

Appendix 'D'

External Reviews



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John Laskewitz

Group Manager Transportation and Local Government

MWH (NZ) Ltd

93 Kelvin Street

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Dear John

### PEER REVIEW OF SOUTHLAND DISTRICT COUNCIL 2008 LAND TRANSPORT ACTIVITY MANAGEMENT PLAN

This letter is to summarize the conclusions of my peer review of Southland District Council's Land Transport Activity Management Plan. The version of the Plan reviewed was the Draft supplied on Monday 10 November 2008, supplemented by updated versions of several Appendices.

#### *Scope and Nature of the Review*

The review of the Plan was in terms of several overlapping templates. These were;

- Local Government Act 2002, in respect of asset management information required by Schedule 10 of the Act.
- The National Asset Management Group (NAMS) guidance for reviewing asset management plans
- The NZTA approach to reviewing Transportation asset management plans.

#### *Major Conclusions from the Review*

The Council's Land Transport Activity Management Plan is a very comprehensive and robust Plan. It is well written and compelling. There are significant parts of the Plan that meet the criteria of **Advanced Asset Management**. These parts are Levels of Service information, lifecycle management and risk management, and description of the land transport assets. Particular mention is made of the lifecycle analysis, which provides an excellent exposition of the rationale and inter relationships between maintenance, reseals and rehabilitation.

In my opinion the Council's Land Transport Activity Management Plan;

- Appropriately informs the development of the Council's 2009-19 LTCCP
- Complies with the asset information requirements in the Local Government Act
- Serves as a blueprint for medium term land transport strategies
- Provides a sound framework for performance measurement
- Provides good information for funding decisions

*Specific Comments on the Plan*

I have supplied detailed comments on the Plan in addition to the above summary. These comments in no way detract from the above conclusions. The common themes of the detailed comments are;

- To ensure appropriate connections and cross referencing between different sections of the Plan
- To bolster explanations and rationale in some areas
- To rationalize the Level of Service information
- To refine aspects of the risk information

I understand that the final Plan will list these observations and track any changes or comments against them.

At this point the Community Boards are still to assess the extent of footpath expenditure, so it is not possible to comment on the overall financial summary of forecast network expenditure.

Yours faithfully

Brian Smith  
Principal, Brian Smith Advisory Services

Detailed Comments on Specific Appendices in  
Southland District Council's Land Transport  
Activity Management Plan Version "Peer  
Review Draft - 10 Nov 2008"

<i>Appendix</i>	<i>Page / Para Reference</i>	<i>External Auditors' Comments</i>	<i>MWH Comments / Follow Ups</i>
A -Overview	Table A3	I wasn't sure how this table relates to either LoS or Demand and Growth. It didn't seem to be replicated or cross referenced to those Appendices.	Discussed table with B Smith, purpose of table to show how traffic volumes adjusted to cover various demands.
	Pages 3-6	To me, too much is made of the hierarchy review. Could we do a table of the roading groups on page 4?	Will look at with 2012 Plan when hierarchy has been worked through.
	General	We describe roads and footpaths but not other parts of the network.	Have noted App A overview, only covering major items.
	<b>Overall</b>	<b>Overview section is sound.</b>	<b>Accept.</b>
B – Levels of Service	Table B1	Important to complete this table as this is a particular area of interest for Audit.	Needs discussion/input from SDC to complete as time allows. Will be completed using new format.
	Attachment A – Table 2 page 8	This is very well presented.	Accept.
	Table 3 page 11	Some of the core values seem to be repeated or are overlapping eg Road Safety and Safety, Quality and Quality and Convenience. Also is "Demand" a Core Value or is it "satisfaction of demand" – possibly it is part of accessibility.	Have altered table to replace Quality and Convenience and Demand with Accessibility.
	Table 5- page 14	Well explained.	Accept.
	Table 6- page 17	Well explained.	Accept.
	Table 7 – pages 20-30	<p>Overall the approach is great and it is very comprehensive. I know you will be going through in detail this aspect with SDC. My 'critical' observations are:</p> <ul style="list-style-type: none"> <li>• I wonder about the order of presentation- some of the big items seem to be buried.</li> <li>• There are a huge number of items (76) which does appear to be too many.</li> <li>• Some of the Technical Measures are more logically Customer Measures eg LT 15, LT60, LT64.</li> <li>• Some of the specific LoS statements are somewhat vague or are action statements rather than true LoS eg LT55,LT56,LT58, LT69, LT54.</li> </ul>	<p>Table 7 fully reviewed with Asset Manager Roading and Roading Manager to cut down to customer measures only being reported in Activity Management Plan. Cuts measures to most critical 20 with rest being more operational measures. Developed targets and measures for these 20 items. Statements rewritten to improve them as LoS statements. Review of Table 7 looked at all B Smith comments and modified issues to take account of comments.</p>

