



Government of **Western Australia**
Department of **Treasury**

Strategic Asset Plan Guidelines

Strategic Asset Management Framework



Further information relating to these guidelines may be obtained by emailing samf@treasury.wa.gov.au.

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Contents

Executive Summary	1
Introduction	2
Purpose.....	2
Scope.....	3
Reporting and Governance	3
Transparency	4
Strategic Context	5
Agency Objectives	5
Strategic Alignment	6
Forecasting	6
Environmental Scan.....	6
Demand Forecasting	7
Scenario Planning.....	7
Asset Management Objectives.....	9
Asset Portfolio Review	11
Portfolio Stocktake	11
Portfolio Evaluation	12
Asset Condition Assessments	13
Risk Assessment.....	14
Asset Portfolio Plan	15
Asset Disposal	15
Maintenance and Operation	15
Acquisition.....	16
Resourcing Plan	17
Approved Capital.....	17
Approved Recurrent	17
Proposed Variations	18
Continuous Improvement	19
Appendix A: Strategic Asset Plan Checklist	20
Appendix B: ISO 55000 Alignment	21

Executive Summary

Western Australian Government public sector bodies are required to develop a Strategic Asset Plan (SAP) in accordance with the Strategic Asset Management Framework (SAMF) to support and demonstrate the effective and efficient management of assets. Responsible asset management enables an agency to achieve its and the Government's objectives.

These guidelines aim to assist agencies to produce a high-quality SAP. SAPs provide assurance to decision-makers that the agency's management of its asset portfolio is appropriate to support current and future service delivery objectives and deliver Government's desired outcomes.

These guidelines specify the required structure and content of a SAP. Figure 1 illustrates the high-level structure and the text below provides a summary of content requirements.

Figure 1: Strategic Asset Plan Structure



Strategic Context outlines the objectives of the agency and the external factors (e.g. demand for services) that have the potential to affect the agency's asset portfolio.



Asset Portfolio Review describes the agency's existing asset portfolio including its characteristics (e.g. number and size), the current and forecast performance (e.g. fitness-for-purpose, cost and utilisation) of the asset portfolio, and risks to achieving agency objectives.



Asset Portfolio Plan specifies what needs to be done to manage the portfolio and the issues outlined in the Asset Portfolio Review.



Resourcing Plan summarises the resourcing that will be invested to maintain existing assets, required to deliver future assets and realised from the disposal of surplus assets, consistent with the Asset Portfolio Plan.



Continuous Improvement states the agency's asset management improvement plans.



Narrogin Hospital

Introduction

Agencies are the custodians of Government-owned assets and are responsible for ensuring that assets under their control are managed appropriately. These assets are to enable the objectives of Government and ensure the needs of the community are met.

Western Australian Government public sector bodies are required to develop a Strategic Asset Plan (SAP) in accordance with the Strategic Asset Management Framework (SAMF) to support and demonstrate the effective and efficient management of assets.

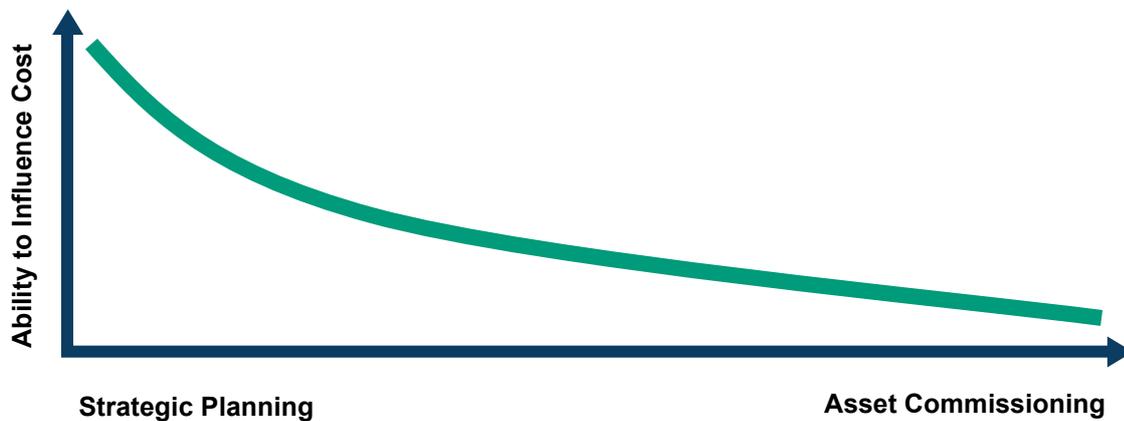
Purpose

These guidelines aim to assist agencies to produce a high-quality SAP. SAPs provide assurance to decision makers that the agency's management of its asset portfolio is appropriate to support current and future service delivery objectives and deliver Government's desired outcomes.

SAPs are also utilised by Infrastructure WA in developing long term infrastructure strategies.

