

Shire of Boddington

Asset Management Plan

General Guidance Notes

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Legislation, Acts, Regulations & Standards

This section provides details on all legislation, standards, policies and guidelines that should be considered as part of the management practices of the Shire's assets.

Legislation / Standard / Organisation	Requirement / Document
Local Government Act 1995	Sets out role, purpose, responsibilities and powers of local governments including the preparation of a long term financial plan supported by AMPs for sustainable service delivery. The Act also provides guidance on the rules around local governments who derive revenue from operations such as non-core business.
Building Code of Australia	The Building Code of Australia (BCA) is Volumes One and Two of the National Construction Code (NCC). The BCA is produced and maintained by the Australian Building Codes Board (ABCB) on behalf of the Australian Government and State and Territory Governments. The BCA has been given the status of building regulations by all States and Territories.
Aboriginal Heritage Act 1972	Regulations and requirements that the Shire must comply with relating to aboriginal heritage.
Aboriginal Heritage Regulations 1974	Preservation of the community places and objects used by traditional owners.
Native Title Act 1999	Regulations and requirements that the Shire must comply with in relation to the use of land.
Dangerous Goods Safety Act 2004	Relates to the safe storage, handling and transport of dangerous goods.
Health Act 1911	Relates to the handling and disposal of hazardous materials including asbestos.
Dividing Fences Act (1961)	Local government exemption from 50/50 contribution for dividing fences abutting public open space.
Occupational Health and Safety Act 1984	The Occupational Health and Safety Act is concerned with protecting the safety, health and welfare of people engaged in work or employment. Full consideration and application of the Act should be given in order to identify, manage and reduce or mitigate the risk of harm to the Shire's employees.
OSH Regulations 1996	The guidelines for employees and employers to undertake within the work environment.
Disability Discrimination Act 1992	The Federal Disability Discrimination Act 1992 (D.D.A.) provides protection for everyone in Australia against discrimination based on disability. It encourages everyone to be involved in implementing the Act and to share in the overall benefits to the community and the economy that flow from participation by the widest range of people. Disability discrimination happens when people with a disability are treated less fairly than people without a disability. Disability discrimination also occurs when people are treated less fairly because they are relatives, friends, carers, co-workers or associates of a person with a disability.
Legislation / Standard / Organisation	Requirement / Document

Disability Services Act 1993	An Act for the establishment of the Disability Services Commission and the Ministerial Advisory Council on Disability, for the furtherance of principles applicable to people with disabilities, for the funding and provision of services to such people that meet certain objectives, for the resolution of complaints by such people, and for related purposes.
Disability Services Regulations 2004	Current amendments to Disability Services Act (1993)
Accounting Standards	<ul style="list-style-type: none"> = AASB 5 Non-Current Assets Held for Sale and Discontinued Operations = AASB 13 Fair Value Measurement = AASB 116 Property, Plant and Equipment = AASB 118 Revenue = AASB 119 Employee Benefits = AASB 136 Impairment of Assets = AASB 138 Intangible Assets = AASB 140 Investment Property = AASB 1051 Land Under Roads
Other Standards and Regulations	<p>Other relevant documents include, but are not limited to:</p> <ul style="list-style-type: none"> = AS/NZS 4360: 1995 Risk Management = All other relevant State and Federal Acts & Regulations = All Local Laws and relevant policies of the organisation
Shire of Boddington Policies	<ul style="list-style-type: none"> = 4.2 – Fire Access Tracks = 6.13 Asset Management Policy = 4.2 – Fire Access Tracks = 6.9 - Sale of Council Land – Deposits = 6.10 – Sale of Council Property Real Estate Agents = 9.2 – Depreciation Rates = 9.13 – Purpose & Funding of Reserve = 11.19 – Occupational Safety Health and Environment = 11.34 – Risk Management = 13.1 – Buy Local Policy (Regional Business and Regional Price Preference) = 13.3 – Purchasing of Goods and Services

Table 1: Legislative Requirements, Standards, Policies and Guidelines

AMP Stakeholders and Service Levels

AMP Stakeholders

Analysis of the Shire’s assets portfolio revealed that there are seven key stakeholder groups. These stakeholders are identified below and while there may be other minor stakeholders, they have not been specifically considered by this AMP.

