

## **FIT FOR THE FUTURE AND THE INFRASTRUCTURE BACKLOG – THE FACTS:**

During 2014 and 2015, Council prepared its “Fit for the Future Roadmap” under the NSW State Governments Local Government Reform Program. The Program was aimed at ensuring strong, vibrant, well resourced local Councils that are sustainable in the medium and long term, and that these councils can continue to provide services and infrastructure that meet the operational and growth needs of their communities. Following public consultation in May 2015, Council adopted its “Fit for the Future Roadmap” in June 2015.

Council’s “Fit for the Future Roadmap” was subsequently submitted to the State Government for independent review by the NSW Independent Pricing and Regulatory Tribunal (IPART) and the NSW State Government declared Inverell Shire Council as being “Fit for the Future” in October 2015.

The “Fit for the Future” Program requires that all councils meet seven (7) “Fit for the Future” Benchmarks by 30 June 2020. One of these Key Benchmarks is the “Infrastructure Backlog Ratio”. The State Government requires that for “Fit for the Future” councils, that this Benchmark be met by 30 June, 2016.

The Benchmark Ratio measures how effectively councils are managing their infrastructure assets, noting that an increasing infrastructure backlog of asset renewal works, may affect a council’s ability to provide services and remain sustainable.

The Ratio is prescribed by the NSW State Government and is measured by the following formula and expressed as a percentage:

*Estimated Cost to Bring Assets to a Satisfactory (BTS) Condition.*

*Total Written Down Value of Infrastructure, Buildings and other Structures and depreciable land and improvement assets.*

(The prescribed State Government result for the Benchmark is “less than 2.0%” by 30 June, 2020).

Noting the importance of this matter, Council undertook a very substantial body of work commencing in November 2014 after receiving the NSW Government’s prescribed process to determine its Infrastructure Backlog. This was a “whole of Organisation” activity involving Council’s Engineering, Asset Management, Works, Finance and Senior Management Staff, and took 18 months to complete. The process was independently reviewed by Council’s External Auditor and the

information obtained was then utilised to prepare Council’s “Fit for the Future Roadmap” and Council’s 2014/2015 Financial Statements.

The process involved a complete condition assessment of all of Council’s Infrastructure Assets in accordance with the State Government’s prescribed requirements. Specialist independent industry consultants were used for the task of preparing data on the condition of Council’s very substantial Road and Bridge Infrastructure network and Council’s Buildings and Other Structures.

The condition of all of Council’s assets was assessed against Industry Best Practice and in accordance with the NSW State Government’s Local Government Integrated Planning and Reporting Manual (2013) and the NSW Local Government Code of Accounting Practice (2015). The Road and Bridge Assets (being the largest Asset Class) were assessed against the NSW Road and Maritime Services ROCOND 90 Road Condition Manual, the Australian Austroads Guide to Asset Management, and the Australian Road Research Board (ARRB) Bridge Assessment Methodology.

The Integrated Planning and Reporting Manual (2013) requires that the condition of Road Assets are assessed in accordance with the following table:

Level	Condition	Description
1	Excellent	Normal maintenance
2	Good	Some surface/pavement structure deterioration - patching only needed for repair
3	Average	Serious surface/pavement structure deterioration - requires resurfacing or recycling of pavement structure
4	Poor	Deterioration materially affecting entire surface/pavement structure - requires renovation within 1 year
5	Very poor	Deterioration is of sufficient extent to render the surface/pavement structure unserviceable.

In calculating the Backlog, the following prescribed definitions from the NSW Local Government Code of Accounting Practice were applied:

**ESTIMATED COST TO BRING TO A SATISFACTORY STANDARD (BTS):**

*“The estimated cost to bring assets to satisfactory (BTS) standard is the amount of money that is required to be spent on an asset to bring it to a satisfactory condition. This should not include any planned enhancements”.* (ie BTS costs can’t include any asset upgrade costs, for example turning a Gravel Road in to a Bitumen Road, upgrading the width of a road, replacing a bridge with a higher or wider bridge etc): and

*“BTS should be measured against the second Condition Rating of GOOD as stated in the Integrated Planning and Reporting Manual, 2013 for Local Government”.* (ie Condition 2, and not Condition 1 being New)

Source: Local Government Code of Accounting Practice 2015

That means that the cost to bring an Asset to a “Satisfactory Condition” (BTS) may not necessarily be the cost of completely renewing a Bitumen Road Segment, but may for example be the lower cost of say extensive bitumen road heavy patching the Road Segment and then providing it with a full bitumen reseal. This was the approach taken with approximately 50km of the Bruxner Way.

