



Government of Samoa

Assets Management Policy Framework

**(A framework to enhance the resilience of non-financial assets of the
Government of Samoa)**

Ministry of Finance

March, 2024

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1. Acronyms and Abbreviations

GoS – Government of Samoa

MoF - Ministry of Finance

MWTI - Ministry of Works, Transport and Infrastructure

IPSAS - International Public Sector Accounting Standards

PPP – Public Private Partnership

2. Glossary of Terms

Asset Management: Asset management is taking a systematic approach to managing non-financial assets. This involves applying a combination of financial and other technical practices to the management of non-financial assets; costs; opportunities; risks; and performance.

Asset Management Plan: An asset management plan defines the implementation of activities necessary to realise an organisation's asset management objectives which translate the strategic intent of that organisation.

Asset Maintenance: Maintaining an asset refers to all operational actions necessary for retaining an asset as near as practicable to its original condition, but excluding rehabilitation or renewal. Maintenance does not increase the service potential of the asset or keep it in its original condition; it slows down deterioration and delays when rehabilitation or replacement is necessary.

Asset Renewal: Restores, rehabilitates, or refurbishes an existing asset to its original capacity. Returns service capability of the asset up to that which it had originally.

Asset Improvement: Enhancements to an existing non-financial asset or creation of a new asset to provide higher service levels, or new service level/output that did not exist beforehand. Also includes the extension/expansion of an existing asset to provide benefits to a new user group. May also increase the life of the asset beyond that which it had originally.

Asset Recognition Threshold: A monetary amount above which an asset is recognised in the financial statements

Acquisition: the act of purchasing, creating, constructing or otherwise bringing an asset into existence.

Class of asset: a class of assets is a grouping of assets of a similar nature or function in the entity's operations which are reported as a single line item in the financial statements

Depreciation: It is the systematic allocation of the depreciable amount of a non-financial asset over its remaining useful life. The amortisation of intangible assets is identical. Land and servitudes are considered to have unlimited life and are not depreciated.

Depreciation Methods: It is the manner used to allocate the depreciable amount of an asset on a systematic basis over its useful life. The method is normally chosen to match the expected pattern of consumption of economic benefits or service potential embodied in the asset.

Depreciable amount: It is the amount of acquisition cost less any residual value to be allocated over the useful life of the asset.

Financial Risk Value: Is a value that is developed to demonstrate the potential financial impact of a loss event on non-financial assets.

Non-financial assets: are physical items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and are expected to be used during more than one reporting period

Residual value: Is the estimated amount that would currently be obtained 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.

3. BACKGROUND

1. The Government of Samoa (GoS) has an internationally recognised set of legislation applying to the operations of Ministries and Public Bodies. The Public Finance Management Act 2001 (PFM Act) provides governance structures for the performance of Ministries and Public Bodies. This includes the accounting and reporting of GoS assets in its Public Accounts.

2. With increasing asset investments in Samoa, there is a growing need to focus on the long-term operational demands of new and existing assets to maximise their operational life and efficiency. Risk-informed asset management helps improve the climate and disaster resilience of public assets by ensuring a more accurate financial reporting on the stock of public assets. This is done by accounting for asset-specific vulnerabilities to shocks and relying on updating plans for asset repair and replacement. Poor construction and maintenance of assets is a determinant of economic damage and loss of life due to natural and climate-related hazards¹. If risk reduction efforts are to be realised, there is a need to focus on both resilient infrastructure and non-financial asset investments and the robust processes required to maintain these assets as investments².

3. The non-financial Assets Management Policy Framework (AMPF) will help ensure that non-financial assets in Samoa deliver their intended functions throughout the asset's service life, without compromising resilience, health and safety aspects. It will also strengthen the assessment of disaster and climate impacts (including early damage assessments), early restoration/rehabilitation of critical assets after emergencies, and recovery from damages. This helps to enhance the resilience of infrastructure and other assets after disasters.

4. This document contributes to the achievement of at least three of the Key Priority Areas of the Pathway for the Development of Samoa: Macroeconomic Stability, Build Climate Resilience, and Consolidated Infrastructure Management. It also supports achievement of a key Intermediate Outcome in the Finance Sector Plan FY23-27 related to *Management of Government Assets Improved*. This objective will be achieved by the inclusion of all Government assets in the Centralised Asset Register at the Ministry of Finance.

5. The AMPF will be the oversight framework providing policy guidance to all sectors' Asset Management Strategies (such as the Transport & Infrastructure Sector's Asset Management Strategy) and the respective government agencies' Asset Management Plans. The AMPF's coverage will include all public non-financial assets (not just infrastructure assets); incorporates guidance on financial resilience of assets; strengthens the Centralised Asset Register to include information on asset vulnerability to natural hazards and climate change; and, includes the government's non-financial asset maintenance program that considers disaster- and climate-related aspects to reduce future asset depreciation and damage (including climate adaptation measures).

¹ Chang, S.E. (2003). Evaluating disaster mitigations: methodology for urban infrastructure systems. *Natural Hazards Review*. Rev. 4, pp. 186-196

² Leviakangas, P. Aapaoja, A. (2015). Resilience of transport infrastructure systems. *CSID J. Sustainable Infrastructure Development*, 1 pp. 80-90

4. PURPOSE

The AMPF sets out the policy framework for the management of non-financial assets³ for the Government of Samoa. It highlights the principles of, and need for, sound asset management practices to ensure assets provide the services for which they were acquired.

The AMPF emphasises the financial management aspects of asset management and therefore includes all non-financial assets managed by ministries and other government entities.

6. Safe, secure, resilient and sustainable assets are the cornerstones of public health and safety and are necessary to meet the social, economic and recreational needs of the community. The GoS is committed to ensuring that services are provided in a sustainable manner, with appropriate levels of service to the public and due regard of the environment.

7. The AMPF:

- a) Specifies the Government's overarching intentions and guiding principles for non-financial asset management;
- b) Provides a governance framework for Government to undertake the management of its non-financial assets;
- c) Promotes sustainable development and accountability for prudent whole of life management and maintenance of non-financial assets;
- d) Includes commitments to funding maintenance, legal compliance and continues improvement in performance; and
- e) Requires government entities to prepare and maintain an asset management strategy at sector level and asset management plans at agency level, for the management of non-financial assets for which they are responsible.

8. The hierarchy of assets management within the national planning framework is shown in Figure 1 below.

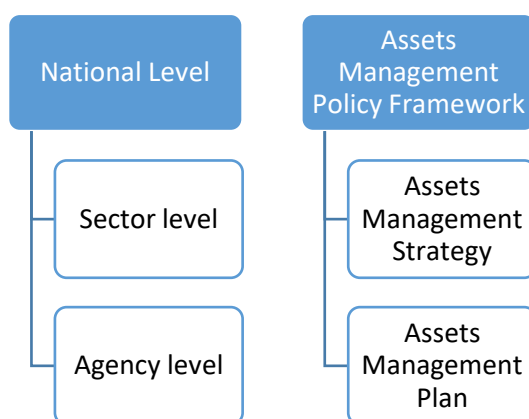


Figure 1: Hierarchy of Assets Management documents

³ Non-financial assets are physical items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and are expected to be used during more than one reporting period. Refer section 3.2.1

5. SCOPE

5.1 Legislative authority

The AMPF has been developed in accordance with the Public Finance Management Act 2001, the legislative mandate of the Ministry of Finance.

9. The AMPF has been developed to be the oversight policy framework to support quality and prudent asset management across the public sector. It is part of the overall management of public services in Samoa and sits within the legal framework that includes the Public Finance Management Act 2001, Treasury Instructions 2013 and the associated operating manuals as shown in Figure 2.



Figure 2: Legal mandate for asset management

5.2 Extent of coverage under this Policy Framework

5.2.1 Definition of Non-financial Assets

Definition: Non-financial assets are physical items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and are expected to be used during more than one reporting period.

10. In determining whether an item satisfies the definition of a non-financial asset, the following characteristics can be used to assess the item:

- a) It is a physical item that exceeds the relevant asset recognition threshold⁴;
- b) It possesses service potential or future economic benefits that are controlled by and will flow to the entity;

⁴ The Asset Recognition Threshold is set by the Ministry of Finance in the Treasury Instructions and associated manuals

- c) The service potential or future economic benefit arise from past transactions or events (that is, 'future' assets cannot be recognised in the financial statements); and
- d) The asset has a cost or value that can be measured reliably.

11. Non-financial assets that meet the definition are within the scope of this policy.

The AMPF is a whole of government policy and applies to all non-financial assets purchased with public funds and controlled by all Ministries and Public Bodies.

12. This policy applies to all non-financial assets owned or controlled by the GoS and managed by individual ministries and public bodies, inclusive of financial aspects of asset management and asset resilience.

13. The scope of non-financial assets to be included or excluded shall be at the direction of Cabinet and as recommended to Cabinet by the Ministry of Finance.

6. ROLES AND RESPONSIBILITIES

All public officials have a role in ensuring the appropriate use and safeguarding of government assets. This AMPF provides guidance to those officials for the management of non-financial assets and for the development of asset management strategies and plans for assets under their control.

6.1 Ministry of Finance

14. The Ministry of Finance (MoF) is responsible for the development and implementation of the AMPF. The MoF is responsible for ensuring the AMPF remains up to date and consistent with legislative requirements and other relevant government policies.

15. The MoF is responsible for advising the GoS on whole-of-government asset management issues including assisting government with decisions on asset planning, acquisitions, operations disposals and risk mitigation approaches.

16. The MoF oversees the development and operation of the Centralised Asset Register and ensures that it is functionally suitable by undertaking system maintenance and upgrades from time to time.

17. MoF will engage with ministries to ensure non-financial assets are available, recorded in the Centralised Asset Register, and managed in accordance with the AMPF.

