Shire of Goomalling

ASSET MANAGEMENT PLAN

2012

TABLE OF CONTENTS

1 INTRODUCTION

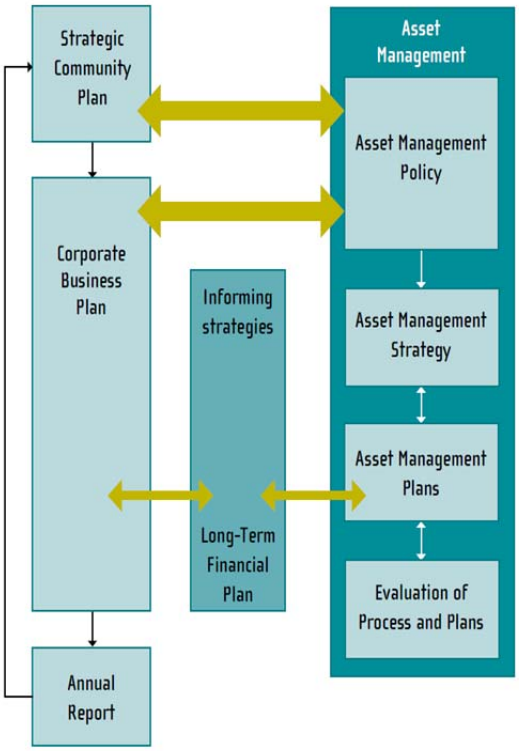
1.1 Background and Framework

The Shire's assets deliver important community services. Their effective management is crucial to the sustainable delivery of those services to meet community needs and aspirations now and in the future.

The aim of this plan is to enhance the sustainable management of the Shire's assets by applying 'whole of life' and 'whole of organisation' approaches and the effective identification and management of risks associated with the use of assets. It focuses on a long-term view of asset management and focuses on how these meet the impacts of social, economic and environmental change in ways that ensure sustainable use of physical and financial resources.

The plan is therefore, by nature, a robust process linked to rigorous long term financial and strategic planning as part of Integrated Planning and Reporting Framework required to be undertaken by local governments in Western Australia.

The Asset Management Plan is to be read in conjunction with the *Strategic Community Plan*



Key elements of the plan and are:

- Levels of service – specifies the services and levels of service to be provided by council.
- Future demand – how this will impact on future service delivery and how this is to be met.
- Life cycle management – how Shire will manage its existing and future assets to provide the required services
- Financial summary – what funds are required to provide the required services.
- Asset management practices
- Monitoring – how the plan will be monitored to ensure it is meeting Shire's objectives.
- Asset management improvement plan

These elements are detailed in the following chapters of this report.

Integrated Planning Process

Asset management is critical to meeting the Shires strategic goals within an Integrated Planning approach. Asset Management Policies, Asset Management Strategies and Asset Management Plans are informed by, and in turn inform, the community aspirations and service requirements in the Strategic Community Plan.

They are also integral to developing and delivering the Shire's strategic direction, service plans, projects and operational plans in the Corporate Business Plan.

This plan is consistent with the Local Government Financial Sustainability Nationally Consistent Frameworks 2 & 3 published by the Local Government and Planning Ministers' Shire; Institute of Public Works Engineering Australia (IPWEA) – National Asset Management Strategy (NAMS.AU) Policy documents; IPWEA International Infrastructure Management Manual; IPWEA Australian Infrastructure Financial Management Guidelines; WA Department of Treasury and Finance Strategic Asset Management Framework; and the Western Australian Local Government Accounting Manual (Edition 2), February 2011.

Asset management plans are a component of the West Australian Department of Local Governments' Integrated Planning and Reporting Framework.

1.2 Goals and Objectives of Asset Management

The Shire exists to provide services to its community. Some of these services are provided by infrastructure assets. The Shire has acquired infrastructure assets by 'purchase', by contract, construction by council staff and by donation of assets constructed by developers and others to meet increased levels of service.

This Asset Management Plan is prepared under the direction of Shire's vision, mission, goals and objectives as contained in the Strategic Community Plan 2013.

Shire of Goomalling Mission Statement

Leadership

We will continue to advocate on behalf of our community to position our Shire with key stakeholders that will support our success and growth.

Accountable and Sustainable

We will continue to be transparent, display good governance and manage our customer service commitments within our resources.

Advocating Improvement and Reform

We are determined to be solution focused, proactively seeking innovative partnerships, working collaboratively with stakeholders and industry to enable growth and ensure that our Shire is sustainable.

The Shire's goal in managing infrastructure assets is to meet the required level of service in the most cost effective manner for present and future consumers. The key elements of infrastructure asset management are:

- Taking a life cycle approach,
- Developing cost-effective management strategies for the long term,
- Providing defined levels of service and monitoring performance,
- Understanding and meeting the demands of growth through demand management and infrastructure investment,
- Managing risks associated with asset failures,
- Sustainable use of physical resources,
- Continuous improvement in asset management practices.

The relevant Shire goals and objectives and how these are addressed in this Asset Management Plan are:

Shire Goals and how these are addressed in this Plan

Goal	How Goal and Objectives are addressed
Current facilities are maintained	By providing the basis for and objectives of planned maintenance to deliver the required services
New infrastructure is provided to meet development requirements	By providing the basis for forward capital works programs for infrastructure development
A range of housing is provided to meet demand	By providing the basis for forward capital works programs for housing
Road maintenance and construction is undertaken	By providing for the effective management of the maintenance, renewal and upgrade of the roads assets to deliver the required services
Shire housing maintenance and construction is undertaken	By providing for the effective management of the maintenance, renewal and upgrade of the housing assets to deliver the required services

Stakeholders

A number of key stakeholders in the preparation and implementation of this asset management plan are:

- ✓ **Elected Members:** Councillors of the Shire are primarily responsible to ensure that their decisions represent and reflect the needs of the wider community.
- ✓ **Residents and Other Users:** The requirements of residents and other users of infrastructure assets should be reflected in the agreed levels of service.
- ✓ **The Crown:** In many cases the Shire is the trust manager of Crown reserves on which Shire owned assets are located. The Crown has over riding responsibility to ensure that the land on which the buildings are built is managed such that it complies with the purpose the land was set aside for and Government policy.
- ✓ **Government Departments:** Government departments have an interest in the management of the infrastructure assets as a result of funding and service delivery **Lessees / Licensees:** The Shire's lessees or licensees have an interest in ensuring that the assets that they use meet their requirements.
- ✓ **Tourists / Community Groups:** The requirements of visitors and community groups should be reflected in the agreed levels of service.
- ✓ **Shire Officers:** Shire officers play a role in managing infrastructure assets to ensure the assets provide levels of service that meet the needs of residents and other users of the facilities. Shire officers implement the asset management plan.
- ✓ **Insurers:** Insurers have an interest to ensure that systems are in place to ensure that Shire understands the condition and risks associated with insured assets.

Service programs

The Shire delivers a wide range of services and facilities to the community. The revenues and expenditure of the Shire are required to be classified in accordance with legislation. The Local Government (Financial Management) Regulations 1996 (Schedule 1 Part 1) specify the minimum program classifications to be disclosed.

Statement of Objective

The Shire of Goomalling is dedicated to providing high quality services to the community through the various service orientated programs which it has established.

In order to discharge its responsibilities to the community, the Shire has developed a set of operational and financial objectives. These objectives have been established both on an overall basis, reflected by the Shire's Community Vision, and for each of its broad activities/programs.

Governance

Objective: To provide a decision making process for the efficient allocation of scarce resources.
Activities: Includes the activities of members of council and the administrative support available to the council for the provision of governance of the district. Other costs relate to the task of assisting elected members and ratepayers on matters which do not concern specific council services.

General Purpose Funding

Objective: To collect revenue to allow for the provision of services.
Activities: Rates, general purpose government grants, and interest revenue.

