



Draft Asset Management Plan

High-performing and sustainable assets

DISTRIBUTION SCHEDULE

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Contents

1.0	Introduction.....	4
2.0	Asset Management.....	5
3.0	The Plan’s Purpose and Objective	6
4.0	The Context of the Town	6
5.0	The Town’s Asset Management Vision	7
6.0	The Town’s Asset Management Strategy.....	7
6.1	Strategic Objectives and Outcomes	7
6.1.1	Direction, Accountability and Integration	8
6.1.2	Lifecycle Management	8
6.1.3	Data and Information Management	8
6.1.4	Standards and Levels of Service	8
6.1.5	Continuing Improvement	8
6.2	The Town’s Asset Base and Its Management.....	9
6.3	Status of the Existing Asset Base.....	9
6.3.1	Estimated Asset Replacement Cost by Entity.....	10
6.3.2	Estimated Renewal & Replacement Demand	10
6.3.3	Current Renewal & Replacement Expenditure	11
6.3.4	Annual Renewal & Replacement Gap	11
6.3.5	Cumulative Renewal & Replacement Gap	12
6.4	Data and Information.....	12
6.4.1	Land.....	12
6.4.2	Infrastructure.....	12
6.4.3	Buildings.....	12
6.4.4	Plant & Equipment	13
6.4.5	Revenue Assets	13
6.4.6	ICT	13
6.4.7	Ovals, Reserves, Sports Facilities, Landscaping & Horticulture and Miscellaneous Assets	13
6.5	Significant and Mission Critical Assets	15
6.6	Asset Condition and Replacement Cost	15
6.7	Service Demand and Levels of Service	15
6.8	Management of Risk	16
6.9	The Development of Asset Management Strategies and Plans	17
6.10	Performance Management	17
6.11	Asset Management Process.....	18
6.12	Asset Management System (Software).....	18



7.0 Asset Management Plan..... 19

Appendix 1: Asset Management Strategy Summary

Appendix 2: Accompanying Notes to the Town of Port Hedland Asset Database

Appendix 3: Asset Management Plan

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This Asset Management Plan should be read in conjunction with the Town of Port Hedland's Asset Management Strategy.

1.0 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 (AMS) and an Asset Management Plan (AMP) (this document). Figure 1 demonstrates how the Asset Management Framework fits with the various documents required by the IPRF.