An agency's utilisation of capital and recurrent funding is significantly influenced by its strategic planning. This guideline presents an approach to strategic asset planning that ensures the strategic decisions and investment are aligned with corporate objectives and Government goals. Figure 2 illustrates the financial influence of strategic decisions as compared to operational decisions.

Figure 2: The Influence of Strategic Planning on Cost



Scope

This guideline is to be applied by all general government agencies, public financial corporations and public non-financial corporations in accordance with all relevant legislation and policies. It is intended to provide clear expectations for agencies with high value and/or complex asset portfolios, while remaining scalable for smaller agencies. Agencies with low value asset portfolios are encouraged to consult with their Department of Treasury (Treasury) budget analyst to adapt a fit-for-purpose approach.

This guideline uses terminology that is relevant to asset management of infrastructure, but applies to all assets under the agency's control, operation or lease, which may include:

- land, buildings or other real assets (including monuments, heritage, and cultural assets);
- computing hardware and software;
- plant (excluding vehicles), machinery and equipment; and/or
- any other assets as considered appropriate by the accountable authority (e.g. rail cars, aircraft, biological assets). A more detailed list of asset classes is provided in [TI 410 – Record of Assets](#).

Financial assets and vehicle assets are not subject to this policy. Advice on vehicle assets is available from the Department of Finance. Advice on the application of this policy to any other classes of assets is available from Treasury.

Reporting and Governance

The SAP is to be clear, concise and prepared to a level of detail that is appropriate for the complexity and value of the agency's asset portfolio. The SAP is to:

- meet the requirements of the SAMF;
- be updated annually;
- be based on asset management activities that are compliant with the State's financial management framework, other relevant legislation and government policies;
- be approved by the Director General or, if applicable, the Chief Executive Officer and Board;
- be approved by the responsible Minister or Ministers; and
- be submitted to Treasury as part of the annual Budget process if the agency is seeking additional funding to support its resourcing plan, and/or if requested by Treasury.

Agencies that are subject to regulatory oversight by the Economic Regulation Authority (ERA) or other regulatory bodies are encouraged to consult with Treasury to assess whether the regulatory body's requirements can be incorporated within the SAP.

Alignment with ISO 55000 – Asset Management and ISO 31000 – Risk Management is encouraged.

Transparency

A culture of increased openness and free information-sharing within the public sector will enable improved asset management outcomes through better coordination across the sector. This will mutually support agencies to build capacity in asset management by sharing leading practices. For these reasons, agencies should routinely share their SAP with key agencies including Treasury, Department of Finance, Infrastructure WA and other relevant agencies.

To promote openness and transparency to the public, consistent with the objectives of the *Freedom of Information Act 1992* (FOI Act) and with decision-makers' legal obligations:

- SAPs may be disclosed to the public on request except where the content of the SAP, or parts of the SAP, meet the criteria for withholding;
- the criteria for withholding are applied on a case by case basis, keeping in mind the exemptions that might apply under the FOI Act (most commonly where content within the SAP is the subject of a duty of confidentiality or secrecy, is of a commercially sensitive nature, or informs the deliberations of Government); and
- the reasons for any decisions on disclosing or withholding the SAP are clearly documented, to encourage rigour in decision-making.

Taking a case by case approach is intended to encourage confidentiality based on the sensitivity of document contents and the potential harm to the public interest that could be caused by their disclosure. Similarly, agencies are encouraged to draft different sections of SAPs with their potential audiences in mind. In particular, the Executive Summary and Strategic Context sections of most SAPs would generally be suitable for public disclosure.



Collie Senior High School

Strategic Context



- Agency Objectives
- Strategic Alignment
- Forecasting
- Asset Management Objectives

The Strategic Context section provides a strategic level view of the objectives of the agency and the external factors (e.g. demand for services) that have the potential to influence agency operations and outcomes.



It is to summarise:

- the purpose and corporate objectives of the agency;
- the alignment of the corporate objectives with whole-of-government strategic planning, priorities, infrastructure strategies and goals;
- external factors and drivers that have the potential to impact on agency outcomes;
- current and forecast future demand for services; and
- the agency’s asset management objectives.

For agencies operating in a stable environment, the Strategic Context section need not be changed significantly from year to year.

Agency Objectives

The Agency Objectives section is to provide a high-level summary of the agency’s core purpose and corporate objectives. High-level objectives set the strategic direction of the business for which all other objectives and measures are to be aligned. Details from relevant corporate planning documents can be summarised and referenced in the SAP and included in appendices if required. For example, Western Power sets out its objectives in its Statement of Corporate Intent with the key themes of ‘safe, reliable and efficient’ (see Figure 3).

Figure 3: Western Power’s Objectives

Western Power

Western Power’s core business is the delivery of safe, reliable and efficient electricity and services to the communities across the South West Interconnected System. Its business underpins the efficiency and competitiveness of Western Australia’s development, and supports customers’ demands of the energy market.