Law, Order, Public Safety

Objective: To provide services to help ensure a safer and environmentally conscious community.
Activities: Supervision and enforcement of various local laws relating to fire prevention, animal control and protection of the environment and other aspects of public safety including emergency services.

Housing

Objective: To provide and maintain elderly residents housing.
Activities: Provision and maintenance of elderly residents housing.

Community Amenities

Objective: To provide services required by the community.
Activities: Rubbish collection services, operation of rubbish disposal sites, litter control, construction and maintenance of urban storm water drains, protection of the environment and administration of town planning schemes, cemetery and public conveniences.

Recreation and Culture

Objective: To establish and effectively manage infrastructure and resources which will help the social well being of the community.
Activities: Maintenance of public halls, civic centre, aquatic centre, beaches, recreation centres and various sporting facilities. Provision and maintenance of parks, gardens and playgrounds. Operation of library, museum and other cultural facilities.

Transport

Objective: To provide safe, effective and efficient transport services to the community.
Activities: Construction and maintenance of roads, streets, footpaths, depots, cycleways, parking facilities and traffic control. Cleaning of streets and maintenance of street trees, street lighting etc.

Economic Services

Objective: To help promote the shire and it's economic wellbeing.

Activities: Tourism and area promotion including the maintenance and operation of a caravan park. Provision of rural services including weed control, vermin control and standpipes. Building control.

Other Property & Services

Objective: To monitor and control council's overheads operating accounts.
Activities: Private Works operation, plant repair and operation costs and engineering operation costs.

1.3 Core and Advanced Asset Management

This asset management plan is prepared as a 'core' asset management plan in accordance with the International Infrastructure Management Manual. It is prepared to meet minimum legislative and organisational requirements for sustainable service delivery and long term financial planning and reporting.

- Core asset management is a 'top down' approach where analysis is applied at the 'system' or 'network' level.
- Advanced asset management uses a 'bottom up' approach for gathering asset information for individual assets to support the optimisation of activities and programs to meet agreed service levels.
- Mixed asset management involves a blend of the 'top down' and 'bottom up' approaches.

This Asset Management Plan has been developed using the core asset management method. Over time the council aims to move toward the advanced asset management approach.

2 LEVELS OF SERVICE

2.1 Customer Research and Expectations

Shire has not undertaken a survey of customer satisfaction and expectations as they relate to infrastructure assets. However Shire and Councillors are close to their communities and have a good understanding of the communities' desired service level and their reasonable expectations of what is achievable.

2.2 Legislative Requirements

Shire has to meet many legislative requirements including Australian and State legislation and State regulations. These include:

Aboriginal Heritage Act (1972) & Regulations
Makes provision for the preservation of the places and objects customarily used by or traditional to the original inhabitants of Australia.

Disability Discrimination Act 1992 (DDA)
All organisations have a responsibility, under the Federal DDA to provide equitable access to goods and services and to premises used by the public. Premises are broadly defined and would include all areas included within a building.

Dividing Fences Act 1961
The Dividing Fences Act 1961 (the Act) combines with local government by-laws to regulate dividing fences in Western Australia. The Act covers a process for sharing costs between neighbours, the determination of boundaries and a mechanism for courts to deal with disputes over dividing fences.

Heritage of Western Australia Act 1990 and Regulations
An Act to provide for, and to encourage, the conservation of places which have significance to the cultural heritage in the State.

Land Administration Act 1997
An Act to consolidate and reform the law about Crown land and the compulsory acquisition of land generally, to repeal the Land Act 1933 and to provide for related matters.

Occupational Safety and Health Act 1984 & Regulations
An Act to promote and improve standards, establish the commission, to provide for a tribunal for the determination of certain matters and claims and to facilitate the coordination of the administration of the laws for occupational safety.

Occupiers Liability Act 1985
An Act prescribing the standard of care owed by occupiers and landlords of premises to persons and property on the premises.

The Health Act 1911 WA
The Health Act 1911 WA and subsidiary legislation place additional requirements (beyond the Building Regulations) on those buildings considered to be 'public buildings'. Such requirements relate to egress provisions, certification and operational maintenance / management matters.

WA Building Act 2011
The Building Act 2011 sets out the process for setting building standards and ensuring these standards are met through a system of certifying compliance, granting building, demolition and

occupancy permits, inspecting building work and reporting on maintenance of essential services in buildings. It also regulates work affecting other land and standards that apply to existing buildings, and provides for enforcement of standards and processes by permit authorities.

WA Local Government Act 1995 and Regulations
Sets out role, purpose, responsibilities and powers of Local Government in Western Australia. Regulations 1996 (S5.56) includes the requirement for a Strategic Community Plan (linking to community aspirations with the Shires long term strategy) and Corporate Business Plan (linking to long term financial planning that integrates to Asset Management).

WA Planning and Development Act 2005
Lays down specific controls over planning at a metropolitan and local level as well as establishing more general controls over the subdivision of land.

2.3 Current Levels of Service

There are two categories of Levels of Service.

Community Levels of Service relate to how the community receives the service in terms of safety, quality, quantity, reliability, responsiveness, cost/efficiency and legislative compliance.

Technical Levels of Service are operational or technical measures of performance developed to ensure that the Community Levels of Service are met. These Technical Levels of Service relate to service criteria such as quantity, quantity, availability and safety. These are often measured against a metric or rating system of the type shown below.

Rating Metrics and Condition Rating Metric

Rating	Condition	Residual Life - %age of Useful Life	Mean %age Residual Life
1	Excellent condition: Only planned maintenance required.	>86	95
2	Very good: Minor maintenance required plus planned maintenance.	65 to 85	80
3	Good: Significant maintenance required.	41 to 64	55
4	Average: Significant renewal/upgrade required.	10 to 40	35
5	Poor: Unserviceable	<10	5

Ranking	Definition
0	New asset or component recently rehabilitated to new condition.
1	As New Condition, no visible signs of wear and tear or defects
2	In excellent condition with only very slight condition decline (obvious no longer new).
3	In very good condition with some early signs of wear and tear commensurate with age and use.
4	In good condition with some obvious signs of wear and tear but no evidence of deterioration.
5	In fair condition, minor evidence of deterioration of the element which could potentially shorten life.
6	In fair to poor condition with significant evidence of deterioration of the element which could lead to failure.
7	In poor condition with evidence of minor isolated failure which will reduce future life, maintenance costs high.
8	In very poor condition with evidence of multiple failures and the inability to continue to satisfactorily provide the original intended purpose.
9	In extremely poor condition with significant evidence of failure of the element and failure to provide design purpose.
10	Total failure, extreme risk in leaving asset in service.

The current levels of service are shown below.

