# Draft

# Asset Management Strategy

## *High-performing and sustainable assets*

**DISTRIBUTION SCHEDULE**

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# Table of Contents

Appendix 1- The Asset Management Cycle and Process

Appendix 2- Summary of the Town's Current Asset Management Position and Measures for Improvement

Appendix 3-Three-Year Asset Management Process Improvement Plan Template

# 1.  Executive Summary

*Asset Management is a key part of business planning, which connects, at a strategic level, decisions about an organisation's business needs, the deployment of its assets, and its future investment needs*. (Towards Better Management of Public Sector Assets, Sir Michael Lyons 2004).

Local Governments are asset-intensive organisations, particularly infrastructure assets such as roads and airports. The estimated replacement cost of the Town of Port Hedland's (the Town) assets is approaching $575 million. This exposes the Town to considerable risk, not only financial but also political, physical, operational and legal risks.

On the back of the significant international demand for resources, the Town is positioned at the heart of the country's economy. This has led to the rapid growth of the Town.

The Western Australia Government has identified the Town for development into a city over the next 20 years. The Town is expected to grow from a population of approximately 20,000 to 50,000 by 2035.

The current growth of the Town and demand for services, together with its longer-term development, has significant and far-reaching implications for the Town's infrastructure and physical asset base. Coupled with this, the state Government enacted legislation in August 2011 introducing the Integrated Planning and Reporting Framework (IPRF). This framework requires all local governments to adopt a long-term future planning and reporting regime that includes giving consideration to how services will continue to be delivered to the community in a financially and sustainable manner.

This is the Town's first Asset Management Strategy under the IPRF. It is part of an Asset Management Framework that comprises the following documents:

- **Asset Management Policy**

   This provides the overarching asset management policy for the Town, and the key principles against which the Town's assets are to be managed.

- **Asset Management Strategy**

   The Strategy sets asset management objectives, practices and strategies for the improvement of the asset base and the asset management system.

- **Asset Management Plans**

   These translate the asset management strategies into programs for implementation.

The scope of this initial strategy is the physical assets of the Town, i.e. infrastructure, buildings, plant and equipment, and information and communications technology (ICT) assets. It focuses on providing the basis for the development of future Asset Management Strategies and Asset Management Plans that ensure the full integration of asset management into the Town's corporate planning process; and the continuing and future provision of services to the community to the right standard, at the right time and place, and at the right cost.

These are complex challenges, not least of which will be how to balance investment in new assets with the need to maintain the efficient and effective provision of community services from the existing asset base.

In considering this, the Town's vision is for a portfolio of *high-performing and sustainable assets* that is managed to international standards of practice; strives to meet the priorities and aspirations of the community and the strategic and operational needs of the Town; and is balanced within the Town's financial context.

Against this background, the strategy sets asset management objectives and outcomes that are consistent with the Town's Asset Management Policy, meet the requirements of the IPRF, and define a *routemap* for the development of the Town's asset management capacity and capability necessary to meet the challenges of the future. It also identifies how these objectives and outcomes will be achieved, which form the basis of the Town's first Asset Management Plan. The Town has developed the following strategic objectives for the Asset Management Strategy:

- **Direction, Accountability and Integration**

  To develop a whole-of-Town asset management system and process that provide direction across the organisation, promote clear accountability at all levels of management, and integrate asset management into the corporate planning process.

- **Lifecycle Management**

  To manage the Town's assets on the principles of lifecycle management to ensure their most effective and efficient performance.

- **Data and Information Management**

  To ensure the quality and accuracy of asset data and information that enables analysis of asset performance and effective decision-making.

- **Standards and Levels of Service**

  To develop asset management standards and levels of service that reflects community aspirations and satisfies the internal requirements of the Town's business units.

- **Continuing Improvement**

  To develop an organisation-wide asset management function with a culture of continuing improvement in skills, processes, knowledge and practices.

Table 1 summarises the key strategies and actions that have been developed for each strategic objective.

| Strategic Objective: Direction and Accountability | Defined roles and responsibilities and accountabilities that are clearly understood across the organisation and integrated into the Town's business and resources planning process. | | |
|---|---|---|---|
| **Item** | **Current Position** | **Strategy** | **Action** |
| Governance and Management Arrangements | The Town has put initial governance arrangements in place as part of this strategy.<br><br>The Workforce Plan provides for the appointment of asset management staff in the areas of Technical Services and Finance. | Further development of governance and management arrangements over the next 12 months | Development of roles and responsibilities and assignment of asset management tasks.<br><br>Nomination of a senior corporate sponsor of asset management.<br><br>Nomination of an owner of the corporate asset management function.<br><br>Active involvement of Executive Management Team and asset owners.<br><br>Elected Members are kept informed of asset management progress. |
| **Strategic Objective: Lifecycle Management** | A portfolio of assets that is aligned with the Town's corporate, financial and business objectives, which is efficiently and effectively managed from asset conception, planning, design, use and disposal. | | |
| **Item** | **Current Position** | **Strategy** | **Action** |
| Asset Knowledge | The Town has a broad picture and understanding of its asset base. This will be expanded in the areas of asset condition and performance. | The Town will develop a detailed understanding of the asset portfolio in terms of asset inventory; asset condition, value, cost and appropriateness; and remaining life. | Carry out a comprehensive asset audit, including land holdings and revenue assets.<br><br>Confirm condition of significant & critical assets.<br><br>Develop maintenance & renewal programs |

| | | | that align with strategy and asset owner requirements. |
|---|---|---|---|
| The Town's Goals & Objectives | Goals and objectives are being developed through the SCP and CBP. | Asset Management Strategies and Plans will be framed to align the asset portfolio with the strategic goals and objectives of the Town. | Integrate asset strategies and plans into single Asset Strategy and Planning documents that, as an aggregate, reflect the Town's Corporate Business Plan, Workforce Plan, ICT Plan and Long-term Financial Plan.<br><br>Adopt a performance management system based on a balanced scorecard approach, i.e. financial, customer, internal business, and environmental and social perspectives. |
| Service Drivers | The current management of the Town's assets is principally driven by the requirements of the physical upkeep of assets, the operational requirements of the Town, and through community surveys.<br><br>The CBP recognises 3 main demand sets that drive the requirement for services:<br><br>• Long-term strategic growth demand;<br>• Ongoing external demand from the community; and<br><br>Ongoing internal operational | Asset Strategies and Plans to address the long, medium and short-term needs of each service demand set. | Implement an integrated whole-of-organisation strategic and planned approach to asset management.<br><br>Each directorate of the Town's administration will define the criteria required of their assets having regard to the following:<br><br>• Asset type;<br>• Location;<br>• Utility;<br>• Serviceability and functionality;<br>• Condition;<br>• Amenity; and<br>• Financial criteria. |

| | | | |
|---|---|---|---|
| | demand from the Town's administration. | | |
| Financial Performance Indicators | This strategy presents initial assessments of the Town's asset replacement costs, expenditure forecasts, gaps and ratios. These will inform the LTFP. Data used for these assessments have been sourced from various and separate records, which have been identified as having a number shortcomings. | Consolidate all asset data into a single comprehensive database that is linked to the Town's financial and accounting systems.<br><br>Establish a new budgeting paradigm and financial reporting regime that reflects the whole-of-life management of assets.<br><br>Manage the Renewal & Replacement Gap by:<br><br>• Prioritising and grading the importance of each asset;<br>• Identifying significant and mission critical assets;<br>• Assessing the continuing need and standards/levels of service for these assets;<br>• Defining minimum asset condition and in-use efficiency and effectiveness to support service levels;<br>• Assessing their condition;<br>• Assessing the risk and impact on the Town's services and operations of any failure to meet standards/levels of service; | Check, cleanse and verify all asset data across all registers, records and systems.<br><br>Develop new budget processes and financial reporting regimes for each asset type that is based upon their actual operating and service performance requirements as part of individual asset plans.<br><br>ACR: refine the estimation of the ACR as improvements are made to financial & asset data.<br>ASR: confirm a ratio that reflects the true position of the Town by:<br><br>• Examining and confirming asset Written Down Values;<br>• Reviewing the estimated expenditure on asset renewal and replacement; and<br>• Refining the budget process and methodology.<br><br>ARFR: Calculate ratio following finalisation of asset renewal program.<br><br>Develop a Performance Management System comprising sets of Performance Objectives, Key Performance Indicators and Measures of Performance for each asset |

| Item | Current Position | Strategy | Action |
|---|---|---|---|
| | | Develop individual asset plans for mission critical assets and the balance of asset classes by reference to the Town's financial context and availability of funds. | class. The Performance Management System will be drawn up and agreed in consultation with the Town's asset *owners*. Examples of maintenance performance indicators are shown in table 12 below. |
| Asset Management Cycle & Processes | The Town's current asset management processes are primarily related to 5-year and annual expenditure budgets, asset maintenance and operations. | Introduce Asset Management processes based on acknowledged leading practice principles for the public sector that cover all stages of asset lifecycles. | Construct and implement processes for: Strategic Asset Planning; Asset Programs; Asset & Service Delivery Programs; Performance Management & Review; and Processes for Improvement as detailed in Appendix 1. |
| **Strategic Objective: Data and Information Management** | The ability to identify, analyse and model asset trends that enhance asset efficiency and effectiveness and enable informed decision-making. | | |
| **Item** | **Current Position** | **Strategy** | **Action** |
| Data Systems | The Town has one asset register and maintains spreadsheets to record asset information and for the management of its assets, the responsibility for which is spread across the organisation.<br><br>Asset records do not align between the corporate finance system and operating divisional records. | Consolidate asset management data and information onto a single AMS that satisfies the following criteria:<br><br>• Linkage to the Financial system;<br>• Categorisation of asset classes and hierarchies;<br>• Capacity to store and record all asset details;<br>• Maintenance planning and management; | Define required asset data and asset information requirements.<br><br>Define asset management information reporting hierarchy and requirements that are consistent with governance and management arrangements.<br><br>Collate data onto individual spreadsheets for transfer into an AMS<br><br>Develop specification for an AMS. |

| | A comprehensive audit of existing data and systems has occurred and shortfalls identified.<br><br>The Town does not have an asset management software system (AMS). | • Works management;<br>• Procurement and contract management;<br>• Develop management and work processes;<br>• Basic reporting functions;<br>• Capacity for development to meet the Town's expanding data and information management needs;<br>• Compatible with web-based devices to transfer data between operational sites and the AMS;<br>• Local government experience;<br>• Strong systems support.<br><br>Convert to an AMS within 12 months. | Select and implement an AMS. |
|---|---|---|---|
| **Strategic Objective: Standards and Levels of Service** | A portfolio of assets that is aligned with community and organisational expectations and priorities having regard to the financial context of the Town. | | |
| **Item** | **Current Position** | **Strategy** | **Action** |
| Levels of Service (LOS) & Property/Facility Management Standards | The Town currently conducts community surveys to assess standards of service. The Town is planning the introduction of a formal LOS framework and documented service standards. | Expand/enhance the community surveys to include information relating to the condition, use and effectiveness of assets.<br><br>Document a LOS framework that clearly defines and documents LOS for:<br><br>• Community; | Design survey template for community feedback on assets; and methodology to interpret and analyse responses for input into strategies.<br><br>Agree and set minimum internal and external standards for each asset |

| | | • Technical;<br>• Compliance; and<br>• Internal services. | category/facility supported by an inspection and management regime.<br><br>Document a register of legislative compliance requirements, codes of practice and standards, and other relevant obligations; and develop processes to ensure their compliance. |
|---|---|---|---|
| Performance Measurement | The Town is currently planning the adoption of a formal performance measurement system. | Develop a performance measurement system that comprises performance outcomes, performance standards and targets, performance indicators and measures, and bases of measurement and benchmarks. | Develop methodologies to measure and analyse the performance of the Town's assets, and the asset management systems and processes used in their management, against LOS and financial criteria. Examples of LOS for buildings are shown in table 15. |
| **Strategic Objective: Continuous Improvement** | Ongoing improvement in asset management competency and capacity. | | |
| **Item** | **Current Position** | **Strategy** | **Action** |
| Asset Management Awareness, Knowledge and Understanding | The Town is implementing the IPRF requirements of the DLG. These require an extended knowledge and understanding over and above current practices. | Enhancement and development of asset management practices on an ongoing basis. | Develop awareness, training and development programs for all levels of Town staff and Elected Members that caters for induction and ongoing development.<br><br>These programs will be planned to align with the implementation of the improvement strategy.<br><br>Develop a system of self- and external |

| | | | assessment. |
|---|---|---|---|
| | | | Benchmark against other jurisdictions, WALGA, Department of Local Government requirements, and other bodies. |
| | | | Maintain a process to track developments and innovations in *best* practice. |
| Skills & Experience | The Town possesses competent technical and operational skills and experience. | Develop and acquire skills and experience necessary to fulfil the requirements of the IPRF in Asset Management | Undertake skills audit. Identify required skills. Close gaps through a plan for recruitment, up-skilling & training. |

Table 1: Asset Management Strategy Summary

## 2.   Introduction

In October 2010, the Department of Local Government released the Integrated Planning and Reporting Framework (IPRF), which became law in August 2011. The IPRF consists of a Strategic Community Plan (SCP) and a Corporate Business Plan (CBP) that is informed by various strategies, including Long Term Financial Planning (LTFP), Workforce Planning (WP), and Asset Management.

The IPRF requires all local governments to plan for the future including consideration of how the Town will continue to deliver services to the community on a long-term basis in a financially sustainable and efficient manner.

Assets are fundamental to councils' overall service delivery and planning. Responsibility for assets requires strong and informed councillor and executive oversight to achieve and maintain sustainable asset management outcomes.

Asset management must form part of an effective integrated planning and reporting framework, linking with, and supporting long-term financial planning and strategic planning to ensure that the appropriate level of funds and resources are available to continue to provide services to the community in accordance with Council's objectives as set out in the Strategic Community Plan (SCP).

A strong focus on long-term asset planning is important because there is:

- Increasing demand for services as the population grows and changes;
- Increasing community expectations in relation to service provision, accountability and value for money;
- Limited ability to grow revenue and finite resources; and
- A need to maintain, renew or replace assets.

As part of the IPRF, the Town has adopted an Asset Management Framework within which the Town's assets will be managed. This framework consists of the Asset Management Policy, Asset Management Strategy (this document) and Asset Management Plans for each asset class. The Asset Management Policy provides a foundation for the Town's Asset Management Strategy and related asset management plans for individual assets or asset classes. Figure 1 demonstrates how the Asset Management Framework fits with the various documents required by the IPRF.
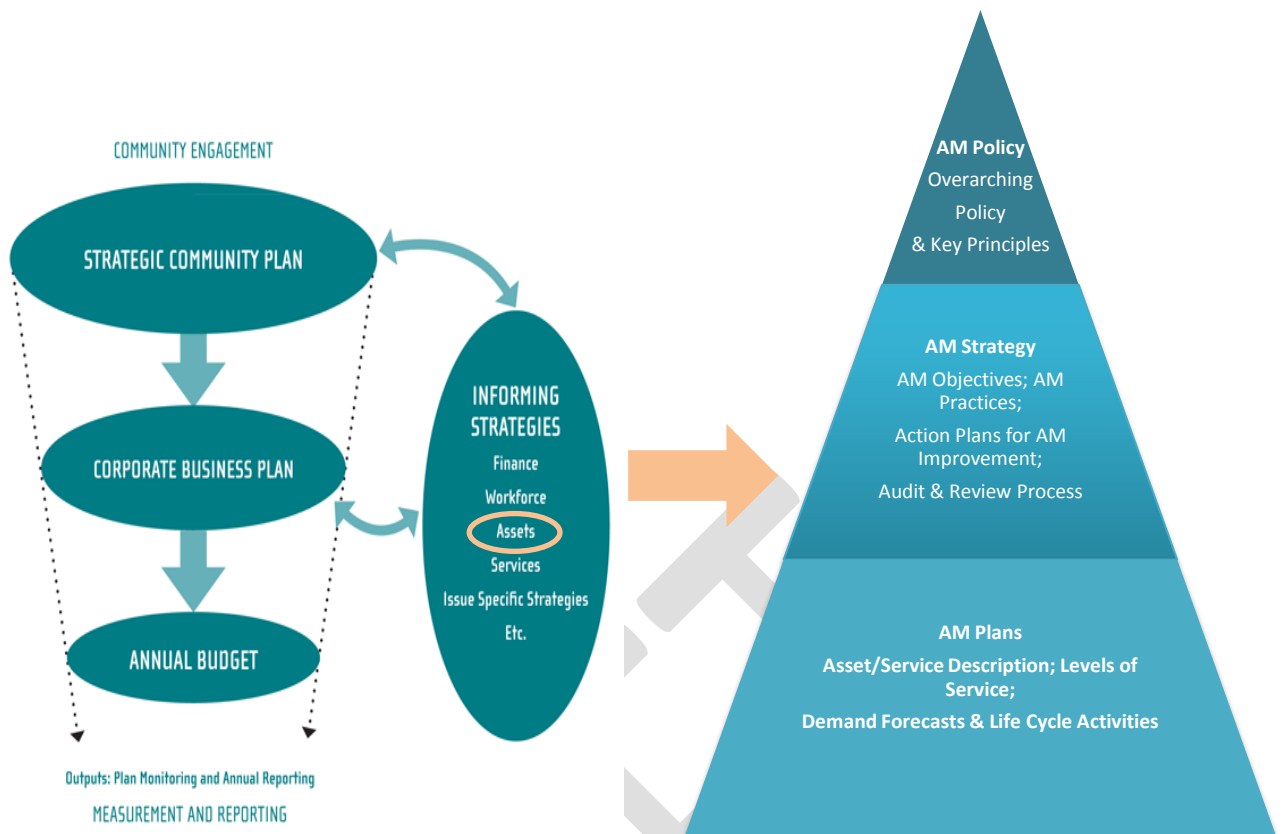
**Figure 1: Asset Management and the Integrated Planning and Reporting Framework**

# 3. Department of Local Government Asset Performance Standard Requirements

All local governments in Western Australia are required to demonstrate compliance with the Department of Local Government's Advisory Standards (Basic Standard) for each level of planning under the IPRF.

