

# ***Council Briefing***

Long Term Plan – Restart and Asset Management 101

23 June 2020

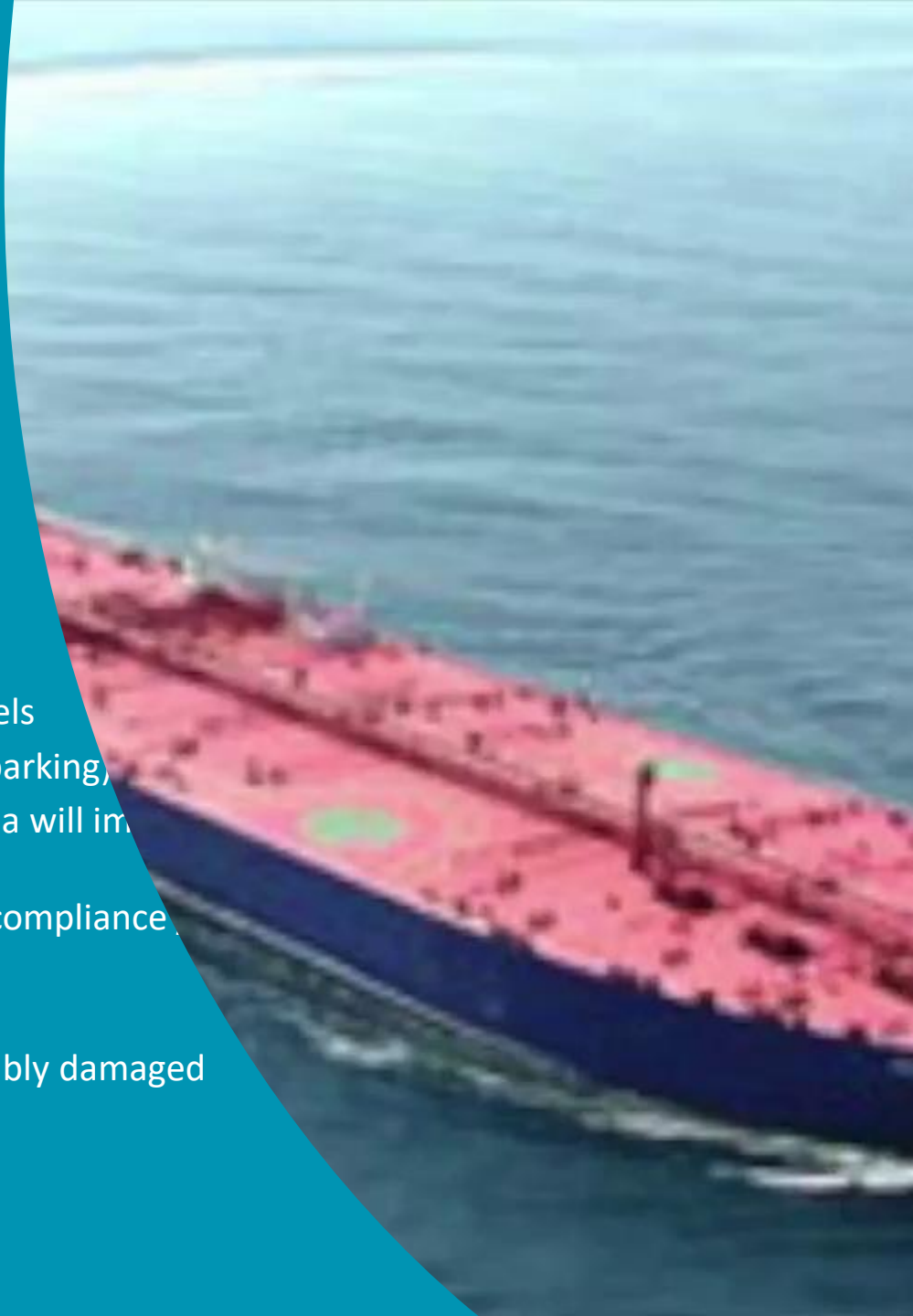
# Setting the Scene

*Running a long term business requires:*

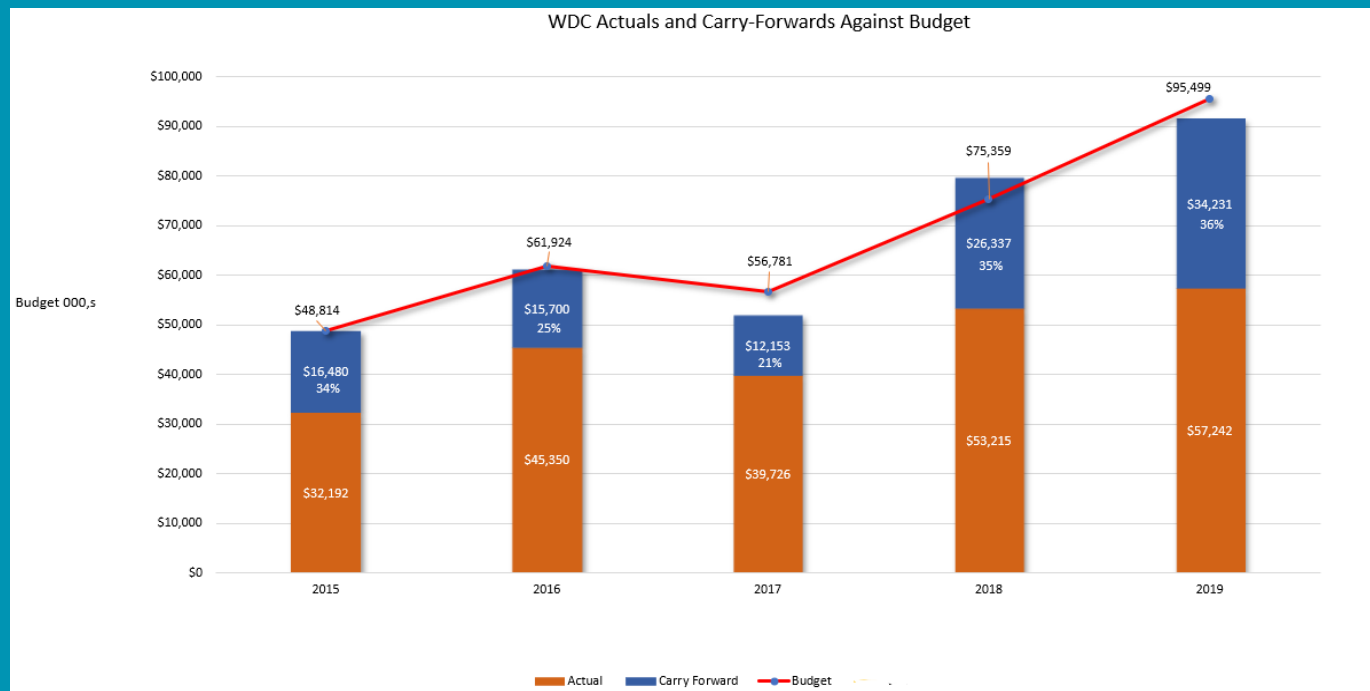
- Predictability of decisions
- Signaling direction changes well in advance
- Staying the course once set

*There will be pain points, including:*

- Catching up from COVID or lower service levels
- Expectations vs. the 'desire to pay' (i.e. CBD parking, etc.)
- Rating is a 'closed system', changes in one area will impact others (i.e. SUIPs or sector splits)
- Managing 'known unknowns' (i.e. increased compliance, insurance costs)
- Government policy changes
- Some of our business sectors may be irreparably damaged



# Capital Programme



Capital expenditure will be a key part of the process, we are relatively well placed

Need to deal with the demands of the multiple government that are appearing (is it worth it?)

However, we will need to address the deliverability / sustainability of an increasing capital programme (up 70% over the six years)

Opex is stable - We can't have our cake and eat it. If we want to increase levels of service in some areas, what are we willing to stop doing or are we willing to increase rates significantly?

# Central vs. Local Government

## Central vs/ Local Government

A period of wide-ranging sector/system reform:

- Three Waters
- RMA
- Building
- Wellbeings
- National Policy Statements
- Funding and Financing
- Ongoing trend of centralization from Government
- Aggregation is on the horizon with shifts in funding / responsibility ongoing. Every dollar has a constituency . . .