Current Service Levels - Sealed and Unsealed Roads

Key Performance Measure	Level of Service	Performance Measurement Process	Target Performance	Current Performance
COMMUNITY LEVELS OF SERVICE				
Quality	A smooth ride is provided	Number of complaints about smoothness of ride	No increase in current number/year	To be confirmed
Function	User requirements for availability and travel time are met	Number of complaints about availability and travel time	No increase in current number/year	To be confirmed
	Customer satisfaction with roads	Community Survey	Current performance rating is maintained	To be confirmed
Safety	Safe roads are provided	Number of injury crashes on shire roads caused by road condition or layout	0	To be confirmed
	Safe footpaths are provided	Number of trip incidents on footpaths caused by the condition of the footpath	No increase in current number/year	To be confirmed
TECHNICAL LEVELS OF SERVICE				
Condition	Assessed road condition	Condition assessment	Current average unsealed road condition to be maintained	Condition survey to be undertaken
	Assessed road condition	Condition assessment	Current average sealed road condition to be maintained	Condition survey to be undertaken
	Assessed footpath condition	Condition assessment	Current average footpath condition to be maintained	Condition survey to be undertaken
Sustainability	Roads network is managed sustainably	Sealed Road Sustainability Index*	Current ranking in benchmark table of Shires in Group is not worsened	Ranked in the top 25% of Shires in Group
	Roads network is managed sustainably	State of the roads assets*	Current ranking in benchmark table of Shires in Group is maintained	Ranked in the top third of Shires in Group
Cost effectiveness	Maintenance undertaken in an efficient manner	Maintenance cost of sealed and unsealed roads	Current costs $/km does not increase (allowing for inflation)	$880/km

* Appendix 13, WALGA Report of Local Government road assets and expenditure. Group is Wheatbelt North

Current Service Levels - Buildings and Structures

Key Performance Measure	Level of Service	Performance Measurement Process	Target Performance	Current Performance
COMMUNITY LEVELS OF SERVICE				
Quality	Buildings and structures are provided to an acceptable quality	Number of complaints about Shire buildings and structures quality	No increase in current number/year	Statistics to be compiled
Function	User requirements for availability are met	Number of complaints about community halls and public/civic buildings availability	No increase in current number/year	Statistics to be compiled
	Customer satisfaction with Shire buildings and facilities	Community Survey	Current performance rating is maintained	Statistics to be compiled
Safety	Safe buildings are provided	Number of injury accidents caused by the quality or condition of Shire buildings and structures	0	Statistics to be compiled
TECHNICAL LEVELS OF SERVICE				
Condition	Assessed condition of buildings and structures	Condition assessment as part of annual inspection	Current condition to be maintained	4.64
Safety	Compliance with safety legislation	Safety inspection as part of annual inspection	100% compliance with safety legislation	100% compliance with safety legislation

Current Service Levels – Recreation and Tourism Assets

Key Performance Measure	Level of Service	Performance Measurement Process	Target Performance	Current Performance
COMMUNITY LEVELS OF SERVICE				
Quality	Recreation and tourism facilities are provided to an acceptable quality	Number of complaints regarding recreation and tourism facilities	No increase in current number/year	Statistics to be compiled
Function	User requirements for availability are met	Number of complaints about recreation and tourism facilities availability	No increase in current number/year	Statistics to be compiled
	Customer satisfaction with recreation and tourism facilities	Community Survey	Current performance rating is maintained	Statistics to be compiled
Safety	Safe recreation and tourism facilities are provided	Number of injury accidents caused by the quality or condition of recreation and tourism facilities	0	Statistics to be compiled
TECHNICAL LEVELS OF SERVICE				
Condition	Assessed condition of recreation and tourism facilities	Condition assessment as part of annual inspection	Current condition to be maintained	4.7
Safety	Compliance with safety legislation	Safety inspection as part of annual inspection	100% compliance with safety legislation	100% compliance with safety legislation

3 FUTURE DEMAND

3.1 Demand Forecast

Factors affecting demand include population change, changes in demographics, seasonal factors, vehicle ownership, consumer preferences and expectations, economic factors, agricultural practices, environmental awareness, etc.
Demand factor trends and impacts on service delivery are summarised below.

Demand Factors, Projections and Impact on Services

Demand factor	Present position	Projection	Impact on services
Population	The population of the Shire is currently approximately 985	The population forecast for the Shire in WA Tomorrow indicates no significant increase in population in the next 20 years.	The forecast increase in population of 1-2% per year will increase demand on the current assets
Transport Network	A significant proportion of grain from the Shire and surrounding Shires is transported via the rail network	The WA government is proposing to close down significant lengths of the rural rail network.	A significant increase in the amount of grain being transported on roads in the Shire which will increase the rate of deterioration of the roads assets
Tourism	Moves to develop tourism in the Shire are in the process of being implemented	Increase in numbers of visitors to the Shire	Increase in demand on roads assets
Agricultural Practices	The number of farms is reducing as farmers leave the land	Farms will increase in size	Larger farm machinery and trucks using the Shire's roads, leading to a requirement for wider roads and greater road clearance
	Increasing trend for farm forestry as an alternative land use	Increase in use of logging trucks	Logging trucks increase rate of deterioration of road surfaces
Community Expectations	The communities expectations about the levels and scope of services provided by the Shire have increased over the last few years	The increase in expectation is likely to continue	May be wide ranging

3.2 Changes in Technology

Technology changes may affect the delivery of services covered by this plan as a result of improvements to construction materials and methods and more efficient operational practices. These may increase the life of some assets and reduce the risk of damage. Technology changes may also affect the level and nature of demand for some assets.

3.3 Demand Management Plan

Demand for any new services will be managed through a combination of managing existing assets, upgrading existing assets and providing new assets to meet demand and demand management. Demand management practices include non-asset solutions, insuring against risks and managing failures.

Opportunities identified to date for demand management are shown below. Further opportunities will be developed in future revisions of this Asset Management Plan.

Demand Management Plan Summary

Service Activity	Demand Management Plan
Road Assets	Continue improvements including vegetation clearance and road widening where possible to allow more effective freight and grain transport within the Shire
Retirement of Assets	Assets no longer required are not replaced.

3.4 New Assets from Growth

New assets required to meet growth and demand changes will be constructed by Shire. Acquiring these new assets will commit council to fund ongoing operations and maintenance costs for the period that the service provided from the assets is required. These future costs are identified and considered in developing forecasts of future operating and maintenance costs.

3.5 Risk Management Plan

An assessment of risks associated with service delivery from infrastructure assets has identified critical risks to the Shire. The risk assessment process identifies credible risks, the likelihood of the risk event occurring, the consequences should the event occur, develops a risk rating, evaluates the risk and develops a risk treatment plan for non-acceptable risks.

The identified risks are summarised below.

Critical Risks and Treatment Plans

Risk	Consequence	Risk Rating	Risk Treatment Plan
Overall condition of assets decreases due to inadequate renewal programs	Levels of Service not achieved	High	Determine renewals priorities based on lifecycle costs and effects on service
Overall condition of assets decreases due to inadequate maintenance programs	Levels of Service not achieved	High	Determine maintenance priorities based on lifecycle costs and effects on service
Incorrect or incomplete asset data	Inaccurate financial forecasts and inappropriate maintenance and renewals programs	High	Undertake a data audit and collection program
Resource issues affect the management of the assets	Levels of Service not achieved, condition of assets deteriorates	Medium	Establish clear management plans, with forecast costs, to maintain Levels of Service and debate with Shire
Unforeseen increases in fuel, plant and materials costs	Increased costs of carrying out maintenance and renewals	High	Monitor costs
Loss of power	Adverse effect on delivery of services and local economy	Medium	Continue to lobby for a more robust power network for the community
Changes in legislation affect the responsibilities of Shire	Changes in costs and resource requirements	Low	Monitor legislative changes
Buildings owned by others on the Shire's land	The Shire takes over responsibility for the building if the owner defaults	Medium	Ensure lease conditions clearly identify owners responsibilities regarding building maintenance
Climate Change/major storm event	Demands on assets affected directly and via effects on local economy	Medium	Manage assets taking climate change into account
Asbestos in buildings	Potential for health issues	Medium	Implement program to remove asbestos from buildings
Health and Safety incident whilst working on assets causes fatality or serious harm injury	Prosecution risk	Low	Ensure Shire has H&S procedures and staff are trained in them. Ensure all contractors have H&S policy and procedures and they are complied with
Decline in Population	Reduced income, under used assets	medium	Monitor population trends
Failure of materials supplies	Delays to maintenance and renewals and increased materials costs	Low	Identify if there are any alternative supplies for critical materials and establish purchasing arrangements

3.6 Routine Maintenance Plan

Routine maintenance is the regular on-going work that is necessary to keep assets operating, including instances where portions of the asset fail and need immediate repair to make the asset operational again.

Maintenance includes reactive, planned and cyclic maintenance work activities.