18. MoF will report these non-financial assets in the Centralised Asset Register in the relevant schedule of the annual Public Accounts of GoS.

6.2 Line Ministries and other Government Agencies

19. Line Ministries and other Government Agencies within a sectors of the economy, are responsible for developing an asset management strategy (e.g.: Samoa Infrastructure Asset Management Strategy for the Transport & Infrastructure Sector under the mandate of the Ministry of

Works, Transport & Infrastructure and applies to all the sector agencies including the Land Transport Authority, the Samoa Airport Authority, the Samoa Ports Authority, etc)

20. Line ministries and other Government Agencies are responsible for developing asset management plans in accordance with the requirements of the AMPF.

21. Line ministries and other Government Agencies are responsible for managing their assets, including the planning, acquisition, operations and disposal of assets within their control.

22. Line ministries and other Government Agencies are responsible for developing and maintaining appropriate records for the data that supports the assessment of the financial exposure and vulnerability of assets as set out in section 5 of the AMPF.

23. Line ministries must ensure that the Centralised Asset Register contains up-to-date and accurate information for assets under their control by ensuring that acquisitions, disposals or other changes in individual assets are accurately recorded in the Centralised Asset Register.

6.3 Asset Management Coordination

24. Given the diverse range of stakeholders involved in asset management, the Ministry of Finance may establish working groups or taskforces to provide oversight or review various aspects of asset management. These working groups or taskforces provide a mechanism to enable consultation with other ministries or government agencies in terms of sharing knowledge or development of detailed guidance for the implementation of asset management activities. For instance, the Vehicles Taskforce is an inter-governmental committee that is responsible for overseeing the compliance by all government agencies of the Vehicle Regulations 2023.

7. CLIMATE AND DISASTER ASSET RESILIENCE

Asset management strategies and asset management plans must include consideration of asset resilience from a financial perspective.

7.1 Introduction

25. The AMPF has a key objective to strengthen the resilience of assets to natural and climate-related risks and enable a more robust disaster recovery.

26. Adherence to the AMPF will improve asset performance and resilience, and extend an asset's service life by:

- a) Building sufficient resilience in asset design to reduce exposure and vulnerability to natural hazards and climate change impacts, throughout the life cycle of the asset;
- b) Ensuring there is a sufficient budget for insurance of all assets acquired and that insurance policies are current and valid;
- c) Monitoring asset condition throughout its service life through simple, practical, and low-cost techniques and taking prompt corrective action when needed, to prevent asset deterioration;
- d) Replacing the current reactive maintenance approach with a planned preventative maintenance program, to avoid asset failures in service and therefore extending asset life;
- e) Maintaining adequate records to allow for benchmarking of asset performance and creating institutional memory;
- f) Adopting an objective, risk-based approach for prioritising investments, based on recent asset performance, current asset condition, and vulnerability to sudden failure due to natural disasters or climate change impacts; and
- g) Ensuring contingency plans and business continuity plans are developed to assist with the recovery of assets following a disaster (natural and man-made).

27. A fundamental component of this will be to ensure that any asset design features that make an asset more resilient are identified, costed and funded as part of the original acquisition of the asset. In addition, the AMPF provides that the maintenance plan is costed and appropriately funded and implemented throughout the asset's service life.

7.2 Considering financial risk in the asset management strategy

On an annual basis the MoF working in close collaboration with all ministries will aggregate asset data from line ministries to set and review the strategy for mitigating financial risk in relation to non-financial assets.

28. Using assets for the delivery of public services is fundamental to the operations of the GoS. Asset management strategies are an important component in ensuring that assets fulfil the services for which they were acquired. However, holding assets for the delivery of public services comes with financial risk should the asset become unusable for any reason. This risk must be quantified for each ministry and for the GoS as a whole to enable an assessment of the overall financial risk and the appropriateness and affordability of any risk mitigation approaches.

29. In developing the asset management strategy, line ministries should consider ways to address asset financial risk. This could be through one or more of the following approaches:

- a) **Risk retention** – this means that the entity/government retains all the financial risk of the loss of use of the asset and would need to provide funding from its own sources to repair or replace

the asset. This is effectively 'self-insurance' and funds would need to be diverted from budget contingency funds or budget re-allocations to enable the asset to be repaired or replaced.

- b) **Risk transfer** – this means that another party, outside the government takes on the financial risk of the asset. This can be on the basis of insurance, where insurance is purchased to cover particular risks, or could be through an approach to deliver assets where another party owns the asset (such as leasing or purchasing services from another party or entering into a Public Private Partnership arrangement).
- c) **Investment** – this means that proactive spending is undertaken on assets to strengthen them to enable them to perform better against the effects of natural and climate-related hazards.
- d) **Redundancy** – this means having additional or alternative assets that can be used for service delivery in the event the primary asset becomes unavailable.
- e) **Recovery planning** – this means that the asset management strategy acknowledges that the asset may be affected by natural hazards and outlines the plan for the recovery of that asset and/or the services provided by that asset should it be affected by a natural or climate-related hazard.

30. Whichever approach is chosen, it is important that detailed records are maintained of all assets that are used to deliver government services. This will provide a basis for the aggregation of data from all ministries to enable an overall assessment of the financial risk of assets used to deliver government services. This will facilitate an assessment of the financial risk from the potential loss of those assets and the development of an appropriate whole of government approach to mitigating the financial risk.

7.3 Estimating an asset value for financial risk purposes

Non-financial assets are to have a value assessed at least once every five years. The value should represent the financial risk should the asset be damaged or destroyed as a consequence of natural hazards, climate change or other risks (e.g., accidents). This value is to be recorded in the Centralised Asset Register and updated each time the value of the asset is re-assessed. It should reflect the cost to restore the asset to current relevant standards.

In years where a formal valuation is not undertaken, a desktop review of asset values should be undertaken and, if appropriate, values adjusted by a relevant index (such as inflation for the particular asset class) to ensure that the recorded value approximates the current cost of repairing or replacing the asset.

31. Historical cost does not always provide sufficient information for assessing financial risk from assets. The measurement of financial risk for individual assets or classes of assets will require the selection of a measurement basis that best reflects the financial risk if that asset were to be unavailable due to damage or destruction. This will involve the selection of an appropriate measurement base, which may include:

- a) **Historical Cost**- Assets are recorded at the amount paid or the fair value of the consideration given to acquire the asset at the time of acquisition. This is appropriate if the age of the asset is relatively young and the current cost of the asset is similar to the original cost of acquisition.
- b) **Current Cost (Replacement Cost)** – Assets are measured at the amount that would have to be paid if the same or an equivalent asset was acquired or created at the current time in current

market conditions. This value is adjusted to include an estimate of accumulated depreciation to reflect the current age and condition of the asset.

- c) **Realisable (Settlement) Value** – Assets are measured at the amount of that could currently be obtained by selling the asset in an orderly disposal.

32. In assessing the overall financial risk that the loss of an asset would entail, other costs related to the remediation or recovery activity may also need to be considered. For example, if an insurance approach is considered as part of the strategy to mitigate financial risk, then the assessed value will typically be higher than that developed using any of these measurement approaches on their own. This is because insurance arrangements will typically include items such as demolition/removal costs for the damaged asset as well as reconstruction/replacement costs to current standards/regulations. If the intention is to then acquire a replacement asset that has better resilience performance, then these costs should also be identified. The first step in this scenario is to estimate the cost of the asset, using one of the approaches outlined above, and then adjusting that value to include allowances for these other types of costs. Each of these other types of costs should be explicitly identified in the Asset Management Plan.

33. Undertaking an asset valuation is a significant exercise. The larger or more complex the asset, then typically it requires more expertise and work to determine an appropriate value. Recognising this, a full valuation is only required once every five years, with the intervening years being undertaken on a 'desktop review' basis. When undertaking a desktop review, this may be done on the basis of asset classes, with an appropriate index (such as inflation) to adjust the value of the asset. The basis of selection of the index, and the adjustment to the asset value need to be recorded for input into the financial risk assessment of all assets.

7.4 Reporting asset data to manage financial risks

Line ministries must ensure that all non-financial assets have their financial risk assessed and that this data is maintained in the Centralised Asset Register and reported to the Ministry of Finance when requested.

34. Ensuring all assets are recorded in the Centralised Asset Register enables an overall assessment of the level of investment in assets used for the delivery of government services. Maintaining accurate and up to date information in the Centralised Asset Register also enables a whole of government approach to assessing the financial risk and facilitates decision-making on how that risk might be managed (for example, through insurance or setting aside budget funds for unanticipated events).

35. A comprehensive Asset Register serves multiple purposes including:

- a) identifying all assets controlled by the government, including key features such as acquisition date, cost, useful life, location, condition etc⁵;
- b) enabling assessment of the overall life of assets and potential replacement profile based on the estimated useful life of assets;
- c) enabling detailed estimates of maintenance and repair costs to be calculated;
- d) facilitate post-disaster damage assessments; and

⁵ Appendix 2 – Key fields to support the Assets Management Policy Framework

- e) Improving the understanding of assets and their characteristics which can facilitate the assessment of risk mitigation activities for these assets.

36. Guidelines will be developed for each asset class covered by the AMPF to (i) assess the vulnerability of assets to extreme climate and disaster events; and (ii) improve the resilience of assets to climate and natural hazards through asset renewal as well as during planned asset maintenance.

8. ASSET LIFE-CYCLE MANAGEMENT

8.1 Asset Management Principles

Under the AMPF, the GoS is committed to achieving sustainable performance, risk and funding of its non-financial assets. The following principles for good asset management should be used to guide ministries in the management of their non-financial assets.