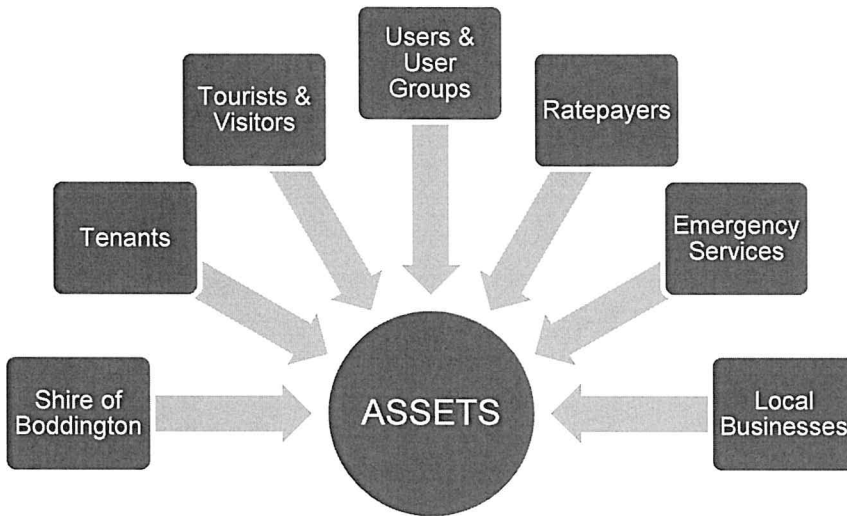


Figure 1: Assets Stakeholders

Process for Developing Potential Service Levels

In developing the service levels for the asset portfolio, the Shire has generally applied the framework as set out in the IIMM. The process broadly applies five steps, being:

- = Identify service attributes important to customers
- = Define the delivered customer service levels
- = Develop performance measures
- = Consult with customers
- = Make service level based decisions

Strategic Community Plan (SCP) Drivers

In addition to considering the needs and wants of different stakeholder groups, the SCP was also reviewed to identify Objectives of relevance. The following table outlines those that may influence this AMP’s service levels.

Theme	Objective(s)	Key Items
Community	A strong, healthy & safe community	4. A safe community
Natural Environment	A healthy, clean, green & sustainable environment.	2. Water resources sustainability
Built Environment & Infrastructure	A built environment and infrastructure that supports a growing community	3. Sustainable (financial) asset and infrastructure base

Table 2: Strategic Community Plan Objectives Aligned to the Asset Portfolio

Consideration of the objectives listed above shows that the following building service areas are of high importance to the SCP. These may then be considered by the final service levels within this AMP:

- = Financial sustainability
- = Safety
- = Water sustainability

The following service attributes are either frequently occurring and/or needed. As such, they are considered for potential Service Levels.

- = Accessibility – Frequency: 5 and Needed
- = Exclusivity – Frequency: 2 and Needed
- = Functionality – Frequency: 4 and Needed
- = Safety – Frequency: 6 and Needed

Demand

Background

Council's fundamental role is to provide services to its community and stakeholders. These services are often underpinned by assets. Predicting future demand for services (e.g. recreation facilities) is important to ensure that the appropriate assets are provided and maintained.

This section of the AMP looks broadly at both historical and future levels of demand. Readers should be aware though that as with any demand forecasting, prediction is rarely ever 100% correct.

Historic Demand

Demand for services is generally measured by how many customers use the asset(s). However, the Shire generally does not monitor individual asset usage levels. To ascertain historical influences on demand, a range of different demand sources have been considered. Each is discussed as follows.

Population & Demographic Change

When the overall population of the Shire (Figure 2) between 2001 and 2016 is considered, the number at census night has risen from 1,401 to 1,842. This increase of 441 people (+31%) would suggest that demand for some asset based services may have increased. However, the fall in population between 2011 and 2016 should be noted, and this trend monitored to see if it continues to occur. Overall, the change in population to date is believed to have had a negligible effect on service demand.