#### WHAT IS COUNCIL’S INFRASTRUCTURE BACKLOG:

An Infrastructure Backlog = The Estimated cost to bring to bring those assets in Condition 4 and Condition 5, back to a Condition 2 (ie a “Good” Condition, but not necessarily a new or “Excellent” condition as prescribed in the NSW Local Government Code of Accounting Practice), less any funds allocated by Council to perform this task in current or next years budget.

Applying this prescribed State Government process resulted in Council determining that it had a \$10.1M Backlog of Asset Rehabilitation/Renewal Works as at 30 June, 2015 less funding allocated under Council’s IPART approved “Fit for the Future” Roadmap of \$5.0M, resulting in a final Infrastructure Backlog of \$5.1M or 1.48%.

The “Fit for the Future” Roadmap Asset Renewal funding of \$5.0M was provided by Council running down its cash reserves to a minimum level. The identified Asset Renewal works to be funded from these funds are being delivered as part of Council’s largest ever \$30M 2015/2016 and 2016/2017 Roads Program. These works include substantial Gravel Roads Gravel Resheeting works to bring all of the Gravel Roads in the Shire up to Condition 1 or 2, and a very extensive Bitumen Road, Heavy Patching, Bitumen Resealing and Bitumen Rehabilitation/Renewal to ensure that Council’s existing Bitumen Road Service Levels are maintained. Over 2016/2017, extensive asset rehabilitation/renewal works will continue on the Inverell/Yetman Road, Inverell/Ashford/Bonshaw Road, Guyra Road, Auburnvale Road, Kings Plains Road, Michells Lane and Tarwoona Road in the rural area. In the urban area the rehabilitation/renewal works will be on Old Bundarra Road, Chisholm Street and Ross Street, plus drainage works in Byron Street. These works are all complimented by Council’s largest ever asset maintenance programs with additional funding being provided due to the strong cost savings flowing for Council’s Operational Efficiency and Effectiveness Program. Council’s “Real Operating Cost per Capita” another “Fit for the Future Benchmark” has reduced by 21% over the last seven (7) years, resulting in more funds being available for service and infrastructure delivery.

This will mean that the remaining \$5.1M Backlog of Works will be entirely on Council’s Rural Sealed Regional (Main Road) Road Network, primarily on the Inverell/Ashford/Bonshaw Road and the Inverell/Yetman Road, with these works to be addressed in future years from 2017/2018 on a priority basis as funds become available.

These Asset Rehabilitation works do not include Council's significant recurrent Asset Rehabilitation/Renewal Program or the significant Asset upgrade works being undertaken to ensure the continued growth of the Shire and its community. These works include the upgrade of Tintot Bridge, the Bitumen Sealing of approximately one (1) kilometre of the Old Stannifer Road and approximately one (1) kilometre of the Kings Plains Road, the extension of Oliver Street to Swanbrook Road the Sealing of John Street Inverell, the continuation of the major Gilgai Drainage upgrade Project and the recently announced major upgrade of the Gwydir Highway/Bundarra Road/Chester Street intersection (\$1.5M in Federal Government Funding for this intersection).

**BENCHMARKING COUNCIL'S INFRASTRUCTURE BACKLOG:**

Council in ensuring Industry Best Practice has Benchmarked its \$5.1M Infrastructure Backlog against the Infrastructure Backlogs of the 13 other Councils in the region. The results are summarised in the following Table:

<b>New England Councils Infrastructure Backlog</b>	<b>Infrastructure Backlog \$ '000s</b>
<b>Armidale</b>	<b>11,036</b>
<b>Glen Innes</b>	<b>17,904</b>
<b>Gunnedah</b>	<b>7,404</b>
<b>Guyra</b>	<b>4,325</b>
<b>Gwydir</b>	<b>13,896</b>
<b>Inverell</b>	<b>5,097</b>
<b>Liverpool Plains</b>	<b>5,597</b>
<b>Moree Plains</b>	<b>7,521</b>
<b>Narrabri</b>	<b>8,925</b>
<b>Tamworth</b>	<b>20,063</b>
<b>Tenterfield</b>	<b>11,148</b>
<b>Uralla</b>	<b>533</b>
<b>Walcha</b>	<b>16,407</b>
<b>New England - Total</b>	<b>129,856</b>
<b>Average Regional Backlog</b>	<b>9,989</b>

This data clearly shows that the process that Inverell Shire Council followed produced a result that is consistent with the other councils in the region. It can be seen that the largest Infrastructure Backlog in the region is a \$20.063M Backlog for Tamworth Regional Council and the smallest Backlog is \$0.533M for Uralla Shire Council. Inverell Shire Council's Backlog at \$5.1M (being \$10.1M less Fit for the Future Roadmap funding allocated to the Backlog) is within Benchmark and is consistent with the road lengths in adjoining Councils.