Reactive maintenance is unplanned repair work carried out in response to service requests and management/supervisory directions.

Planned maintenance is repair work that is identified and managed through a maintenance management system (MMS). MMS activities include inspection, assessing the condition against failure/breakdown experience, prioritising, scheduling, actioning the work and reporting what was done to develop a maintenance history and improve maintenance and service delivery performance.

Cyclic maintenance is replacement of higher value components/sub-components of assets that is undertaken on a regular cycle including repainting, building roof replacement, etc. This work generally falls below the capital/maintenance threshold.

Maintenance expenditure levels are generally considered to be adequate to meet current service levels. Future revision of this asset management plan will include linking required maintenance expenditures with required service levels.

Reactive maintenance is carried out in response to customer service requests.

3.7 Renewal/Replacement

Renewal expenditure is major work which does not increase the asset's design capacity but restores, rehabilitates, replaces or renews an existing asset to its original service potential. Work over and above restoring an asset to original service potential is upgrade/expansion or new works expenditure.

Assets requiring renewal are identified from estimates of remaining life obtained from the asset register worksheets. Candidate proposals are inspected to verify accuracy of remaining life estimate and to develop a preliminary renewal estimate. Verified proposals are ranked by priority and available funds and scheduled in future works programmes. The priority ranking criteria related to renewals are to be developed

Renewal will be undertaken using 'low-cost' renewal methods where practical. The aim of 'low-cost' renewals is to restore the service potential or future economic benefits of the asset by renewing the assets at a cost less than replacement cost.

3.8 Disposal Plan

Disposal includes any activity associated with disposal of a decommissioned asset including sale, demolition or relocation. There are currently no assets identified for possible decommissioning and disposal.

4 FINANCIAL SUMMARY

This section contains the financial requirements resulting from all the information presented in the previous sections of this asset management plan. The financial projections will be improved as further information becomes available on desired levels of service and current and projected future asset performance.

4.1 Asset valuations

	Replacement Cost	Depreciation	WDV
Buildings	36,328,000	15,858,822	20,469,178
Furniture and equipment	1,489,035	842,618	646,416
Plant and Equipment	2,968,784	1,506,398	1,462,386
Road Infrastructure	33,399,781	8,000,948	25,398,833
Drainage Infrastructure	2,153,781	1,149,684	1,004,097
Pathways/Cycleways	1,826,258	448,251	1,378,007
Other Infrastructure	3,995,000	1,618,500	2,376,500
	82,160,639	29,425,221	52,735,417

Asset consumption ratio (ACR) 64%

4.2 Key Assumptions made in Financial Forecasts

This section details the key assumptions made in presenting the information contained in this asset management plan and in preparing forecasts of required operating and capital expenditure and asset values, depreciation expense and carrying amount estimates. It is presented to enable readers to gain an understanding of the levels of confidence in the data behind the financial forecasts.

Key assumptions made in this asset management plan are:

- Costs are at a current price base. No allowance has been made for inflation
- Renewals and new/upgrade capital forecasts are in accordance with the Long Term Financial Plan
- Maintenance costs allow for the forecast increase in assets due to development and increase demand on assets due to demand changes
- The average useful life and average remaining life of assets are based on current local knowledge, industry standards, historical trends and condition assessment
- Operations and maintenance forecasts have been based on current expenditure levels and percentages of replacement costs for each asset class
- Standard asset useful lives are as shown below. Some specific assets, as identified by council officers, have non-standard useful lives. These have been allowed for in the asset data.

Annual Maintenance Costs

Asset Class	Annual maintenance cost %age of replacement value
Roads*	1.0%
Unsealed roads*	0.25%
Culverts	1.0%
Road signs/features	2.5%
Kerbing	0.5%
Footpaths	2.5%
Buildings	2.5%
other assets	2.0%

Standard Asset Lives

Asset Class	Standard asset life (years)
Sealed and gravel road construction/road base	40
Culverts	80
Railway Crossings	40
Road signs/features	15
Kerbing	40
Footpaths	40
Road seal	15
Buildings	50 to 100

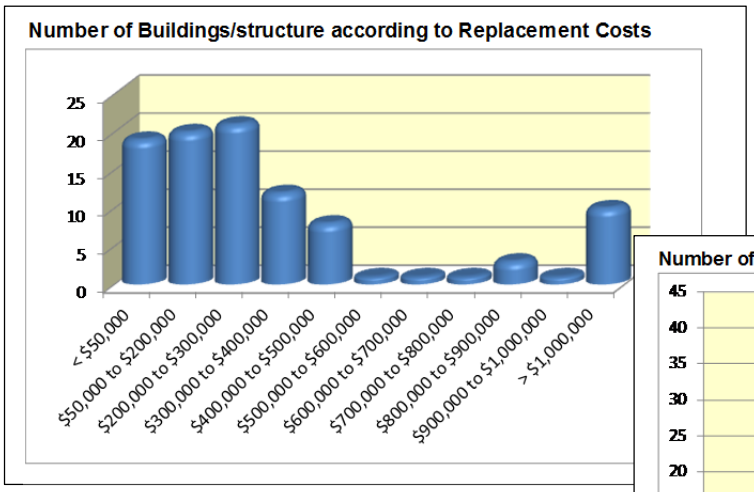
Accuracy of future financial forecasts may be improved in future revisions of this asset management plan by the following actions.

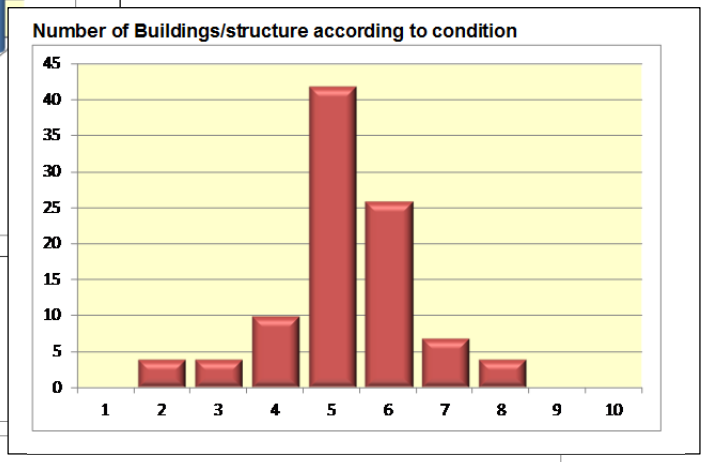
- Carrying out a condition assessment of the following assets to enable their remaining useful lives to be more accurately determined
- Buildings including housing
- Culverts, railway crossings, road signs etc
- Recreation assets
- Public/civic assets
- Collecting financial information so that maintenance (planned and reactive), operational, renewal and new/upgrade costs can be separately identified.

4.3 Asset Class – Buildings/Structures

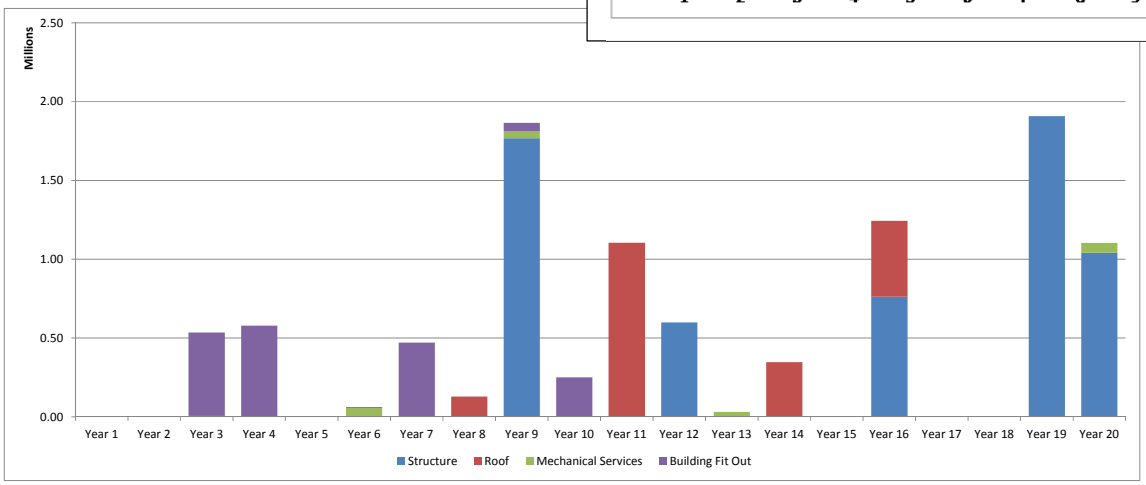
Replacement values have been assessed by AVP Valuers for all Shire property.