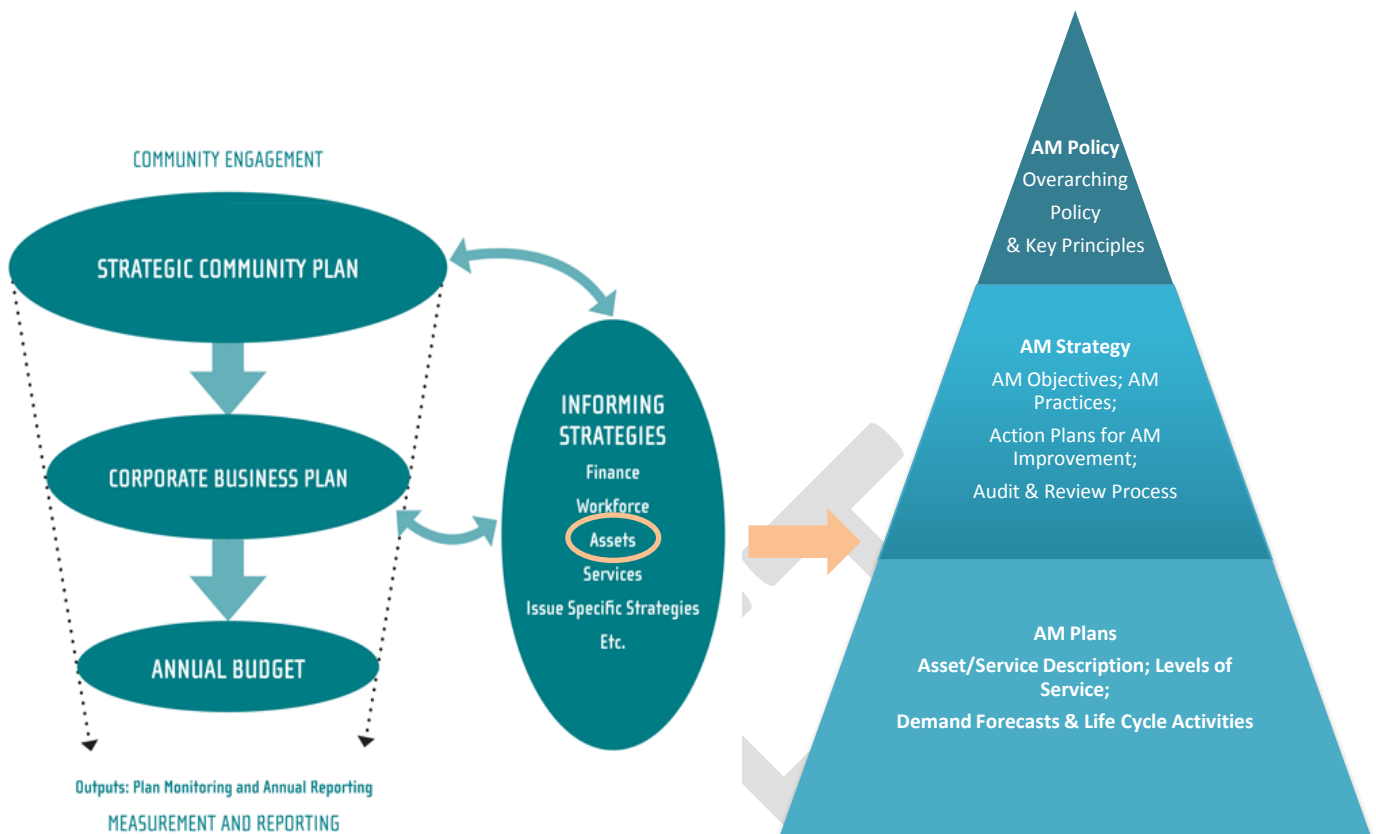


Figure 1: Asset Management and the Integrated Planning and Reporting Framework

2.0 Asset Management

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).

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.

Asset management is about the process of guiding the utilisation of assets to ensure that they support the delivery of services to the community in the most efficient and effective manner.

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 SCP and CBP;
- Have all of the above summarised in an AMP;
- All costs (and revenues) are captured in the financial management system and entered into the Long Term Financial Plan (LTFP).

3.0 The Plan's Purpose and Objective

This AMP provides the basis for the implementation of the AMS together with related matters, including organisational structure and governance, roles and responsibilities, data and performance management arrangements and performance measurement information.

The Town's AMPs will ultimately provide the means of enabling the Town to manage the long-term (10-year) response of its assets to the existing and future demand for local government services and the planned growth of the Town in line with the Town's SCP and Corporate Business Plan (CBP).

Being the Town's first AMP:

- Its purpose is to set the basis, principles and standards for the future management of assets, and from which the Town's future AMP can be developed and improved.
- Its objective is to provide a plan by which the Town's AMS can be implemented.

4.0 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 Town's current physical asset base, which is summarised in table 1, is estimated to have a replacement value of \$574.8 million.

Asset Classes	Replacement Estimate	Percentage of Replacement
Buildings	\$178,211,322	31%
ICT	\$3,617,588	1%
Infrastructure	\$374,351,315	65%
Plant & Equipment	\$18,645,000	3%
Grand Total	\$574,825,225	100%

Table 1: Estimated Asset Replacement Cost – by Asset Class

The current growth of the Town and demand for services, together with its longer-term development, has significant and far-reaching implications for these assets.

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.

5.0 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.

6.0 The Town's Asset Management Strategy

6.1 Strategic Objectives and Outcomes

In order for the Town to achieve its asset management vision, it is important to recognise that asset management's successful contribution to the Town's delivery of services to the community is dependent upon two separate, but inter-dependent factors: the approach to managing the asset



management process; and the performance of the assets themselves, both individually and as a portfolio.

In recognition of this, the Town has prepared an AMS, which:

- Consolidates and documents the Town's existing knowledge about its assets and their current systems of management;
- Provides strategies for the improvement of the Town's asset management process; and
- Provide strategies for the optimal performance of the Town's assets.

The AMS has identified five strategic objectives as being the pillars upon which its asset management vision for high-performing and sustainable assets will be built. These objectives are:

6.1.1 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.

6.1.2 Lifecycle Management

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

6.1.3 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.

6.1.4 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.

6.1.5 Continuing Improvement

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

Table 2 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 2: Strategic Objectives and Outcomes

6.2 The Town's Asset Base and Its Management

The AMS (section 6) provides an assessment of the Town's current position of its asset management capacity and capability and of its asset base in relation to the strategic objectives and outcomes.

Appendix 1 provides a summary of this position, and strategies and actions to achieve the desired outcomes.

This plan provides further detail to that assessment and the implementation of strategies to improve the Town's asset management capacity and capability.

Sections 6.3 through 6.12 outline the principal areas that the Town plans to improve the management and performance of its asset base. These represent the translation of the AMS into a plan for their implementation.

6.3 Status of the Existing Asset Base

The AMS (section 6) provides a detailed analysis of the Town's existing assets. A high-level summary of this analysis follows in sections 6.3.1- 6.3.5.



The implementation of this plan will enable these initial estimates and indicators to be analysed and refined on an asset-by-asset basis and plans developed to address the priority areas for renewal and replacement.

6.3.1 Estimated Asset Replacement Cost by Entity

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%
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 3: Estimated Asset Replacement Cost – by Entity

