

TechnologyOne

Australian asset management: Time for a change

Local governments must act now to improve data and systems, in preparation for a national strategy to address Australia's infrastructure needs.





To flourish, a community requires healthy infrastructure – from roads and bridges to wastewater drains and recreational facilities. This means a community must regularly take stock of its existing assets before developing sensible strategies for their maintenance and replacement, as well as for the creation of new assets.

In 2014, Jeff Roorda and Associates (JRA) (a TechnologyOne company) discovered discrepancies between public asset valuations provided by the Australian Bureau of Statistics and data from its own in-field studies. Subsequent research indicated that the replacement value of existing assets might be far higher than previously thought – and that their condition might be far worse.

The National State of the Assets 2015 (NSoA) report presents a solid base of evidence concerning the current state of Australia's local government assets, and identifies likely challenges for their future management. Its message is clear: Australian asset management needs to significantly improve, and fast, if local, state and federal governments are to meet the needs of a changing nation.

Taking stock of Australia's assets

Do we know the state of public infrastructure in Australia? That's the question JRA started with in 2012, when it began researching Australian local government assets. However, it quickly became clear that answering this would not be easy.

According to Jeff Roorda, JRA's General Manager, there was no established technological or methodological framework for assessing an asset's value, or determining the cost of replacing, upgrading or decommissioning it.

The research results, compiled in the NSoA report, are sobering. 11 per cent of Australia's local government assets – worth approximately \$47 billion – are in 'poor condition'. Moreover, seven per cent are 'poor functioning' – meaning they offer insufficient capacity or usefulness.

What is the *National State of the Assets 2015* report?

- Prepared by Jeff Roorda and Associates for the Australian Local Government Association (ALGA)
- Includes the assets of 230 councils from across Australia (41 per cent of all councils)
- Reports performance of all major infrastructure groups that local government is typically responsible for, including roads, as at 30 June 2014
- Performance indicators are: condition, function and capacity/utilisation
- Data is collated, validated and presented across six asset groups:
 - Local roads
 - Building and facilities
 - Parks and recreation
 - Stormwater and water cycle management
 - Water and wastewater
 - Airports and aerodromes

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and either on premise or via the TechnologyOne Cloud.



“Our research confirmed that the way local government assets are currently managed in Australia is unsustainable,” says Mr Roorda.

“As assets in poor condition reach the end of their lives, we’ll need a coherent strategy in place to manage their replacement or retirement. We’ll also need a better way of dealing with underperforming assets.”

The challenge in the data

The NSoA report identified three challenges that all levels of Australian government must address to ensure reliable access to appropriate and well-maintained assets.

First, infrastructure ownership is concentrated in local government, which raised 3.4 per cent of Australia’s tax revenue in the 2013–14 financial year while accounting for six per cent of total public sector spending. This places public assets under financial pressure. And while asset management plans cover 80 per cent of local government assets, these plans have been poorly integrated with state and federal initiatives.

Second, infrastructure needs are changing fast. For example, national freight loads are expected to triple over the next 15 years and electric vehicles will be more widely adopted. This will require new road infrastructure and traffic management systems, and the creation of electric charging station networks. The coming decades will also see an increase in the Australian population’s average age, with new legislation – such as the *Disability Inclusion Act 2014* (NSW) – mandating the removal of any obstacles to full community participation for people with disability or who lack mobility. This means new infrastructure will have to be designed with accessibility in mind.

Third, the report highlighted the importance of regional variation. For example, asset management challenges will be different in a small rural community with timber bridges and flooding hazards than in a larger, metropolitan community in a temperate area with poor public transport services. Any long-term, national plans will need to account for such differences in population, climate and topography.

The solution in the data

Though the NSoA report contains worrying data on the state of Australia’s assets, it also identifies several steps government bodies can take to improve long-term asset management.

For example, it implicitly suggests a hierarchy of priorities, with the 7 per cent of assets characterised by ‘poor function’ and ‘poor condition’ most urgently in need of maintenance or upgrade. These assets alone are worth some \$31 billion.

The report also acknowledges the potential for Infrastructure Australia (IA), a federal body established in 2008 to coordinate the funding and completion of infrastructure projects, to bring some much-needed coherence to the nation’s asset management processes. By improving its distribution formulae based on new evidence, IA can ensure that project funding accounts for the regional variations described above.

Finally, the NSoA report contains an outline of a national infrastructure strategy that will ensure the short- and long-term health of Australia's assets. The strategy's recommendations include:

- Aligning infrastructure plans across all levels of government
- Standardising nationwide asset management systems and processes, including asset valuations
- Ensuring local government asset management strategies account for trends in population distribution
- Improving transport and communication networks
- Moving towards a national funding model that will address social inequity by improving 'disability factors for distribution' criteria and balancing 'user pays' and tax-based funding models

"The three levels of government need to work together with the private sector to develop a consistent approach to asset management.

"They must get better at collecting the data they'll need to monitor their progress towards the implementation of an improved asset management strategy."

Jeff Roorda

Where to from here?

Mr Roorda says the good news is that if government bodies act decisively on the NSoA report's findings, they can provide a strong information base that will help meet Australia's infrastructure needs now and into the future.

This base will comprise a national view of Australia's infrastructure that takes into account current requirements and allows organisations to anticipate future challenges before they arise. This is especially important considering the demographic shifts that are already beginning to transform Australian society.

The bad news is that if local governments delay, the problems they face will only get worse, preventing them from responding to new challenges, and burdening them with assets that don't work or are too expensive to fix.

Consequently, local governments must act now to improve their data and systems, to prepare for integration with a national infrastructure strategy supported by a strong evidence base. With technology having allowed us to create that evidence-base, local governments can begin their journey towards the adoption of a common platform that allows them to collaborate on the development of improved asset management systems and processes.

"Decisions can only be as good as the evidence supporting them," says Mr Roorda. "That's why our report is so valuable – it provides the evidence asset managers need to make well-informed decisions about the future of Australian infrastructure. Now it remains for them to act decisively, and act soon."



Visit http://alga.asn.au/site/misc/alga/downloads/publications/ALGA_State_Of_The_Assets_Report_2015.pdf to view the *National State of the Assets 2015* report.

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