In addition to this Benchmarking exercise, it is noted that Council's External Auditor Benchmarks Council, its processes and results against the 15 other councils they audit. These matters should provide the Community with a strong level of confidence in Council's Infrastructure Backlog processes and determination.

Council's "Fit for the Future Roadmap" puts in place a strategy to maintain Council's Infrastructure Backlog at below the State Government's "less than 2.0%" Benchmark and to remove it completely by 2025. This strategy also sees Council maintain and then improve its Service Levels to the community from 2020 on.

#### GOVERNMENT GRANTS FOR ROADWORKS:

Some members of the community have suggested that Council "just needs to lobby" the State and Federal Government for more grant funding for roads. As detailed in the presentation provided to the June 2016 Council meeting, Council continues to do this and has achieved strong success, however, under the "Fit for the Future Program" requirements, councils must be able to fund their ongoing operational and asset renewal programs from their own revenues. It is also a fact the majority of additional grant funding for roads is for Road Infrastructure Upgrades and not for Road Rehabilitation and Renewal or Infrastructure Backlog issues. This is the same for other Asset Classes.

Despite Council being informed by the State Government, that it cannot rely on possible future Grants to repair and renew its Roads and other Assets, and rather it must be able to fund the required works on its Assets from its own revenue sources (ie rates and charges), Council's broader strategy continues to include lobbying the State and Federal Government for additional road funding to renew and improve the Shires substantial Road Network. This, however, is "opportunistic funding" and is not a guaranteed source of funding that Council or the community can rely on. (This is demonstrated by the \$1.5M of Federal Government Grant Funding delivered in the lead up to the 2016 Federal Election for the major upgrade of the Gwydir Highway/Bundarra Road/Chester Street intersection. This project was not an "infrastructure backlog project" and the funds cannot be utilised for any other purpose).

#### PUBLIC COMMENT ON COUNCIL'S \$5.1M INFRASTRUCTURE BACKLOG:

Despite the robust nature of Council's processes, its independently reviewed and IPART approved "Fit for the Future Roadmap", its Benchmarking and its "openness and transparency" in this matter, attempts have been made to dispute Council's work by one small group in the community. The Group are incorrectly claiming Council has an \$85M Infrastructure Backlog in respect of its Road Assets and they do not believe that Council is "Fit for the Future". The Group's claims include:

- 58km or (48%) of the Shire's Town Streets must be renewed immediately or within 12 months at the latest;
- Council has a \$4.0M Backlog in respect of Bridge renewals despite nationally recognised Industry Bridge Condition Assessment Specialists (ARRB) providing Data that clearly shows Council has no Bridges Infrastructure Backlog;

- Council has a Gravel Roads Backlog of \$7.2M (no supporting documentation or calculations were provided);
- 144km (20%) of the Shires Rural Sealed Road Network must be renewed immediately or within 12 months at the latest; and
- Council accordingly is not “Fit for the Future”.

To address these incorrect claims, a comprehensive presentation was provided to the June 2016 meeting of Council. This presentation provided details of Council’s Asset Management Systems and Processes, and details of the Infrastructure Backlog, including how it is to be determined under the State Government’s prescribed requirements. The presentation included the following excerpt from Council’s Roads Asset Management Plan, which provides some basic visual information that can assist the community in understanding how a Sealed Road Segment may look in each of the five (5) Condition Ratings:

## Example Sealed Surface Photos

The following pictures give an example of what a sealed road surface in each condition state may look like. They are not used as a reference for rating sealed surfaces.

### Condition 1

*No work required (normal maintenance)*



Assets in this state are in very good condition. There are no visible defects and only normal maintenance work is required.

### Condition 2

*Only minor maintenance work required*



Good condition - only very minor defects visible and minor maintenance required to remedy them.

