

Asset Management Strategy

2017 to 2027



SHIRE of
WYNDHAM
EAST KIMBERLEY



Document Control		 			
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1. EXECUTIVE SUMMARY

This asset management strategy is prepared to assist the Shire in improving the way it delivers infrastructure services including roads, bridges, footpaths, stormwater drainage, parks, gardens and recreation, buildings, plant and equipment. The Shire's infrastructure assets have a replacement value of \$380,413,000.

This Asset Management Strategy should be read in conjunction with the Shire of Wyndham East Kimberley Asset Management Policy, Asset Management Plan, Strategic Community Plan (2012 to 2022) and Corporate Business Plan (2016/17 -2019/20).

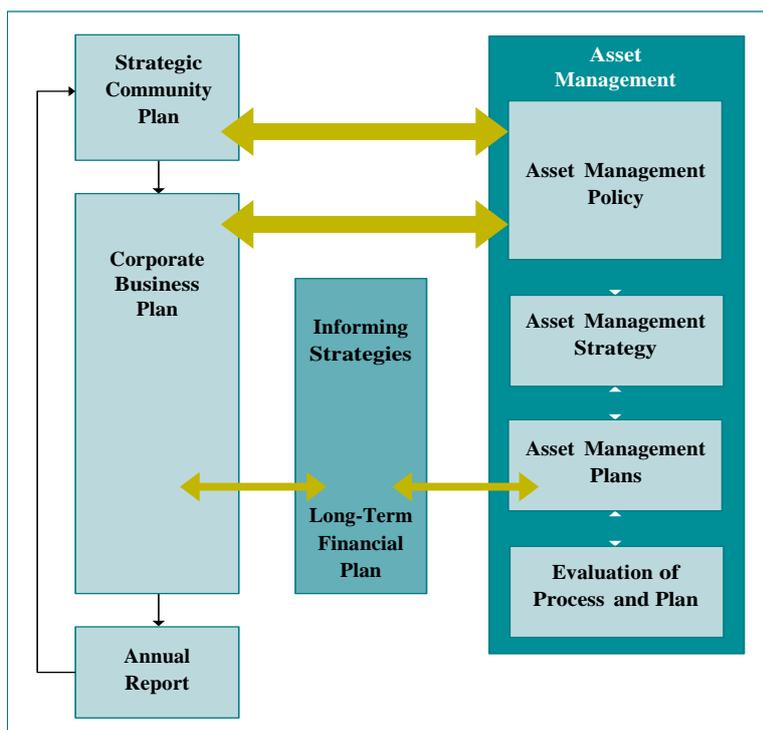
The East Kimberley Regional Airport operates as a separate entity with a stand-alone East Kimberley Regional Airport Asset Management plan providing guidance to the East Kimberley Regional Airport Master Plan.

The asset management strategy enables the Shire to show:

- how its asset portfolio will meet the service delivery needs of the community into the future,
- how the requirements of the Shire's asset management policy will be achieved, and
- ensure integration of the Shire's asset management with its Strategic Community Plan

It is intended that the Asset Management Strategy will provide guidance to achieve regulatory compliance in the area of local government strategic planning, as required by Regulations 19C & 19DA of the Local Government (Administration) Regulations 1996. The following Figure 1 shows various elements of the Western Australian Local Governments' Asset Management Framework (High Level) and corporate plans and how they interrelate.

