P040226 ASSET MANAGEMENT POLICY

OBJECTIVE

To ensure that assets support Council's strategic vision and objectives, deliver sustainable service outcomes and are provided at appropriate levels of service for present and future stakeholders.

POLICY

The Shire will provide and manage assets that support the delivery of services in line with the aspirations of the Strategic Community Plan. Through a commitment to continuous improvement in organisational asset management, the Shire will develop, adopt and implement an Asset Management Vision, Strategy and Management Plans.

The Shire will manage its assets in a whole-of-life and economically, environmentally, culturally and socially sustainable manner. Asset management decisions will consider other key Shire policies and priority will be given to existing assets and services over new assets and services. Long term resource needs (Asset Management Plans) will be balanced against availability (Long Term Financial Plan).

SCOPE

The Shire considers assets to be any that support the delivery of Shire services. These can broadly be considered as:

•   Recreation Assets – Parks, ovals, reserves, gardens, playgrounds, foreshores etc.

•   Property Assets – Buildings, freehold land and associated ancillary infrastructure.

•   Transport Assets – Roads, paths, culverts, drainage, aerodrome, street furniture etc.

•   Plant and Equipment – Vehicles, tools, plant, IT, communication equipment etc.

This Policy applies to all assets which are required to be managed by the Shire that have a life of greater than 12 months, and a replacement cost greater than $5,000.

FRAMEWORK

The Shire's Asset Management Vision shall be achieved through the implementation of the Department of Local Government's Integrated Planning and Reporting framework. As a minimum:

• The Asset Management Strategy shall define the Shire's asset management Vision, Objectives, Outcomes, Enablers (e.g. Roles and Responsibilities, Training etc.), Performance Monitoring and Implementation Plan; and

• Asset Management Plans will be driven by community informed service levels, future demand, long term sustainability and risk management.

REVIEW DATE

This Policy will be next reviewed on or before June 2018.

ASSET MANAGEMENT STRATEGY

17 October 2017 - Attachment 8.5.3b

Version Control

Rev No	Date	Revision Details	Author	Approver
1.0	October 2017	First version	Ben Symmons (AIM Consultants)	Bill Parker Chief Executive Officer

Document Management

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Standards

This document complies with Local Government Standards for the Preparation of Documents, which are based on the AS 3900 series of Australian Standards.

Responsibilities

The **Chief Executive Officer**, as the document owner, is responsible for approving the original issue and all major re-issues of this document.

Document Preparation and Review

This document has been prepared and reviewed in accordance with the Shire's Policies and Procedures. The document will be next reviewed on or before September 2018.

Table of Contents

1   Introduction

1.1   Background

The Shire of Denmark (the Shire) provides a range of services to its customers. The delivery of these services is typically supported by one or more different assets. To encourage a continuous improvement approach to the management of assets, the Shire operates an Integrated Asset Management Framework (IAMF). The IAMF aligns with the WA Integrated Planning and Reporting Framework (IPRF). The Chief Executive Officer is responsible for implementing both frameworks.