		<ul style="list-style-type: none"> <li>• In the “How was Target established” there are references to Legislative Requirements when I don’t think this is the case eg LT15, LT11.</li> <li>• I was a bit confused about the LoS items related to the Alliance contract. Are all these LoS items applying only to that portion of the network in the Alliance or to the whole network? LoS should apply to the service not just to a locality of the service. This led me to think whether you need two categories to the Technical Measure – one being Technical Measures (Management) and the other Technical Measures (Contract Delivery).</li> <li>• Why are non Land Transport items included? Ie Cemeteries, Parks, Playgrounds, toilets.</li> <li>• Are all of the targets measurable? Eg LT54,LT69.</li> <li>• Which of the items are to be included in the LTCCP?</li> </ul>	
	Overall	A very good framework but I think the LoS items need to be culled, and reviewed for the aspects that I have mentioned above.	Done.
Appendix C - Valuations		(to come)	Provided 17/11/08. B Smith generally happy with.
Appendix D		Not applicable.	Now used to display results of reviews.
Appendix E- Maintenance and Operating Rqmts	Table E1	<ul style="list-style-type: none"> <li>• Further to our discussion on Monday, I think this table should show the totality of the network spend ie Special Purpose Roads expenditure should be included.</li> <li>• Many of the expenditure items are ‘flatlined ’ over the 10 years. Putting inflation to one side, there must be other influences which will impact on the maintenance spend. In</li> </ul>	<p>To cover this by note only given the relatively small amount involved and the lack of impact on SDC due to 100% funding by NZTA.</p> <p>This will be covered in the explanation to be added as noted below.</p>

		Apdx B, for LoS item LT 66, it talks of maintenance cost reductions. Also what about the maintenance on expected vested assets and the increased costs of maintenance associated with the sustainability LoS items?	
	Page 2 para 3	I'm not sure why lifeline issues are here – do they impact on maintenance?	Lifelines impact on all aspects but have moved to Risk Section.
	Overall	I appreciate that this Appendix is not complete, but it is rather skimpy when compared to Appendix F. Some of the M & O issues are noted in Appendices X and Y, but the reader can't get a feeling for the underpinning rationale for Table E1 forecasts.	Developing more explanation to go with tables in App E (similar format to Att A of App F).
Appendix F- Renewals		This is very comprehensive and in fact explains most of the Lifecycle Management and Optimised Decision making for most parts of the network (80 pages !)	Accept.
	Pages 5 and 6	Issues very well articulated.	Accept.
	Attachment A	Very well explained.	Accept.
	Attachment B	There's excellent information here. Minor comments are <ul style="list-style-type: none"> <li>I got confused about the average life expectancy of pavements- 48,58, 53 and 52 years are all mentioned.</li> <li>I wondered whether all the narrative text on page 17 could be shown by way of table that highlights factors which decrease the life of the pavements compared to factors that maintain or stretch the life of the pavements.</li> <li>In table FB3 (page 18) is there a "low risk" scenario?</li> </ul>	Have added explanation indicating how these figures have developed.  This would be difficult to do while still retaining all the explanation. It is hoped that for the next plan the availability of more data will reduce the words required.  Low risk scenario is the 2006 projected programme.
	Attachment C	On page 28 we state that there are maintenance costs associated with edge breaks. Are there also consequential maintenance costs through seal widening. Perhaps these assumptions should be added to the notes in table E1.	Note on ongoing cost of seal widening added to Section 3 of App F Att C.