Purpose	#	Replacement value
Administration	1	2,200,000
Fire Brigades	3	285,000
Health Services	2	2,640,000
Residential	27	8,305,000
Recreation	25	13,375,000
Toursim	23	6,619,000
Depots etc.	7	899,000
Sewerage/Waste	4	3,995,000
Other	5	2,005,000
	97	40,323,000

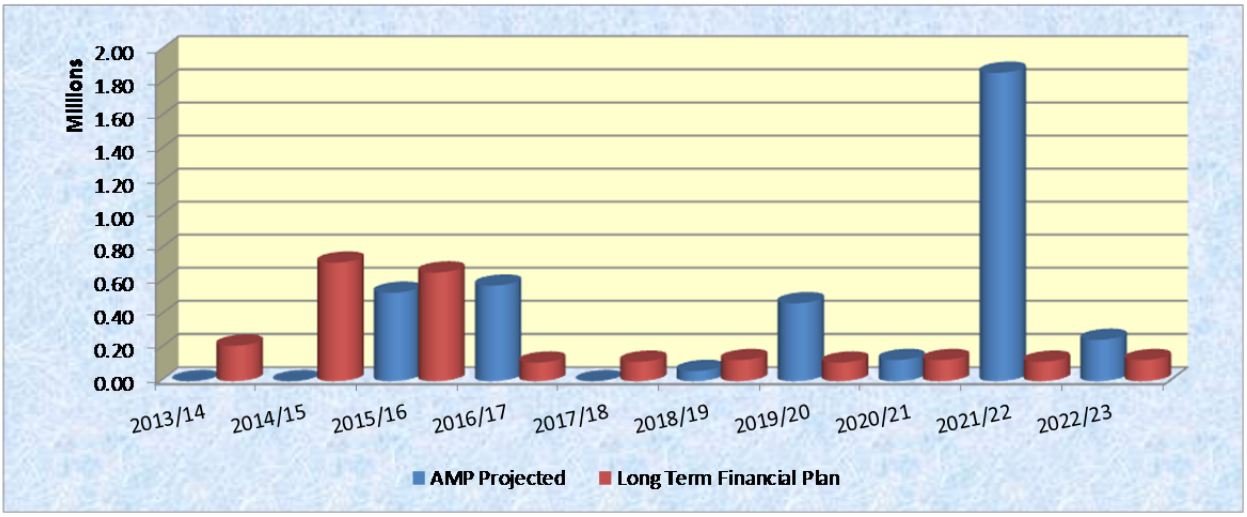




Asset renewal program for Buildings/Structures at component level



Buildings - Asset Management Plan projections compared to estimates in the Long Term Financial Plan



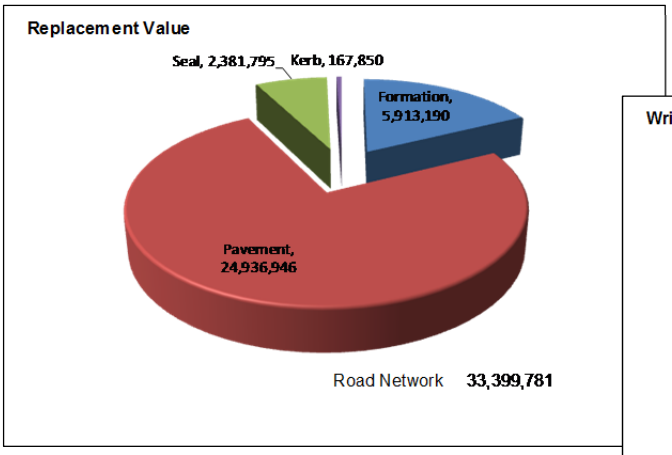
Information Source : Asset Management Plans and Long Term Financial Plan

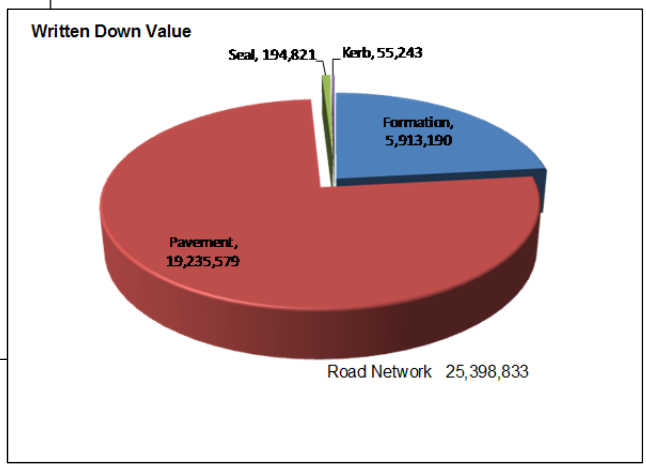
4.4 Asset Class – Roads

The modelling of asset renewal was based on the condition of the networks and the necessary level of asset renewal expenditure extracted from the RoMan road management system. The information transferred to the RoMan II version has been subject to numerous data errors and considered unreliable. To establish an asset profile for this plan the Shire has reverted to the 2009 condition survey prepared under the older version of RoMan I. The values have been indexed using the ABS Road and bridge construction index. Asset renewals are based on a required renewal outlay of $5.934m over a ten years period. This amount has been apportioned as an annual allocation over the period.

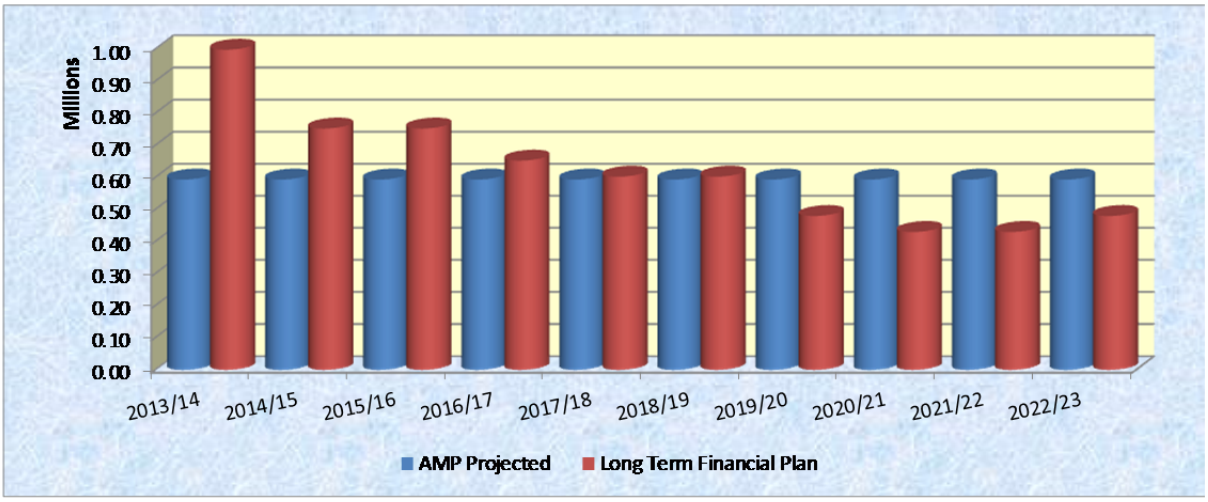
Given the risk associated with data included in this system caution is required in applying these outcomes.

