

Asset Management Plan - Water Infrastructure - Approval for Consultation

Tuesday, 19 March 2024

Infrastructure and Public Works Committee

Strategic Alignment - Our Environment

Program Contact:

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Public

Approving Officer:

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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 1999 (SA)*, 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 Water Infrastructure 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 November 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).

Work is currently underway to significantly improve the spatial data, asset condition information and asset attribute information utilised within this Water Infrastructure Asset Management Plan. These activities align with good asset management practices and will provide more granular information to enable robust analysis to inform future decision making. The outcome of this work, which is anticipated to be complete by June 2025, will enable a more mature Water Infrastructure Asset Management Plan with a higher degree of confidence for the future requirements of the asset class. Therefore, due to the current maturity level of the asset data, this Water Infrastructure Asset Management Plan will be considered an interim document, which will be updated following the completion of the spatial data improvements, condition audit, and subsequent modelling and analysis.

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. In addition to condition-based renewal interventions, this asset management plan also forecasts service /capacity-based renewal interventions to address known performance deficiencies (i.e. where pipe sizes and side entry pit inlet capacity are not sufficient to manage stormwater runoff) at strategic locations where streetscape upgrades are being undertaken (e.g. Main Street Revitalisation Projects) as well as significant road renewal projects. 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 \$12.60 million on average each year across the ten-year planning period (including a significant \$40 million renewal allocation for the Torrens Weir over years 5 and 6). The current LTFP accommodates renewal funding of \$9.49 million on average each year (75% of the forecast costs). This means that additional funding of \$3.11 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 Water Infrastructure AM Plan scheduled for June 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 26 March 2024 for consideration

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

1. Notes the draft Water Infrastructure Asset Management Plan as per Attachments A and B to Item 7.6 on the Agenda for the meeting of the Infrastructure and Public Works Committee held on 19 March 2024.
 2. Endorses the draft Water Infrastructure Asset Management Plan as per Attachments A and B to Item 7.6 on the Agenda for the meeting of the Infrastructure and Public Works Committee held on 19 March, for the purposes of public consultation.
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IMPLICATIONS AND FINANCIALS

City of Adelaide 2024-2028 Strategic Plan	Strategic Alignment – Our Places
Policy	Asset Management Policy Strategic Asset Management Plan Public Communication and Consultation Policy
Consultation	Consultation on the draft Water Infrastructure AM Plan will be open for a six-week period from Tuesday 2 April 2024 to Friday 10 May 2024. The results of the consultation feedback and analysis will be reported to Council in June 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 (eg 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 Water Infrastructure 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 Water Infrastructure AM Plan currently scheduled for June 2024.

Background

2. Under the *Local Government Act 1999 (SA)*, 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, Public Lighting & Electrical Infrastructure and Urban Elements.
4. The City of Adelaide's Water Infrastructure portfolio is valued at approximately \$282.1 million and provides critical services which protect the community from heavy rainfall and flood events, conserve the ecological health of our waterways and provide recreational facilities and natural amenity within our Park Lands. These assets include the underground stormwater drainage network, stormwater management devices (e.g. detention basins, gross pollutant traps), Karrawirra Pari/River Torrens (including Weirs and retaining structures), Park Lands watercourses, potable and non-potable water distribution systems and sewer infrastructure.
5. The Water Infrastructure AM Plan has been developed with alignment to the City of Adelaide Strategic Plan 2024-2028
6. The Water Infrastructure 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 November 2023.
7. 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.
8. Due to the length of the Water Infrastructure AM Plan, a concise standalone summary document has also been prepared (Water Infrastructure Asset Management Plan Summary) to improve community engagement and understanding.
9. Work is currently underway to significantly improve the spatial data, asset condition information and asset attribute information utilised within Water Infrastructure Asset Management Plan. These activities align with good asset management practices and will provide more granular information to enable robust analysis to inform future decision making. The outcome of this work, which is due for completion by June 2025, will enable a more mature Water Infrastructure Asset Management Plan with a higher degree of confidence for the future requirements of the asset class.
10. Therefore, due to the current maturity level of the asset data, this Water Infrastructure Asset Management Plan will be considered an interim document, which will be updated following the completion of the spatial data improvements, condition audit, and subsequent modelling and analysis.