Strategic Alignment

The Strategic Alignment section articulates how the corporate objectives of the agency are aligned with whole-of-government state strategic plans, infrastructure strategies and Government policies and priorities. Examples may include whole-of-government strategies in relation to climate, land-use planning, economic development, digital, procurement and the Government’s fiscal objectives.

Under the *Infrastructure Western Australia Act 2019*, agencies are to align their strategies, plans and policies with the Government’s response to Infrastructure WA’s [State Infrastructure Strategy](#).

Forecasting

The Forecasting section investigates the external drivers that have the potential to impact on agency business, the forecast impact of these drivers on assets and demand for services, and the agency’s response to the forecast demand for services.

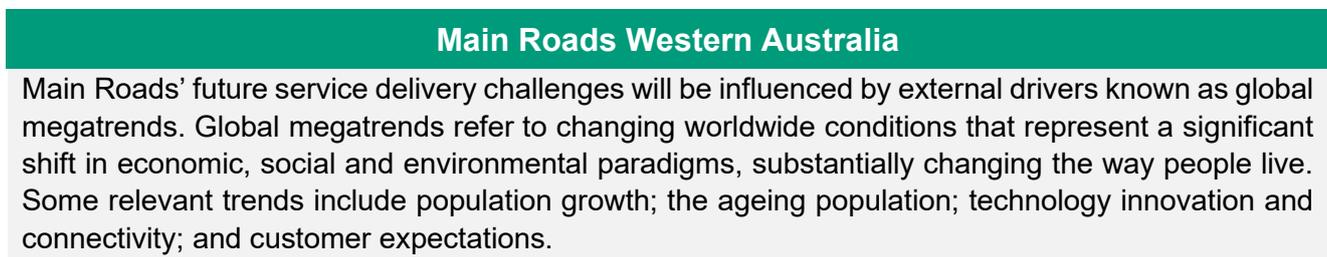
Environmental Scan

The Environmental Scan is a high-level assessment of external factors and drivers that have the potential to impact on the agency’s objectives, demand for services and asset requirements over the next 10 years and beyond.

The agency may use environmental scanning or a similar technique to develop this assessment. Environmental scans are formal and systematic investigations that explore changes in society, technology, the economic outlook, environment, climate and political dynamics that have implications for the agency.

For example, Main Roads Western Australia investigated the influence of a rapidly changing environment on the strategic objective ‘Keeping WA Moving’. Through environmental scanning, the agency identified the specific global megatrends that have the potential to significantly impact on agency outcomes. These trends are summarised in Figure 4.

Figure 4: External Drivers Potentially Impacting on Main Roads Western Australia



Demand Forecasting

Demand Forecasting is to explore the range of impacts that the environmental scan drivers will have on future demand for services. It is preferable that demand forecasting is undertaken using quantitative methods, although a mix of quantitative and qualitative methods may be appropriate. Agencies are encouraged to work with Treasury to ensure consistent application of inputs such as population forecasts and economic growth. Key demographic and economic datasets are available from [DataWA](#) and the [Department of Treasury](#).

For example, in its [Annual Planning Report](#), Western Power uses a sophisticated approach to forecast loads on their network as described in Figure 5.

Figure 5: Western Power Forecast Demand for Residential Consumption

Western Power
<p>In developing demand forecasts, Western Power applies econometric techniques and indicators such as population growth, changes in State economic activity, electricity price changes, cooling and heating degree days, appliance and technology improvements resulting in reduced energy consumption and growing solar PV penetration in the distribution network.</p>

Scenario Planning

Scenario planning presents the potential range of impacts that the demand forecasts and environmental scan outcomes may have on the agency’s assets and services. This assessment considers the composition and capacity of the existing asset portfolio to service future demand and potential service delivery changes. The assessment is to identify in broad terms how the agency’s needs are likely to change over the next 10 years and beyond.

Figure 6 and Figure 7 present Western Power’s and the Water Corporation’s assessments of the high-level asset impacts that technological, social and environmental changes will potentially have on their services.

