

Review of Asset Management Plans

Friday, 16 February 2024

Audit and Risk Committee

Strategic Alignment – Our Places

Program Contact:

Mark Goudge, Associate Director
Infrastructure

Public

Approving Officer:

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Services

EXECUTIVE SUMMARY

This report presents to the Audit and Risk Committee (ARC) the draft Urban Elements and draft Transportation Asset Management Plans (Plans) for review and advice to Council, in accordance with the legislative requirements under the *Local Government Act 1999 (SA)* as well as the requirements of the ARC Terms of Reference.

THAT THE AUDIT AND RISK COMMITTEE

1. Receives the draft Urban Elements Asset Management Plan as per Attachments A and B to Item 5.11 on the Agenda for the meeting of the Audit and Risk Committee held on 16 February 2024 and provides the following advice
 - 1.1. _____
 2. Receives the draft Transportation Asset Management Plan as per Attachments C and D to Item 5.11 on the Agenda for the meeting of the Audit and Risk Committee held on 16 February 2024 and provides the following advice
 - 2.1. _____
 3. Notes the draft Urban Elements Asset Management Plan and the draft Transportation Assessment Management Plan as per Attachments A, B, C and D to Item 5.11 on the Agenda for the meeting of the Audit and Risk Committee held on 16 February 2024 were endorsed by Council on 12 December 2023 for the purposes of public consultation.
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IMPLICATIONS AND FINANCIALS

City of Adelaide 2024-2028 Strategic Plan	<p>Strategic Alignment – Our Places - Manage assets to meet the needs of our community</p> <ul style="list-style-type: none"> Community assets are adaptable and responsibly maintained
Policy	<p>Asset Management Policy Strategic Asset Management Plan Public Communication and Consultation Policy</p>
Consultation	<p>The Audit and Risk Committee (ARC) is being consulted in line with the requirement of the <i>Local Government Act 1999 (SA)</i> and ARC's Terms of Reference which allows ARC to review and provide advice prior to Council making a decision on the adoption of the asset management plans.</p> <p>Consultation on the draft Transportation Asset Management Plan and Urban Elements Asset Management Plan was open for a six-week period from Friday 15 December 2023 to Friday 26 January 2024. The results of the consultation feedback and analysis will be reported to Council in March 2024.</p>
Resource	Not as a result of this report
Risk / Legal / Legislative	<p>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>.</p> <p>There is a requirement under the <i>Local Government Act 1999 (SA)</i> and the ARC Terms of Reference to review and provide feedback on the Council's Asset Management Plans.</p>
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 (eg maintenance cost)	As documented within Asset Management 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

Purpose

1. Under the *Local Government Act 1999 (SA)* and the Audit and Risk Committee's (ARC) Term of Reference [[Link One](#)], ARC has responsibilities to review and provide advice on Asset Management Plans,
2. The purpose of this report is to present the draft Urban Elements Asset Management and the draft Transportation Asset Management Plans to ARC for its review and advice.
3. This advice will be incorporated into a report to Council prior to the adoption of these plans.

Background

4. Under the *Local Government Act 1999 (SA)*, Council is required to develop 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.
5. The draft Plans were first presented to the Special Infrastructure and Public Works Committee (IPWC) on 5 December 2023 [[Link Two](#)]. At that time the IPWC considered the draft Plans and recommended to Council that the Plans be endorsed for the purposes of public consultation.
6. At the Council meeting on 12 December 2023, Council resolved to undertake public consultation on the draft Urban Elements Asset Management and Draft Transportation Asset Management Plans [[Link Three](#)].
7. The City of Adelaide has six Asset Management Plans, which include Urban Elements, Park Lands & Open Space, Buildings, Water Infrastructure, Lighting & Electrical and Transportation.
8. The City of Adelaide's urban elements asset portfolio is valued at approximately \$105.3 million and provides vital services which enable the health and wellbeing of our community and support access and use to key amenities within the City and Park Lands. These assets include Public Art and Monuments, Street and Park Lands Furniture (e.g., bike racks, seat, wayfinding signage) and Urban Structures (e.g. rotundas, retaining walls and bus shelters).
9. The Urban Elements Assessment Management Plan has been developed with alignment to the City of Adelaide Strategic Plan 2024-2028 (Strategic Plan).
10. Following Council's adoption of the Strategic Plan any Plans that require updates will be considered for adoption by Council after the conclusion of community consultation.
11. The Plans have been informed by a community engagement process to understand current levels of community satisfaction and have been developed consistent with the Recommended Levels of Service report approved by Council in August 2022.
12. Asset Management 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.
13. Due to the length of the Plans, a concise standalone summary document has also been prepared for both Plans to improve community engagement and understanding.

