



AUSTRALIAN
LOCAL GOVERNMENT
ASSOCIATION



2021 National State of the Assets Report

OUR ASSETS, OUR OPPORTUNITY



THE 2021 NATIONAL STATE OF THE ASSETS REPORT



OUR ASSETS, OUR OPPORTUNITY

When local governments invest in public infrastructure, we create jobs that are vital to driving Australia's locally led economic recovery, whilst ensuring no local community is left behind.

Councils own and manage around a third of Australia's community infrastructure, including roads and cycle paths, parks and gardens, bridges, libraries, community centres, sporting grounds, and swimming pools.

These community facilities support nearly every aspect of our day-to-day activities. They keep us safe, healthy, connected, and employed.

By providing safer cycle paths that keep people moving or recreation facilities that bring communities together, councils are creating jobs, generating economic activity and enhancing community wellbeing.

Maintaining infrastructure is just as important as building new infrastructure. We need our libraries, swimming pools and roads to be in good working order to meet our current and future needs.

This National State of the Assets Report (NSoA) is the latest in a series of reports commissioned by the Australian Local Government Association (ALGA) to monitor and assess how councils are addressing the challenges of maintaining council infrastructure.

This Report helps everyone better understand whether our infrastructure is getting better, how it can be better managed and improved, and whether councils need more support through state, territory and federal government funding.

The key finding in this year's report is that two-thirds of all local government assets are in good condition while around one-third are not.

Specifically, nearly 1 in 10 of all local government assets need significant attention, and 3 in every 100 assets may need to be replaced.

It highlights that there is a gap between what local governments can spend on community infrastructure assets, and what we need to spend to ensure our assets are maintained.

This Report highlights the importance of continuous improvement in our systems to support our communities for the future – including helping councils invest in asset management training, technology and software enhancements, skills development, and information sharing.

Replacing poor quality infrastructure is estimated to cost \$51bn– and replacing infrastructure in fair condition will range from \$106bn to \$138bn.

As communities adapt to the new physical, social, and economic realities of a living with COVID, we have a once-in-a-generation opportunity to renew our public infrastructure and employ people to create a new skilled economy that supports our nation's growth, productivity, and prosperity.

Well-targeted infrastructure investment creates jobs and generates lasting economic, social and environmental benefits for communities.

It lowers costs for business and governments, connects workers to their jobs, and plays a vital role in place making and community wellbeing.

Collecting just 3.5 percent of Australia’s taxation revenue, local governments need and welcome the support of other levels of government.

This Report reinforces the need for the federal government to increase Financial Assistance Grants – untied grants from the federal government to councils – back to at least one percent of total federal taxation revenue.

It also reinforces the need to continue the critical Federal Roads to Recovery and Bridges Renewal Programs – and for additional targeted funding to be made available – so councils and communities can replace and renew essential assets that are no longer safe or fit for purpose.

We look forward to working with state, territory and federal governments to ensure no community is left behind, to invest together in our nation’s infrastructure and develop a more skilled workforce for our future.

Together, we have the opportunity to assist communities grow their local economies and build back the quality of life we have missed during COVID, and to which we aspire.



Cr Linda Scott
ALGA President

BACKGROUND



The Australian Local Government Association (ALGA) is the national voice of local government, representing 537 councils which employ more than 190,000 people across the country.

Collectively, local government is responsible for one-third of all Australia’s public infrastructure assets¹. As custodians of these important community resources, the management of these assets, including, capital acquisition, maintenance and replacement is a major challenge and core responsibility for Australian councils.

This publication is based on the findings of the 2021 National State of the Assets (NSoA) Technical Report 2021 prepared by the Institute of Public Works Engineering Australasia (IPWEA) in partnership with ALGA.

The 2021 NSoA Technical Report is the 4th in the series of comprehensive reports commissioned by ALGA with the aim to better understand the scope and magnitude of local governments role in managing its non-financial assets. The NSoA Report is based on survey data provided by professional officers responsible for engineering and asset management from 454 councils (85% of all councils) across seven asset categories.

Scan or click the QR code to view a full copy of the Technical Report.



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¹ Sourced from ALGA submission to Infrastructure Australia Audit 2019.

WHAT THE REPORT SAYS

At the end of the 2019-20 financial year local government had control of an \$523bn assets portfolio. Non-financial infrastructure assets were valued at \$342bn accounting for 65 percent of total portfolio.

