
FP036 – Asset Renewal Funding Ratio

1. Intention

To meet the minimum levels for this ratio, as set by the Department of Local Government, Sport & Cultural Industries.

2. Scope

This policy applies to Elected Members and employees of the Shire of Waroona.

3. Statement

This ratio is calculated by dividing the 'Net Present Value' of future planned Capital Expenditures by the 'Net Present Value' of the Required Capital Expenditures for renewals. These are to also involve annual average Net Present Values over a 10 year period.

The Department of Local Government, Sport & Cultural Industries has regulated that all local government authorities will develop and implement an Integrated Planning & Reporting Framework (IP&RF) compliant with the standards set out in the 'Integrated Planning and Reporting Advisory Standards'. The standards require Council to have adopted a number of 'Financial Management Policies', and for details of these to be included in the narrative section of the 10 year Long Term Financial Plan, and references to such policies are expected to be made in the 4 year Corporate Business Plan.

Department of Local Government, Sport & Cultural Industries Guide

The expectation is that "The Standard is not met if this ratio data cannot be identified or ratio is less than 75%. Basic Standard is met if the ratio data can be identified and ratio is between 75% & 95%. Advanced standard is met if this ratio is between 95% & 105% & the ASR falls within the range 90% & 110%, & ACR falls within the range of 50% to 75%". (IP&RAS, 2011, p7).

Council will attempt to attain an Asset Renewal Ratio of at least 75% on average until the 2018/19 year, for all Assets with the exception of Land. Council's records and reports are to indicate the ratios for each Class of Assets [Groups: EG – Buildings; Roads; Drainage; Plant & Equipment; etc], as well as the overall comparison. Beyond the 2018/19 year, Council will attempt to attain a level of 95% to 110%, in line with the Asset Sustainability Ratio.

4. Legislative and Strategic Context

The *Local Government Act 1995* and the associated subsidiary legalisation provide the broad framework within which this policy operates.

5. Review

This policy is to be reviewed as required.

6. Associated Documents

Other documents that have an association to this policy and that may be useful reference material are:

- Department of Local Government, Sport and Cultural Industries: Operational Guidelines No. 18 – Financial Ratios.

Division	Finance				
Policy Number	FP036				
Contact Officer	Director Corporate Services				
Related Legislation	Local Government Act 1995 Local Government (Financial Management) Regulations 1996				
Related Shire Documents	Annual Report				
Risk Rating	Medium	Review Frequency	As required	Next Review	When required
Date Adopted	25/06/2013				OCM13/06/048

Amendments		
Date	Details of Amendment	Reference
28/10/2014	Updated as part of major review.	OCM14/10/127
18/12/2018	Updated as part of major review.	OCM18/12/126
22/06/2021	Updated as part of major review and reformatted.	OCM21/06/071
Previous Policies		
FIN035 – Asset Renewal Funding Ratio		
1.39 – Asset Renewal Funding Ratio		