

Draft Buildings Asset Management Plan

Tuesday, 20 February 2024

Infrastructure and Public
Works Committee

Strategic Alignment - Our Places

Program Contact:

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Public

Approving Officer:

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Services

EXECUTIVE SUMMARY

Asset Management is a key business function undertaken by Councils to ensure their infrastructure portfolio is managed responsibly and effectively. Under the *Local Government Act (SA) 1999*, Councils are legislatively required to establish a suite of Strategic Management Plans, which guide future planning, asset management and financial sustainability. Included in this suite are six Asset Management Plans (AM Plans), which are currently in the process of being reviewed and updated. Each AM Plan will require Council adoption prior to 30 June 2024 to enable review by the Essential Services Commission of South Australia (ESCOSA).

The draft Buildings AM Plan has been informed by a community engagement process to understand current levels of community satisfaction and has been developed consistently with the Recommended Levels of Service report approved by Council in October 2023. The AM Plan has been prepared on the basis of documenting the asset management activities and funding requirements (operations, maintenance and renewal) recommended for inclusion into the Long-Term Financial Plan (LTFP) to achieve our asset performance targets (levels of service).

The draft AM Plan's renewal strategy aims to minimise the number of assets that deteriorate into a poor condition and prohibit assets reaching a very poor condition, as well as ensuring heritage assets are managed in accordance with relevant conservation management plans. This ensures we continue to provide services in line with the community's expectations, appropriately manage risk and optimise whole-of-life costs. The forecast renewal costs are approximately \$15.24 million on average each year across the ten-year planning period (including a significant \$60 million renewal allocation for Rundle Street UPark in years 8 and 9). The current LTFP accommodates renewal funding of \$10.49 million on average each year (69% of the forecast costs). This means that additional funding of \$4.76 million on average each year will need to be considered to deliver the recommendations of the AM Plan.

While this AM Plan does not identify forecast costs associated with new and upgrade projects, ongoing integrated planning will ensure asset renewals are aligned (where practical) with key new and upgrade projects required to deliver our Strategic Plan objectives, identified within the Resource Plan and Business Plan and Budget.

The purpose of this report is to seek Council endorsement to undertake community consultation for a six-week period, ahead of the future adoption of the Buildings AM Plan scheduled for May 2024. The consultation will include a YourSay engagement page in conjunction with a drop-in session proposed for the City and North Adelaide, with physical and electronic promotion through City of Adelaide (CoA) platforms (e.g. community centres, social media).

RECOMMENDATION

The following recommendation will be presented to Council on 27 February 2024 for consideration.

THAT THE INFRASTRUCTURE AND PUBLIC WORKS COMMITTEE RECOMMENDS TO COUNCIL THAT COUNCIL

1. Notes the draft Buildings Asset Management Plan as per Attachments A and B to Item 7.5 on the Agenda for the meeting of the Infrastructure and Public Works Committee held on 20 February 2024.
2. Endorses the draft Buildings Asset Management Plan as per Attachments A and B to Item 7.5 on the Agenda for the meeting of the Infrastructure and Public Works Committee held on 20 February, for the purposes of public consultation.

IMPLICATIONS AND FINANCIALS

City of Adelaide 2024-2028 Strategic Plan	Strategic Alignment – Our Places
Policy	<ul style="list-style-type: none"> • Asset Management Policy • Strategic Asset Management Plan • Public Communication and Consultation Policy
Consultation	Consultation on the draft Buildings AM Plan will be open for a six-week period from Monday 4 March 2024 to Friday 12 April 2024. The results of the consultation feedback and analysis will be reported to Council in May 2024.
Resource	Consultation will be conducted using existing resources. There are no additional resources required as a result of this report.
Risk / Legal / Legislative	The review and update of Asset Management Plans, including levels of service, is required every four years or within two years of a general Council election pursuant to Section 122 of the <i>Local Government Act 1999 (SA)</i> .
Opportunities	Not as a result of this report
23/24 Budget Allocation	Not as a result of this report
Proposed 24/25 Budget Allocation	2024/25 budgets will be set by Council through the Annual Business Plan and Budget process (noting Asset Renewal Funding Ratio targets of between 90-110%). Asset renewal is generally funded through operational revenue, which includes rates, commercial revenue and grant allocations.
Life of Project, Service, Initiative or (Expectancy of) Asset	Not as a result of this report
23/24 Budget Reconsideration (if applicable)	Not as a result of this report
Ongoing Costs (e.g. maintenance cost)	As documented within AM Plan (no change)
Other Funding Sources	External funding opportunities will continually be pursued to offset costs, bring forward works, or provide for additional enhancements.

