Question about the Asset Plan

The private ThinkTank member page has a recorded presentation by Greg Gale our Manager of Delivery and Assets. We asked you to join the conversation and have had some great comments. We had specific questions which Greg and his team have responded to below.

1. **Asset condition predictive model P18. Even adopting the lowest (level 5) point of intervention, overall conditions improved over 10 years. So why do we have any reds today? Assuming that we haven't been sitting on our hands, over the last 20-30 years, even if we had adopted the lowest point of intervention, we shouldn't see any reds!?**

   There are few reasons for the condition 5 (red) as listed below.

   - Sometimes all the assets sitting at the lowest point can't be renewed over a short period due to budget constraint. In that case, they are prioritised (by risk and usage) for renewal over a longer time period. This achieves a smoother, more predictable funding stream.
   - Assets deteriorate in a cycle (ie. Condition 4 deteriorate and fall in condition 5, Condition 3 falls into Condition 4 and so on). Even if we renew all assets at the lowest point, there will always be some other assets that deteriorate to that point.
   - Sometimes premature failures occur which are not predicted through the strategic modelling.

2. **Using Retaining Walls as an example, why is there a difference in 2032 outcome between P19 & P22? They are both based on intervention at level 5.**
   - P19 shows the condition with current funding (defined on p17), which shows even if our target is to renew at condition 5, we are actually renewing earlier with the current funding. Retaining wall deterioration may sometimes result in safety concern and to reduce the risk Council may consider earlier renewal.
   - P22 shows the condition if we renew retaining wall immediately after reaching condition 5.

3. **Drainage pipe condition profile. Comments on P36 - Does this mean that the current profile is based on a desktop extrapolation based on age? What is the cost of the 1% annual inspection regime?**

   Correct, the current profile is a desktop extrapolation based on age, due to the high cost of assessing the underground drainage network. Annual inspection costs approximately $55k to $60k for around 1% (8km) of the network.

4. **Buildings. P37 There seems to be a big difference in funding required between intervention at level 4 vs 5 even though there are currently nothing in yellow or red?**
   - The condition profile has been drawn by considering overall condition of each building. Overall condition is an average condition of all components of that building. Each building may consist of many components at various condition levels, including condition 4 or 5, however the overall condition of the building may be higher. These components may include things like footings, structure, roof, plumbing, internal finishes etc.
   - Buildings may be renewed completely if the overall condition is poor, or more readily only renew components sitting at poor condition.

5. **Proposed vs Required Renewal Funding P9 & P28 RGR & CRR**
   If I understand this correctly, C5 is based on intervention level in C6. This is compared to C4, the actual allocation. C4 divided by C5 gives us the last column %Fin Sust. But where does C4 come from in the first place? In my mind, C4 & C5 should be the same? Wouldn't you allocate funding based on the adopted Intervention level?

   - Your calculation is correct. C4 is the proposed budgeted amount within Council's Capital Works Program at the time of development of the Asset Plan. In a basic renewal scenario, C4 and C5 should be the similar. However, Council may accelerate or defer the renewal due to other factors, such as renewing a building (or part of) that is not yet at intervention level, but is no longer fit for purpose.
   - C2 on page 28 indicates the risk level of over or underspending on asset renewal. If it is underspent, it will create pressure for renewal in future and if it is overspent now, it will reduce pressure in future.

6. **RGR (Renewal Gap Ratio). With the greatest of respect to the VAGO, I am not sure how useful C1 & C2 are. They are indicators at best. Depreciation levels rarely have any relationship to renewal requirements of assets.**

   Depreciation does not accurately inform the renewal need, particularly in short term spending. But long term over the useful life of an asset, depreciation helps understand average spending requirements. As outlined in the Asset Plan, they are however only indicators.

7. **CRR (Capital Replacement Ratio) I don't see this measure anywhere. Isn't it just a duplicate of RGR?**

   CRR considers all capital works expenditure including renewal, upgrade, expansion and new. As the Asset Plan is focused primarily on the renewal of our existing asset portfolio, the CRR is not provided. It is included on p.28 for context only.