There is real potential for increased / unfunded mandate from Central Government (i.e. social welfare, housing, policing / enforcement)



## ***Our Role***

There are unique opportunities facing the District. However, many of your priorities for this LTP will be dependent on others:

- Transport (Roothing and Public Access)
- Revitalising the City Core
- Potential Northport expansion/Navy relocation
- Sustainability (including waste minimisation)
- Housing

We will need to be clear on what we control, what we can influence, who benefits and ultimately who pays (i.e. City Core revitalization / parking)





# Reminder of the building blocks

The development of the LTP is supported and directed by a number of documents and programmes of work.

These will be worked through with elected members for direction setting  
Some will require early decision making...

Finance Strategy

Infrastructure Strategy

Revenue and Financing Policy

Forecasting assumptions and price level adjusters

Funding impact statements

Forecast financial statements and reserve funds

Scan of strategic issues and population growth model

Community outcomes and vision statement

Early engagement feedback and formal consultation submissions

Levels of service and performance measures

Capital projects and operational expenditure

Development Contribution Policy

Activity profiles

Audit NZ process and report

Asset Management Planning

Council controlled organisations

## 2021 – 2031 Long Term Plan

# ***LTP Process overview***

A busy 12 months ahead, which we have structured in 5 Phases:

**Phase 1:** Information Building Blocks

**Phase 2:** Direction Setting

**Phase 3:** Draft LTP and Supporting Docs for Audit NZ

**Phase 4:** Consultation

**Phase 5:** Deliberations

**Phase 6:** Adopt LTP

# High level Long Term Plan timeline





# *Strategic Drivers*



# ***Introduction to Infrastructure Strategy and Asset Management***

Council Briefing 23 June 2020

# Agenda

- Overview
- Introduction to Asset/Activity Management
- Introduction to Infrastructure Strategy
- Issues for Asset/Activity Management Plan and Infrastructure Strategy
- Questions