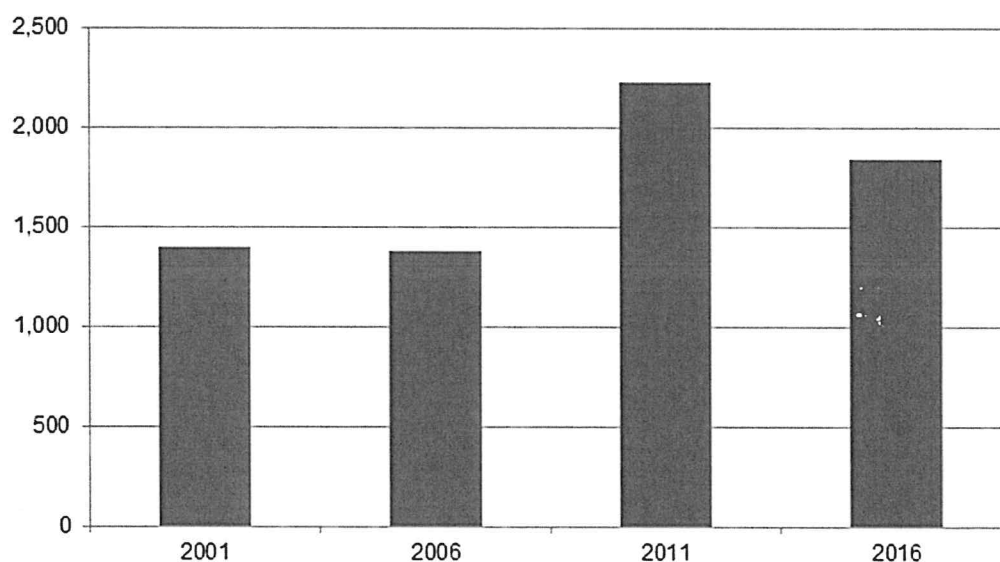


Figure 2: ABS Census Population – Shire of Boddington 2001 - 2016

Over the same timeframe, the median age has also increased from 35 to 39. Growth occurred in all-but-one age bands (30-39 years), and significantly within bands from 50 years plus. With this changing demographic, demand for specific assets may have also changed. For example, with an ageing population, there may be a shifting demand change away from active recreation towards passive recreation. As such, some buildings may not fit for purpose.

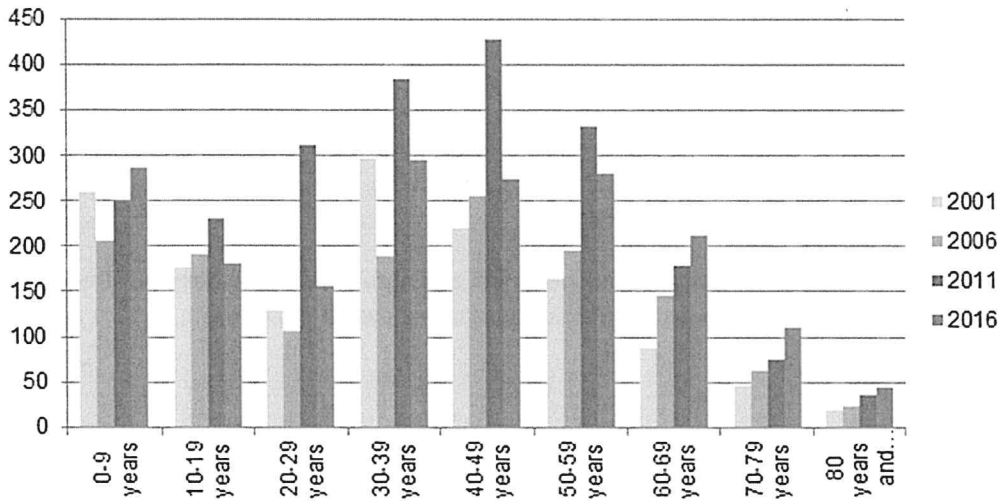


Figure 3: ABS Census Demographics – Shire of Boddington 2001-2016

Recreation Participation Change

The ABS Participation in Sport and Physical Recreation Survey was last conducted in 2013-14. Within Australia, walking for exercise remained the most popular activity over time with a participation rate of 19.2%. The second and third most popular activities were fitness/gym (17.4%) and jogging/running (7.4%) respectively.

Within WA (Figure 4), participation rates peaked at around 75% in 2002 and have since steadily fallen to 63% in 2013. This trend may also be reflective of the Shire’s population, but cannot be categorically determined without the assistance of infrastructure usage statistics. The collation of this information has been listed as an improvement action.