1.2   Integrated Planning and Reporting Framework (IPRF)

Under the Local Government Act 1995 (the Act), it is a requirement of all WA local governments to produce a plan for the future. As a minimum, this includes a Strategic Community Plan (SCP) and Corporate Business Plan (CBP). Each of these should be informed by a number of strategies. All elements of the broader framework should be integrated (as detailed below), and seek to establish long term, sustainable, service delivery.
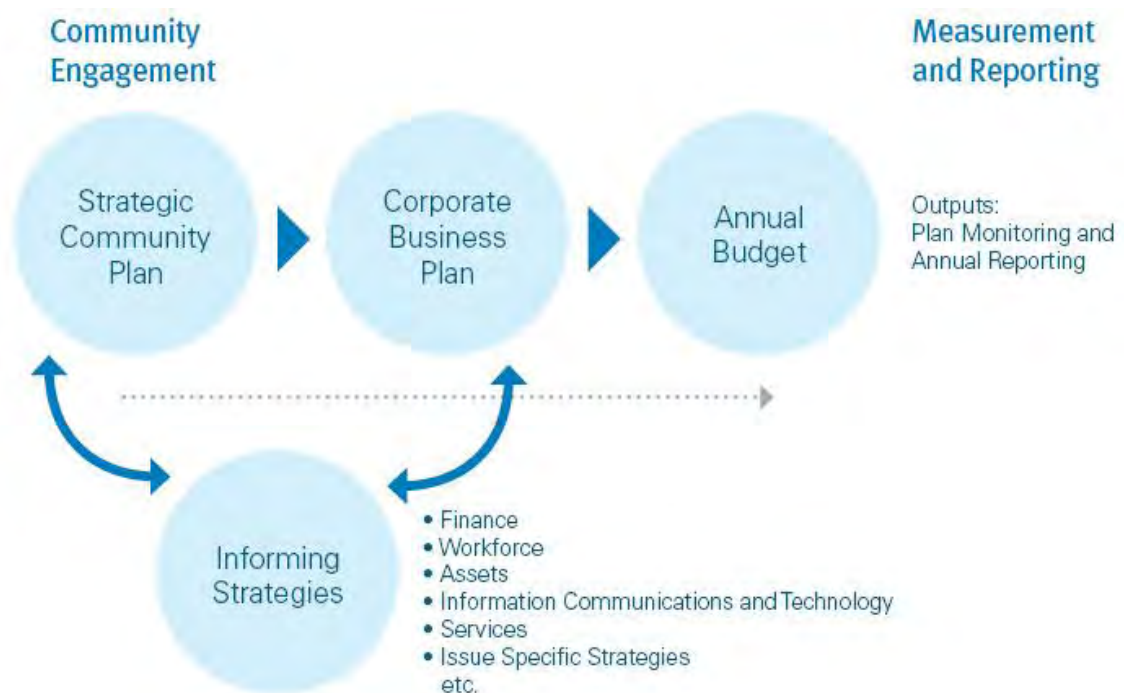

Figure 1: IPRF Structure (Source: WA DLGC, 2016)

1.3 Integrated Asset Management Framework (IAMF)

The Shire has applied the IAMF to its own asset management practices and processes. Under the IAMF, and as outlined in the diagram below, the Shire will operate:

- An Asset Management Policy
- An Asset Management Strategy (this document)
- Asset Management Plans
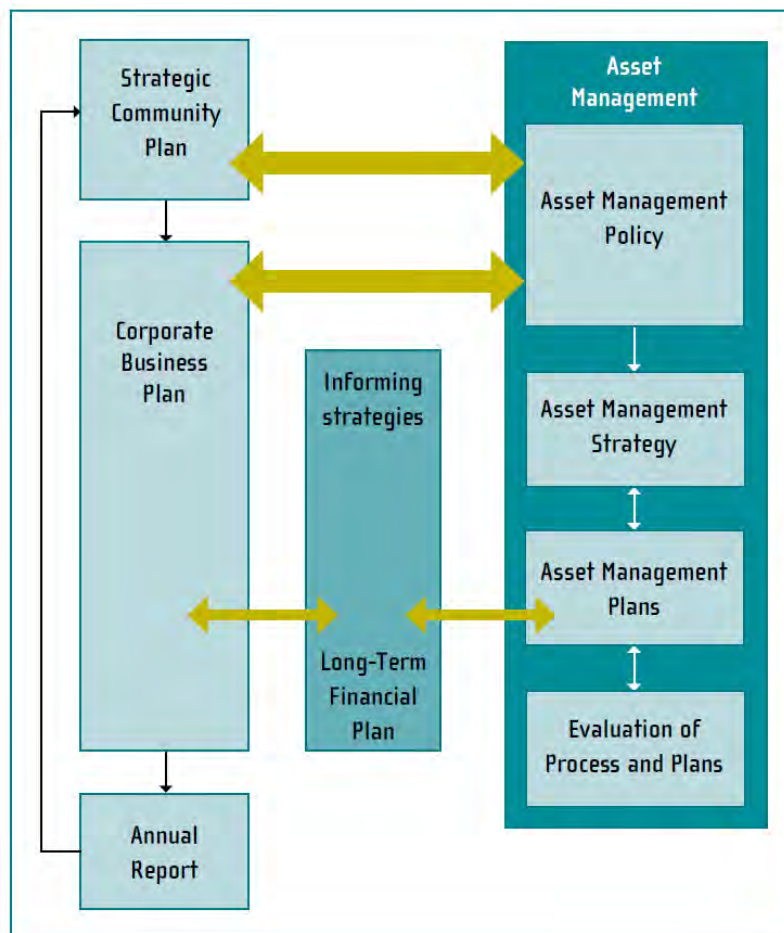
Figure 2: The WA Asset Management Framework (*Source:* WA DLGC, 2016)