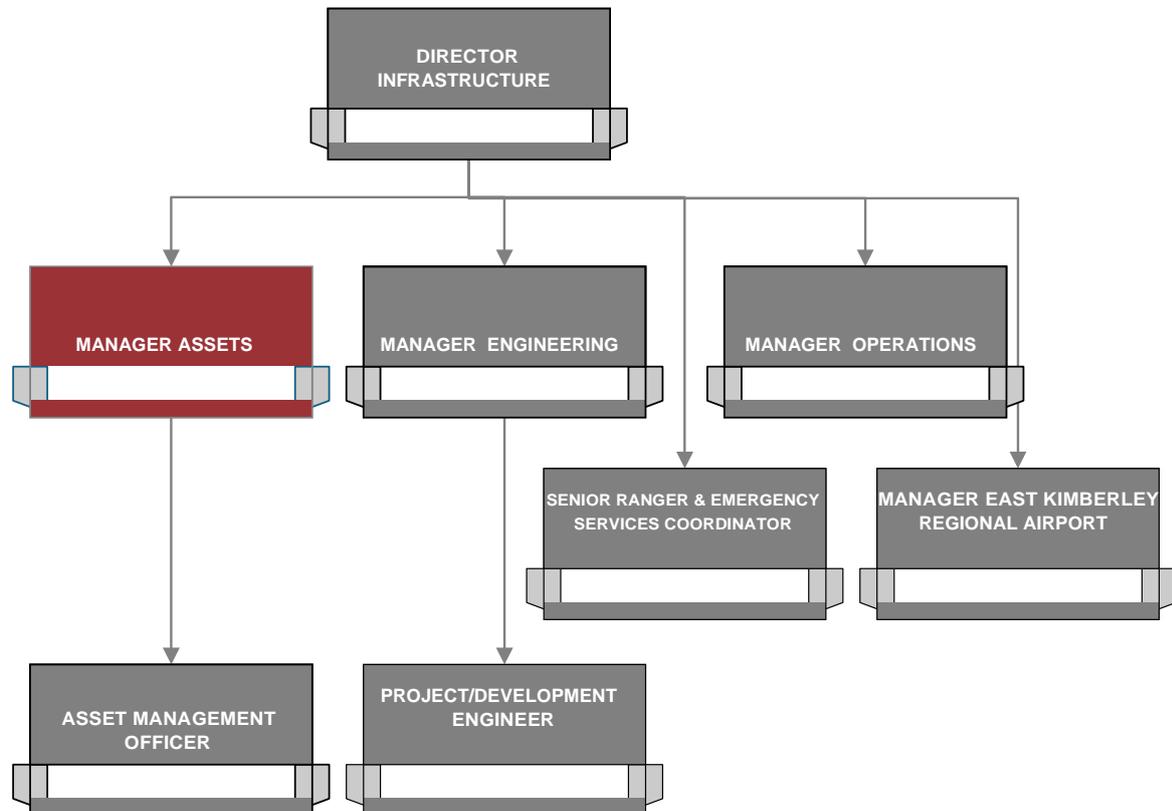
Figure 1: How the Asset Management Framework Links with Corporate Plans



2. ASSET MANAGEMENT STRUCTURE

In February 2017, the Shire engaged the services of an Asset Manager within the Infrastructure Directorate.

Figure 2: Asset Management Structure



The initial task of the Asset Manager is to lead the development, implementation and periodic review of Asset Management Policy, Strategy and Plan for all infrastructure asset groups within the Shire.

The previous Asset Management Strategy and the Asset Management Plan were developed by consultants in 2013. These initial documents provided mostly recommendations rather than strategy and plans. In the lead up to the delivery of the current Asset Management Strategy and Plans, the asset management team has reviewed the asset management registers for accuracy. This has resulted in an in-house revaluation of all roads and drainage throughout the Shire. The revaluation of roads and drainage was completed in conjunction with a revaluation of buildings and associated plant as part of an insurance valuation.

Current valuations were entered into financial modelling NAMS.PLUS3 (NAMS) software that was purchased for the task.

All graphs and figures that are contained in the Asset Management Strategy and Asset Management Plan are derived from the NAMS modelling. Forecasts are provided to lead development of long term, whole of life asset renewal programs and guide development of capital works programs that are contained in the Asset Management Plan.

3. WHAT ASSETS DO WE HAVE?

The Shire maintains infrastructure assets to provide services to the community. The range of infrastructure assets and the services provided from the assets applicable to this Asset Management strategy are shown in Table 1.