These standards are designed to encourage continuous improvement along the asset management continuum. The basic standard for asset management in the Integrated Planning and Reporting Framework is:

- *The existence of Asset Management Plans for significant and critical asset classes; and*
- *Key Performance Indicators (KPIs) that meet these standards.* These KPIs are summarised in Table 2.

| Key Performance Indicator | Measure | Basic Standard | Advanced Standard |
|---|---|---|---|
| Asset Consumption Ratio (Aged condition of asset stock) | Written Down Asset Value *Divided by* Current Replacement Costs | Ratio can be identified; and ratio is ≥ 50% | Ratio between 60% and 75% |
| Asset Sustainability Ratio (Extent of asset replacement at end of useful life) | Capex on Asset Replacement/Renewal *Divided by* Depreciation Expense | Ratio data can be calculated; and ratio is ≥ 90% | Ratio between 90% and 110% |
| Asset Renewal Funding Ratio (Capacity to fund asset renewal without increasing current operating liabilities) | NPV of Planned 10-year Capex on Renewals *Divided by* NPV of Required 10-year Capex on Renewals | Ratio data can be identified; and ratio is ≥ 90% | Ratio between 95% and 110%; and ASR is within 90% and 110%; and ACR is within 50% and 75% |

**Table 2: Key Department of Local Government Performance Standards for Asset Management**

Estimations of the Town's ratios are contained in section 7.2.4.6

# 4. Asset Management

## 4.1. Overview

Asset Management is a sub-set of strategic resource planning, and is a multi-discipline activity combining the following key areas of expertise:

- Management;
- Planning;
- Finance;
- Economics;
- Property; and
- Engineering.

In all cases, it is recognised that an integral part of Asset Management is the consideration of non-asset or part-asset solutions to service delivery, e.g. third party involvement, outsourcing and leasing.

At the most basic level, the following need to be in place to achieve asset management outcomes:

- Know what assets are owned or controlled by the Town;
- Know their condition;
- Understand the expected life of the assets;
- Understand what assets are required to underpin current and future service needs;
- The ability to decide what future asset needs mean in terms of acquisitions, disposals and maintenance;
- Know the cost to provide the service and asset;

- Have a system in place to prioritise resource allocation and that it is aligned with the Strategic Community Plan and Corporate Business Plan;
- Have all of the above summarised in an Asset Management Plan;
- All costs (and revenues) are captured in the financial management system and entered into the Long Term Financial Plan.

The IPRF has set the base standard that all local governments are required to achieve by July 2013. This standard requires the Town to:

- Develop an Asset Management Policy;
- Develop an Asset Management Strategy including:
  - An Asset Management Plan that considers major asset classes;
  - Processes that link Asset Management Plans to Long Term Financial Plans;
  - Defined levels of service and affordability;
  - Governance and management arrangements;
  - Data and systems to support asset management;
  - Improvement of skills and processes.
- Develop a process for evaluating Asset Management Plans, processes and asset sustainability;
- Link asset management to the Annual Report.

## 4.2.  The Asset Management Cycle and Process

The IPRF framework ensures a consistent approach to asset management.

Figure 2 represents acknowledged best practice in the stages and key activities of the Asset Management Cycle, which also includes the organisational attributes required for its effective management.

- Business & Financial Drivers
- Asset Management Policy & Framework



**Figure 2: Asset Management Cycle**

The management of the Town's assets on the basis of this cycle will ensure that the objectives of the Town's Asset Management Policy are met. Appendix 1 contains details of the activities for each stage of the cycle.

# 5. Asset Management Strategy Background

## 5.1. The Context of the Town

Port Hedland is a port town in the north west of Western Australia. The Town is disproportionately driving Australia's economy and is experiencing rapid growth.

The Pilbara Region of Western Australia has become the heart of Australia's economy on the back of significant international demand for resources. Port Hedland's facilities are essential to support the extraction of these resources and handle their international distribution.

The Western Australia Government, along with Karratha and Broome, has identified the Town of Port Hedland for development into a city over the next 20 years. The Town is expected to grow from a population of approximately 20,000 to 50,000 by 2035.

The current growth of the Town and demand for services, together with its longer-term development, has significant and far-reaching implications for the Town's infrastructure and physical asset base.

The Town is in the early stages of embarking on an asset management program and developing its asset management capacity and capability. This initial AMS, therefore, focuses on providing the basis for the development of future Asset Management Strategies and Asset Management Plans that ensure the continuing provision of services to the community, and prepare and plan for those in the Town's growth and development.

## 5.2.    Purpose of the Strategy

This is the Town's first Asset Management Strategy. Its purpose is to set objectives and outcomes that enable and ensure the Town's management of its assets is consistent with and meets the minimum requirements of the IPRF and the Town's Asset Management Policy; and to outline a *routemap* for the Town's development and improvement of its asset management capacity in relation to the current and future service requirements of the Town.

This strategy identifies the key elements and tasks necessary to achieve these objectives and outcomes, and a program for their implementation. This program forms the basis for the Town's first Asset Management Plan.

## 5.3.    Scope of the Strategy

This strategy is concerned with the physical assets of the Town, i.e.:

- Infrastructure;
- Buildings;
- Plant and Equipment; and
- ICT.

Futures strategies will include Land and intangible assets. They will also integrate strategic studies currently being undertaken for housing and office accommodation, and those projects that will flow from the CBP. The Town will ultimately have a single consolidated strategy for all asset classes that provides a clear direction for the alignment of asset portfolios with the Town's short, medium and long-term business, service, growth, and financial objectives.

## 5.4.    Strategy Focus

This initial AMS for the Town is focused on developing and improving the Town's existing internal capacity and processes to enable the implementation of the objectives of the Asset Management Framework. It also formally integrates asset management into the Town's corporate and business planning regime by informing and being informed by the Community Services Plan, Corporate Business Plan and Long Term Financial Plan.

The key focus areas for this AMS are therefore:

- Building asset management knowledge and capacity;
- Understanding the current asset base;

- Shaping the asset requirements for the future; and
- Integrating asset management into the Town's corporate planning process.

## 5.5. The Town's Asset Management Vision

The Town's asset management vision is for a portfolio of *high-performing and sustainable assets* that is managed to international standards of practice; strives to meet the priorities and aspirations of the community and the strategic and operational needs of the Town; and is balanced within the Town's financial context.

## 5.6. Strategic Objectives and Outcomes

In relation to the focus areas and in keeping with the Town's asset management vision, the AMS sets five strategic objectives that have been identified as being the pillars upon which its asset management vision for high-performing and sustainable assets will be built. These objectives are:

### 5.6.1. Direction, Accountability and Integration

To develop a whole-of-Town asset management system and process that provide direction across the organisation, promote clear accountability at all levels of management, and integrate asset management into the corporate planning process.

### 5.6.2. Lifecycle Management

To manage the Town's assets on the principles of lifecycle management to ensure their most effective and efficient performance.

### 5.6.3. Data and Information Management

To ensure the quality and accuracy of asset data and information that enables analysis of asset performance and effective decision-making.

### 5.6.4. Standards and Levels of Service

To develop asset management standards and levels of service that reflects the aspirations of the community and satisfies the internal requirements of the Town's business units.

### 5.6.5. Continuing Improvement

To develop an organisation-wide asset management function with a culture of continuing improvement in skills, processes, knowledge and practices.

Table 3 lists these objectives with their desired outcomes.

| Strategic Objective | Desired Outcome |
|---|---|
| Direction and Accountability | Defined roles and responsibilities and accountabilities that are clearly understood across the organisation and integrated into the Town's business and resources planning process. |
| Lifecycle Management | A portfolio of assets that is aligned with the Town's corporate, financial and business objectives, which is effectively and efficiently managed from asset conception, planning, design, use and disposal. |
| Data and Information Management | The ability to identify, analyse and model asset trends that enhance asset efficiency and effectiveness and enable informed decision-making. |
| Standards and Levels of Service | A portfolio of assets that is aligned with community and organisational expectations and priorities having regard to the financial context of the Town. |
| Continuous Improvement | Ongoing improvement in asset management competency and capacity. |

Table 3: Strategic Objectives and Outcomes

# 6. The Asset Management Strategy

## 6.1. Direction, Accountability and Integration

Asset management is a core part of the Town's operations and overall long-term sustainability that requires clear guidance and leadership from across the organisation.

As a first step in the governance and management of the Town's asset management process and the management of the asset base itself, the Town has identified the following asset management tasks that need to be assigned within an asset management governance and management framework:

- Development of a matrix setting out responsible officers for each task over the entire asset management lifecycle for each major asset group or asset ownership portfolios;
- Representation from across the organisation to ensure that asset management supports the required service delivery;
- The provision of advice, support and direction to asset owners regarding all aspects of the management of the assets for which they are responsible;
- Developing an asset hierarchy including common asset numbers and linkages across asset registers;
- Ensuring inventory information is up-to-date and regularly reviewed;

- Ensuring asset condition reports are maintained;
- Ensuring the chart of accounts structure and system is sufficiently componentised to allow the reporting of operating, maintenance, renewal, upgrade and new expenditure at the appropriate component levels and by asset hierarchy in the Finance and Asset Management Systems;
- Apply the Town's Risk Management Framework;
- Annual review and update of the AMS and AMP;
- Annually revise the asset renewal demand projections in the AMP, update the renewal model and ensure the LTFP is updated;
- Monitoring and evaluation of asset management performance, including reporting to the Executive Management Team;
- Annually revise the roles & responsibilities matrix and update a skills assessment gap in order to refine the ongoing training program for Officers and Elected Members;
- Analysis of the realistic useful life of assets in order to refine the renewal demand model;
- Ensure assets are reflected at fair value so that realistic Asset Sustainability indicators can be developed;
- Develop and document a formal process for the handover of new assets to asset owners, which ensure any impacts on BAU are taken into account;
- Improvement of skills and processes;
- Manage, monitor and report upon the implementation of the AMP;
- Develop strategies for communications with asset owners, ICT, Finance, the Executive Management Team and other stakeholders.
- Integration of asset management into the corporate planning, business and reporting process.

### 6.1.1. Strategy for Direction Accountability and Integration

The principles for the roles, responsibilities and associated accountabilities that have been adopted for the management Town's assets are shown in Figure 3; and the initial governance arrangements are depicted in Figure 4.

Strategy for Direction Accountability and Integration is summarised in table 4.
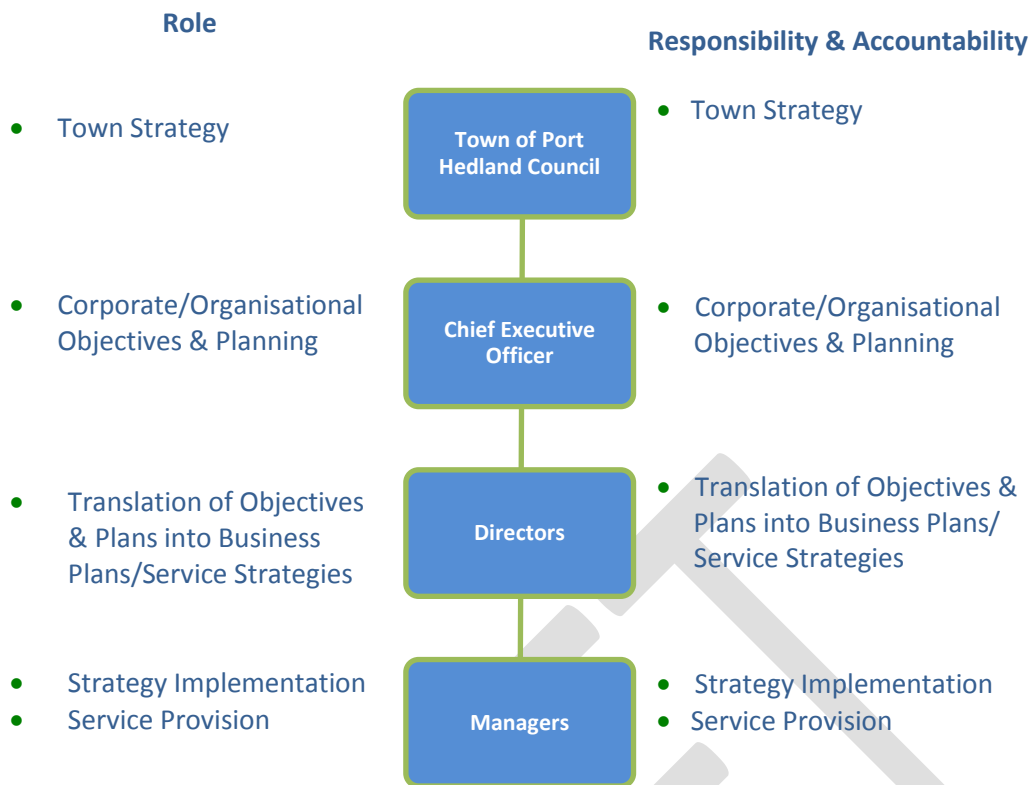
| Role | | Responsibility & Accountability |
|---|---|---|