Each of the IAMF elements support the Shire's effective delivery of the IPRF. In order to evaluate the effectiveness, the Shire:

- Periodically uses a National Assessment Framework (NAF) to self-assess its performance across 11 focus areas (Section 5.1). This also allows the Shire's performance to be benchmarked against similar organisations.
- Produces three asset focussed Key Performance Ratios (Section 5.2), being:
  - Asset consumption ratio (ACR)
  - Asset sustainability ratio (ASR)
  - Asset renewal funding ratio (ARFR).

2 Asset Management Context

2.1 The Need for Assets

As a local government organisation, the Shire delivers a range of services that underpin our local community. The provision of these services is typically determined by multiple drivers including legal (e.g. Legislation and Acts) and stakeholder (e.g. community, visitors etc.) requirements and expectations. Ultimately, these services often require assets (e.g. infrastructure) to enable their delivery. These assets then require careful management to ensure that they are provided in a sustainable, cost-effective and safe manner.

2.2 What is Strategic Asset Management?

Strategic Asset Management is a process that establishes goals, targets and outcomes to define and communicate an organisation's high-level intent and direction in asset management. It focuses on the key actions that need to be taken by the organisation with respect to the management of physical assets.

2.3 Purpose of this Asset Management Strategy

The purpose of this Strategy is to specify how the Shire's asset portfolio will be managed to meet the service delivery needs of our community and visitors. The Strategy details the objectives, performance measures and outcomes of our assets. The Strategy also outlines the current status of the Shire's asset management practices and processes, compares this to our future vision and identifies appropriate improvement tasks.

2.4 Scope of this Strategy

The scope of this Strategy extends across all Shire assets (as defined by the AM Policy), that have a life of greater than 12 months, and a replacement cost greater than $5,000. These can broadly be considered as:

- Recreation Assets – Parks, ovals, reserves, gardens, playgrounds, foreshores etc.
- Property Assets – Buildings, freehold land and associated ancillary infrastructure.
- Transport Assets – Roads, paths, culverts, drainage, aerodrome, street furniture etc.
- Plant and Equipment – Vehicles, tools, plant, IT, communication equipment etc.

3   The Strategy

3.1   Asset Management Vision

To ensure the future sustainability of the Shire's services, it is essential to balance the community's level of service expectations, against its willingness and capacity to pay.

Consequently, *'through innovative practices, the Shire will manage assets in an environmentally and economically sustainable manner, to support a happy, healthy and diverse community'*.

3.2   Strategy Objectives

The Strategy provides the basis upon which the Shire will enhance its overall asset management capability. The Strategy will inform stakeholders on:

- What the Shire's current asset management position and performance is.
- What the Shire's desired asset management position and performance is.
- How the Shire will close any gap and achieve the desired position and performance.

This Vision and Objectives will be achieved through a commitment to 5 key asset management need areas as defined by the Strategy Methodology.

3.3   Strategy Methodology

The Shire's adopted methodology for strategic asset management is built around the enhancement and delivery of the **five key needs areas** defined below.

