

Shire of Kondinin

Property
Asset Management Plan

Part 1 - Summary

Contents

Executive Summary	3
Background and Objectives	4
Purpose of this Asset Management Plan	4
Focus of this Asset Management Plan	4
Corporate Document Relationships.....	4
Time Period of the AMP and Review Process.....	4
Service Levels	5
Introduction	5
Service Level Performance	5
Demand	5
Historic Demand.....	5
Future Demand	6
Demand Management.....	6
Lifecycle Management Plan	7
Property Portfolio Data Confidence and Reliability.....	7
Property Portfolio Physical Parameters.....	7
Property Portfolio Condition	8
Lifecycle Management Strategies	8
Financial	9
Projected Expenditure Requirements.....	9
Plan Improvement and Monitoring	10
Performance Measures	10
Improvement Plan	10

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Executive Summary

The Shire of Kondinin owns and maintains a range of buildings and freehold land parcels that make up its property portfolio. This portfolio then enables a range of diverse services to be provided, such as municipal administration, sports, community activities, health and education.

This document is the Shire's Asset Management Plan (AMP) for the property portfolio. It outlines the activities that will be carried out over the next 15 years to provide and maintain the portfolio. It also details the service levels (standard) the Shire will provide and the resources required to deliver them.

While the document is comprehensive, it is also evolving with the Shire's practice maturity. As such there are a number of actions that have been identified that will improve the AMP's accuracy over time. All readers of this AMP must understand its limitations and applied assumptions before acting on any information contained within it. All information within this AMP is fully detailed within a separate Part 2 document.

Overall, the Shire's property portfolio is worth approximately \$36.6m. However, evidence suggests that the condition of many of the Shire's buildings may not be that good. While the Shire doesn't routinely record building condition data, an assessment undertaken during the last valuation suggested that \$12.6m of components were in either a poor or very poor condition. In addition, the building asset consumption ratio is currently 49% (target band is 50-75%). This information suggests that there may be a significant backlog of renewal works, and that buildings may not be effectively supporting strong service outcomes. Further investigation is required to fully understand this position.

Aside from condition information, there are a lack of other key metrics that would allow the performance of buildings to be fully understood (e.g. sustainability, fit for purpose etc.). As such, a link between the cost of buildings and the quality of their service output cannot be ascertained.

Looking forward, the Shire is forecasting potential demand changes to the services that the building portfolio supports. Likely influences will be legislation, increasing operation and maintenance costs, higher tourist numbers, a decreasing population size and participation rates, climate change and technology. This means that the portfolio will have to adapt and change to meet the changing needs of our community.

A number of key improvement actions have been identified that will enable the Shire to better manage its building and land portfolio. These have been listed within the Improvement Plan for future implementation.

Background and Objectives

Purpose of this Asset Management Plan

This document is an Asset Management Plan (AMP) for the Shire's property assets. These are typically defined as either buildings or freehold owned land parcels. The AMP documents how the Shire plans to manage these assets, to deliver services of a specified quality (service levels) and what the associated long term costs are.

Focus of this Asset Management Plan

The AMP focuses on property assets. The number of properties that make up the portfolio, and their values, are detailed in Table 1.

Asset Type	Quantity	Current Replacement Cost
Freehold Land Parcels	49	\$1,463,000
Buildings	83	\$35,167,000
Total	132	\$36,630,000

Table 1: Assets covered by the Property AMP

Corporate Document Relationships

This AMP integrates with the other following Shire documents:

- = Strategic Community Plan
- = Corporate Business Plan
- = Long Term Financial Plan
- = Annual Budget

Time Period of the AMP and Review Process

The Asset Management Plan covers a 15 year period. It will be reviewed during annual budget preparation and amended to be kept up to date.



Service Levels

Introduction

Service Levels describe the standard (e.g. quality) that the Shire provides from its property assets. These have been developed through the consideration of strategic and policy inputs, customer perceptions and customer needs and wants. The process through which the Shire's Service Levels were developed is found in Appendix B.

Service Level Performance

Table 2 details the service level performance that the Shire provides.

KPI	Performance	Tactic
Condition	Moderate	Establishing target
Energy sustainability	Unknown	Measuring performance
Water sustainability	Unknown	Measuring performance
Fit for purpose	Unknown	Measuring performance

Table 2: Service Level Performance

Demand

This section summarises likely factors that may affect the demand for property based services over the life of the AMP. Full details of past and future demand factors are recorded in Appendix C.

Historic Demand

A range of historical sources of service demand change have been considered. Their overall effect has been summarised as follows.

Driver Type	Effect	Demand Change
Population	Shire population down by 86 people (-9%) from 950 (2001) to 864 (2016).	Down
Demographic	Population decrease in all 0-49 year age bands. Increase in all 49+ year age bands. Median age up from 35 to 43 years (2001 – 2016).	Changing
Recreation Participation	Participation rates continue to fall slightly year on year across the general population. Walking remains the most popular activity for recreation, followed by fitness/gym, jogging & running, swimming/diving and cycling/bmxing.	Down

Tourism	Tourist numbers in the 'golden outback' region grew from 1.9m (2013/14) to 2.3m (2017/18). This growth may have increased demand on tourism focussed properties such as public toilets.	Increase
Climate	Annual rainfall has generally remained static, with approximately 350mm per annum (1918 to 2017). Annual monthly mean maximum temperatures up from 32.6°C to 33.3°C (1949 to 2017). As a result, asset lives may be shorter due to heat exposure.	Increase - temperature. Neutral - rainfall.