Figure 1 shows the value of financial and non-financial assets controlled by local government (June 2020).

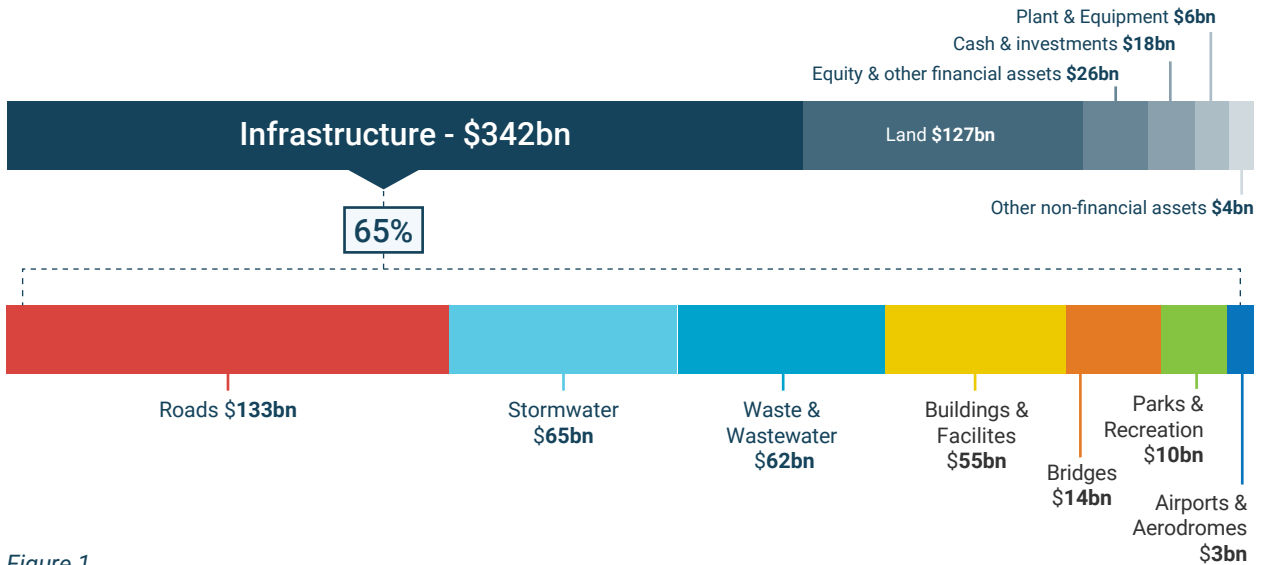


Figure 1

The NSoA Report is based on survey data provided by professional officers responsible for engineering and asset management from 454 councils (85% of all councils) across seven asset categories.

ASSET CATEGORIES INCLUDE:



The survey collected data on three simple indicators: condition, function and capacity measured as a proportion of the total replacement cost of each asset class.

- ▶ **Condition** - a measure of the quality of the services provided by local government infrastructure. It helps us understand how good the service is and where it is in its lifecycle.
- ▶ **Function** - a measure of whether the service is 'fit for purpose'. It helps to understand if the service is suitable for its intended purpose or future needs in response to changing circumstances.
- ▶ **Capacity** - a measure of utilisation and whether we need more or less of these services in response to original design thresholds. It helps to understand if the service is under or over utilised and helps us understand future needs due to demand and growth.

They are assessed as: good, fair or poor to very poor, as outlined over the page.



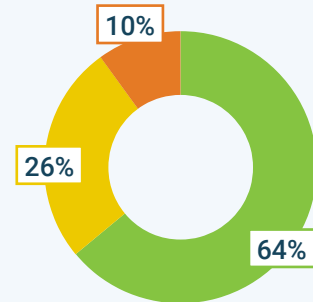
CONDITION

On average:

10% of local government infrastructure assets are in poor condition with significant defects and requires higher order cost and interventions.

26% of local government infrastructure assets are in fair condition with defects requiring regular and/or significant maintenance to reinstate the service.

64% of local government infrastructure assets are in good condition infrastructure has minor defects but will require increasing planned maintenance.



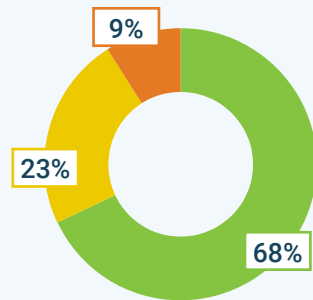
FUNCTION

On average:

9% of local government infrastructure assets have poor function and have limited ability to meet a program/service needs.