Table 1: Assets applicable to this strategy

Asset category	Assets/Services Provided
Transport and drainage	Unsealed Roads and drainage
	Sealed Roads and drainage (including curbing, paths, carparks & bridges)
Jetty's and Boat ramps	Jetty's, pontoons, boat ramps
Plant and Equipment	Depot equipment, Light and heavy vehicles, machinery, Information Technology
Buildings and property	Buildings and property – commercial and residential
Parks, recreation and non-transport infrastructure	Parks, recreational facilities, cemeteries, public lighting, reticulation, waste management

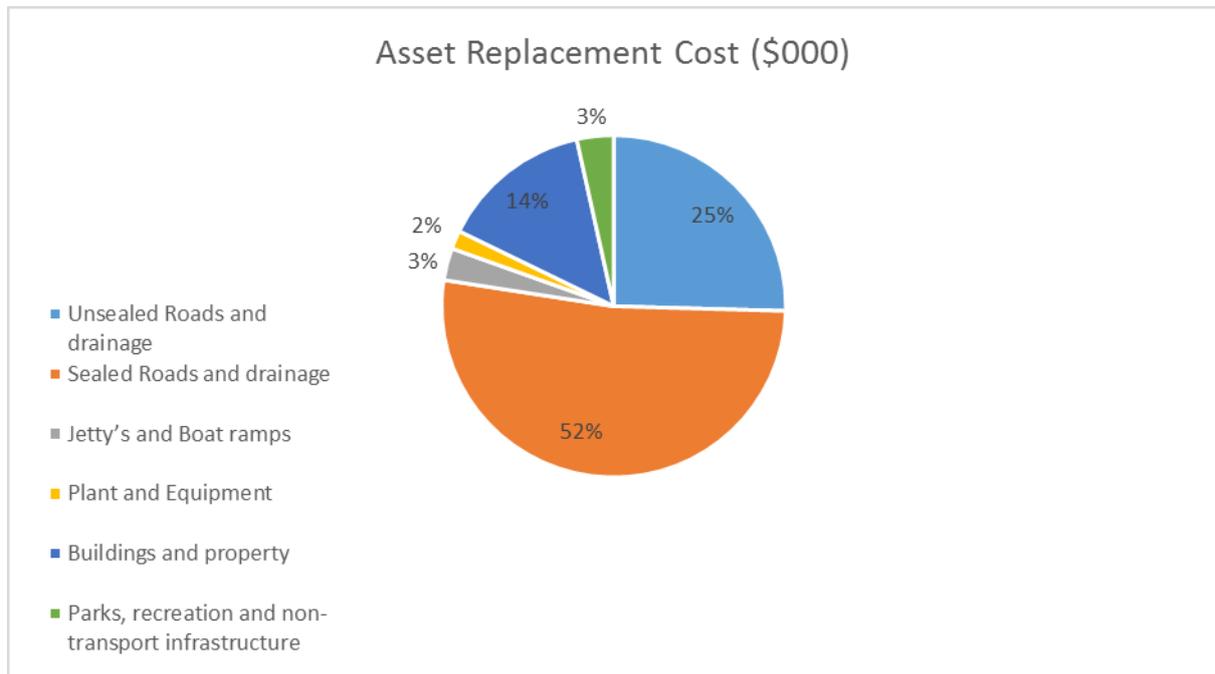
4. STATE OF THE ASSETS

The current (2017) financial status of the Shire's assets is summarised in Table 2 and Figure 3.

Table 2: Financial status of Shire assets

Asset Category	Replacement Cost	Residual Value	Depreciable Amount	Depreciated Replacement Cost	Annual Depreciation Expense
Unsealed Roads and drainage	\$97.8M	\$0	\$97.8M	\$49.1M	\$2.2M
Sealed Roads and drainage	\$197.9M	\$0	\$197.9M	\$74.7M	\$1.6M
Jetty's and Boat ramps	\$11.5M	\$3.3M	\$8.2M	\$8.2M	\$302,000
Plant and Equipment	\$6.6M	\$3.5M	\$3.2M	\$3.2M	\$379,000
Buildings and property	\$54.4M	\$26.7M	\$27.7M	\$27,680	\$1M
Parks, recreation and non-transport infrastructure	\$13.1M	\$6.2M	\$7M	\$7M	\$476,000

Figure 3: Asset Replacement Values



5. PROJECTED OUTLAYS AND BUDGET NECESSARY TO PROVIDE THE SERVICES

This asset management strategy identifies the projected operations, maintenance and capital renewal expenditures required to provide an agreed level of service to the community over a 10 year period. This provides input into 10 year financial and funding plans aimed at providing the required services in a sustainable manner. These projected expenditures may be compared to budgeted expenditures in the 10 year period to identify any funding shortfall.