Table 3: Historic Demand Drivers

Future Demand

Consideration was given to six possible future demand drivers (political, economic, social, technological, legal and environmental) that may influence demand on the provision of property based services. Any that may have a positive or negative effect, have been detailed below.

Driver Type	Service Demand Change
Political	Likely increase in required resources to deliver improvements to asset management practices, as a result from legislation.
Economic	Likely increase in energy costs above CPI. Sustainability ratios suggest that there may be some concerns over the long financial sustainability of the building portfolio. If correct, an increase in funding may be required.
Social	Increasing demand from higher tourist numbers. Falling demand due to a smaller future population and a decline in recreation participation rates.
Technological	The implementation of new technologies, such as solar power, battery storage and robotics, may reduce the operational cost of some building in the future.
Legal	Increased demand for improved building management practices as a result of likely future building compliance/regulations.
Environmental	Increased demand to implement water efficiency measures. Climate change may also result in increased costs as buildings realise shorter lives.

Table 4: Future Demand Drivers

Demand Management

A review of past and future demand factors shows that property service demand change has occurred, and will also likely occur into the future. Looking forward, the following initiatives/improvements are proposed to meet demand changes.

- = Review the Shire's asset management resources (e.g. staff) to ensure that it can continue to deliver currently required tasks, as well as to develop and implement future practice improvements.
- = Identify energy and water consumption targets for each building. Implement appropriate tactics in order to reach these targets.
- = Review the sustainability ratios and building condition data in order to determine whether a backlog of renewal works exists.
- = Identify (where appropriate) the capacity of each building in terms of usage.
- = Monitor (where appropriate) building's usage levels.
- = Develop operation and maintenance service levels.

Lifecycle Management Plan

The lifecycle management plan details how the Shire intends to manage and operate its property portfolio at the agreed service levels. Full details of the portfolio can be found in Appendix D.

Property Portfolio Data Confidence and Reliability

Table 5 details the reliability and confidence levels of the current asset data the Shire holds. It is the Shire's intention to progress towards a position whereby data confidence levels for all areas are classified as either excellent or good.

Property Type	Inventory	Condition	Valuation
Buildings	Good	Good	Good
Freehold Land Parcels	Good	N/A	Good