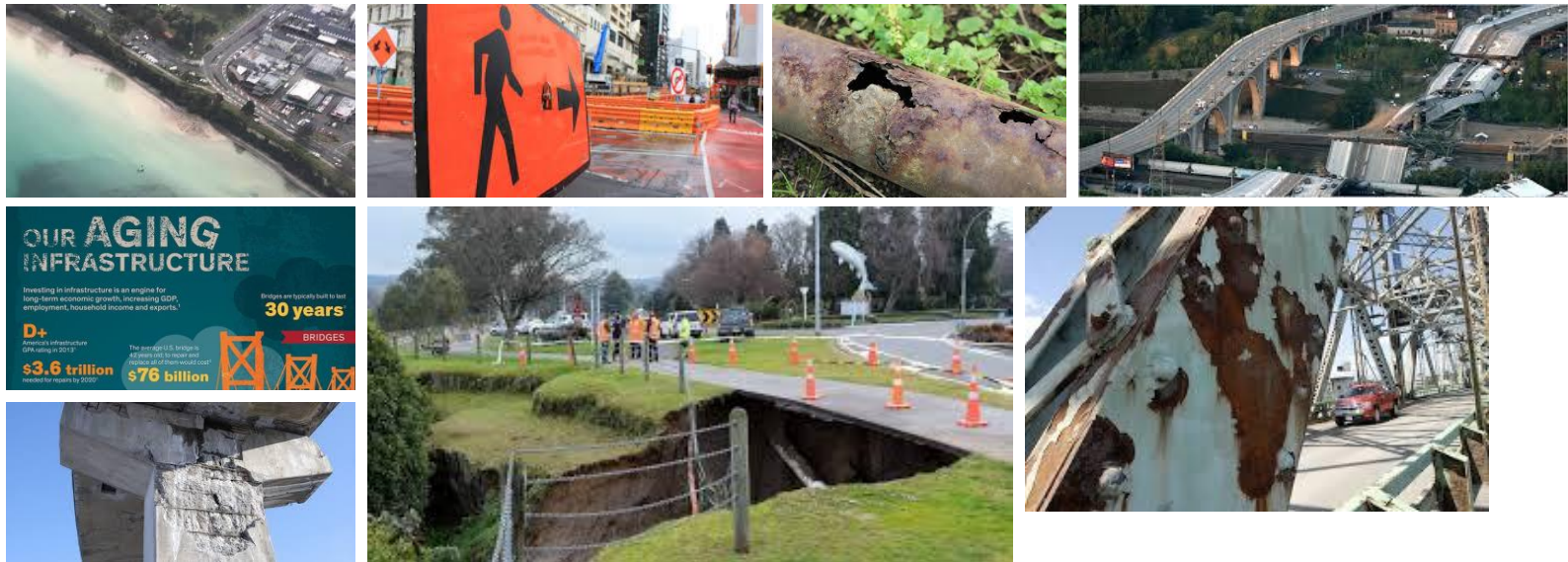
# *Overview*

NZ Infrastructure in a global context

National Infrastructure Direction

WDC Response

# Overview – What's our story



Asset/Activity Management Plans  
Infrastructure Strategy  
Financial Strategy and the LTP



Do we know the resilience of our assets and are we maintaining them?

## Trucks 'operate around the clock' to take sludge after Wellington waste pipe fails

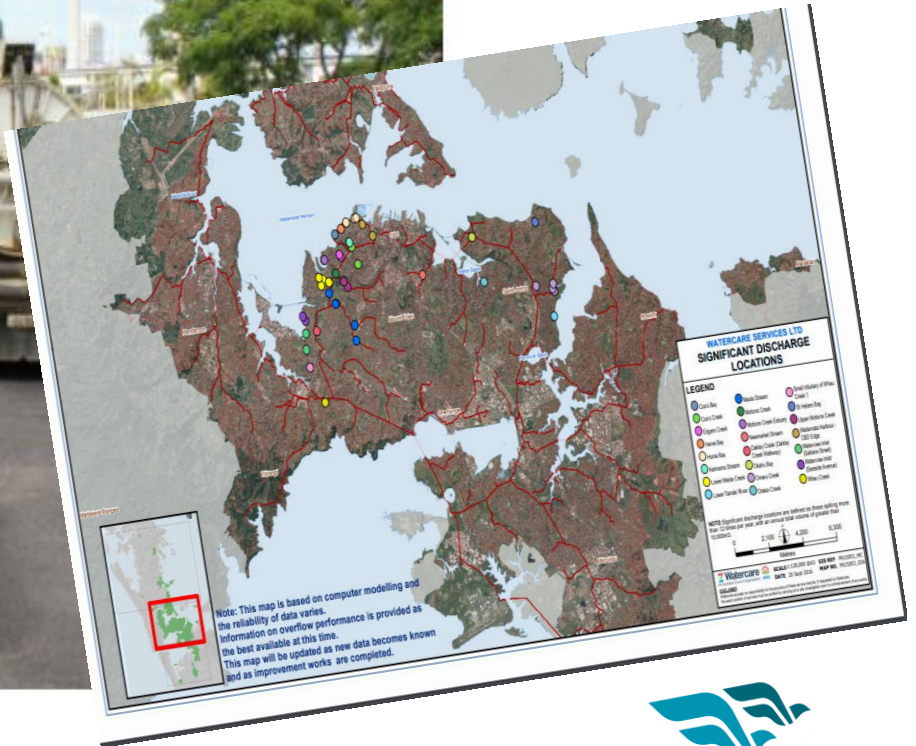
Ben Heather and Damian George · 19:09, Jan 23 2020



**URGENT: All drinking water must be boiled in Featherston until further notice**



## Managing wet-weather overflows





# Pipeline for the future



## Auckland's \$1.2b wastewater project

The Central Interceptor runs from Western Springs to a new pump station at Māngere. The pipe replaces an aging tunnel under Manukau Harbour and will collect wastewater from the existing network.



The new pipeline will reduce wastewater overflows at inner city beaches and the Auckland isthmus by at least:

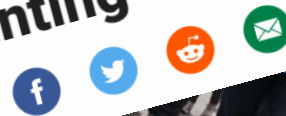
# 80%

## Local Challenges...



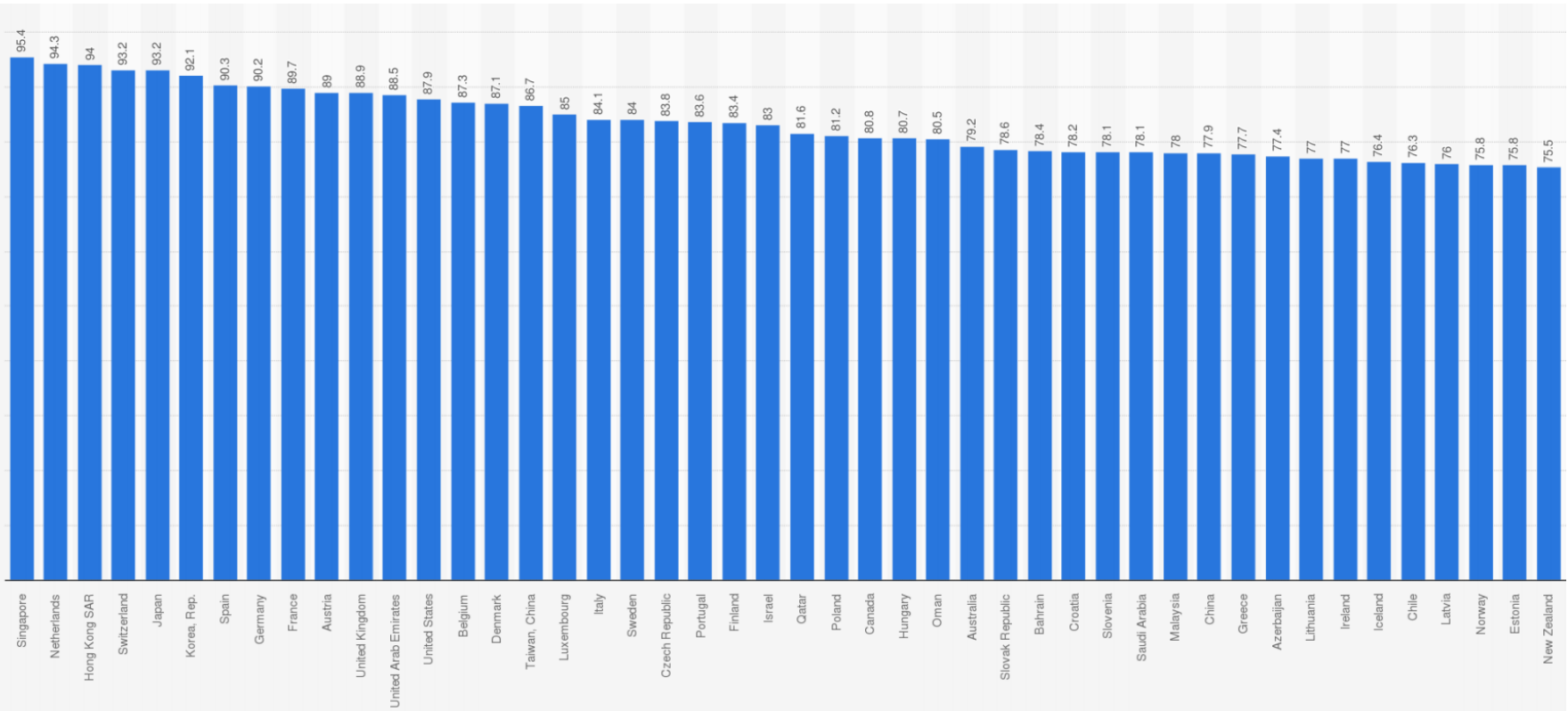
# Northland drought: Water shortage costs Far North District Council \$6m and counting

Susan Botting, Local Democracy Reporter · 09:05, Feb 28 2020



# NZ's infrastructure quality score 2019

Top 100: Ranking of countries according to their quality of infrastructure in 2019



# 2017 INFRASTRUCTURE REPORT CARD

Over the last four years, several infrastructure categories showed progress, resulting in grade increases. However, the 2017 Report Card's cumulative GPA of D+ reflects the significant backlog of needs facing our nation's infrastructure writ large. Underperforming, aging infrastructure remains a drag on the national economy, and costs every American family \$3,400 a year.