- Town Strategy

**Town of Port Hedland Council**

- Town Strategy

- Corporate/Organisational Objectives & Planning

**Chief Executive Officer**

- Corporate/Organisational Objectives & Planning

- Translation of Objectives & Plans into Business Plans/Service Strategies

**Directors**

- Translation of Objectives & Plans into Business Plans/Service Strategies

- Strategy Implementation
- Service Provision

**Managers**

- Strategy Implementation
- Service Provision

**Figure3: Asset Management Roles and Responsibilities**

Stakeholders, including Community, Elected Members & Asset *Owners*

**Asset Management Governance**

**Asset Management Co-ordination *Group*:**
- Asset *Owners*
- Finance
- ICT
- Engineering

**Implemented by:**
- Technical Services
- Finance
- ICT
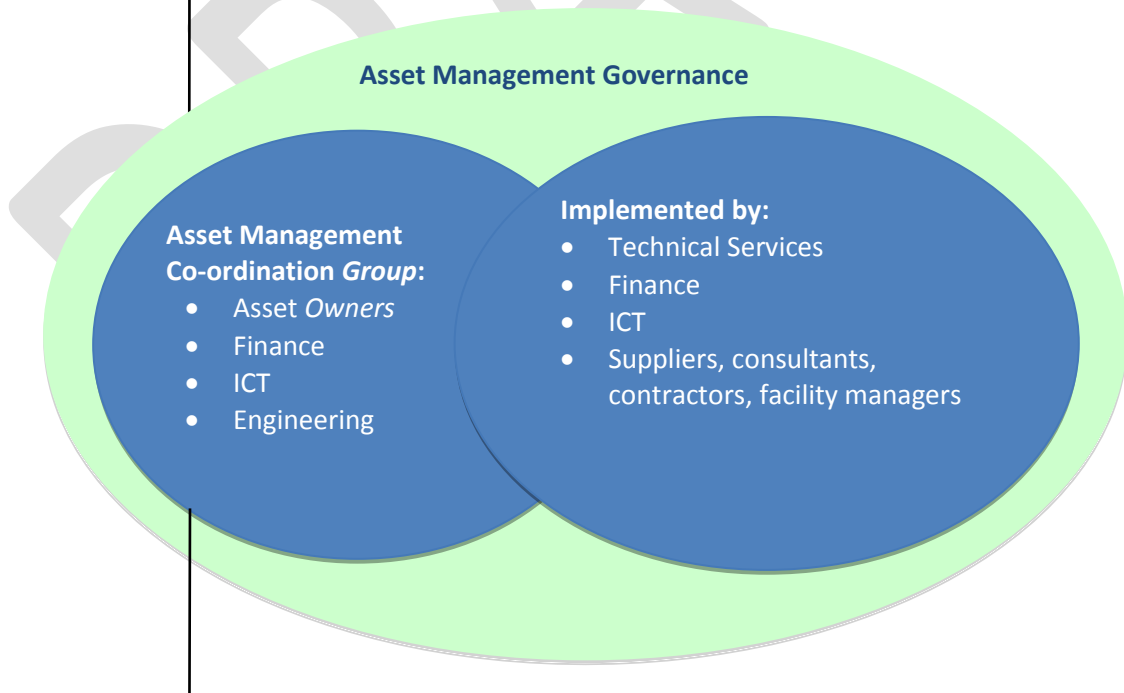- Suppliers, consultants, contractors, facility managers

**Figure 4: Asset Management Governance**

| Strategic Objective: Direction and Accountability | Defined roles and responsibilities and accountabilities that are clearly understood across the organisation and integrated into the Town's business and resources planning process. | | |
|---|---|---|---|
| **Item** | **Current Position** | **Strategy** | **Action** |
| Governance and Management Arrangements | The Town has put initial governance arrangements in place as part of this strategy. The Workforce Plan provides for the appointment of asset management staff in the areas of Technical Services and Finance. | Further development of governance and management arrangements over the next 12 months | Development of roles and responsibilities and assignment of asset management tasks. Nomination of a senior corporate sponsor of asset management. Nomination of an owner of the corporate asset management function. Active involvement of Executive Management Team and asset owners. Elected Members are kept informed of asset management progress. |

**Table 4: Direction and Accountability Strategy**

## 6.2. Lifecycle Management

The development of a strategy to align the Town's assets, which are managed from asset conception, planning, design, use and disposal, with its corporate, financial and business objectives requires an analysis of the Town's goals and objectives, service drivers, the existing asset base, and the management of assets on the basis of the asset management cycle and associated processes.

### 6.2.1. Current Asset Summary

The Town's asset base is comprised of 5 asset categories, in 2 operating entities, the municipality and the airport. The Town's current written down value of these assets is shown in Table 5.

| Asset Category | Municipal | Airport | Total |
|---|---|---|---|
| Buildings | $69,231,055 | $4,807,239 | $74,038,294 |
| Infrastructure | $112,536,316 | $15,229,628 | $127,765,944 |
| Land | $1,403,748 | - | $1,403,748 |
| Plant & Equipment | $7,043,905 | $966,696 | $8,010,601 |
| ICT and Furniture | $798,673 | $1,156,819 | $1,955,492 |
| **Total** | **$191,013,696** | **$22,160,382** | **$213,174,078** |

**Table 5: Current Asset Base: Categories And Written Down Values**

### 6.2.2. The Town's Goals and Objectives

The purpose of the Asset Management Strategy and Asset Management Plan is to guide the optimal alignment of the Town's asset base with the Town's goals and objectives. These are described in the Corporate Business Plan (CBP) under the following Strategic Themes:

- Community: vibrancy and diversity
- Economic: resilience, choice and opportunity
- Environment: balance with unique surroundings
- Local Leadership: leaders in the Pilbara and committed to transforming Port Hedland

The Town's vision is: *"A nationally significant, friendly city, where people want to live and are proud to call home".*[1]

### 6.2.3. Service Drivers

The demand for assets and their levels of service are derived from the Town's service drivers, which are created by the Strategic Themes (longer-term strategies) and on-going business as usual service delivery to both the community (external) and support to the Town's administration (internal).

#### 6.2.3.1. CBP Asset Related Projects

The CBP outlines a program for nearly 100 potential projects within the Strategic Themes over the next 4 years.

The majority of these projects will have implications for asset management. In addition, a large number of these are inter-related to and inter-dependent upon other strategies and plans.

This reinforces the need for a whole-of-town approach to asset management, which is an integral and core part of the Town's business and resource planning process. It also underlines the extent and importance of robust asset management, strategy and planning, governance and capability.

Integration of these projects into the asset management process will be included in the AMP.

#### 6.2.3.2. On-Going External and Internal Services

Section 3 of the CBP outlines the Town's operational activities, together with their frequency for each of the Town's operational and administrative business units, to deliver services to the community and to progress towards the achievement of the SCP community goals.

These determine the service delivery requirements and models of the Town's operating and corporate directorates.

In determining the response of the asset base to satisfy and support these activities, each directorate will define the criteria required of their assets having regard to the following:

- Asset type;
- Location;
- Utility;
- Serviceability and functionality;
- Condition;

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[1] Port Hedland Strategic Community Plan 2012 - 2022

- Amenity; and
- Financial criteria.

The performance of this analysis will be possible once service levels have been defined and agreed, and the Town has implemented the governance and process required to analyse the requirements and condition of the asset base. Provision has been made for this in the Improvement Plan.

### 6.2.4. Financial Context

The LTFP is under preparation concurrently with this Asset Management Strategy. The Town's asset expenditure forecasts and ratios, presented in this section, will inform the LTFP.

The information and results of the expenditure forecasts, indicators and renewal/replacement gaps provide a baseline from which the Town will review its current asset base in the manner described in this strategy. This will enable the Town to prioritise and plan asset expenditure to reflect the needs of critical and significant assets in the context of the availability of funds.

All data used in compiling the status of the current asset base has been sourced from the Town's Asset Database which is a consolidation of analysis of the following:

- 5-Year Plan 2012-13 to 2016-17 (Budget)
- Synergy Asset Register
- Synergy Rates/Land Module
- AVP Valuation Reports (2010 & 2011)
- ToPH Roman II
- Synergy Plant Module
- Playright Playground Audit (2010)
- ToPH Housing List
- Depot Asset Lists (Parks & Ovals, Vehicle and Plant)
- Rawlinsons Cost Guide
- Visual Site Inspection's (undertaken by Thinc Projects and ToPH staff))

All calculations are based on current known data. This strategy provides for all asset data to be checked and verified, following which the status of the existing asset base will be reviewed and updated.

The '*Accompanying Notes to the Town of Port Hedland's Asset Database*' contain a detailed commentary on the Database's accuracy, completeness and reliability.

### 6.2.4.1. Estimated Asset Replacement Costs By Asset Class

Tables 6-10 show the estimated cost of replacement by asset class. Total replacement costs are estimated at $574.8 million.

Replacement/Renewal estimates have been derived from the recently developed Asset Database R1.4. This database contains a schedule of rates for replacement/renewal of assets. A regional loading of 1.7 has been applied to rates where local information is not readily available.

| Building Assets | Number | Replacement Estimate |
|---|---|---|
| **Municipal** | | **$142,142,962** |
| Civic Building | 1 | $12,609,920 |
| Community Buildings | 19 | $27,541,530 |
| Depot Buildings | 12 | $2,461,600 |
| Housing | 36 | $17,794,000 |
| Miscellaneous Buildings | 6 | $489,260 |
| Public Amenity Buildings | 18 | $2,267,062 |
| Recreation Structures & Buildings | 24 | $72,806,390 |
| Retirement Buildings | 9 | $6,173,200 |
| **Airport** | | **$36,068,360** |
| Airport Depot Buildings | 3 | $709,360 |
| Airside Buildings | 5 | $1,476,950 |
| Housing | 5 | $2,594,000 |
| Landside Buildings | 13 | $31,288,050 |
| **Total Buildings** | | **$178,211,322** |

**Table 6: Estimated Asset Replacement Cost - Buildings**

| ICT Assets | Number | Replacement Estimate |
|---|---|---|
| **Municipal** | | **$2,363,299** |
| Hardware - Audio, Visual & Lighting | 3 | $56,454 |
| Hardware - Communications | 5 | $215,207 |
| Hardware - Miscellaneous | 7 | $781,544 |
| Hardware - Security & Safety | 3 | $1,310,094 |
| **Airport** | | **$1,254,289** |
| Hardware - Communications | 1 | $13,873 |
| Hardware - Miscellaneous | 2 | $126,535 |
| Hardware - Security & Safety | 2 | $1,113,881 |
| **Total ICT** | | **$3,617,588** |

**Table 7: Estimated Asset Replacement Cost - ICT**

| Infrastructure Assets | Number | Length (m) | Area (m2) | Replacement Estimate |
|---|---|---|---|---|
| **Municipal** | | | | **$287,721,237** |
| Bridges [1] | 2 | | | $1,329,000 |
| Car parks | | | | $5,378,400 |
| Cycleway Development | | | | $251,320 |
| Drainage [2] | | | | $14,933,005 |
| Effluent Irrigation System [2] | | | | $719,782 |
| Fencing | | 14,388 | | $998,668 |
| Footpaths  - Bituminous Seal | | 1,320 | 2,942 | $441,300 |
| Footpaths  - Brick Paving | | 600 | 1,700 | $255,000 |
| Footpaths  - Cement Concrete | | 43,050 | 76,230 | $11,434,500 |
| Footpaths  - Gravel | | 140 | 560 | $84,000 |
| Footpaths  - Unclassified surface type | | 18,030 | 1,803 | $270,450 |
| Landscaping & Horticulture | | | | $9,369,652 |
| Lighting (Recreational) | | | | $2,431,000 |
| Lighting (Street) [2] | | | | $2,035,076 |
| Lighting (Walkway) [2] | | | | $773,911 |
| Miscellaneous | | | | $597,500 |
| Play Equipment & Softfall | | | | $934,600 |
| Pump & Water Storage Infrastructure | | | | $520,000 |
| Reticulation Infrastructure | | | | $859,610 |
| Road Kerbing  - Sealed | | 358,780 | | $10,763,400 |
| Roads  - Sealed (asphalt seal) [3] | | 121,985 | 907,142 | $108,857,040 |
| Roads  - Sealed (spray seal) [3] | | 57,405 | 426,891 | $51,226,920 |
| Roads  - Unsealed [3] | | 748,520 | 5,239,640 | $52,396,400 |
| Shade Sails & Shelters | | | | $2,031,867 |
| Sport Infrastructure | | | | $7,363,789 |
| Street Furniture/Banners & Signage [2] | | | | $714,189 |
| Waste Water [2] | | | | $750,858 |
| **Airport** | | | | **$86,630,078** |
| Airport Electrical Infrastructure | | | | $4,000,000 |
| Airport Hydraulic Infrastructure | | | | $8,687,000 |
| Airside Infrastructure | | | | $150,000 |
| Carpark | | | | $3,015,840 |
| Fencing | | | | $29,988 |
| Pump & Water Storage Infrastructure | | | | $240,000 |
| Runway Infrastructure | | | | $70,507,250 |
| **Total Infrastructure** | | | | **$374,351,315** |

**Table 8: Estimated Asset Replacement Cost - Infrastructure**

[1] There are two bridges that the Town own, being both North Circular Road bridge (No. 5243) and Hamilton Road bridge (No. 5042). Both have recently been reconstructed at a total cost of $1,329,000 by Main Roads.

[2] Queries have been raised with the Town regarding the completeness of the data and information for these assets. This Strategy provides for an audit of all asset related data, which will include the verification of the accuracy and completeness of data for these assets.

[3] The Town's road network is recorded on its Roman II system. This database has been used in conjunction with other road network information held by the Town as a basis for replacement and renewal calculations.

| Plant & Equipment Assets | Replacement Estimate |
|---|---|
| **Municipal** | **$17,045,000** |
| Light Vehicles | $9,625,000 |
| Plant | $7,420,000 |
| **Airport** | **$1,600,000** |
| Miscellaneous | $1,600,000 |
| **Total Plant & Equipment** | **$18,645,000** |

Table 9: Estimated Asset Replacement Cost - Plant & Equipment

The replacement estimate for Light Vehicles and Plant has been derived from the Town's 5-Year Plan, which is based on the Vehicle Policy for replacement schedule.

| Asset Summary | Replacement Estimate | Percentage |
|---|---|---|
| **Municipal** | **$449,272,498** | **78%** |
| Buildings | $142,142,962 | 32% |
| ICT | $2,363,299 | 1% |
| Infrastructure | $287,721,237 | 64% |
| Plant & Equipment | $17,045,000 | 4% |
| **The Airport** | **$125,552,727** | **22%** |
| Buildings | $36,068,360 | 29% |
| ICT | $1,254,289 | 1% |
| Infrastructure | $86,630,078 | 69% |
| Plant & Equipment | $1,600,000 | 1% |
| **Grand Total** | **$574,825,225** | **100%** |

Table 10: Estimated Asset Replacement Cost – by Entity

### 6.2.4.2.  Estimated Renewal & Replacement Demand

Figures 5-7 depict the estimated renewal and replacement demand for the Town's classes.

Demand for renewal and replacement of buildings trends in peaks and troughs over the 10-year period. This is explained by the age and condition profile of these assets, and the subsequent expected timing of renewal or replacement.

The peak renewal demand for buildings in 2012-13 indicates those assets whose condition is currently graded as 'poor'. The peak in demand for replacement in 2019-2020 & 2020-2021 is the anticipated replacement of those buildings that are currently graded as 'poor' and have been renewed in 2012-13 to extend their use for the remaining portion of their useful lives.
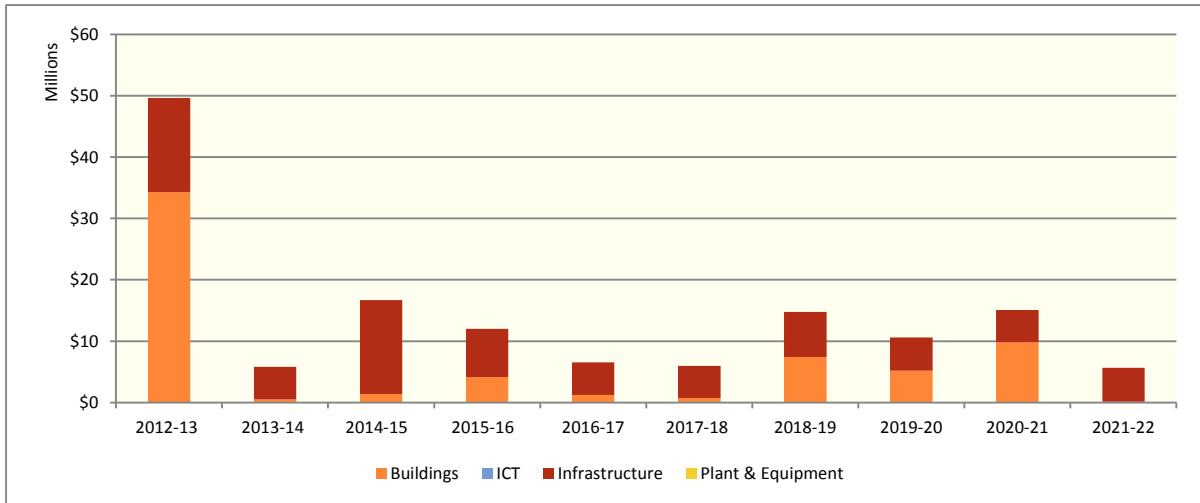


**Figure 5: Renewal Demand**

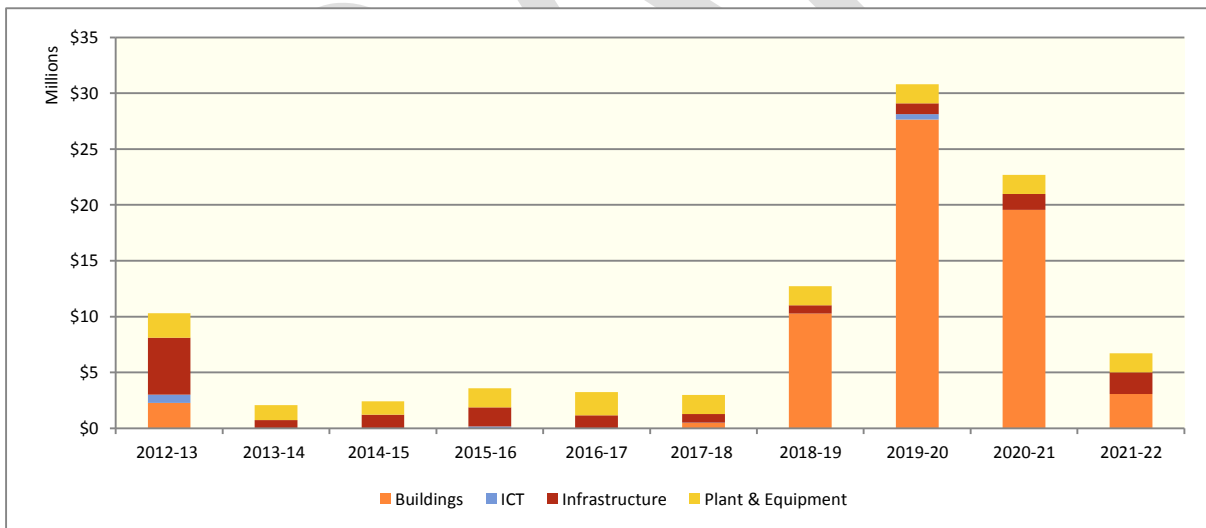The Total Renewal Demand between the years 2012 and 2022 is estimated at approximately $142.8 million.