Figure 6: Impact of Technological Advancement on Western Power’s Value Chain

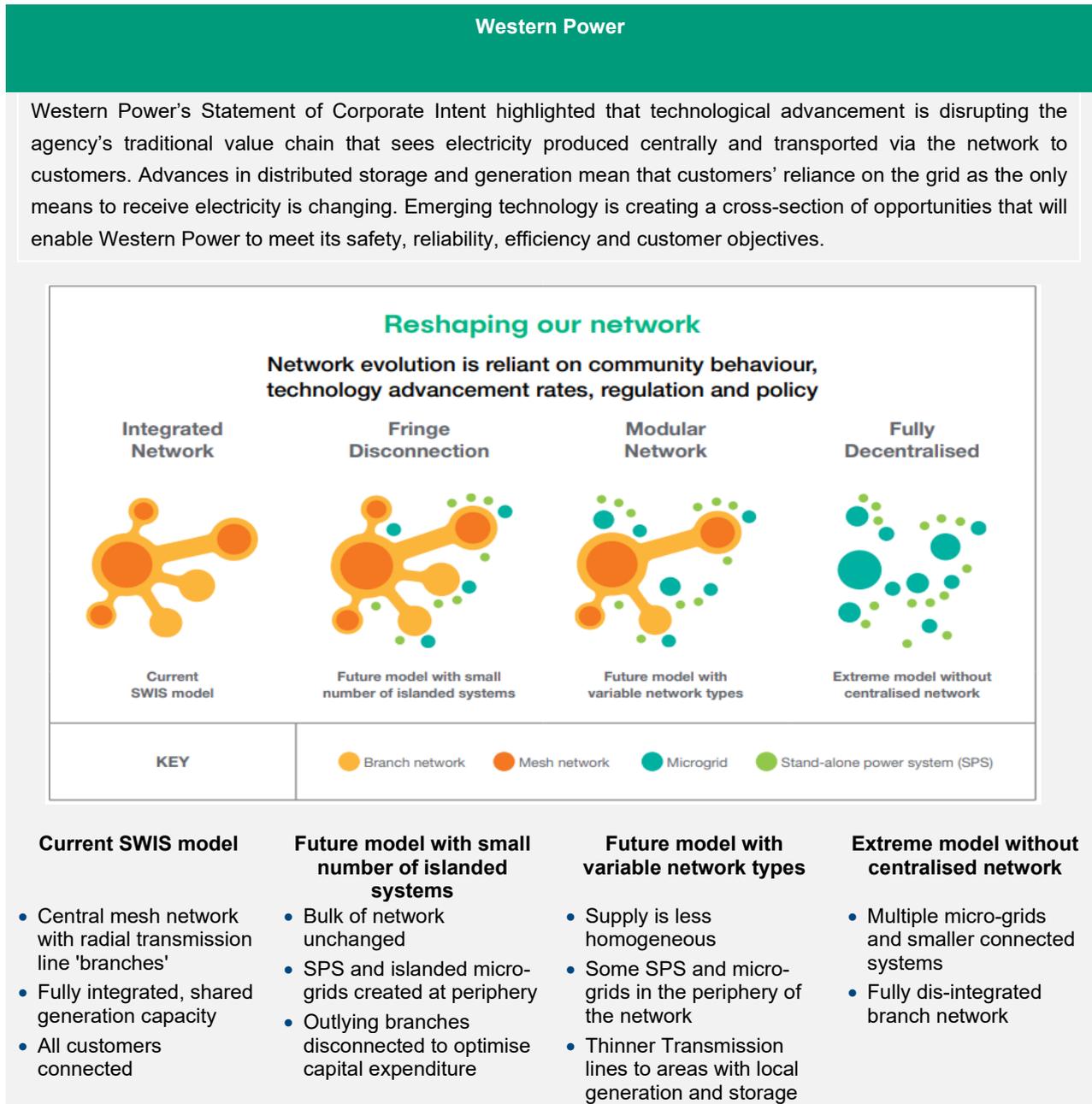
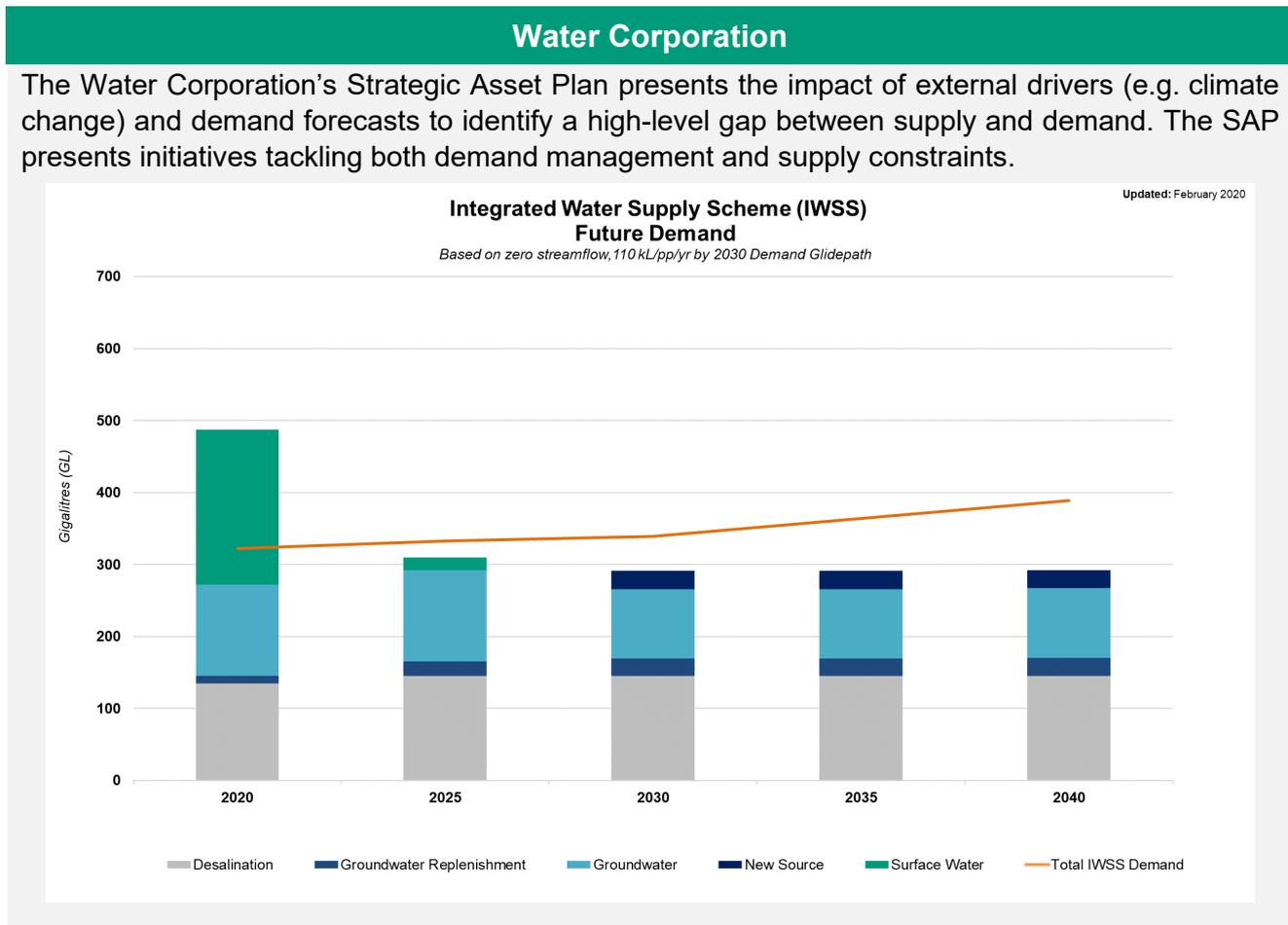


