list-style-type: none"> Electrical servicing & maintenance Replace all light switches Add more light switches 	Operational Capital renewal Capital Improvement

10 PARKS & RESERVES

Description	Definition	Examples	Expense
Footpaths Maintenance		<ul style="list-style-type: none"> Repairs to concrete, asphaltic concrete, interlocking blocks and seal footpaths Replacement of concrete, asphaltic concrete, interlocking blocks and seal footpaths < 50m. Additional & extended footpaths etc 	Operational Renewal Capital
Irrigation	Pipes	<ul style="list-style-type: none"> Pipe repair, pipe replacement (less than a block/section) Pipe, valve & sprinkler head replacement, renewal or new works(a block/section or more) 	Operational Capital
Park facilities	Seats, Rubbish-Bins, Signage, BBQs	<ul style="list-style-type: none"> Painting Replacement in whole Install additional facilities 	Operational Renewal Capital