	Attachment D	Again there is robust and meaty information here. On page 39 table FD4 I couldn't reconcile the funding required to the average M2 rate of \$5.18. If we are resealing about 600Km2 a year at \$5.18 (note this is rate at June 08, not 09) then the dollars are around \$3.1m- have I missed something?	Brian misread graph as he found it confusing. We have added extra explanation to make easier to follow and added a note that 2008 and 2009 costs assumed to be the same.
	Attachment F	Only talk about 3 year planning, not 10 years.	Have changed to 10 years.
	Attachment G	I couldn't reconcile the info here to table F.1.a. Is the \$2.745 M in this table on the basis of metalling of 132K M3 each year? Perhaps some of the metalling is new capital (Appendix H shows \$305K each year) but I'm not sure.  Does the increase in the metalling rate have any implications for maintenance costs in Appdx E?	Total metalling cost is \$2.745M and \$.305M giving \$3.05M. The words have been altered to reflect this.  No real affect apart from reducing need for higher level of maintenance.
	Attachment H	Great info here again. Only comment is related to the dollars in page 52. You state that \$550k per year is the proposed programme and that 10% of this is new capital. But Table F.1.a has bridge renewals at \$520k per year. Are the dates of the unit cost estimates different?	Have sorted out confusion between 2008 and 2009 prices. Have \$495k Renewals, \$55k New Capital and \$100k Structural Repairs/Upgrades.
	Attachment K	The rationale for Traffic services does not seem as compelling as the other network items, even though this is over a million dollars a year in renewals.	Further text has been added to provide more background on Traffic Services.
	Attachment M	Similar comment as for Attachment K.  Also the section on Active Transport seems to be hidden here – I wonder whether it should be in Demand or LoS.	More text provided on Minor and Associated Improvements. Cross references to the Active Transport section have been provided.
	Overall	<b>There is excellent Lifecycle analysis in this section which also traverses optimized decision making. Scenarios are well articulated. Appendix F is the solid "core" of the entire Activity Management Plan.</b>	<b>Accept.</b>
Appendix G- Depreciation		(to come)	Provided 17/11/08. B Smith generally happy with.

Appendix H – Future Demand/Trends & New Capital Rqmnt	Table H.1.a	The references to renewals in the Table should be removed - as this is mainly the new capital portion of renewals.	Done.
	Attachment B/C	Some good information here.  This is where I would include reference to the ETS. Reading the SOLGM paper I don't see that SDC has any direct ETS liability in Land Transport, but it may be indirectly affected by the impact on road users, dairying conversions and forestry owners . Early thoughts are that forestry blocks will be replanted so there may be additional traffic for development and maintenance (not a big issue). Also the SOLGM paper mentions a 1.1% one off increase in CPI through fuel charge increases in 2011/12. That may dampen car travel but again there's not much alternative for most. (We may have to factor this in the contract rate increases for 2011/12).The biggest effect may be in the rate of dairy conversions which could slow. However the ETS effect would be small compared to the international milk price effect.	Given the uncertainty regarding the timing and form of the ETS (given the recent change of government), we have covered this with a general statement acknowledging it but making no specific allowance. A 1.1% one off increase in CPI is potentially small compared to assuming that the BERL inflation allowances will be adequate. Should an increase be required in funding this will need to be dealt with in the same way as having to allow for more inflation than what has been allowed for in the Plan.
	Attachment C	Is it possible to cross reference the issues and conclusions to any relevant LoS items? Any future actions table?	Not easily as most issues will impact on most LoS items.  Covered by H <sub>1</sub> and H <sub>2</sub> .
	Overall	<b>Section well completed- add in ETS ramifications and link conclusions to other sections.</b>	<b>See comments above.</b>
Appendix I- DCs		(to come)	To provide list of potential vested assets.
Appendix J- Debt		( more information to come)	Potential loan information cannot be completed until after LTCCP consultation.
Appendix K- Disposals		No comments- good to see some content in a section that is often glossed over.	Accept.
Appendix L – Funding Policy		Are the “modified % share of costs” on page 10 the final funding decision? I would be interested to see what	These were the final funding decisions for 2008/09. Council are consulting with interested parties which may lead to