**Figure 6: Replacement Demand**

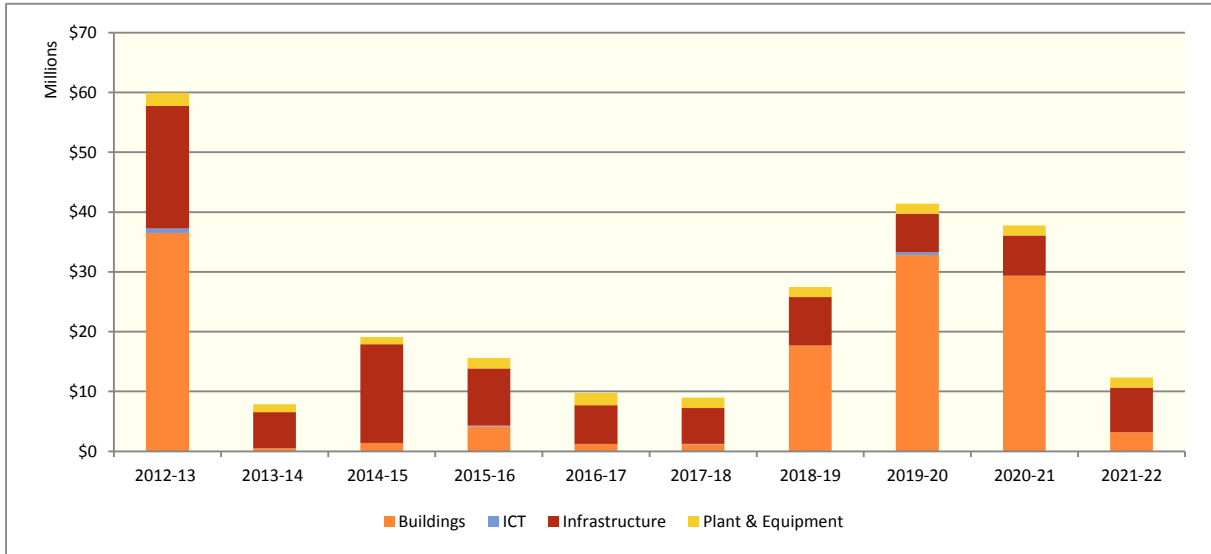The Total Replacement Demand between the years 2012 and 2022 is estimated at approximately $97.5 million.

**Figure 7: Renewal & Replacement Demand**

The Total Renewal and Replacement Demand between the years 2012 and 2022 is estimated at approximately $240.3 million.

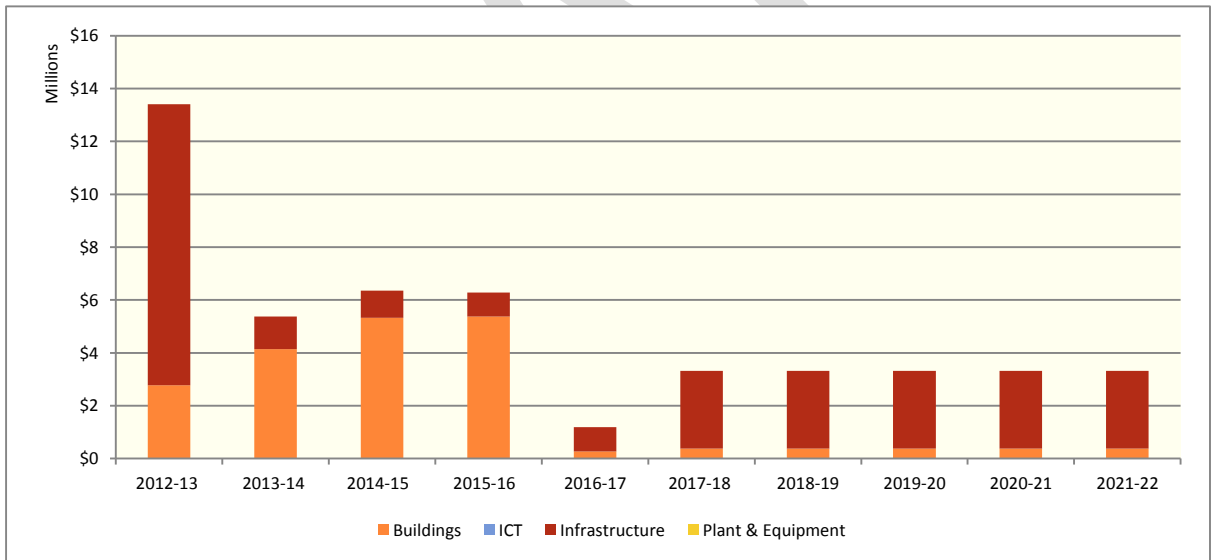### 6.2.4.3. Current Renewal & Replacement Expenditure



**Figure 8: Current Renewal Expenditure**

The Total Current Renewal Expenditure between the years 2012 and 2022 is $49.2 million. The Current Renewal Expenditure is sourced from the Town's 5-Year Expenditure Budget for these asset classes, which has been extrapolated from 2017-18 to 2021-22.
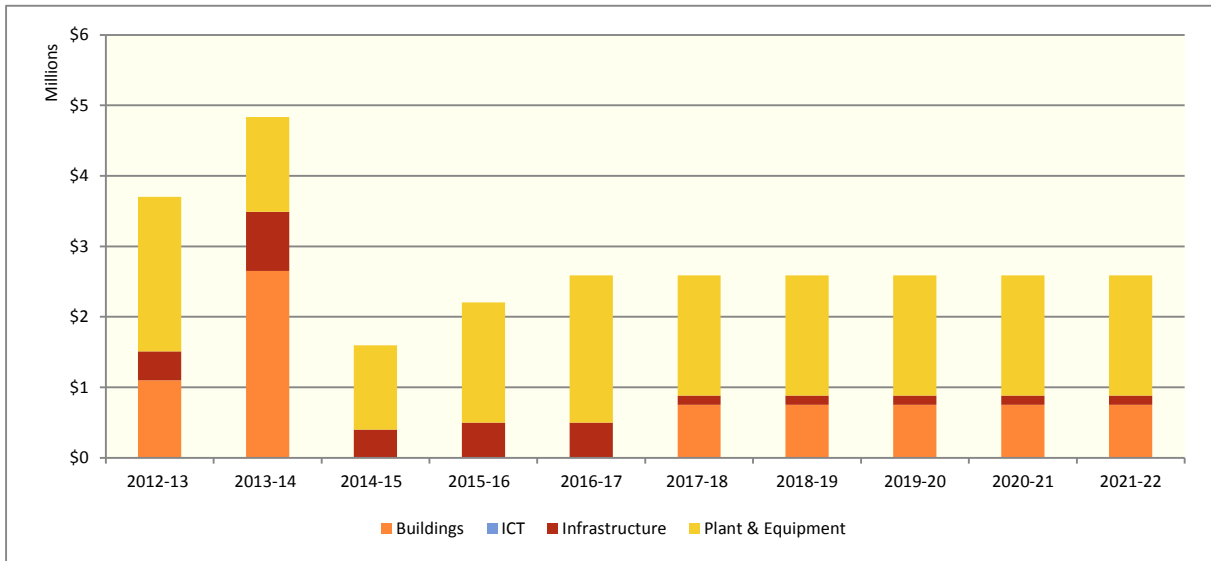
**Figure 9: Current Replacement Expenditure**

The Total Current Replacement Expenditure between the years 2012 and 2022 is $27.9 million. The Current Replacement Expenditure is the amount contained in the Town's 5-Year Expenditure Budget for these asset classes, which has been extrapolated from 2017-18 to 2021-22. The class of assets requiring replacement are principally vehicles, which are generally not subject to renewal.
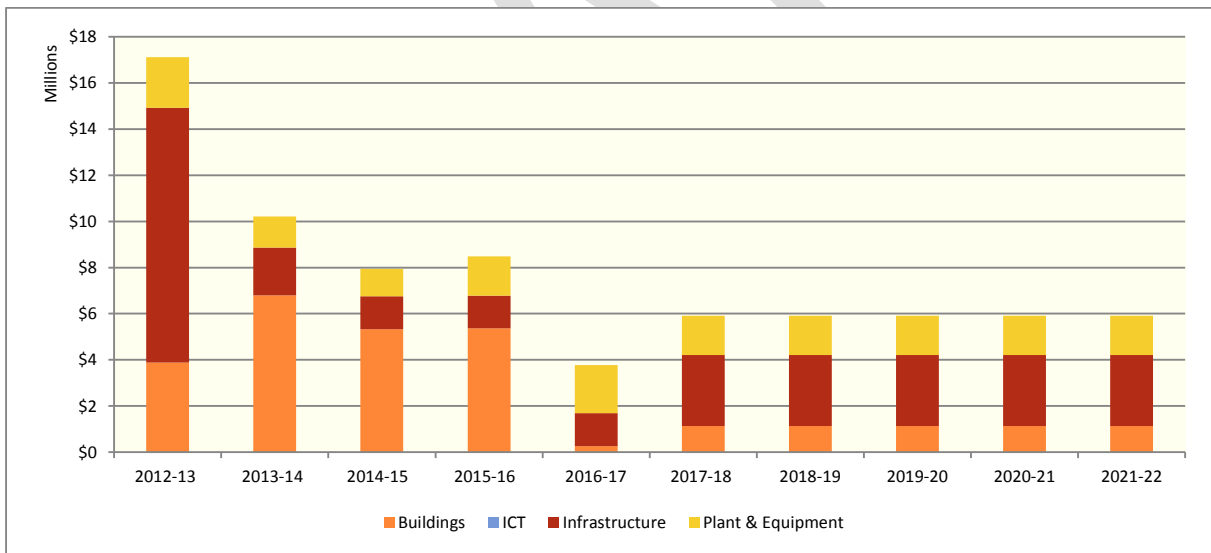


**Figure 10: Current Renewal & Replacement Expenditure**

The Total Current Renewal and Replacement Expenditure between the years 2012 and 2022 is $77.1 million. The Current Renewal and Replacement Expenditure is the amount contained in the Town's 5-Year Expenditure Budget for these asset classes, which has been extrapolated from 2017-18 to 2021-22.

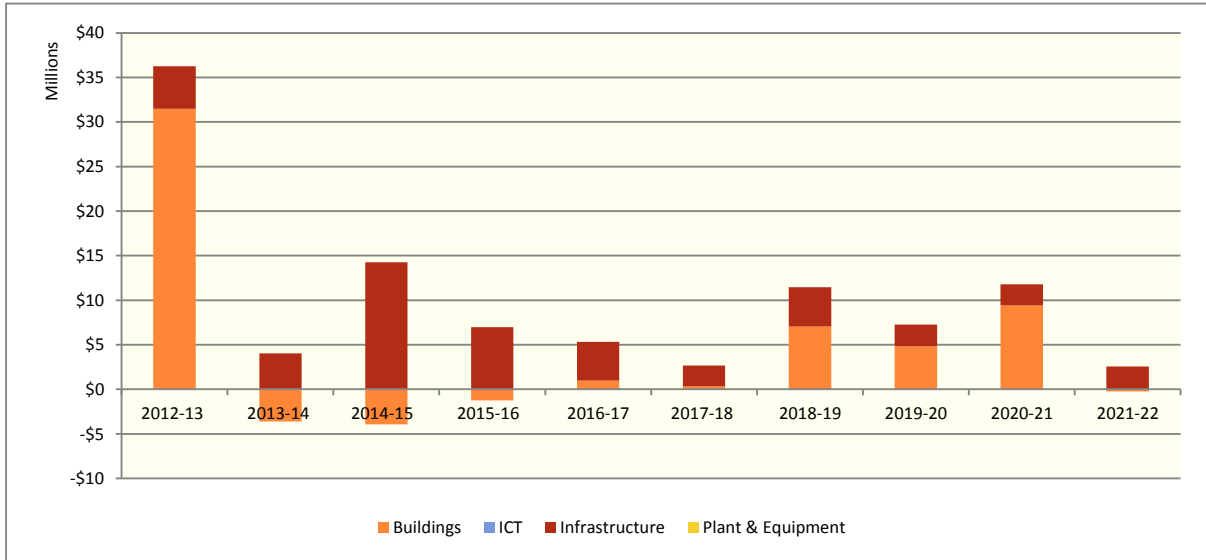### 6.2.4.4. Annual Renewal & Replacement Gap



**Figure 11: Annual Renewal Gap**

The Total Annual Renewal Gap for the years 2012-13 to 2021-22 is estimated at approximately $93.6 million.