6.3.2 Estimated Renewal & Replacement Demand

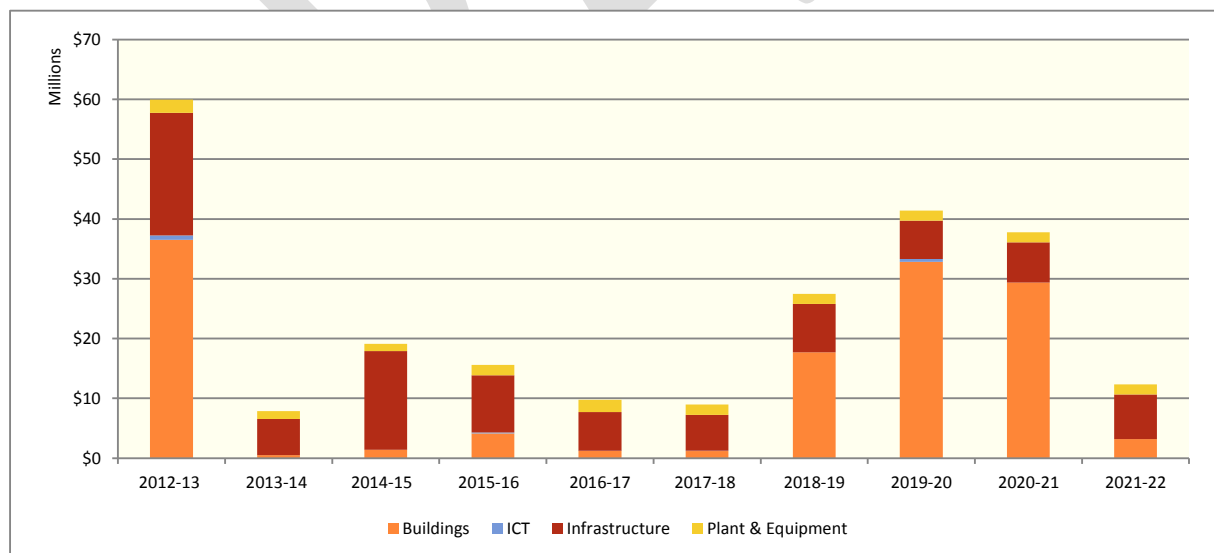


Figure 2: Renewal & Replacement Demand

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



6.3.3 Current Renewal & Replacement Expenditure

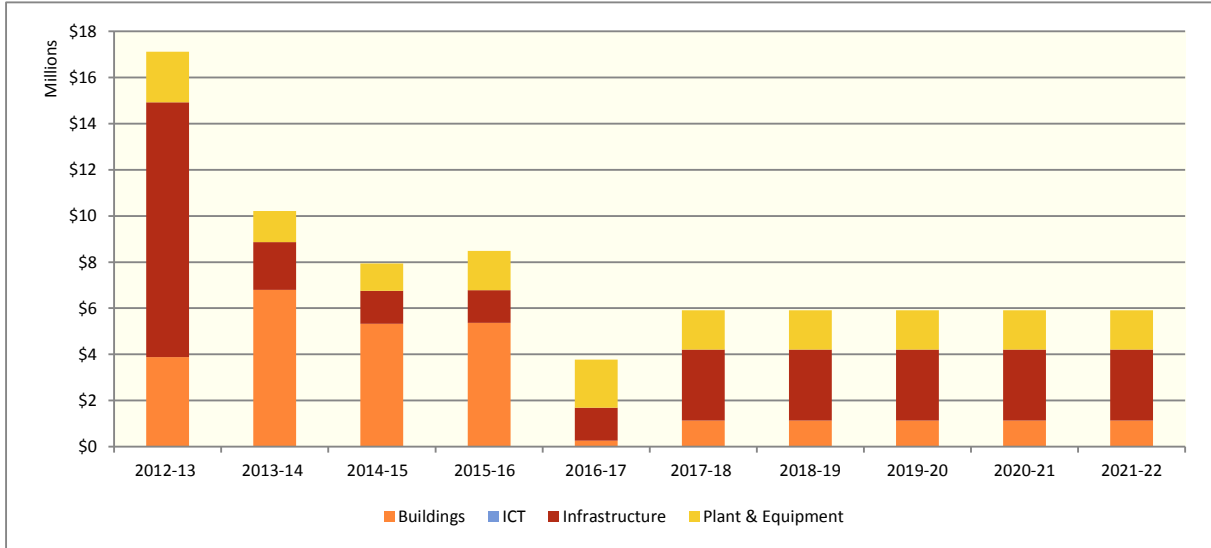


Figure 3: Current Renewal & Replacement Expenditure

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.