Table 5: Property Portfolio Data Confidence Levels

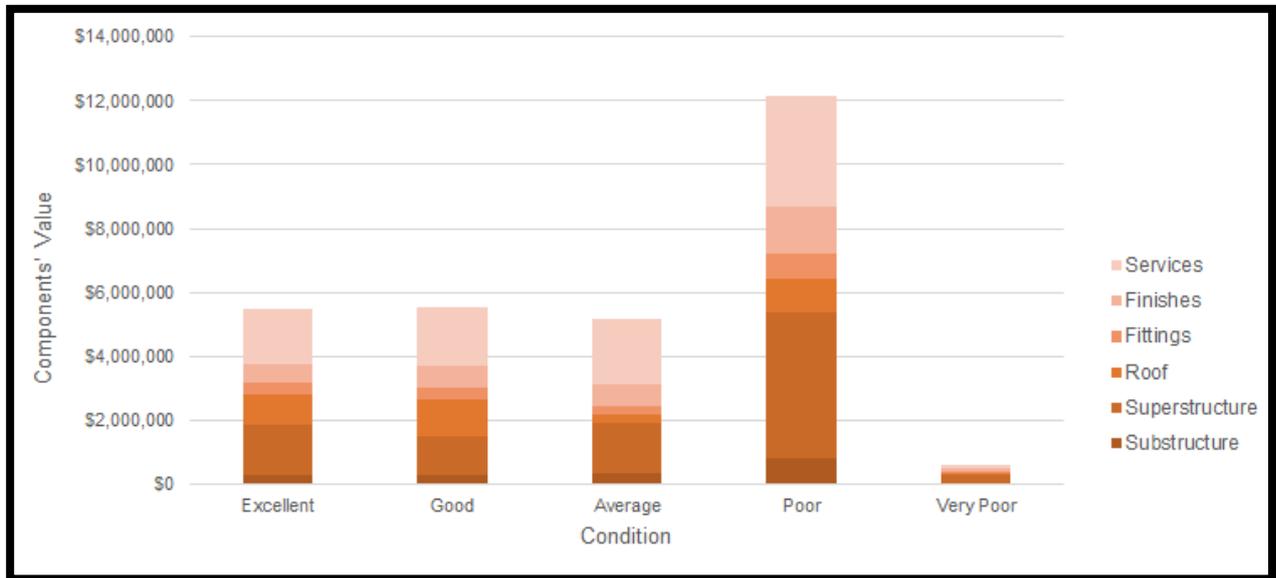
Property Portfolio Physical Parameters

Property Type	Quantity	Current Replacement Cost	Fair Value	Annual Depreciation
Land Parcels	49	\$1,463,000	\$1,463,000	\$0
Buildings	83	\$35,167,000	\$17,346,772	\$1,008,387
<i>Amenities</i>	9	\$1,004,300	\$485,244	\$37,307
<i>Community</i>	15	\$11,648,700	\$5,480,453	\$312,274
<i>Emergency</i>	5	\$743,500	\$537,590	\$21,109
<i>Operations</i>	15	\$3,059,400	\$1,653,000	\$90,977
<i>Recreation</i>	23	\$11,999,100	\$5,429,818	\$417,425
<i>Residence</i>	16	\$6,712,000	\$3,760,667	\$129,295
Total	132	\$36,630,000	\$17,346,772	\$1,008,387

Table 6: Property Portfolio Physical Parameters

Property Portfolio Condition

The condition of the building portfolio was recorded during the last valuation.



Lifecycle Management Strategies

Operation & Maintenance Strategy

The Shire seeks to progress to a point whereby it employs preventative maintenance strategies wherever possible, to maximise asset performance and minimise long term costs. Each building’s 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.

Renewal Strategy

In the future, building assets will be periodically inspected to determine their condition, on a 1 (new/excellent) to 5 (very poor/failed) scale. Condition results will then be used to predict assets’ potential year of renewal. Staff will then determine the timing, scope and budget of any future renewal project. Projects will then be listed on a long term works programme and reported within this AMP.

Upgrade/New Strategy

The need for new and/or upgraded assets are identified from several potential sources. Each potential asset is investigated by staff and where valid, often prioritised against similar projects. Approved projects are then listed onto the works programme. At present, the Shire does not have a formal prioritisation framework for upgrade/new assets, where their ‘strategic fit’ against the Strategic Community Plan can be determined. An improvement action to consider this has been listed.

Disposal Strategy

The Shire does not frequently dispose of property assets (this is where the asset is not replaced/renewed). Where a potential need is identified, then this is considered by staff, and in some cases, Council.

Financial

This section contains the financial requirements resulting from all the information presented in this AMP. A detailed financial model is recorded in Appendix F.

Projected Expenditure Requirements

Year	Operation & Maintenance	Renewal	Upgrade & New	Disposal	Total
2018/19	\$172,000	\$30,000	\$1,272,076	\$0	\$1,474,076
2019/20	\$566,860	\$392,000	\$200,000	\$0	\$1,158,860
2020/21	\$572,822	\$105,000	\$65,000	\$0	\$742,822
2021/22	\$593,667	\$85,000	\$0	\$0	\$678,667
2022/23	\$610,781	\$420,000	\$0	\$0	\$1,030,781
2023/24	\$635,690	\$70,000	\$0	\$0	\$705,690
2024/25	\$656,576	\$25,000	\$0	\$0	\$681,576
2025/26	\$678,078	\$25,000	\$0	\$0	\$703,078
2026/27	\$698,714	\$40,000	\$0	\$0	\$738,714
2027/28	\$722,461	\$55,000	\$0	\$0	\$777,461
2028/29	\$745,156	\$15,000	\$0	\$0	\$760,156
2029/30	\$767,107	\$25,000	\$0	\$0	\$792,107
2030/31	\$790,298	\$15,000	\$0	\$0	\$805,298
2031/32	\$812,249	\$10,000	\$0	\$0	\$822,249
2032/33	\$835,440	\$15,000	\$0	\$0	\$850,440

Table 7: Property Asset Projected Expenditure Requirements

Plan Improvement and Monitoring

This Section of the AMP outlines the degree to which it is an effective and integrated tool within the Shire. It also details the future tasks required to improve its accuracy and robustness.

Performance Measures

The effectiveness of the AMP will be monitored by the performance of the three statutory ratios that the Shire reports on. Each ratio is described in Appendix G. The Shire's current performance is recorded in Table 8.

Year	Asset Consumption Ratio	Asset Sustainability Ratio	Asset Renewal Funding Ratio
2019	49% (below)	Unknown	Unknown

Table 8: AMP Performance Measures

Improvement Plan

The asset management improvement plan generated from this AMP is shown in Table 9.

Task No	Task	Assigned	Timeline
1	Collect and monitor building usage rates for appropriate buildings and compare to potential capacity.		
2	Review the Shire's current level of asset management resources which may be insufficient.		
3	Monitor the AMP's service levels.		
4	Develop and implement a planned 'OPEX' schedule for property assets.		
5	Develop and implement a cyclical building condition inspection programme, and develop a five year works programme.		
6	Consider, develop and implement an upgrade/new project prioritisation framework.		
7	Identify water and energy consumption targets for each building. Implement appropriate tactics in order to reach these targets.		
8	Review the current poor performance of asset ratios, and determine what reaction is required.		

Table 9: Property AMP Improvement Plan