The negative Renewal Gaps recorded for buildings in the years 2013-14, 2014-15 and 2015-16 reflect differences in timing and type of expenditure, which will be accounted for in the normal process of budgeting and funding allocation.
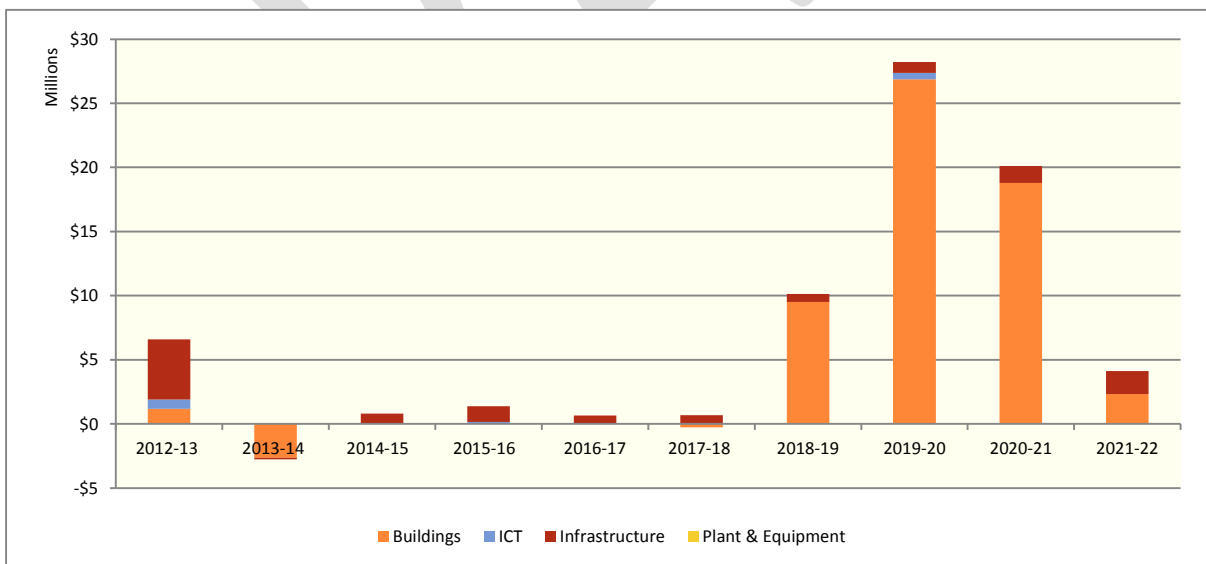


**Figure 12: Annual Replacement Gap**

The Total Annual Replacement Gap for the years 2012-13 to 2021-22 is estimated at approximately $69.6 million.
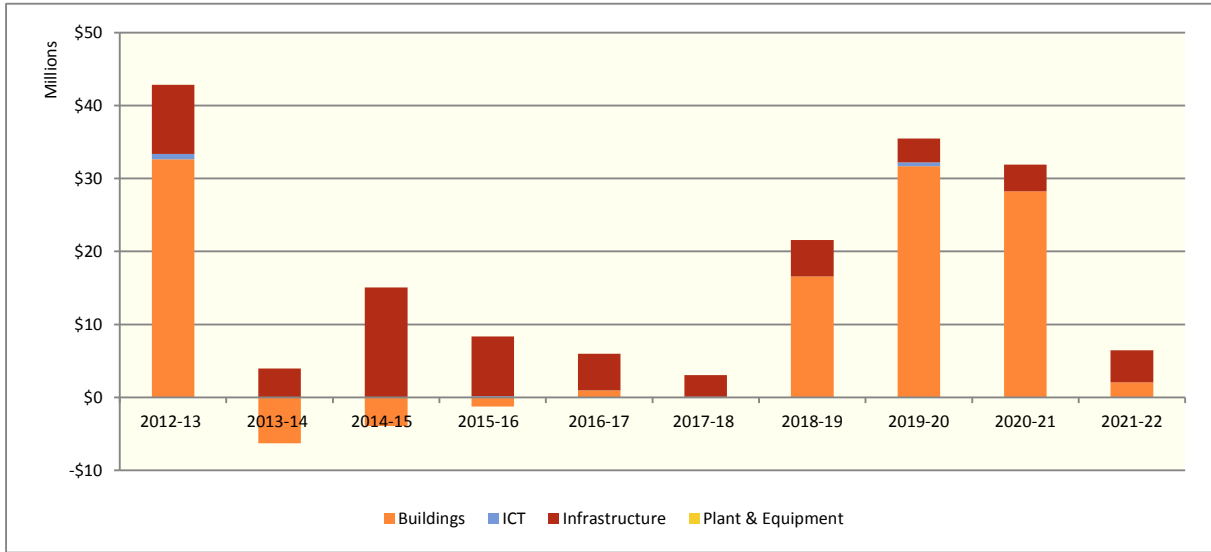
**Figure 13: Annual Renewal & Replacement Gap**

The Total Annual Renewal and Replacement Gap for the years 2012-13 to 2021-22 is estimated at approximately $163.2 million.

### 6.2.4.5. Cumulative Renewal & Replacement Gap



**Figure 14: Cumulative Renewal Gap**

The Total Cumulative Renewal Gap for the years 2012-13 to 2021-22 is estimated at approximately $93.6 million.

**Figure 15: Cumulative Replacement Gap**

The Total Cumulative Replacement Gap for the years 2012-13 to 2021-22 is estimated at approximately $69.6 million.
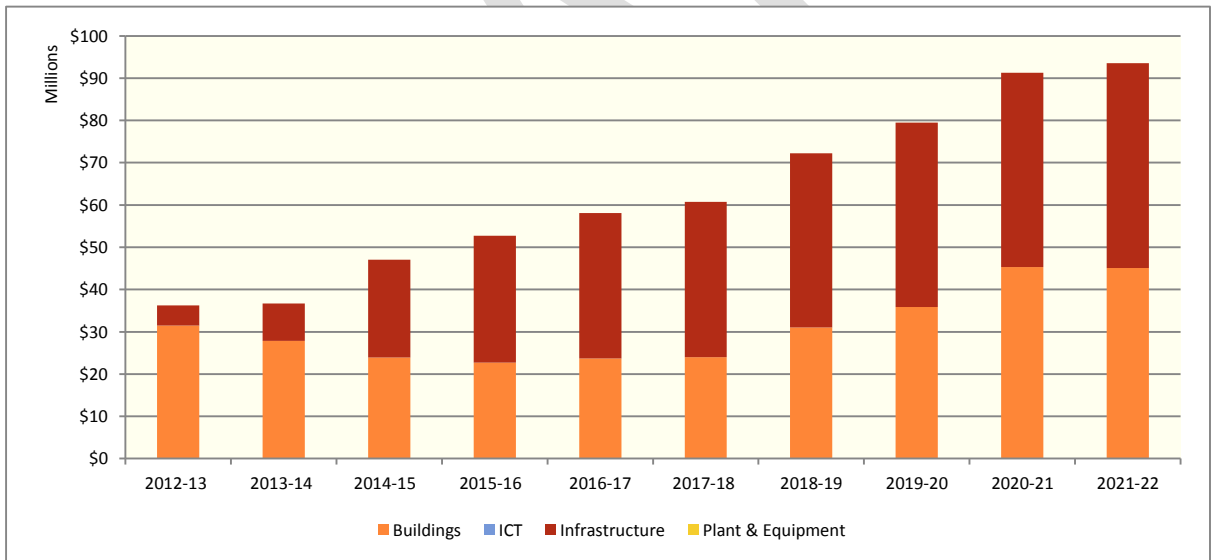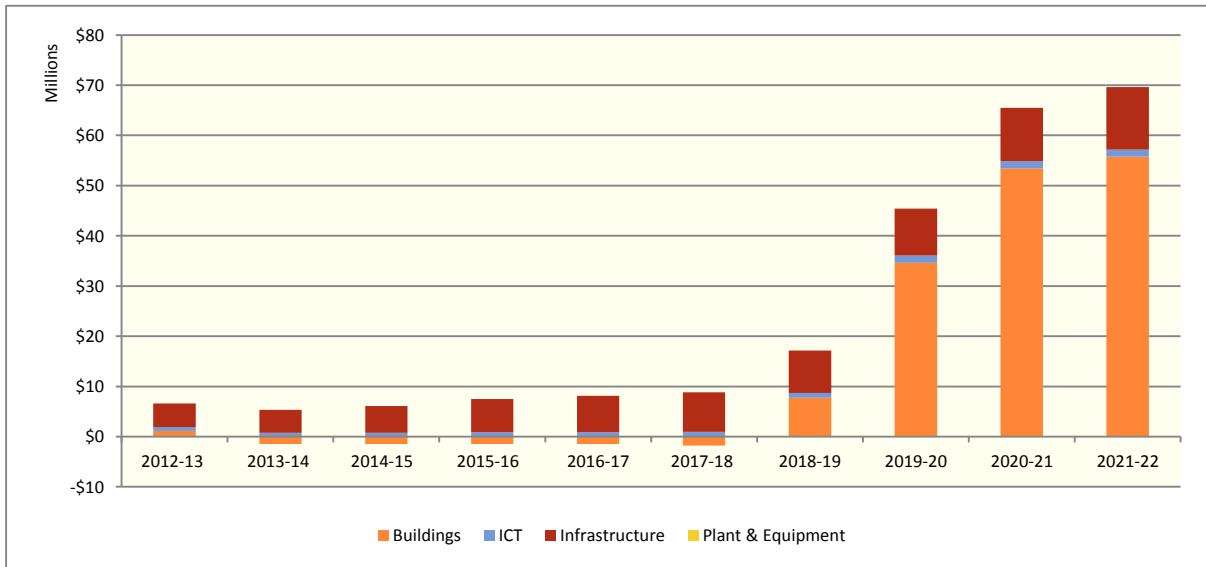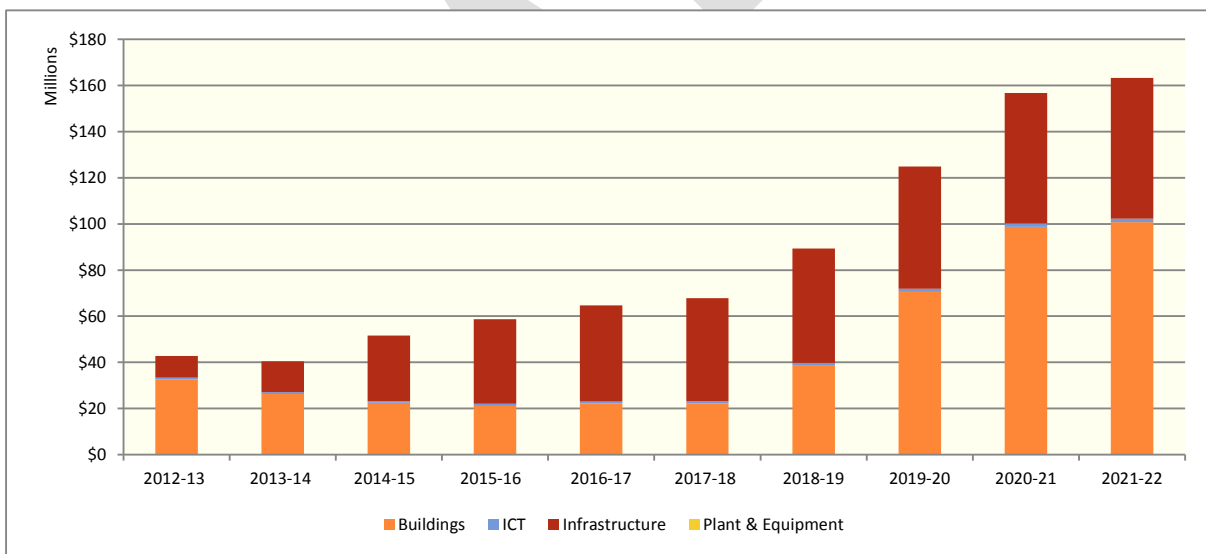


**Figure 16: Cumulative Renewal & Replacement Gap**

The Total Cumulative Renewal and Replacement Gap for the years 2012-13 to 2021-22 is estimated at approximately $163.2 million.

### 6.2.4.6. DLG Key Performance Indicators – Estimated Asset Ratios

The estimation of the current Asset Ratios specified by the Department of Local Government are shown in the following table.

| Key Performance Indicator | Measure | | | ToPH Ratio | | Basic Standard |
|---|---|---|---|---|---|---|
| Asset Consumption Ratio | Written Down Asset Value (WDV) ($188.81m) *Divided by* Current Replacement Costs ($574.8m) | | | 32.8% | | Ratio can be identified; and ratio is ≥ 50% |
| Asset Sustainability Ratio | Capex on Renewal & Replacement *Divided by* Depreciation Expense | R & R* Demand $\frac{\$24.0m}{\$9.9m}$ | ToPH^ Budget $\frac{\$3m}{\$9.9m}$ | R & R Demand 142.4% | ToPH Budget 30.3% | Ratio data can be calculated; and ratio is ≥ 90% |
| Asset Renewal Funding Ratio | NPV of Planned 10-year Capex on Renewals *Divided by* NPV of Required 10-year Capex on Renewals | | | TBC | | Ratio data can be identified; and ratio is ≥ 90% |

**Table 11: Estimated Asset Ratios**
**\*** Renewal & Replacement Demand (Annual average of Figure 7);
**^** ToPH Budgeted Expenditure (Annual average of Figure 10)

- **Asset Consumption Ratio (ACR)**

  The ACR highlights the aged condition of the Town's stock of physical assets. All local governments will be required to report this ratio utilising current financial records.

  The basic standard set by the DLG is a ratio of no less than 50%. The Town's current ACR for Buildings, Infrastructure, ICT and Plant & Equipment is estimated at 32.8%.

  This indicates that the overall condition of the Town's stock of physical assets is poor. It is also an indicator to examine the WDV for assets. The review of the Town's databases revealed shortcomings in the asset register, which affect the WDV.

- **Asset Sustainability Ratio (ASR)**

  The ASR measures the extent of asset replacement at the end of useful life.

  Two ratios have been prepared for the ASR to reflect current circumstances.

  - Adoption of the Estimated Capital Expenditure on the basis of Renewal and Replacement Demand (Figure 7) produces a ratio of 142.4%.

- Adoption of the ToPH Expenditure Budget results in a ratio of 30.3%.
- As a result of the extent of the disparity between the two ratios, the Town will carry out the following:
  - Examine and confirm the Written Down Values for these assets;
  - Review the estimated expenditure on asset renewal and replacement; and
  - Refine the budget process and methodology.

- **Asset Renewal Funding Ratio (ARFR)**

  The ARFR measures the Town's capacity to fund asset renewal without increasing operating liabilities.

  This ratio will be calculated once the Town has finalised its plan for an asset renewal program.

### 6.2.5. The Asset Management Cycle and Processes

The Town's current asset management practices concentrate on the operational management and maintenance of existing assets for which the Town has 5-year and annual expenditure plans that are prepared as part of the current budget process.

### 6.2.6. Strategy for Lifecycle Management

The strategy for Lifecycle Management is outlined in Table 12.

| Strategic Objective: Lifecycle Management | A portfolio of assets that is aligned with the Town's corporate, financial and business objectives, which is efficiently and effectively managed from asset conception, planning, design, use and disposal. | | |
|---|---|---|---|
| **Item** | **Current Position** | **Strategy** | **Action** |
| Asset Knowledge | The Town has a broad picture and understanding of its asset base. This will be expanded in the areas of asset condition and performance. | The Town will develop a detailed understanding of the asset portfolio in terms of asset inventory; asset condition, value, cost and appropriateness; and remaining life. | Carry out a comprehensive asset audit, including land holdings and revenue assets. Confirm condition of significant & critical assets. Develop maintenance & renewal programs that align with strategy and asset owner requirements. |
| The Town's Goals & Objectives | Goals and objectives are being developed through the SCP and CBP. | Asset Management Strategies and Plans will be framed to align the asset portfolio with the strategic goals and objectives of the Town. | Integrate asset strategies and plans into single Asset Strategy and Planning documents that, as an aggregate, reflect the Town's Corporate Business Plan, Workforce Plan, ICT Plan and Long-term Financial Plan. Adopt a performance management system based on a balanced scorecard approach, i.e. financial, customer, internal business, and environmental and social perspectives. |
| Service Drivers | The current management of the Town's assets is principally driven by the requirements of the physical upkeep of assets, the operational requirements | Asset Strategies and Plans to address the long, medium and short-term needs of each service demand set. | Implement an integrated whole-of-organisation strategic and planned approach to asset management. Each directorate of the Town's administration will define the criteria |

| | | | |
|---|---|---|---|
| | of the Town, and through community surveys.<br><br>The CBP recognises 3 main demand sets that drive the requirement for services:<br><br>• Long-term strategic growth demand;<br>• Ongoing external demand from the community; and<br>• Ongoing internal operational demand from the Town's administration. | | required of their assets having regard to the following:<br><br>• Asset type;<br>• Location;<br>• Utility;<br>• Serviceability and functionality;<br>• Condition;<br>• Amenity; and<br>• Financial criteria. |
| Financial Performance Indicators | This strategy presents initial assessments of the Town's asset replacement costs, expenditure forecasts, gaps and ratios. These will inform the LTFP. Data used for these assessments have been sourced from various and separate records, which have been identified as having a number shortcomings. | Consolidate all asset data into a single comprehensive database that is linked to the Town's financial and accounting systems.<br><br>Establish a new budgeting paradigm and financial reporting regime that reflects the whole-of-life management of assets.<br><br>Manage the Renewal & Replacement Gap by:<br><br>• Prioritising and grading the importance of each asset;<br>• Identifying significant and mission critical assets; | Check, cleanse and verify all asset data across all registers, records and systems.<br><br>Develop new budget processes and financial reporting regimes for each asset type that is based upon their actual operating and service performance requirements as part of individual asset plans.<br><br>ACR: refine the estimation of the ACR as improvements are made to financial & asset data.<br>ASR: confirm a ratio that reflects the true position of the Town by:<br><br>• Examining and confirming asset Written |

| | | • Assessing the continuing need and standards/levels of service for these assets;<br>• Defining minimum asset condition and in-use efficiency and effectiveness to support service levels;<br>• Assessing their condition;<br>• Assessing the risk and impact on the Town's services and operations of any failure to meet standards/levels of service;<br>• Develop individual asset plans for mission critical assets and the balance of asset classes by reference to the Town's financial context and availability of funds. | Down Values;<br>• Reviewing the estimated expenditure on asset renewal and replacement; and<br>• Refining the budget process and methodology.<br><br>ARFR: Calculate ratio following finalisation of asset renewal program.<br><br>Develop a Performance Management System comprising sets of Performance Objectives, Key Performance Indicators and Measures of Performance for each asset class. The Performance Management System will be drawn up and agreed in consultation with the Town's asset *owners*. Examples of maintenance performance indicators are shown in table 13 below. |
|---|---|---|---|
| Asset Management Cycle & Processes | The Town's current asset management processes are primarily related to 5-year and annual expenditure budgets, asset maintenance and operations. | Introduce Asset Management processes based on acknowledged leading practice principles for the public sector that cover all stages of asset lifecycles. | Construct and implement processes for: Strategic Asset Planning; Asset Programs; Asset & Service Delivery Programs; Performance Management & Review; and Processes for Improvement as detailed in Appendix 1. |