		mechanisms they are going to use to levy rates. Where does the "other revenue" of \$10,137,371 on page 9 come from?	modification of these figures. Other revenue is non NZTA funding – ie rates, loans, etc.
Appendix M- Overall Finances		(still a work in progress) In relation to cost indexing, I would use the BERL figures as an initial adjustment, and then apply any additional factor that is relevant for SDC. I would suspect this could be mainly assumptions about contract renewal/retender rates. Also, if BERL hasn't already allowed for it, I would allow an adjustment for the one off fuel price rise described above for the ETS in 2011.  In appendix M I suggest two summary tables – one with the cost escalations and one without. The latter can then be related to the individual appendices more readily and will be in real "today" dollars. A graph comparing the cumulative totals of the two tables would provide a ready appreciation of the effect of inflation.	Have stuck with initial decision from SDC to use BERL figures as provided on the understanding that if these prove inadequate the subsequent annual programmes may need to be adjusted to reflect the actual increase. The same has been applied to the possible ETS effects.  Have done.
Appendix N- Environmental Mgt		This section is rather brief and is confined to consents and District Planning. Could this be widened to include the sustainability issues noted elsewhere. Also there are LoS items re Environmental Sustainability that could be cross referenced to here.	Discussed B Smith and agreed that as App N is Environmental Management only this is adequately covered and okay to be separate from issues covered in App Q.
Appendix O- Road Safety		Good to see a section on this with NZTA objectives and info. While it's still to be finished, again it would be good to cross reference to the LoS items on safety.	To complete. Will cross reference where possible.
Appendix P- Demand Mgt		A short section but it captures the major issue facing SDC – 50T vehicles.	Accept.
Appendix Q- Sustainability and SNE		Table Q1 has a "significance" column but the items in here are "doing" actions. For these actions and the mitigation mechanisms in Table Q2, is there cross reference to actual	The significance column has been renamed to the more appropriate "Recommended Actions". These items are general in nature and thus difficult to cross reference to specific practices or

		<p>management practices in "X" or to LoS items?</p> <p>I do wonder whether the N and Q Appendix can be consolidated – I know sustainability is more than just environmental but there is an overlap.</p>	<p>LoS items.</p> <p>After discussion mentioned in N, decided to leave these separate.</p>
Appendix R - Assumptions and Risk Management		<p>This framework is not one I have seen before, but it appears to be comprehensive, taking into account opportunities as well as risk. The introductory information is very good. Specific comments are:</p> <ul style="list-style-type: none"> <li>• Table R1 (now Table R2) – should the last line under description be indirect costs rather than direct costs.</li> <li>• Table RA1 (page11) - the first assumption says no serious flood but the comments opposite say a serious storm event is probable. The 3<sup>rd</sup> assumption is for dollars in 2008 terms – should this be updated to 2009?</li> <li>• In the risk register there are about 25 items in the "treatment matrix". Looking at the terms used, there appears to be overlaps and the language used is not replicated in other sections of the Activity Plan. Are these terms bespoke for SDC?</li> <li>• In the risk register the 6<sup>th</sup> column is "criticality" in which each entry is 0.7 – not sure what this means.</li> <li>• The final columns in the risk register on consequences don't match the terms used in the succeeding A3 size consequences definition sheet (no page ref).</li> <li>• Some risk events in the register seem very broad eg #22,#40, #44.</li> </ul>	<p>No. "Indirect costs" to Council are in fact "direct costs" to the Community.</p> <p>Agreed. Deleted 2<sup>nd</sup> paragraph of comments.</p> <p>Agreed. There is some overlap, however, as these are "aide d'memoire" (ie a placeholder to make us think about the correct treatment) they are not critical. Open to negotiation on timing for review but suggest that this is something for December or early next year. (This is a living document and will be continuously reviewed).</p> <p>Agreed. Have added new Table R.1 Criticality, along with definitions. Also added "The Transport Activity has been assessed as '0.7' in terms of criticality. How this relates to other council activities is described within Table R.1.</p> <p>No. Intended to be different. Discussed with B Smith.</p> <p>No. These are appropriate at this level. The detail will be enhanced at a later date. Issues relating to these risks have been added to App T.</p>