- **Service delivery drives non-financial asset management practices and decisions:**
 - Asset management decisions shall be based on service delivery needs and the benefits and risks of assets, with an evaluation of alternative options that consider lifecycle costs and intended use;
 - A strong safety culture and capability to deliver a safe, zero-harm service and workplace, shall be a cornerstone of non-financial asset management decisions and practices;
- **Asset planning and management has a direct link to the PDS, Sector Plans, Corporate Plans, & Budgets:**
 - Medium and long-term financial planning shall consider asset planning and management requirements;
 - Asset depreciation (allocation of a cost) may be used to fund asset renewal or rehabilitation.
- **An asset prioritisation and evaluation process shall be used for all new or upgrade projects involving non-financial assets:**
 - A business case shall be prepared as part of the initial consideration of Non-financial Assets over a nominated threshold as outlined in the Treasury Instructions and associated operating manuals;
 - Proposed new or upgrades to non-financial assets (regardless of funding source) are to include full lifecycle costs as part of the evaluation and prioritisation process;
 - 'Maintenance before Renewal' and 'Renewal before New or Upgrade' philosophy shall generally be applied (where it is cost effective to do so);
- **Maintaining accurate records of assets assists with the overall management of non-financial assets:**
 - Asset management plans are to include for their respective non-financial assets in compliance with the principles and guidelines of this asset management policy framework. These plans shall be informed by needs, and integrated with government financial reporting frameworks;
 - Financial and Asset Management reporting shall be categorised consistent with the government chart of accounts to reflect operations, maintenance, renewal, upgrade and new expenditure classification to enable sound Asset Management decisions;
 - Staff with non-financial asset and financial responsibilities shall be appropriately trained in relevant asset and financial management principles, practices and processes;
- **Considering asset resilience is a fundamental component of the asset management process:**
 - Asset management plans are to include an assessment of the approach to incorporate resilience into the asset or class of asset.

8.2 Overview of Asset Life-Cycle Management

All stages of the asset lifecycle are to be considered when making decisions about non-financial assets.

37. Asset management is the coordinated activities of an organisation, carried out over an asset's whole lifecycle, to realise full value from assets in delivering their service delivery objectives. Realisation of value will normally involve a balance of costs, risks, opportunities and performance benefits⁶. The asset lifecycle is shown in Figure 3.

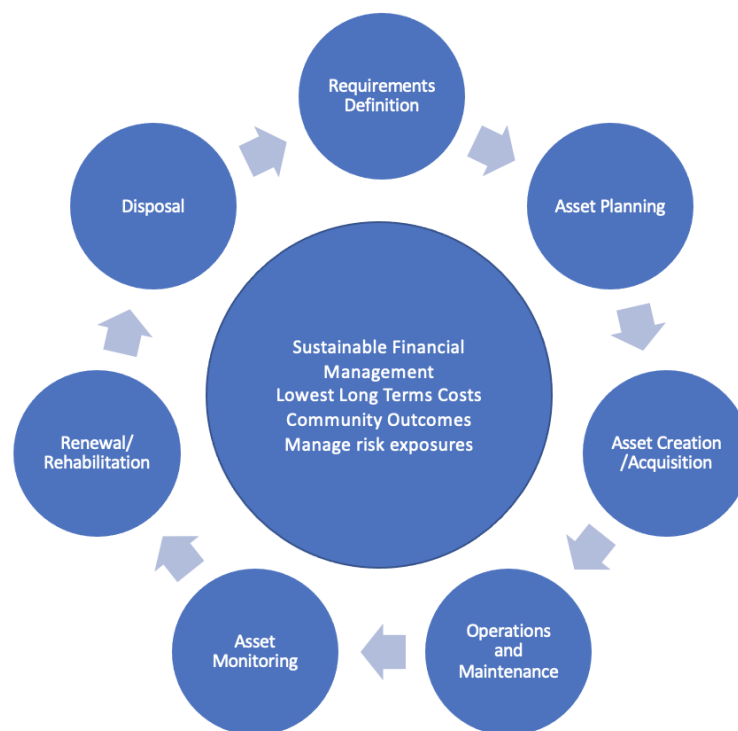


Figure 3: Asset Lifecycle

(Source: Infrastructure Asset Management Manual (IIMM), Institute of Public Works Engineering Australasia, Edition 5.0, 2015)

38. For the purposes of the AMPF, the asset lifecycle is divided into four main stages: Planning, Acquisition, Operations and Disposal. These are summarised below in Figure 4.

⁶ International Standards Organisation - ISO55000

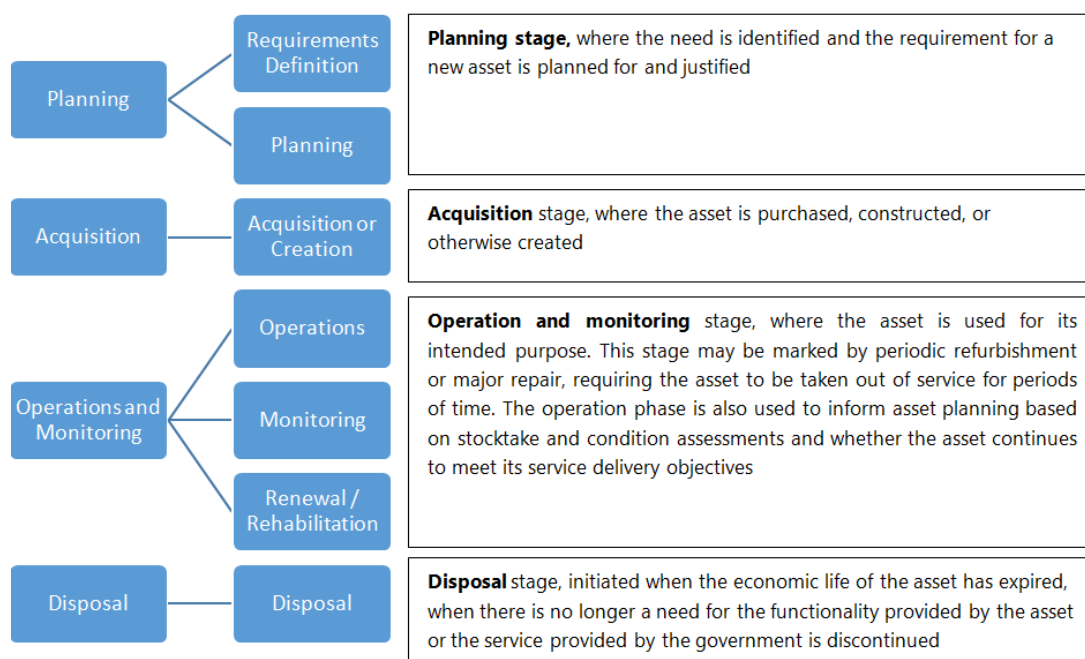


Figure 4: Asset Lifecycle Stages

39. Decisions taken about an asset in one stage of its lifecycle can affect its performance and costs in others. For example,

- a) Design and materials used in the construction of an asset can also affect the operational cost of the asset over its whole lifecycle. Therefore, all stages of the lifecycle should be considered when making decisions about an asset or asset management more broadly.
- b) Inadequate attention to maintenance can accelerate the need for major repairs, or shorten the operational life of the asset. Conversely, careful management of existing assets and implementing the assets' maintenance plan can extend its effective life and avoid or defer the need for new acquisitions.

40. After establishment, the condition or structural integrity of non-financial assets will be managed by application of appropriate lifecycle activity i.e., operations, maintenance, renewal or upgrade and disposal.

8.3 Planning Phase

8.3.1 Introduction

41. Asset management strategy and planning is a process of assessing service delivery needs and identifying how non-financial assets are used to satisfy those needs. It sets out the objective of having assets, their current condition and the service requirements for that asset or class of assets.

8.3.2 Developing an Asset Strategy

Each Sector must develop an Asset Management Strategy while each Ministry with must develop an asset management plan for the management of its non-financial assets, including mitigation of asset financial risks.

42. The Sector's Asset Management Strategy should include the following elements:
- Identification of the organisation's current and future service needs and standards;
 - Consideration of the different means of service delivery available for those services;
 - the approach to managing the organisation's assets and other resources to effectively and efficiently deliver those services; and
 - the approach to evaluating and monitoring asset performance and risks to assets and service delivery.

43. The Asset Management Division of the Ministry of Finance with the support of the line ministries will consolidate the Asset Registry for the whole of government, collected from the asset registries of individual ministries. It should indicate the relationship between the assets' performance and service delivery and identify options and proposals to mitigate asset financial risk.

8.3.3 Developing an Asset Management Plan

All assets or classes of assets are to have an appropriate asset management plan. Asset management plans are to include:

- Introduction
- Current state/condition of assets
- Level of service required
- Asset Criticality and Risk
- Key issues and Options
- Lifecycle Costs
- Optimisation Strategies
- Long-Term Financial Plan

44. An Asset Management Plan (AMP) details the tasks and activities and related responsibilities of an entity in the management of assets to ensure that the agreed service levels are met. In producing an AMP it is important the organisational context of the entity is well understood and that there is a clear link between strategic organisational objectives and the asset management function. A template for an Asset Management Plan is shown in Appendix 1.

8.3.4 Role of Assets

The role of non-financial assets is to support the delivery of government services.

45. Assets should only be held to support programme delivery. The key starting point is to establish a link between programme delivery and the need for assets to support that delivery. Assets within a programme are one of the inputs utilised to enable programme outputs. If an asset does not contribute effectively to such a government service it should be identified for disposal.

8.3.5 Evaluating Existing Assets and Their Performance

Non-financial Assets must be inspected at least once every five years to assess their condition and performance.

46. As part of the planning process, all assets that are currently being used to deliver services need to be identified and recorded in the Centralised Asset Register. This will facilitate the process of stocktaking assets and assessing their condition and performance. If assets are not operating

effectively or there is a need for replacement, the line ministry should follow instructions for disposal, given in the Treasury Instructions Section 4, Part I.10.

8.3.6 Business cases and cost/benefit analysis

Subject to the Budget process, a business case must be prepared for any proposed asset acquisitions. The business case must include all costs and benefits for the whole of the asset lifecycle as well as consideration of the financial resilience of the asset.