DISCUSSION

1. The purpose of this report is to present the draft Buildings AM Plan and seek Council endorsement to release the summary and comprehensive versions of the Plan (as presented in **Attachments A and B**) to community consultation for a six-week period, ahead of the future adoption of the Buildings AM Plan currently scheduled for May 2024

Background

2. Under the *Local Government Act 1999*, we are required to develop AM Plans for a period of at least 10 years, which includes information about the operation, maintenance, renewal, acquisition, expansion, upgrade and disposal for each infrastructure asset class under our care and control.
3. The City of Adelaide has six AM Plans, which include Transportation, Park Lands & Open Space, Buildings, Water Infrastructure, Lighting & Electrical and Urban Elements.
4. The City of Adelaide's building portfolio is made up of 184 individual assets and is valued at approximately \$510 million.
5. These assets provide services for recreational activities through facilities including libraries, community centres, sporting clubs and public toilets. Our building portfolio also includes assets which provide accommodation for the civic, administrative and operational functions as well as a number of commercial (income generating) assets.
6. The Buildings AM Plan has been developed with alignment to the City of Adelaide Strategic Plan 2024-2028.
7. The Buildings AM Plan has been informed by a community engagement process to understand current levels of community satisfaction and has been developed consistently with the Recommended Levels of Service report approved by Council in October 2023.
8. AM Plans are technical documents, which are prepared in accordance with industry standard templates developed by the Institute of Public Works and Engineering Australasia (IPWEA) to ensure alignment with best practice and ISO 55000.
9. Due to the length of the Buildings AM Plan, a concise standalone summary document has also been prepared (Buildings Asset Management Plan Summary) to improve community engagement and understanding.

Lifecycle Management Summary

10. The Buildings AM Plan defines the current state / condition of our \$510 million asset portfolio, as well as the asset management activities and associated funding requirements recommended for inclusion into the LTFP to achieve our asset performance targets (levels of service).
 11. This AM Plan's renewal strategy aims to minimise the number of assets that deteriorate into a poor condition and prohibit assets reaching a very poor condition. This strategy ensures we can continue to provide services in line with the community's expectations, appropriately manage risk and optimise whole-of-life costs. Renewal forecasts within the Buildings AM Plan are presented in 2024/25 dollars.
 12. Asset renewal requirements have been forecast for years 1-5 utilising replacement cost and remaining useful life estimates identified through a combination of condition audits, maintenance inspections and engineering recommendations. For years 6-20, the AM Plan recognises the replacement of full building structures at their forecast end of life (e.g. Rundle UPark), as well as provides an ongoing funding provision aligned with the average annual asset consumption, to fund anticipated minor component renewals and rehabilitation treatments.
 13. It is important to note that our heritage assets do have a different lifecycle management approach, where more frequent cyclic rehabilitation and conservation works are undertaken to ensure assets are maintained in accordance with conservation management plans.
 14. This AM Plan also includes forecast functionality-based renewals for Park Lands Sporting Clubs, North Adelaide Golf Course Club House, Public Toilets as well as our Horticulture Nursery and supporting Park Lands Hubs. A key challenge will be ensuring that the supporting upgrade/new funding requirements to ensure a fit-for-purpose outcome can be incorporated into the LTFP and Business Plan and Budget. All improvements to Park Lands Sports Clubs will be consistent with Park Lands Community Buildings (Sport and Recreation) Policy once adopted by Council (to be presented in March), with relevant touch point and approvals with Kadaltilla and Council through reports and presentations.
 15. This AM Plan includes a significant forecasted \$60 million renewal allocation in years 8 and 9 for the Rundle Street UPark. In 2022 significant structural rehabilitation works were undertaken on the building to extend the service life of the asset by 10 years through to 2032. For preliminary planning purposes, renewal forecasts
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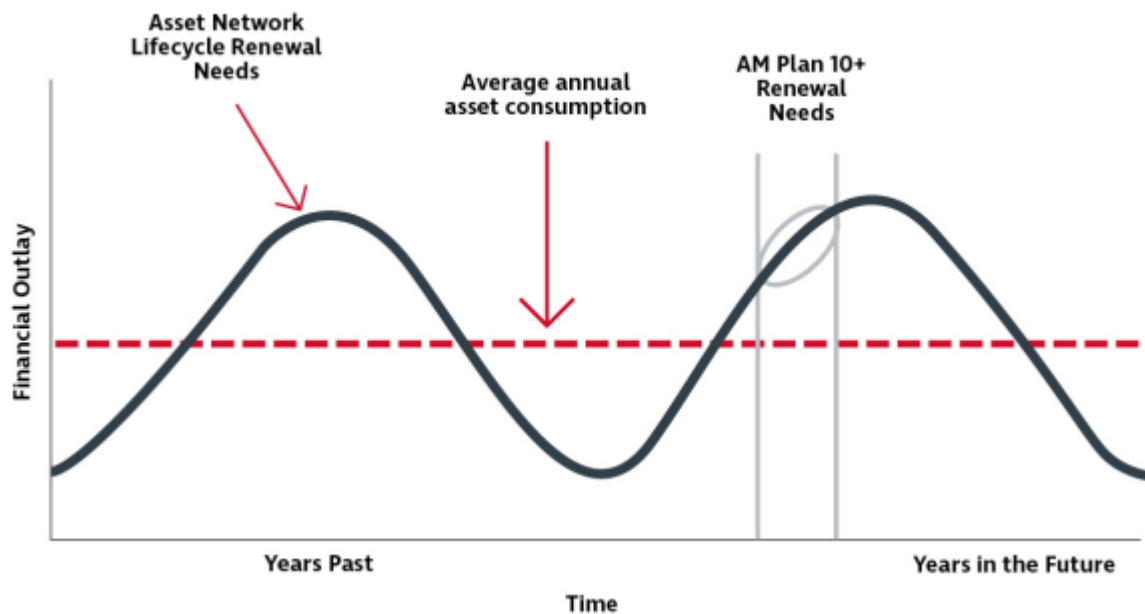
have assumed the full replacement of the Rundle Street UPark, however a strategic review will be undertaken in the coming years with an accompanying Council Report, to determine whether Council retain the asset, redevelop the asset, or dispose of the asset. It is important to note that further structural investigations would be required to test the viability of further extending the life structure.

