

Section 39
Water Services Licensing Act 1995
NOTICE

TO: Shire of Denmark
PO Box 183
DENMARK WA 6333

TAKE NOTICE that pursuant to section 39(1) of the *Water Services Licensing Act 1995* ("the Act"), that by no later than 30 November 2013, you are hereby required to rectify the contraventions of Operating Licence Number 39 set out in the Schedule attached to this Notice and marked with the letter "A".

You are hereby notified that if you do not comply with this Notice, then in accordance with section 39(2) of the Act the Economic Regulation Authority ("the Authority") may take one or more of the following actions:

- a. serve the Shire of Denmark with a letter of reprimand;
- b. subject to section 39 of the Act, order the Shire of Denmark to pay a monetary penalty fixed by the Authority but not exceeding \$100,000; and/or
- c. subject to section 39 of the Act, cause any or all of the contraventions to be rectified to the satisfaction of the Authority at the expense of the Shire of Denmark.

The Common Seal of the Economic Regulation Authority was hereto duly affixed by the Chairman of the Economic Regulation Authority on 19 March 2013:

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Member: _____

Member: _____

Attachment: Schedule of Contraventions

"A"

Schedule of Contraventions

1. Contravention of clause 17 of Operating Licence Number 39

Clause 17.1 of Operating Licence Number 39 ("Operating Licence") states:

"The licensee must provide for, and notify the Authority of, an asset management system in respect of the licensee's assets within two business days from the commencement date unless otherwise notified in writing by the Authority."

Section 36(2) of the Act states:

"An asset management system is to set out the measures to be taken by the licensee for the proper maintenance of assets used in the provision of water services and for the undertaking, maintenance and operation of water services works."

In the Economic Regulation Authority's ("the Authority") opinion, the Shire of Denmark ("the Shire") has contravened clause 17.1 of Operating Licence Number 39 because the *Audit Report Shire of Denmark Operational Audit and Asset Management System Review* ("the Report") dated 29 October 2012 discloses that there are a number of deficiencies with the Shire's asset management system. In the Authority's opinion, the deficiencies disclosed in the Report, identified in Table 1 below, are such that the Authority considers that the Shire's asset management system does not set out measures for the proper maintenance and operation of the water services works.

Table 1: 2012 Asset Management System Deficiencies

Reference	Asset Management Deficiency
Asset Planning	The AMP has not been reviewed since it was prepared in 2008. It has not been presented to the council or signed off by the CEO. The 3-year maintenance and capital improvement strategy and cost estimate was not included in subsequent financial plans.
Asset Planning	The AMP contains service level standards but they are not monitored or recorded. The service level standard for supply of 175 kl [of water] per day is considered unrealistic.
Asset Planning	The AMP does not contain an asset register, Maintenance and Operation manual, protocols or proforma documents to record and collate the outcomes of the inspections, tests and maintenance of the assets.
Asset Planning	Formal asset planning has not been implemented. Budgeting is based on a broad assessment of the recurrent costs of operating the system and upgrades are undertaken from unexpended budget funds when opportunities occur.
Asset Maintenance	There are areas where maintenance has been inadequate in respect to: <ul style="list-style-type: none">o The bore site compound is overgrown and the headwork pipework and hardware is severely corroded;o the bore pump has not been inspected or serviced since its installation in 2003;o the bore has not been subjected to a "down the hole" video inspection to determine its depth, construction or condition;o the main pumping station is surrounded by scrub, which is a risk in case of a

	<p>bushfire;</p> <ul style="list-style-type: none"> ○ maintenance and relevant inspections are not supported by check lists nor documented; ○ the Shire staff understands the reporting equipment malfunctions and arrangements for correction/repair but there are no documented procedures or documentation in place; ○ a register of the prime assets and their age and condition has not been prepared; ○ Ad hoc arrangements are in place with local tradesmen to support Council in facilitating repairs and maintenance; ○ Water samples are taken from some twenty locations in the settlement and tested for coliform bacteria. The results are recorded on a spread sheet but the action taken is not recorded.
<p>Capital Expenditure Planning</p>	<p>The Shire has a capital expenditure plan in the AMP until 2015 and beyond; and a long term financial plan until the year 2021. The operation costs are covered by the allowances. However, the AMP has not been reviewed since 2008 and the allowances do not include the capital expenditure suggested in the AMP. The Shire does not have a reserve fund.</p>

The Authority requires the Shire to, by 30 November 2013, take appropriate measures to rectify the asset management system deficiencies detailed in Table 1 of this Notice.