47. As part of the planning process, should the need to acquire an asset be identified, then a business case should be developed. Whilst the final approval and procurement of the asset lies with line ministries, large assets (such as lands, building properties, vehicles to name a few) require a Cabinet decision before the initiation of the acquisition and procurement process.

48. A business case is the mechanism that brings together the various options, costs, benefits and risks for a particular asset acquisition. The business case must include all costs and benefits for the whole of the asset lifecycle as well as consideration of the financial resilience of the asset.

49. In estimating costs to include in the business case, estimates should also be developed to address financial resilience options. This could include costs for strengthening the asset beyond a 'standard' level to enable it to withstand the impacts of natural hazards, or providing for some redundancy by acquiring assets beyond what is immediately required for service delivery. These types of costs should be separately identified to enable explicit consideration of these options by decision-makers.

8.4 Acquisition or Creation Phase

50. The decision to acquire⁷ non-financial assets requires a thorough and careful evaluation of the full life cycle costs, benefits and risks of holding the asset. This is done as part of the Planning process and is considered after a business case has been prepared. Approval for the acquisition of an asset usually flows from the Budget process.

8.4.1 Methods of Asset Acquisition or Creation

Asset acquisitions are to be undertaken in accordance with normal procurement processes as detailed in Part K of the Treasury Instructions.

51. Once the decision to acquire an asset has been made, the implementation of that decision requires the procurement process to be followed. There are a number of methods available to acquire the asset:

- a) Purchase – This is further described in Part K of the Treasury Instructions (Procurement System) and Purchasing and Procurement Operating Manual;
- b) Build/Construct - Part K of the Treasury Instructions (Procurement System) must be read in conjunction with the Procurement Operating Manual; and
- c) Lease – The Asset Operating Manual will be updated to include a section on the process of leasing an asset.

⁷ In this document, the term 'acquire' or 'acquisition' is used to describe the act of purchasing, creating, constructing or otherwise bringing an asset into existence.

8.4.2 Measurement of non-financial assets at acquisition

Non-financial assets are measured on an historical cost basis in the Public Accounts. A separate financial risk value is to be determined on an annual basis.

52. When a non-financial asset meets the definition and recognition criteria contained in the Treasury Instructions (Section 4 Part I1, (1) and (2)), it shall be measured at its cost of acquisition.

53. The cost of acquisition is determined in accordance with the relevant IPSAS. In summary, it comprises the aggregate of:

- a) Its purchase price, including any duties or taxes and deducting any rebates or discounts;
- b) Any costs involved in bringing the asset to the location and condition where it is capable of being operated as intended;
- c) An initial estimate of the costs required to dismantle or remove the asset where the entity has such an obligation.

54. Where a non-financial asset is acquired at no or nominal cost (for example in-kind assistance assets), or if an asset is located that has not been previously recorded, its cost is deemed to be its fair value at the date of acquisition/identification. In determining a fair value for assets acquired at no or nominal cost, the following approach should be used:

- a) Use Historic cost where historic cost information is available; or
- b) Market value when historic cost information is not available; or
- c) Replacement cost when historic cost or market value information is not available.

55. Whilst cost information is the basis on which non-financial assets are reported in the Public Accounts, a separate 'financial risk' value is required to assess the risk posed by holding and using assets. This value represents the cost to repair or replace the asset should it be unusable for its intended purpose. On an annual basis, the MoF will collect data from line ministries on the financial risk value of assets for use in assessing any risk-mitigation arrangements for those assets.

56. This means that each asset will have at least two values recorded:

- a) Historical cost – for reporting of non-financial assets in the Public Accounts;
- b) Financial risk Value – for assessing financial risk and for use in assessing risk mitigation arrangements for those assets.

8.4.3 Classification of Non-financial Assets

Non-financial assets are to be allocated to an asset class as set out by the Ministry of Finance from time to time.

57. Following acquisition or creation, assets should be registered under appropriate asset classifications and conform to the accounting and reporting policies as established by the Ministry of Finance for that asset class. Non-financial assets classification are shown below;

Non-financial assets may be categorized as 'Produced Assets' or 'Non-Produced Assets'.

Produced Assets

Produced assets are the assets that come into existence as outputs from a production process. Produced assets are classified as 'fixed assets', 'inventories' and 'valuables'.

Fixed Assets

Fixed assets are produced assets that are used repeatedly or continuously in processes of production for more than a year. The distinguishing feature of a fixed asset is not that it is durable in some physical sense, but that it may be used repeatedly or continuously in production over a long period of time. For example, coal used as fuel may be highly durable physically but cannot be classified as fixed asset because it can be used only once.

Fixed Assets are further classified as 'building and structures', 'machinery and equipment', and 'other fixed assets'.

- (1) **Building and structures** - consist of 'dwellings', 'non-residential buildings', and 'other structures':
 - (a) **Dwellings** – buildings that are used entirely or primarily as residences, including garages and other associated structures. Houseboats, barges, mobile homes, and caravans that are used as principal residences are also included.
 - (b) **Non-residential buildings** – are buildings other than dwellings. Buildings included in this category are office buildings, schools, hospitals, buildings for public entertainment, warehouse, industrial buildings, commercial buildings, hotels and restaurants.
 - (c) **Other structures** – consists of all structures other than buildings, including the following:
 - Highways, streets, roads, bridges, tunnels, railways, subways and airfield runways;
 - Sewers, waterways, harbours, dams, and other water-works;
 - Shafts, tunnels, and other structures associated with mining subsoil assets;
 - Communication lines, power lines, and pipelines;
 - Outdoor sport and recreation facilities.
- (2) **Machinery and equipment** – consists of 'transport equipment' and 'other machinery and equipment'. Machinery and equipment forming an integral part of a building or other structure is included in the value of the building or structure rather than in machinery and equipment.
 - (a) **Transport equipment** – consists of equipment for moving people and objects, including motor vehicles, trailers, ships, railway locomotives and rolling stock, aircraft, motorcycles, and bicycles.
 - (b) **Other machinery and equipment** – consists of all machinery and equipment other than transport equipment. It includes general and special purpose machinery; office, accounting, and computing equipment; electrical machinery; radio, television, and communication equipment; medical appliances; precision and optical equipment; furniture; watches, and clocks; musical instruments; and sports goods. It also includes paintings, sculptures, other works of art or antiques, and other collections of considerable value that are owned and displayed by government museums and similar organizations for the purpose of producing non-market services. (Items of this nature not intended for use in production would be classified as valuables).
- (3) **Other fixed assets** – consist of 'cultivated assets' and 'intangible fixed assets'.

(a) Cultivated assets – consist of animals and plants that are used repeatedly or continuously for more than one year to produce other goods or services.

The types of animals in this category include breeding stocks (including fish and poultry), dairy cattle, draft animals, sheep or other animals used for wool production and animals used for transportation, racing or entertainment.

The types of plants in this category include trees, vines, and shrubs cultivated for fruits, nuts, sap, resin, bark, and leaf products.

Animals and plants for one-time use, such as cattle raised for slaughter and trees grown for timber, are classified as inventories rather than fixed assets.

(b) Intangible fixed assets – consist of mineral exploration; computer software; entertainment, library, and artistic originals; and miscellaneous other intangible fixed assets. To qualify as a fixed asset, the item must be intended for use in production for more than one year and its use must be restricted to the units that have established ownership rights over it or to units licensed by the owner.

(4) Valuables are produced goods of considerable value that are acquired and held primarily as stores of value over time and are not used primarily for purposes of production or consumption. They are expected to appreciate, or at least not to decline, in real value, and do not deteriorate over time under normal conditions.

Valuables consist of:

- Precious stones and metals such as diamonds, non-monetary gold, platinum, and silver that are not intended to be used as intermediate inputs into processes of production;
- Paintings, sculptures, and other objects recognized as works of art or antiques;
- Jewellery of significant value.

Most items fitting the description of a valuable that are owned by general government units will be classified as ‘other machinery and equipment’ because they are used primarily in museums to produce services for the public rather than held as stores of value.

Non-Produced Assets consist of ‘tangible naturally occurring assets’, and ‘intangible constructs of society’.

Naturally occurring assets are tangible non-produced assets that include ‘land’, ‘subsoil assets’, and ‘other naturally occurring assets’ when ownership rights are enforced. If ownership rights have not or cannot be enforced over naturally occurring entities, then they are not economic assets.

(i) Land is the ground itself, including the soil covering, associated surface water (including reservoirs, lakes, rivers and other inland waters), and major improvements that cannot be physically separated from the land, but excluding the following:

- Buildings and other structures constructed on the land or through it, such as roads, office buildings, and tunnels;
- Cultivated vineyards, orchards, and other plantation of trees, animals and crops;
- Subsoil assets;

- Non-cultivated biological resources; and
- Water resources below the ground.

(ii) **Subsoil assets** are proven reserves of oil, natural gas, coal (including anthracite, bituminous, and brown coal), metallic mineral reserves (including ferrous, nonferrous, and precious metal ores), and non-metallic mineral reserves (including stone quarries, clay and sand pits, chemical and fertilizer mineral deposits, and deposits of salt, quartz, gypsum, natural gem stones, asphalt, bitumen, and peat).

Mine shafts, wells, and other subsoil extraction facilities are fixed assets rather than subsoil assets.

(iii) **Other naturally occurring assets** include 'non-cultivated biological resources', 'water resources' and the 'electromagnetic spectrum'.

8.4.4 Useful Life Assessments

The useful life of an asset is to be estimated on initial recognition of the asset based on its estimated life to the entity. The useful life is to be reviewed for reasonableness on an annual basis.