16. Following the commitment from the State Government to redevelop the Adelaide Aquatic Centre, the asset was financially impaired in the 2022/23 Financial Year. The redevelopment will result in the disposal of the existing facility in August 2024, when the State Government take possession to create and operate a new facility that will be operated under the care and control of the Office for Recreation, Sport and Racing. As such, no associated renewals have been forecast within the draft Buildings AM Plan. The costs associated with the returning the existing site to Park Lands will be accounted for through future capital works that have been factored into the LTFP.
17. The key high priority renewal projects forecast within this AM Plan over the next 4 years are presented in the following list (Link 1 view [here](#)).
18. This AM Plan does not identify forecast costs associated with new and upgrade projects, however ongoing integrated planning will ensure asset renewals are aligned (where practical) with key new and upgrade projects required to deliver our Strategic Plan objectives, identified within the Resource Plan and Business Plan and Budget.
19. This AM Plan does not identify financial forecasts associated with asset disposal, however where recommended, significant assets (e.g. the Adelaide Aquatic Centre) will be identified for decommissioning and disposal through Council Reports, to then be considered within the LTFP and Business Plan and Budget.
20. This AM Plan does not propose any forecast increases for operational and maintenance activities. Following the completion of this Asset Management Plan, operations and maintenance standards will be reviewed for building assets, to formalise intervention levels and response times for general maintenance and establish an acceptable balance between cost, risk, and customer expectations. The associated financial impacts will need to be further considered in future revisions of this Asset Management Plan and the Long-Term Financial Plan.
21. Current operations and maintenance budgets accommodate proactive maintenance inspections on all of our building assets and inform legislative maintenance, preventative maintenance and general maintenance programs. Currently, not all general maintenance activities can be accommodated within existing budget allocations, resulting in works being prioritised with respect to budget provisions within the Long-Term Financial Plan and Annual Business Plan and Budget. Where there are any critical maintenance requirements that cannot be accommodated within existing budgets, these are assessed through regular budget reviews to ensure resources are appropriately re-allocated.

