

DENMARK 2027



WORKFORCE PLAN AND PEOPLE STRATEGY 2019-2022

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OUR APPROACH TO WORKFORCE PLANNING

In 2017, Council adopted a new Strategic Community Plan - Denmark 2027. The plan outlines a series of aspirations and objectives based upon extensive community consultation. To deliver the community's goals and aspirations, the Shire must have both the capacity and capability from an organisational perspective.

To ensure that the Shire can deliver on the broad objectives set by the community, the organisation has undertaken;

1. A workforce analysis to determine organisational capability
2. A risk analysis to identify and assess the risks that are currently facing our workforce
3. A forecasting exercise to identify how the workforce will need to change over time given local and global workforce trends

In response to these undertakings, the Shire has developed this Workforce Plan and People Strategy (2019 - 2022). The plan articulates where we are, where we need to be, and how we are going to get there.

The workforce planning process identified many areas of strength across the organisation, particularly regarding organisational culture and team spirit.

The Shire has been actively measuring employee perceptions for the past two years via an annual staff culture survey, which has helped inform and prioritise actions within this Workforce Plan.

Over the past two years, employee satisfaction, commitment to the organisation, and the likelihood of recommending the Shire as a place to work have significantly increased. The latest survey results show that ratings provided in these areas have surpassed the WA average and have met or are close to meeting the highest industry score.

The actions contained within this Workforce Plan and People Strategy aim to support our staff as we build on this excellent foundation by continuing to improve in other areas across our workforce.

The improvement opportunities identified within the Workforce Plan and People Strategy include;

1. Diversity: We would like to improve our diversity across the organisation and our percentage of female employees in leadership positions
2. Staff development: We wish to continue to support employee career growth within the Shire
3. Succession and an ageing workforce: We wish to support our seasoned employees in their careers whilst also providing opportunities for long standing employees to pass on corporate knowledge and skills

In response and as a priority, the Shire will;

1. Undertake a diversity and inclusion review of key HR processes and practices to remove potential barriers and improve diversity
2. Provide secondment opportunities to develop our future leaders and implement Career Development Plans for all permanent employees to encourage and support career progression
3. Develop and implement a transition to retirement policy to support our ageing workforce

Workforce planning is a continual process of shaping the workforce to ensure that it is capable of delivering organisational objectives. This plan will be reviewed annually as we continue to measure our performance against key people metrics, efficiency measures and staff survey results.

HOW OUR EMPLOYEES FEEL ABOUT THE ORGANISATION



96% of employees rate the Shire as a positive place to work

89%

of employees would still like to be working with the Shire in three years time

What staff value most about working at the Shire

the people who they work with
team spirit
workplace culture
the location
ability to be involved in the community
being trusted and supported at work

MOVING FORWARD, EMPLOYEES WOULD LIKE THE SHIRE TO PRIORITISE

access to equipment and resources
access to training and development
policies, systems and processes
fair pay
top-down communication
recruitment attracting the right people
employee benefits

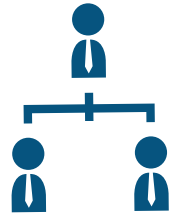
Employees gave the highest scores when answering the following three questions:

I enjoy the work I do
We have a strong customer focus
The work I do is interesting, engaging and meaningful

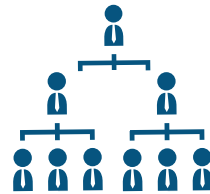
OUR WORKFORCE



92 Total Headcount
45% Female | 55% Male



3 Executive Staff
0% Female | 100% Male



6 Managers
0% Female | 100% Male



48 Years
Average Age



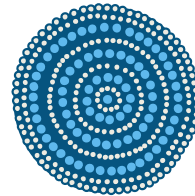
7 Years
Average Tenure



5% Non English-
Speaking Background



46% Received an
Internal Promotion



0% Employees that
are Aboriginal



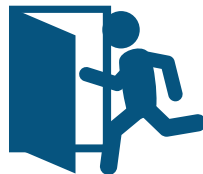
19% Access Flexible
Working Arrangements
85% Female | 15% Male