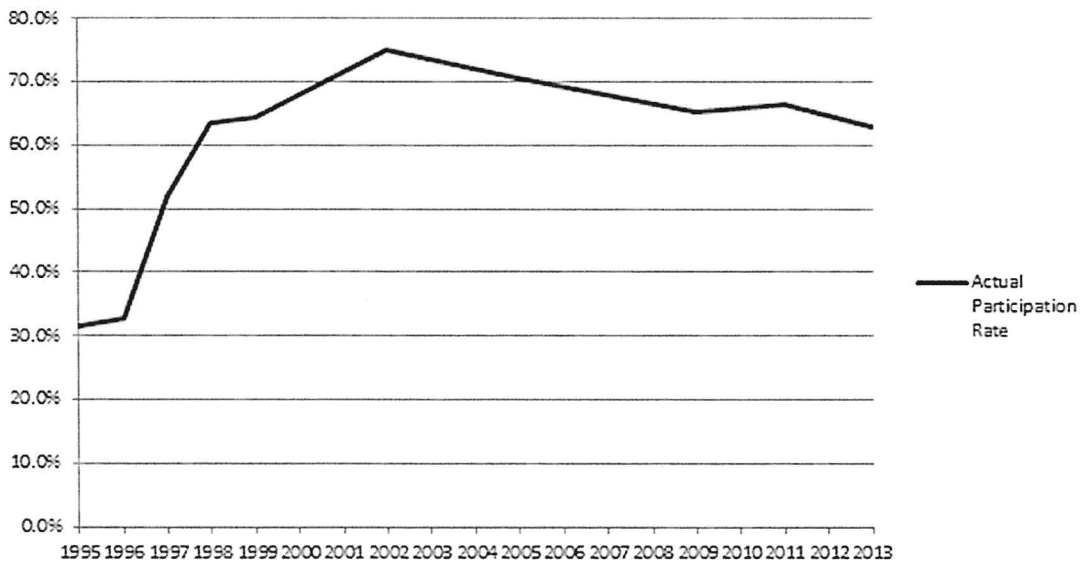


Figure 4: ABS Sport and Recreation Participation Rates

Tourist & Visitor Numbers Change

Outside of immediate local demand, there may be potential demand from visitors to the Shire, whether day trippers or tourists. Figures from Tourism WA show that over the past five years, the estimated number of visitors to/within WA have risen from 21.8million in 2012 to 29.9million in 2017. Figures show that 7% of these visitors go to 'golden outback' region, within which the Shire sits. Assuming that a portion of these visitors may visit the Shire, increases in WA tourist numbers may have resulted in increasing demand of asset based services. However, the overall effect is considered to be negligible.

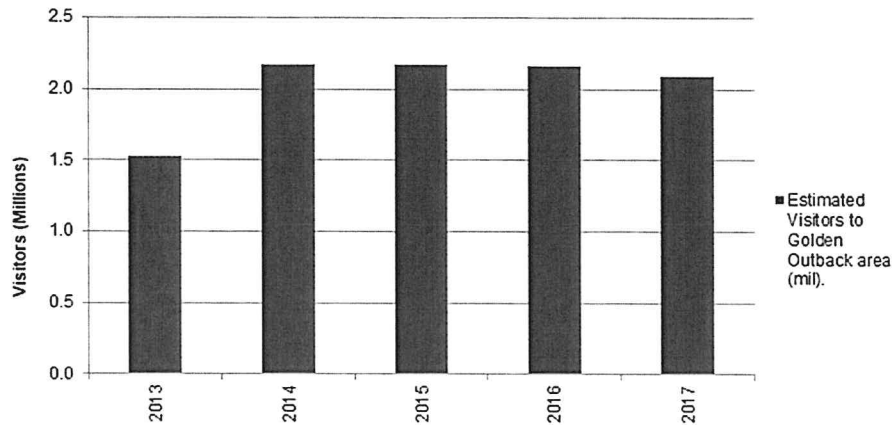


Figure 5: Estimated Golden Outback Visitors (Source: Tourism WA July 2017)

Rainfall Change

Consideration of historical annual rainfall may provide an indication of climate change and whether buildings and infrastructure will need to adapt to meet scheme water supply challenges. Figure 6 shows the annual total rainfall at Boddington from 1916 to 2016. Considering the linear trend line, average annual rainfall levels have steadily fallen. As such, this suggests that rainfall may have had an effect on service demand, and may require mitigation strategies in the future if this.

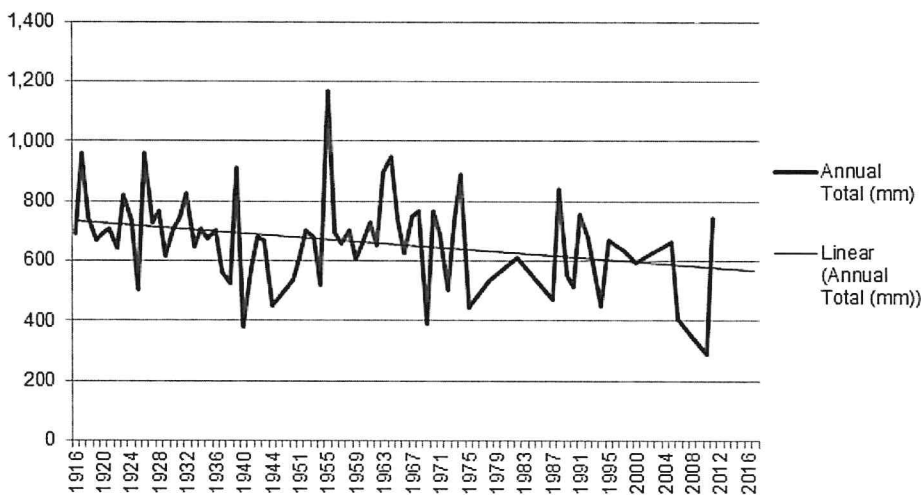


Figure 6: Boddington Weather Station Historical Annual Rainfall

Temperature Change

A review of the historical annual monthly mean maximum temperatures shows that between 1935 and 2017, there has been an increase from about 29.2 degrees to 31.8 degrees (Figure 7). This change demonstrates that the local environment is indeed experiencing hotter temperatures. Over time, this climatic temperature change is likely to affect a number of assets, their component's lives and even operational costs. If this occurs, then the whole of life costs will increase, resulting in additional budgetary demands.