Service Focus	Skills	Knowledge	Review	Governance
Intended to support the delivery of services through operation and management of physical assets	Founded on skills, capability and professionalism	Supported by information, benchmarking, standards, tools and guidance	Matched by review, performance measurement, challenge and audit	Encouraged by strong, high level leadership to ensure that asset management is fully integrated with strategic resource and business delivery

Figure 3: Strategy Needs Areas

3.4   Strategy Outcomes

To achieve the Asset Management Vision, the Shire has identified the following key outcomes that it wishes to achieve from this Strategy.

- An appropriate organisation wide asset management framework will be implemented and led by strong corporate governance and regular performance review.
- Organisational asset management principles and responsibilities are well defined, understood, documented and adhered to.
- All assets are clearly linked to the services required by the Shire's SCP.
- The Shire operates asset management plans for all major asset groups.
- All asset management plans detail service levels, future demand, risk management, financial analysis, performance and condition and improvement goals.
- All asset management plans have clear links to other strategic documents, such as the long term financial plan, asset management strategy, forward works plans and annual budget.
- Asset investment decisions are made on the basis of balancing risk, service levels, safety and cost.
- Long term asset management resourcing needs (financial and workforce) are understood, planned for and provided.

4 Strategy Enablers and Controls

Enablers and controls can be considered as a range of different practices, processes, support systems, activities and resources that enable the Shire to operate its asset management framework efficiently and effectively. To achieve the outcomes previously identified, the Shire will need to supplement a number of existing enablers and controls with new ones that address critical gaps.

Using our Asset Management objectives as focus, The Shire has developed the following asset management enablers and controls around each of our 5 key needs areas.

4.1 Service Focus

The Shire's asset management strategy seeks to bring greater focus to the provision of services and in doing so, identify optimal infrastructure asset solutions.

4.1.1 Facilitated Services

This Strategy will seek to ensure that all assets are clearly linked to at least one service, as required by the Strategic Community Plan. Therefore, the Shire will:

- Identify the services that it provides, and classified these as either core or non-core
- Clearly link assets to service delivery outcomes
- Structure its asset management activities around appropriate service outcomes (e.g. Transport, Recreation, Property and Plant & Equipment)
- Link Asset Management Plans to other Shire informing strategies and plans (and vice versa)

4.1.2 Service Levels

The Shire's Asset Management Plans will define the service quality for a particular asset group or service area against which performance can be measured. In order to determine the appropriate levels of service for our community the Shire will:

- Monitor and record current levels of service performance within its Asset Management Plans and link these to the cost of service
- Undertake community perception surveys and record customer complaints/work requests to monitor service satisfaction
- Undertake community engagement and consider other relevant drivers (e.g. legislation and risk) to determine target levels of service

4.1.3 Risk Management

Risk management is an important foundation for proactive asset management. Its overall purpose is to understand the cause, effect and likelihood of adverse events occurring (e.g. failure). Therefore, the Shire will:

- Ensure that asset-related risks are identified, assessed and controlled
- Develop and implement procedures for the proactive identification of asset risks (e.g. periodic asset inspections) on existing and future assets (e.g. designs)
- Ensure that Council reports contain a risk assessment where they concern assets
- Apply suitable works (e.g. planned maintenance, renewal etc.) intervention triggers to assets
- Plan for natural events that may affect assets, create mitigation strategies and undertake periodic reviews (e.g. after events, of control systems etc.)
- Maintain appropriate insurance cover

4.2 Skills

In order to develop and sustain the delivery of the IAMF, the Shire must maintain access to skilled personnel.