5% With a
Disability



4% Eligible to
Retire



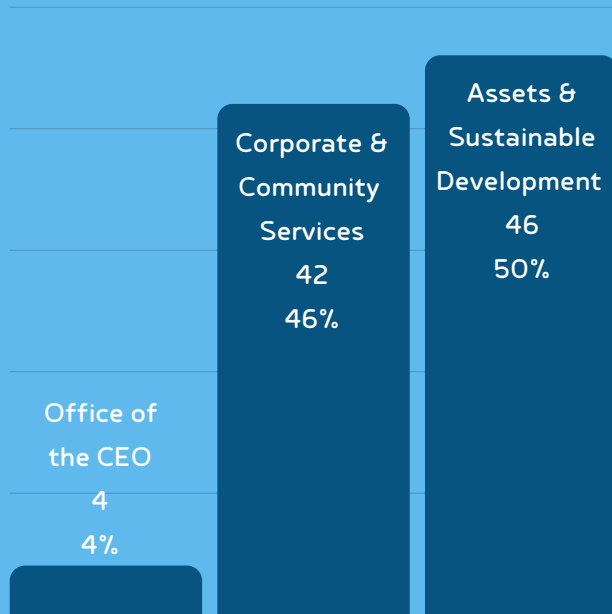
8.2% Turnover
Last Year



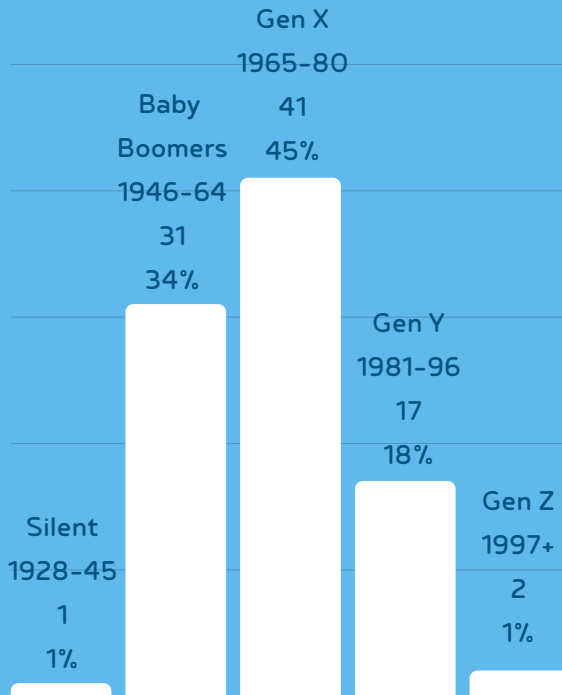
7 Days Average
Absenteeism

Workforce statistics current as at
30 June 2019

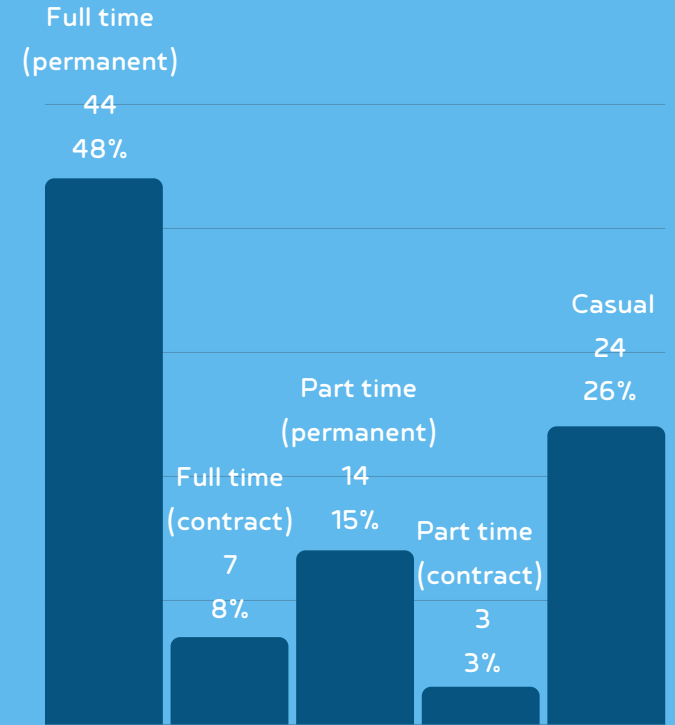
OUR WORKFORCE



Employees by work area

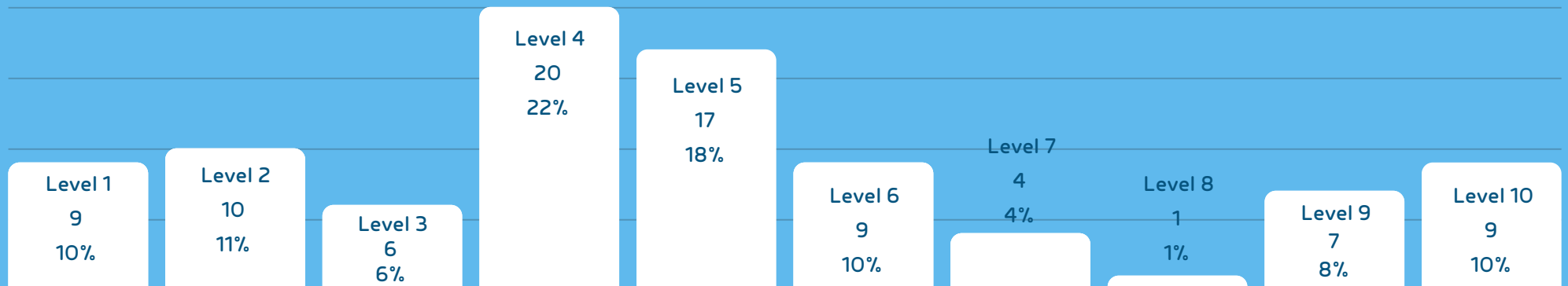


Employees by generation



Employees by employment status

Employees by award classification



CHALLENGES IN OUR ORGANISATION AND IN OUR SECTOR

Community Expectations

Increasing community expectations and continued population and visitor growth within our Shire continues to place pressure on our organisation and workforce. Increasing expectations without a willingness to pay requires us to become more strategic and efficient with our current resources in order to deliver more with less.

Industry Competitiveness

Our current salary levels on average are below the 50th percentile of the salary market within Local Government, when comparing the wages of our staff to those in Local Governments with a similar operating budget. Low wages increase our risk of attracting less experienced staff when advertising positions and also provides challenges with being able to retain our high performers.

Diverse Offerings

Local Governments are required to provide an increasingly diverse range of services, requiring an extensive skill base within the workforce. This requirement often results in the need for employees to be multi-skilled across broad, and often different, subject matter areas, particularly in smaller Local Governments due to the inability to fund specialists in each field. Such diversity can limit the outcomes Local Governments are able to achieve when compared to private organisations that have the benefit of specialisation.

Ageing Workforce

67% of our permanent workforce is aged 45 and above, presenting a number of challenges for our organisation, particularly in relation to knowledge loss as long-standing employees seek retirement. We will need to address this challenge whilst also providing options for employees to transition to retirement, offering job redesign options where possible and maintaining a safe and healthy workforce.

Reliance on Volunteers

We have a large volunteer base that are relied upon to manage a number of facilities and provide services that our paid workforce would otherwise be responsible for. We presently have no strategy to actively manage our volunteers and no succession plans in place should volunteer groups be unable to continue to deliver these services.

Skill Gaps

Our team planning process identified some skill gaps present within our current workforce. These gaps include technical and soft skills and have occurred due to changing position requirements, the adoption of new technology and processes, industry wide skill shortages and challenges relating to recruiting specialised or experienced employees.

Cost Shifting

State and Federal Government continue to broaden the responsibilities of Local Government through the passing down of duties previously held by various Government departments. Cost shifting stretches Local Government resources, often impacting service delivery and community satisfaction.

NATIONAL AND GLOBAL WORKFORCE TRENDS

Unemployment rates are much higher for young people.

Part-time work is becoming more common, with more Australians working fewer hours than they'd like.

Seniors are playing a bigger role in the workforce.

Advancements in technology are changing the types of jobs and skills we need.

An organisations role and track record in social matters is gaining more of a focus. Business leaders and CEOs will need to look at their societal role and how they react to public issues.

Jobs are becoming more highly skilled.

Fewer people are volunteering.

The role of HR is changing with proactive businesses placing HR at the heart of the organisation's strategy.

Employees are seeking rewards that are personalised, agile and holistic.

As work and private lives begin to meld together, employees are demanding more in the way of benefits to boost their well-being.

The workforce of today is no longer the full-time employee on a salary. This trend is not going away, so organisations will need to sit down and think about how they will manage this.

There is growing need for executives to operate in a more integrated way and consider their impact across the organisation, working together rather than independently.

With the growth in communication tools and work-based social media platforms, organisations need to ensure these tools will increase productivity rather than hinder it.

Work in an era of 100-year lives:
Employees are living longer lives, but most workplaces have not changed significantly to embrace that. Forward thinking-organisations are looking at an ageing or 'seasoned' workforce as a great opportunity and are developing ways to get great benefit from this sector.

OUR PEOPLE VISION - THE WAY FORWARD

Our people vision is to grow a workforce culture that enables us to become a high-performing organisation. We want to be recognised by our community for our helpful approach, can-do attitude and high levels of innovation.

Our Culture

Thinkers

Our staff are thinkers, they embrace new ideas and apply innovation. They are progressive and creative and challenge the mainstream way of doing things.

Doers

Our staff are doers, they use their time responsibly, work hard and set high standards. They are calm and consistent under pressure, accept ownership and take great pride in their work.

Happy + Positive

Our staff are happy and positive and genuinely care about each other. They are resilient, have a customer service focus and are enthusiastic about their job. They remain solution-focused, respect different perspectives and always strive to get the best outcome for the community.

Our commitments

1. We will spend local as often as we can
2. We will consult our community
3. We will treat our natural environment as precious and important
4. We will make things as simple as possible
5. We will say yes as often as we can
6. We will treat people with respect
7. We will support and treasure the volunteers in our community
8. We will seek and embrace new ideas and smarter ways of doing things

Our Values

Consistency | Sustainability | Honesty & Integrity
Teamwork | Transparency | Respect

OUR WORKFORCE IMPROVEMENT PLAN - THE WAY FORWARD

To achieve our people vision, we have created an improvement plan that outlines four key themes to guide our actions:

1. Attract a diverse and high performing workforce

- Develop an employment brand for the Shire of Denmark that communicates our vision
- Implement a performance based hiring methodology to improve recruitment and selection outcomes
- Review recruitment processes to improve the candidate experience
- Undertake a diversity and inclusion review of key HR processes and practices to remove potential barriers and improve diversity
- Review our approach to traineeships and apprenticeships to encourage opportunities

2. Inspire and grow our people

- Implement an annual refresher training program of key business processes and activities to improve organisational outcomes
- Implement a Leadership Development Framework and training program to increase management capability
- Facilitate community engagement training and project management training for key personnel
- Implement an internal mentoring and/or peer support program to develop our future leaders
- Provide secondment opportunities to develop our future leaders
- Implement Career Development Plans for all permanent employees to encourage and support career progression
- Implement innovation meetings and review current meeting structures to encourage employee engagement, improve organisational performance and reduce the chance of silos
- Commit 1% of the Shire's annual salary and wages budget to professional development