Figure 7: Integrated Water Supply Scheme (IWSS) Estimated Water Supply and Demand to 2040



Asset Management Objectives

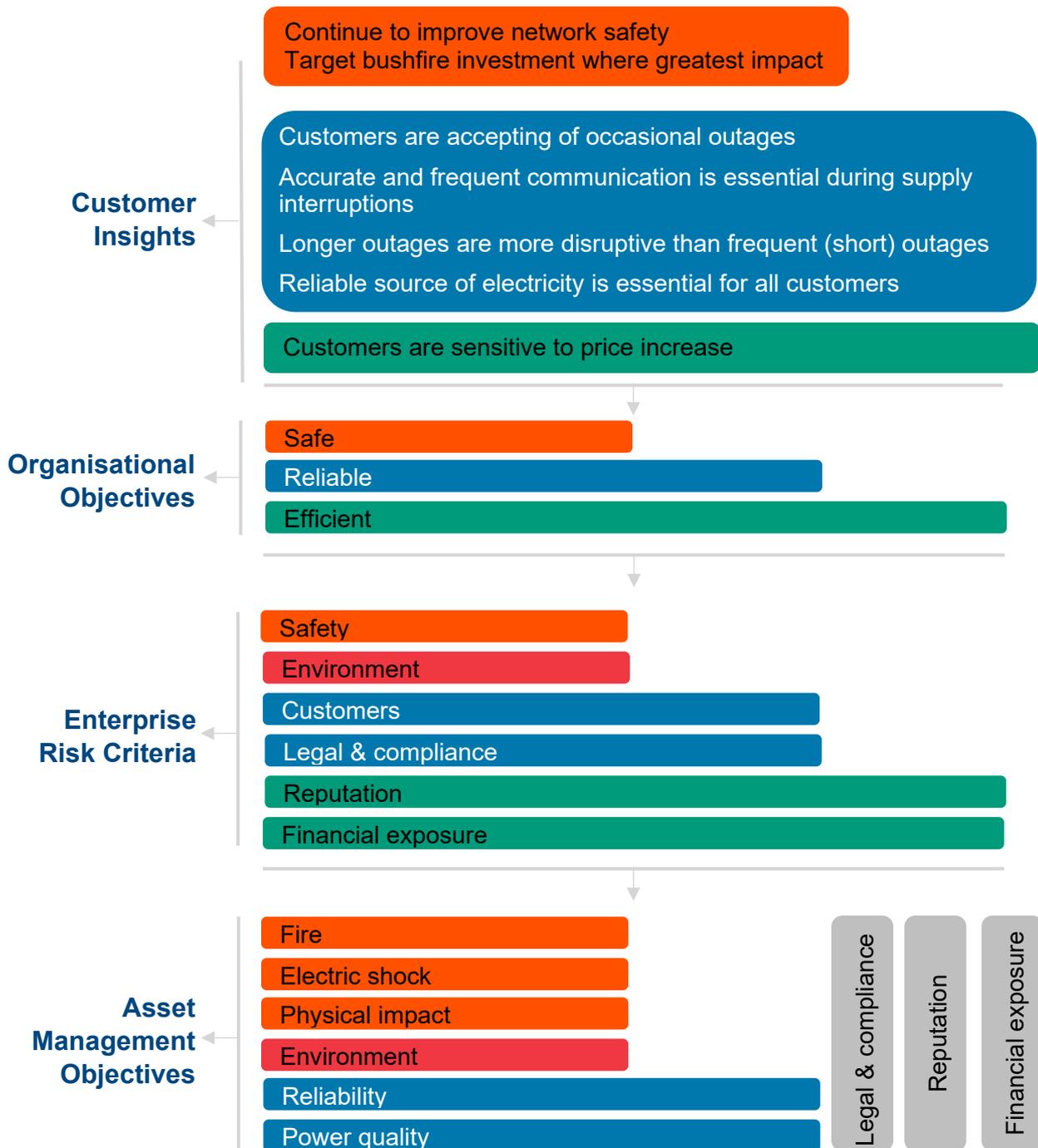
The Asset Management Objectives section outlines the asset objectives of the agency and demonstrate their alignment with the agency objectives. The Asset Management Objectives are the focus of the Asset Portfolio Review and Asset Portfolio Plan.