6.3.4 Annual Renewal & Replacement Gap

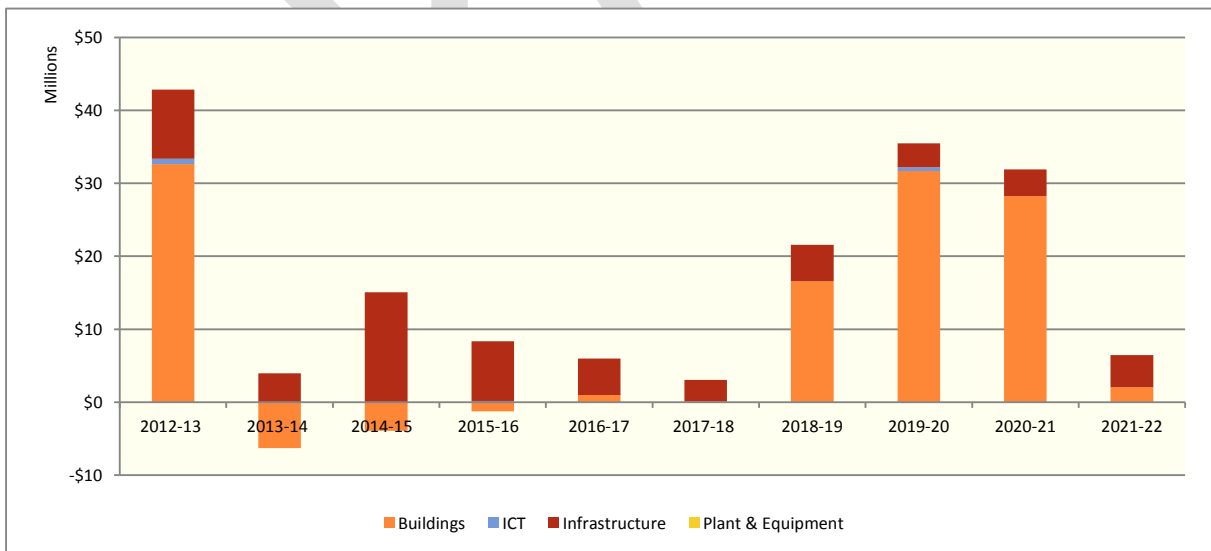


Figure 4: Annual Renewal & Replacement Gap

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



6.3.5 Cumulative Renewal & Replacement Gap

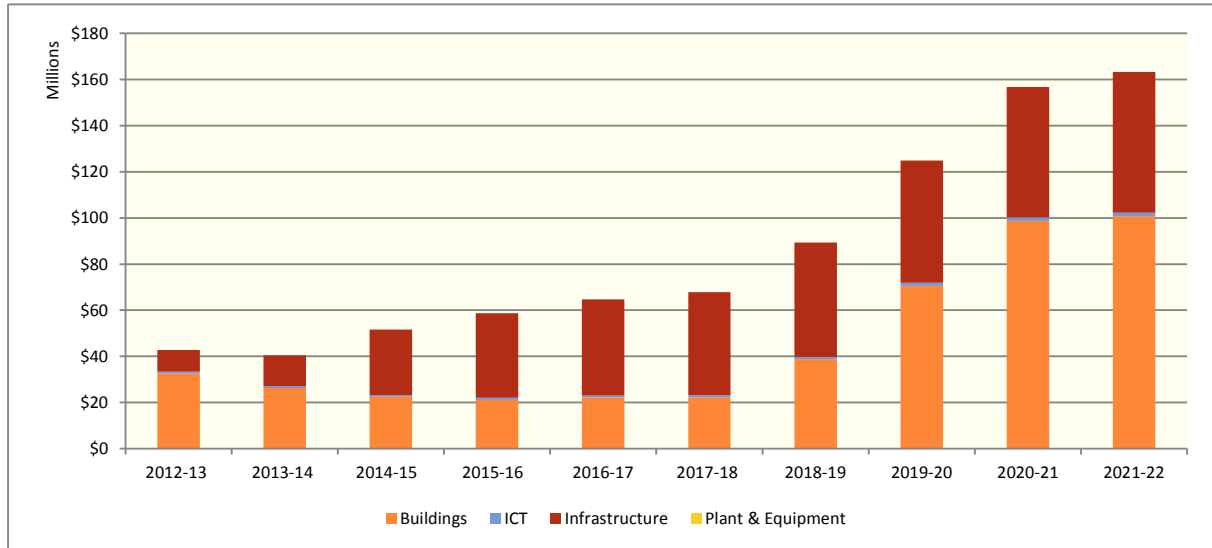


Figure 5: Cumulative Renewal & Replacement Gap

The total cumulative renewal and replacement gap for the years 2012-13 to 2021-22 is estimated at approximately \$163.2 million.

6.4 Data and Information

A database has been prepared for the Town, which consolidates all existing asset data into one asset register. Table 4 (at the end of this sub-section) summarises the sources of this data.

A copy of the detailed notes accompanying the database is attached at Appendix 2. These notes identify a number of shortcomings in the Town’s current data and information management systems and records.

The AMS includes provision for a comprehensive audit of all asset data to confirm an agreed register of assets across the Town’s directorates. The priorities for this audit are assessed as:

6.4.1 Land

Confirm all parcels of land owned and/or leased by the Town, including details of ownership and tenure, use and planning conditions, commercial terms, rights and obligations and value.

6.4.2 Infrastructure

Reconcile and verify the existence, size and type of all roads and bridges, pathways, footpaths and cycleways; drainage, electrical, water/waste water and lighting systems.

6.4.3 Buildings

Confirmation of stock, location, use, size, age, occupant and asset *owner*.



6.4.4 Plant & Equipment

Reconciliation and consolidation of the multiple record systems to ascertain the actual assets held by the Town.

6.4.5 Revenue Assets

Create a register for the details of all assets generating non-rates revenue for the Town, e.g. property leases, advertising boards, licenses, easements, and intangible assets such as wave-lengths and broadcasting rights. This will enable the formulation of strategies for these assets to optimise additional revenue streams for the Town.

6.4.6 ICT

Audit of all ICT and audio visual assets to confirm asset stock, models, use, location and asset *owners*.

6.4.7 Ovals, Reserves, Sports Facilities, Landscaping & Horticulture and Miscellaneous Assets

Reconcile and verify the existence, type, size, age, user and asset *owner* of all ovals, reserves, sports facilities, landscaping and horticulture and other miscellaneous assets. Confirmation of stock, location, use, size, age, occupant and asset *owner*.

The outcomes of this audit will be a single whole-of-Town Asset Register and Database that:

- Provides the platform for informed decision-making going forward;
- Enables the improvement of the Finance Register in terms of recording assets and their accounting treatment;
- Matches assets to asset *owners*;
- Enables the implementation of good asset management practice and process;
- Enables the production of reality-based Asset Management Strategies and Plans that are linked to the SCP and CBP by responding to the service and development needs of the Town; and
- Provides sound financial information for the LTFP.