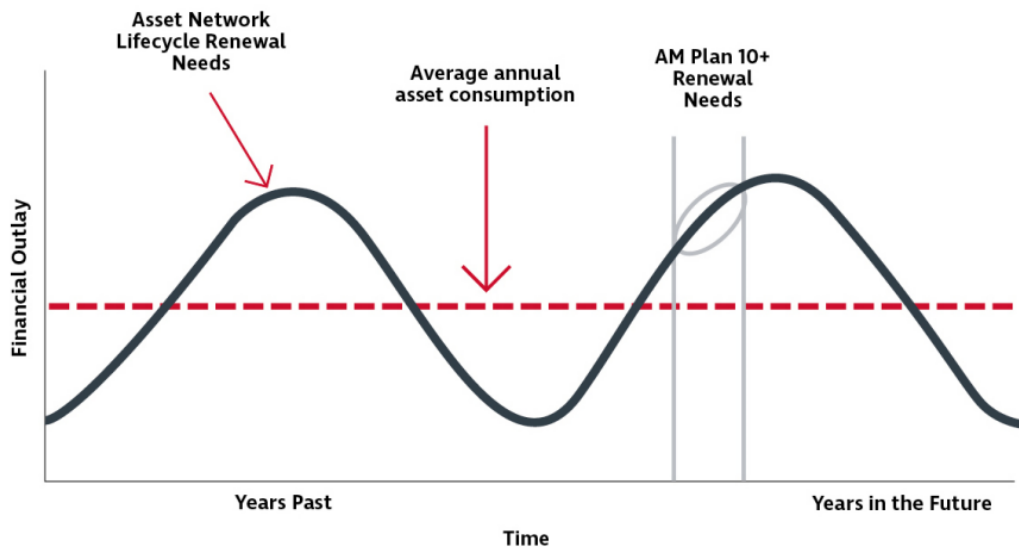
Lifecycle Management Summary – draft Urban Elements Asset Management Plan

14. This Plan defines the current state of our \$105.3 million asset portfolio, as well as the asset management activities and associated funding requirements recommended for inclusion into the Long Term Financial Plan (LTFP) to achieve our asset performance targets (levels of service).
15. This 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 Plan are presented in 2024/25 dollars and have been derived utilising predictive deterioration modelling for street and park lands furniture and urban structure assets. Cyclic conservation and refurbishment interventions have been utilised for public art and monuments given their unique cultural and aesthetic value.
16. This 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.

17. This Plan does not identify financial forecasts associated with asset disposal, however where recommended, significant assets will be identified for decommissioning and disposal through Council Reports, to then be considered within the LTFP and Business Plan and Budget.
18. Operational and Maintenance activities are generally evaluated and prioritised with respect to budget provisions within the LTFP and Business Plan and Budget. Critical maintenance requirements that cannot be accommodated within existing budgets are assessed through regular budget reviews to ensure resources are appropriately re-allocated. Following the completion of this Plan, we will be reviewing operations and maintenance standards for Urban Elements assets, with a view to develop more structured and proactive maintenance regimes which provide an acceptable balance between cost, risk, and customer expectations. The associated financial impacts will need to be further considered in future revisions of the Plan and LTFP.
19. All assets with renewal requirements forecast within the next five years (based on predictive modelling and renewal intervention levels) have been scheduled to align with Main Street project timings outlined within the 27 June 2023 Council Decision.