**Table 12: Lifecycle Management Strategy**

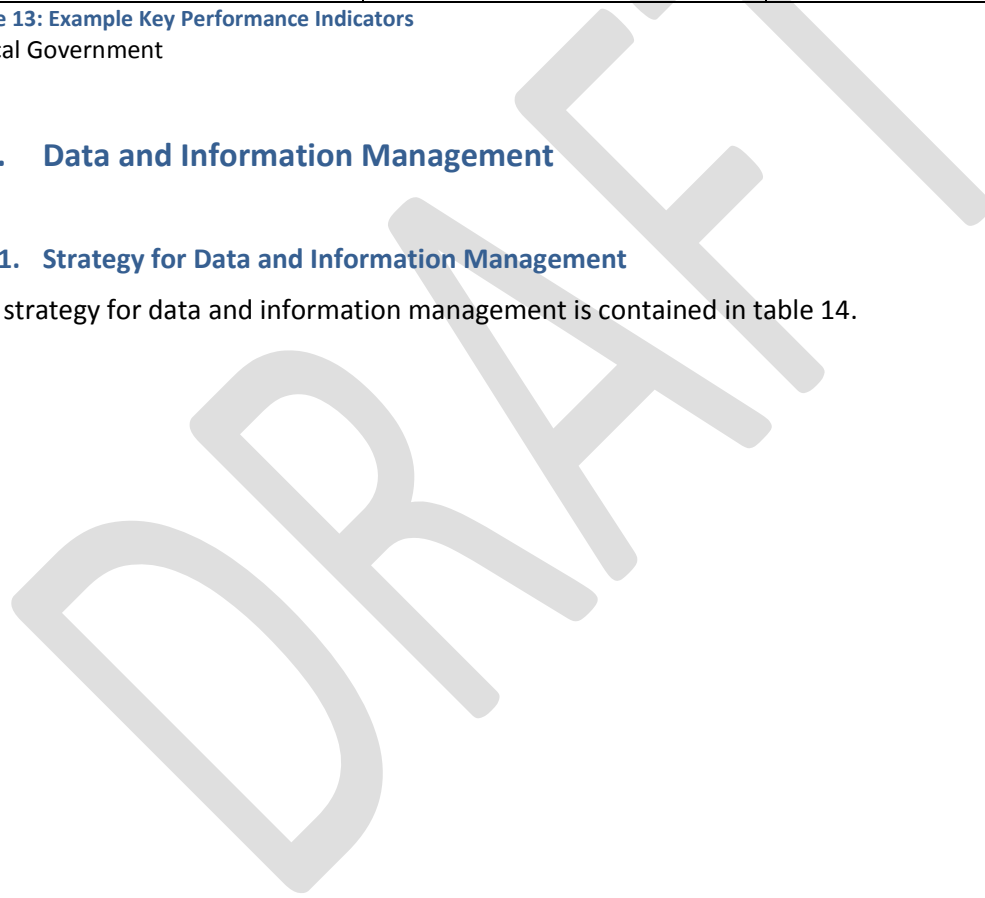| Performance Outcome: Maintenance is cost and time effective | | |
|---|---|---|
| **Performance Standard/Target** | **Performance Indicator & Measure** | **Basis of Measurement/ Benchmark** |
| 1.  Maintenance value for money | • Cost per occupant<br>• Cost compared between facilities/assets<br>• Cost as % of Current Replacement Cost | • Target/LG* average<br>• Target/LG average<br><br>• Target/LG average |
| 2.  Most maintenance is planned vs. breakdown | • Cost of Breakdown vs. planned<br>• Ratio of Breakdown cost: total cost | • Target/LG average<br>• Target/LG average |

**Table 13: Example Key Performance Indicators**

*Local Government

## 6.3.   Data and Information Management

### 6.3.1.   Strategy for Data and Information Management

The strategy for data and information management is contained in table 14.

| Strategic Objective: Data and Information Management | The ability to identify, analyse and model asset trends that enhance asset efficiency and effectiveness and enable informed decision-making. | | |
|---|---|---|---|
| **Item** | **Current Position** | **Strategy** | **Action** |
| Data Systems | The Town has one asset register and maintains spreadsheets to record asset information and for the management of its assets, the responsibility for which is spread across the organisation.<br><br>Asset records do not align between the corporate finance system and operating divisional records.<br><br>A comprehensive audit of existing data and systems has occurred and shortfalls identified.<br><br>The Town does not have an asset management software system (AMS). | Consolidate asset management data and information onto a single AMS that satisfies the following criteria:<br><br>• Linkage to the Financial system;<br>• Categorisation of asset classes and hierarchies;<br>• Capacity to store and record all asset details;<br>• Maintenance planning and management;<br>• Works management;<br>• Procurement and contract management;<br>• Develop management and work processes;<br>• Basic reporting functions;<br>• Capacity for development to meet the Town's expanding data and information management needs;<br>• Compatible with web-based devices to transfer data between operational sites and the AMS;<br>• Local government experience;<br>• Strong systems support.<br><br>Convert to an AMS within 12 months. | Define required asset data and asset information requirements.<br><br>Define asset management information reporting hierarchy and requirements that are consistent with governance and management arrangements.<br><br>Collate data onto individual spreadsheets for transfer into an AMS<br><br>Develop specification for an AMS.<br><br>Select and implement an AMS. |

**Table 14: Data and Information Management Strategy**

## 6.4. Standards and Levels of Service

### 6.4.1. Strategy of Standards and Levels of Service

These are contained in table 15.

| Strategic Objective: Standards and Levels of Service | A portfolio of assets that is aligned with community and organisational expectations and priorities having regard to the financial context of the Town. | | |
|---|---|---|---|
| **Item** | **Current Position** | **Strategy** | **Action** |
| Levels of Service (LOS) & Property/Facility Management Standards | The Town currently conducts community surveys to assess standards of service. The Town is planning the introduction of a formal LOS framework and documented service standards. | Expand/enhance the community surveys to include information relating to the condition, use and effectiveness of assets.<br><br>Document a LOS framework that clearly defines and documents LOS for:<br><br>• Community;<br>• Technical;<br>• Compliance; and<br>• Internal services. | Design survey template for community feedback on assets; and methodology to interpret and analyse responses for input into strategies.<br><br>Agree and set minimum internal and external standards for each asset category/facility supported by an inspection and management regime.<br><br>Document a register of legislative compliance requirements, codes of practice and standards, and other relevant obligations; and develop processes to ensure their compliance. |

| Performance Measurement | The Town is currently planning the adoption of a formal performance measurement system. | Develop a performance measurement system that comprises performance outcomes, performance standards and targets, performance indicators and measures, and bases of measurement and benchmarks. | Develop methodologies to measure and analyse the performance of the Town's assets, and the asset management systems and processes used in their management, against LOS and financial criteria. Examples of LOS for buildings are shown in table 16. |
|---|---|---|---|

**Table 15: Standards and Levels of Service Strategy**

| Performance Outcome: Properties available & suitable for service delivery | | |
|---|---|---|
| **Performance Standard/Target** | **Performance Indicator & Measure** | **Basis of Measurement/ Benchmark** |
| • Asset availability within set levels of disruption | • Downtime as % of operating time <br> • No. of essential plant & equipment breakdowns per month | • Target <br> • Target/planned vs. reactive ratio |
| • Assets comply with regulatory requirements, codes, practices etc. | • No. of OHS incidents | • Targets |

**Table 16: Standards and Levels of Service Examples**

## 6.5. Continuous Improvement

### 6.5.1. The IPRF Requirements

The IPRF notes that asset management is a journey where the initial stage is achieving core competency, and ongoing development reaches an advanced level of competency or maturity. This is depicted in Figure 17.

**Asset Management Maturity Curve**
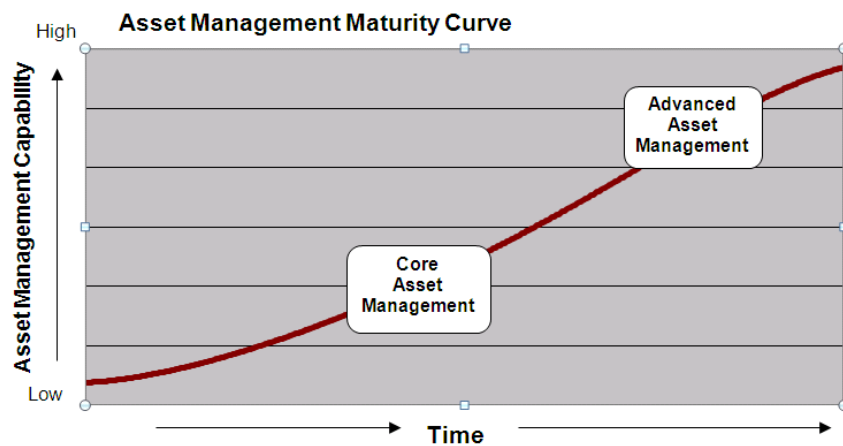
**Figure 17: Indicative Asset Management Maturity Curve**

The Department of Local Government acknowledges that the preparation of an Asset Management Strategy and Plan is an iterative process, which may take several years to refine into mature documents that meet a core level of maturity.  The Town's objective is to attain 'Advanced' standard over a period of three years. The AMP sets out a program of work to achieve this objective. A template for the AMP is contained at Appendix 3.

### 6.5.2. Strategy for Continuous Improvement

The Strategy for continuous improvement is contained in Table 17.

| Strategic Objective: Continuous Improvement | Ongoing improvement in asset management competency and capacity. | | |
|---|---|---|---|
| **Item** | **Current Position** | **Strategy** | **Action** |
| Asset Management Awareness, Knowledge and Understanding | The Town is implementing the IPRF requirements of the DLG. These require an extended knowledge and understanding over and above current practices. | Enhancement and development of asset management practices on an ongoing basis. | Develop awareness, training and development programs for all levels of Town staff and Elected Members that caters for induction and ongoing development.<br><br>These programs will be planned to align with the implementation of the improvement strategy.<br><br>Develop a system of self- and external assessment.<br><br>Benchmark against other jurisdictions, WALGA, Department of Local Government requirements, and other bodies.<br><br>Maintain a process to track developments and innovations in *best* practice. |
| Skills & Experience | The Town possesses competent technical and operational skills and experience. | Develop and acquire skills and experience necessary to fulfil the requirements of the IPRF in Asset Management | Undertake skills audit.<br><br>Identify required skills.<br><br>Close gaps through a plan for recruitment, up-skilling & training. |

**Table 17: Continuous Improvement Strategy**

### 6.5.3. Asset Management Competency Levels

Table 18 provides definitions for Core and Advanced levels for each element of asset management. These definitions are based on the Institute of Asset Management Manual, and will be used by the Town as measures of its continuous performance progress.

| Asset Management Activity | Core | Advanced |
|---|---|---|
| **Governance** | • AM formally established within corporate structure.<br>• Established and proven whole-of-organisation co-ordination and management. | • Executive Management fully and transparently involved in AM with appropriate levels of responsibility and accountability.<br>• AM embedded in organisational culture. |
| **Organisational Capacity, Roles & Responsibilities** | • AM 'champion' embedded in Executive Management Team with executive authority.<br>• AM organisational capacity & capability.<br>• Clear roles & responsibilities and levels of authority. | • All AM capability & capacity requirements in place.<br>• Established structure, roles & responsibilities linked with size & nature of asset base.<br>• Senior Managers fully aware of AM<br>• Stakeholder needs communicated & documented |
| **Policy, Objectives & Strategy** | • AM policy and strategy fully aligned with asset plan.<br>• AM aligned with other organisational policies, e.g. sustainability. | • AM fully aligned with organisation-wide policies and business strategy.<br>• Endorsed by Executive management Team<br>• AM strategy is whole-of-life based and continually updated using accurate and comprehensive information systems. |
| **Information Systems** | • AM information fully defined and supports development and implementation of AM information systems.<br>• Information relevant to AM needs and reported to senior management and stakeholders. | • Proactive planning of AM information requirements.<br>• Regular consultation with stakeholders.<br>• Information output focused on asset performance.<br>• Information is actively analysed to inform strategy & decision-making. |

| Asset Management Activity | Core | Advanced |
|---|---|---|
| **Asset Planning** | • Plans are integral with AM policy & strategy, and business planning.<br>• Based on risk management/contingency plans, targets, asset criticality, and business/service requirements.<br>• Based on short, medium and long-term time horizons. | • Plans driven from corporate objectives.<br>• Financial optimisation modelling and options testing techniques employed. |
| **In-use Asset Performance** | • Established procedures to monitor and measure performance of assets, e.g. condition, criticality, sustainability & effectiveness.<br>• Performance objectives identified and used.<br>• Performance linked to strategic priorities and risk. | • Performance management supports business strategy and is an integral part of AM<br>• Performance evaluated against value for money, business effectiveness & sustainability.<br>• Measured using accurate and comprehensive information systems. |
| **Acquisition & Disposal** | • Acquisition & disposal strategies integral to AM | • Long-term strategic planning considers technological and market forces. |
| **Performance Review** | • AM strategic & operational review program implemented across the organisation.<br>• Use of KPI's across the organisation. | • Evidence of continued improvement in AM capability and asset performance. |
| **Asset Management System Audit** | • Audit program based on risk assessments and corporate governance requirements.<br>• Training requirements identified and are on-going. | • Feedback sought from stakeholders.<br>• Achieving benchmark efficiencies and effectiveness. |

**Table 18: Asset Management Competency Levels**[2]

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[2] Based on Institute of Asset Management Manual

# 7. Summary of the Town's Asset Management Plan (AMP)

Figure 19 shows the inputs and outputs for the development of the Asset Management Plan, which are consistent with the processes described in section 5.2. The AMP is then translated into detailed strategies for each asset category and individual assets according to their continuing use and remaining life for the delivery of services.
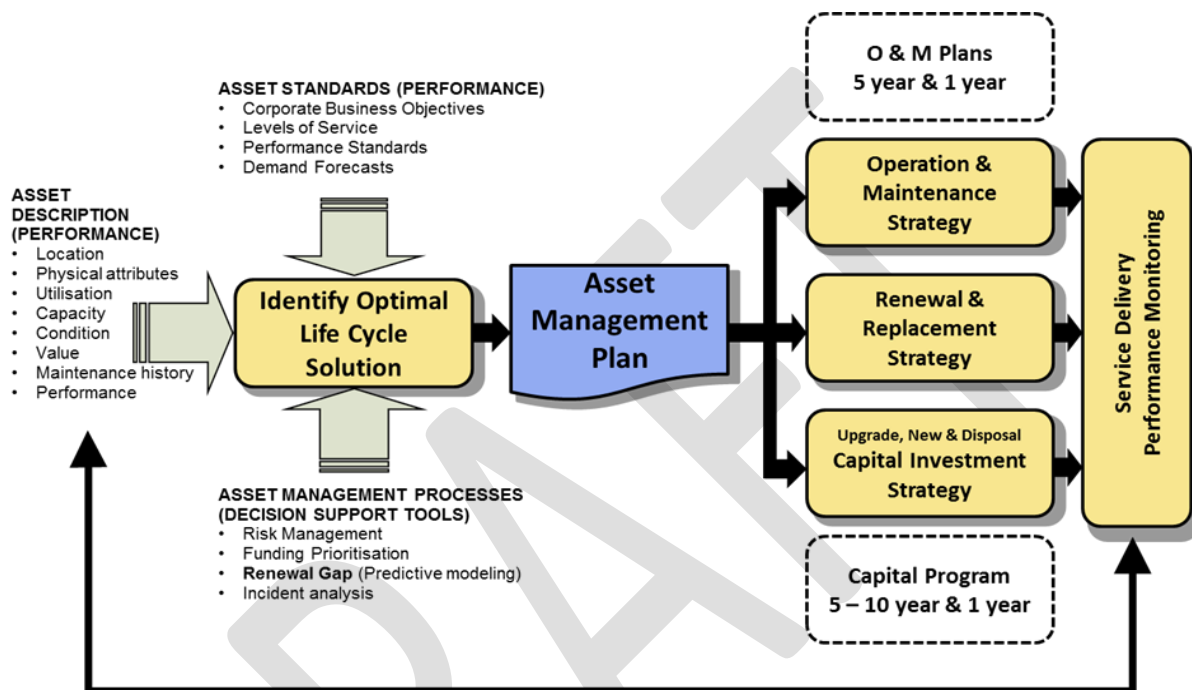


**Figure 19: Asset Management Plan Development**

The essential inputs for an Asset Management Plan are:

- Asset Requirements derived from:
  - The Town's business and service objectives;
  - Levels of service;
  - Performance standards; and
  - Service demand drivers.