Information Source	Information Incorporated/Used in the Database	Airport	Buildings	Buildings Components	ICT	Infrastructure	Infrastructure - Footpaths	Infrastructure - Roads	Land	Plant & Equipment
Synergy Asset Register (June 2012)	Asset Descriptions, Synergy Asset No, Year Constructed / Acquired and the Purchase/Build Price	✓	✓	✓	✓	✓				✓
Synergy Rates/Land Module	All Asset Descriptions and ID information.								✓	
AVP Valuation Reports (2010 & 2011)	Asset Descriptions and Valuation Information.	✓	✓			✓			✓	
Depot Plant & Vehicle Lists	Asset Descriptions									✓
ToPH Roman II	All non-financial Information within the worksheet for Road and Footpath assets.						✓	✓		
ToPH Housing List	Asset Descriptions		✓							
Synergy Plant Module	Asset Descriptions									✓
5 Year Plan (12.04.012)	Asset Descriptions		✓			✓				✓
Depot Parks & Gardens List	Asset Descriptions					✓				
Anup's Asset List (2011)	Asset Descriptions on					✓				
ToPH Active Open Space Strategy Report	Asset Descriptions		✓			✓				
2012 Airport Master Plan	Asset Descriptions, Asset Metrics	✓								
Playright Playground Audit (2010)	Asset Descriptions, Year Constructed / Acquired, Purchase/Build Price and Indicative Replacement Costs					✓				
Mapping software	Asset Metrics	✓	✓			✓				
Rawlinsons Cost Guide	Indicative Replacement Costs and Indicative Maintenance Costs	✓	✓			✓	✓	✓		
Visual Site Inspection's	Asset Descriptions, Asset Metrics, Condition Data									
Information collected from Site Visits	Assorted	✓	✓	✓		✓	✓	✓		✓

Table 4: Data Sources



6.5 Significant and Mission Critical Assets

In order to prioritise actions for future AMS and AMPs and give direction to the allocation of funds, the Town will identify those assets that are significant and critical to the administration and operation of the Town and the provision of services to the community. These will be ranked according to type of risk, the likelihood of an occurrence and the likely result of an occurrence that affects an asset's ability to perform its required function. (Risk assessments will be conducted in accordance with the Town's CBP).

Business contingency and continuation plans will then be prepared.

Management of risk is considered further in section 6.8.

6.6 Asset Condition and Replacement Cost

This plan provides for a record of the condition of the Town's assets. As a basis for the creation of such a record, the recently prepared database included, where practical, indicative ratings for the condition of assets. Assets were assigned condition ratings following visual inspection. The ratings are:

1. Very Good
2. Good
3. Moderate
4. Poor
5. Very Poor

The database also included, where practical, estimates of replacement and renewal costs, and indicative maintenance costs based on industry benchmarks.

Following identification of significant and mission critical assets, and classification into priorities of the balance of the asset portfolio, the Town will carry out or arrange asset condition assessments, the level of detail and purposes for which will be determined by asset priority and significance.

6.7 Service Demand and Levels of Service

The AMS (section 6.4) identified the strategic themes behind the Town's goals and objectives, which are described in the CBP. These are:

- 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 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).



Although the AMS makes provision for the integration of the longer-term strategies into a single AMP for the Town, this plan is principally concerned with the service drivers generated by the external and internal demand for services.

This plan, therefore, calls for a review of all assets, in order of priority, by the asset *owners*. The review of assets will follow the inputs listed for the development of an AMP.

Once these internal and external service drivers have been identified, it will be possible to determine and agree appropriate levels of service for each asset.

6.8 Management of Risk

The policy and principles for the management of risk are embedded on the Town’s CBP.

Section 6.5 considers asset related risk in the context of business and service continuity. Table 5 identifies a number of risk categories together with associated potential risks and causes.

This plan includes a comprehensive risk assessment and management exercise in relation to the performance of assets.

Risk Category	Potential Risks	Potential Causes
Property	<ul style="list-style-type: none"> Environmental & Climatic damage Poor condition Non-performance 	<ul style="list-style-type: none"> Weathering & Cyclone Poor maintenance & maintenance backlogs/renewal & replacement gaps Lack of standards, performance measures and asset management
The Public and the Community	<ul style="list-style-type: none"> Personal injury Property damage Disruption to services 	<ul style="list-style-type: none"> Poor maintenance Lack of planning Lack of standards, performance measurement and contingency & continuity planning.
Legal	<ul style="list-style-type: none"> Public liability Damages Breach of contract Duty of care (negligence) Compliance 	<ul style="list-style-type: none"> Poor maintenance Lack of contingency planning Lack of information & data Poor inspection regimes, asset management processes and system Lack of governance, roles & responsibilities and accountability



Financial	<ul style="list-style-type: none"> • Financial wastage (budgetary) • Increased balance sheet liability • Legal damages • Inability to collect revenues (rates) 	<ul style="list-style-type: none"> • Lack of planning & effective financial management regime (budgeting) • Maintenance backlogs/renewal & replacement gaps • Systems failure
Political	<ul style="list-style-type: none"> • Poor decision-making capacity 	<ul style="list-style-type: none"> • Lack of asset information & data • Poor assessment of service demand drivers

Table 4: Risk Matrix

This demonstrates that most, if not all, asset related risks could be mitigated through good asset management systems and process. Maintenance is regarded by the asset management industry as a risk management activity.