Financial Summary and Implications

22. The development of the draft Buildings AM Plan has identified additional funding requirements, when compared against the adopted LTFP to enable the optimal renewal of our assets and continue providing current levels of service, which aim to provide services in line with community expectations, whilst optimising whole-of-life costs and appropriately managing asset risk
23. The draft Buildings AM Plan forecasts renewal costs of approximately \$15.24 million (un-escalated) on average each year across the ten-year planning period, which sets the base for measuring the ARFR. That is, if \$15.24 million is fully expended, this would reflect an Asset Renewal Funding Ratio (ARFR) of 100%.
24. Currently, the renewal funding allocation for Building Assets within the LTFP is \$10.49 million (un-escalated) on average each year, which represents 69% of the funding required to deliver the recommended asset renewals outlined in the draft AM Plan if the base was reset to \$15.24 million (an additional funding requirement of \$4.76 million on average each year to achieve a 100% ARFR under the draft AM Plan).
25. It is important to recognise that the renewal / redevelopment of the Rundle Street UPark is a generational project. If this asset did not fall due for renewal within the 10-year planning period of this AM plan, the resulting renewal forecast would reduce to approximately \$9.24 million (un-escalated) on average each year across the 10-year planning period.
26. Contributing factors for the gap between the forecast renewal costs and current budgets within the LTFP include:
 - 23.1. Not achieving our ARFR targets over the past 4 financial years as a result of COVID-19 resourcing impacts and project delays associated with post-pandemic market saturation.
 - 23.2. Comprehensively updating our AM Plans (noting the last comprehensive update was undertaken in 2015, with a desktop update made to financial forecasts and LTFP in 2021).

- 23.3. Ensuring we accurately recognise asset replacement costs, utilising current construction costs and unit rates that take into consideration increasing costs associated with inflation and industry escalations. (We have experienced significant increases in project unit rates, noting that the Local Government Association (LGA) have indicated that costs and materials have increased up to 25% post pandemic).
27. It is important to understand that infrastructure networks are comprised of assets with varying age profiles and different useful lives and replacement costs. This results in AM Plans often identifying the need to replace more assets in some periods when compared with others and means that it is very unlikely that asset renewal needs will be consistent over time. The figure below highlights a typical scenario of varying asset renewal expenditure requirements over the asset lifecycle.



28. The financial strategy associated with funding the AM Plans is proposed to be consistent with the 2023/24 to 2032/33 LTFP, ensuring we continue to deliver upon our current suite of services and asset maintenance requirements, where asset renewals are prioritised based on audit condition and risk.
29. Funding requirements will need to be considered in the development of the 2024/25 Business Plan and Budget. Council will need to consider financial levers available in order to ensure sufficient funding of both operational and renewal funding requirements.

Improvement Plan

30. Through the development of this AM Plan, a number of improvement actions and next steps have been identified to promote continuous improvement and improved overall asset management maturity. These are identified in Section 9 of the Buildings Asset Management Plan Summary (**Attachment A**).

Community Consultation

31. In accordance with *section 122(6) of the Local Government Act 1999*, Council will follow the relevant steps in our public consultation policy to facilitate community feedback on the draft Buildings AM Plan.
32. The consultation process will seek feedback from the community including our residents, ratepayers, businesses, and other key stakeholders.
33. Consultation will open on Monday 4 March 2024 and close on Friday 12 April 2024 (6-week duration in line with our Public Consultation Policy, noting the minimum legislative requirement is 21 days).
34. Notification of public consultation will be provided through the following avenues:
- 31.1. A Public Notice in the Government Gazette and an advertisement in The Advertiser.
 - 31.2. Information published on the City of Adelaide website.
 - 31.3. Promotional advertisements on all Customer Service points including the Digital screens that Council operates, our Libraries and Community Centres.
 - 31.4. Social Media campaign via City of Adelaide social media channels.

35. 'Your Say Adelaide' - the community will be encouraged to engage and make written submissions on the draft Buildings AM Plan through City of Adelaide's website, linking to detailed information on the 'Your Say Adelaide' platform.
36. Two drop-in sessions will also be scheduled at community centre locations in the City and North Adelaide.
37. Submissions and feedback will also be able to be sent in writing or through e-mail.
38. Hard copy submission forms will be available inside Consultation Packs from the City of Adelaide's Customer Service Centre, libraries and community centres.
39. The community will have the opportunity to have their questions answered by City of Adelaide project staff over the phone or by booking an appointment to chat to staff in person.

Next Steps

40. Subject to Council endorsement, the draft Buildings AM Plan will be released for public consultation, with community engagement scheduled to occur from Monday 4 March 2024 to Friday 12 April 2024.
41. Following the six-week public consultation period, engagement feedback will be reviewed and findings will be presented to Council in conjunction with the finalised Buildings AM Plan in May 2024 for adoption.
42. Following Council adoption of the Buildings AM Plan, the LTFP will be updated.
43. Adoption of renewal budgets will be considered by Council on an annual basis through the Business Plan and Budget process.

DATA AND SUPPORTING INFORMATION

Link 1 – High Priority Renewal Projects list

ATTACHMENTS

Attachment A – Draft Building Asset Management Plan Summary

Attachment B – Draft Building Asset Management Plan (Comprehensive)

- END OF REPORT -