- Asset Type determined by:
  - Location;
  - Condition;
  - Capacity & functionality;

  - Utilisation;
  - Cost-in-use;
  - Value; and
  - Amenity

- Asset Management Evaluation Processes:
  - Risk assessment;
  - Renewal gap;
  - Priorities;
  - Financial context

The combination of these elements defines the optimum asset portfolio, which enables the development of the Asset Management Plan, which in turn shapes strategies for Operation and Maintenance, Renewal and Replacement, Disposals and Capital Investment for new assets.

At this stage the Town is developing its Asset Management capacity and capability. This strategy focuses on this by providing the basis for the development of future Asset Strategies and the Town's Asset Management Plans.

The Town's first Asset Management Plan, therefore, provides a pathway for the Town to develop on-going Asset Management Plans that demonstrably contribute to the delivery of services to the community in the most efficient and effective manner.

This Asset Management Plan provides a basis to enable the Town to manage the response of its assets to existing and future demand for local government services and the planned growth of the Town.

# 8. Glossary of Terms

## 8.1. Definitions

The following terms are used in this framework.

"**Assets**" are future economic benefits controlled by the Town of Port Hedland as a result of a past transaction or event whereby:

- Its value can be measured reliably, and;
- Its value must exceed a stated materiality threshold being $5,000 or form part of a network asset group, and;
- It must be probable that future economic benefits of the asset will eventuate (i.e the asset acquired supports the delivery of Council services to the community in line with Councils' objectives)

"**Asset Management**" refers to the combination of management, financial, economic, and engineering and other practices applied to assets from their planning, acquisition, operation, maintenance, replacement and disposal, to ensure that the assets meet the priorities of the Strategic Community Plan with the objective of providing the required level of service in the most cost-effective manner.

"**Asset Management Plan**" refers to a long term plan that combines multi-disciplinary asset management techniques to outline the assets activities, program and resources applied to provide a defined level of service for each asset class over the lifecycle of the asset.

"**Asset Management Strategy**" means a strategy or approach for asset management.

"**Asset – Current**" refers to an asset that can easily be converted to cash within the next 12 months.

"**Asset – Non Current**" refers asset that cannot easily be converted to cash within next 12 months

"**Attractive Item**" refers to an item defined as below:

- has a value of less than $5k (exc GST );
- has an attractive nature;
- is prone to misappropriation for private use or theft.

"**Council**" means the elected council (comprising Councillors) of the Town of Port Hedland.

"**Depreciation**" is a systematic charge that recognises the wearing out or consumption of the non-current asset over its useful life.

"**Gap Analysis**" a method of assessing the gap between the Towns' current asset management practices and the future desirable asset management practices.

"**Infrastructure**" comprises the asset sub-classes defined in section 5 of the Asset Management Framework and Guidelines issued by the Department of Local Government.

"**Level of Service**" describes the outputs or objectives of the Town or the activity the Town intends to deliver to the customer. Service levels usually relate to quality, quantity, reliability, responsiveness, statutory functional requirements, environment, acceptability and cost.

"**Life Expectancy**" is the estimated or expected time between placing the asset into service and removing it from service.

"**Life Cycle**" means the phases of activities that an asset goes through, including planning, design, construction, acquisition, operation, maintenance, rehabilitation and disposal.

"**Maintenance**" means regular ongoing day-to-day work necessary to keep an asset operating to achieve its optimum life expectancy.

"**Network Asset Group**" refers to a collective group of assets; whilst individually do not function for their intended purpose and may be under the threshold of an asset defined herein, but collectively in a group of assets, functions as intended and exceeds the threshold of an asset, e.g. desktop computers, servers, laptops etc.

"**Operations**" means the regular activities to provide public health, safety and amenity and to enable the assets to function e.g. road sweeping, grass mowing, and cleaning, street lighting and graffiti removal.

"**Renewal**" means works to upgrade an asset, refurbish an asset or the replacement of part(s) of an asset to ensure continuing equivalent capacity or performance capability.

"**Replacement**" means the complete replacement of an asset that has reached the end of its life, to provide a similar or agreed alternative, level of service.

"**Replacement Cost**" means the cost of replacing an existing asset with an identical new asset.

"**Risk**" means probability and consequence of an event that could impact on the Council's ability to meet its corporate objectives.

"**Town of Port Hedland**" (Town) means the collective Town of Port Hedland organisation.

"**Strategic Community Plan**" means the plan containing the long-term goals and strategies of the Town.

"**Stakeholders**" are those people/sectors of the community that have an interest or reliance upon an asset and who may be affected by changes in the level of service of an asset.

"**Upgrade**" means enhancing an existing asset to provide higher level of service.

"**Whole of Life Cost**" refers to the total cost of an asset throughout its life cycle.

## 8.2. Abbreviations

AM – Asset Management

AMWG – Asset Management working group

IIMM – International Infrastructure Management Manual

LGPMC - Local Government and Planning Ministers' Council

LOS - Level of Service

LTFP – Long Term Financial Plan

NAMAF - the National Asset Management and Financial Planning Assessment Framework

NFSF – National Financial Sustainability Framework

O & M - Operations and Maintenance

WAAMI – West Australian Asset Management Improvement (Program)

WALGA – West Australian Local Government Association

# APPENDIX 1

# The Asset Management Cycle and Process

## Asset Management Cycle
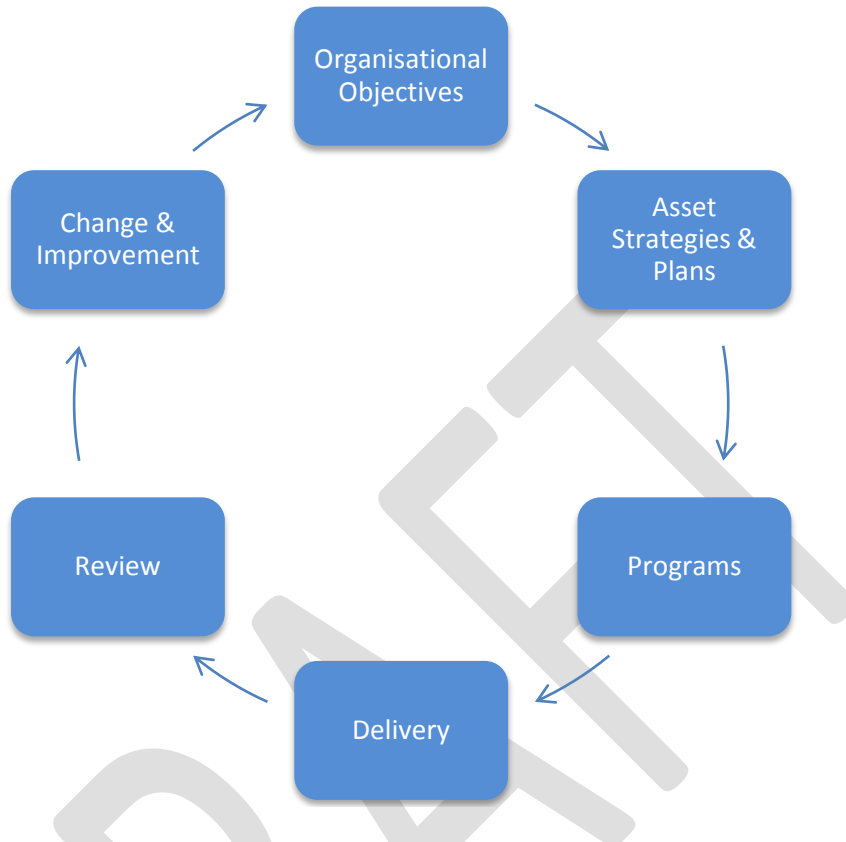


### 1. Organisational Objectives

The foundations of good asset management for the Town are:

- An understanding of the of the Town's aims and objectives;
- The adoption of an Asset Management Policy and Asset Management Framework.

These foundations ensure that Asset Management Strategies and Plans are placed in the context of the Town's wider organisational issues, and developed to align the objectives of the Town's assets with its business and service objectives.

### 2. Asset Strategies and Plans

The Asset Management Strategy and Asset Management Plan define how the Town manages its assets in terms of:

- The organisational arrangements for asset management;
- Corporate processes for assets;
- Performance measures and measurement;
- Data management; and
- Capacity management.

The Town's Asset Management Strategy and Asset Management Plan will be developed from:

- An understanding of the community, business and financial drivers behind the Town's aims and objectives; and
- The service models that deliver the Town's services.
- An understanding and knowledge of the Town's existing asset base, i.e. condition, location, use, suitability, functionality and cost-in-use.

The structure of the Asset Management Plan will contain the following:

- Links with the CBP and LTFP;
- The Town's goals and objectives, and service/business drivers that have asset implications;
- The Town's financial context;
- The asset base gap: existing state vs. desired future state;
- 10-year vision for asset base;
- Critical success factors;
- Plan for each asset category (closing the gaps);
- Resource implications (capital and recurring expenditure implications; ICT and HR; investment and disposal strategies; and approach to sourcing and procurement);
- Performance management;
- Organisational arrangements for asset management, e.g. governance, roles and responsibilities, processes, data management and capacity management.
- Actions and milestones to deliver the strategy, including on-going strategy development, change and improvement.

## 3. Programs

Programming is the translation of the asset strategy and plan into a program of projects for implementation. The CBP describes some 100 projects, approximately 60% of which has implications for the Town's asset base.

## 4. Delivery

The efficient and effective delivery of asset strategies and programs pose particular challenges to the Town in finding the most efficient way to deliver its services, not least of which are location, climate conditions and the residual effects of the resources mining activity in the Pilbara region.

## 5. Review

This is the process of assessing the performance of the Town's entire asset management system.

The Department of Local Government has set a number of standards and ratios that Western Australia local governments are expected to achieve over time. (See section 6). These also include encouragement for a process to ensure continuous improvement.

The Town will be developing a set of metrics for the management of its asset base through key performance indicators, additional business ratios and benchmarking to enable positive action to be taken to improve delivery, efficiency and the quality of services to the community.

## 6. Change and Improvement

The Town recognises that asset management is an organisation-wide function and activity, which means that changes and improvement may be necessary to any and all parts of the organisation, and may be concerned with:

- The Asset Management Process
    - Improving policy and strategy;
    - Improving programming;
    - Improving delivery;
    - Improving review;

and,

- Contextual (Corporate) Areas
    - Leadership;
    - Culture;
    - Customer service;
    - Organisational structure, roles and responsibilities and governance;
    - Resources and capacity;
    - Data management.

**APPENDIX 2**

**Summary of the Town's Current Asset Management Position and Measures for Improvement**

# 1. The Asset Management Cycle (Process)

This section deals with the process for good asset management. Later sections consider elements of the process in detail.

Section 1.2 outlines the approach for the Town to improve the asset management process. The headings in this section will be used to guide the Town's detailed Improvement Plan in Appendix 3.

## 1.1. Current Status

Although some aspects of the asset management cycle are part of the Town's current management activity, these are limited and are not subject to a coherent or systematic asset management process by which the Town manages its assets.

## 1.2. Improvement

The Town will adopt a best practice process, which has been specifically developed for the public sector by the Royal Institution of Chartered Surveyors[3]. (See Appendix 1) This process comprises:

### 1.2.1. Asset Management Strategies and Plans

The ongoing development of the Town's existing Asset Management Framework that:

- Acknowledges and reflects the Town's financial context;
- Identifies the gap between the current asset base and the composition of the desired asset portfolio;
- Sets the 10-year vision, goals and objectives of the asset base;
- Defines critical success factors for each asset category;
- How the asset base gap will be closed;
- Analyses resource implications (financial, HR, ICT);
- Asset performance management;
- Organisational arrangements;
- Identifies strategic action and milestones.

### 1.2.2. Asset Programs

Asset Programs translate strategy and plans into detailed programs of action. This includes:

- The review of the asset base to identify potential projects;
- Project evaluation – Business Cases;
- Asset program development and evaluation;
- Financial planning for assets

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[3] RICS Public Sector Asset Management Guidelines; A guide to best practice (2008)

### 1.2.3. Delivery of Asset Programs

- Resources and capability;
- Means of delivery;
- Project structure and governance;
- Project plans;
- Communications;
- Performance measurement; and
- Risk management.

### 1.2.4. Review and Performance Management

- Organisational performance;
- Balanced scorecard;
- Key performance indicators;
- Asset performance;
- Benchmarking;
- Data validation.

### 1.2.5. Improvement

- Asset management system and processes;
- Corporate organisation;
- Delivery model;
- Skills;
- Asset Performance.

# 2. Asset Management Planning

## 2.1. Current Status

A level of asset management planning exists in the form of annual budgets and a 5-year expenditure plan. However, there is no comprehensive, co-ordinated and organisation-wide strategic asset planning regime that is linked to a CBP or LTFP, which would satisfy the requirements of the IPRF.

The Town has adopted an Asset Management Policy that commits the Town to defined asset management practices. This policy provides the foundation for direction in the development and improvement of the Town's Asset Management Framework.

## 2.2. Improvements

The Town is adopting and implementing a rigorous Asset Management Framework and regime with clearly defined procedures, processes, standards, roles, responsibilities and accountabilities.

The hierarchy of the Asset Management Framework comprises the following:

### 2.2.1. Asset Management Strategy (This document)

The Asset Management Strategy (AMS) is the asset response to service needs and drives the entire asset management process. It is a high-level corporate management document that ensures Asset Policy is implemented, and provides the management framework to enable the implementation of the Asset Management Plan (AMP).

### 2.2.2. Asset Management Plan

The Asset Management Plan (AMP):

- Demonstrates how the Town will manage its assets and ensure service delivery continues in line with the aspirations of the SCP and CBP.
- Contains the basic tools to enable the Council to make informed decisions on the allocation of resources in order to maintain all major assets to the standard required to satisfy service delivery needs.
- Will ultimately provide guidance on the long-term (10 years) allocation of financial and physical resources required to ensure the continuing operational performance of the Town's assets.
- Sets out how the council delivers service to the community on a long-term sustainable basis and the assets required to underpin service delivery.
- Captures and documents corporate knowledge about assets and the required service levels to support service delivery.

### 2.2.3. Individual Asset Plans

The following planning regime will be established for each asset category and individual assets:

- Annual Operating Plans;
- 5 – 10 year plans;

# 3. Levels of Service (LOS)

## 3.1. Current Status

The Town does not have a level of service framework in place and has few documented service level standards; neither has it documented the current Community and Technical LOS of each activity

## 3.2. Improvements

The Town will develop a LOS framework that clearly defines and documents LOS for the following:

## 3.3. Community

This is how the community relates to the service provided.

Community LOS may include appearance, level of cleanliness, maintenance responsiveness, quality and type of consumables, safety and accessibility.

The method of measurement of the LOS expected from the community is to utilise the results of the annual community survey.

The community is asked to rate the importance of the Town's various services and facilities. Most services provided by the Town are underpinned by assets in some way. These survey results provide strong indicators to the importance and criticality of particular assets used in service delivery.

The community also provides a score as to how well the Town is performing against the various services and facilities. The gap between the community's importance and the community's performance rating of the various services and facilities, provides a measure of the Town's asset levels of service.