6.9 The Development of Asset Management Strategies and Plans

The aggregated outcomes of the actions described in sections 6.3-6.8 will enable the Town to strengthen AMS and AMP of sufficient detail and quality to provide the Town with a reliable direction for the management of its assets in terms of the optimal asset portfolio, asset performance and financial need.

These outcomes will provide the ability to prepare plans, budgets and programs based on need and priority determined by reliable asset data and life cycle information for the following:

- Detailed short to medium-term (annual and 5-yearly) operating and maintenance requirements;
- Renewal and replacement strategies;
- Capital investment strategies for new assets and upgrades;
- Asset disposal strategies; and
- Accommodation needs.

They will also provide the basis for the development of a performance management system, which tracks individual assets, the portfolio as a whole, asset effectiveness and efficiency, industry benchmarks, and the asset management system and processes.

6.10 Performance Management

The measurement of asset performance is currently focused on the operational and technical management of assets. The AMS provides a strategy for a performance management system in the following areas:

- Asset performance against agreed internal and external levels of service;



- Performance of individual assets measured against benchmarks and financial and non-financial targets;
- Asset effectiveness;
- The DLG ratios;
- The renewal and replacement gaps;
- Maintenance effectiveness;
- The asset management processes;
- Improvement initiatives; and
- Staff performance and retention, appraisal systems, skills and experience gaps, and training and development programs.

6.11 Asset Management Process

All asset management activity and successful asset management outcomes are dependent upon and underpinned by good processes and systems.

The AMS describes a detailed strategy for the adoption of processes and an asset management system based on the industry-acknowledged asset management cycle. This plan provides for their implementation.

6.12 Asset Management System (Software)

It is the Town's strategy to compile all asset information and data into spreadsheets over the first year of the plan. During this time the Town plans to finalise its total systems requirements for all administrative, management and service activity across the Town's directorates.

However, the Town is currently considering its requirements for an asset management system

In summary, these are:

- Linkage to the Financial system;
- Categorisation of asset classes and hierarchies;
- Capacity to store and record all asset details and characteristics;
- Maintenance planning and management functionality;
- Works management;
- Financial functions for procurement and contract management;
- The capacity to develop management and work processes with and for the Town;
- Basic reporting functions;
- Capacity for development to meet the Town's expanding needs as the level of asset management sophistication matures;
- Compatible with related asset management operational technological devices and equipment, such as web-based hand-held transfer of data between operational sites and the asset management system;
- Local government experience;
- Strong systems support and committed/demonstrated systems development program that responds to user need and feedback.



7.0 Asset Management Plan

The detailed plan to implement these strategies is contained at Appendix 3. Figure 6 is a high-level summary of this plan, over which the asset management maturity curve has been superimposed to indicate the potential progress of the Town.

The plan indicates the Town achieving 'Core' standard by the 4th quarter of year 2, and 'Advanced' standard by the 3rd quarter of year 3. Definitions for these standards were provided in table 18, section 6 of the AMS.

The order of activity over the 36 month timeframe has been selected by priority, i.e. the immediate priority for the Town is to audit its data and asset records as soon as possible. All other asset management activity is dependent upon the accuracy and completeness of asset data and information. Although activities overlap each other, the priority rankings are:

1. Data audit
2. Asset Management Reviews
3. Identification of mission critical assets
4. Asset condition assessments
5. Confirmation of asset replacement and renewal costs
6. Assign asset *owners*
7. Define service demand and levels of service
8. Risk assessments
9. Acquire asset management software
10. Implement & refine software
11. Revise DLG ratios
12. Establish performance management system
13. Review/revise Asset Management Strategy & Plan
14. Develop and implement asset management processes



Process	Year 1				Year 2				Year 3			
	QTR 1	QTR 2	QTR 3	QTR 4	QTR 1	QTR 2	QTR 3	QTR 4	QTR 1	QTR 2	QTR 3	QTR 4
Data Audit	█	█										
Asset Management Reviews		█			█			█			█	
Identify Mission Critical Assets												
Asset Condition Assessments	█	█									█	█
Determine Replacement/Renewal Costs	█	█									█	█
Assign Asset Owners	█											
Define Service Demand & Levels of Service		█	█				█				█	
Assess Risks to Assets and Asset-related Service Risks			█	█				█				█
Acquire Asset Management Software												
Implement & Refine AM Software	█	█	█	█	█	█	█	█	█	█	█	█
Revise DLG Ratios		█								█		
Establish Performance Management System			█	█	█							
Review/Revise Asset Management Strategy & Plan					█	█	█	█				
Develop & Implement Asset Management Processes	█	█	█	█	█	█	█	█	█	█	█	█

Advanced

Core

Figure 5: Summary Asset Management Plan



8.0 Glossary of Terms

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.