Financial Summary and Implications – draft Urban Elements Asset Management Plan

20. The development of the draft 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.
21. The draft Plan forecasts renewal costs of approximately \$4.88 million (un-escalated) on average each year across the ten-year planning period, which sets the base for measuring the Asset Renewal Funding Ratio (ARFR). That is, if \$4.88 million is fully expended, this would reflect an ARFR of 100%.
22. Currently, the renewal funding allocation for Urban Elements within the LTFP is \$4million (un-escalated) on average each year, which represents 82% of the funding required to deliver the recommended asset renewals outlined in the draft Plan. If the base was reset to \$4.88 million an additional funding requirement of \$0.88 million on average each year to achieve a 100% ARFR under the draft Plan.
23. 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 four 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. Utilising advanced predictive modelling within the draft AM Plan, that analyses asset condition information collected within the last four years, to better recognise the changing asset investment needs over time to maintain service levels.
 - 23.4. Ensuring we accurately recognise asset replacement costs, utilising current 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.
24. 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's 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.



25. The financial strategy associated with funding the Plan is proposed to be consistent with the 2023-24 to 2032-33 LTFF, 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.
26. Funding requirements will need to be considered in the development of the 2024/25 Business Plan and Budget. Council will also need to consider the financial levers available in order to ensure sufficient funding of both operational and renewal funding requirements.

Improvement Plan – draft Urban Elements Asset Management Plan

27. Through the development of this 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 Urban Elements Asset Management Plan Summary (**Attachment A**).
28. The Urban Elements Asset Management Plan (Comprehensive) can be found at (**Attachment B**).

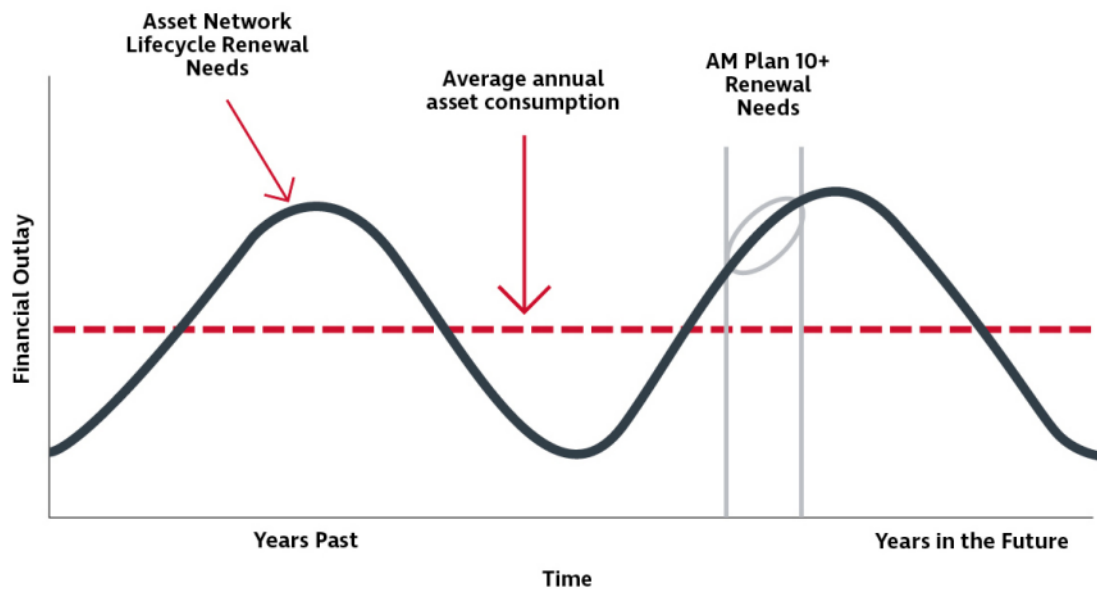
Lifecycle Management Summary – draft Transportation Asset Management Plan

29. This Plan defines the current state of our \$1.14 billion asset portfolio, as well as the asset management activities and associated funding requirements recommended for inclusion into the LTFF to achieve our asset performance targets (levels of service).
30. The 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 Plan are presented in FY 24/25 dollars and have been derived utilising predictive deterioration modelling for road, kerb and water table and footpath assets, engineering recommendations for bridge assets and a network funding model for traffic signals.
31. This 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.
32. The Plan does not identify financial forecasts associated with asset disposal, however where recommended, significant assets will be identified for decommissioning and disposal through Council Reports, to then be considered within the LTFF and Business Plan and Budget.
33. Operational and Maintenance activities are generally evaluated and prioritised with respect to budget provisions within the LTFF and Business Plan and Budget. Critical maintenance requirements that cannot be accommodated within existing budgets are assessed through regular budget reviews to ensure resources are appropriately re-allocated. Following the completion of this Plan, we will be reviewing operations and maintenance standards for transportation assets, with a view to develop more structured and proactive maintenance regimes which provide an acceptable balance between cost, risk, and customer expectations. The associated financial impacts will need to be further considered in future revisions of the Plan and LTFF.