A common approach in the development of asset management objectives is to consider safety, reliability, cost effectiveness and compliance themes. For example, Western Power’s Strategic Asset Plan presents its objectives within a ‘line of sight’ model outlined in Figure 8.

Figure 8: Western Power – ‘Line of sight’ between customer insights, corporate objectives, enterprise risk criteria and asset management objectives.

Western Power

Western Power’s asset management objectives translate relevant stakeholder requirements, corporate objectives and requirements of the asset management policy into tangible objectives. The asset management objectives are used to inform strategy development and ensure alignment of asset management activities to corporate objectives.



Asset Portfolio Review



The Asset Portfolio Review provides details of the agency's existing asset portfolio holdings and the capacity of those assets to support agency objectives now and into the future.



The Asset Portfolio Review presents information on:

- the extent and characteristics of the asset portfolio, highlighting the agency's high value, high risk assets;
- the current and forecasted performance of the assets, highlighting performance gaps; and
- significant risks to the achievement of asset management objectives.

Portfolio Stocktake

The Portfolio Stocktake is to present an aggregate level summary of the agency's existing asset base. The level of detail presented is to be appropriate for the size and complexity of the agency. The asset register, asset valuation data, governance and contractual arrangements are inputs to this section.

Details are to include:

- the extent (e.g. number, length, size) and replacement value of the portfolio by asset class (e.g. land, building, computing hardware and software, and other asset classes);
- details of significant assets in terms of quantity, date of acquisition, replacement cost, importance and location; and
- details of, and defined boundaries for asset holdings with third parties (e.g. through lease arrangements, contracts for service, collaborative ventures with the not-for-profit sector, and joint ventures with the private sector).

Assets with unclear control and ownership arrangements are to be identified along with an outline of the steps being taken to clarify the situation.

For example, the Department of Education performs regular asset stocktakes and condition assessments ensuring the extent and characteristics of the portfolio are understood.

Table 1: Department of Education Portfolio Stocktake

Department of Education			
As at 30 June 2019, approximately 798 sites were owned by, or vested in, the Department of Education. The portfolio includes 6,863 permanent buildings or facilities. In its SAP, the Department of Education presented a high-level summary of the characteristics of its non-residential asset base.			
Facility Type	Total Gross Floor Area (m ²)	Number of Facilities	Replacement Cost (\$)
Primary School			
Secondary School			
Agricultural College			
Total			

Portfolio Evaluation

The Portfolio Evaluation section assesses how well the asset portfolio is supporting the achievement of agency objectives and the adequacy of the portfolio to support future service delivery requirements. The evaluation is to identify the gaps between current performance and required performance, which enables the development of the Asset Portfolio Plan.

The Portfolio Evaluation section is to:

- specify portfolio performance measures with clear links to asset management objectives;
- document current performance;
- specify performance targets or industry benchmarks; and
- analyse results, identifying performance gaps, trends and opportunities to be addressed in the Asset Portfolio Plan.

Performance measures are to cover financial service and technical aspects of the agency’s performance. Some examples of measures are:

- Financial Performance: cost of service, operating cost, maintenance cost by type (routine, preventative, reactive/breakdown).
- Service Performance: functionality, liveability, location to determine if the assets are fit for purpose.
- Technical Performance: conformity to standards, asset condition, number of failures, capacity, and/or utilisation.

Table 2 presents an example of a Performance Evaluation framework template that demonstrates the alignment of performance measures with asset management objectives.