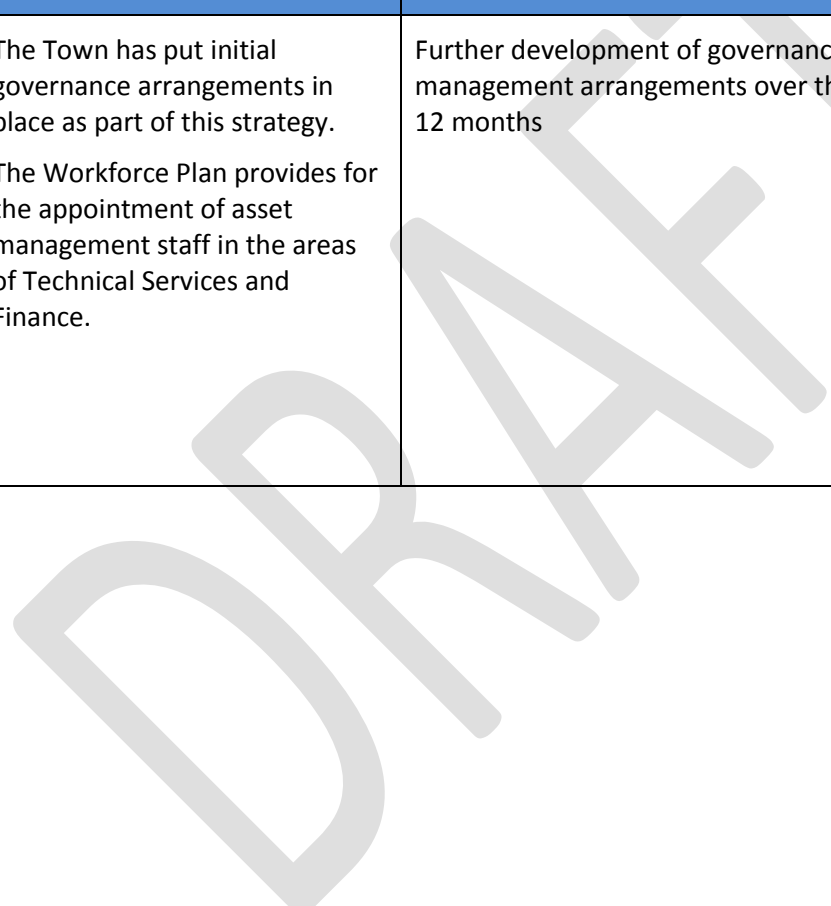


APPENDIX 1

Asset Management Strategy Summary



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	<p>The Town has put initial governance arrangements in place as part of this strategy.</p> <p>The Workforce Plan provides for the appointment of asset management staff in the areas of Technical Services and Finance.</p>	Further development of governance and management arrangements over the next 12 months	<p>Development of roles and responsibilities and assignment of asset management tasks.</p> <p>Nomination of a senior corporate sponsor of asset management.</p> <p>Nomination of an owner of the corporate asset management function.</p> <p>Active involvement of Executive Management Team and asset owners.</p> <p>Elected Members are kept informed of asset management progress.</p>





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.	<p>Carry out a comprehensive asset audit, including land holdings and revenue assets.</p> <p>Confirm condition of significant & critical assets.</p> <p>Develop maintenance & renewal programs that align with strategy and asset owner requirements.</p>
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.	<p>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.</p> <p>Adopt a performance management system based on a balanced scorecard approach, i.e. financial, customer, internal business, and environmental and social perspectives.</p>



<p>Service Drivers</p>	<p>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.</p> <p>The CBP recognises 3 main demand sets that drive the requirement for services:</p> <ul style="list-style-type: none"> • Long-term strategic growth demand; • Ongoing external demand from the community; and <p>Ongoing internal operational demand from the Town's administration.</p>	<p>Asset Strategies and Plans to address the long, medium and short-term needs of each service demand set.</p>	<p>Implement an integrated whole-of-organisation strategic and planned approach to asset management.</p> <p>Each directorate of the Town's administration will define the criteria required of their assets having regard to the following:</p> <ul style="list-style-type: none"> • Asset type; • Location; • Utility; • Serviceability and functionality; • Condition; • Amenity; and • Financial criteria.
<p>Financial Performance Indicators</p>	<p>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.</p>	<p>Consolidate all asset data into a single comprehensive database that is linked to the Town's financial and accounting systems.</p> <p>Establish a new budgeting paradigm and financial reporting regime that reflects the whole-of-life management of assets.</p> <p>Manage the Renewal & Replacement Gap by:</p>	<p>Check, cleanse and verify all asset data across all registers, records and systems.</p> <p>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.</p> <p>ACR: refine the estimation of the ACR as improvements are made to financial & asset data.</p>



		<ul style="list-style-type: none"> • Prioritising and grading the importance of each asset; • Identifying significant and mission critical assets; • Assessing the continuing need and standards/levels of service for these assets; • Defining minimum asset condition and in-use efficiency and effectiveness to support service levels; • Assessing their condition; • Assessing the risk and impact on the Town's services and operations of any failure to meet standards/levels of service; <p>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.</p>	<p>ASR: confirm a ratio that reflects the true position of the Town by:</p> <ul style="list-style-type: none"> • Examining and confirming asset Written Down Values; • Reviewing the estimated expenditure on asset renewal and replacement; and • Refining the budget process and methodology. <p>ARFR: Calculate ratio following finalisation of asset renewal program.</p> <p>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 <i>owners</i>. Examples of maintenance performance indicators are shown in table 12 below.</p>
<p>Asset Management Cycle & Processes</p>	<p>The Town's current asset management processes are primarily related to 5-year and annual expenditure budgets, asset maintenance and operations.</p>	<p>Introduce Asset Management processes based on acknowledged leading practice principles for the public sector that cover all stages of asset lifecycles.</p> <p>Maximise revenue streams from commercial assets, alternative and/or additional asset uses.</p>	<p>Construct and implement processes for: Strategic Asset Planning; Asset Programs; Asset & Service Delivery Programs; Performance Management & Review; and Processes for Improvement. (Appendix 1.)</p> <p>Review asset portfolio for potential revenue sources.</p>



