city of PALMERSTON

'A Place for People'

Asset Management Plan: Transport

1. EXECUTIVE SUMMARY

1.1 The Purpose of the Plan

As the second largest and fastest growing city in the Northern Territory, the City of Palmerston (Council) has $727 million in assets under its management as of 30 June 2020. The purpose of this plan is to provide City of Palmerston with management guidance for the Transport asset class with a view to operating, maintaining and renewing the assets in the most cost-effective manner possible, whilst providing specific levels of service.

Asset Management Plans aim to:

- Mitigate Council's Strategic Risk relating to long term sustainability.

- Ensure consistent asset management across Council.

- Identify asset management issues and scenarios that may impact upon Council's financial position.

- Detail information about infrastructure assets including actions required to provide an agreed level of service in the most cost-effective manner while outlining associated risks.

- Define the services to be provided, how the services are provided and what funds are required to provide the services over a 10-year planning period.

- Ensure infrastructure is safe for use and the community receive value for money for their investment in community assets.

- Provide detailed asset data and data analysis to inform Council's Long Term Financial Plan (LTFP).

Summary Findings

The key finding from this Plan is that the current level of expenditure (Operating and Capital) and the planned works over the 10-year planning period meet the foreseen requirements for the ten years however it does not address the long-term funding requirements for the full suite of assets as they fall due for intervention.

The condition of the road network is above average based on the number of inspections undertaken and the resulting works instructions issued to address localised risks. As the condition assessment of the assets is undertaken, it is not anticipated that a significant change in required annualised funding (Operating and Maintenance) will occur.

What is an underlying unmet need is the identification of how funding the renewal or replacement of assets at a larger scale as the larger percentages of the network fall due for intervention. It is anticipated that Council will evaluate the appropriate methods of funding as the full complement of assets under its stewardship have their respective asset management plans developed.

The use of depreciation calculations clearly is the standard accounting position for assessing current and future funding requirements however the implementation of fully cash backing these numbers is not easily achieved and hence the use of a mix of loans, reserves and annual budgets can accommodate the management of assets with long term useful lives where spikes in expenditure are required.

1.2 Asset Description

This Asset Management Plan (Plan) covers the assets that provide road and carpark infrastructure across the City of Palmerston. The transport network is one of the key asset groups that provide transport accessibility across neighbourhoods, to Council facilities and resources for all members of our community.

The transport network comprises:

- Roads – 224 kilometres
- Road (pavement and wearing course) - 1,714,451 square metres
- Traffic Management Devices (islands, refuges, and roundabouts) – 591 devices
- Kerbing – 420.2 kilometres
- Carparks – 37,330 square metres

1.3   Levels of Service

It is an objective of the City of Palmerston Community Plan that our infrastructure is fit for purpose. This requires that our infrastructure is maintained and managed to meet community needs and has multiple uses. Service levels required to achieve sustainably maintained and managed, safe and fit for purpose road network and carparks means City of Palmerston needs to:

- Provide connectivity for all users within the municipality,
- Manage the potential risks and conditions of roads to provide a safe environment for users,
- Deliver, maintain and manage infrastructure to current or higher standards to meet changing community needs,

Council is working towards improving service levels through the implementation of condition assessments in lieu of the current age based methodology for intervention activities which will enable service levels to be better defined.

1.4   Future Demand

The main demands for new services are created by:

- Community expectations on appropriate infrastructure, safety, sustainability and service levels.
- Economic demand due to increasing asset portfolio, asset age and CPI increases.
- Increase in environmental awareness and considerations.
- Population growth and new subdivisional activity, development of existing land and planning strategies (changes in CBD land use and population density).

Changing demands will be managed through a combination of existing assets, upgrading existing assets and providing new assets supported by include non-asset solutions, such as insuring against risks and managing failures. Demand management planning activities occur on an ongoing basis and include:

- Continue to monitor and provide input into development controls and guidelines for the requirements of an effective road network;
- Monitor, assess and implement measures to meet increased demand for environmentally sustainable asset management;
- Monitoring community feedback, trends and assess expectations against existing levels of service and available resources with consideration to budget.

1.5   Managing Risk

The present funding levels are adequate to control risk relating to these assets and the present inspection methodology complements this approach.

The anticipated development of programs that upgrade existing paths in advance of their planned replacement to meet contemporary standards and the construction of new paths to provide connectivity will require increased funding.

The management of risk can be facilitated by:

- Improving condition data of existing infrastructure to develop renewal and upgrade programs,
- Evaluating the network to remove duplicate asset data where applicable,
- Identify efficiencies in using available funding, and
- Taking opportunities to progressively increase funding levels over a period of 5 to 10 years with a view to establishing adequate cash backed reserves to meet future requirements.

1.6   Financial Summary

Gross Replacement Cost   **$185,220,371**

Depreciable Amount   **$58,472,787**

Depreciated Replacement Cost[1]   **$126,747,584**

Annual Average Asset Consumption   **$2,915,137** (annual depreciation)

The combined annualised depreciation for the assets included in the AMP is $2,915,137. Based on current useful life models, the annual depreciation for road surfaces is $1,433,798 per annum.

The current combined allocation for Operating and Maintenance activities is $760,000 per annum.

The LTFP anticipates expenditure totalling $10,081,000 over the 10-year period for renewals. This is an average increase of approximately $350,000 per annum over recent financial years.

Additional renewal funding within the LTFP has been allocated for anticipated works on a number of roads where localised failures may occur, and to assess and commence pavement repairs on sections of Temple Terrace. The total allocation for pavement repairs is $5,375,000.

Total projected funding for the 10-year planning period is $23,056,000 or $2,305,600 on average per year which is estimated to meet the realistic cost to operate, maintain and renew surfaces at the present service levels.

1.7   Monitoring and Improvement Program

The next steps resulting from this asset management plan to improve asset management practices are:

- Continue to develop and refine levels of service with clearly accepted levels identified in the organisation and monitor these against community expectation.
- Include Street Lighting assets within Plan.
- Allocating additional resources to increase data confidence through condition assessment and consistent and effective record management to ensure asset data is current.
- Provide greater detail for 10-year capital works budget in terms of proposed projects such as reseals, reconstruction or upgrade works based on accurate condition data.
- Future budget level decisions (operations, maintenance, renewal and upgrade/new) should be driven by condition assessment data and resulting forecasted remaining useful lives balanced with customer expectations / levels of service rather than estimates of growth and CPI assumptions.
- Increase data confidence through condition assessment and consistent and effective record management to ensure asset data is current.
- Review of asset data related to values and depreciation rates.

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[1] Also reported as Written Down Value, Carrying or Net Book Value.