### Condition 3

*Maintenance work required*



In this state a number of defects are visible but the asset remains quite serviceable. Routine maintenance is required to remedy issues.

### Condition 4

*Renewal work required*



In this state the asset is in below average condition. There are quite a few obvious defects visible that require some renewal work to repair

### Condition 5

*Urgent renewal or upgrading required.*



At this stage the asset is in very poor condition and should be referred to capital works program for reconstruction.

This presentation clearly demonstrated that the small group who were seeking to dispute Council's work had:

- Made inappropriate use of Council's Raw Asset Data tables and misinterpreted the Raw Asset Data;
- Did not provide evidence of any analysis of the Raw Data;
- For Sealed Roads used only 2 (being Roughness and Rutting) of the 10 Bitumen Sealed Road Assessment Criteria;
- Used "Double Counting" in their calculations to inflate Backlog Figures;
- Ignored independent Technical Assessments provided by Nationally recognised Bridge Asset Condition Assessment Specialists (ARRB);
- Not sought to understand the NSW State Government's Integrated Planning and Reporting Manual, 2013 and the NSW Local Government Code of Accounting Practice 2015, Infrastructure Backlog Calculation and Reporting requirements;
- Had sought to attempt to mislead the community into believing that Council's existing "Service Levels" will be reduced, when in fact a review of Council's independently assessed and IPART approved "Fit for the Future Roadmap", Council Asset Management Plans and the 2016/2017 Operational Plan and Budget (which are all available on Council's Website), clearly provide for both the removal of the infrastructure Backlog and an increase in "Service Levels over time"; and
- Failed to take into consideration Council's Road Asset Management Plan 2017 - 2026 and the information contained in this Plan despite it having been placed on Public Display in April/May, 2016.

As an example Council has assessed this Rural Road Segment, being the sealed section of Rivendell Road, as having a Condition Score of 1 – "Excellent" and requiring only normal maintenance:



The Small Group who was seeking to dispute Council's work and Asset Condition Assessments would have you believe that this section of Rivendell Road has a Condition Score of 4 – Poor, which means that this road must be renewed within 1 Year and that this Road Segment is an Infrastructure Backlog item.

As a further example, Council has assessed this Town Street Segment, being one section of Greaves Street as having a Condition Score of 3 – “Average” and requires for example ongoing maintenance, minor heavy patching or a bitumen reseal. This means that this segment is getting closer to the end of its “useful life” and that at some future time this segment will need to be considered for rehabilitation/renewal if it moves into a Condition 4 or Condition 5.



The Small Group who were seeking to dispute Council's work and Asset Condition assessments would have you believe that this road has a Condition Score of 5 – “Very Poor”, which means that this Town Street is unserviceable (ie. from the definitions shown in the Table above, “Deterioration is of sufficient extent to render the surface/pavement structure unserviceable”) must be renewed immediately, and that this Segment of Greaves Street is an Infrastructure Backlog.

As can be clearly seen from the photos in these two examples, it is a fact that Raw Asset Data alone, cannot be not used in isolation to make sound sustainable Asset Management decisions, which is what the Group have been attempting to do. The Groups incorrect calculations do not provide a true indicator of the on-ground condition of Council's assets. Their calculations also do not recognise that you don't rip up for example an entire town street or one (1) kilometre long rural sealed road segment to repair a pavement failure that might only being 10, 50 or 100m long.

To make sound and sustainable Asset Management decisions the Raw Data must be analysed by Technical Specialists, being Engineers and Asset Management Staff, and then the identified Roads inspected to determine what action is required. If work is required, these works are then prioritised according to the assessment matrix included in Council's Road Asset Management Plan. The asset condition rating



process is a continuing process with Council seeking to conduct a full re-assessment of 20% of its Road network each year in accordance with Industry “Best Practice” to ensure that its Road Assets are maintained to a high standard.

The Presentation to Council showed that Council’s Asset Condition Assessment processes are very sound, have been independently tested, and have produced results that are within Industry Benchmarks for the Region. Looking at the New England Councils Infrastructure Backlog Table, as shown above, demonstrates that Council’s Backlog figure at \$5.1M (being \$10.1M less Fit for the Future Roadmap funding allocated to the Backlog) is well within Industry Benchmarks and that it is completely incorrect to suggest that Inverell Shire Council has an Infrastructure Backlog of \$85M when the combined Backlog for the 13 councils in the region is only an average of \$10M.