58. The useful life of a non-financial asset should be determined on initial acquisition of the asset and be based on the estimated useful life that the asset will have to the entity. The estimated useful life should be reviewed periodically and if expectations are significantly different from previous estimates, the useful life should be changed. This will result in the depreciation charge for the future periods being adjusted. It does not affect the depreciation charges for previous periods. The re-assessment of useful life can usually be undertaken as part of the regular stocktake and condition assessments for non-financial assets.

59. Further details on the periodic review and expectations of useful of each class of assets are detailed in the Assets Operating Manual.

8.4.5 Residual Value

The residual value of an asset is to be determined at the time of acquisition based on the expected age and condition of the asset at the end of its useful life to the entity. The residual value is to be reviewed for reasonableness on an annual basis.

60. The residual values of Non-financial Assets are suggested in the Assets Operating Manual in the form of a percentage of the acquisition cost. In the case of assets measured after recognition on the cost model this is a percentage of the initial cost of acquisition. In the case of assets measured after recognition on the revaluation model, the model is a percentage of the revaluation amount. As movable assets are expected to be use over its useful life and no value to be derived upon the end of useful life, the residual value for movable assets is nil.

8.4.6 Depreciation Methods and Rates

All non-financial assets are to be depreciated over their estimated useful life except for land and servitudes which are considered to have indefinite useful lives.

The depreciation method to be used for non-financial assets is the straight-line method unless another method is better reflective of the pattern of consumption of the asset.

Depreciation is to be determined in accordance with the relevant IPSAS.

61. The depreciation method used for an asset should be consistently applied from period to period unless there is a change in the expected pattern of economic benefits or service potential from that asset. The depreciation method applied to an asset should be reviewed annually and, if there has been a significant change in the expected pattern of economic benefits or service potential from those assets, the method should be changed to reflect the changed pattern. When such a change in depreciation method is necessary, the change should be accounted for prospectively (which means it only affects future periods, not the history of the asset).

62. Depreciation Rates must be reviewed annually and, if necessary adjusted to reflect the most recent assessments of the asset's useful life. It must be noted that such a review only affects the future depreciation of the asset and does not alter the depreciation history.

63. For further details on the different depreciation rates and methods used for each class of assets, refer to the Assets Operating Manual.

8.4.7 Asset Transfers between Divisions, Ministries and Entities

Asset transfers between divisions, ministries or other entities are to have the asset record updated in the Centralised Asset Register.

64. Where non-financial assets have been transferred between different areas, it is necessary that the Division, Ministry or Entity records the transfer of non-financial assets as outlined in the Assets Operating Manual. This is essential to ensure that data in the Centralised Asset Register can be relied upon in relation to the location and responsibilities for the asset as well as any potential exposure of assets to natural hazards.

65. The recording of the transfer of assets is necessary where the transfer occurs:

- a) Within ministries (from one division to the other);
- b) Between ministries (from one ministry to another ministry); and
- c) Between entities (from one entity, i.e., ministry to the other, i.e., public body).

66. Transfers of assets are to be managed in accordance with any guidance or policies issued by the Ministry of Finance.

8.4.8 Exchanges of Assets

All individual assets must be properly recorded in the Centralised Asset Register against the relevant controlling ministry/entity.

67. To ensure that the Centralised Asset Register remains up-to-date and contains accurate records of all assets, all asset transactions must be properly recorded. This extends to any non-financial assets that may be acquired through the exchange of assets rather than through a procurement or purchase process. For example, if a government ministry acquires a non-financial asset in exchange or part exchange of a dissimilar non-financial asset, then that results in two separate transactions in the Ministry's Asset Register and the Centralised Asset Register – the acquisition of a new asset and the disposal of the asset given up in exchange.

68. It is mandatory that the Ministry's Asset Register and the Centralised Asset Register contain the cost of the non-financial asset as stated in the Assets Operating Manual and record the disposal or transfer of the assets that are relinquished as part of the transaction.

8.5 Operation and Monitoring Phase

69. The operation and monitoring phase of the asset lifecycle is when the asset is used to deliver the services for which it is held. An important part of this phase is delivering the level of service required from the asset and ensuring that operational and maintenance budgets are in place for such activities required to keep the asset in a serviceable condition.

8.5.1 Maintenance planning

Each asset or class of assets is to have an asset maintenance plan that is included as part of the Asset Management Plan.

70. Each asset or class of asset should have a planned maintenance program that is explicitly identified and then monitored for implementation throughout the use of the asset. Regularly maintaining assets keeps them in good condition and capable of providing the services embodied in the asset.

71. An asset maintenance plan may apply to a whole class of assets or may be applicable to a single asset. For example, a motor vehicle may require a service, oil change and maintenance activities etc once every 10,000km. If the motor vehicle is planned to travel 30,000km in a year, then the maintenance plan should encompass three service intervals for this asset. The maintenance plan should identify the approximate timing and cost of the service and provision made in the asset management plan for it to be available when the maintenance/servicing activity occurs.

8.5.2 Expenditure on Assets during its useful life

Expenditure subsequent to the acquisition of an asset is to be classified as either *Enhancement/Rehabilitation* or *Maintenance/Refurbishment* expenditure.

72. It is common for expenditure on an asset to occur after it has been acquired. Expenditure subsequent to acquisition is assessed in two main categories: Enhancements/Rehabilitation and Maintenance/Refurbishment:

- a) **Enhancements/Rehabilitation** is work carried out on the asset that increases its service potential. It normally increases the service potential of the asset through the addition of functionality or the extension of the asset's useful life. Expenditure of this type will typically increase the value of the asset as it is probable that future economic benefits or service potential will flow to the entity over the remaining life of the asset. This type of spending is considered capital expenditure and is added to the value of the asset.
- b) **Maintenance/Refurbishment** is works carried out to restore or maintain the future economic benefits or service potential that an entity can expect from the asset. Expenditure related to repairs or maintenance of non-financial assets are made to restore or maintain the future economic benefits or service potential that an entity can expect from the asset. Maintenance/Refurbishment works does not extend an asset's useful life nor does it change the functionality expected from the asset. This type of spending is regarded as a current expense. The criteria that must be satisfied for current expenditure to be recognised are outlined in the Asset Operating Manual.

73. Subsequent additions on a recognised asset can be capitalized as an addition to the asset, if and only if:

- a) The addition exceeds the related threshold; and
- b) The addition extends the useful life of the asset; or
- c) The addition contributes to the enhancement of an asset's future economic benefits or service potential.

74. The different accounting treatment of the two types of spending on assets subsequent to acquisition is described in detail in the Asset Management Technology One Works and Assets Manual.

8.5.3 Subsequent Valuation or Revaluation of Assets

Non-financial assets are to be valued using the 'cost' model for financial reporting purposes. Revaluations are not to be undertaken for financial reporting purposes.

A separate financial risk value is to be assessed based on the replacement cost adjusted for risk-mitigation activities on an annual basis.

75. Subsequent valuation or revaluation of non-financial assets is not to be undertaken. However, for financial risk purposes, an estimate of the current replacement cost should be developed for each asset. That cost should also have regard to the risk mitigation activities that are relevant for that asset or class of assets as set out in section 5.

8.5.4 Stocktake and condition assessments of non-financial assets

Non-financial assets are to be subjected to stocktakes and condition assessments on a regular basis.

76. On a regular basis, non-financial assets should be subjected to a stocktake to confirm that they still exist. The results of the stocktake can then be used to verify the data contained in the Centralised Asset Register which is then reported in the Public Accounts. A stocktake plan should be developed to ensure that individual non-financial assets are included within a stocktake on a regular cycle. Typically, an asset should be included in a stocktake at least once every three years.

77. As part of the stocktaking process, it is usual to consider a number of other factors. These include:

- a) The overall condition of the asset given its location, age and usage;
- b) Whether the currently recorded useful life of the asset is still realistic;
- c) Whether the estimated residual value of the asset is still realistic.

78. At the conclusion of the stocktake, the Line Ministry's Asset Register and the Centralised Asset Register is to be updated for approved changes. Further guidance is available in the Asset Stocktake Manual.

Assessing asset performance

The performance and utilisation of assets must be reviewed periodically.

Asset performance monitoring and continuous improvement strategies must also be incorporated into the asset management plan.

To ensure that assets achieve the purpose for which they were acquired, regular monitoring of asset performance is required. These monitoring activities can also identify any issues with asset performance and assist with the development of strategies to improve asset performance. There are a number of factors to be considered when setting and monitoring targets to assess an asset's performance, including:

- service delivery needs;
- physical condition;
- utilisation;
- functionality; and
- financial performance.

Useful Key Performance Indicators (KPIs) could be based around:

- operational performance of the asset in meeting its service delivery objectives (e.g., the quality of the service delivered by using the asset, e.g. user satisfaction);
- asset utilisation (e.g., capacity usage, survivability, functionality, Occupational Health and Safety standards, environmental impact, legislative, regulatory or statutory compliance, condition reports); and
- operating costs (e.g., cleaning and energy costs, maintenance expenditure).

These KPIs can be financial or non-financial, qualitative or quantitative, leading or lagging. Establishing KPIs and targets for assets should be driven by government policy objectives, established service standards, and available resources. Establishing KPIs and targets that incorporate benchmarks against other like assets provides a useful comparison of asset performance alongside other organisational KPIs and objectives.

79. Each ministry should incorporate asset performance metrics into its asset management plan and ensure that these are regularly reviewed. The MoF will coordinate a whole of government evaluation of asset performance as part of its annual review of asset financial risk.

8.6 Disposal Phase

80. As part of the development of the Asset Management Plan, non-financial assets may be identified that no longer provide the services needed or they have reached the end of their useful or economic life. In these cases, the asset should be identified for disposal.

8.6.1 Identifying assets for disposal

The asset management plan should identify assets that are approaching the end of their useful life as well as the options that are available to continue the services provided by those assets.