4.2.1 Competence, Training and Awareness

To implement and sustain the Shire's IAMF, it will:

- Identify all staff roles that participate in an asset management function and ensure they understand the concepts of asset management and their role within the framework
- Maintain an asset management skills gap analysis and then where required, provide appropriate means of upskilling staff (e.g. professional development)
- Ensure that staff Position Descriptions remain relevant through regular review
- Encourage staff networking, knowledge sharing and mentoring within the industry
- Develop and implement staff succession plans
- Implement appropriate procedures that facilitate knowledge capture

4.2.2 Outsourcing of Asset Management Activities

In managing the Shire's portfolio of infrastructure assets, consideration will be given as to whether there are more economical sources of skilled labour, as an alternative to directly employed staff. Therefore, the Shire will:

- Identify staff skill gaps that cannot be economically bridged by training
- Review the cost/benefit of undertaking specific tasks internally or externally, as required
- Develop clear statement of works, with accurate deliverables for outsourced work
- Establish ongoing partnership relationships with contractors
- Review and report the service quality of outsourced work
- Apply robust procurement policy

4.3 Knowledge

A key component of sound infrastructure asset management practices and processes is the possession of robust knowledge by way of data.

4.3.1 Documentation

Formal documentation is a fundamental element of good asset management. Up to date documents allow stakeholders to readily understand the Shire's IAMF and its application and performance. Therefore, the Shire will develop and/or maintain:

- An Asset Management Policy
- An Asset Management Strategy
- Asset Management Plans for all major asset groups
- An Asset Inspection Manual, with a corporate condition rating scale
- An operation and maintenance service level plan for all asset classes
- Engineering plans and manuals (where appropriate)
- Relevant asset management procedures

4.3.2 Information

Good asset management requires meaningful, accurate, timely and accessible asset information. Therefore, the Shire will:

- Determine what information is required to be known for different assets in order to inform different outcomes (e.g. works programmes, valuations etc.)
- Develop and maintain accurate asset inventories (including hierarchies) within an accessible yet secure central repository
- Record financial transactions and valuations at an asset and activity level
- Record works activities at an asset level
- Predict future asset works and budgets
- Predict future asset demand sources
- Record records against assets
- Provide asset data collection templates to external bodies (e.g. developers)
- Report asset data to key stakeholders

4.4 Review

Organisational commitment is important to ensure that the Shire's IAMF is being effectively and efficiently implemented and that it remains consistent with corporate objectives. Therefore, ownership and regular review of the asset management strategy is important.

4.4.1 IAMF Performance

To ensure that the IAMF is performing suitably well, the Shire will:

- Ensure that the asset management policy remains appropriate
- Ensure that the asset management strategy and management plans are reviewed before their 'sunset clauses' expire
- Ensure that the implementation of the Strategy is frequently reviewed by the AMWG
- Undertake an annual asset management performance self-assessment (e.g. NAF)
- Annually produce the 3 asset sustainability ratios at a service and asset level

4.5 Governance

While asset management implementation and improvement is a corporate responsibility, it cannot be achieved without high level support. Strong senior management and Council commitment must occur for the Strategy to be effective.

4.5.1 Structure, Authority and Responsibilities

For Asset Management to be effective all key stakeholders need to understand their roles and responsibilities. Therefore, the Shire will:

- Encourage a corporate approach to asset management
- Document and communicate staff and Council members' asset management roles, responsibilities and authority (e.g. via PDs)
- Implement asset management awareness training for all staff and Council members
- Ensure that staff understand where their job fits within the IAMF
- Ensure that Senior Management Team meetings regularly consider asset management activities
- Implement asset management KPIs for senior staff
- Establish a good asset management practice awards and recognition programme

4.5.2 Corporate Documentation Interoperability

A key feature of any successful asset management framework is that 'line of sight' is achieved with the organisation's strategic objectives. Therefore, the Shire will:

- Ensure that the asset management Policy and Strategy are consistent with the Strategic Community Plan

4.5.3 Decisions

Organisation's with strong asset management frameworks, are able to ensure that the services they provide are done so in an optimal and sustainable manner. Therefore, the Shire will:

- Periodically brief Council on the Shire's asset management performance
- Ensure that asset investment decisions (i.e. project justifications) are made on the basis of balancing risk, service levels, safety and lifecycle cost
- Evaluate upgrade and new projects by their strategic fit, risk profile and cost/benefit

5 Strategy Performance Monitoring

To ensure that the Strategy remains relevant and that its success can be tracked, the Shire will apply two key measures of success. The first is a self-assessment, which allows the Shire to track its position and progress against a nationally consistent approach. The second, being the sustainability ratios, details the Shire's past, present and future asset financial sustainability.