#### ASSET UPGRADES FOR COMMUNITY GROWTH:

Council has and continues to provide a substantial quantum of new and upgraded assets to the community and are recognised regional leaders in this area. These assets cut across the full range of Local Government Asset Classes from Roads, Drainage, Waste Management, Water, Sewerage, Building, Sporting and other Community Assets.

The Group who have sought to discredit Council, have also stated, that it is their view that Council should not be providing any Asset Upgrades Works or facilities to the Community until the remaining Asset Backlog works are completed. The Group specifically note the Council approved new Bitumen Sealing works on Old Stannifer Road and the Kings Plains Road which have been the subject of substantial community lobbying. This poorly considered approach as proposed by the Group, is not in keeping with Council’s Community Strategic Plan for a “strong vibrant growing community” , ignores the views of other community members and would deprive the Community of for example the following important community growth assets:

- The renewal of Tintot Bridge (old timber bridge) on the Ashford Graman Road;
- The Bitumen Sealing of approximately one (1) kilometre of the Old Stannifer Road and approximately one (1) kilometre of the Kings Plains Road;
- The extension of Oliver Street to Swanbrook Road to improve safety in the Byron Street/Ashford Road/Arthur Street/Swanbrook Road Area;
- The Sealing of John Street in South Inverell
- The continuation of the major Gilgai Drainage upgrade Project;
- The major upgrade of the Gwydir Highway/Bundarra Road/Chester Street intersection (\$1.5M in Federal Government Funding for this intersection);
- A range of new Footpath and Bikepath Projects (\$ for \$ Grant Funding);
- The major upgrade of the Inverell Sports Complex; and
- A wide range of other Community improvement and asset upgrade works.

## TRANSPARENCY AND OPENNESS:

The same Group that have also been trying to discredit Council as not being “open and transparent”, claim Council made a range of Council Road and Inverell Town Centre Renewal Plan (TCRP) decisions behind closed doors. This claim is incorrect. A review of Council’s Business papers during this current term of Council, from September 2012 will **clearly show that no Council Road or TCRP matter has been discussed in “Confidential Committee”, that is behind closed doors.** All the matters have been discussed in open Council and in the open Committee Meetings, ensuring accountability and transparency. This fact can be verified by reviewing Council’s business papers which are available on Council’s website.

Being “open and transparent” Council also placed its 2016/2017 Draft Operational Plan, Council’s Draft Asset Management Plans, and Council’s Draft Long Term Financial Plan on Public Exhibition for a 28 day period as prescribed by the Local Government Act (1993) and invited Public Submissions on these plans prior to them being adopted by Council at its June 2016 meeting. The Public Exhibition period was widely publicised in the Inverell Times, on the local radio stations, on Council’s website and on Facebook. Copies of the Plans were available from Council’s website and seven locations across the Shire. At the close of Public Submissions, only one submission was received, being from Mrs Betty Moore - a previous long standing Inverell Shire Councillor, community participant and long time observer of Council. (Mrs Moore has received all of Council’s Business Papers for the last 30 years). Mrs Moore, in her comprehensive submission, displayed a sound understanding of the Plans and provided her full support for the Plans and the strategies contained in the Plans.

## OTHER COUNCIL ASSETS:

In respect of Council’s Buildings and Other Structures Assets, Council has been working with Independent Industry Specialists to develop Asset Manuals and Management Plans for these Asset Classes. In this matter, Council recently received the following unsolicited comment:

*“I must congratulate Council firstly. Overall, your buildings and other structures are in very good shape and frankly, would be the envy of the majority of Councils across Australia. Indeed we have not come across a Council that has managed their facilities so well in the past six years of doing these building condition assessments. Council’s prudent management approach is certainly providing a sustainable portfolio of facilities to support the services that Council is providing into the foreseeable future”.*

- Owen Harvey - Regional Manager Queensland 31 May 2016



## FIT FOR THE FUTURE:

It is a fact that Council has been independently assessed by the NSW State Government (IPART) as being “Fit for the Future” and that Council is committed to providing sound and sustainable local government services and infrastructure, and maintaining and enhancing its Service Levels to ensure a strong, vibrant growing community.

## THE PLANS:

The following documents are available on the Council website at <http://www.inverell.nsw.gov.au/your-council/council-publications.html> :

- Infrastructure Backlog Presentation provided to the June 2016 meeting of Council;
- Council’s Asset Management Plans;
- Council’s 2016/2017 Operational Plan and Budget; and
- Council’s Long Term Financial Plan.