Road network profile





Road Infrastructure - Asset Management Plan projections compared to estimates in the Long Term Financial Plan



Information Source : Asset Management Plans and Long Term Financial Plan

4.5 Asset Class – Other

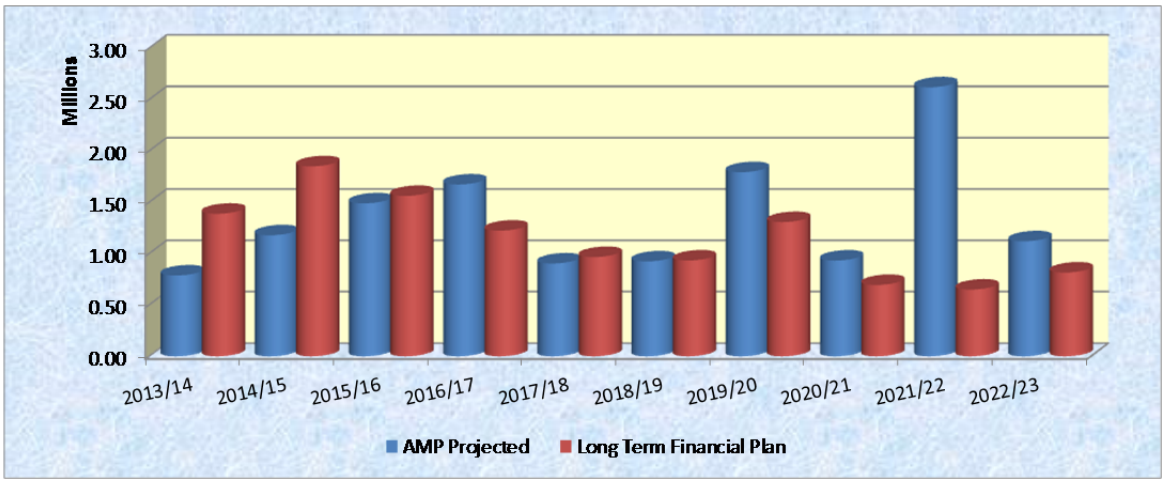
Plant and equipment – values and renewal timelines have been used in accordance with the Shire's plant replacement program. Values for furniture and equipment have been extrapolated from the existing assets records and indexed by price movements.

Sewerage operations – Values were determined by AVP valuers and included in the asset class "Other infrastructure".

4.6 Financial Statements and Projections

The financial projections are shown below projected capital expenditure (renewal and upgrade/expansion) against outlays in the long term financial plan.

All assets - Asset Management Plan projections compared to estimates in the Long Term Financial Plan



Information Source : Asset Management Plans and Long Term Financial Plan

Note that all costs are shown in current values.

Planned versus required outlays for asset renewal

	Planned capital outlays LTFP	*Required capital outlays AMP*
2013/14	1,388,648	787,283
2014/15	3,239,578	1,966,566
2015/16	4,802,226	3,456,674
2016/17	7,926,770	9,684,974
2017/18	9,234,205	12,305,382
2018/19	9,929,205	13,425,665
2019/20	10,579,205	15,159,341
2020/21	11,395,205	16,351,892
2021/22	12,322,205	16,976,443
2022/23	13,207,455	17,917,394
	84,024,702	108,031,614

Planned capital renewals = extract from the Shires Long Term Financial Plan
Required capital expenditure – extracted from RoMan II, BAMP's, plant replacement program.
Note that all costs are shown in current values.

Sustainability of service delivery

There are two key indicators for financial sustainability that have been considered in the analysis of the services provided by this asset category, these being long term life cycle costs and medium term costs over the 10 year financial planning period.

Long term - Life Cycle Cost

Life cycle costs (or whole of life costs) are the average costs that are required to sustain the service levels over the longest asset life. Life cycle costs include maintenance and asset consumption (depreciation expense). Life cycle expenditure will vary depending on the timing of asset renewals.

Providing services in a sustainable manner will require matching of projected asset renewals to meet agreed service levels with planned capital works programs and available revenue.

A gap between projected asset renewals, planned asset renewals and funding indicates that further work is required to manage required service levels and funding to eliminate any funding gap.

Shire will manage the 'gap' by developing this asset management plan to provide guidance on future service levels and resources required to provide these services.

Shire's long term financial plan covers the first 10 years of the 20 year planning period.

4.7 Integrated Planning and Reporting Advisory Standards

Under the requirements for the Plan for the Future under the *Local Government Act 1995* local governments in Western Australia are required to have developed and adopted two key documents by 30 June 2013: a Strategic Community Plan and a Corporate Business Plan - supported and informed by resourcing and delivery strategies, including asset management plans.

These plans will drive the development the Shire's 2013/2014 Annual Budget and will ultimately help the Shire plan for the future of their communities.

The Department of Local Government has published advisory standards for asset management which summarises how basic, intermediate and advanced standards are defined for asset management. The legislation requires that basic standards are met by 30 June 2013.

The key performance indicators and standards and Shire's current performance are shown below.

Key Performance Indicator **Calculation**	**Standards**	**Current Performance**	**Standard Achieved**
Asset consumption ratio (ACR) *Depreciated replacement cost of assets (written down value) divided by current replacement costs of depreciable assets. Expressed as a percentage.*	**Standard is not met** if ratio data cannot be identified or ratio is less than 50%. **Basic standard** is met if ratio data can be identified and ratio is 50% or greater. **Advanced standard** is met if this ratio is between 60% and 75%.	64%	Yes
This shows the written down current value of the Shire's depreciable assets relative to their 'as new' value in up to date prices. The ratio highlights the aged condition of the stock of physical assets.			
Asset sustainability ratio (ASR) *Capital expenditure on replacement or renewal of assets divided by the depreciation expense. Expressed as a percentage.*	**Standard is not met** if ratio data cannot be identified or ratio is less than 90%. **Basic standard** is met if ratio data can be calculated and ratio is 90% or greater. **Advanced standard** is met if this ratio is between 90% and 110%	188%	Yes
This measures the extent to which assets managed by the Shire are being replaced as they reach the end of their useful lives.			
Asset renewal funding ratio *Net present value of planned capital expenditure based on current Departmental guidance on renewals over ten years divided by the net present value of the required capital expenditures on renewals over the same period*	**Standard is not met** if ratio data cannot be identified or ratio is less than 75% **Basic standard** is met if ratio data can be identified and ratio is between 75% and 95%. **Advanced standard** is met if this ratio is between 95% and 105% and the ASR falls within the range 90% to 110% and ACR falls within the range of 50% to 75%.	89%	Yes
This indicates whether the local government has the financial capacity to fund asset renewal as required, and can continue to provide existing levels of services in future, without: - additional operating income; or - reductions in operating expenses; or - an increase in net financial liabilities above that currently projected.			

Ratios based on the following -

Asset Renewal Funding Ratio - Buildings, Furniture and equipment, Plant and Equipment, Road Infrastructure, Drainage Infrastructure, Pathways/Cycleways, Bridges.

Asset Consumption Ratio - Buildings, Furniture and equipment, Plant and Equipment, Road Infrastructure, Drainage Infrastructure, Pathways/Cycleways, Other Infrastructure.

5 ASSET MANAGEMENT PRACTICES

5.1 Accounting/Financial Systems

Changes to the existing cost ledger will be required to ensure that some form of asset based costing is achievable. The costs for each asset should be broken down such that operational, maintenance and capital expenditure can be identified.

