

NATIONAL
State of the Assets

A REPORT PREPARED BY JEFF ROORDA AND ASSOCIATES
FOR THE AUSTRALIAN LOCAL GOVERNMENT ASSOCIATION

2014

NOVEMBER 2014

Executive Summary



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Scope

Transport infrastructure represents a vital component of Australian supply chain management for both the private and public sectors. The transportation of goods by road is a core component of economic activity and the development and shipping of domestic product from source to market.

Most major and other roads have a local dimension. In particular, this includes ensuring that “first and last mile” issues are addressed. This aspect highlights the need for integrated planning involving all levels of government.

Socially, roads infrastructure is a key service needed to build stronger communities. Good roads facilitate access for all communities to opportunities and services including employment, community networks, health, education, recreation and business.

The value of local government road infrastructure assets in Australia reported in 2011 is \$165 billion¹. At the same time, Australia’s total road network length was 911,418 km² with councils being responsible for approximately 670,000 km³.

The challenge for the sector is to ensure sound asset management principles are embedded in to all facets of local government decision making and there is a whole of government approach to infrastructure funding, particularly for local road infrastructure.

The 2014 National State of the Assets Report for local road infrastructure:

- Summarises the outcomes of the data provided by 396 local governments across Australia with \$104.8 billion in local roads under management;
- Assesses the current position of councils in relation to implementation of Asset Management and Long Term Financial Plans;
- Provides an assessment of the current stock of local road assets in terms of condition, function and capacity, with associated confidence levels; and
- Provides additional data perspectives based on rural and urban classifications across each State and Territory.

For the purpose of the report, local roads have been categorised into sealed and unsealed roads, timber and concrete bridges.

565 local government entities and one local government association (the Local Government Association of Northern Territory) were invited to participate and/or update their 2013 data for the 2014 report.

Findings

Of the 344 councils sampled in 2013, 217 updated their data and a further 52 councils have provided their data for the first time. This brings the total sample size covered in this report to 396, which is 70% of all councils. Of the 396 councils, 219 were urban and 177 were rural as determined by the Australian Classification of Local Government.

The 396 councils are managing a total of \$104.8 billion in infrastructure for the four local road asset categories included in this report – an increase of 6.6% over the 2013 report outcome.

Local government sealed roads represent \$83.8 billion of this value. Unsealed roads represent \$12.2 billion, concrete bridges \$7.6 billion and timber bridges \$1.2 billion.

The total value of local road infrastructure for all Australian councils is estimated in excess of \$165 billion (NLRDS 2011).

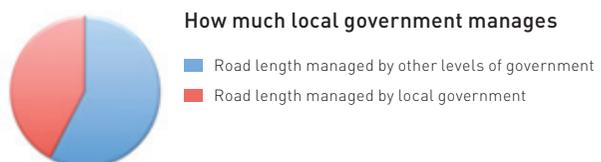
The 2014 Report has found that of the \$83.8 billion of sealed roads under management, \$8.8 billion (11%) are in a poor to very poor state. The total sealed road value for all Australian councils is \$117 billion.

Councils have \$12.2 billion of unsealed roads under management, with \$2.3 billion being regarded as in a poor to very poor state.

Councils indicate that of the \$7.6 billion of concrete bridges under management \$0.31 billion are in a poor to very poor state.

Councils indicate that of the \$1.2 billion of timber bridges are management \$ 0.27 billion are in a poor to very poor state.

The combined local roads infrastructure classes in poor to very poor state is \$11.7 billion.



¹ ALGA National Local Roads Data System (NLRDS), 2011 <http://www.jr.net.au/nlrds>
² BITRE, *Australian Infrastructure Yearbook*, Canberra, 2013, p.42
³ ALGA, op.cit.

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Rural and urban councils

Urban councils manage \$69.5 billion of the total sealed roads value of \$83.8 billion. Approximately 10% by value of urban sealed roads and 11% of rural sealed roads are considered to be in a poor to very poor condition.

\$6.7 billion of the \$12.2 billion in unsealed roads are managed by rural councils. 23% of the value of unsealed roads in urban areas are considered to be in poor to very poor condition compared to 15% of rural road values.

\$680 million of the total value of \$1.2 billion in timber bridges are managed by urban councils. Of these, urban councils consider 23% to be in poor to very poor condition, which is consistent with rural council perspectives, where 21% are considered to be in poor to very poor condition.