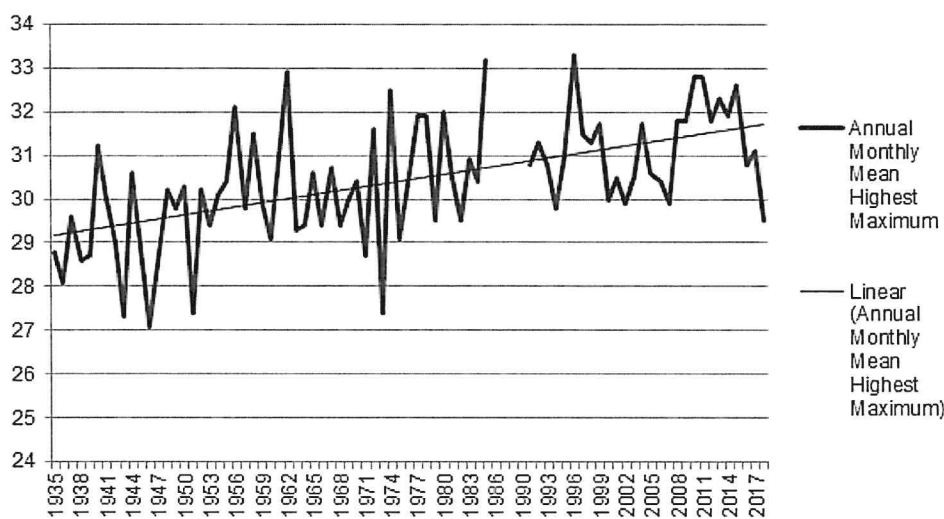


Figure 7: Dwellingup Weather Station Historical Annual Monthly Mean Maximum Temperature

Future Demand Drivers

In order to identify future demand pressures on the asset portfolio (both positive and negative), six driver categories have been considered. These drivers may influence actual usage levels, as well as possibly requiring future resources to meet specific service needs or goals. Each of these demand drivers are discussed below and their effect summarised. The exact effects of many of these drivers are difficult to quantify and may also require further study and research.

Political Demand

- = Encouragement of new businesses to the Shire (e.g. Suez waste site) – Likely to have a negligible effect on asset service demand.
- = Changes/access to external funding sources – with current state and federal budget restraints, thought unlikely to significantly change service demand.
- = Council change in strategic direction and initiatives – unlikely to occur, negligible effect.
- = Local government reform/amalgamation – whether this occurs or not, the effect on local asset service demand thought to remain unchanged.

Economic

- = Local mine closure – unlikely to affect service demand but would have a catastrophic effect on available funding for assets
- = Increased assets usage – Unlikely to occur, thus negligible effect.
- = Increased energy costs – Historically costs have risen above CPI, and suggestions are that this trend will continue. As such, this will effect assets operational costs.

Social

- = Tourism numbers – Through local initiatives, it is hoped that local tourism numbers will increase, thus also increasing service demand of affected assets.
- = Vandalism occurrence – The occurrence of vandalism to Shire buildings and other infrastructure is anticipated to increase, resulting in higher maintenance costs.
- = Population – Overall, unless a local mine site closes, population size is expected to remain consistent.
- = Recreation trends – with an ageing population, demand for active recreation may fall, while passive recreation may increase.
- = Demographics – As above, this will result in changing service needs.

Technology

- = Robotics & technology integration – Uptake/implementation of robotics and technology into assets should increase the efficiency of maintenance practices, thus reducing demand.
- = Solar power & battery storage – implementation of energy technology should reduce operational costs over the longer term.
- = Driverless cars – while additional facilities such as charging points may be required, this technology may encourage increased visitation to the Shire's assets.

Legal

- = Litigation change – it is not anticipated that litigation levels will increase from current low levels.
- = Compliance & processes – it is likely that the level of compliance around assets will increase, thus increasing the Shire's operation and maintenance activities.

Environmental

- = Water security/efficiency – Likely that scheme water will become increasingly more expensive. This will increase the demand to implement scheme water minimalisation initiatives.
- = Climate change – trends suggest that this is occurring and therefore extreme events, hotter and dryer weather are likely. Climatic change will increase demand of management practices and assets performance.

Risk Management Analysis

This appendix details the desktop risk analysis undertaken on the management of the asset portfolio. The risk analysis has considered ISO 31000 (Risk Management).

Risk Context

The risk analysis applies only to the management activities undertaken on the asset portfolio. It does not seek to identify physical risks. The following statement defines what an 'acceptable' level of risk is with regards to buildings and infrastructure.