OUR WORKFORCE IMPROVEMENT PLAN - THE WAY FORWARD

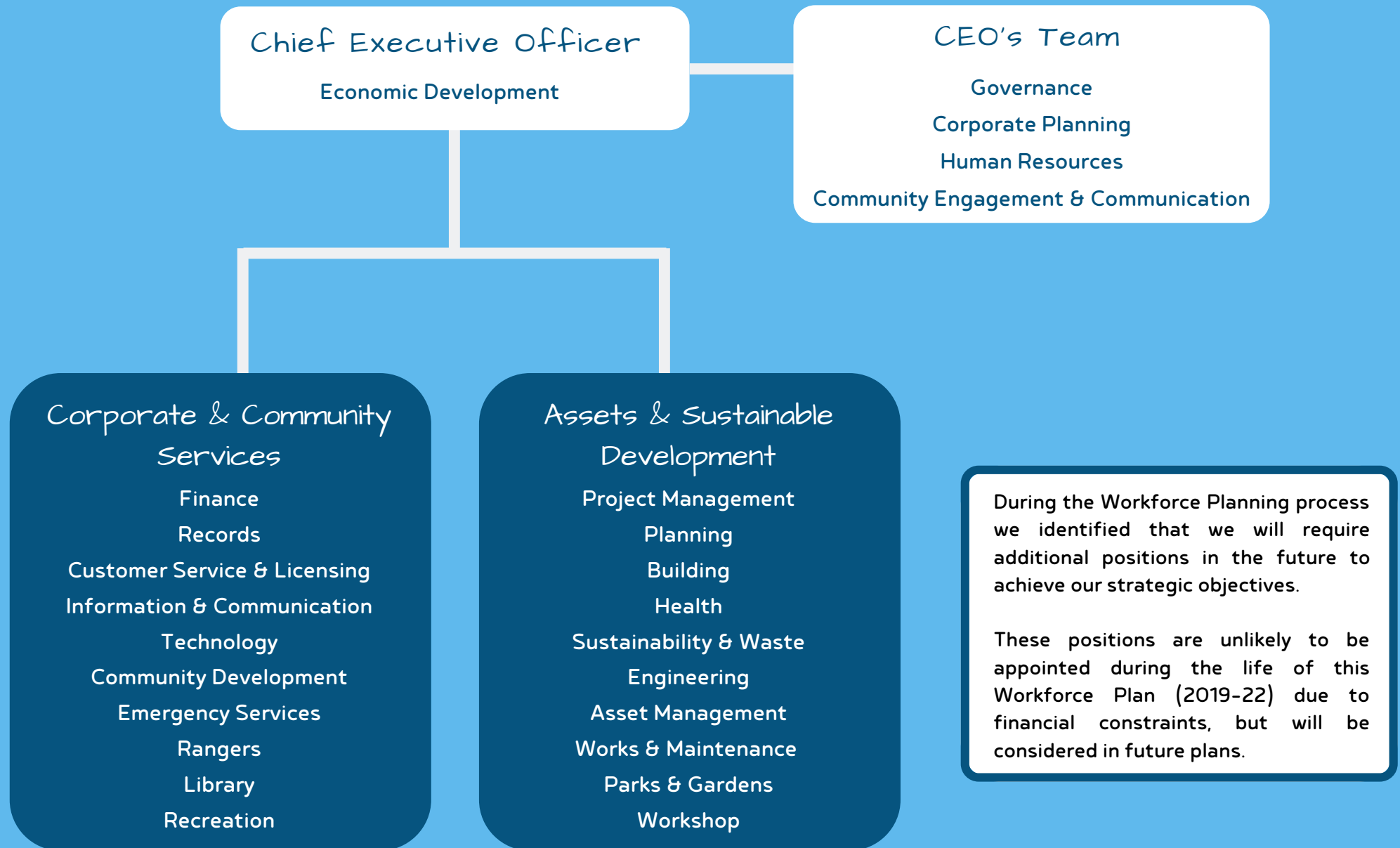
3. Engage and retain our people

- Review the induction process and training program for new employees to enable them to 'hit the ground running'
- Undertake an annual culture survey to understand employee priorities, benchmark performance and drive HR improvement
- Undertake a salary and benchmarking review to understand employee perceptions and inform actions to address areas of pay disparity
- Review and improve our ability to provide flexible working arrangements
- Review our performance management framework and create a simplified performance review process that aligns to our strategic objectives
- Review and improve our employee benefits to improve choice and support health and wellbeing initiatives
- Facilitate better integration between our different offices and locations
- Develop and implement a peer-supported reward and recognition program
- Develop and implement a transition to retirement policy to support our ageing workforce
- Develop and implement a Volunteer Strategy to support and retain our volunteer workforce

4. Plan for improved performance

- Appoint a Workforce Planning Working Group to drive organisational change and champion our people vision
- Review the office blueprint to facilitate growth, improve performance and support organisational cross flow
- Develop succession plans for critical roles within the Shire to reduce potential continuity gaps and increase corporate knowledge retention
- Develop and implement backup structures for critical positions to improve continuity of performance
- Develop and implement position manuals that document job task instructions, key contacts and a calendar/schedule of key position tasks and events to improve continuity of performance
- Investigate and implement an integrated strategic planning, project management and performance management software program to drive performance and improve reporting
- Develop and implement a workforce planning process and map to guide future workforce planning activities
- Develop and implement an annual software and system review
- Develop and implement an annual skill gap analysis
- Review and improve processes to ensure the retention of critical corporate knowledge

OUR FUTURE WORKFORCE - THE WAY FORWARD



OUR FUTURE WORKFORCE - FINANCIALS

	2019/20	2020/21	2021/22	2022/23
EMPLOYEE COSTS	\$6,192,402	\$6,378,174	\$6,569,520	\$6,766,605
EMPLOYEE NUMBERS (FTE)	69	69	69	69

Our goal over the next four years is to keep our budgeted FTE count steady at 69 employees. Investigating efficiencies, seeking out partnerships and the use of technology will be very important in helping us achieve this goal. Any requested increase to our overall FTE will require evidence-based business cases and a thorough investigation of other options prior to approval.

Staff costs will increase no more than 3% annually. This factors in our Outside Workers EBA which dictates 2.5% payrises each year, a similar increase for administrative staff each year and legislated increases to the Superannuation Guarantee. The super guarantee increases commence on 1 July 2021 - with five annual increases of 0.5% each from 2021/22 to 2025/26.

HOW WILL WE KNOW IF WE ARE IMPROVING?

We will measure our performance through:

- The number of actions successfully implemented in our improvement plan;
- Employee satisfaction trends via our annual CULTYR Survey; and
- Key people and efficiency metrics.

These results will be published in our Annual Report each year.

Efficiency Metrics

- Employment costs as a percentage of total rates
- Employment costs per head of population

Category Level CULTYR Survey Scores

- Leadership
- Workplace
- Colleagues
- Role
- Benefits

People Metrics

- % Turnover
- % Early turnover (employees leaving within 1 year)
- % Turnover of high performers
- Average days absent per employee
- Average training hours per employee
- % Offers accepted
- % Workforce meeting high performance standards
- % Workforce below performance standards
- % New hires meeting high performance standards (employees within 1st year of employment)
- Average years until promotion
- % Employees from a non-English-speaking background
- % Employees who identify as having a disability
- % Employees who identify as Aboriginal or Torres Strait Islander
- % Female employees employed as managers
- % Employees accessing flexible working arrangements
- % Employees accessing flexible working arrangements that are male



STRATEGIC ASSET MANAGEMENT PLAN 2019-2029

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

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WHAT IS ASSET MANAGEMENT?

Asset management can be defined in multiple ways, but for Local Governments, it can simply be viewed as a plan that ensures the organisation can continue to provide services for their communities. Local Governments undertake asset management planning in order to know what they own, how much what they own costs to run (and at what standard of service) and at what point these assets need to be replaced or renewed to ensure that services can be delivered for future generations. Effective asset management provides the methodologies and tools to answer these questions and much more.

Australian Accounting Standards require all local governments in Australia to identify, value and record their assets. Sometimes organisations may view asset management simply as a plan to address this legislated requirement, however it is much more than this. Successful asset management is less about the plan produced, and more about the processes that an organisation integrates across all aspects of decision making.

As such it can be even more vital for smaller Local Governments to put asset management systems in place so that the services that our community enjoys on a day to day basis are available for future generations.

One of the key issues facing local governments throughout Australia is the management of ageing assets in need of renewal and replacement.



"A BETTER SERVICE, NOT A BETTER ASSET, IS A KEY INDICATION OF SUCCESSFUL ASSET MANAGEMENT"

*Local Government Asset Management
Better Practice Guide, Local
Government Victoria, 2015.*

Infrastructure assets such as roads, drains, bridges, water and public buildings present particular challenges as their condition and longevity can be difficult to determine. Funding requirements can be large, requiring planning for large peaks and troughs in expenditure for renewing and replacing these assets.

The demand for new and improved services adds to the planning and financing complexity. The creation of new assets also presents challenges in

funding the ongoing operating and replacement costs necessary to provide the service over the assets' full life cycle.

The more information that we have regarding our assets, and the more that we know how to use this information, the more likely we are to achieve positive community outcomes that are financially sound. Asset management supports us to be strategic in our decision making, helps us budget appropriately and provides evidence and data that we can use to have a conversation with our community about what services are important and valued and what they are willing to pay for.



OUR ASSETS

The Shire of Denmark, like all Local Governments, exists to provide services that community members rely on and use in their everyday lives.