5.1 Transport

The projected 10 year average cost is \$11.6M. The estimated available 10 year average Long Term Financial Plan (LTFP) budget is \$9.2M which is 79% of the cost to provide the service. This is a funding shortfall \$2.4M on average per year.

5.2 Jetties and Boat Ramps

The projected 10 year average cost is \$496,000. The estimated available 10 year average LTFP budget is \$480,000 which is 97% of the cost to provide the service. This is a funding shortfall \$16,000 on average per year.

5.3 Plant, Equipment and Information Technology

The projected 10 year average cost is \$2.6M. The estimated available 10 year average LTFP budget is \$2.1M which is 80% of the cost to provide the service. This is a funding shortfall \$500,000 on average per year.

5.4 Parks, Recreation and Non-Transport Infrastructure

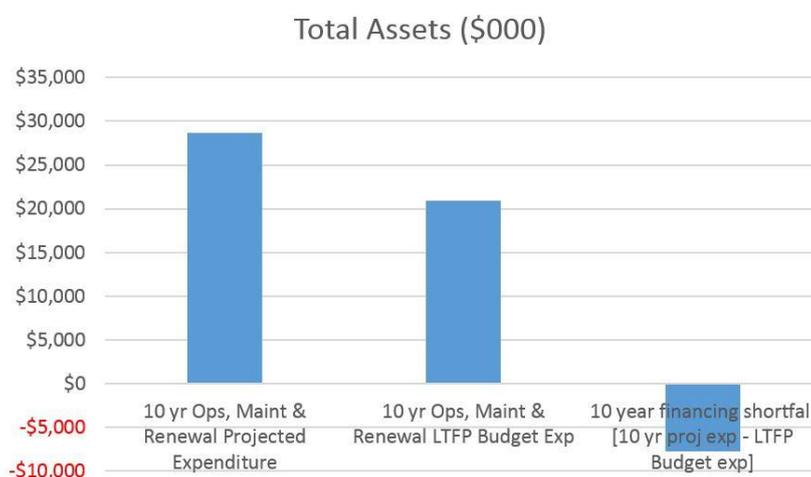
The projected 10 year average cost is \$6.6M. The estimated available 10 year average LTFP budget is \$5.4M which is 82% of the cost to provide the service. This is a funding shortfall \$1.2M on average per year.

5.5 Buildings

The projected 10 year average cost is \$1.3M. The estimated available 10 year average LTFP budget is \$1.3M which is 100% of the cost to provide the service.

5.6 Total Asset Summary

The projected 10 year average cost is \$28.7M. The estimated available 10 year average LTFP budget is \$20.9M which is 72% of the cost to provide the service. This is a funding shortfall \$7.7M on average per year.



6. CURRENT STATUS OF ASSET DATA AND ASSET MANAGEMENT PRACTICES

The status of current Asset Management practices is derived from a review and of Shire assets, completion of a National Sustainability Framework report card plus a review of Shire documentation.

6.1 Level of Service

The Shire operates with a level of service regime in place that is not fully documented. The current service levels for expansion, renewal, maintenance and operational works involving infrastructure assets derive from feedback from the community, tradition and the “balancing act” undertaken by the organisation in matching activities to budgets. The 2017 Asset Management Plan proposes both customer and technical levels of service.

In the 2017/18 financial year, the Shire will develop a Service Level Statement which will be used as the basis for establishing a Service Level Agreement. The Shire will also develop a

formal processes to establish a Service Level Agreement involving consultation with the Shire's rate payers and customers including levels of service options and associated costs.

The development of a levels of service agreement between the organisation and the community is a major task. The agreed levels of service need to be manageable by current resourcing and staff and appropriate to the quality of existing services provided.