81. Decisions to dispose of an asset require thorough examination and economic appraisal. Like acquisition decisions, they should be taken within an integrated planning framework that takes account of service delivery needs, corporate objectives, financial and budgetary constraints, and the Government's overall resource allocation objectives.

82. Planning for disposal should start well before the useful life of the asset has ended or the need for the service has finished and should incorporate consideration of unplanned disposals or destruction/damage of assets. This is best done as part of the planning process and in the development of the sector's asset management strategy and line ministries' asset management plans.

8.6.2 Implementing disposal actions

A Non-financial Asset cannot be written off unless it meets the criteria specified in the Assets Write-off Manual.
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83. The write-off of assets is to be carried out in accordance with Paragraph B.16 of the Treasury Instructions, where the Accountable Officer shall report promptly, in the prescribed form, to the Financial Secretary, through his head of department, the value of lost, deficient, condemned, unserviceable or obsolete public property.

84. Further details on the procedures for the write-off of assets are explained the Assets Write-Off Manual and the Asset Management TechnologyOne Works Manual.

9. REPORTING NON-FINANCIAL ASSETS IN THE PUBLIC ACCOUNTS

85. Assets are recorded and reflected in monetary terms to allow performance to be measured both internally for management purposes and externally for accountability. Consistent definitions for internal and external reporting are essential for good management and reporting.

9.1.1 Responsibility for Financial Statements

86. The responsibility for the preparation and presentation of Public Accounts is laid out in the PFM Act. The Ministry of Finance is responsible for the preparation of the Public Accounts with input provided by line ministries. Other public bodies that are brought within the scope of this policy by a decision of Cabinet, must continue to follow their existing financial reporting requirements.

9.1.2 International Public Sector Accounting Standards

The GoS will apply relevant IPSAS for the reporting of Non-financial Assets in the Public Accounts.

87. The GoS follows the IPSAS Financial Reporting under the Cash Basis of Accounting for the preparation of its Public Accounts. That standard allows for the option of reporting certain other items, including Property, Plant and Equipment.

88. The GoS has decided to report its non-financial assets in the Public Accounts and uses IPSAS 17 *Property, Plant and Equipment*⁸ as the basis of that reporting.

89. Heritage assets are not required to be reported under IPSAS17 and are currently not reported in the Public Accounts; however they should still be identified for appropriate management activities and included in the Centralised Asset Register.

9.1.3 Recognition of Assets in Financial Statements

All items that meet the definition and recognition criteria of an asset are to be included in the Centralised Asset Register and reported in the Public Accounts.

90. All items that meet the definition and recognition criteria to be considered assets are to be incorporated in the Statement of Financial Position in the Public Accounts. Complete and accurate records are essential for the proper management of resources. Reporting this information in the Public Accounts enables decisions to be made regarding those resources as well as serving as an important accountability document for the use of resources.

9.1.4 Classification of Non-financial Assets

Individual non-financial assets are to be allocated to an Asset Class using the classes identified in the Treasury Instructions.

91. For ease of management and reporting, it is common practice to group assets into a class of assets. A class of assets represents a grouping of assets that have similar features or functions and are usually reported as a single line in the Public Accounts. The GoS has identified the classes relevant to non-financial assets and these are included in the Treasury Instructions and in the Centralized Asset

⁸ IPSAS17 Property, Plant and Equipment is replaced by IPSAS45 Property, Plant and Equipment with effect from reporting periods beginning after 1 January 2025

Register. When recording assets in the Centralised Asset Register, each asset must be allocated to an appropriate class of asset.

9.1.5 Asset measurement

The GoS has elected to use the cost model for the measurement of non-financial assets in the Public Accounts.

92. The use of the cost model as the basis for non-financial asset measurement is outlined in Paragraph I.3.1 of the Treasury Instructions and Section 21.5 of the Assets Operating Manual:

- a) Non-financial assets other than inventories are valued at their exchange price plus all transport and installation charges and all costs incurred in the transfer of ownership, such as fees paid to lawyers and taxes payable on the transfer;
- b) Assets produced on own account are valued at their cost of production;
- c) Sales and other disposals of existing non-financial assets are valued at their exchange value less any costs of ownership transfer incurred by the disposing entity.

93. Subsequent to initial recognition, the GoS has determined that non-financial assets will be included in the Public Accounts at their historical cost. This means that regular revaluations of those assets are not required for financial reporting purposes. However, as outlined in sections 5 and 6, entities are still required to assess a 'financial risk value' of the asset to enable an assessment of the financial risk attaching to assets used in the delivery of government services.

9.1.6 Centralised Asset Register

The Centralised Asset Register is the official record keeping system for non-financial assets.

94. The Centralised Asset Register is the official record of non-financial assets owned or controlled by the GoS. It contains detailed information in relation to each individual non-financial asset and is used to summarise the overall value, life and financial risk embodied in the assets used for the delivery of services to the community.

95. The Centralised Asset Register provides the basis for the figures in the Public Accounts and contains information on individual assets that can be used for the planning and management of those assets. The design of the Centralised Asset Register is overseen by the MoF and is made in accordance with the format in the Asset Management Manual Release 11.4 Section 4. Key fields included in the Centralised Asset Register are set out in Appendix 2. The Centralised Asset Register will be strengthened through a phased approach starting with key sectors (e.g., education, health, finance, transport).

9.1.7 Disclosure of Non-financial Assets in the Financial Statements

Disclosures of non-financial assets in the Public Accounts will be in accordance with relevant International Public Sector Accounting Standards.

96. To support public accountability, the GoS uses International Public Sector Accounting Standards as the basis for reporting in its Public Accounts. The Public Accounts should disclose, for each class of assets recognised in the Statement of Financial Position, a summary of the accounting policies adopted, including recognition thresholds, measurement approaches and other disclosures as required by IPSAS. A summary of disclosure requirements set out in IPSAS17 for changes in the value of non-financial assets is set out in Appendix 3.

9.1.8 Climate and disaster risk disclosures

The Public Accounts are to include a discussion and data on the assumptions and potential financial exposure and vulnerability of non-financial assets to natural hazards and other emerging risks.

97. The nature and type of disclosures in relation to climate and disaster risks is not yet settled with a number of projects being undertaken by accounting standard setters globally. However, there is some guidance that suggests that financial statements should disclose in the notes to the financial statements any specific issues and assumptions made that are relevant to the amounts recognised in the financial statements.

98. This could include comments about the entity's overall approach to climate-related and other business risks and could form part of the management commentary or related explanatory documents that accompany the financial statements. In particular, reporting on the potential exposure of non-financial assets to natural hazards can build awareness and understanding of the extent of financial risk inherent in those assets. For example, the disclosures could include the:

- a) number and value of buildings that meet current building standards,
- b) amount of enhancement or maintenance expenditure to improve the resilience of each class of asset,
- c) type, unit of measure and value of assets that sit within designated risk areas⁹.

99. The potential financial implications arising from natural hazards, including climate-related risks as well as other business risks may include, but are not limited to:

- a) asset impairment – has the value of the asset been affected by an 'impairment' event, such as a natural disaster, technological obsolescence, misuse or damage?
- b) changes in the useful life of assets – has the useful life of the asset changed as a consequence of emerging risks from climate related changes?
- c) changes in the value of assets due to climate-related and emerging risks – has the financial risk value of assets changed due to increases in building or acquisition costs or enhancement or improvements in asset resilience?

⁹ For example, this could be kilometres (unit of measure) of roads (type of asset); that sit within the coastal hazard zone (designated risk area)

10. Appendix 1 – Asset Management Plan Template

Asset Management Plan Template

Cover Sheet

This may include:

Organisation name, branding/logo

Artwork (possibly incorporating a photograph of a typical assets managed by the Organization)

The words “Asset Management Plan” preceded, if necessary, with a title for the class of asset covered by the Plan (e.g., Water Asset Management Plan, Schools Asset Management Plan, Property Asset Management Plan)

Timeframe over which the Plan applies

Document Control

Document reference	
Prepared by	List all major contributors
Document owner	
Revision	
Issue date	
Next revision due	
Approved by	

Introduction

1.1 Scope of the Plan

What assets or asset groups are covered by this Plan? Sometimes larger organisations may have several AMPs, each covering a different part of its operations.

1.2 Fit with Other Plans

How does this Plan fit into the overall set of asset management documents of the Organization? For example, if an Organisation has several asset management plans for different asset groups, the other plans should be referenced here. The Plan must reference and explain the relationship with the Government of Samoa Asset Management Policy Framework, and the Organisation's Strategic Plan, Asset Management Strategy (if not part of the Strategic Plan), applicable legislation/regulations, and any other relevant asset management documents or investment plans, including investments being delivered or planned through international development partner funding.

1.3 Purpose and Stakeholders

What is the purpose of the Plan, and who are the intended users (owner, governance body, leader responsible for assets and risk management, asset managers, and other stakeholders)? This may be conveyed through a schedule, and example of which is shown in Table 1 (examples, change the roles as appropriate). The position titles should be given for each "Responsible Party" as named persons may change.

Role	Responsible Party
Asset Owner	
Governance body	
Asset Manager	
Manager - Operations	
Manager - Maintenance	
Manager - Engineering	

1.4 Timeframe

What is the timeframe of the Plan (give a year range; typically, 5 to 25 years).

2 Current Asset Information and State

As a minimum, the current asset information and state may be given in a register (potentially an Excel Workbook) with the same fields uploaded to the Centralised Asset Register.

3 Levels of Service

Levels of Service are the parameters, or combinations of parameters, which reflect social, political, environmental, and economic outcomes that the Organisation aims to deliver.¹⁰ The parameters can include safety, public health, customer satisfaction, quantity, quality, capacity, reliability, responsiveness, environmental acceptability, cost, and availability.