Comparative data

In 2014, comparative data is made available for the first time, for direct comparison to each of the data elements of 2013. This allows an analysis of the movements in data:

- in total for all councils;
- by State or Territory;
- by rural/urban or otherwise agreed classification;
- for each of quality, functionality and capacity; and
- with associated confidence levels.

Individual councils will also be able to monitor trends over time in the data and the relationship between calculated infrastructure backlogs and the actual physical state of the infrastructure being managed as viewed from three different but related dimensions.

Confidence levels

A consolidated assessment shows all State and Territory councils sampled are expressing slightly higher levels of confidence in the data provided, with Tasmanian councils indicating slightly less degrees of confidence compared to 2013.

Most councils express low confidence with the function and capacity assessment whilst knowledge of quality/condition continues to rank much higher.

Integrated planning

Asset Management Plans for sealed roads are in place for 88% of sampled councils, an 8% increase on last year's result. Long term financial plans are in place for 73% of those councils.

While LTFP adoption rates are excellent, there is a need to ensure that financial projections derived from properly formulated asset management plans are included as part of the process.

A properly developed asset management plan provides a council with a number of important benefits and outcomes. These include:

- Gaining an understanding of the options, risks and consequences associated with the ongoing management of large-scale infrastructure;
- Having a basis for engagement with the community on funding levels, service levels, priorities and associated trade-offs; and
- Producing a series of long-term financial projections on the maintenance, operations and capital expenditures associated with the infrastructure base for incorporation in long-term financial planning processes.

Recommendations

Local government from across Australia is indicating the quality of some \$8.8 billion in sealed roads are in poor to very poor condition, together with a further \$2.3 billion in unsealed roads and \$575 million in concrete and timber bridges. That is, more than 10% is in a poor or very poor condition, an unacceptably high figure from the perspective of local government as a road manager.

For ALGA and local government associations, the data indicates the scale of infrastructure under management and the level of activity and funding needed to ensure that all local government transport infrastructure is at a reasonable standard.

The recommendations acknowledge the vital role that key stakeholders play in supporting local government efforts to become and remain financially sustainable. Consequently, the next phase to building a clear case showing how investment in local government infrastructure provides stronger communities, a stronger economy and demonstrates efficient expenditure of government funds is supported by the following recommendations.

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RECOMMENDATIONS

1. A whole of Government approach to infrastructure management is required. Large cities and small communities all expect a coordinated approach from Government to managing supporting infrastructure essential to social cohesion and equity. The revenue raising capacity of many councils relative to their road asset management responsibilities necessarily dictates that all levels of government have a role in the trade-off between service levels, risk and cost.
2. A whole of Government infrastructure action plan that enables a coordinated approach to bridging the renewal gap. Funding programs like *Roads to Recovery*, were and are, not enough to reverse the general deterioration.
3. Consistent reporting of practice is evidence based for policy decisions. Councils have a duty of care responsibility as asset custodians to have in place core levels of asset and risk management practice. This provides ongoing reporting on the status of asset management maturity.
4. To build on the successful work already done for reporting on the State of the Assets for Local Roads Infrastructure, future reporting should focus on all key infrastructure groups such as buildings, parks, stormwater, water and wastewater assets. A pilot project is currently underway to test the viability of such a proposal.

This further builds on an already proven approach and will result in consistent and efficient reporting, advocacy and capacity building through mentoring for all local government infrastructure based service delivery.

Implementation

The Australian Local Government Association should:

- Consider the establishment of an agreed national timetable for the implementation of properly formulated and complete asset management plans integrated with long term financial plans.
- Continue to report on the state of the transport infrastructure and any emerging trends in terms of the deterioration or improvement in those assets.
- Together with each of the Local Government Associations, consider during 2014-15 the establishment of agreed national principles for the integration of workforce planning initiatives with asset management planning initiatives to improve capability in this important area.

State Local Government Agencies need to:

- Provide support to consistent monitoring and reporting of the current state of roads and bridges assets under management by local governments in each jurisdiction.

The Commonwealth Government should:

- Provide support to further accelerate implementation of asset management planning and reporting in all councils in conjunction with an emphasis on workforce planning and capacity building in councils.