 AVIATION

 D

 PARKS & RECREATION

 D+

 BRIDGES

 C+

 PORTS

 C+

 DAMS

 D

 RAIL

 B

 DRINKING WATER

 D

 ROADS

 D

 ENERGY

 D+

 SCHOOLS

 D+

 HAZARDOUS WASTE

 D+

 SOLID WASTE

 C+

 INLAND WATERWAYS

 D

 TRANSIT

 D-

 LEVEES

 D

 WASTEWATER

 D+

CATEGORY	1988*	1998	2001	2005	2009	2013	2017
Aviation	B-	C-	D	D+	D	D	D
Bridges	-	C-	C	C	C	C+	C+
Dams	-	D	D	D+	D	D	D
Drinking Water	B-	D	D	D-	D-	D	D
Energy	-	-	D+	D	D+	D+	D+
Hazardous Waste	D	D-	D+	D	D	D	D+
Inland Waterways	B-	-	D+	D-	D-	D-	D
Levees	-	-	-	-	D-	D-	D
Ports	-	-	-	-	-	C	C+
Public Parks & Recreation	-	-	-	C-	C-	C-	D+
Rail	-	-	-	C-	C-	C+	B
Roads	C+	D-	D+	D	D-	D	D
Schools	D	F	D-	D	D	D	D+
Solid Waste	C-	C-	C+	C+	C+	B-	C+
Transit	C-	C-	C-	D+	D	D	D-
Wastewater	C	D+	D	D-	D-	D	D+
<b>GPA</b>	<b>C</b>	<b>D</b>	<b>D+</b>	<b>D</b>	<b>D</b>	<b>D+</b>	<b>D+</b>
<b>Cost to Improve**</b>	<b>-</b>	<b>-</b>	<b>\$1.3T</b>	<b>\$1.6T</b>	<b>\$2.2T</b>	<b>\$3.6T</b>	<b>\$4.59T</b>

[www.infrastructurereportcard.org](http://www.infrastructurereportcard.org)



# National Infrastructure Direction

## *The Vision – National State of Infrastructure Report 2016*

*By 2045 New Zealand's infrastructure is resilient and coordinated and contributes to a strong economy and high living standards.*



- Local government, a key provider of infrastructure
- 2014 NZ Auditor General identified risk of significant underfunding of infrastructure renewals, a national and international issue.

# WDC Response

Focus on core infrastructure

- Prioritise taking care of existing infrastructure
- Maintenance and renewals

Benchmark	Formula	Explanation
Essential Services	$\frac{\text{Capex on network services}}{\text{Depreciation on network services}}$ <p>(Target &gt;= 100%)</p>	Capital expenditure on network services as a proportion of depreciation on network services.

- A prudent response to the needs of growth, avoiding new infrastructure too far in advance (Examples Marsden City and the Port).
- Alignment between Infrastructure and Financial Strategies

Where to invest...





## *Infrastructure Assets(\$)*

Activity	Replacement Cost	Current Value	Annual Depreciation
Roading	1,255,776,779	811,744,244	20,284,149
Water	369,621,514.89	187,333,713.31	5,754,015.00
Wastewater	445,627,374.54	253,374,350.07	6,752,843.77
Stormwater	282,256,297.99	193,483,259.45	2,996,770.81
Flood Protection	42,455,038.00	23,445,283.49	296,874.64
Solid Waste	2,159,434.49	1,166,466.59	64,137.23
Parks	87,997,427.26	53,198,869.01	2,508,588.42

# What is Asset Management?



The objective of **Asset Management** is to meet the required level of service, in the most cost effective manner, through the management of assets for present and future customers.



**Lifecycle Asset Management** encompasses all practices associated with considering management strategies as part of the asset lifecycle. The objective is to look at lowest long-term cost (rather than short term savings) when making decisions.