4 Asset Criticality and Risk

4.1 Risk Context

This section documents the findings of identification, assessment and treatment of risks associated with the non-financial assets and related services provided by the Organisation providing services for infrastructure. The controls or treatments to manage risks must be assigned to a risk owner, managed, and monitored. This assessment should focus on critical assets which are core to the services of the Organisation or which perform important hazard response/mitigation functions.

4.2 Risk Assessment

This is a place holder for a risk analysis using the assessment technique described in Appendix A.

Risk Description	Controls or Treatment			Current Controls or Treatments	After Controls or Treatment			Post Treatment Score Low, Guarded, Moderate, High or Extreme	Proposed Risk Control/Treatment method Either avoid, transfer or mitigate	Further Controls or Treatments Proposed
	Likelihood (1-16) Either 1, 2, 4, 8, 16	Consequence (1-16) Either 1, 2, 4, 8, 16	Risk Score Low, Guarded, Moderate, High or Extreme		Likelihood (1-16) Either 1, 2, 4, 8, 16	Consequence (1-16) Either 1, 2, 4, 8, 16	Post control or treatment rating			
Issue: Unknown amounts or location of Asbestos in Property Assets Risk: <ul style="list-style-type: none"> Some negative publicity or damage to Councils reputation at a regional level, potential for serious political questions Inability to operate within financial targets Longer term disruption to delivery of some activities Breach resulting in legal action. 	5	16	80	<ul style="list-style-type: none"> Development and implementation of Asbestos Management System and site-specific assessments 	3	4	12	Moderate	Mitigate	<ul style="list-style-type: none"> Implement asbestos management system Prioritise asbestos testing at those buildings where key projects have been proposed Progress asbestos testing across those sites identified within the Asbestos Management System
Issue: Deferred renewal and upgrade at some locations across the activity, requiring considerable investment to bring the activity up to a fit for purpose standard Risk: <ul style="list-style-type: none"> Failure to achieve service levels from failures Some negative publicity or damage to Councils reputation at a regional level, potential for serious political questions Inability to operate within financial targets Breach resulting in legal action 	5	4	20	<ul style="list-style-type: none"> AM improvement practices Identify priorities and opportunities for rationalisation. Purposefully plan to run some assets to failure 	3	4	12	Moderate	Mitigate	<ul style="list-style-type: none"> Budget for statutory investigations when identifying land and/or buildings surplus Budget for demolition of buildings deemed unsafe
Issue: Unknown contractual obligations, as a result of a lack of original and version control of leases/agreements, with a number of expired leases. Risk: <ul style="list-style-type: none"> Failure to achieve service levels from failures Some negative publicity or damage to Councils reputation at a regional level, potential for serious political questions Inability to operate within financial targets 	5	2	10	<ul style="list-style-type: none"> High risk/high value lease issues properties are being resolved with greatest priority Leases are being confirmed and schedule updated as they are identified 	5	2	10	Moderate	Mitigate	<ul style="list-style-type: none"> Continue to priorities properties with high risk/high value Consider additional short-term resource to drive reduction of risk. Progress discussions with Land Information New Zealand regarding acquisition of land leased by Council comprising a car park on Aorangi Street and the Halcombe Domain
Issue: Council is unable to achieve the potential gain on sale anticipated as a result of property sales, resulting in not achieving financial targets that allows for the repayment of debt. Risk: <ul style="list-style-type: none"> Some negative publicity or damage to Councils reputation at a regional level, potential for serious political questions Inability to operate within financial targets 	5	4	20	<ul style="list-style-type: none"> Key risk relates to sale of land within the Special Development Zone, 139 South Street (Faulding Depot) and 40 Bowen Street (Archives Central) where sale is proposed to offset debt. Currently working through options to dispose of sites More conservative approach to disposal values in future and current Asset Management Plans. 	5	4	20	High	Mitigate	<ul style="list-style-type: none"> Continue to progress options to dispose of sites Progress investigation of other Council administered land considered 'surplus' for disposal within the 10-Year Plan

5 Key Issues and Options

Define priorities and timing for asset management activities that relate to improving/addressing key issues identified in this AMP as identified in Section 2 [Current Asset Information and State], Section 3

¹⁰ Section 3.3.6 of ISO 15000:2014 [Asset Management – Overview, principles, and terminology].

[*Levels of Service*], and Section 4 [*Asset Criticality and Risk*]. List only the key issues that should be a priority within the life of the current AMP (as defined in Section 1.4).

6 Lifecycle Costs

Develop and document long-range estimates of lifecycle costs. These costs should cover:

- Operations and maintenance costs, including staff wages and benefits, equipment operating or hire costs, utilities used, materials and consumables, contracted or third-party services, and administration or overhead costs.
- Asset renewals, rehabilitation, or replacement costs
- Savings through disposals (i.e., revenue from sale or avoided operating and maintenance costs).
- New capital investment costs.
- Debt servicing

Because Samoa is exposed to natural hazards which can severely affect the operations of certain types of assets, some scenario analysis may be warranted to test the financial and performance impact of certain hazards being realised.

The operations and maintenance and debt servicing forecasts must include the added costs from the new capital investment projects less the corresponding cost for assets that are disposed of. The costs can then be compared with funds available from revenues, annual appropriations, and grants/credit funds through approved developer partner projects. The comparison is unoptimized at this stage of the analysis.

7 Optimization Strategies

For most organisations, the costs identified in Section 6 will exceed income. Therefore, a realistic and affordable Plan needs to be developed. Optimization strategies may include:

- Reduce costs by optimizing cost demands, sharing costs, deferring certain asset management activities, changing levels of service, or accepting risks (i.e., increasing risk appetite).
- Increase costs in the short-term (e.g., commissioning investigations and studies to get better information, or replacing/upgrading assets leading to a reduction in operating costs) with the aim of delaying or reducing costs longer term (or at least allowing more accurate forecasts long-term).
- Shifting the timing of costs, especially capital expenditures.
- Increasing revenues or obtaining other sources of funding.

Prepare a table of optimization actions under various headings identifying the action, describing the impact of the action, the financial impact of the action, and the status of the action (e.g., adopted, deferred, discarded, completed).

8 Long-Term Financial Plan

Prepare a long-term financial plan (LTFP) based on the optimized strategy under Section 7. The LTFP might be detailed in an Excel Workbook covering all aspects but summarised in the Plan as a high-level income and expenditure table.

9 Conclusions

9.1 Key Findings

This is the final section of the AMP template. It summarises the finding and conclusions from the AMP process and can conveniently be broken down into the section headings shown in Fig. 1 and used throughout this template. Some Organization may prefer to present this as an Executive Summary.

9.2 Recommendation for Implementation

List the recommendation for next steps to implement the AMP.

10 References

ISO 31000:2009 *Risk management – Principles and guidelines*. International Standards Organisation, Geneva (also referred to as AS/NZS 31000:2009)

ISO 55000:2014 *Asset management – Overview, principles and terminology*, International Standards Organisation, Geneva

ISO 55001:2014 *Asset management – Management systems: Requirements*, International Standards Organisation, Geneva

Appendix A: Risk Management Framework

This risk management framework, based on ISO 31000: 2009 [*Risk Management – Principles and guidelines*], aims to:

- a. Identify where, when, why, and how risk events (and opportunities) might prevent, degrade, support, or enhance asset performance and operations.
- b. Assess risk through evaluation of impacts and likelihoods, from which effective controls can be assigned, and risks can be monitored.
- c. Evaluate risk tolerance to determine acceptable risks and opportunities and consider the balance between potential benefits, drawbacks, and timelines against other priorities.
- d. Treat risks by mitigating threats and exploiting opportunities. Develop actions to reduce uncertainty, increase potential benefits, and reduce potential costs. Collaborate with stakeholders and leverage expertise to design improvements, transfer, controls, and other actions. Weigh the cost of activities against the expected consequences or value of future uncertain events.
- e. Monitor timeliness and effectiveness of mitigation activities by risk owners. Monitor to ensure changing circumstances does not alter priorities and escalate issues. Unacceptable tolerance or inadequate mitigation should be reported to the appropriate manager.
- f. Communicate risk issues, actions, and responsibilities, and consult with stakeholders to identify new issues/actions, and as part of a cycle of continuous improvement.

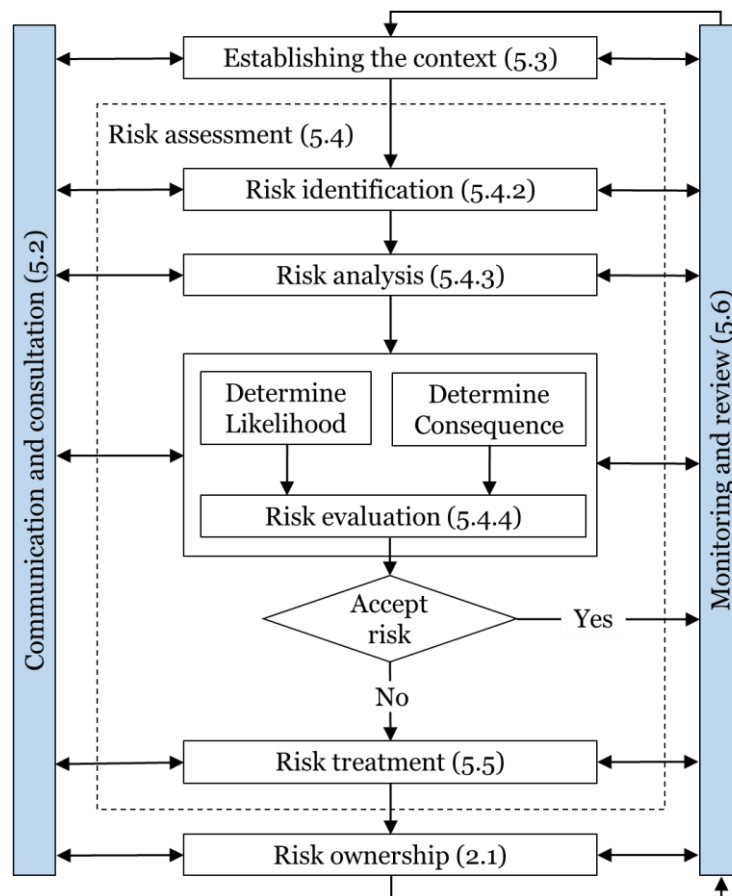


Figure 1. Risk management processes (adapted from ISO 31000:2009 in which the relevant parts are identified by a section reference in parenthesis)

Risks associated with any important decision must be documented. The aim of risk identification is to generate a comprehensive list of risk events (threats and opportunities) that may create, enhance, prevent, accelerate, or delay the achievement of business objectives.