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	<p>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.</p> <p>Asset records do not align between the corporate finance system and operating divisional records.</p> <p>A comprehensive audit of existing data and systems has occurred and shortfalls identified.</p> <p>The Town does not have an asset management software system (AMS).</p>	<p>Consolidate data and information onto a single AMS that satisfies the following:</p> <ul style="list-style-type: none"> • Linkage to the Financial system; • Categorisation of asset classes and hierarchies; • Capacity to store and record all asset details; • Maintenance planning & works; management; • Procurement & contract management; • Management & work processes; • Reporting functions; • Capacity to develop with Town's expanding requirements; • Compatible with web-based devices to transfer data between operational sites and the AMS; • Local government experience; • Strong systems support. <p>Convert to an AMS within 12 months.</p>	<p>Define required asset data and asset information requirements.</p> <p>Define asset management information reporting hierarchy and requirements that are consistent with governance and management arrangements.</p> <p>Collate data onto individual spreadsheets for transfer into an AMS</p> <p>Develop specification for an AMS.</p> <p>Select and implement an AMS.</p>



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.	<p>Expand/enhance the community surveys to include information relating to the condition, use and effectiveness of assets.</p> <p>Document a LOS framework that clearly defines and documents LOS for:</p> <ul style="list-style-type: none"> • Community; • Technical; • Compliance; and • Internal services. 	<p>Design survey template for community feedback on assets; and methodology to interpret and analyse responses for input into strategies.</p> <p>Agree and set minimum internal and external standards for each asset category/facility supported by an inspection and management regime.</p> <p>Document a register of legislative requirements, codes of practice and standards, and other obligations. Develop processes to ensure their compliance.</p>
Performance Measurement	The Town is currently planning the adoption of a formal performance measurement system.	<p>Develop a performance measurement system that comprises outcomes, standards and targets, indicators and measures, and bases of measurement.</p> <p>Apply the Town's risk management system to evaluate and manage asset and associated service related risks.</p>	<p>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.</p> <p>Prioritise assets; analyse risks; and prepare and test contingency and continuity plans.</p>



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.	<p>Develop awareness, training and development programs for all levels of Town staff and Elected Members that caters for induction and ongoing development.</p> <p>These programs will be planned to align with the implementation of the improvement strategy.</p> <p>Develop a system of self- and external assessment.</p> <p>Benchmark against other jurisdictions, WALGA, Department of Local Government requirements, and other bodies.</p> <p>Maintain a process to track developments and innovations in <i>best practice</i>.</p>
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	<p>Undertake skills audit.</p> <p>Identify required skills.</p> <p>Close gaps through a plan for recruitment, up-skilling & training.</p>



APPENDIX 2

Accompanying Notes to the Town of Port Hedland Asset Database



APPENDIX 3

Asset Management Plan



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 towards <i>Advanced</i> status													
- Develop training & development programs													
1.5. Develop AM communications strategy for whole-of-town AM culture													
2. DEVELOPMENT OF ASSET MANAGEMENT STRATEGIES & PLANS													
2.1. Link with CBP													
- Identify the Town's vision and 10-year business goals & objectives													
- Identify business/service drivers & service models for each directorate													
2.2. Link with LTFP													
- The Town's financial context													
- Asset financial constraints													
- Financial ratios													



Process	Responsibility	Year 1				Year 2				Year 3			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
- Annual budgets for assets	Asset Management												
- 10-year expenditure plan (renewal, upgrade & new)													
2.3. Define asset categories/classes													
2.4. Identify significant & critical assets													
2.5. Define desired asset base in 10 years, incl. Accommodation Plans													
2.6. Define critical success factors for each asset category													
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													
3.1. Maintenance, renewal, upgrade, disposal	Asset Management												
3.2. Annual operating plans & budgets													
3.3. 5 – 10 year plans													
4. PERFORMANCE MEASUREMENT													
4.1. Satisfy ratios for:	Asset Management												
- Asset Consumption (ACR)													
- Asset Sustainability (ASR)													



Process	Responsibility	Year 1				Year 2				Year 3			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
- 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													
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													



Process	Responsibility	Year 1				Year 2				Year 3			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
5.2. Develop common corporate framework based on asset hierarchy	[Large light blue cell spanning rows 5.2 to 5.5]												
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													
- 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	[Large light blue cell spanning rows 6.0 to 6.4]												
Develop and document processes for													
6.1. Identification of potential projects													
6.2. Preparation of asset business cases													
6.3. Asset program development and evaluation													
6.4. Financial planning for assets													



Process	Responsibility	Year 1				Year 2				Year 3			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
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													
7.6. Assess and 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 AMS & AMP													
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													



Process	Responsibility	Year 1				Year 2				Year 3			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
management plans to internal and external stakeholders													
9.6. Reviewing and improving:													
- The asset management system and process													
- Corporate structure													
- Delivery models													
- Skills, capability & capacity													
- Asset performance													

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