Noting that expectations can change and short-term issues can affect performance scores, it is proposed that a gap range be adopted as opposed to an absolute number. The reasons are as follows:

- A small gap might indicate that less could be spent on asset maintenance and renewal.

- A larger gap might indicate that an increased level of maintenance and renewal (or replacement) may be necessary.

## 3.4. Technical

Community and technical LOS can often mean the same thing, but can also be interpreted differently. For example, a stormwater pipe network can be designed to meet identified technical requirements and have sufficient hydraulic capacity to take water from Point A to Point B and in so doing protect property. However if the design results in an unacceptable visual addition to the streetscape it would not be meeting the community criteria in terms of appearance.

Community LOS will be taken from the annual survey and the Technical levels of service based on the asset policy and strategy.

## 3.5. Compliance

This is how the Town complies with legislation, codes, standards and practices, including Internal policies and practices.

## 3.6. Internal

This is how the assets and the services provided by the internal service providers of the organisation are supporting the service objectives of the Town's internal clients, i.e. the asset owners.

# 4. Performance Measurement

Each asset category requires a unique set of performance indicators, targets and modes of measurement relating to the service supported by particular assets, their mission criticality and significance, and levels of service.

## 4.1. Current Status

The Town does not currently have any methodologies by which the performance of the either the assets or the asset management system is measured against required levels of service.

## 4.2. Improvement

The Town will adopt a performance measurement and management system based upon the following principles:

### 4.2.1. Objectives

These must be measurable, specific, timed, agreed and realistic.

### 4.2.2. Key Performance Indicators

KPIs will be:

- Financially related, e.g. renewal funding gaps;
- Operationally strategic, e.g. to reduce the proportion of breakdown repairs to 35% of maintenance expenditure by 2015; and
- Asset specific driven by organisational objectives, e.g. efficiency and effectiveness related.

To meet best practice standards for KPIs, they will be significant, manageable, accurate and available, relevant and communicated.

Examples of KPIs relating to asset operations and maintenance are shown in table A1.1.

| Measure | Key Performance Indicator | Industry Standard |
|---|---|---|
| Adequacy of Maintenance Program | Maintenance Spend as % of Current Replacement Cost | 1.5% (av) |
| Portfolio Condition Rating | Value of Maintenance Backlog as % of Current Replacement Cost | 3% (max) |
| Effectiveness of Maintenance Spend | Planned Maintenance as % of Total Maintenance Spend | 65% (min) |

**Table A1.1: Maintenance Key Performance Indicators**

### 4.2.3. Measures

Measures will apply to asset categories and specific assets. They will relate to:

- Community expectations;
- Financial criteria;
- Condition criteria;
- User criteria;
- Environmental criteria;
- In-house services;
- Outsourced services.

### 4.2.4. Benchmarking

Performance benchmarked against:

- DLG standards;
- WA Local Governments;
- Indices

### 4.2.5. Review

- The development of a quality management system.

### 4.2.6. Reporting

A reporting regime that is relevant for all levels of the Town's organisation within the governance framework.

## 5. Linking to the Long Term Financial Plan

### 5.1. Current Status

The Town is currently preparing a LTFP.

### 5.2. Improvement

The LTFP will be linked to the asset resources requirements that are defined from the preparation of the Asset Management Plan and the asset management financial ratios required by the DLG.

## 6. Governance and Management Arrangements

The Town has formal governance arrangements in place for the asset management function. These include developing responsibilities for:

- Documenting a process to review and update the Asset Management Strategy and Asset Management Plan;
- Apply the Town's risk management framework to assets and associated business continuity and contingency plans;
- Documenting a methodology for assessing remaining useful lives of asset groups, residual values and componentised depreciation;
- Documenting a methodology to collect and record asset data;
- Documenting a process for the handover of assets to asset custodians.
- Documenting a process to communicate the implications of asset management plans to internal and external stakeholders.

## 7. Data and System Requirements

### 7.1. Current Status

The Town has one asset register and numerous spreadsheets for the management of assets.

A comprehensive audit of existing data and systems has occurred and shortfalls identified.

The corporate finance system in Synergy has the provision for comprehensive financial reporting including audit trails and depreciation calculation, reporting thresholds, records of acquisitions and disposal. The account structure and finance register is not sufficiently detailed enough to produce meaningful results and does not align with other asset records.

Current asset management systems do not have the functionality to produce maintenance and renewal programs with associated cash flows, and are not linked to the financial system. There are no defined processes to plan long-term for operation, maintenance, renewal and upgrade planning for existing assets.

## 7.2. Improvement

### 7.2.1. Asset Management System

An Asset Management System is a core part of the Town's overall financial governance and must interface with the Finance Management System and ROMAN II, so that any changes in asset data are automatically reflected in the finance data.

The Asset Management System should include the following key functionality:

- Interface to ROMAN II;
- Interface to the finance system including comprehensive financial reporting, audit trails, depreciation calculation, reporting thresholds, records of acquisitions and disposal;
- Store, maintain and update asset condition reporting and defect conditions;
- Maintain the asset register;
- Procedures for renewal and maintenance unit rates;
- Processes to plan long-term operation, maintenance, renewal and upgrades;
- Forward capital works programs;
- Manage maintenance programs and works;
- Budgeting and management;
- Technical and management reporting.

A specification for the Asset Management System will be jointly developed by the Town's Asset Management, Finance and ICT divisions.

### 7.2.2. Common Corporate Framework

A common corporate framework based on asset hierarchy needs to be developed, including common asset numbers, linkage across asset registers, account numbers etc.

### 7.2.3. Asset Inventory and Information

A database of asset information has recently been prepared. The data needs to be completed, checked, verified and *cleansed* by the operational asset *owners*, finance and the engineering divisions of the Town.

A process needs to be put in place, and responsibility assigned for the maintenance of this database.

### 7.2.4. Asset Condition

The Town needs to collect current condition data on all of its assets and ensure that there are systems and processes in place to keep asset condition up to date.

### 7.2.5. Asset Financial Reporting

The Town is to review the account structure and finance register to ensure that the system is sufficiently componentised to allow the reporting of operating, maintenance, renewal, upgrade and new expenditure at each component level and by asset hierarchy in order to aid LOS decision making.

### 7.2.6. Maintenance & Renewal Programs

The Town will implement systems for developing facility management and asset maintenance and renewal programs and associated cash flows so that it can transition to predictive maintenance and renewal programs expenditure, rather than a reactive breakdown approach

### 7.2.7. Unit Rates

Develop a library of unit rates for maintenance and renewal as a basis for the preparation of reliable future estimates of maintenance and renewal demand.

## 8. Improvement of Skills

### 8.1. Current Status

Asset management is an integral part of the management of an organisation and requires a unique blend of skills. The Town has competent technical and operational skills, but needs to develop and acquire additional and enhanced asset management skills to management its assets in a manner consistent with the IPRF.

### 8.2. Improvement

A matrix of the Town's asset management skills and capability needs to be prepared to analyse the gaps between the current situation and those required for the management of good asset management processes.

A program for building the required strategic, planning and resource management skills, capacity and capability should then be prepared and responsibility assigned for its implementation.

# 9. Evaluation

## 9.1. Current Status

The Town does not have a robust evaluation process by which asset management improvements can be identified, timeframes established, resources allocated, actioned, monitored and reported to the CEO and Executive Team.

## 9.2. Improvement

Once levels of service have been agreed and a performance measurement system has been established, improvements to the asset management system will be able to be identified and a process developed for their implementation.

**APPENDIX 3**

**3-Year Asset Management Process Improvement Plan Template**

| Process | Responsibility | Year 1 | | | | Year 2 | | | | Year 3 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| **1.  Asset Management Organisation** | | | | | | | | | | | | | |
| 1.1.  Establish AM structure | | | | | | | | | | | | | |
| 1.2.  Define formal roles & responsibilities | | | | | | | | | | | | | |
| 1.3.  Identify internal & external customers and stakeholders | | | | | | | | | | | | | |
| 1.4.  Capacity, capability & skills | | | | | | | | | | | | | |
| -  Define required AM resources | | | | | | | | | | | | | |
| -  Assess and build matrix of existing capacity, capability & skills | | | | | | | | | | | | | |
| -  Analyse gaps required for good asset management process and to progress the Town along the AM maturity curve to *Advanced* status by 31/12/15 | | | | | | | | | | | | | |
| -  Develop training & development programs | | | | | | | | | | | | | |
| 1.5.  Develop AM communications strategy for whole-of-town AM culture | | | | | | | | | | | | | |
| **2.  Development of Asset Management Strategies and Plans** | | | | | | | | | | | | | |
| 2.1.  Link with CBP | | | | | | | | | | | | | |
| -  Identify the Town's vision and 10-year business goals & objectives | | | | | | | | | | | | | |
| -  Identify business/service drivers & service models for | | | | | | | | | | | | | |

| Process | | Responsibility | Year 1 | | | | Year 2 | | | | Year 3 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| | each directorate | | | | | | | | | | | | | |
| 2.2. | Link with LTFP | | | | | | | | | | | | | |
| | - The Town's financial context | | | | | | | | | | | | | |
| | - Asset financial constraints | | | | | | | | | | | | | |
| | - Financial ratios (see section 3.1) | | | | | | | | | | | | | |
| | - Annual budgets for assets | | | | | | | | | | | | | |
| | - 10-year expenditure plan (renewal, upgrade & new) (see section 2.9) | | | | | | | | | | | | | |
| 2.3. | Define asset categories/classes | | | | | | | | | | | | | |
| 2.4. | Identify significant & critical assets | | | | | | | | | | | | | |
| 2.5. | Define desired asset base in 10 years, incl. Accommodation Plan | | | | | | | | | | | | | |
| 2.6. | Define critical success factors for each asset category (see section 3) | | | | | | | | | | | | | |
| 2.7. | Review existing asset base & undertake detailed condition assessments for significant and critical assets | | | | | | | | | | | | | |
| 2.8. | Analyse gaps | | | | | | | | | | | | | |
| 2.9. | Develop asset strategies to close the gaps (capital, maintenance, accommodation, disposal & acquisition) | | | | | | | | | | | | | |
| 2.10. | Prioritise projects against criticality and financial context/constraints | | | | | | | | | | | | | |
| 3. | Develop Individual Asset Plans (from strategy) | | | | | | | | | | | | | |
| 3.1. | Maintenance, renewal, upgrade, disposal | | | | | | | | | | | | | |

| Process | Responsibility | Year 1 | | | | Year 2 | | | | Year 3 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| 3.2.   Annual operating plans & budgets | | | | | | | | | | | | | |
| 3.3.   5 – 10 year plans | | | | | | | | | | | | | |
| **4.   Performance Measurement** | | | | | | | | | | | | | |
| 4.1.   Satisfy ratios for: | | | | | | | | | | | | | |
|   -   Asset Consumption (ACR) | | | | | | | | | | | | | |
|   -   Asset Sustainability (ASR) | | | | | | | | | | | | | |
|   -   Asset Renewal Funding (ARF) | | | | | | | | | | | | | |
| 4.2.   Set objectives for: | | | | | | | | | | | | | |
|   -   The AM system | | | | | | | | | | | | | |
|   -   AM Strategy | | | | | | | | | | | | | |
|   -   Asset performance: effectiveness (location, suitability, condition, amenity, functionality, utilisation) | | | | | | | | | | | | | |
|   -   Asset performance: efficiency (life cycle cost, cost-in-use, value-for-money) | | | | | | | | | | | | | |
|   -   Operational & maintenance management: maintenance spend, | | | | | | | | | | | | | |
| portfolio condition, effectiveness of spend | | | | | | | | | | | | | |
|   -   Levels of service for internal & external clients (community, technical, compliance, internal) | | | | | | | | | | | | | |
|   -   Outsource service providers, suppliers & contractors | | | | | | | | | | | | | |
| 4.3.   Agree KPIs relevant to objectives | | | | | | | | | | | | | |

| Process | Responsibility | Year 1 | | | | Year 2 | | | | Year 3 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| 4.4.   Define units of measurement | | | | | | | | | | | | | |
| 4.5.   Develop measurement tools and techniques | | | | | | | | | | | | | |
| 4.6.   Benchmark performance | | | | | | | | | | | | | |
| 4.7.   Develop a quality management system (performance reviews) | | | | | | | | | | | | | |
| 4.8.   Develop reporting regime relevant to all organisational levels, including a balanced scorecard. | | | | | | | | | | | | | |
| **5.   Data & Systems** | | | | | | | | | | | | | |
| 5.1.   Asset inventory & information | | | | | | | | | | | | | |
| -    Complete, check, verify & cleanse database | | | | | | | | | | | | | |
| -    Develop process for ongoing management & maintenance of database | | | | | | | | | | | | | |
| 5.2.   Develop common corporate framework based on asset hierarchy | | | | | | | | | | | | | |
| 5.3.   Review account structure & finance system for sufficient componentisation to enable required level of financial reporting on assets | | | | | | | | | | | | | |
| 5.4.   Develop database of unit rates for asset maintenance & renewal | | | | | | | | | | | | | |
| 5.5.   Select/acquire an asset management software that interfaces with the Town's Finance Management System (Synergy) and ROMAN II. Key functionality requirements: | | | | | | | | | | | | | |
| -    Hold details of all assets in at least the level of detail of the recently-built database | | | | | | | | | | | | | |

| Process | Responsibility | Year 1 | | | | Year 2 | | | | Year 3 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| - Store, maintain and update asset condition reports and defect conditions | | | | | | | | | | | | | |
| - Plan and long-term operation, maintenance, renewal and upgrade of assets; forward capital works programs; maintenance programs and works | | | | | | | | | | | | | |
| - Financial management & reports | | | | | | | | | | | | | |
| - Required reporting criteria | | | | | | | | | | | | | |
| - Property & facility management functionality | | | | | | | | | | | | | |
| **6. Translation of Strategy & Plans into Asset Programs** | | | | | | | | | | | | | |
| Develop and document processes for | | | | | | | | | | | | | |
| 6.1. Identification of potential projects | | | | | | | | | | | | | |
| 6.2. Preparation of Business cases | | | | | | | | | | | | | |
| 6.3. Asset program development and evaluation | | | | | | | | | | | | | |
| 6.4. Financial planning for assets | | | | | | | | | | | | | |
| **7. Delivery of Asset Programs** | | | | | | | | | | | | | |
| Develop and document processes to: | | | | | | | | | | | | | |
| 7.1. Assess optimum means of delivery | | | | | | | | | | | | | |
| 7.2. Design project structures and governance | | | | | | | | | | | | | |
| 7.3. Prepare project management plans | | | | | | | | | | | | | |
| 7.4. Communicate to stakeholders | | | | | | | | | | | | | |
| 7.5. Measure project performance | | | | | | | | | | | | | |

| Process | Responsibility | Year 1 | | | | Year 2 | | | | Year 3 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| 7.6.    Manage risk | | | | | | | | | | | | | |
| **8.    Risk Management** | | | | | | | | | | | | | |
| Design and document a risk management system for each asset category and significant & critical assets that: | | | | | | | | | | | | | |
| 8.1.    Conforms to the CBP requirements for management of risk | | | | | | | | | | | | | |
| 8.2.    Includes contingency and continuity plans for significant and critical assets | | | | | | | | | | | | | |
| **9.    Continuous Improvement** | | | | | | | | | | | | | |
| Develop and document procedures for: | | | | | | | | | | | | | |
| 9.1.    Reviewing and updating the Asset Management Strategy and Asset Management Plan | | | | | | | | | | | | | |
| 9.2.    A methodology for assessing remaining useful lives of asset groups, residual values and componentised depreciation | | | | | | | | | | | | | |
| 9.3.    A methodology to collect and record asset data | | | | | | | | | | | | | |
| 9.4.    A process for the handover of assets to asset custodians | | | | | | | | | | | | | |
| 9.5.    A process to communicate the implications of asset management plans to internal and external stakeholders | | | | | | | | | | | | | |
| 9.6.    Reviewing and improving: | | | | | | | | | | | | | |
| -    The asset management system and process | | | | | | | | | | | | | |
| -    Corporate structure | | | | | | | | | | | | | |
| -    Delivery models | | | | | | | | | | | | | |

| Process | Responsibility | Year 1 | | | | Year 2 | | | | Year 3 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| - Skills, capability & capacity | | | | | | | | | | | | | |
| - Asset performance | | | | | | | | | | | | | |