

Sydney Opera House Policy

Title:	Strategic Asset Maintenance (SAM) Funding Policy
Policy Number:	SOH115
Effective Date:	18 February 2019
Authorisation:	Chief Executive Officer
Authorisation Date:	18 February 2019
Accountable Executive:	Executive Director, Building Safety & Security
Responsible Officer:	Head of Major Projects and Commercial

1. CORE PROPOSITION

The Opera House must manage assets in line with its responsibilities as a NSW Government agency. This policy explains how Strategic Asset Maintenance (SAM) funding received from the NSW Government is allocated, in line with these responsibilities.

2. SCOPE

This policy applies to the allocation of SAM funding for the maintenance of all physical, non-current assets owned or controlled by the Sydney Opera House Trust (the Board).

3. PROGRAM DEVELOPMENT

- 3.1. The Opera House must prepare an annual Strategic Asset Maintenance (SAM) Program, being the asset strategy plan that sets out how asset management will support the delivery of services, as identified in the Statement of Business Intent (SBI).
- 3.2. The SAM Program and budget are approved annually by the Executive team, Building & Heritage Committee and the Board, alongside a further three-year estimate of activities and associated costs (see an overview of the process at **Appendix 1**). The SAM Program is centrally administered by the Building, Safety & Security (BSS) portfolio in consultation with the accountable Executives and managers for relevant business areas.
- 3.3. A list of all projects and maintenance activities eligible for the SAM Program (in line with section 5 below) is developed and maintained by BSS, in consultation with the relevant business areas.
- 3.4. To inform the development of the SAM Program:
 - BSS must maintain a written list of objective criteria for assessing the priority of SAM funding allocation;
 - Business areas that are seeking SAM funding must provide written confirmation that their proposed projects and maintenance activities comply with section 5 of this policy, and provide details about how the projects and maintenance activities meet the objective criteria; and
 - BSS will maintain a schedule of projects and maintenance activities proposed to receive SAM funding, prioritised in accordance with the criteria.
- 3.5. Finance must review the SAM Program prior to submission to the Executive team to ensure that projects have been correctly categorised (i.e. into opex and capex).

4. ONGOING REVIEW

- 4.1. Expenditure of SAM funding is regularly reviewed over the course of the financial year, in order to assess the likelihood of achieving planned expenditure and service delivery priorities.
- 4.2. SAM funding must be expended in accordance with the annually approved Program, however adjustments may occur to the extent that:
 - Planned expenditure of SAM activities or projects is likely to exceed or fall short of budget within the financial year; or
 - Adjustments to service delivery priorities are required as determined by the Executive Director, BSS, in consultation with the relevant Executive or manager, having regard to the prioritised list of eligible project and maintenance activities, on the basis of ensuring that physical assets continue to support the planned delivery of services, such as urgent unplanned maintenance or safety requirements.
- 4.3. The Building & Heritage Committee will receive regular updates on the SAM Program and all material adjustments. The reasoning that supports the decisions must be documented and communicated through these updates.
- 4.4. Attestation that all projects and maintenance activities planned and funded within the SAM Program have complied with section 5 below must be submitted for each financial year by the relevant business areas.

5. CRITERIA FOR EXPENDITURE

- 5.1. Proposed SAM expenditure must relate to the maintenance of physical, non-current assets which are necessary

to achieve service delivery outcomes as outlined in the Opera House's SBI.

5.2. Physical, non-current assets are those that:

- Are owned or controlled by the Opera House; and
- Directly or indirectly support service delivery.

Broadly, this includes major infrastructure, equipment, land, buildings, information technology, collections and vehicles.

5.3. Maintenance means work undertaken on these physical, non-current assets including:

- Re-instatement of the physical condition;
- Prevention of further deterioration;
- Major periodic maintenance projects;
- Restoration to correct operation;
- Upgrading and/or replacing components at the end of their useful or economic life;
- Repairs for reasons of immediate health, safety or security;
- Repairs to address issues impacting performances and theatre operations;
- Assessment of maintenance requirements, including determining feasibility and scoping of potential maintenance projects; and
- The licenses, salaries, leases and associated expenses relating to the maintenance of the assets.

5.4. For the purposes of SAM funding, maintenance does not include:

- Major improvements or upgrading of the building or elements;
- Major refurbishments to extend the useful life of the building;
- Work performed under warranty or defect liability periods;
- Day-to-day cleaning; or
- Utilities.

5.5. It is inevitable that the performance of maintenance activities will sometimes require replacement of assets which will renew their service life. In these instances, the works may be capitalised in consultation with the CFO and with reference to *TPP06-6 Accounting Policy - Guidelines for Capitalisation of Expenditure on Property, Plant and Equipment*. Given constant changes in building codes, standards and technological advances, it is also the case that this maintenance work will often result in improvements to those assets.

6. GOVERNANCE

6.1. The SAM Program is approved annually by the Board, on the recommendation of the CEO and the Building & Heritage Committee.

6.2. Final allocation of the actual SAM funding received from the NSW Government is then approved by the Board, based on the SAM Program and priorities recommended by the CEO and the Building & Heritage Committee.

7. RESPONSIBILITIES

7.1. Each **business area** is responsible for ensuring the appropriate use of allocated SAM funding, in line with this policy.

7.2. The **Head of Major Projects and Commercial** is responsible for the implementation, review and monitoring of this policy.

7.3. **BSS** is responsible for administering the SAM Program in consultation with all relevant business units. This includes:

- Monitoring expenditure and providing internal reporting of funding allocation and expenditure;
- Quarterly reforecasting the SAM budget; and
- Annually reviewing and developing the SAM Program, for incorporation into the following financial year SAM budget.

7.4. **Executives and managers** are accountable for the appropriate expenditure of the SAM funding allocated to their business area for the financial year in question, including attestation requirements. Expenditure must be in line with SOH policies, including the *SOH Procurement Policy*.

7.5. The **Chief Financial Officer** is responsible for:

- Submission of the Capital Investment Plan as part of PRIME budget submissions and the SBI; and
- Confirming the appropriate accounting treatment for works funded under the SAM Program.

7.6. The **Executive Director, BSS** is responsible for the:

- Preparation of the SAM Program in consultation with the Executive and relevant managers; and
- Management and internal reporting of SAM allocations and expenditure.

7.7. The **Executive team** is responsible for endorsing the SAM Program prior to the CEO's recommendation to the Building & Heritage Committee.

7.8. The **CEO** is responsible for recommending the SAM Program to the Building & Heritage Committee following endorsement of the Executive.

8. RELEVANT LEGISLATION AND SUPPORTING DOCUMENTS

NSW Treasury "Total Asset Management Guideline – Asset Strategic Planning" TAM06-1 June 2006.

NSW Treasury "Total Asset Management Guideline – Asset Maintenance Strategic Planning" TAM06-3 June 2006.

TPP06-6 "Accounting Policy - Guidelines for Capitalisation of Expenditure on Property, Plant and Equipment"

SOH Statement of Business Intent

APPROVED

A handwritten signature in black ink, appearing to read 'K. Russell', with a long, sweeping underline that extends to the right.

Chief Executive Officer

Date: 18 February 2019

Appendix 1 – Annual SAM Program Process