Under the present system there is no clear break down of costs based on the above delineation.

5.2 Asset Management Systems

This plan has used the information included in the RoMan management system. Information is based on a condition assessment undertaken in 2009.

ROMAN has been upgraded to allow easier modelling and as such better management of the road assets. The information currently being validated in RoMan II is not considered reliable enough to be used for projections at the timer of preparing this report.

Apart from ROMAN there is no integrated asset management system at the present time. There is no direct link between the finance system and the asset system.

5.3 Information Flow Requirements and Processes

The key information flows *into* this asset management plan are:

- The asset register data on size, age, value, remaining life of the network;
- The unit rates for categories of work/material;
- The adopted service levels;
- Projections of various factors affecting future demand for services;
- Correlations between maintenance and renewal, including decay models;
- Data on new assets acquired by council.

The key information flows *from* this asset management plan are:

- The assumed Works Program and trends;
- The resulting budget, valuation and depreciation projections;
- The useful life analysis.

These will impact the Long Term Financial Plan, Corporate Business Plan and Annual Budget.

There are currently no formal processes for the transfer of information from the AMP to the financial systems and for the recognition of new assets in either system. Refer to Improvement Plan.

5.4 Standards and Guidelines

There are currently no AMP policies or procedures. Refer to Improvement Plan.

6 PLAN IMPROVEMENT AND MONITORING

6.1 Performance Measures

The effectiveness of the asset management plan can be measured in the following ways:

- The degree to which the required cash flows identified in this asset management plan are incorporated into council's long term financial plan and Strategic Management Plan;
- The degree to which 1-5 year detailed works programs, budgets, business plans and organisational structures take into account the 'global' works program trends provided by the asset management plan.

6.2 Improvement Plan

The asset management improvement plan generated from this Asset Management Plan is shown below.

Task No	Task	Priority	Responsibility	Resources Required
1	Prepare a program to investigate for and remove asbestos from buildings	On going	Chief Executive Officer	
2	Prepare an asset management policy and strategy and obtain Councillors approval	1	Chief Executive Officer	external
3	Prepare an asset condition inspection and assessment plan that describes condition inspection and assessment processes and frequencies and condition data management for all asset classes	1	Chief Executive Officer	external
4	Collect financial information so that maintenance costs (planned and reactive) and operational costs can be separately identified for each asset class	1	Chief Executive Officer	External /internal
5	Improve financial reporting so that all capital work is separately identified as either renewal, upgrade or new and costs are correctly allocated	1	Chief Executive Officer	internal
6	Prepare formal processes for the transfer of information from the AMP to the financial systems and for the recognition of new assets in either system	1	Chief Executive Officer	internal
7	Review property leases and negotiate amendments as necessary to ensure the Shires risks regarding on-going liabilities are managed	2	Chief Executive Officer	internal
8	Prepare maintenance plans for all asset classes that cover the type and frequency of maintenance required to ensure that the Levels of Service are achieved	3	Chief Executive Officer	External /internal
9	Develop priority ranking procedure for renewals projects	3	Chief Executive Officer	internal

6.3 Monitoring and Review Procedures

This asset management plan will be reviewed during annual budget preparation and amended to recognise any changes in service levels and/or resources available to provide those services as a result of the budget decision process. The Plan has a life of 4 years and is due for revision and updating within 1 year of each Shire election.

GLOSSARY

REFERENCES

IPWEA, 2006, 'International Infrastructure Management Manual', Institute of Public Works Engineering Australia, Sydney, www.ipwea.org.au

Annual service cost (ASC)
An estimate of the cost that would be tendered, per annum, if tenders were called for the supply of a service to a performance specification for a fixed term. The Annual Service Cost includes operating, maintenance, depreciation, finance/ opportunity and disposal costs, less revenue.

Asset class
Grouping of assets of a similar nature and use in an entity's operations (AASB 166.37).

Asset condition assessment
The process of continuous or periodic inspection, assessment, measurement and interpretation of the resultant data to indicate the condition of a specific asset so as to determine the need for some preventative or remedial action.

Asset management
The combination of management, financial, economic, engineering and other practices applied to physical assets with the objective of providing the required level of service in the most cost effective manner.

Assets
Future economic benefits controlled by the entity as a result of past transactions or other past events (AAS27.12).

Property, plant and equipment including infrastructure and other assets (such as furniture and fittings) with benefits expected to last more than 12 month.

Average annual asset consumption (AAAC)*
The amount of a local government's asset base consumed during a year. This may be calculated by dividing the Depreciable Amount (DA) by the Useful Life and totalled for each and every asset OR by dividing the Fair Value (Depreciated Replacement Cost) by the Remaining Life and totalled for each and every asset in an asset category or class.

Brownfield asset values**
Asset (re)valuation values based on the cost to replace the asset including demolition and restoration costs.

Capital expansion expenditure
Expenditure that extends an existing asset, at the same standard as is currently enjoyed by residents, to a new group of users. It is discretional expenditure, which increases future operating, and maintenance costs, because it increases council's asset base, but may be associated with additional revenue from the new user group, e.g. extending a drainage or road network, the provision of an oval or park in a new suburb for new residents.

Capital expenditure
Relatively large (material) expenditure, which has benefits, expected to last for more than 12 months. Capital expenditure includes renewal, expansion and upgrade. Where capital projects involve a combination of renewal, expansion and/or upgrade expenditures, the total project cost needs to be allocated accordingly.

Capital funding
Funding to pay for capital expenditure.

Capital grants
Monies received generally tied to the specific projects for which they are granted, which are often upgrade and/or expansion or new investment proposals.

Capital investment expenditure
See capital expenditure definition

Capital new expenditure
Expenditure which creates a new asset providing a new service to the community that did not exist beforehand. As it increases service potential it may impact revenue and will increase future operating and maintenance expenditure.

Capital renewal expenditure
Expenditure on an existing asset, which returns the service potential or the life of the asset up to that which it had originally. It is periodically required expenditure, relatively large (material) in value compared with the value of the components or sub-components of the asset being renewed. As it reinstates existing service potential, it has no impact on revenue, but may reduce future operating and maintenance expenditure if completed at the optimum time, e.g. resurfacing or resheeting a material part of a road network, replacing a material section of a drainage network with pipes of the same capacity, resurfacing an oval. Where capital projects involve a combination of renewal, expansion and/or upgrade expenditures, the total project cost needs to be allocated accordingly.

Capital upgrade expenditure
Expenditure, which enhances an existing asset to provide a higher level of service or expenditure that will increase the life of the asset beyond that which it had originally. Upgrade expenditure is discretional and often does not result in additional revenue unless direct user charges apply. It will increase operating and maintenance expenditure in the future because of the increase in the council's asset base, e.g. widening the sealed area of an existing road, replacing drainage pipes with pipes of a greater capacity, enlarging a grandstand at a sporting facility. Where capital projects involve a combination of renewal, expansion and/or upgrade expenditures, the total project cost needs to be allocated accordingly.

Carrying amount
The amount at which an asset is recognised after deducting any accumulated depreciation / amortisation and accumulated impairment losses thereon.

Class of assets
See asset class definition

Component
An individual part of an asset which contributes to the composition of the whole and can be separated from or attached to an asset or a system.

Cost of an asset
The amount of cash or cash equivalents paid or the fair value of the consideration given to acquire an asset at the time of its acquisition or construction, plus any costs necessary to place the asset into service. This includes one-off design and project management costs.

Current replacement cost (CRC)
The cost the entity would incur to acquire the asset on the reporting date. The cost is measured by reference to the lowest cost at which the gross future economic benefits could be obtained in the normal course of business or the minimum it would cost, to replace the existing asset with a technologically modern equivalent new asset (not a second hand one) with the same economic benefits (gross service potential) allowing for any differences in the quantity and quality of output and in operating costs.