34. Engineering inspections and preliminary project planning for Adelaide Bridge has identified the requirement to bring works forward and spread forecasts renewal costs (totalling \$60 million) over two financial years (2027/28 and 2028/29). The Improvement Plan has explicitly referenced actions to refine the scope/costs/timing of works through the options analysis (currently underway) as well as investigate external funding opportunities.
35. All assets with renewal requirements forecast within the next five years (based on predictive modelling and renewal intervention levels) have been scheduled to align with Main Street project timings outlined within the 27 June 2023 Council Decision.
36. Upon completion of the Integrated Transport Strategy in 2024, the Plan will be reviewed with consideration of priority upgrade/new initiatives that are included within the Resource Plan, to ensure alignment with asset renewal programs. This action has formally been recognised within this Plan's Improvement Plan.

Financial Summary and Implications – draft Transportation Asset Management Plan

37. The development of the draft Plan has identified additional funding requirements, when compared against the adopted LTFFP 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.
38. The draft Plan forecasts renewal costs of approximately \$33.62 million (unescalated) on average each year across the ten-year planning period, which sets the base for measuring the ARFR. That is, if \$33.62 million is fully expended, this would reflect an ARFR of 100%.
39. Currently, the renewal funding allocation for Transportation Assets within the LTFFP is \$24.13 million (unescalated) on average each year, which represents 72% of the funding required to deliver the recommended asset renewals outlined in the draft Plan. If the base was reset to \$33.62 million an additional funding requirement of \$9.49 million on average each year to achieve a 100% ARFR under the draft Plan.
40. It is important to recognise that the renewal/rehabilitation of Adelaide Bridge is a generational project. If the bridge did not fall due for renewal within the 10-year planning period of this Plan, the resultant renewal forecast would reduce to approximately \$27.62 million (unescalated) on average each year across the ten-year planning period.
41. Contributing factors for the gap between the forecast renewal costs and current budgets within the LTFFP include:
 - 41.1. Not achieving our ARFR targets over the past four financial years as a result of COVID-19 resourcing impacts and project delays associated with post-pandemic market saturation.
 - 41.2. Comprehensively updating our Plans (noting the last comprehensive update was undertaken in 2015, with a desktop update made to financial forecasts and LTFFP in 2021).
 - 41.3. Utilising advanced predictive modelling, that analyses asset condition information collected within the last four years to better recognise the changing asset investment needs over time to maintain service levels.
 - 41.4. Ensuring we accurately recognise asset replacement costs, utilising current 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 LGA have indicated that costs and materials have increased up to 25% post pandemic.
42. 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 Plans often identifying the need to replace more assets in some periods when compared with others and means that it's 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.



43. The financial strategy associated with funding the Plan 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.
44. 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 – draft Transportation Asset Management Plan

45. Through the development of this 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 Transportation Asset Management Plan Summary (**Attachment C**).
46. The Transportation Asset Management Plan (Comprehensive) can be found at (**Attachment D**).

Next Steps

47. Council is currently in the process of community engagement in relation to these draft Plans.
48. Following the six-week public consultation period, engagement feedback will be reviewed, along with any advice provided by the ARC and findings will be presented to Council in conjunction with the finalised Plans in March 2024 for adoption.
49. Following Council adoption of the Plans, the LTFP will be updated.
50. 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 One- Terms of Reference Audit and Risk Committee

Link Two- Special Meeting Infrastructure and Public Works Committee 5 December 2023

Link Three- Council 12 December 2023

ATTACHMENTS

Attachment A – Urban Elements Asset Management Plan Summary

Attachment B - Urban Elements Asset Management Plan (Comprehensive)

Attachment C - Transportation Asset Management Plan Summary

Attachment D - Transportation Asset Management Plan (Comprehensive)

- END OF REPORT -