Infrastructure such as bridges, roads and paths help those in the Shire move around. While assets such as community buildings, parks, sporting fields and play equipment provide opportunities for people to come together and lead happy, healthy and creative lives.

Other assets exist to keep us safe like fire trucks and the air strip at the Denmark airport which provides 24/7 access for the Flying Doctors and water bombers, while some assets may be barely noticed at all until they fail to do their job such as pipes and drains, road graders, IT servers and irrigation.

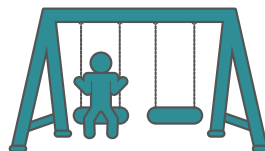
To keep track of all these assets and the many more that we manage, we have categorised our assets into four main classes or 'portfolios'. These are:



Transport



Land & Buildings



Parks &
Reserves








Plant &
Equipment

Within each of these portfolios we have also broken our assets into segments and components for easier management in the future. Different segments of an asset have different lifespans and as such do not need to be replaced at the same time. To accurately predict renewal expenditure, we need to look at these segments and components individually. An example of this would be a kitchen in a building being replaced earlier than the roof.

Throughout our asset management journey, we've made assessments on how confident we are on the data that we have. This is important to do as it is not economically or physically possible to inspect every asset within the Shire during the same time period. As such, assumptions and estimates have to be made or it would never be possible to produce an asset management plan. Over time we would like to reduce our reliance on these assumptions, replacing them with more detailed information. By keeping track of how accurate the data is that informs this asset management plan, we can ensure that we improve it over time.

WHAT CONDITION ARE OUR ASSETS CURRENTLY IN?

Asset Categories	Inventory "How many assets do we have?"	Fair Value "What are our assets currently worth?"	Current Replacement Cost "What would it cost to replace our assets with brand new assets?"	Condition "What condition are our assets in?"					
				1 	2 	3 	4 	5 	
Transport		\$55,050,424	\$102,143,283	15%	33%	35%	14%	4%	
Spray Seal Surface	1,208,763m ²	\$3,567,456	\$6,140,154	20%	28%	43%	8%	1%	
Asphalt Seal Surface	155,021m ²	\$3,114,820	\$4,075,608	17%	15%	42%	25%	1%	
Pavement (under sealed surface)	1,157,055m ²	\$12,806,439	\$19,987,171	24%	30%	25%	18%	3%	
Unsealed Pavement	1,549,486m ²	\$6,116,466	\$16,473,825	24%	30%	25%	18%	3%	
Road Formation	3,225,497m ²	\$6,294,447	\$6,294,447	N/A	N/A	N/A	N/A	N/A	
Kerbing	100,591 Lm	\$3,666,907	\$6,493,565	11%	24%	48%	16%	1%	
Drainage - Pipes	23,108 Lm	\$134,081	\$10,726,489	24%	30%	25%	18%	3%	
Drainage - Culverts	12,493 Lm	\$4,502,396	\$8,713,058	4%	25%	44%	17%	10%	
Drainage - Pits	987 items	\$1,553,966	\$2,809,970	5%	35%	41%	10%	9%	
Paths	85,603m ²	\$3,253,996	\$4,874,448	17%	38%	37%	7%	1%	
Walking Bridges	415m ²	\$1,167,530	\$2,697,500	0%	0%	66%	17%	17%	
MRWA Funded Bridges	1,329m ²	\$6,096,963	\$8,638,659	24%	30%	25%	18%	3%	
Jetties Boardwalks	623m ²	\$1,231,028	\$2,080,750	20%	42%	33%	3%	2%	
Carparks	43,835m ²	\$485,953	\$818,077	5%	29%	43%	24%	0%	
Street Signs	1,068 items	\$291,040	\$407,417	26%	43%	26%	5%	2%	
Aerodrome - Airstrip	1 item	\$766,936	\$912,145	0%	100%	0%	0%	0%	
Land and Buildings		\$32,639,491	\$52,054,100	25%	23%	35%	15%	2%	
Buildings - Finishes and Fittings	114 items	\$1,762,195	\$2,916,300	13%	15%	24%	43%	6%	
Buildings - Roof	114 items	\$3,058,894	\$5,538,700	17%	15%	53%	14%	1%	
Buildings - Services	114 items	\$8,331,267	\$14,599,600	14%	12%	69%	5%	1%	
Buildings - Sub Structure	114 items	\$2,217,308	\$3,383,200	35%	38%	16%	10%	0%	
Buildings - Super Structure	114 items	\$12,569,827	\$20,916,300	48%	35%	15%	1%	0%	
Land	11 items	\$4,700,000	\$4,700,000	N/A	N/A	N/A	N/A	N/A	
Parks and Reserves		\$2,794,900	\$4,435,354	10%	45%	32%	11%	3%	
Softscape	230,491m ²	\$246,009	\$328,863	2%	33%	64%	2%	0%	
Hardscape	11,764m ²	\$663,364	\$1,227,369	0%	42%	42%	8%	8%	
Structures	136 items	\$621,914	\$1,024,519	9%	61%	15%	13%	2%	
Furniture	378 items	\$746,989	\$1,120,024	8%	52%	26%	12%	2%	
Lighting	38 items	\$243,613	\$327,608	14%	54%	22%	11%	0%	
Irrigation	71 items	\$273,011	\$406,971	24%	30%	25%	18%	3%	
Plant and Equipment		\$5,320,153	\$12,866,785	N/A	N/A	N/A	N/A	N/A	
Plant and Equipment	132 items	\$5,320,153	\$12,866,785	N/A	N/A	N/A	N/A	N/A	

What do the colours represent?

It's important for us to not only keep track of the inventory, values and condition of our assets, but also record how confident we are in the data and assumptions that we have made. Keeping track of our data confidence will ensure that we prioritise improving our accuracy each year. The traffic light colours indicate our data confidence level, with green highlighting that we are very confident in the data presented (less than 5% estimated) and red indicating that we are not very confident in the data presented (25% or more estimated).

- Less than 5% of data estimated
- Less than 25% of data estimated
- 25% or more of data estimated

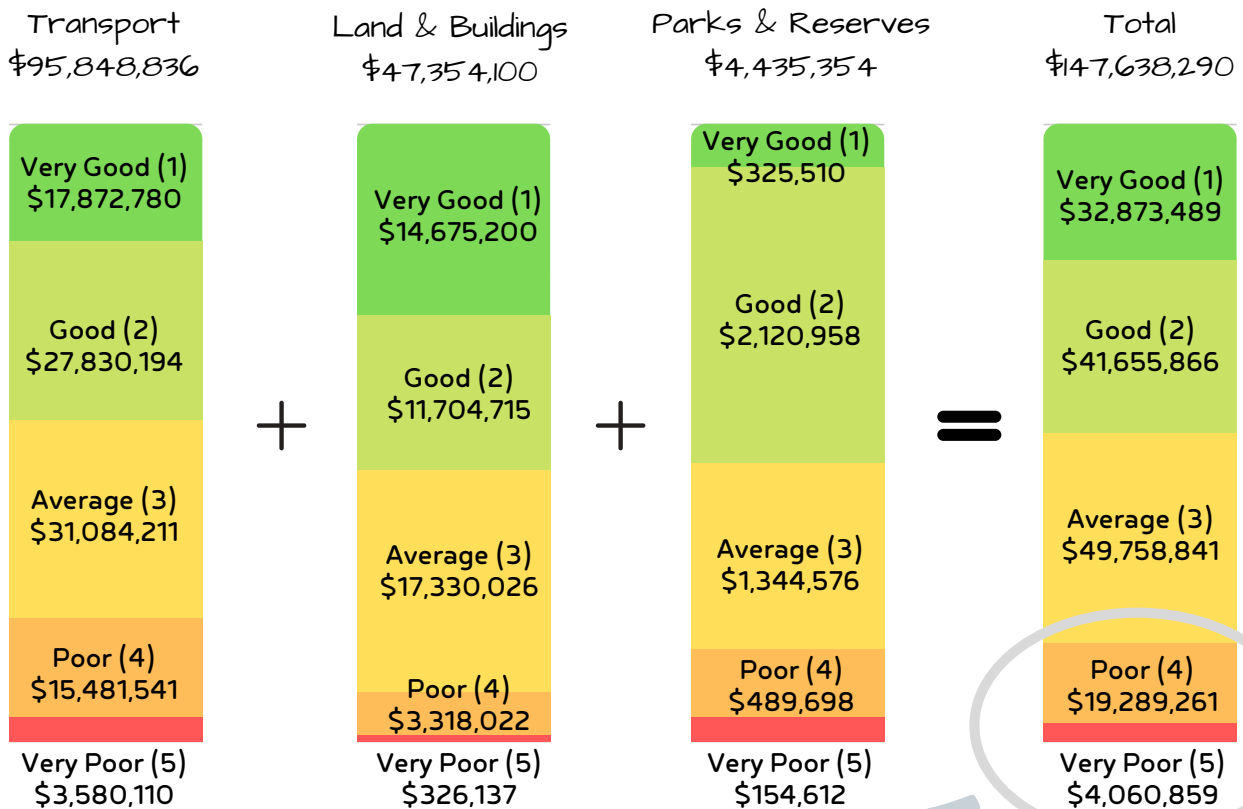
WHAT DOES THIS ALL MEAN?