23% of local government infrastructure assets have fair function with most of them meet program/service needs with some inefficiencies and ineffectiveness.

68% of local government infrastructure assets have good function and meets program/service delivery needs in an acceptable manner.



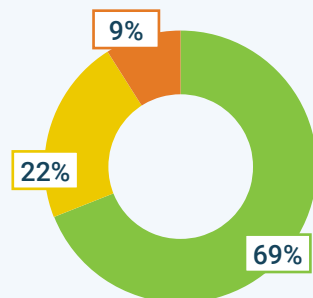
CAPACITY

On average:

9% of local government infrastructure assets have poor capacity with demand exceeding or is well below design capacity displaying significant operational issues.

22% of local government infrastructure assets have fair capacity with demand approaching design capacity and/or operational problems occur regularly.

69% of local government infrastructure assets have good capacity with usage being within design capacity and occasional operational problems experienced.





On a positive note, these results demonstrate that within existing resources 60%-70% of local government assets are in relatively good condition, function reasonably and are well utilized. However, around 20 – 26% of local government assets are only fair, and 10% are poor to very poor.

These results are consistent with the 2018 NSoA Report and shows that despite continued investment, the condition of local government community assets appears to have plateaued.

It is estimated that the replacement cost of all poor to very poor assets is \$51 billion⁴. The estimated replacement cost of fair assets are in the order of \$106bn - \$138bn.

While not all poor and fair infrastructure needs immediate replacement, it is important that each item of infrastructure be continually assessed to fully understand the risks and implications of fair and poor condition infrastructure. Of particular concern are potential safety risks, limitations on service levels to meet population growth and the productivity of businesses and Australian industry.



⁴ This exceeds local government annual total revenue



WATER & WASTEWATER

Water and wastewater infrastructure directly affects our public health. When it's working properly, it provides us with safe drinking water and limits the pollution of our local rivers and streams.

The local government water and wastewater sector is capital intensive and have an estimated to replacement cost \$98.5bn. Councils indicate around 91.6% of this replacement cost is operating at the original design capacity, while the remaining 8.4% (\$8.3bn) has reached or exceeded it.

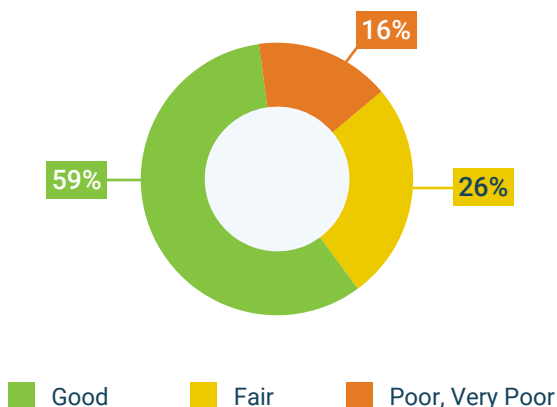
Local government, primarily in regional and rural parts of New South Wales and Queensland are responsible for the pipes and facilities that bring clean water to our homes, collect, and treat wastewater, which are essential to the day-to-day functioning of our communities.

Fifty South Australian councils currently operate 175 Community Wastewater Management Systems (CWMS) throughout that state.

Water and wastewater assets make up 18% of total local government infrastructure and has a replacement cost of \$99bn.

NSoA shows that 16% are in poor to very poor condition and have a replacement cost of \$15.5bn, \$7.8bn have poor function and \$8.3bn have poor capacity.

CONDITION OF WATER & WASTEWATER



19% of total local government infrastructure

replacement cost of \$94bn

- ▶ \$15.5bn are in poor/very poor condition
- ▶ \$7.8bn have poor function
- ▶ \$8.3bn have poor capacity

In 2020, about a half of all local councils who have responsibility for water and wastewater systems had an asset management plan in place to help prioritise their lifecycle investments. This is the same result as in 2018.

Whilst tighter planning and reporting controls exist for water & wastewater functions controlled by local government, there is a case for greater scrutiny to ensure councils can proactively manage water and wastewater infrastructure investment rather than reactively respond to pipeline and equipment failures.