5.1.1 Knowledge of Assets

The Shire has a good appreciation of its asset portfolio. Asset ownership uncertainties have been identified and investigated. There are still some uncertainties associated with some drainage assets.

5.1.2 Condition Assessments

The Shire's National Asset Management Assessment Framework score on the standard of asset registers is high, indicating that the data collected is comprehensive and reasonably up to date.

5.1.3 Asset Accounting

The accounting system currently reflects the requirements for the Corporate Services Directorate, however, Asset Management accounting requirements are yet to be implemented, including preparation of operations and maintenance expenditure and record capital budget estimates and expenditures as capital renewal and capital upgrade/new expenditure.

These requirements are included in the Improvement Task List.

5.1.4 Asset Utilisation

There is documentation of asset utilisation for roads (road traffic counts), however documentation of non-transport facilities usage and utilisation rates is an important factor in asset decision making and unit cost determination.

A task for this is included in the Improvement Task List.

5.1.5 Operations and Maintenance

The Shire currently undertakes the majority of its operations and maintenance activities via a day labour workforce and specialist contractors. The levels of service documentation is limited. The 2017 Asset Management Plan has included a report on the service requests dealt with by the depot in the 6 months to June 2017, however further analysis of operations and maintenance requirements are needed as inputs to the Service Level Agreements (SLAs). This process will result in more pre-planned activities and less reactive works creating efficiencies for the organisation.

A task for this is included in the Improvement Task List.

5.1.6 Performance monitoring

Asset management performance monitoring will be achievable in a comprehensive sense once defined goals, performance data and performance indicators have been developed. This will become possible as the Shire's systems become more defined and data on unit costs accumulates.

A task for this is included in the Improvement Task List.

6.2 Optimised life cycle strategy

Asset life cycle management is usually included in Asset Management Plans and can form part of capital project evaluation processes. One of the main outcomes of the Asset Management Plan is the identification of the Shire's asset renewal funding referred to as the Renewal Rap. The Renewal Rap will influence the funding amounts allocated for asset preservation and asset expansion in the Long Term Financial Plan.

A task for this is included in the Improvement Task List.

6.3 Design/Project Management

The design and project management of renewal/ new /upgrade capital works is currently undertaken in-house (for example, road resealing) or by the appointment of consultants or engineers (for example, new roadwork's or new buildings).

There are a number of sources of design standards information available (for roads, footpaths, bridges) and Project Management methodologies it is suggested that the Shire make use of existing standards, rather than developing new custom standards.

6.4 Audits and review

Asset management audits are not currently undertaken. An asset management audit process will be implemented once the planning tasks such as policies, strategies and plans are completed, endorsed and implementation is underway.

6.5 Information Systems

5.5.1 Asset Registers (Data)

The asset registers for roads and footpaths stored in the Road Assessment and Maintenance Management (RAMM) program. This data has been updated in 2017 with the inclusion of the underground drainage network to the system.

Data on buildings, bridges and parks is kept in separate databases that are maintained on the Shire network drive.

These asset registers will be consolidated into a combined corporate asset register.

5.5.2 Financial System

The Shire uses the SYNERGY business system which has some significant shortcomings both in its asset management capability and in other areas for the organisation. The Shire is investigating improvement options.

6.6 Maintenance Management

The Shire operates a basic maintenance information system for all asset classes. Work requests are forwarded to the relevant service manager and then stored in the records system, once actioned. Statistics and analysis of work requests are undertaken occasionally by senior management. As mentioned above, maintenance management processes will be refined as part of the further development of the asset management system.

6.7 Risk Management

The Shire is in the process of developing an organisation wide risk management process and the Asset Management Plan includes a suggested asset risk profile. Undertaking risk assessments of significant infrastructure decisions should continue notwithstanding the absence of organisation wide risk management process.

6.8 Plans and Records

The Shire stores corporate documents, including plans, in their Synergysoft records system. Large (un-scannable) plans are kept in the Infrastructure Directorate area with a reference to the documents in Synergysoft.