5.1 National Assessment Framework

The NAF allows local governments to periodically self-assess their performance against 11 focus areas. This then allows performance benchmarking against peers to occur, as well as the establishment of improvement actions.

5.1.1 Current Performance

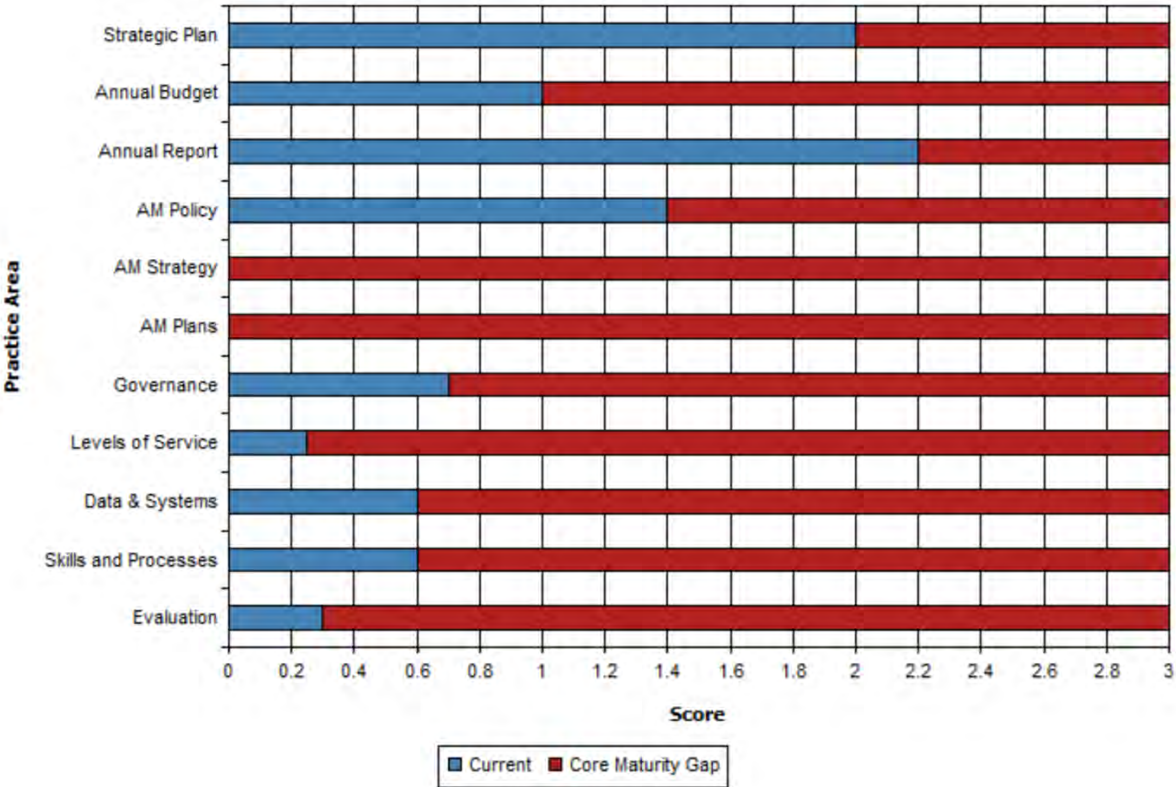The results from the Shire's last self-assessment in August 2017 can be viewed below.

Figure 4: 2017 NAF Self-Assessment Results

5.1.2 Historic NAF Assessment Results

Table 1 details the historic change in the Shire's NAF assessment. The score is that from the 11 focus areas.