Table 2: Asset Portfolio Evaluation Example Table

Asset Management Objective	Performance Measure	Current Performance	Target/Benchmark
Safe			
Reliable			
Compliant			

Asset Condition Assessments

Asset condition assessments are to consistently assess assets against a condition scale. These assessments can help determine the remaining life of assets and maintenance requirements. As part of these assessments, assets are evaluated with respect to conformity to specified standards, visual appearance and operational performance.

Condition assessments are not suitable for all assets. For example, a low value, low risk portfolio (typically run to failure) and/or assets that do not present with evidence before failures would not benefit from a condition assessment.

Where applicable the condition of assets is to be presented in the Portfolio Evaluation section. The Department of Finance can assist agencies with undertaking condition assessments of buildings. Table 3 provides an example of a visual assessment condition rating scale.

Table 3 Visual Condition Assessment Scale for Buildings

Scale	Description
A – As New	Shows no appreciable signs of deterioration
B – Good	Minor deterioration – no rectification required to satisfy elemental function
C – Fair	Damaged or worn (but not failed) – shows significant signs of defects but still supports the required function of that element – may require future repair/replacement, maintenance to be applied/programmed
D – Poor	Retrievable – repair is economically viable and possible. This may include partial replacement
E – End of Life	Irretrievable – repair is not economically viable, and replacement is required

Risk Assessment

The Risk Assessment section is to highlight the agency's highest asset risks. The risk assessment may consider the impacts (consequence) on the achievement of agency objectives, workplace health and safety, the environment, key stakeholders, reputation, regulatory requirements and the achievement of value for money outcomes.

The Risk Assessment section is required to:

- outline the agency's risk framework, including definitions and scales of consequence and likelihood; and
- specify highest asset risks to be addressed in the Asset Portfolio Plan.



Perth Seawater Desalination Plant

Asset Portfolio Plan



The Asset Portfolio Plan specifies the life cycle asset management activities that enable the achievement of the asset management and agency objectives. The life cycle asset management activities include planning and acquisition, maintenance and operations, and disposal.



The timeframes considered in the Asset Portfolio Plan are short term (Budget and forward estimates period), medium term (4-9 years) and longer term (10 years and beyond).

This section is required to:

- outline the priority activities required to meet asset management and agency objectives; and
- outline significant assets that are surplus to the requirements of the agency, which can be scheduled for disposal.

Asset Disposal

The purpose of the Asset Disposal section is to identify significant assets that are surplus to requirements, are not cost effective to maintain and operate, and/or not fit for purpose. Significant assets for disposal are to be identified over the short, medium and long term.

The analysis is to take into consideration:

- the asset’s residual value and include costs of decommissioning and disposal;
- impacts to services, and how services will be transitioned to alternative or new assets;
- stakeholder and community impacts and sensitivities of disposal or repurposing; and
- potential for land to be repurposed with consideration of any presence of hazardous materials.

Maintenance and Operation

The Maintenance and Operation section is to present the priority maintenance and operational activities required to manage the performance gaps and risks highlighted in the Asset Portfolio Review and achieve asset management objectives.

Effective maintenance programs act to minimise life cycle asset costs. However, maintenance is not a requirement of all assets. Low value, low risk asset classes are often optimally managed through a run to failure approach.

Maintenance and Operation is required to:

- outline the highest priority maintenance, minor works and operational activities planned for the short term; and
- demonstrate the prioritisation approach with consideration to the available resources and asset management objectives.

Acquisition

The purpose of the Acquisition plan is to articulate the agency’s priorities for replacement of current assets and acquisitions of new assets in the short, medium and long term.

The Acquisition plan is to:

- outline the replacement and new asset requirements for the short, medium and long term;
- demonstrate how potential acquisitions are prioritised with consideration for available resources and asset management objectives; and
- highlight priorities for Business Case development in the short to medium term (Budget and forward estimates period).

Potential acquisitions are to be prioritised in accordance with the agency’s defined shortlisting criteria. It is recommended that these criteria be based on the SAMF [Business Case Guidelines](#) (see Figure 8).

Figure 9: Suggested Evaluation Criteria for Prioritising Proposals

Strategic Options Analysis
Business cases for new investment with an estimated total capital cost of more than \$5 million are required to be consistent with the SAMF Business Case Guidelines.
Business cases are to include a strategic options analysis. This process involves developing a long list of potential investment options relative to a base case. The long list is shortlisted, with shortlisted options evaluated in detail against the following primary criteria:
<ul style="list-style-type: none"> • alignment with the identified objectives; • alignment with Government policy; • achievability; • social, economic and environmental impacts; • financial implications (i.e. capital and recurrent costs and budgetary impacts); and • risk assessment.
These criteria may assist in long term planning and prioritising for major proposals.

Resourcing Plan



The Resourcing Plan is to confirm the current approved level of capital and recurrent resources for maintaining, operating, disposing and acquiring assets over the Budget and forward estimates and summarises the level of additional resourcing likely to be sought over the same period.