The previous page shows that we have an asset base of approximately \$171.5M. Of the \$171.5M, approximately \$4.7M consists of land that the Shire owns and \$6.3M consists of road formation. Land and road formation do not depreciate significantly and we do not need to consider renewal/replacement costs for these types of assets.

Almost \$12.9M of the Shire's asset base is comprised of plant and equipment. With these types of assets, we do not decide to replace them based on condition inspections - we use standard manufacturer specifications and time frames to replace these assets. We do this through our plant replacement program, which is also factored in to our Long Term Financial Plan.

Excluding these two asset types, we are left with an asset base of approximately \$147.6M where the condition of the asset triggers the action to renew. Of the \$147.6M worth of assets, 16% are in a poor (4) or very poor (5) condition. This indicates that we have a backlog of assets that need attention right now.



Backlog of assets that need attention

Having approximately \$19.3M assets in a poor condition and \$4.1M assets in a very poor condition is far from ideal. Although assets naturally deteriorate from an acceptable state, it is our responsibility to make sure that they do not reach a condition where they become unusable, unsafe or costlier to maintain by continually “patching up”.

This type of backlog doesn't happen overnight and accordingly it can not be fixed overnight. Some Councils that have found themselves in a similar position have tried to tackle the issue in one or two years through substantial rate increases in the order of 15-20%. Our survey results suggest that our community's current satisfaction levels with assets and services is in the acceptable range and as such we have decided to take a more moderate path to recovery. Small successive rate increases in the order of 4% (average over 15 years) have been modelled to get us back on track.

The One and Only Rule of Asset Management:

If a service is not fully funded, it is not sustainable. And if it is not sustainable it will eventually fail or fall to an unacceptable level.

City of Kitchener Asset Management Program Policy.

HOW DO WE IMPROVE OUR PERFORMANCE?



Over the last three years, we have identified;

- What assets we own
- What condition our assets are in
- How much our assets are worth now and how much it would cost to replace them

Now that we have this information, we know that our current position is not acceptable as we have too many assets in a poor and very poor condition. To improve our performance, we need to spend more money looking after our existing assets whilst also carefully planning for new and upgraded assets to meet the needs and demands of a growing community.

But how do we know how much we need to spend, when it needs to be spent and where it should be spent to improve our asset performance? To answer these questions, we have used a well-recognised asset management modelling methodology.

The financial model has been used to predict the amount of renewal spend required based on a desired condition outcome. As previously indicated, all of the Shire's assets have been condition rated on a 5-point scale, with 1 being very good and 5 being very poor. The Shire's desired condition outcome is that all assets are renewed or replaced before reaching condition 5 (very poor).

To achieve this, we have set an intervention level of 4.5 across all asset classes. This means that our objective is to fix assets within 12 months of them reaching a condition 4.5. This will result in a situation where we have few, if any, assets reaching condition 5 (very poor). Having assets in very poor condition is not acceptable as the assets are essentially unusable and potentially unsafe.

Very poor condition assets also cause a financial risk in terms of public liability and increased maintenance costs. It is also important to note that this is not setting the bar high. We are aiming to intervene just before the asset fails.

"Our aim is to have all assets fixed within one year of reaching a condition rating of 4.5. This will significantly minimise the possibility of any assets reaching a very poor condition"

The Shire currently has \$4M of assets in very poor condition. A further \$2M of assets have reached a condition 4.5 and another \$2-3M will fall into this category within 12 months. This leaves us with an immediate bill of \$9M if we were trying to resolve our asset management issues today. In other words, if we spent \$9M next year we would have no assets over intervention, but this is not practical as we would be renewing assets in an extremely fragmented way i.e. very small sections of road across the whole Shire, which is not economically feasible.

Based upon the Shire's desired condition outcome, the financial model has predicted the required levels of expenditure over the next 20 years. These recommended levels of expenditure have been incorporated into our Long-Term Financial Plan to ensure that the Shire can afford this level of expenditure into the future. Our initial modelling set the intervention level at a higher level of service e.g. when an asset reaches poor condition rather than very poor condition, however it was simply not affordable.

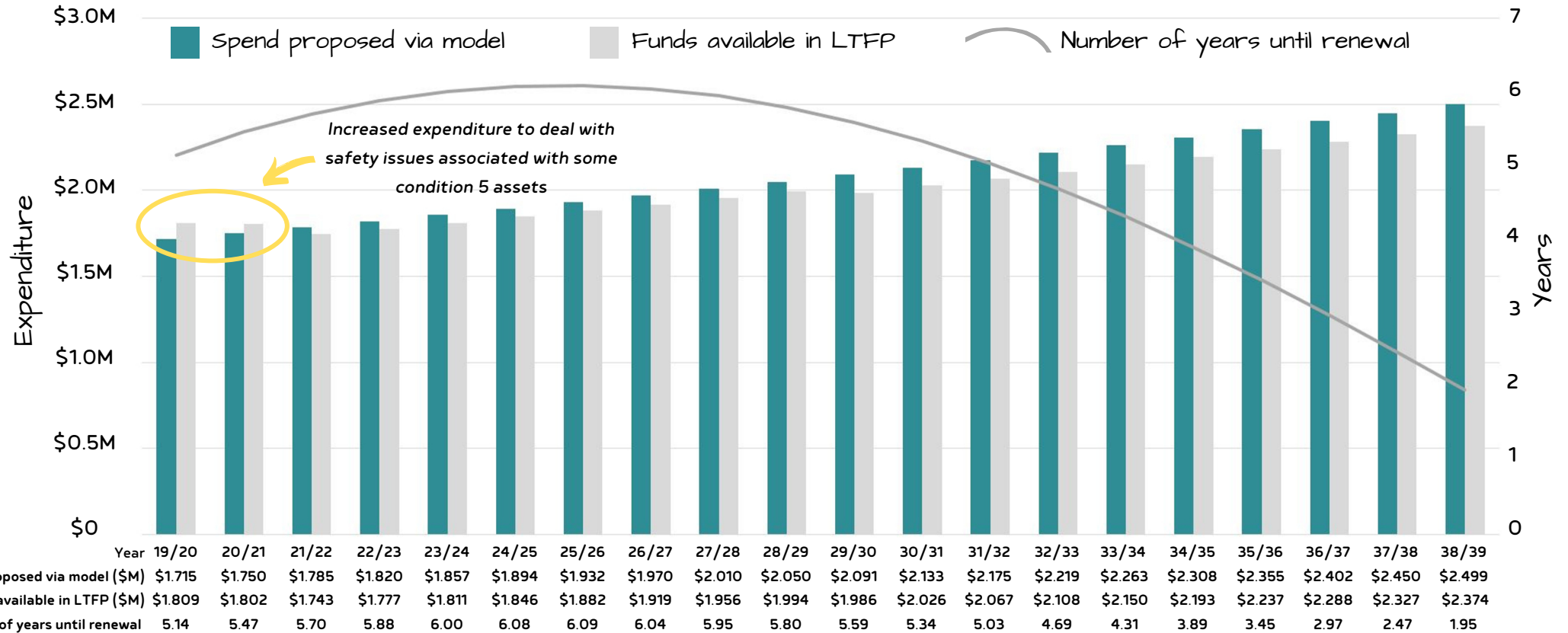
To achieve the desired levels of expenditure, the Shire needs to take a conservative approach by minimising the creation of new assets and simply making sure we maintain what we currently have. To achieve the desired outcomes with limited resources, any new assets created need to have a large renewal component and, if possible, we need to consolidate our assets. A good example of this is the proposed new Surf Lifesaving Club; the proposed building is a new asset however it replaces two existing assets (the old club and the toilets), essentially "renewing" them.