Risk identification processes may include the use of checklists, the use of experts/ consultants, one-on-one interviews; facilitated workshops, modelling, stress-testing, scenario-planning, and “war gaming”. Observation-based risk identification (i.e., as and when it is seen or identified), is also useful. Risk identification should include all relevant events, whether, or not, their source is under the organisation’s control. Threats and opportunities must be recorded in a risk register supported by a description of the risk event (which can be an integral part of the register or be a separate document where more detail is appropriate). The register and description should include:

- the risk domain
- a short descriptive title or objective
- a brief description of the risk event (threat or opportunity)
- risk outcomes if the risk event is realised
- risk indicators
- an assessment of the likelihood and consequences (this may be a before and after treatment assessment, but more commonly is the most up-to-date assessment made when the risk register was last reviewed)
- risk treatment and management controls
- risk owner
- a statement of the acceptable and tolerable range for the risk event
- the status of the risk

In some instances, particular in connection with projects, the register may include several risks that are best managed as a portfolio because they are connected to the same activity. Also, some risk events may be related, leading to cascade and cumulative effects. For monitoring purposes, it is sometimes useful to catalogue each risk with a unique identification number. Each risk should also be assigned a status as follows:

- Emerging: the full extent of the risk is still undefined
- Live: the risk is defined and is being actively or passively managed
- Parked: the risk is excluded from current management processes
- Closed: the risk is no longer a threat or opportunity; in this case, the history of the event should be recorded to ensure the experience is not lost

10.1 Risk evaluation

10.1.1 Risk rating

A qualitative rating based on the potential consequence and likelihood is made for each risk using Table 3. For example, a risk event which is rated “unlikely” (in likelihood) and “moderate” (in consequence) would have a “medium” classification; whereas a risk event rated “almost certain / catastrophic” using the same rating process would be classified as “extreme”. For some cases, the

rating may be quantitative where specific numerical values can be given for the consequence, although this is usually restricted to financial measures. The risk rating before and after treatment (application of controls) can be compared and, subject to effective risk treatment, the residual risk can be accepted or not accepted.

Table 3: Risk evaluation matrixes for potential consequence of threats and opportunities

			Potential Consequence of Threats				
			Insignificant 1	Minor 2	Moderate 3	Major 4	Catastrophic 5
Likelihood	V	Almost certain	Medium	High	High	Extreme	Extreme
	IV	Likely	Medium	Medium	High	High	Extreme
	III	Possible	Low	Medium	Medium	High	High
	II	Unlikely	Low	Low	Medium	Medium	High
	I	Rare	Low	Low	Low	Medium	High

			Potential Consequence of Opportunities				
			Insignificant 1	Minor 2	Moderate 3	Major 4	Fantastic 5
Likelihood	V	Almost certain	Large	Large	Substantial	Substantial	Substantial
	IV	Likely	Medium	Large	Large	Substantial	Substantial
	III	Possible	Small	Medium	Large	Substantial	Substantial
	II	Unlikely	Small	Small	Medium	Large	Substantial
	I	Rare	Small	Small	Medium	Large	Large

As is frequently the case, because a risk rating is qualitative, it is not easy to assess the improvement in risk rating brought about by the controls. Therefore, in many cases, rather than making a formal before and after treatment assessment, it may be easier to make one, holistic assessment of the risk rating which is then updated over time as the effectiveness of the controls is evaluated or circumstances change. Note that risk ratings may also increase over time if controls fail or circumstances change (e.g., if threats become more adverse or opportunities become more beneficial).

10.1.2 Risk appetite and risk tolerance

The acceptability of a risk must be considered against the Organisation's risk appetite and risk tolerance. Risk appetite means the amount of risk the Organisation is willing to accept in pursuing its objectives and, although a matter of judgment, should consider:

- the effectiveness and culture of risk management practices which may vary according to location, sector and staff involved
- capacity to take on risk

- the Organisation's strategic and operational objectives
- industry and market conditions
- tolerance for failure

Risk tolerance is a relaxation of risk relative to the risk appetite. If after all available risk treatment, the risk remains outside the appetite range, then the risk should be reassessed to determine if risk can be made at least tolerable, typically with more extensive controls. Both the risk appetite and risk tolerance levels should be measurable, preferably quantitatively, although that is not always possible. Risk appetite and tolerance ranges may be changed over time.

Risks should be monitored relative to the appetite and tolerance ranges or values. Risks that move from the appetite towards or outside the tolerance range will warrant increased monitoring, further treatment, and increased controls.

10.1.3 Risk treatment

Characteristically, there are seven different approaches to treat and control risks. All should be considered, and they may be used in combination, i.e.

1. **Avoiding or continuing.** Make a conscious decision either to avoid or pursue the risk. This is often the first step in a decision process. An example is the go/no-go decision step taken before preparing bids when pursuing project opportunities. It is also possible to accept a risk in the first instance to make progress with other planning, but to change one's mind matter after more information is gathered.
2. **Taking or increasing the risk.** Sometimes exposure to the risk or increasing the risk can be beneficial if the beneficial consequences are worthwhile. A decision accept or increase a risk should always be well informed, and safeguards considered carefully such as ensuring the risk owner and support team are adequately experienced to manage the risk.
3. **Removing or isolating.** Remove or isolate the source of the risk by modifying processes, defining or negotiating changes to the terms and conditions, explicitly defining scope, levels of service and inclusions/exclusions, etc.
4. **Changing likelihood.** Changing the likelihood through redundancy (backup plan), appointing appropriately qualified Project Directors/Managers, ensuring technical and financial review, training, introducing simplifications and value engineering, using different equipment or systems, etc.
5. **Changing consequence.** Change the nature and magnitude of the consequences through use of protective equipment, ensuring technical and other forms of review, leveraging expertise, etc.
6. **Sharing the risk.** Share the risk with other parties through well-defined partnership/contract agreements, limiting liability under contracts, professional indemnity and public liability insurance, transferring risk through sub-agreements, etc.

7. **Retaining the risk.** Retain risk, after treatment, on an informed basis or by default (if no explicit decision is made on the acceptability of the risk or the risk is unavoidable under any circumstances). Retaining the risk may include identification of possible contingency plans or making financial provisions.

Selecting the most appropriate risk treatment option involves balancing cost and effort of implementation against the likelihood and benefits of success. However, purely economic factors in decision-making represents only one factor of importance, and risk owners must also consider other issues such as reputation, client relationships, shareholder interests and sustainability (including social, environmental, and natural resource) interests when deciding on treatment options.

Risk treatments may introduce secondary risks that need to be assessed, treated, and reviewed. A significant risk can be the failure or ineffectiveness of the risk treatment measure. These secondary risks should be incorporated into the same treatment plan of the original risk, thus maintaining a clear link that can be carefully monitored.

11. Appendix 2 – Key Fields for Centralised Asset Register

The Centralised Asset Register contains manner data fields. Some of the important fields to support the AMPF include:

Asset Identifier	A unique identified to distinguish the asset in the Centralised Asset Register
Asset Description	A brief description of the asset
Asset Class/Group/Category	A grouping of assets based on the nature, type or functionality of the asset. Often used to facilitate reporting of the assets in the Public Accounts. Asset classifications are set out in Appendix 6.
Acquisition Date	The date the asset was acquired or created. For assets created over time, the date it is commissioned into service
Acquisition Cost	The acquisition cost of the asset determined in accordance with relevant accounting standards.
Expected Useful Life	The expected useful life of the asset to the entity
Depreciation Method	The method of depreciation in accordance with accounting standards
Accumulated depreciation	The accumulated value of depreciation for the asset since the date of acquisition
Asset Location	The physical location of the asset
Asset Organisational Unit	The organisational unit that is responsible for the asset
Asset Condition	A summary indicator on the general condition of the asset
Asset Management Strategy	An indicator on whether an asset management strategy exists for the asset
Asset Maintenance Plan in Place	An indicator on whether an asset management plan exists for the asset
Current replacement cost (gross)	The financial risk value of the asset
Current replacement cost (net) adjusted for depreciation to reflect age/condition	The financial risk value of the asset adjusted for its age and condition

12. Appendix 3 – Summary of IPSAS17 disclosure requirements

Detailed disclosures in the Public Accounts comply with the requirements set out in IPSAS17 *Property, Plant and Equipment*¹¹. For each class of asset, the following data should be presented in the form of an Asset Reconciliation Table to present the change in value of the different asset classes.

Non-financial asset data should be set out in a table showing for each class of asset:

- The measurement basis used to determine the gross carrying amount
- The depreciation method used
- The useful life or range of useful lives for that class
- The beginning and ending balances:
 - i) The gross carrying amount
 - ii) The accumulated depreciation
 - iii) Impairment losses
- A reconciliation of the carrying amount at the beginning and end of the period showing:
 - i) Additions
 - ii) Disposals
 - iii) Acquisitions
 - iv) Impairment losses and impairment losses reversed
 - v) Depreciation
 - vi) The net exchange differences if annual financial statements are restated in another currency
 - vii) Any other changes

¹¹ IPSAS17 Property, Plant and Equipment will be replaced by IPSAS45 Property, Plant and Equipment with effect from reporting periods beginning on or after 1 January 2025.