Lifecycle Management Summary

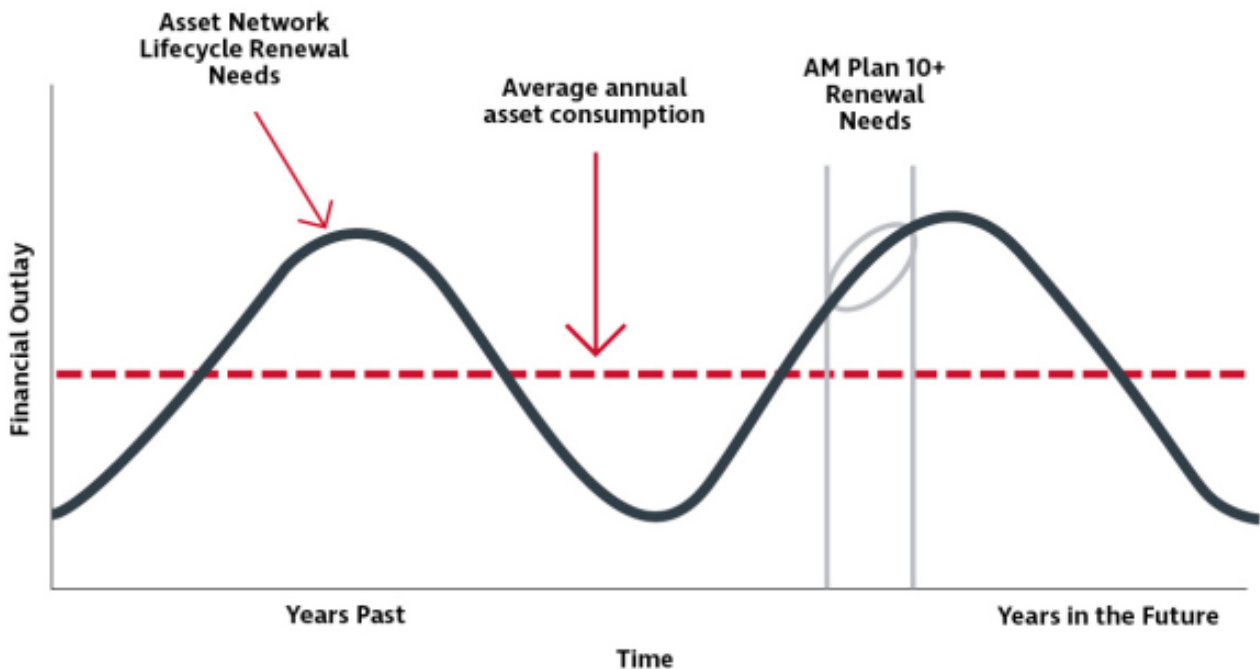
11. The Water Infrastructure AM Plan defines the current state / condition of our \$282.1 million asset portfolio, as well as the asset management activities and associated funding requirements recommended for inclusion into the LTFP to achieve our asset performance targets (levels of service).
12. This 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. In addition to condition-based renewal interventions, this asset management plan also forecasts service /capacity-based renewal interventions to address known performance deficiencies (i.e. where pipe sizes and side entry pit inlet capacity are not sufficient to manage stormwater runoff) at strategic locations where streetscape upgrades are being undertaken (e.g. Main Street Revitalisation Projects) as well as significant road renewal projects. Renewal forecasts within the Water Infrastructure AM Plan are presented in 2024/25 dollars.
13. Asset renewal requirements have been forecast for years 1-4 utilising replacement cost and remaining useful life estimates identified through a combination of condition audits and engineering recommendations for both condition-based interventions and service-based interventions. For years 5-20, the AM Plan forecasts the renewal of the Torrens Weir (years 5 and 6), as well as provides a forecast average renewal funding provision of \$6 million/year based on the condition of assets, and a forecast funding provision for capacity-based renewals for anticipated future stormwater works required to be delivered in conjunction with streetscape upgrades of \$4 million/year.
14. This AM Plan recognises that the Torrens Weir is approaching the end of its useful life. A lifecycle study is currently underway that includes an options analysis that will guide the future management strategy of the asset and refine costings and timing of a preferred rehabilitation or replacement option. The Improvement Plan has explicitly referenced actions to refine the scope/costs/timing of works through the options analysis as well as investigate external funding opportunities.