- *International Infrastructure Management Manual IIMM*

# Asset Management Process

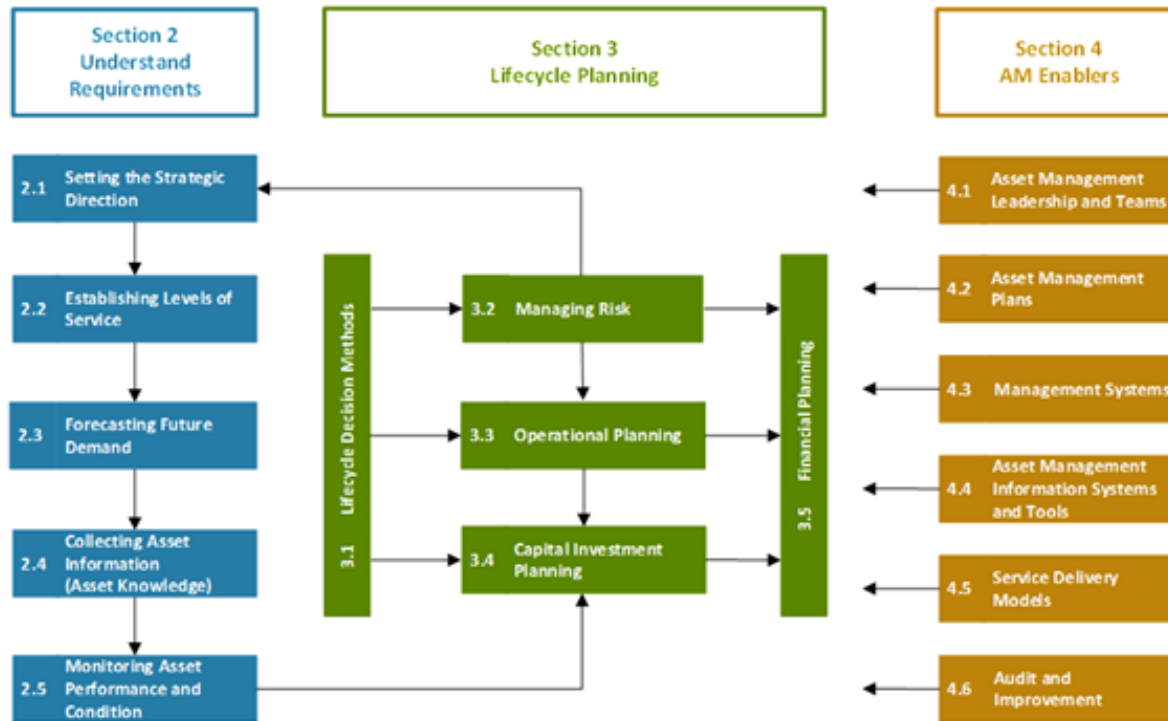
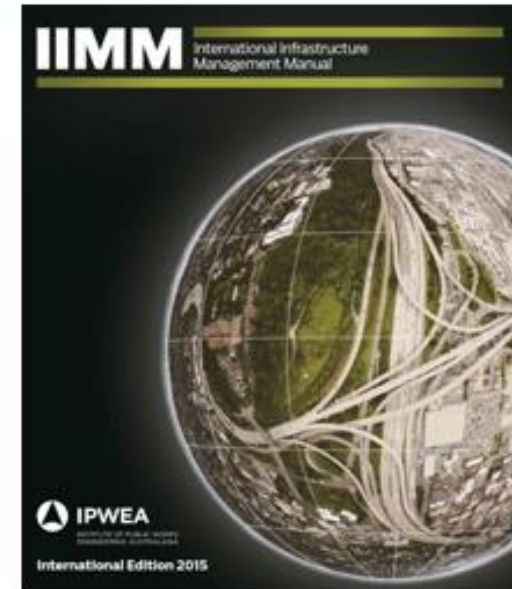


Figure 1.3.4: The Asset Management Process, IIMM International Infrastructure Management Manual 2015

Split - Legislation from Level of Service (LoS)
Add - Sustainability
Add - Safety and Security