Through risk management, the Shire of Boddington aims to:

- = Protect the quality of the asset portfolio
- = Protect users of assets
- = Protect the Shire's assets and public image
- = Reduce the Shire's exposure to risk
- = Promote effective financial and asset management practices

This will be achieved through:

- = Identifying, decreasing the likelihood, and mitigating the consequences of, risk within the constraints of sensible commercial objectives and practices
- = Applying risk based practices to the management of assets and associated decision making
- = Maintaining safe and reliable plant, equipment and infrastructure
- = Preparing appropriate contingencies
- = Reviewing the risk profile of the asset portfolio at appropriate intervals and when circumstances dictate
- = Maintaining an up to date Asset Management Plan.

Risk Criteria

The following criteria have been applied as part of the risk analysis.

Risk Matrix

Consequence		Insignificant	Minor	Moderate	Major	Catastrophic
Likelihood		1	2	3	4	5
Almost Certain	5	Moderate (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Moderate (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Moderate (6)	Moderate (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Moderate (6)	Moderate (8)	High (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)

Table 3: Risk Matrix

Likelihood Scale

Level	Likelihood Scale		
	Descriptor	Indicative Frequency	Probability
5	The event is expected to occur in most circumstances	More than once per year	> 90% chance of occurring
4	The event will probably occur in most circumstances	At least once per year	60% - 90% chance of occurring
3	The event should occur at some time	At least once in 3 years	40% - 60% chance of occurring
2	The event could occur at some time	At least once in 10 years	10% - 40% chance of occurring
1	The event may only occur in exceptional circumstances	Less than once in 15 years	< 10% chance of occurring

Table 4: Likelihood Scale

Consequence Scale

Severity Level	Consequence Types							
	Health	Financial Impact	Service Interruption	Compliance	Reputational	Property	Environment	
5	Fatality, permanent disability	More than \$500,000	Indeterminate prolonged interruption of services – non-performance > 1 month	Non-compliance results in litigation, criminal charges or significant damages or penalties	Substantiated, public embarrassment, widespread loss of community trust, high widespread multiple media profile, third party actions	Extensive damage requiring prolonged period of restitution Complete loss of plant, equipment & building	Uncontained, irreversible impact	
4	Lost time injury (>5 days)	\$50,001 - \$500,000	Prolonged interruption of services – additional resources; performance affected < 1 month	Non-compliance results in termination of services or imposed penalties	Substantiated, public embarrassment, high impact on community trust, high media profile, third party actions	Significant damage requiring internal & external resources to rectify	Uncontained, reversible impact managed by a coordinated response from external agencies	
3	Medical type injuries	\$10,001 - \$50,000	Medium term temporary interruption – backlog cleared by additional resources < 1 week	Short term non-compliance but with significant regulatory requirements imposed	Substantiated, public embarrassment, moderate impact on community trust or moderate media profile	Localised damage requiring external resources to rectify	Contained, reversible impact managed by external agencies	
2	First aid injuries	\$1,001 - \$10,000	Short term temporary interruption – backlog cleared < 1 day	Some temporary non-compliances	Substantiated, localised impact on community trust or low media item	Localised damage rectified by routine internal procedures	Contained, reversible impact managed by internal response	
1	Negligible injuries	Less than \$1,000	No material service interruption	No noticeable regulatory or statutory impact	Unsubstantiated, localised low impact on community trust, low profile or no media item	Inconsequential or no damage.	Contained, reversible impact managed by on site response	

Table 5: Consequence Scale

Risk Analysis

Asset: Date of Risk Review		Compiled by: Reviewed by:			Date: Date:					
Reference	The Risk	Event (what can happen)	Cause (how this can happen)	Consequence (What can happen)	Existing Controls	Effectiveness of existing controls	Analysis (1 (Low) - 5(High)) Likelihood Consequence Level of risk	Risk priority	Treat Risk (Y/N)	Further Action
1										
2										
3										
4										
5										
6										
7										
8										

Table 6: Asset Management Plan Risk Analysis

Portfolio Physical Parameters

Data Confidence

To be able to effectively manage its assets, the Shire collects and maintains a range of data on its asset portfolio. Understanding where gaps in this data exist is important to determine the confidence that we can put in the outcomes (e.g. valuations) that result. In assessing the data, the Shire has applied the IIMM confidence framework as detailed in Table 7.

Confidence Grade	Description	Accuracy
1 - Excellent	Accurate	100%
2 - Good	Minor inaccuracies	± 5%
3 - Average	50% estimated	± 20%
4 - Poor	Significant data estimated	± 30%
5 – Very Poor	All data estimated	± 40%

Table 7: Data Confidence Measures

Lifecycle Management Strategies

Background

Lifecycle management encompasses all strategies and practices that the Shire employs to manage assets at the lowest lifecycle cost. This section details all the strategies and practices that are currently employed.

Principles & Definitions

In considering the Shire's asset lifecycle management, the following key principles and definitions must be considered.

Work Category Definitions

The Shire considers the activities it undertakes across six categories as follows.