7. WHERE DO WE WANT TO BE?

The Shire's vision, mission, goals and objectives link with the Corporate Strategic Plans.

VISION: "For the East Kimberley to be a thriving community with opportunities for all"

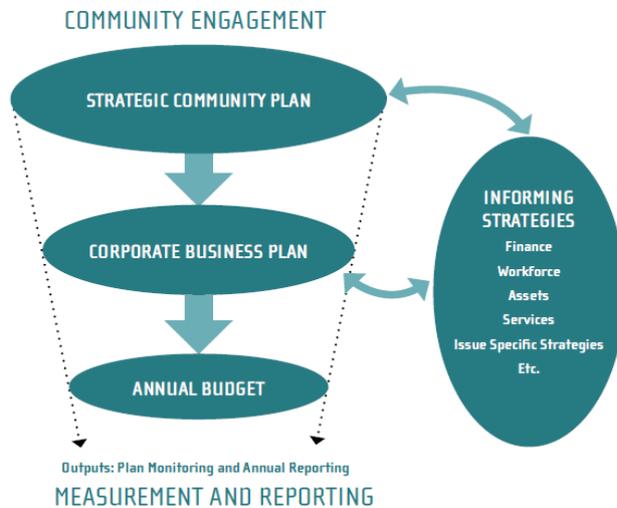
MISSION: "To enable the East Kimberley to develop in a manner that will achieve social, cultural, economic and environmental benefits for all"

The Shire is committed to achieving the vision and mission through strategic plans, such as the Strategic Community Plan and the Corporate Business Plan.

The strategic plans have been developed as per the guidelines of the Integrated Planning and Reporting Framework for long term sustainability. The aim of the Framework is to enhance the sustainable management of local government assets by encouraging 'whole of life' and 'whole of organisation' approaches and the effective identification and management of risks associated with the use of assets. The framework emphasises the importance of local governments developing robust asset management plans linked to rigorous long term financial and strategic planning as part of an integrated planning approach as set out within the Integrated Planning and Reporting Framework and Guidelines. It addresses the requirements to meet the intent of the Local Government Act 1995, and outlines the policies, processes and activities to develop and integrate other essential plans.

The Integrated Planning and Reporting Framework diagram (figure 4) below outlines the links and interdependencies between the community expectations, corporate business objectives, annual budget and strategies and strategic planning requirements to achieve the set targets.

Figure 4: Integrated Planning and Reporting Framework



The strategy is in alignment with the objectives of the Shire’s strategic plans. The delivery of the actions identified at the end of this document will help the progressive achievement of objectives and goals of strategic plans.

This Asset Management Strategy is prepared following a review of the Shire’s service delivery practices, financial sustainability indicators, asset management maturity and with the Shire’s vision for the future outlined in the Strategic Community Plan 2012 to 2022. The strategy outlines an asset management improvement plan detailing a program of tasks to be completed and resources required to bring Shire to a minimum ‘core’ level of asset maturity and competence.

8. ASSET MANAGEMENT POLICY

The Shire’s Asset Management Policy defines the Shire’s vision and service delivery objectives for asset management in accordance with the Strategic Plan and applicable legislation.

This Asset Management Strategy is developed to support the Asset Management Policy and is to enable the Shire to show:

- a) How its asset portfolio will meet the affordable service delivery needs of the community into the future,
- b) How the Shire’s asset management policies will be achieved, and
- c) The integration of Shire’s asset management practices with its long term strategic plans.

To ensure the long-term financial sustainability of the Shire, it is essential to balance the community’s expectations for services with their ability to pay for the infrastructure assets used to provide the services. Maintenance of service levels for infrastructure services requires appropriate investment over the whole of the asset life cycle. To assist in achieving this balance, the Shire will

develop and maintain asset management governance, skills, process, systems and data in order to provide the level of service the community need at present and in the futures, in the most cost-effective and fit for purpose manner.