The modelling undertaken suggests that with consistent levels of expenditure in the right areas, our property and recreation assets will meet our desired intervention levels relatively quickly. In contrast, our transport assets that include roads, bridges

and jetties will take much longer. Our modelling shows that it will take approximately 20 years of consistent expenditure in the right areas to achieve an intervention level of 1.95 years, which is almost one additional year above our target. Unfortunately, the performance of this asset class will also deteriorate further before starting on the journey to recovery in approximately 2026/27. The models are shown in the next section of this report.



TRANSPORT: WHAT WE NEED TO SPEND OVER 20 YEARS TO REDUCE HOW LONG IT TAKES TO RENEW OUR ASSETS

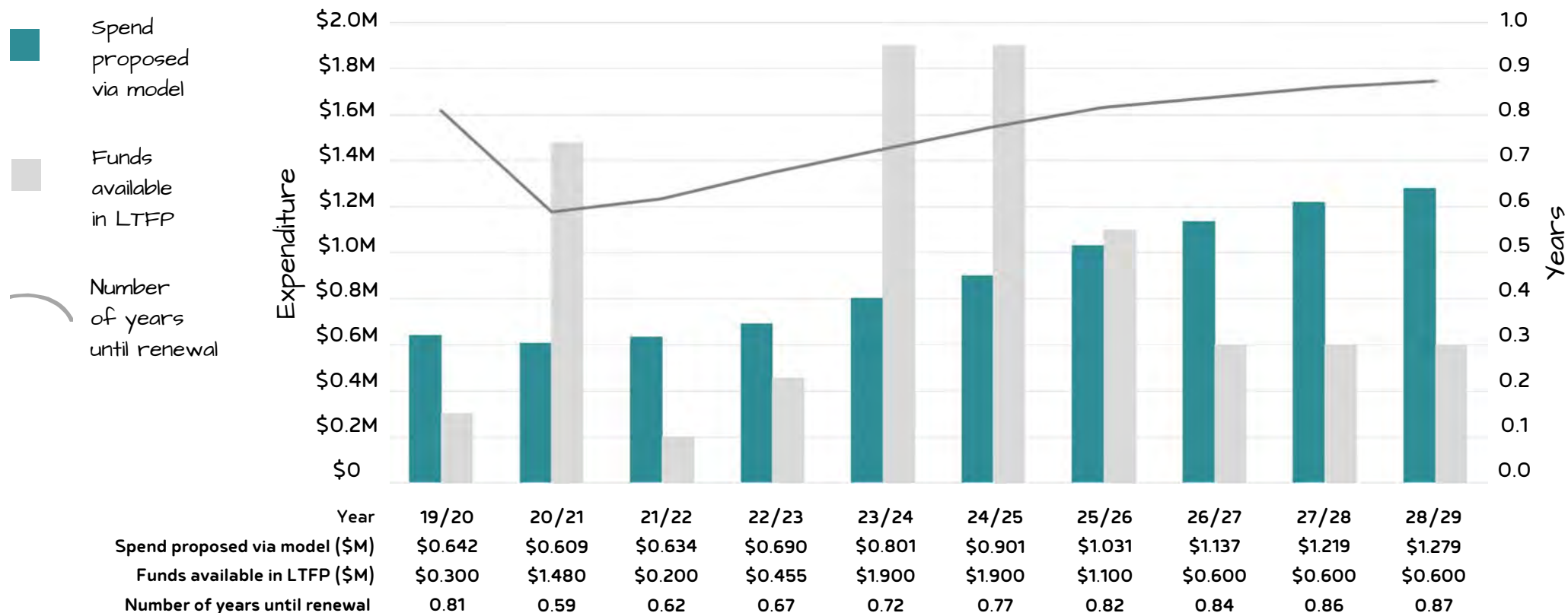


The graph above shows that it will take longer than 20 years before we are able to fix our transport assets within one year of them reaching a condition rating of 4.5, with the amount of funding that we currently have available in our Long Term Financial Plan. The graph also shows that the situation will get marginally worse before it gets better, with the number of years to renewal not falling below 2019/20 levels until 2031/32.

It is important to note that the funding allocated for renewal (across all asset portfolios) in the Long Term Financial Plan is dependent on an average 4% rate increase each year, with 2% dedicated solely to funding renewal works (the other 2% being for operations, to keep pace with inflation). If an additional 2% is not added to the renewal budget each year the timeframe indicated in the graph above will blow out, and the condition of our assets will continue to get worse.

The graph also shows a slight gap between the level of renewal funding proposed by the model and the funds available in the LTFP, however this gap is within the acceptable limits of the Asset Renewal Funding Ratio. This ratio is used by the Department of Local Government, Sport and Cultural Industries to assess a Local Government's ability to fund future renewal requirements. The ratio has a target band of between 95%-105%. Over the 15 year period our LTFP expenditure sits at 97% of our modelled requirements. More information regarding this ratio can be found on page 23.

LAND & BUILDINGS: WHAT WE NEED TO SPEND OVER 10 YEARS TO MAINTAIN HOW LONG IT TAKES TO RENEW OUR ASSETS



The graph above shows that over the next ten years, we have sufficient funds available in our Long Term Financial Plan to continue to renew our land and building assets within one year of them reaching a condition rating of 4.5. Essentially, we are spending money over the next ten years to maintain our desired state.

The large peaks in funding are due to major renewal projects that have been identified, including the Denmark Surf Club and Public Realm in 2020/21, the Denmark Recreation Centre Upgrade in 2023/24 and the Civic Centre and Library Upgrade in 2024/25.

PARKS & RESERVES: WHAT WE NEED TO SPEND OVER 10 YEARS TO REDUCE HOW LONG IT TAKES TO RENEW OUR ASSETS



The graph above shows that over the next ten years, with the funding we have allocated in the Long Term Financial Plan, we will steadily reduce the time it takes to renew our parks and reserve assets once they reach a condition rating of 4.5.

Ideally, we would like to see the time reduce to one year (or below) however 1.21 years is an acceptable timeframe to reach over the ten-year period. The large peak in funding in 2022/23 is due to the proposed redevelopment of the Berridge Park Precinct.



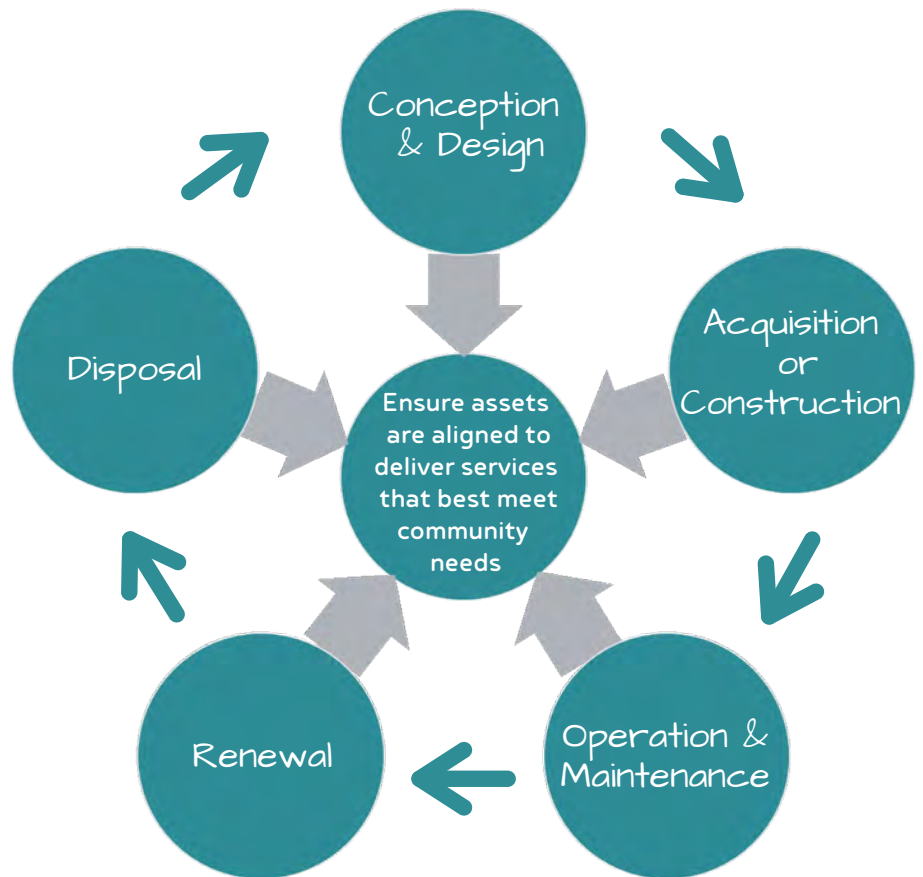
If our community is not satisfied with the time taken to renew assets across any of our asset portfolios, we only really have two options - either more money will need to be found or the number of assets that we are responsible for reduced.