Current replacement cost "As New" (CRC)
The current cost of replacing the original service potential of an existing asset, with a similar modern equivalent asset, i.e. the total cost of replacing an existing asset with an as NEW or similar asset expressed in current dollar values.

Cyclic Maintenance**
Replacement of higher value components/sub-components of assets that is undertaken on a regular cycle including repainting, building roof replacement, cycle, replacement of air conditioning equipment, etc. This work generally falls below the capital/ maintenance threshold and needs to be identified in a specific maintenance budget allocation.

Depreciable amount
The cost of an asset, or other amount substituted for its cost, less its residual value (AASB 116.6)

Depreciated replacement cost (DRC)
The current replacement cost (CRC) of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset

Depreciation / amortisation
The systematic allocation of the depreciable amount (service potential) of an asset over its useful life.

Economic life
See useful life definition.

Expenditure
The spending of money on goods and services. Expenditure includes recurrent and capital.

Fair value
The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties, in an arm's length transaction.

Greenfield asset values **
Asset (re)valuation values based on the cost to initially acquire the asset.

Heritage asset
An asset with historic, artistic, scientific, technological, geographical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture and this purpose is central to the objectives of the entity holding it.

Impairment Loss
The amount by which the carrying amount of an asset exceeds its recoverable amount.

Infrastructure assets
Physical assets of the entity or of another entity that contribute to meeting the public's need for access to major economic and social facilities and services, e.g. roads, drainage, footpaths and cycleways. These are typically large, interconnected networks or portfolios of composite assets The components of these assets may be separately maintained, renewed or replaced individually so that the required level and standard of service from the network of assets is continuously sustained. Generally the components and hence the assets have long lives. They are fixed in place and are often have no market value.

Investment property
Property held to earn rentals or for capital appreciation or both, rather than for:

(a) use in the production or supply of goods or services or for administrative purposes; or

(b) sale in the ordinary course of business (AASB 140.5)

Level of service
The defined service quality for a particular service against which service performance may be measured. Service levels usually relate to quality, quantity, reliability, responsiveness, environmental, acceptability and cost).

Life Cycle Cost **
The life cycle cost (LCC) is average cost to provide the service over the longest asset life cycle. It comprises annual maintenance and asset consumption expense, represented by depreciation expense. The Life Cycle Cost does not indicate the funds required to provide the service in a particular year.

Life Cycle Expenditure **
The Life Cycle Expenditure (LCE) is the actual or planned annual maintenance and capital renewal expenditure incurred in providing the service in a particular year. Life Cycle Expenditure may be compared to Life Cycle Cost to give an initial indicator of life cycle sustainability.

Loans / borrowings
Loans result in funds being received which are then repaid over a period of time with interest (an additional cost). Their primary benefit is in 'spreading the burden' of capital expenditure over time. Although loans enable works to be completed sooner, they are only ultimately cost effective where the capital works funded (generally renewals) result in operating and maintenance cost savings, which are greater than the cost of the loan (interest and charges).

Maintenance and renewal gap
Difference between estimated budgets and projected expenditures for maintenance and renewal of assets, totalled over a defined time (e.g. 5, 10 and 15 years).

Maintenance and renewal sustainability index
Ratio of estimated budget to projected expenditure for maintenance and renewal of assets over a defined time (e.g. 5, 10 and 15 years).

Maintenance expenditure
Recurrent expenditure, which is periodically or regularly required as part of the anticipated schedule of works required to ensure that the asset achieves its useful life and provides the required level of service. It is expenditure, which was anticipated in determining the asset's useful life.

Materiality
An item is material is its omission or misstatement could influence the economic decisions of users taken on the basis of the financial report. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances.

Modern equivalent asset.
A structure similar to an existing structure and having the equivalent productive capacity, which could be built using modern materials, techniques and design. Replacement cost is the basis used to estimate the cost of constructing a modern equivalent asset.

Non-revenue generating investments
Investments for the provision of goods and services to sustain or improve services to the community that are not expected to generate any savings or revenue to the Shire, e.g. parks and playgrounds, footpaths, roads and bridges, libraries, etc.

Operating expenditure
Recurrent expenditure, which is continuously required excluding maintenance and depreciation, e.g. power, fuel, staff, plant equipment, on-costs and overheads.

Pavement management system
A systematic process for measuring and predicting the condition of road pavements and wearing surfaces over time and recommending corrective actions.

Planned Maintenance**
Repair work that is identified and managed through a maintenance management system (MMS). MMS activities include inspection, assessing the condition against failure/breakdown criteria/experience, prioritising scheduling, actioning the work and reporting what was done to develop a maintenance history and improve maintenance and service delivery performance.

PMS Score
A measure of condition of a road segment determined from a Pavement Management System.

Rate of annual asset consumption*
A measure of average annual consumption of assets (AAAC) expressed as a percentage of the depreciable amount (AAAC/DA). Depreciation may be used for AAAC.

Rate of annual asset renewal*
A measure of the rate at which assets are being renewed per annum expressed as a percentage of depreciable amount (capital renewal expenditure/DA).

Rate of annual asset upgrade*
A measure of the rate at which assets are being upgraded and expanded per annum expressed as a percentage of depreciable amount (capital upgrade/expansion expenditure/DA).

Reactive maintenance
Unplanned repair work that carried out in response to service requests and management/supervisory directions.

Recoverable amount
The higher of an asset's fair value, less costs to sell and its value in use.

Recurrent expenditure
Relatively small (immaterial) expenditure or that which has benefits expected to last less than 12 months. Recurrent expenditure includes operating and maintenance expenditure.

Recurrent funding
Funding to pay for recurrent expenditure.

Rehabilitation
See capital renewal expenditure definition above.

Remaining life
The time remaining until an asset ceases to provide the required service level or economic usefulness. Age plus remaining life is economic life.

Renewal
See capital renewal expenditure definition above.

Residual value
The net amount which an entity expects to obtain for an asset at the end of its useful life after deducting the expected costs of disposal.

Revenue generating investments
Investments for the provision of goods and services to sustain or improve services to the community that are expected to generate some savings or revenue to offset operating costs, e.g. public halls and theatres, childcare centres, sporting and recreation facilities, tourist information centres, etc.

Risk management
The application of a formal process to the range of possible values relating to key factors associated with a risk in order to determine the resultant ranges of outcomes and their probability of occurrence.

Section or segment
A self-contained part or piece of an infrastructure asset.

Service potential
The capacity to provide goods and services in accordance with the entity's objectives, whether those objectives are the generation of net cash inflows or the provision of goods and services of a particular volume and quantity to the beneficiaries thereof.

Service potential remaining*
A measure of the remaining life of assets expressed as a percentage of economic life. It is also a measure of the percentage of the asset's potential to provide services that is still available for use in providing services (DRC/DA).

Strategic Management Plan (SA)**
Documents Shire objectives for a specified period (3-5 yrs), the principle activities to achieve the objectives, the means by which that will be carried out, estimated income and expenditure, measures to assess performance and how rating policy relates to the Shire's objectives and activities.

Sub-component
Smaller individual parts that make up a component part.

Useful life
Either:

(a) the period over which an asset is expected to be available for use by an entity, or

(b) the number of production or similar units expected to be obtained from the asset by the entity.

It is estimated or expected time between placing the asset into service and removing it from service, or the estimated period of time over which the future economic benefits embodied in a depreciable asset, are expected to be consumed by the council. It is the same as the economic life.

Value in Use
The present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. It is deemed to be depreciated replacement cost (DRC) for those assets whose future economic benefits are not primarily dependent on the asset's ability to generate new cash flows, where if deprived of the asset its future economic benefits would be replaced.

Source: DVC 2006, Glossary

Note: Items shown * modified to use DA instead of CRC

Additional glossary items shown **

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