15. 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.
16. This AM 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
17. 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 Water Infrastructure 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.
18. Current operations and maintenance budgets accommodate maintenance inspections for critical assets and which inform legislative 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

19. The development of the draft Water Infrastructure 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.
20. The draft Water Infrastructure AM Plan forecasts renewal costs of approximately \$12.60 million (un-escalated) on average each year across the ten-year planning period, which sets the base for measuring the ARFR. That is, if \$12.60 million is fully expended, this would reflect an Asset Renewal Funding Ratio (ARFR) of 100%.
21. Currently, the renewal funding allocation for Water Infrastructure within the LTFP is \$9.49 million (un-escalated) on average each year, which represents 75% of the funding required to deliver the recommended asset renewals outlined in the draft AM Plan.
22. It is important to recognise that the renewal/rehabilitation of Torrens Weir is a generational project. If the asset did not fall due for renewal within the 10-year planning period of this AM Plan, the resultant renewal forecast would reduce to approximately \$8.59 million (un-escalated) on average each year across the ten-year planning period.
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 4 financial years as a result of COVID-19 resourcing impacts and project delays associated with post-pandemic market saturation.
 - 23.2. Comprehensively reviewing our stormwater management planning principles, to appropriately recognise service-based renewal interventions aligned with key streetscape upgrade projects, with a requirement for increased pipe sizes and catchpit arrangements
 - 23.3. Undertaking a comprehensive review of existing funding allocations and appropriately re-forecasting asset renewal requirements within this Asset Management Plan (noting the last comprehensive update was undertaken in 2015, with a desktop update made to financial forecasts and LTFP in 2021).
 - 23.4. 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).

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 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.



25. The financial strategy associated with funding the AM Plans is proposed to be consistent with the 2023/24 to 2032/33 LTFFP, 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 need to consider financial levers available in order to ensure sufficient funding of both operational and renewal funding requirements.

Improvement Plan

27. 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 Water Infrastructure Asset Management Plan Summary (**Attachment A**).

Community Consultation

28. In accordance with section 122(6) of the *Local Government Act 1999 (SA)*, Council will follow the relevant steps in our public consultation policy to facilitate community feedback on the draft Water Infrastructure AM Plan.
29. The consultation process will seek feedback from the community including our residents, ratepayers, businesses, and other key stakeholders.
30. Consultation will open on Tuesday 2 April 2024 and close on Friday 10 May 2024 (6-week duration in line with our Public Consultation Policy, noting the minimum legislative requirement is 21 days).
31. 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.
32. 'Your Say Adelaide' - the community will be encouraged to engage and make written submissions on the draft Public Lighting and Electrical Infrastructure AM Plan through City of Adelaide's website, linking to detailed information on the 'Your Say Adelaide' platform.
 33. Two drop-in sessions will also be scheduled at community centre locations in the City and North Adelaide.
 34. Submissions and feedback will also be able to be sent in writing or through e-mail.
 35. Hard copy submission forms will be available inside Consultation Packs from the City of Adelaide's Customer Service Centre, libraries and community centres.
 36. 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

37. Subject to Council endorsement, the draft Water Infrastructure AM Plan will be released for public consultation, with community engagement scheduled to occur from Tuesday 2 April 2024 to Friday 10 May 2024.
38. Following the six-week public consultation period, engagement feedback will be reviewed and findings will be presented to Council in conjunction with the finalised Water Infrastructure AM Plan in June 2024 for adoption.
39. Following Council adoption of the Water Infrastructure AM Plan, the LTFP will be updated.
40. Adoption of renewal budgets will be considered by Council on an annual basis through the Business Plan and Budget process.

ATTACHMENTS

Attachment A - Draft Water Infrastructure Asset Management Plan Summary

Attachment B - Draft Water Infrastructure Asset Management Plan (Comprehensive)

- END OF REPORT -