Analysis Date	Score
August 2017	9.1

Table 1: Historic NAF Assessment Results

5.2 Sustainability Ratios

5.2.1 Current Performance

WA local governments are required to measure and report three asset ratios in their annual financial reports. These ratios are reported here within the Strategy to provide greater detail on the past, present and future financial sustainability of different asset groups.

Indicator	Asset Group	Performance	Target
Asset Consumption Ratio	Property Plant & Equipment Recreation Transport	To be confirmed (30 June 2018)	50% - 70%
Asset Sustainability Ratio	Property Plant & Equipment Recreation Transport	To be confirmed (30 June 2018)	90% - 110%
Asset Renewal Funding Ratio	Property Plant & Equipment Recreation Transport	To be confirmed (30 June 2018)	90% - 100%

Table 2: Shire Asset Sustainability Ratios

6 Strategy Implementation

6.1 Implementation Plan

This Strategy is a long-term document that supports the Shire's journey of improvement. Table 3 sets out the current improvement actions that have been identified through either the Shire's NAF self-assessment. Each action is prioritised, any prerequisite actions identified, resourced and programmed in.

Action Number	Action	Prerequisite Action	Estimated Completion	Assigned Responsibility
1	Develop a 10-year Long Term Financial Plan (linked to the Strategic Community Plan).	Nil	Dec '17	DFA
2	Add Strategic Community Plan progress statements to the 2017/18 Annual Report.	Nil	Jul '18	CPO
3	Review, and where required, update the AM Policy (including the Vision).	Nil	Nov '17	CEO
4	Develop an asset management roles and responsibilities matrix for staff. Where required, use the matrix to update staff Position Descriptions.	Nil	Nov '17	CEO
5	Review and finalise the Asset Management Strategy.	Nil	Oct '17	CEO
6	Develop asset management plans for all major services (e.g. transport, property, recreation etc.).	7	Jun '18	AMWG
7	Arrange asset management plan mentoring workshops, as required.	Nil	Sep '17	CPO
8	Implement a capital project investment decision framework.	Nil	Dec '17	CEO
9	Develop an asset management system functional specification.	Nil	Sep '18	AMWG
10	Develop 'data dictionaries' for all asset classes.	Nil	Dec '17	AMWG
11	Develop an asset inspection manual.	Nil	Mar '18	AMWG

12	Add Integrated Planning and Reporting activities (e.g. revisions of LTFP, SCP, CBP etc.) onto a corporate calendar.	Nil	Oct '17	CEO
13	Develop and implement a procedure for the updating of asset inventories with capital project information.	Nil	July '18	AMWG
14	Develop a consolidated and centralised long term works programme.	Nil	Feb '18	ACCOUNTANT

Table 3: Asset Management Strategy Action Plan

7   Appendices

7.1   AM Roles & Responsibilities Matrix

Focus Area	Element	Explanation	Service Group Transport	Service Group Recreation (Parks & Gardens)	Service Group Property	Service Group Plant & Equipment
Strategic Requirements	AM Policy	Outlines the principles and requirements for undertaking AM across the organisation.	CEO	CEO	CEO	CEO
Strategic Requirements	AM Strategy	Sets out the Vision and Framework for the Shire's AM practices. Includes objectives, practices, enablers and KPIs.	CEO	CEO	CEO	CEO
Strategic Requirements	Service Delivery	Detail the different services delivered by the organisation, who to, why and how.	EXEC	EXEC	EXEC	EXEC
Strategic Requirements	AMP Levels of Service	Statements that describe the exact outputs (e.g. quality) that an asset(s) intends to provide.	EXEC	EXEC	EXEC	EXEC
Strategic Requirements	Demand Forecasting	Identifying, quantifying and managing long term demand drivers that may affect future service and assets.	AO	AO	AO	AO
Strategic Requirements	Data Collection	Identifying and initiating the organisation's asset data requirements, data formatting, collection methods and frequencies.	AO	AO	AO	AO
Strategic Requirements	Data Management	Receiving, analysing, storing and disseminating asset data.	AO	AO	AO	AO
Strategic Requirements	Risk Management	Identifying organisation's asset risks, understanding exposure and planning for mitigation.	EXEC	EXEC	EXEC	EXEC
Lifecycle Management	Operation & Maintenance Works Planning	Developing asset operation and maintenance strategies and schedules.	AO	AO	AO	AO
Lifecycle Management	Capital Works Planning	Developing asset renewal, upgrade, new and disposal strategies and plans.	AO	AO	AO	AO
Lifecycle Management	Financial Planning	Identifying assets' long term financial needs, revenue sources and valuations.	ACCT	ACCT	ACCT	ACCT
Enablers	AM Resourcing	Defining individual asset management roles and responsibilities.	CEO	CEO	CEO	CEO
Enablers		Governing the organisation's overall asset management activities.	CEO	CEO	CEO	CEO
Enablers	Asset Management Plans	Developing and maintaining asset management plans.	CPO	CPO	CPO	CPO
Enablers	AM Software Systems	Identifying system requirements, procuring systems, developing systems and supporting systems.	AMWG	AMWG	AMWG	AMWG