The Resourcing Plan is required to be consistent with the agency’s Budget submission. It outlines the investment requirements for the Budget and forward estimates period, including:

- the approved 10 year Asset Investment Program as recorded in the SIMS Asset Investment Module (AIM), including rolling programs of works;
- the agency’s estimated expenditure on preventative maintenance, breakdown repairs and minor improvements and refurbishments over the Budget and forward estimates period; and
- any proposed variations to the Asset Investment Program, any new spending proposals and recommendations for disposal or spending efficiencies, consistent with the agency’s Budget submission.

Approved Capital

The Approved Capital section is to provide a summary of the approved 10-year Asset Investment Program. Capital expenditure includes projects that alter or improve the capability, capacity, functionality or residual value of an asset. Requests for additional capital must be sought during the Budget process and included in the agency’s Asset Investment Program if approved.

Approved Recurrent

The Approved Recurrent section is to provide a summary of the approved recurrent expenditure allocations across maintenance and operational activities. Itemise allocations to preventative maintenance, breakdown repairs and minor improvements and refurbishments, where:

- preventative maintenance is planned work to preserve the asset;
- breakdown repairs are carried out on demand to reinstate service delivery; and
- minor improvements and refurbishments are to ensure that assets remain fit-for-purpose.

Proposed Variations

The Proposed Variations section is to provide a summary of the variations from the approved capital and recurrent funding allocations. This includes a summary of any:

- proposed variations to the Asset Investment Program and recurrent spending from within approved funding limits, and/or
- new spending proposals and recommendations for disposal, consistent with the agency's Budget submission.

Accounting Treatments

Agencies are advised to refer to the [Financial Administration Bookcase \(FAB\)](#) and other relevant Treasurer's Instructions. The Department of Treasury's Financial Policy unit can provide advice on accounting treatments for the Resourcing Plan.

Funding Sources

The Asset Investment Program and recurrent maintenance spending may be funded from a mix of funding sources, including central funding (appropriations and borrowings), agency borrowings, hypothecated revenue sources (e.g. Royalties for Regions), Commonwealth grants and subsidies, proceeds of land and property sales, and internally generated revenues and cash balances.

Treasury maintains a holding account for each agency to receive annual credits for the non-cash component of its appropriation (depreciation) as a provision for the future replacement of significant assets. The holding account is a funding source that is used in lieu of cash appropriations to meet the capital cost of asset replacement.

Requests for drawdowns from the account are assessed by Treasury and are only approved after Government has endorsed the replacement of an asset.

Continuous Improvement



The Continuous Improvement section is a brief statement of the agency’s plan to improve its asset management systems and practices. Continuous improvement ensures progress towards better long term governance and stewardship of the asset portfolio.



The Continuous Improvement section is to:

- outline asset management system achievements for the past year; and
- present a concise plan for the short term.



Drumpellier Road (previously New Lord Street)

Appendix A: Strategic Asset Plan Checklist

01



Strategic Context

- Agency Objectives
- Strategic Alignment
- Forecasting
- Asset Objectives

02



Asset Portfolio Review

- Portfolio Stocktake
- Portfolio Evaluation
- Risk Assessment

03



Asset Portfolio Plan

- Disposal
- Maintenance and Operations
- Acquisition

04



Resource Plan

- Approved Capital
- Approved Recurrent
- Proposed Variations

05

Continuous Improvement

- Self-assessment and areas for improvement



Appendix B: ISO 55000 Alignment

The SAP is broadly aligned with a number of requirements of ISO 55000 suite of asset management standards. Table 4 presents the sections of the SAP and the ISO standards that broadly align. This alignment does not ensure that complying with the SAP guarantees compliance with ISO 55000 and vice versa.

Table 4: SAP and ISO 55000 alignment

SAP		ISO Alignment
Strategic Context	4	Context of the Organisation
Agency Objectives	4.1	Understanding the organisation and its context
Strategic Alignment	4.1	Understanding the needs and expectations of stakeholders
Forecasting		
Asset Management Objectives		
Asset Portfolio Review	7	Support
Portfolio Stocktake	7.5	Information requirements
Portfolio Evaluation	9	Performance Evaluation
Risk Assessment		Monitoring, Measurement, Analysis and Evaluation The organisation shall evaluate and report on: asset performance, asset management performance, including financial and non-financial performance; and the effectiveness of the asset management system.
Asset Portfolio Plan	6	Planning
Disposal	6.1	Actions to address risks and opportunities for the asset management system;
Maintenance and Operations	6.2	Asset management objectives and planning to achieve them;
Acquisition	6.2.2	Planning to achieve asset management objectives;
Continuous Improvement	9	Performance Evaluation
	9.2	Internal Audit
	9.2.1	The organisation shall conduct internal audits at planned intervals to provide information to assist in the determination on whether the asset management system:
	10	Improvement
	10.3	Continual Improvement The organisation shall continually improve the suitability, adequacy and effectiveness of its asset management and the asset management system.