AND THERE'S MORE TO SPEND...

Unfortunately, renewal isn't the only money that is needed to manage assets.

When considering an asset's whole lifecycle, there are costs associated with each stage - from concept and design, all the way through to removing the asset during the final stage of disposal. That is why it is more important than ever to make sure that before an asset is created, or renewed, serious thought has been given as to whether this asset should exist and whether it is the most financially sustainable option to meet community needs.

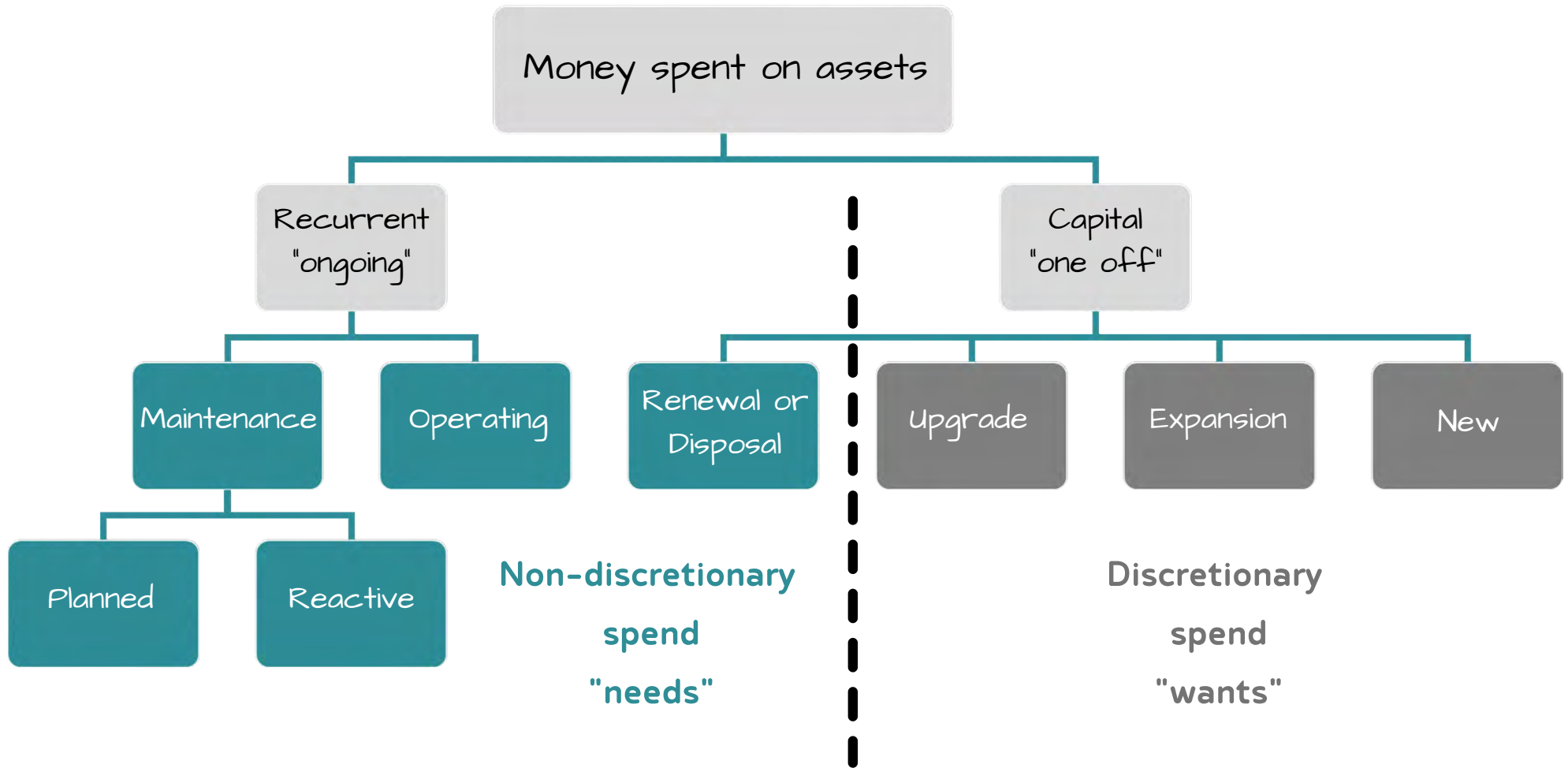
The Asset Lifecycle



Once an asset has been created there are everyday maintenance and operating costs associated with the asset. These costs are 'non-discretionary' and don't include any improvements and upgrades made to assets that the community may desire now or in the future.

In the past, the capital cost (creation cost) of an asset may have been the only cost reflected in the budget when presented to Council to make their decision. Often the creation of a new asset (i.e. the acquisition or construction cost) only accounts for 10-20% of the total cost of managing the asset through its 'whole life'. As an example, a \$10,000 park BBQ can easily become a \$100,000 financial burden over its life when cleaning, maintenance, repairs and other costs are taken into consideration.

WHERE DOES THE MONEY GO?



IF WE HAVE SUCH A BACKLOG... WHY UPGRADE, EXPAND OR CREATE ANY NEW ASSETS AT ALL?

Community priorities and needs change over time and we can't simply stand still. If we do not keep pace with the services and facilities offered by comparable Local Governments, businesses and community members may choose to increasingly spend more time elsewhere. This could have a negative impact on both the sense of place we experience and on the economic viability of our town.

The second reason relates to our ability to attract funding from the State and Federal Government to undertake upgrade and expansion work and to provide new assets. It is rare to be able to attract funding to repair or maintain an existing asset, or renew it where we are simply replacing like for like. It makes the best financial sense for the Shire to consolidate our asset base where we can and submit funding applications for new or improved multi-purpose facilities.

If we do this strategically we can ensure that we reduce the number of assets in average, poor and very poor conditions thus reducing our financial burden, whilst also providing improved community assets that better meet the needs of our changing community.

Our modelling process clearly identifies that we don't have enough funding internally to achieve the required levels of expenditure. To achieve the required levels of funding as determined by the financial model, we need external funding to complement our own resources. To achieve this and in partnership with the community, we have identified a few key projects that will attract external funding and help us meet our expenditure requirements.



The following projects have been identified by the community as part of the vision for the future when creating Denmark 2027. These projects also have the advantage of helping us reduce our renewal burden. These projects include:

- Denmark Surf Club and Public Realm
- Civic Centre and Library Upgrade
- Berridge Park Redevelopment (including a Youth Precinct and Skatepark)
- Denmark High School Oval Facilities Upgrade
- Shire Administration Building Refurbishment
- Denmark Recreation Centre Upgrade

Further community engagement on these projects will occur during the concept planning stage to ensure they are designed in a way to best meet community needs.

How else does Council include community feedback into the Plan?

Council includes community feedback into asset management planning in a number of ways, through:

1. Information provided via our annual community survey;
2. Reviewing common customer requests and complaints in our Electronic Service Request system; and
3. Community priorities identified in the Strategic Community Plan.



SOME OF THE COMPLEX CHALLENGES WE FACE

Assessing the community's requirements for assets is a major and evolving organisational challenge. Some of the challenges and questions that we are grappling with include:

- Does our works and services team have the capacity to undertake the level of renewal required?
- Will multiple Councils be able to stay the course, or will the various election cycles cause us to deviate from this 20+ year path to recovery?
- How do we balance our community's desire to retain assets of heritage value that are underutilised or no longer fit for purpose?
- How can we consistently integrate sustainable environmental practice into our asset design and management?
- What is our community's appetite to reduce the number of assets that we already own to free up money and opportunities to really maximise what we do provide?
- Is the community satisfied with taking 20+ years to address this backlog problem and deal with broken assets in the mean time?
- What will we do if we are unsuccessful in obtaining the necessary funding to undertake capital works?
- What will we do if the community is unwilling to accept an average 4% rate increase each year to help fund the renewal works?