Key

Abbv.	Position/Title
CEO	Chief Executive Officer
EXEC	Executive Team
AO	Asset Officer
ACCT	Accountant
CPO	Corporate Planning Officer
AMWG	Asset Management Working Group

7.2 Asset Management Working Group – Terms of Reference

1. AIM

To undertake the DoAMPSPs Project to develop an Asset Management Policy, Asset Management Strategy and Asset Management Plans.

2. OBJECTIVES

The DoAMPSPs Project will provide:

1. An Asset Management Policy that outlines the Shire of Denmark's asset management objectives, targets and plans. It will establish a platform for service delivery and will provide the framework to enable the Asset Management Strategy and Plans to be produced. The Asset Management Policy will support 'whole of life' and 'whole of organisation' approaches to asset management. The Policy will be developed reflecting Council priorities and community needs (identified through the Strategic Community Plan, customer satisfaction measures and ongoing community engagement).

2. An Asset Management Strategy that outlines how the Shire of Denmark's asset portfolio will meet the service delivery needs of its community into the future, enables the Shire of Denmark's Asset Management Policy to be achieved and ensures that asset management is integrated with the Strategic Community Plan and Corporate Business Plan. The Strategy will:

   • Define major asset classes

   • Define levels of service

   • Link to the Long Term Financial Plan

   • Link to the Workforce Plan

   • Set governance and management arrangements

   • Establish data and information systems

   • Incorporate improvement of skills and processes

3. Asset management Plans that define current levels of service and the processes used to manage the asset class. The Plans will include:

- Reference to an asset register (which electronically records all assets and their location, acquisition, disposal, transfer and other relevant transactions based on best current information and random condition and performance sampling)

- Defined levels of service for each asset category or particular actions required to provide a defined level of service in the most cost-effective manner

- Demand forecasting

- Risk management strategies

- Financial information such as asset values, agreed depreciation rates, agreed depreciated values, capital expenditure projections for new assets as a result of growth, or to renew, upgrade and extend assets

- Strategies to manage any funding gaps

- Consideration of alternative service delivery solutions (leasing, public-private partnerships, shared services arrangements)

- Information on 'whole of life' costing including changes in service potential for assets

- A schedule for asset performance review and plan evaluation

- An asset management improvement program

- Linkages to other strategic documents

3.   **MEMBERSHIP**

Membership of the Working Group will comprise of a total of 8 members comprising:

- Chief Executive Officer (Program Manager)

- Appointed Consultant (Project Manager)

- Director of Infrastructure Services

- Engineering Technical Officer

- Health/Building Projects Officer

- •   Manager Recreation Services

- •   Corporate Planning Officer

- •   Accountant

4.   SUNSET CLAUSE

The Working Group will cease to exist following the completion, and adoption by Council, of an Asset Management Policy, Asset Management Strategy and Asset Management Plans for each asset class.

5.   MEETINGS

- •   Meeting frequency will be as required.

- •   Office Secretariat: Corporate Planning Officer.