Add - Asset Information Strategy



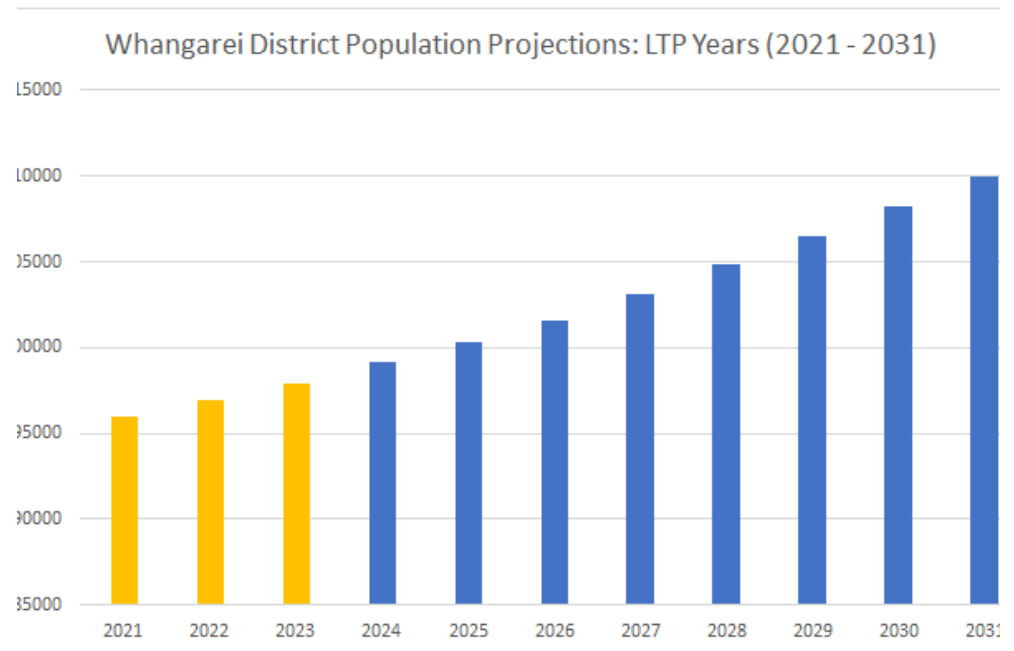
# *Levels of Service (LoS) & Performance Monitoring*

A key tool of an AMP is the definition of each activity's Levels of Service (LoS). These are developed based on four distinct components:

- **Strategic:** the strategic direction provided by Council
- **Legislative:** any legislative requirements that impact on the activity (eg water quality standards by the Ministry of Health)
- **Technical:** any technical asset management approaches identified to support appropriate asset management practices
- **Mandatory:** measures provided by the DIA through regulations

# Future Demand

- The model is informed by Stats New Zealand population data, immigration data as well as data on building consents and subdivision consents. This gives a more robust picture of future growth, compared to using just Stats New Zealand data, noting the issues that the 2018 Census has faced.



# *Asset Knowledge*



ASSET LIFECYCLE  
MANAGEMENT SYSTEM



CONDITION  
ASSESSMENTS



BENCHMARK FOR  
CONTINUOUS  
IMPROVEMENT

## *Developing Asset Management Plans (AMP)*

- A written representation of intended AM programmes based on understanding of service level requirements and the network's capability to meet those requirements.





# Where are we now and what next

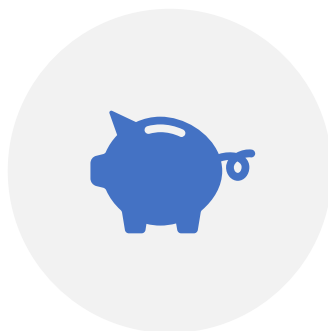
## AM Maturity (IIMM Table 2.1.2) assessed 2020



# Infrastructure Strategy



*REQUIRED TO LOOK BEYOND THE 10 LIFE OF AN LTP AND ADDRESS ISSUES FOR LONG TERM INFRASTRUCTURE MANAGEMENT.*



CLOSELY ALIGNED WITH THE FINANCIAL STRATEGY – THE MONEY TO FUND THE PROJECTS.



INCLUDES COUNCIL STRATEGIC DIRECTION, GROWTH AND DEMOGRAPHICS, ENVIRONMENT, EMERGING TECHNOLOGIES AND TRENDS, CLIMATE CHANGE AND HAZARDS, COMMUNITY DRIVERS AND RESILIENCE.

## *Key issues*

### Key Issues for the next 3-10 Years

- Maintaining focus on core assets
- Capital programme delivery
- Climate change and hazards
- Resilience and assessment
- Changes in customer expectations and LoS
- Changes in standards or significant central government infrastructure decisions (ie Three Waters Review)
- Response to COVID 19 considered

## ***Key issues – Infrastructure Strategy***

Key issues in the long term

- Climate change and hazards – National Response
- Changing demographics
- Emerging technology
- Significant Central Government infrastructure decisions

# Questions

## INFRASTRUCTURE

*“Every family, every community, and every business needs infrastructure to thrive” –  
America’s Report Card for Infrastructure*



# Condition of our Assets