In line with the vision, the objectives of the Asset Management Strategy are:

- a) Ensure that the Shire’s infrastructure services are provided in an economically optimal way, with the appropriate level of service to residents, visitors and the environment determined by reference to Shire’s financial sustainability,
- b) Safeguard the Shire’s assets including physical assets and employees by implementing appropriate asset management strategies and appropriate financial resources for those assets,
- c) Adopt the long term financial plan as the basis for all service and budget funding decisions,
- d) Meet legislative requirements for all Shire operations,
- e) Ensure resources and operational capabilities are identified and responsibility for asset management is allocated,
- f) Provide high level oversight of financial and asset management responsibilities through Audit Committee/CEO reporting to Council on development and implementation of the Asset Management Strategy, Asset Management Plan and Long Term Financial Plan.

9. HOW WILL WE GET THERE?

Asset Management Strategy strategies to enable the objectives of the Strategic Plan, Asset Management Policy and Asset Management Vision to be achieved are summarised in Table 3 below.

Table 1: Asset Management Strategies

No	Strategy	Desired Outcome
1	Implement an Improvement Plan to realise ‘core’ maturity for the financial and asset management competencies within 2 years.	Improved financial and asset management capacity within the Shire.
2	Report to the Shire by Audit Committee/CEO on development and implementation of Asset Management Strategy, AM Plans and Long Term Financial Plans.	Oversight of resource allocation and performance.
3	Move from Annual Budgeting to Long Term Financial Planning	The long term implications of Shire services are considered in annual budget deliberations.
4	Develop and annually review Asset Management Plans covering at least 10 years for all major asset classes.	Identification of services needed by the community and required funding to optimise ‘whole of life’ costs.
5	Develop Long Term Financial Plan covering 10 years	Sustainable funding model to

	incorporating asset management plan expenditure projections with a sustainable funding position outcome.	provide Shire services.
6	Incorporate Year 1 of Long Term Financial Plan revenue and expenditure projections into annual budgets.	Asset management and long term financial planning drives budget deliberations.
7	Review and update asset management plans and long term financial plans after adoption of annual budgets. Communicate any consequence of funding decisions on service levels and service risks.	The Shire and the community are aware of changes to service levels and costs arising from budget decisions.
8	Ensure the Shire's decisions are made from accurate and current information in asset registers, on service level performance and 'whole of life' costs.	Improved decision making and greater value for money.
9	Report on the Shire's resources and operational capability to deliver the services needed by the community in the Annual Report.	Services delivery is matched to available resources and operational capabilities.
10	Ensure responsibilities for asset management are identified and incorporated into staff position descriptions.	Responsibility for asset management is defined.

10. ASSET MANAGEMENT IMPROVEMENT PLAN

The tasks required to achieve 'core' financial and asset management maturity are shown in priority order in Table 4.

Table 2: Asset Management Improvement Plan

Task No	Task	Responsibility	Resources Required	Timeline
1	Record capital budget estimates and expenditures as capital renewal and capital upgrade/new expenditures	Director Finance	Staff time	Dec 2017
2	Record current operations budget estimates and expenditures as operations and maintenance expenditures	Director Finance	Staff time	Dec 2017
3	Combine technical asset registers into a single corporate asset register	Asset Manager	Staff time	Dec 2017
4	Investigate and implement works costing systems and maintenance management system to improve works planning and costing systems	Asset Manager/Operations manager/Asset Accountant	Staff time	Dec 2017
5	Investigate condition assessment methodology and develop plan for regular condition assessment	Asset Manager	Staff time	Dec 2017

6	Establish regular meetings of corporate Asset management team	Asset Manager	Staff time	Dec 2017
7	Recording of non-transport facilities usage and utilisation rates	Asset Manager	Staff time	Dec 2017
8.	Levels of Service statement	Asset Manager	Staff time	Dec 2017
9.	Levels of Service agreement	Asset Manager	Staff time	June 2018

11. REFERENCES

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To contact us:

 +61 08 9168 4100

 mail@swek.wa.gov.au

 www.swek.wa.gov.au

 PO Box 614 Kununurra WA 6743

Shire Offices and Chambers

	<u>Kununurra</u>	<u>Wyndham</u>
	20 Coolibah Drive	Koolama Street
	Kununurra WA 6743	Wyndham WA 6740

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