Activity	Definition
Operation	Continuously required expenditure which enables assets to provide benefits to the community such as utility charges, inspections, cleaning etc.
Maintenance	Regular works to maintain the assets' capability, such as minor repairs, servicing, mowing, painting, crack sealing etc.
Renewal	Works to replace existing assets which are worn, poorly functioning or dated with assets of equivalent capacity or performance. For example, the renewal of an internal wall in a building, renewal of an engine in a grader, resurfacing a road (re-sheeting or resealing) or replacing girders on a bridge.
Upgrade	The significant upgrade of an asset to produce a higher service level, such as the widening of a road, extension of a building, installation of reticulation to a dry park etc.
New Work	The creation of a new asset, in a location where that asset type has not existed before.
Disposal	The process of removing and disposing of an asset upon the end of its useful life. For the purpose of this AMP this is only when an asset is not replaced.

Table 8: Activity Categories

Lifecycle Cost Basis

All assets have a lifecycle. This is defined as the time interval that commences with the identification of the need for an asset and ends with the decommissioning of the asset (i.e. disposal but with no replacement). It covers five stages, being conception & design, acquisition/construction, operation & maintenance, renewal and disposal.

Operation & Maintenance Strategy

Background

The Shire seeks to progress to a point whereby it employs preventative maintenance strategies wherever possible, in order to maximise asset performance and minimise long term costs. Each asset's type strategy will be specifically designed for its own requirements. All planned maintenance activities will also be individually costed, and these then used to inform the long term budget requirements.

Annual Budget

Shire's Annual Budget that covers all functions, and includes all relevant asset expenditure.

Specifications

Where relevant, certain operation and maintenance tasks must be performed as per nominated specifications. These specifications may exist due to a number of reasons, including industry standards, manufacturer guidelines, best practice, contract conditions and so on.

Staff Resources

The overall management of the Shire's assets fall within the responsibility of the Chief Executive Officer. The Finance Manager is responsible for overall accounting control of assets. The Shire is also assisted from time to time by external contractors.

Software Systems

The Shire currently employs the use of the following software system(s) to manage all asset data.

Software	Uses
SynergySoft	SynergySoft is used to record all asset and expenditure, as well as relevant asset inventory records.

Table 9: Asset Management Software Systems

Renewal Strategy

Background

The Shire periodically inspects assets to identify short term renewal needs. However, the Shire wishes to improve this practice and use known condition to help inform a long term (10 year) capital works programme. The development of a formal inspection process and works programme has been listed as an improvement action.

Inspections

Portfolio Asset Condition Rating Scale

The Shire condition rates its infrastructure assets to determine their remaining useful life and to prioritise future capital works. By undertaking regular inspections, the Shire can understand at what rate assets are deteriorating and then monitor the effectiveness of maintenance and renewal activities in extending the life of assets. In assessing assets' condition, the Shire applies a 0 to 10 scale, as shown in Table 9.

Grade	Condition	Description
0	Excellent	A new asset or an asset recently rehabilitated back to new condition.
1	Excellent	A near new asset with no visible signs of deterioration often moved to condition 1 based upon the time since construction rather than observed condition decline.
2	Good	An asset in excellent overall condition. There would be only very slight condition decline but it would be obvious that the asset was no longer in new condition.
3	Good	An asset in very good overall condition but with some early stages of deterioration evident, but the deterioration still minor in nature and causing no serviceability problems.
4	Good	An asset in good overall condition but with some obvious deterioration evident, serviceability would be impaired very slightly.
5	Average	An asset in fair overall condition deterioration in condition would be obvious and there would be some serviceability loss.
6	Poor	An asset in Fair to poor overall condition. The condition deterioration would be quite obvious. Asset serviceability would now be affected and maintenance cost would be rising.
7	Poor	An asset in poor overall condition deterioration would be quite severe and would be starting to limit the serviceability of the asset. Maintenance cost would be high
8	Very Poor	An asset in very poor overall condition with serviceability now being heavily impacted upon by the poor condition. Maintenance cost would be very high and the asset would at a point where it needed to be rehabilitated.
9	Very Poor	An asset in extremely poor condition with severe serviceability problems and needing rehabilitation immediately. Could also be a risk to remain in service
10	Very Poor	An asset that has failed is no longer serviceable and should not remain in service. There would be an extreme risk in leaving the asset in service

Table 10: Condition Rating Measures

The Shire aims to minimise the number of assets that are rated as a 7 unless assets are in this state as part of a specific management program (i.e. part of an asset decommissioning plan).

Condition Inspection Frequencies

Properties assets are inspected to the following frequencies.

Asset	Inspection Frequency
Buildings	No formal program – currently ad hoc.
Land	Not required
Roads	No formal program
Infrastructure Other	No formal program

Table 11: Condition Inspection Frequencies

Modelling

By understanding assets' physical condition (or any other performance feature), the Shire can then predict when assets, or their components, may require renewal. Typically, this is achieved by applying total useful lives to different assets or components, and then calculating how long it will take for them to reach a specific trigger. The currently applied renewal triggers are detailed below.