The 2019 Australian Infrastructure Audit found that the 'urban water sector faces challenges, including the impacts of climate change, population growth, ageing assets, and changing needs and expectations from users. Failure to adequately address these challenges could lead to rising water bills, as well as exposing users to risks of declining service quality and reliability.

Without good governance and planning processes in place for these challenges, there could be severe urban water shortages or restrictions in many parts of the country.

For regional towns, water utilities often rely on a single supply source, with no physical link to an alternative bulk water supply. The lack of supply diversification creates further water security risks for these communities.



The NSoA is based on survey data provided by 454 councils⁷ (85% of all councils) across seven asset categories.

The report notes that all data required for the NSoA can be found or determined from council assets management plans and long-term financial management plans. However, most councils expressed higher confidence in their condition assessment data compared to function and capacity data and that less than 20% of councils say they base their infrastructure performance data on high quality evidence, such as sound and current records, procedures, investigations, and analysis.

Data confidence is inextricably linked to:

- ▶ Asset management and financial planning and reporting, knowledge, and capability;
- ▶ Information and predictive modelling systems;
- ▶ Decision support for affordable service delivery options;
- ▶ Investment decisions on acquiring new assets, plus ongoing operation, maintenance and/or renewal of existing assets; and
- ▶ Organisational capacity to engage with external stakeholders.

The Technical Report found that:

- ▶ One third of councils do not have an asset management plan adopted for their major assets, or if they do, they are out of date.
- ▶ 86% of responding councils say they had adopted a long-term financial plan, an increase from 72% in 2013.
- ▶ Of the 67% of councils who said they had asset management plans in place, only two thirds of councils (66%) included the financial projections in the financial plan.

This finding highlights the importance of further work and capacity building within local government including the need for continuous improvement of current staff to develop and implement credible, reliable and up to date asset management plans and long-term financial plans. Further, the need to address the absolute shortage of appropriately skills staff within the sector.



⁷ It should be noted that the collection of survey data from councils is always challenging. For the 2021 NSoA Technical Report new data was provided by 55 percent of participating councils and 40 percent of councils rolled over previous data. A data validation study was completed to increase the confidence levels of the 2021 NSoA results..



ALGA set out commissioning the NSoA to help the local government sector and interested parties to understand whether “...*local government infrastructure is getting better, worse or staying the same*”.

Importantly, the answers to these questions can help identify ways in which they can be managed to better meet the needs of every Australian.

The 2021 NSoA Report shows that within existing resources and capacity constraints the condition, function and capacity of local government assets has essentially plateaued.

The report shows that while overall 64 percent of local government infrastructure assets are in good condition, 10 percent are in poor to very poor condition and 26 percent only fair. It is estimated that the replacement cost of all poor to very poor assets is \$51bn⁸. The estimated replacement cost fair assets are in the order of \$106bn - \$138bn.

Detailed analysis was undertaken of each asset category of local government assets. These included: roads – sealed and unsealed; bridges – concrete and timber; buildings & facilities; parks & recreation; stormwater, water & wastewater and airports & aerodromes. The results show that while there is some variation between categories, each require attention and additional investment beyond current levels if the condition, function and capacity of these assets are to improve.

While not all poor and fair infrastructure needs immediate replacement, it is important that each item of this infrastructure assets is assessed to fully understand the implications including the risks associated with each specific items

of infrastructure. Of particular concern are the associated with safety risks, quality and levels of service to meet current and growing population needs and limitations to the productivity of businesses and Australian industry.

The task of monitoring the performance of local government assets in all categories is resource intensive, requiring skilled professionals to make careful judgements on the remaining life of a vast array of materials.

The Reports highlights the importance of reliable quality data to support decision-making and the critical role of asset management planning and long-term financial plans in all councils. Noting that many councils expressed higher confidence in their condition assessment data compared to function and capacity data confidence it highlights the need for capacity building and skills development within the sector to develop, strengthen and implement credible, reliable and up to date asset management plans and long-term financial plans.

This work is critically important not only to councils but in some cases, such as roads and bridges improved data and support systems are critical for to adequately progress a number of national transport reforms including heavy vehicle reform and road user charging.

The 2021 NSoA contains information that important implication for councils, State and Territory Local Government Associations and states and territories. The ALGA Board has referred the technical Report to the ALGA Local Roads and Transport Advisory Committee to consider and provide advice on ways to take these issues further.

⁸This exceeds local government annual total revenue