		<ul style="list-style-type: none"> <li>Some of the higher risks are related to communication and consultation, but Appendix T doesn't seem to raise any specific issues.</li> <li>Who is tasked with responsibility for mitigation – should the Plan sheet home responsibility?</li> </ul>	The action items from the Risk Plan are incorporated into the Improvement Plan which will show responsibilities and timeframes as it is populated.
Appendix S-Bylaws		OK – no comments.	Accept.
Appendix T-Consultation		<p>This seems a bit “undercooked” and the issue on para 4 is rather vague. Perhaps mention could be made of:</p> <ul style="list-style-type: none"> <li>The consultation with Community Boards on footpath standards.</li> <li>The high risks in the “R” section regarding communication and consultation.</li> </ul>	Comments on these issues have been added. The LTCCP will mention the high level of consultation undertaken for the 2006 Plan with a reduced need for this Plan.
Appendix U-CIP		While it is noted that the CIP Appendix is to be progressed and updated, the content thus far is very good. Often CIP sheets are not very specific, but this Appendix gives good detail on the Improvement Action and in the Comment column. The length and comprehensiveness of the CIP probably wants an edit in itself to combine any like or related actions that can be combined.	This is a work in progress. Review/tidy up/consolidation has reduced the number of improvements from approx 180 to 70 needing action.
Appendix V – Legislation and Planning Relationships		Very well completed.	Accept.
Appendix W-		Good info here. I wonder whether, in para 4, there could be a decision making flowchart or a wiring diagram of the decision making process for each major area within the network.	This has been added to the Improvement Plan to incorporate into the next plan.
Appendix X-Overview of network parts		<p>Overall there is excellent information here. Comments are:</p> <ul style="list-style-type: none"> <li>On the first line (page 1)</li> </ul>	Have deleted the word <b>economic</b> from

		<p>states that <b>economic</b> roads are owned and operated. Is this a deliberate statement as elsewhere in the Plan there is discussion on the letting little used roads (uneconomic) reverting back to unsealed.</p> <ul style="list-style-type: none"> <li>• I wonder whether pie chats or similar would highlight info better. I'm thinking of Table X.2.2 (to highlight widths not to standard) and Table X.4.13 on ratings of Surface Water Channels</li> <li>• Page 62 – some items are out of date.</li> </ul>	<p>this section as SDC also has some responsibility for paper roads which may not be considered economic.</p> <p>This could be done but not sure of the value this adds.</p> <p>Table updated, completed actions noted as complete.</p>
Appendix Y- Service Delivery		Good info. Need to update on the rollover of the Alliance contract.	Done. Now shows contract rolled over for the final 6 years.

Follow up Comments on Specific Appendices in  
Southland District Council's Land Transport  
Activity Management Plan Version "Peer  
Review Draft - 10 Nov 2008"

The following are the peer review comments on Appendices C, G and I of Southland District Council's draft Land Transport Activity Management Plan. These Appendices were not able to be completed at the time the remainder of the Activity Management Plan was reviewed in mid- November 2008. The aforementioned Appendices were supplied on Monday 24 November.

My peer review comments are as follows:

<i>Appendix</i>	<i>Specific Reference</i>	<i>Comment</i>	<i>MWH Comments / Follow Up</i>
Appendix C Valuations	Table C.2.a (page 1)	A better title for this table would be "Forecast Land Transportation Asset ODRC Values". Other table titles should follow a similar wording (amended where relevant to ORC ).	Will alter in next version.
	Para 3 Page 2	The assumptions are very comprehensive. One minor comment is that it wasn't entirely clear, in respect of bridges, that current demand for bridge renewals is low. Perhaps "low" can be put into the 4 <sup>th</sup> bullet point.	Will alter in next version.
	Table C.5 (page 5)	This table should be for the period 2009/19, not 2006/16.	Will alter in next version.
	<b>Overall</b>	This appendix has been well completed.	Accept.
Appendix G Depreciation	Table G.1.a	The title used implies this is about funding depreciation ("depreciation requirements"). A better title would be "Projected Depreciation Expense".	Will alter in next version.
		In the "actual depreciation" columns we should take the actual land transport depreciation figures that are from the Council's annual report rather than the depreciation generated from previous valuations.	Will alter in next version.
		Also it appears that there may be a misalignment between the forecast years and the respective depreciation forecasts. The 30 June 2008 valuation generates depreciation that will be applicable for the 2008/09 financial year; and so on for future years.	Will change this in table G1a and Table M.1 which includes these figures. There is a level of debate on how these figures should be applied. Due to this the figures have been updated but applied as previously.
	Para 3 page 4	Good information on renewals versus forecast depreciation.	Accept.
	<b>Overall</b>	Need to check Table G.1.a as noted above.	Will do. See above.
Appendix I Developer/Financial Contributions	Overall	We need to be clear about which policy is in place. A council can collect DCs or FCs but not both at the same time. Council may be moving from FCs to DCs.	Have confirmed with SDC that SDC only collect Financial Contributions. Will amend wording in App I to clarify this.