Asset	Action	Triggers
-	-	-

Table 12: Asset Renewal Condition Triggers

Project Scoping/Prioritisation

Assets or components that have reached, or will reach over the next few years, their intervention trigger, are then further investigated by Shire staff. The investigation seeks to determine when any works should be undertaken, what the scope is and what budget is required. This information is then used to build up the future renewal works programme.

Upgrade/New Strategy

Background

The Shire occasionally constructs or acquires upgraded and/or new assets. Expenditure on these assets is often considered as discretionary, and ultimately results in either a new or improved service (e.g. a building extension). The following section outlines the Shire's general approach to upgrade and new projects.

Project Prioritisation/Selection Criteria

The need for either upgraded or new assets is typically identified by staff from many potential sources including customer and Council request, strategic plans, poor asset performance and so on. Assets' needs are then investigated by staff to determine their potential scope, benefit and costs. Where determined as being required, a formal report may be given to Council for their consideration and approval.

Approved projects are considered for future funding, however at present are not prioritised collectively, to assess features such as their alignment to the Strategic Community Plan. An improvement task to consider a single common prioritisation framework has been listed.

Disposal Strategy

Background

At the present time the Shire generally does not frequently dispose of assets. Where such a project is identified, then the need and scope is considered by staff and (in some instances) Council.

Financial Model

Key Assumptions

A number of key assumptions are made in preparing forecasts of required portfolio expenditure. They are that:

- = Assets will remain in Council ownership throughout the period covered by this AMP, unless specifically detailed otherwise.
- = Standards, Acts and Regulations associated with assets will remain essentially the same over the AMP life.
- = Expenditure projections do not allow for inflation.
- = Operation and maintenance costs are based primarily on planned programmes where available. Where not available, cost projections are based on historical expenditure trends which are not necessarily a sound indicator of future need, nor are tied to actual activities.
- = Renewal programmes have been based primarily on defined works programmes where available. Where not available, programmes are based on either modelling projections, historical cost and/or annual depreciation rates.
- = Upgrade, acquisition/construction and disposal programmes are based on defined works programmes. Where not available, programmes are based on either modelling projections and/or historical cost.
- = Inventory information used in calculations is the latest available at hand, but consideration of overall data confidence levels is critical when using this AMP.
- = Unit costs and assumed asset lives are the Shire's but do not necessarily represent actual asset performance.
- = Historical expenditure reports split by activity may contain expenditure that was actually expended on different activities.

Accuracy of future financial forecasts may be improved in future revisions of this AMP by the following actions.

- = Reviewing the asset valuations to ensure that the applied management assumption (e.g. buildings will actually be renewed) are correct.
- = Reviewing the asset valuations to ensure that the applied useful lives are broadly in alignment with actual performance realised by the Shire.
- = Developing a planned maintenance schedule with associated budget(s).
- = Developing and implementing an ongoing asset inspection programme.

- = Developing a long term capital works programme.

Asset Ratios

Background

On an annual basis each WA local government reports seven key performance indicators (KPIs) (available within the Annual Report). Of these, three KPIs reflect the performance of the Shire's assets. These KPIs are useful in determining:

- = the current physical state of the asset portfolio
- = how sufficient past renewal expenditure was
- = whether sufficient future renewal expenditure is being allowed for

Asset Consumption Ratio

The ratio is a measure of the condition of the Shire's physical assets, by comparing their condition based fair value (what they're currently worth) against their current replacement cost (what their replacement asset is currently worth as new). The ratio highlights the aged condition of the portfolio and has a target band of between 50%-75%. Non-depreciating assets (e.g. land etc.) should be excluded from the calculation.

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

Asset Sustainability Ratio

The ratio is a measure of the extent to which assets managed by the Shire are being replaced as they reach the end of their useful lives. The ratio is essentially past looking, and is based upon dividing the average annual depreciation expense of the asset portfolio by the average annual renewal expenditure, for a number of past years (e.g. 3).

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

Asset Renewal Funding Ratio

The ratio is a measure as to whether the Shire has the financial capacity to fund asset renewal as and when it is required over the future 10 year period. The ratio is calculated by dividing the net present value of planned renewal expenditure over the next 10 years in the LTFP, by the net present value of planned renewal expenditure over the next 10 years in the AMP. The same net present value discount must be applied in both calculations.

The ratio will be produce after the next revision of the Town's Long Term Financial Plan.

$$\frac{\text{NPV of LTFP Planned Renewal Expenditure over the next 10 years}}{\text{NPV of AMP Required Renewal Expenditure over the next 10 years}}$$

\$0
\$0