THE WAY FORWARD

Council Commitments

- Stay the course over the 20+ year journey
- Prioritise looking after what we already own before considering adding to our asset base
- Ensure any new assets or upgrades to existing assets have been evaluated against our strategic objectives and the ongoing operating, maintenance and renewal costs factored in to our LTFP
- Consider all asset management related decisions in line with data and evidence, affordability, and in line with community desires

Community Commitments

- Understand that we can't afford it all
- Help us prioritise the services that are most important
- Review our performance on the level of service that is provided rather than the type of asset that is used to do so

Council Commitments + Staff Commitments + Community Commitments

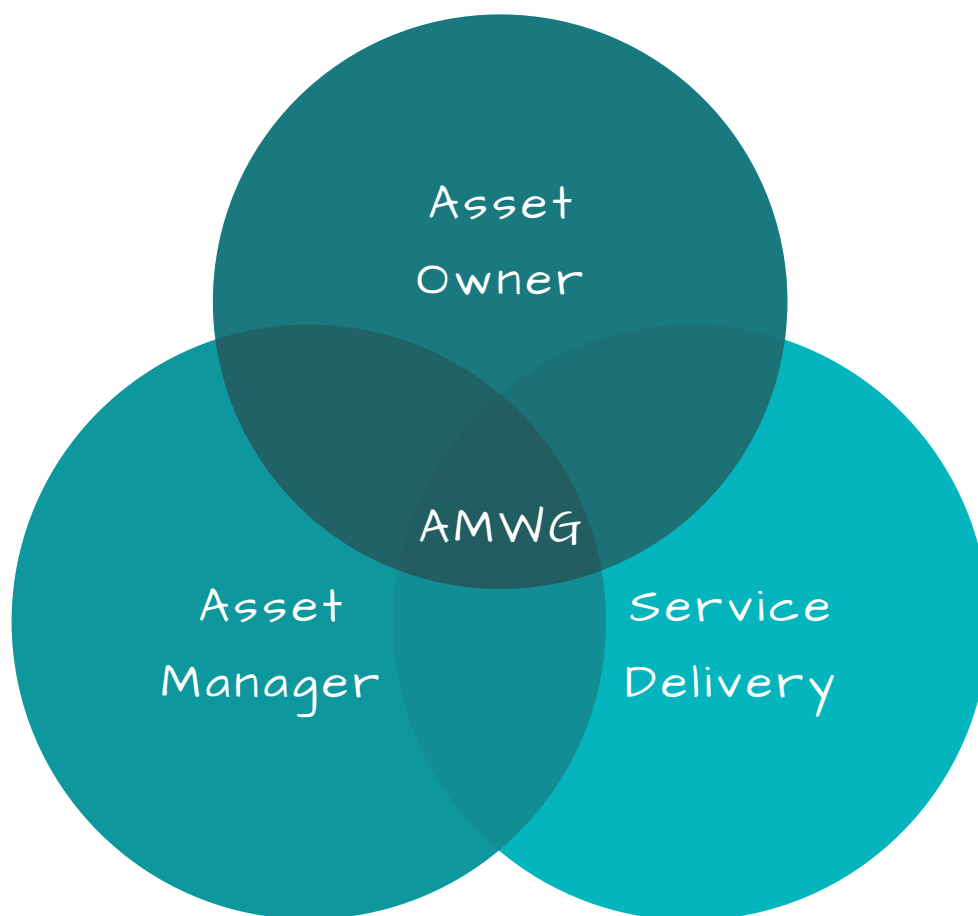
Staff Commitments

- Provide more detailed information for Council and the community to understand the cost impacts of new or upgraded assets
- Look for creative and innovative ways to provide the same or better level of service whilst minimising our asset management cost
- Plan for all assets in a long-term strategic manner, rather than a reactive manner
- Ensure that renewal decisions are driven by condition data
- Prioritise the creation of new assets that have a renewal component
- As assets reach the end of their "life" undertake an assessment to understand whether they still meet community needs in a cost-effective way and whether it makes sense to repair or replace them
- Implement a 15 year "rolling" financial plan that incorporates infrastructure renewal requirements as identified within this plan

NEXT STEPS FOR OUR TEAM

Improving our asset management performance is a 20+ year journey.

To get us started we have created an internal framework to support improved asset management practice across the organisation. Moving forward each asset will have a dedicated Asset Owner and Asset Manager within the organisation. The Asset Owner will be responsible for the strategic direction of an asset and the Asset Manager responsible for the operational running of that asset. All asset information will be governed by the Asset Management Working Group (AMWG) who will make recommendations to Council regarding Long Term Financial Plan expenditure and service delivery.



OUR IMPROVEMENT ACTIONS

Action

Document our existing levels of service

Develop a planned maintenance program for all of our asset classes as well as keeping a reactive maintenance budget

Develop and implement a data improvement program across inventory, condition and valuations

Undertake a comprehensive valuation and condition rating of all assets within each portfolio

Create better alignment between the SAMP and LTFP

So we can...

Work out what the financial impacts would be if our existing levels were increased or decreased. For example what would it cost to grade our road network once more each year? Or mow our parks and reserves once less each year?

Optimise costs. The cost of maintaining an asset decreases with planned maintenance rather than unplanned maintenance, however, excessive planned maintenance increases costs.

Ensure that areas where we have used estimates are reduced and we are able to continually improve our confidence in the financial models we prepare.

Ensure that our asset valuations and conditions remain up to date and our financial modelling is the best that it can be, informed by reliable data.

Ensure that both documents 'talk to each other' and use the same categories when allocating funding. This will ensure that both documents are easy to understand by Council, staff and the community and ultimately will support strategic decision making.

MEASURING OUR PERFORMANCE

To ensure we get better at looking after our assets over time, each year we will report on three asset management indicators... and address our areas of non-compliance at the same time.

Tracking community satisfaction with our services and facilities is just as important, as there is little point in perfecting the management of an asset base that doesn't meet the community's needs.

Asset Sustainability Ratio

The Asset Sustainability Ratio looks to the past and asks "Are our assets being replaced at the rate they are wearing out?"

The ratio has a target band of between 90%-110%. A result lower than this indicates that we are deferring the renewal of our assets which is problematic as these deferral costs continue to accumulate, leaving a large bill for future generations. A result higher than this suggests we are spending more money on assets than we need to, by renewing them before they wear out.

The ratio is calculated by dividing the average annual depreciation expense of the asset portfolio by the average annual renewal expenditure:

$$\frac{\text{Asset Renewal Expenditure}}{\text{Asset Depreciation}}$$

Asset Consumption Ratio

The Asset Consumption Ratio looks at the present and asks "What's the aged condition of our assets?" by comparing what our assets are currently worth against what they are worth as new.

The ratio has a target band of between 50%-70%. A result lower than this indicates that overall our assets are relatively aged or may not have not been maintained. A result higher than this indicates that the asset base is being kept in very good condition or is relatively new.

The ratio is calculated as follows:

$$\frac{\text{Depreciated Replacement Cost (Fair Value) of Depreciable Assets}}{\text{Current Replacement Cost of Depreciable Assets}}$$

Non-depreciating assets (e.g. road formation, land etc.) are excluded from the calculation.

Asset Renewal Funding Ratio

The Asset Renewal Funding Ratio looks to the future and asks “Is there sufficient funding for the renewal and replacement of our assets?”

The ratio has a target band of between 95%-105%, which means for every dollar that we need to spend we have a dollar available in our Long Term Financial Plan (LTFP). A result less than this means we do not have enough money (e.g. a result of 40% means that for every dollar we need to spend, we only have 40c available). Accordingly, a result higher than this means we have surplus funds allocated which should be diverted to address other needs.

The ratio is calculated by dividing the net present value of planned renewal expenditure over the next 15 years in

the LTFP, by the net present value of planned renewal expenditure over the next 15 years in the Strategic Asset Management Plan (SAMP). Net present value (NVP) is the value of the dollar today compared with the value of the same dollar in the future.

NPV of Planned Renewal Expenditure

NPV of Asset Management Plan Projections

The Long Term Financial Plan sets out predicted ratio scores over a 15 year period and the Shire's actual results are published each year in the Annual Report.



